

# CONSOLIDATED MANAGEMENT REPORT FOR 2021

**ACCOMPANIED BY** 

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 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 2021

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. 32A, par. 1 and par. 2 and Appendix No.2 to the Ordinance No.2 of November 09, 2021 on the prospectuses in public offering and admission of Securities for trading on a regulated market and for disclosure of information



## **Selected performance indicators**

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

| Financial indicators                          |                         | 2021          | 2020     | 2019          | 2018         | 2017   |
|---|-------------------------|---------------|----------|---------------|--------------|--------|
| Net revenue                                   | BGN million             | 499.8         | 390.5    | 538.5         | 526.8        | 479.1  |
|   | EUR million             | 255.5         | 199.7    | 275.3         | 269.3        | 245    |
| Gross margin from sales of goods <sup>1</sup> | BGN million             | 53.5          | 51.0     | 56.9          | 49.3         | 47.7   |
| Gross margin from sales of goods              | EUR million             | 27.4          | 26.1     | 29.1          | 25.2         | 24.4   |
|   | %                       | 10.9          | 13.4     | 10.8          | 9.5          | 10.1   |
| EDITED 4.2                                    |                         |               |          |               |              |        |
| EBITDA <sup>2</sup>                           | BGN million             | (16.5)        | (0.8)    | 4.1           | 5.4          | (7.3)  |
|   | EUR million %           | (8.4)         | (0.4)    | 2.1           | 2.8          | (3.7)  |
|   | <b>%</b> 0              | (3.3)         | (0.2)    | 0.7           | 1.0          | (1.5)  |
| EBIT <sup>3</sup>                             | BGN million             | (22.1)        | (6.5)    | 0.2           | 4.5          | (8.8)  |
|   | EUR million             | (11.3)        | (3.3)    | 0.1           | 2.3          | (4.5)  |
|   | %                       | (4.4)         | (1.6)    | 0.0           | 0.8          | (1.8)  |
| Nat 222 54 (1222)                             | DCN:11:                 | (25.4)        | (0.0)    | ( <b>5</b> 0) | 55.0         | 1.4    |
| Net profit (loss)                             | BGN million EUR million | (25.4) (13.0) | (8.9)    | (5.0)         | 55.9<br>28.6 | 0.7    |
|   | %                       | (5.0)         | (2.3)    | (0.9)         | 10.4         | 0.7    |
|   |                         |               | <u> </u> |               |              | 0.0    |
| Share price <sup>4</sup>                      | BGN                     | 0.41          | 0.41     | 0.715         | 0.985        | 0.44   |
|   | EUR                     | 0.21          | 0.21     | 0.37          | 0.50         | 0.22   |
| Assets  | BGN million             | 127.0         | 149.7    | 139.6         | 130.2        | 100    |
| 1155015                                       | EUR million             | 64.9          | 76.5     | 71.4          | 66.6         | 51.1   |
|   |                         |               | , , , ,  |               |              |        |
| Debt <sup>5</sup>                             | BGN million             | 42.9          | 46.6     | 47.4          | 48.2         | 41.6   |
|   | EUR million             | 21.9          | 23.8     | 24.2          | 24.6         | 21.3   |
|   |                         |               |          |               |              |        |
| Shareholders' equity                          | BGN million             | 3.4           | 28.8     | 14.6          | 19.6         | (34.2) |
|   | EUR million             | 1.7           | 14.7     | 7.5           | 10.0         | (17.5) |
| Capital expenditure                           | BGN million             | 0.9           | 0.7      | 2.5           | 1.1          | 2.8    |
| Capital Capolidituic                          | EUR million             | 0.5           | 0.7      | 1.3           | 0.6          | 1.4    |
|   | zer minion              | 0.5           | 0.1      | 1.5           | 0.0          | 1,7    |

 $<sup>^{1}</sup>$  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.

 $<sup>^{\</sup>rm 5}$  Includes interest-bearing loans and financial lease liabilities.



## **Selected performance indicators (continued)**

| Financial ratios   | 2021    | 2020   | 2019  | 2018  | 2017    |
|--|---------|--------|-------|-------|---------|
| Return on average capital employed (ROACE) <sup>6</sup> (%)  | (34.96) | (8.99) | 0.25  | 12.82 | (262.6) |
| Return on assets (ROA) <sup>7</sup> (%)                      | (16.00) | (4.46) | 0.12  | 3.90  | (8.99)  |
| Debt/assets (%)  | 33.74   | 31.09  | 33.96 | 37.05 | 41.64   |
| Equity/Assets (%)  | 2.64    | 19.24  | 10.44 | 15.03 | (34.17) |
| Current liquidity (ratio) <sup>8</sup>                       | 0.94    | 0.97   | 1.24  | 1.41  | 0.84    |
| Goods turnover ratio (days) <sup>9</sup>                     | 16      | 21     | 17    | 17    | 17      |
| Accounts receivable collection period (days) <sup>10</sup>   | 15      | 21     | 18    | 17    | 20      |
| Accounts payable payment period (days) <sup>11</sup>         | 48      | 60     | 40    | 35    | 30      |
| Operating ratios   | 2021    | 2020   | 2019  | 2018  | 2017    |
| Sales of fuels (million liters)                              | 260.7   | 238.9  | 297.6 | 292.2 | 289.2   |
| Sales of fuels (thousand tons)                               | 1.5     | 1.5    | 2.2   | 1.5   | 1.6     |
| Number of fuel stations under "Petrol" brand (end of period) | 301     | 320    | 320   | 322   | 328     |
| Number of operated fuel storage facilities (end of period)   | 1       | 1      | 1     | 2     | 2       |
| Share of sales revenue – corporate sales on credit           | 27%     | 28%    | 26%   | 25%   | 24%     |
| Number of employees (end of period)                          | 1,189   | 1.257  | 1,246 | 1,181 | 1,204   |

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

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

<sup>&</sup>lt;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>&</sup>lt;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 2021, besides the Parent company Petrol AD, thirteen 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, 2021, the retail network comprises 301 filling stations evenly spread throughout the country providing national coverage. In 2021, 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.

full range of



As at the end of 2021, all trade sites are equipped with systems for collection of vapour emitted during unloading of fuels complying with all environmental protection requirements, while 137 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 192 of the fuel stations and four sites offer methane. The sites also offer a

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 2021 are made through the operated by the Group storage depot in the city of Varna and through purchases from other storage facilities operated by third-party operators.

As at December 31, 2021 the storage depot in Varna operated by Petrol Group is licensed for operation of tax warehouse in compliance with the Excise Duty and Tax Warehouse Act (EDTWA), which provides an opportunity for temporary suspension of excise duty taxation. The Group operates one port terminal for loading and unloading of fuels, located at the Black Sea coast. At the end of February 2022, the subsidiary Varna Storage EOOD returned its license for operation of a tax warehouse issued by the Customs Agency due to inability to negotiate an acceptable level of remuneration 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, as increases 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 (CO2, CO, NOX) 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 Petrol AD 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 2021 the companies of the Group did not carried 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, 2021 Petrol Group consists the Parent company and 13 subsidiaries:

- Varna Storage EOOD was registered in Varna in 2011. In March 2020, the Management of Petrol AD takes a decision to increase the company's capital with BGN 7,000 thousand by an in-kind contribution by the Parent company Petrol AD. The company specializes in the processing, storage and trading with petroleum and petroleum products. As at December 31, 2021, the company is operator of SD Varna. The Petrol Group is a sole owner of the capital as at December 31, 2021. In 2021 the company generated total revenue of BGN 7,635 thousand, including BGN 15 thousand income from government financing, positive EBITDA of BGN 2,139 thousand and net profit for the year at the amount of BGN 1,828 thousand. As at December 31, 2021 the total assets of the company amounted to BGN 6,601 thousand with total liabilities of BGN 5,539 thousand and positive net assets at the amount of BGN 1,262 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, 2021, the Group owns 98.8% of the company's shares. For 2021 the company reported total revenue of BGN 159 thousand, positive EBITDA of BGN 42 thousand and net profit for the period of BGN 8 thousand. As at December 31, 2021 the total assets of the company amounted to BGN 933 thousand, with total liabilities of BGN 212 thousand and positive net assets of BGN 721 thousand:



## **Structure of the Group (continued)**

- Petrol Finances OOD 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 the financial activity, as well as any other activity not prohibited by law. As of December 31, 2021 Petrol Group owns 99% of the company's capital. For 2021, the company generated total revenue amounting to BGN 1,615 thousand, including 547 thousand income from government financing, positive EBITDA of BGN 81 thousand and net profit for the period of BGN 66 thousand. As at December 31, 2021 the company owned total assets of BGN 335 thousand, total liabilities of BGN 212 thousand and positive net assets of BGN 123 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 of December 31, 2021 the Group owns 100% of the company's capital. For 2021 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, 2021 the Group owns 100% of company's capital. For 2021 the company generated total revenue of BGN 54 thousand, with negative EBITDA amounted to BGN 101 thousand and net loss for the period of BGN 169 thousand. As at December 31, 2021 the company owned total assets of BGN 1,483 thousand, total liabilities of BGN 2,020 thousand and negative net assets of BGN 537 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 of December 31, 2021 the Group owns 100% of the capital. In 2021 the company generate total revenue of BGN 11 thousand. For 2021 the company reported EBITDA of BGN 0 thousand and net loss for the period of BGN 14 thousand. As at December 31, 2021 the company owned total assets of BGN 2,252 thousand and total liabilities of BGN 332 thousand, as a result at the end of 2021 the net assets of the company are positive amounting to BGN 1,920 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, 2021 the Group owns 100% of the capital. The company did not carry out commercial activity in 2021 and not generated revenue;



## **Structure of the Group (continued)**

- Kremikovtsi Oil EOOD is a solely owned 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, 2021 the Group is a sole owner of the company's capital. The company's total revenue for 2021 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, 2021 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 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, 2021 the Group is a sole owner of the company's capital. The company's total revenue for 2021 is BGN 25 thousand, with positive EBITDA at the amount of BGN 15 thousand and net profit of BGN 1 thousand. As at December 31, 2021 the company owns total assets of BGN 1,652 thousand, has no liabilities and positive net assets of BGN 1,652 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, 2021 the Group is a sole owner of the company's capital. The company's total revenue for 2021 is BGN 18 thousand, positive EBITDA of BGN 10 thousand and net result of BGN 0 thousand. As at December 31, 2021 the company owns total assets of BGN 1,538 thousand, has no liabilities and positive net assets of BGN 1,538 thousand;
- Svilengrad Oil EOOD is a solely owned 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, 2021 the Group is a sole owner of the company's capital. The company's total revenue for 2021 is BGN 18 thousand, with positive EBITDA at the amount of BGN 8 thousand and net loss of BGN 33 thousand. As at December 31, 2021 the company owns total assets of BGN 1,769 thousand, has no obligations and positive net assets of BGN 1,769 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, 2021, Petrol Group owns 98.8% of the company's shares. In 2021 Petrol Technology OOD did not carry out commercial activities;
- Varna 2130 EOOD is a solely owned 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, 2021 the Group is a sole owner of the company's capital. For 2021 the company has generated total operating income of BGN 84 thousand, positive EBITDA of BGN 66 thousand and net profit for the period of BGN 22 thousand. As of December 31, 2021 the company has total assets of BGN 1,524 thousand, total liabilities of BGN 4 thousand and positive net assets of BGN 1,520 thousand.

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 2021).

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 2021 so it has not carried out an assessment of the opportunities of the applied investment intentions.



## **Management Bodies**

<u>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</u>

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 Member by Nikolay Gergov

"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.

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.

February 2019 are pending.

<sup>&</sup>lt;sup>12</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



**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 2021, 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 Rumen 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 2021 there are no changes in terms of the members of MB and SB of the Parent company.

<u>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</u>



#### **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 Voynovski 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 2021 there is no contingent remunerations.

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



As at December 31, 2021 the Group has no due amounts for retirement benefits or other compensations for the members of the Boards.

<u>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</u>

In 2021, 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.

<u>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</u>

The total amount of accrued remunerations of key management of the Parent company, included in personnel costs, amounted to BGN 1,457 thousand (2020: BGN 1,148 thousand). The unsettled liabilities as at December 31, 2021 amounting to BGN 73 thousand (2020: BGN 73 thousand).

<u>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</u>

During 2021 shares and bonds have been not 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.

<u>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</u>

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.

<u>Granted to members options on shares by Petrol AD – type and size of the securities, on which options</u> 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;



- 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;
- 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 Mobo OOD, UIC 206295591;

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

#### Nikolay Borislavov Gergov

- Manager and sole owner of the capital 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

#### B) Holdings:

Grisha Danailov Ganchev – no such holdings;

Milko Konstantinov Dimitrov – no such holdings;



#### 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;

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

<u>Information about the Director of Investor relations, including telephone and correspondence address</u> 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, 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 2021, consumer price inflation increased significantly, and at the end of the year the consumer price index grew by 7.8% on an annual basis. The main reason for the increase compared to 2020 is the increase in food and non-food prices, which increased over the period by 8.8% and 9.5%, respectively, while the cost of services increased by 4.5% compared to the previous year. The main reasons for the increase in inflation in 2021 are rising prices of fuels and other resources caused by increased demand, as well as disrupted by COVID-19 supply chains and extended lead times of orders.

In the fourth quarter of 2021 the country's Gross Domestic Product (GDP) reported a growth of 4.5% compared to the same quarter of 2020, as compared to the previous quarter of 2021 the increase was 0.1%. For the same period the final consumption in the country reported an increase of 7.9%, while the accumulation of fixed capital (gross) decreased by 12.5% in the fourth quarter of 2021 compared to the corresponding quarter of the previous year according to seasonally adjusted data. Exports of goods and services increased by 12.9% and imports of goods and services increased by 11.2%.

Future long-term slowdown in economic life in the country and persistent containment of inflation and rising prices create risks to limit the consumption of goods and services in the country, including fuels, which would reduce the Group's income, difficulties in servicing regular payments and generating operating loss.

## Influence of COVID-19 on the activities of the Group

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.

<sup>&</sup>lt;sup>14</sup> Source: NSI, BNB



In 2021, the Government of the Republic of Bulgaria via the Minister of Health twice imposed antiepidemic measures restricting the movement of people and goods. Despite the imposed restrictive measures in 2021, the country's GDP grew by 4.5% on an annual basis compared to 2020, with a decline of 4.2% in 2020 compared to 2019.

Over the past two calendar years, 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 compared to BGN 538,499 thousand for 2019. Despite the growth of sales revenue in 2021 compared to 2020, the Petrol Group cannot restore its 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 two 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. Despite the actions taken by the competent authorities to prevent the spread of the virus, it continues to spread and the likelihood of future risks for the Petrol Group remains.

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 the date of preparation of these financial statements, the Group operates 14 full or partial self-service petrol stations, and for the last year alone they have increased by 55%, 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.

#### 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. Despite the impossibility of reaching the Group's sales before the pandemic, the rapid recovery in 2021 inspires a dose of optimism that the main shocks for the Petrol Group caused by the virus have passed. Increased sales in 2021 helped the Group to a large extent to restore the normal rhythm of work, but the negative effects on the liquidity, sales and overall financial condition of the Petrol Group have not completely disappeared. High inflation, rising minimum wages and rising fuel prices are preventing the Group from reaching the levels of financial results and sales before the pandemic. (see also section Results from operations).



In addition, the dynamics of COVID-19 spread in combination 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, pose significant risks for the Group and at the same time hinder the coverage and 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.

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.

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.

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.

#### Grants and state aid

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. From the end of March 2020, the Employment Agency opens an application procedure under Art. 1 of Decree №55 of March 30, 2020 on determining the terms and conditions for payment of compensation to employers in order to maintain the employment of employees in a state of emergency, declared by a decision of the National Assembly of March 13, 2020 subsequently replaced from the Council of Ministers Decree №151 from 2020.



The Petrol Group has submitted documents for application under this procedure and for 2021 has reported income from government financing under this program of BGN 2,212 thousand (2020: BGN 2,689 thousand).

By Decision № 739 of 26.10.2021, amended by Decision № 771 of 06.11.2021 and Decision № 885 of 16.12.2021, 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 the end of the reporting period the Group received and reported income from financing for 2021 under this program of BGN 340 thousand.

## 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 2021, eight 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 and VM Petroleum OOD.

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 2021, 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 2020 the major Company's supplier with share over 10% from the total sales and distribution costs is Litex AD and Saksa OOD.

• 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.



• 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.

Group's revenue from operations are generated primarily from two segments - retail sales and wholesale sales. In 2021 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

Approximately 90% 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.

The average gross margin per liter of fuel (methane in kg) has decreased in 2021 compared to 2020. The latest is due to the lower retail gross margin of sales of fuels in 2021 compared to 2020.

#### 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.

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.

Influenced by the spread of COVID-19 and the blocking of the world economy in 2020, the Brent's international crude oil prices reached unprecedentedly low prices, with the price of Brent crude oil reaching USD 16 per barrel at the end of April 2020. At the end of 2019 and the beginning of 2020 the black gold quoted at around USD 65 a barrel, with the highest value in January of around USD 72, but after the global spread of the COVID-19, the price collapsed to an all-time low. After the initial shock by the viral infection, the price of Brent crude oil returned to normal, reaching USD 50 a barrel at the end of the year. In 2021 the fuel market gradually calmed down, and during the entire 2021 there was an upward trend in international crude oil prices, and at the end of 2021 international Brent crude oil prices reached over USD 77 per barrel or an increase of over 50% on an annual basis. In 2022 the military conflict in Ukraine has significantly affected the price of crude oil, reaching a peak of nearly USD 127 per barrel in the beginning of 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 2021 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 the modern diesel engines and fact that the transportation industry use this type of fuel. 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. The branded fuels and CNG came widely into the market. Due to their better quality, these fuels can offer acceleration of the automobile power, fuel expense reduction, increased engine life, etc.

The main activity of the Petrol Group's companies includes 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.

In terms of the Excise Duty and Tax Warehouse Act (EDTWA) from January 1, 2020 a series of changes have been imposed among which:

- Obligation for implementation in the tax warehouses for processing and storage of energy products with codes under Combined Nomenclature 2710 12 to 2710 20 a system for video monitoring and control. The system has to meet exact requirements and to allow:
- Real time visual control;
- Permanent video records on server:
- Identification of the plate number of the vehicles;
- Possibility for real time remove access and remove inspection of the stored in the system data by the custom authorities;

The following additional requirements for issuance of an end-user certificate of excise duty exemption were also adopted:

- The person is obligated to use automatic reporting systems, which allow a real time control of
  the energy products quantities, which are delivered and used in the certain facility, as well as
  the commodities, materials, processed or stored goods, signed in the request for excise duty
  exemption end-user certificate;
- The person must independently and at his own expense to provide internet access of the customs authorities to the automated reporting systems, when energy products with codes under Combined Nomenclature 2710 12 to 2710 20 will be delivered and used in the facility;
- The person uses measuring and control devices, which meet the applicable and normative requirements.

From January 1, 2021 additional changes came into force in Excise Duty and Tax Warehouse Act (EDTWA), including:

• Persons who receive on the territory of the country excise goods released for consumption in another EU Member State or send such goods from the country to another EU Member State are subject to mandatory registration under the EDTWA.

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.



The other major legal acts regulating the activity of fuel market participants are related to environmental protection. Pursuant to *Ordinance No.16 from 12 August 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 a hydrocarbon vapour recovery systems, bottom loading systems on tanktrucks, 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

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

## 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.

|                                   |                                    | Financia       | l assets and liab | oilities  | Fair value |
|-----------------------------------|------------------------------------|----------------|-------------------|-----------|------------|
| December 31, 2021<br>BGN'000      | Debt instruments at amortised cost |                |                   | Total     | level 3    |
|                                   | umortisca cost                     | profit of loss | COSC              |           |            |
| Financial assets                  |                                    |                |                   |           |            |
| 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      |
|                                   |                                    |                |                   |           |            |
|                                   | 51,635                             | 2,235          | -                 | 53,870    | 2,235      |
| Financial liabilities             |                                    |                |                   |           |            |
| Trade and other liabilities       | _                                  | -              | (64,921)          | (64,921)  | -          |
| Loans and borrowings              |                                    | -              | (42,863)          | (42,863)  | <u>-</u>   |
|                                   |                                    |                | _                 | _         |            |
|                                   |                                    |                | (107,784)         | (107,784) |            |

|                                   |                         | Financia | l assets and liab           | ilities  | Fair value |
|-----------------------------------|-------------------------|----------|-----------------------------|----------|------------|
| December 31, 2020<br>BGN'000      | Debt A instruments atth |          | Liabilities at<br>amortised | Total    | level 3    |
|                                   | amortised cost          | or loss  | cost                        |          |            |
| Financial Assets                  |                         |          |                             |          |            |
| Loans granted, net                | 23,202                  | -        | -                           | 23,202   | -          |
| Trade and other receivables, net  | 24,185                  | -        | -                           | 24,185   | -          |
| Cash and cash equivalents         | 2,773                   | -        | -                           | 2,773    | -          |
| Financial assets measured at fair |                         |          |                             |          |            |
| value through profit and loss     |                         | 2,235    | -                           | 2,235    | 2,235      |
|                                   | 50,160                  | 2,235    | -                           | 52,395   | 2,235      |
| Financial liabilities             |                         |          |                             |          |            |
| Trade and other liabilities       | -                       | -        | (51,910)                    | (51,910) | -          |
| Loans and borrowings              |                         | -        | (46,551)                    | (46,551) |            |
|                                   | -                       | -        | (98,461)                    | (98,461) |            |



#### **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.

Future uncertainty about the ability of customers to repay their obligations, in accordance with the agreed conditions, may lead to an increase of impairment losses on interest loans granted, trade receivables, financial assets available-for-sale and other financial instruments, as well as the values of other accounting estimates in subsequent periods might materially differ from those specified and recorded in these consolidated 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 3 | 31, 2021 | <b>December 31, 2020</b> |         |
|---------------------------|------------|----------|--------------------------|---------|
|                           | USD'000    | BGN'000  | <b>USD'000</b>           | BGN'000 |
| Financial assets          |            |          |                          |         |
| Cash and cash equivalents | 7          | 12       | 7                        | 12      |
|                           | 7          | 12       | 7                        | 12      |

The sensitivity analysis to currency risk is calculated based on 5% 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, 2021 the rate of the US dollar had decreased/increased by 5% assuming that all other variables remained constant, loss after tax would have increased/decreased by BGN 1 thousand as a result of exchange rates differences from revaluation of cash in US dollars.

#### 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,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|---|---------------------------------|---------------------------------|
| Instruments with fixed interest rate    |                                 |                                 |
| Financial assets Financial liabilities  | 16,880<br>(36,274)              | 18,825<br>(36,234)              |
|   | (19,394)                        | (17,409)                        |
| Instruments with variable interest rate |                                 |                                 |
| Financial liabilities                   | (5,913)                         | (7,923)                         |
|   | (5,913)                         | (7,923)                         |



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 9 basis points. If the interest rates were higher/lower by 9 basis points, and all other variables were constant, the loss after tax would have been higher/lower by BGN 4 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 2021, the Group held comparatively high inventory turnover. For approximately 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:

|                             | December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|-----------------------------|---------------------------------|---------------------------------|
| Loans granted               | 22,131                          | 23,202                          |
| Trade and other receivables | 27,712                          | 26,420                          |
| Cash and cash equivalents   | 3,980                           | 2,673                           |
|                             | 53,823                          | 52,295                          |

## 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,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|----------------|---------------------------------|---------------------------------|
| Up to 30 days  | 1,623                           | 1,058                           |
| 31 - 120 days  | 633                             | 321                             |
| 121 - 210 days | 433                             | 376                             |
| Over 211 days  | 5,150                           | 4,635                           |
|                | 7,839                           | 6,390                           |

#### 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.

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:

| December 31, 2021<br>BGN'000      | Carrying amount | Contractual cash flows | Up to one year       | Between one<br>and five<br>years |
|-----------------------------------|-----------------|------------------------|----------------------|----------------------------------|
| 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               |                                  |
|                                   | 107,784         | 116,542                | 67,070               | 49,472                           |
|                                   |                 |                        |                      |                                  |
| December 31, 2020<br>BGN'000      | Carrying amount | Contractual cash flows | Up to one year       | Between one<br>and five<br>years |
|                                   |                 |                        | Up to one year 2,183 | and five                         |
| BGN'000                           | amount          | cash flows             |                      | and five<br>years                |
| BGN'000  Debentures               | amount 38,417   | cash flows 46,922      | 2,183                | and five<br>years<br>44,739      |

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



In 2021 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 2021 the Group did not issue any new securities.



## Significant events occurred in 2021

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

In January 2021, as a creditor in an enforcement case against an unrelated party, for overdue receivables on trade loans granted and trade and other receivables from unrelated party, the Group was declared as a buyer through a distribution protocol by a private bailiff due to a public sale of property owned by the unrelated entity - debtor. The acquisition price of the property was paid by a setoff of counter receivables on loan granted in previous periods and interest on it, and also trade receivables and re-invoicing and also legal interest on them for the total amount of BGN 1,339 thousand and by additional payment of BGN 210 thousand. The Group paid the price within the statutory term and in February 2021 when the award decree issued by the private bailiff came to force, the Group made the setoff and acquired the ownership of the property.

In March 2018 the Group entered into a contract for a trade loan to an unrelated party with a credit limit of up to BGN 300 thousand at 6.7% annual interest and repayment period until December 31, 2018. With Annexes, the loan term has been extended and the limit has been increased. In February 2021, the Group made a set-off on counter-obligations in connection with the acquisition of ownership of property through a public sale by a private bailiff. As of December 31, 2021 the receivables on the loan amount to BGN 613 thousand, net of impairment.

In March 2021 the Group renegotiated the terms of a factoring agreement signed in February 2019 with a commercial bank with special conditions without the right of regress, reducing the commission for factoring services from 0.35% to 0.25% on the total value of the transferred VAT invoices.

In March 2021 the Group renegotiated deferral of interest payments and repaid partially principal at the amount of BGN 270 thousand under Tranche 2 of a revolving credit line agreement signed in 2016 with a commercial bank, as a result of which the bank agreed to cancel a mortgage on a trade site, and the principal of the loan has decreased from BGN 7,000 thousand to BGN 6,730 thousand.

In March 2021 the Group entered into an Agreement with a commercial bank for the purchase of trade receivables (standard factoring) with a total advance limit of up to BGN 402 thousand and an interest rate based on savings (IRBS) for BGN, increased by a mark-up of 3.8382 points, but not less than 4% per annum on the amount of the advance. The contract is secured by a pledge of receivables on bank accounts of the Parent company and its subsidiary, with a carrying amount of BGN 65 thousand as of December 31, 2021. As of December 31, 2021 the Group has no transferred receivables or liabilities in connection with the received financing under this factoring contract.

In July 2016, the Group entered into an investment loan agreement, which prepaid the liabilities under a financial leasing agreement from November 2015. The loan is secured by a mortgage on the real estate acquired under the contract for financial leasing and pledge of receivables. The term of the contract is May 2022, and the agreed interest rate is 3mEuribor + 5.25%. In April 2020, the Group renegotiated the terms of the investment loan agreement, as the interest rate on regular principal was reduced to 3mEuribor + 3.5%, but not less than 3.5%. With an Annex from the beginning of 2021, the term of the loan was extended until September 30, 2022. Liabilities as of December 31, 2021 under the bank loan amount to BGN 463 thousand.



### Significant events occurred in 2021 (continued)

In April 2021 the Group granted a cash loan to an unrelated party with a credit limit of up to BGN 500 thousand, available in tranches for the period of one year from the signing date at 5% annual interest rate. With an Annex from August 2021 the negotiated credit limit is increased to BGN 1,600 thousand. As at the date of these financial statements the Group has no unsettled receivables under this agreement.

In April 2021 the Group granted a cash loan to an unrelated party with a credit limit of up to BGN 75 thousand available in tranches for the period until December 31, 2021 at 5% annual interest rate. As at December 31, 2021 the term of the contract is extended with another year, as the Group has receivables under this contract at the amount of BGN 72 thousand principal and BGN 2 thousand interest, which are entirely impaired.

In September 2018 the Group entered into a credit-overdraft agreement on current account in commercial bank, intended for working capital with maximum allowed amount of BGN 2,000 thousand and repayment period until January 31, 2019 and contracted interest rate as Savings-based interest rate (SIR) plus added amount of 6,1872 points, but cumulatively not less than 6.5% annually. The credit is secured with a special pledge of its goods in turnover and with pledge of receivables on bank accounts.

In December 2018, as a result of a signed annex to an agreement from 2016 for revolving credit line with the same bank, the Group negotiated an increase of the amount of the credit line of BGN 9,500 thousand with an additional amount of BGN 11,500 thousand, by which the total amount of credit line rose to BGN 21,000 thousand. The line is separated in total limit of BGN 13,500 for issuance of bank guarantees and BGN 7,500 for refinancing of the received credit-overdraft of BGN 2,000 thousand and the rest 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 with book value of BGN 7,892 thousand as at December 31, 2021 and special pledge on goods in turnover, representing oil products. 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 granted to it from a commercial bank under a revolving credit line agreement dated September 21, 2016, with a credit limit of BGN 7,000 thousand and has achieved a reduction of the annual compound interest rate of SIR (Savings-based interest rate) + 5.2802%, but not less than 5.5%. The Group partially repays the principal of this tranche of the credit line by another BGN 270 thousand in March 2021 and by BGN 1,380 thousand in September 2021. In December 2021 the bank granted an additional tranche under this credit line 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, 2021 the Group has a liability under this loan for principal in the amount of BGN 5,450 thousand.

In December 2021 a new subsidiary Petrol Technology OOD was established by a payment contribution. For the payment contribution the Group acquired 8,210 company shares, each with a nominal value of BGN 1, representing 98,80% of the capital.

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 2021.



#### **Events after the reporting date**

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

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, a number of 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, no direct relationships with counterparties operating in these countries. The Management is in the process of analyzing the risks and effects on the Group.

In connection with the Annex to the contract for purchase and sale of electricity concluded in February 2021, the Group paid in February 2022 representing a cash deposit 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 12 and Note 19 to the consolidated financial statements for 2021).

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. 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.

See also the section War conflict between Russia and Ukraine.



## 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 March 13, 2020 with a decision of the Parliament a state of emergency was imposed. On purpose to limit the spread of the COVID-19 infection an Order of the Health Minister was issued for introduction of anti-epidemic measures, which directly affected the trade activity of the Group. In 2020 the Group's sales were significantly affected by the restrictive measures for free movement and travel of people imposed by the Government of the Republic of Bulgaria through the Law on State of Emergency adopted at the end of March 2020, as a result of which the Group's sales revenue dropped significantly by over 27 per cent. (see also section *Influence of COVID-19 on the Group's operations*).

As a result of the negative influence and the consequences of the world pandemic caused by the spread of the new type of coronavirus – COVID-19, the Group has taken a series of actions to reorganise the activities of some of its trade sites, as well as to establish reduced working hours for some of the personnel. As of the end of March 2020, the Employment Agency opens an application procedure under Art. 1 of Decree No 55 from March 30, 2020 determining the terms and conditions for the payment of compensation to employers in order to preserve the employees under the State of Emergency, announced with a decision by the Parliament on March 13, 2020, which is substituted later by Council of Ministry Decree No 151 from 2020. The Group participates in the program.

In May 2020, the Parent company received from the Commission for Protection of Competition (CPC) a decision for initiated proceedings to establish any violations under Art. 15 and Art. 21 of LPC and / or under Art. 101 and Art. 102 of the Treaty on the Functioning of the European Union (TFEU) in determining the prices of mass automotive fuels in the production / import - storage – wholesale - retail trade, both at the individual horizontal levels and vertically, by eleven companies, including the Parent company. At present, the inspection has not yet been completed.

See Events after the reporting date and Contingent liabilities and War 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 2021, 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 2021 the consolidated revenue from operations of the Group increased to BGN 506.1 million (EUR 258.8 million), representing a growth of 28% compared to BGN 394.6 million (EUR 201.8 million) for 2020. The increase of total revenue in absolute value in 2021 was due entirely to the higher by BGN 109.3 million (EUR 55.9 million) sales revenue of fuels other goods and services, while the other income increased by BGN 2.2 million (EUR 1.1 million). The increase in sales revenue in 2021 is due entirely to the increase with BGN 106.4 million (EUR 54.4 million) of segment – retail fuels and to the increase by BGN 4.3 million (EUR 2.2 million) of segment – wholesale fuels, which is a consequence of the recovery after the initial shock caused by the COVID-19.

The table below presents the change of revenue during the period 2019 - 2021 on a consolidate base and by separate business segments:

|                           |             | 2021  | 2020  | 2019  | ∆ в %<br>2021/2020 |
|---------------------------|-------------|-------|-------|-------|--------------------|
| Sales revenue             | BGN million | 499.8 | 390.5 | 538.5 | 28%                |
|                           | EUR million | 255.6 | 199.7 | 275.4 |                    |
| Other income              | BGN million | 6.3   | 4.1   | 2.4   | 54%                |
|                           | EUR million | 3.2   | 2.1   | 1.2   |                    |
| Total revenue, including: | BGN million | 506.1 | 394.6 | 540.9 | 28%                |
|                           | EUR million | 258.8 | 201.8 | 276.6 |                    |
| Retail segment            | BGN million | 479.1 | 372.8 | 506.7 | 29%                |
|                           | EUR million | 245.0 | 190.6 | 259.1 |                    |
| share of total revenue    | %           | 94.6% | 94.5% | 93.7% |                    |
| Wholesale segment         | BGN million | 24.6  | 20.3  | 33.1  | 21%                |
|                           | EUR million | 12.6  | 10.4  | 16.9  |                    |
| share of total revenue    | %           | 4.9%  | 5.1%  | 6.1%  |                    |
| Other activities segment  | BGN million | 2.4   | 1.5   | 1.1   | 50%                |
|                           | EUR million | 1.2   | 0.8   | 0.6   |                    |
| share of total revenue    | %           | 0.5%  | 0.4%  | 0.2%  |                    |

As in all previous years the sales revenue of the Group in 2021 was almost entirely 97.9% (2020: 97.8%) formed by sales of fuels, lubricants and other goods. In 2021, these sales amounted to BGN 489.4 million (EUR 250.2 million) or with 28.2% more than sales for 2020 of BGN 381.8 million (EUR 195.2 million). The increase by BGN 107.6 million (EUR 55 million) in the revenue from sales of fuels and other goods in 2021 compared to the previous year is due to the increase by BGN 101.6 million (EUR 51.9 million) in the revenue from sales of fuels, as well as the sales of lubricants and other goods, which increase by BGN 6 million (EUR 3.1 million) compared to the previous year.



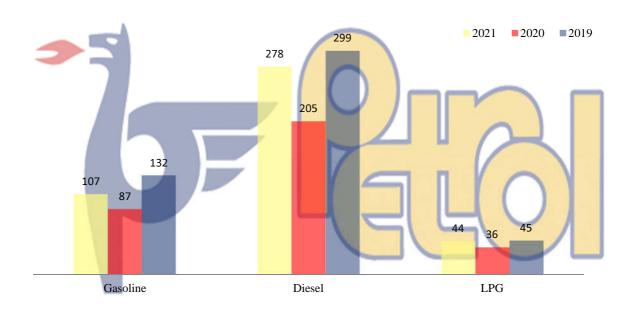
In 2021 the revenue from sales of goods comprised mainly 88.1% (2020: 86.3%) retail and wholesale sales of fuels, which amounts, after excluding intra-Group sales, are as follows:

|                               |                    | 2021  | 2020  | 2019  | Δв %<br>2021/2020 |
|-------------------------------|--------------------|-------|-------|-------|-------------------|
| Retail sales of fuels         | million BGN        | 413.3 | 314.6 | 453.0 | 31.4%             |
|                               | million EUR        | 211.3 | 160.8 | 231.6 |                   |
| share of total sales of fuels | %                  | 95.8% | 95.4% | 94.6% |                   |
| Wholesale sales of fuels      | million BGN        | 18    | 15.1  | 26.1  | 19.2%             |
|                               | million EUR        | 9.2   | 7.8   | 13.3  |                   |
| share of total sales of fuels | %                  | 4.2%  | 4.6%  | 5.4%  |                   |
| <b>Total sales of fuels</b>   | BGN million        | 431.3 | 329.7 | 479.1 | 30.8%             |
|                               | <b>EUR million</b> | 220.5 | 168.6 | 244.9 |                   |

Following the unprecedented decline in revenues from wholesale and retail sales of fuels, due entirely to COVID-19 and the imposed in 2020 by the government restrictive measures for movement of citizens, in 2021 the Group managed to partially recover its revenues from sales of fuels, as the total revenues from wholesale and retail sales of fuels reached BGN 431.3 million (EUR 220.5 million) or by BGN 101.6 million (EUR 51.9 million) (see also *Retail sales and Wholesale sales*).

During the current year, the relative share of revenues from wholesale sales of fuels decreased in the total consolidated revenue from sales of fuels of the Petrol Group at the expense of revenue from retail sales of fuels. While in 2020 wholesale sales amounted to 4.6%, in 2021 they decreased to 4.2% of the consolidated revenues from fuel sales of the Group, which is a result of the recovery of retail sales of fuels in 2021.

The dynamics of sales revenue (in BGN millions) of the major type of oil products, traded by the Group during the period 2019 - 2021 are presented on the following diagram:





#### 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, 2021 the Group operated 301 working retail stations (2020: 320 retail stations).

The results for the period 2019 - 2021 are as it follows:

|   |             | 2021  | 2020  | 2019  | Δ B %<br>2021/2020 |
|---|-------------|-------|-------|-------|--------------------|
| Retail sales volumes (million liters, methane in kg.) |             | 249.1 | 226.6 | 280.9 | 9.9%               |
| incl. corporate sales                                 |             | 79.2  | 73.9  | 81.7  | 7.2%               |
| Sales revenue   | BGN million | 413.3 | 314.6 | 453.0 | 31.4%              |
|   | EUR million | 211.3 | 160.8 | 231.6 |                    |

In 2021 the Group reported an increase of 9.9% in retail sales volumes compared to 2020. The increase in volumes combined with the higher average selling retail prices in 2021 compared to the prices in 2020, due to the higher international prices of crude oil, led to the increase of BGN 98.7 million (EUR 50.5 million) of total revenue from retail sales of fuels compared to 2020. The increase in consumption and the higher commodity prices worldwide, resulted from the pandemic caused by COVID-19, led to an increase in the average selling prices and growth in retail sales volumes of all fuels sold by the Group in 2021, except Blue Force Gas.

The following table sets out the Group's retail sales of fuel by major types of oil products for 2019 - 2021:

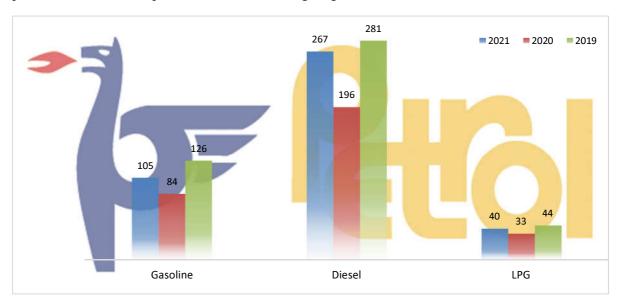
|                                      |             | 2021  | 2020  | 2019  | ∆в %<br>2021/2020 |
|--------------------------------------|-------------|-------|-------|-------|-------------------|
| Gasoline A-95H                       | BGN million | 100.1 | 80.6  | 121.2 | 24.2%             |
|                                      | EUR million | 51.2  | 41.2  | 62.0  |                   |
| share of total retail sales of fuels | %           | 24.2% | 25.6% | 26.8% |                   |
| Gasoline100 Extra Force              | BGN million | 4.4   | 3.5   | 5.2   | 25.7%             |
|                                      | EUR million | 2.2   | 1.8   | 2.7   |                   |
| share of total retail sales of fuels | %           | 1.1%  | 1.1%  | 1.2%  |                   |
| Blue Force LPG                       | BGN million | 39.8  | 33.3  | 43.7  | 19.5%             |
|                                      | EUR million | 20.3  | 17    | 22.3  |                   |
| share of total retail sales of fuels | %           | 9.6%  | 10.6% | 9.6%  |                   |
| Green Force diesel                   | BGN million | 25.4  | 18.2  | 22.3  | 39.6%             |
|                                      | EUR million | 13.0  | 9.3   | 11.4  |                   |
| share of total retail sales of fuels | %           | 6.1%  | 5.8%  | 4.9%  |                   |
| Pro Force Diesel                     | BGN million | 241.4 | 177.4 | 258.2 | 36.1%             |
|                                      | EUR million | 123.4 | 90.7  | 132.0 |                   |
| share of total retail sales of fuels | %           | 58.4% | 56.4% | 57.0% |                   |
| Other fuel                           | BGN million | 2.2   | 1.6   | 2.4   | 37.5%             |
|                                      | EUR million | 1.1   | 0.8   | 1.2   |                   |
| share of total retail sales of fuels | %           | 0.5%  | 0.5%  | 0.5%  |                   |
| Total retail sales of fuels          | BGN million | 413.3 | 314.6 | 453.0 | 31.4%             |
|                                      | EUR million | 211.3 | 160.8 | 231.6 |                   |



The highest increase for 2021 in absolute value of BGN 64 million (EUR 32.7 million) reported the revenue from sales of Pro Force Diesel. Additionally an increase of BGN 19.5 million (EUR 10 million) and BGN 7.2 million (EUR 3.7 million) reported the sales of Gasoline A-95 and Green Force Diesel.

As a result of the recovery in 2021, following the restrictions imposed by COVID-19 in 2020, the revenue from sales of gasoline 100 eXXtra Force, Blue Force gas and methane increased by BGN 0.9 million (EUR 0.5 million), BGN 6.5 million (EUR 3.3 million), and BGN 0.6 million (EUR 0.3 million), respectively, which is due to both the higher average selling prices in the current year and the growth in sales volumes.

The dynamics of retail sales revenue (in BGN millions) of the major types of oil products during the period 2019 – 2021 are presented on the following diagram:



In 2021 the Group continues the process started in 2015 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 operated by the Group SD Varna and by purchases from other storage depots of third party entities.

The reported results from wholesale sales of fuels in 2019 – 2021 are, as follows:

|   |             | 2021 | 2020 | 2019 | Δ в %<br>2021/2020 |
|---|-------------|------|------|------|--------------------|
| Volume of wholesale sales (million litres) <sup>15</sup>  |             | 13.1 | 13.9 | 18.9 | (5.8%)             |
| Volume of wholesale sales (thousand tonnes) <sup>16</sup> |             | 0    | 0    | 0    | 0%                 |
| Sales revenue   | BGN million | 18   | 15.1 | 26.1 | 19.2%              |
|   | EUR million | 9.2  | 7.7  | 13.3 |                    |

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

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



In 2021 the wholesale sales volumes of light fuels decreased by 0.8 million liters compared to 2020. The decrease is entirely due to the decline in wholesale sales of diesel fuel, gasoline A-95H and LPG, which form 95.7% of total wholesale sales of fuels in 2021 (2020: 96.8%).

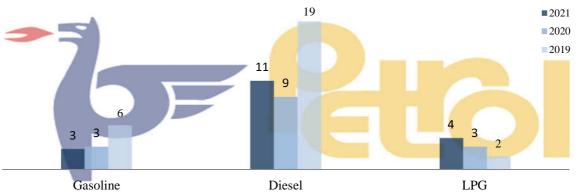
The largest increase of BGN 1.6 million (EUR 0.8 million) on an annual basis was reported by revenues from sales of diesel fuel. The growth is due entirely to higher average sales prices in 2021 compared to 2020. In addition, in 2021 revenue from sales of LPG and biodiesel (other fuels) also increased, increasing by BGN 1.1 million (EUR 0.6 million) and BGN 0.4 million (EUR 0.2 million), respectively.

Revenues from sales of A-95H gasoline decreased by BGN 0.2 million (EUR 0.1 million) compared to 2020, entirely due to the decline in sales in 2021. As a result, in 2021 the total revenue from wholesale fuels will increase by 19% to BGN 18 million (EUR 9 million) compared to BGN 15.1 million (EUR 7.7 million) in 2020.

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

|   |             | 2021  | 2020  | 2019  | Δ в %<br>2021/2020 |
|---|-------------|-------|-------|-------|--------------------|
| Gasoline A-95H                          | BGN million | 2.5   | 2.7   | 5.4   | (7%)               |
|   | EUR million | 1.3   | 1.4   | 2.7   |                    |
| share of total wholesale sales of fuels | %           | 13.9% | 17.9% | 20.7% |                    |
| Gasoline A-98                           | BGN million | 0.2   | 0.1   | 0.0   | 100%               |
|   | EUR million | 0.10  | 0.05  | 0.00  |                    |
| share of total wholesale sales of fuels | %           | 1.1%  | 0.7%  | 0.0%  |                    |
| Gasoline A-100                          | BGN million | 0.00  | 0.05  | 0.1   | (100%)             |
|   | EUR million | 0.00  | 0.05  | 0.1   |                    |
| share of total wholesale sales of fuels | %           | 0.00% | 0.3%  | 0.4%  |                    |
| Diesel                                  | BGN million | 10.4  | 8.8   | 17.9  | 18%                |
|   | EUR million | 5.3   | 4.5   | 9.1   |                    |
| share of total wholesale sales of fuels | %           | 57.8% | 58.5% | 68.6% |                    |
| Other fuels                             | BGN million | 4.9   | 3.4   | 2.7   | 44%                |
|   | EUR million | 2.5   | 1.7   | 1.4   |                    |
| share of total wholesale sales of fuels | %           | 27.2% | 22.6% | 10.3% |                    |
| Total wholesale sales of fuels          | BGN million | 18.0  | 15.1  | 26.1  | 19%                |
|   | EUR million | 9.2   | 7.7   | 13.3  |                    |

The dynamics in wholesale sales revenue of the major types of petroleum products during the period 2019 - 2021 are presented on the following diagram:





## **Gross margin**

For 2021 the Group's total gross margin, calculated as a percentage of the consolidated net revenue from sales of goods decreased from 13.4% in 2020 to 10.9% in 2021. Despite the decrease of gross margin as percentage of revenue, the indicator increased by BGN 2.4 million (EUR 1.2 million) in absolute value and is due to the increase of the consolidated gross margin from sales of fuels by BGN 1.3 million (EUR 0.7 million) and to the increase by BGN 1.2 million (EUR 0.6 million) of the gross margin from sales of other goods. In 2021, the total gross margin on fuel sales increased to BGN 44.2 million (EUR 22.6 million) compared to BGN 43 million (EUR 22 million) in 2020. The gross margin on sales of fuels and other goods increased in 2021 by 15% on an annual basis, reaching BGN 9.2 million (EUR 4.7 million), compared to BGN 8 million (EUR 4.1 million) for 2020.

#### **Operating expenses**

#### Hired services

In 2021, the hired services decreased by BGN 0.6 million (EUR 0.3 million) to BGN 34.7 million (EUR 17.8 million), as the Group reported an optimization of repair and maintenance costs by BGN 0.4 million. EUR 0.2 million), consultations and training by BGN 0.4 million (EUR 0.2 million), state municipal and other fees by BGN 0.2 million (EUR 0.1 million), communication costs by BGN 0.1 million EUR 0.05 million), advertising, cash collection and software licenses. In 2021 The Group reports the largest increase in dealer fees and other commissions in the amount of BGN 0.3 million (EUR 0.15 million), security expenses in the amount of BGN 0.2 million (EUR 0.1 million), and other hired services by BGN 0.09 million (EUR 0.05 million). The increase of the costs of dealer fees and other commissions are due to the higher cost of personnel at petrol stations under dealer management. The overall reduction in the cost of hired services in 2021 is a result of the actions taken by the management of the Group to optimize operating costs, renegotiate commercial terms with suppliers and other contractors, and seek hidden reserves in response to severe economic consequences caused by the pandemic and imposed twice in 2020 and 2021 by the government restrictive anti-epidemic measures in the country.

## Materials and consumables

As materials and consumables the Group reports the incurred costs for fuels, advertising materials, spare parts, office supplies, utilities and others. In 2021 the Group reports an increase in total costs for materials and consumables to BGN 5.2 million (EUR 2.6 million) compared to BGN 3.8 million (EUR 2 million). The main contribution to the total increase in the cost of materials was made by the higher by BGN 1.3 million (EUR 0.7 million) costs for electricity and heating, which increased by 62% on an annual basis. The latter is a 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 2021. In addition, in 2021 the Petrol Group reported an increase in the costs of fuels and lubricants and the costs of working clothes by BGN 0.09 million (EUR 0.05 million) and BGN 0.05 million (EUR 0.03 million), respectively.



### Employee benefits

For 2021 employee benefits increased to BGN 21.9 million (EUR 11.2 million) compared to 2020, when they to BGN 20.2 million (EUR 10.3 million). The main reason for the increase is the higher revenue of the Group in 2021 compared to the unprecedented decline in 2020 and the related higher personnel costs in 2021, following the actions that were taken to reduce costs, preserve the financial condition and liquidity of the Group in a situation of global pandemic and economic crisis in 2020.

#### 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. For 2021 the depreciation charges of the Group remain the same at the amount of BGN 5.7 million (EUR 2.9 million) compared to BGN 3.9 million (EUR 2 million) in 2020. For the second year in a row, the Group reports in the statement of financial position assets with the right of use, as a result of which the depreciation expenses accrued by the Group in 2020 and 2021 increased compared to 2019. In addition, as of the beginning of 2020. the Group has changed the adopted approach for subsequent valuation of property, plant and equipment according to the revaluation model under IAS 16 and intangible assets under IAS 38, which was applied for the first time as of January 1, 2020. (see also Note 16 Property, plant and equipment and intangible assets to these consolidated financial statements).

## Impairment losses of assets

For 2021 the Group reports a net impairment loss of BGN 23.2 million (EUR 11.9 million) compared to a net impairment loss for 2020 of BGN 3.9 million (EUR 2 million). The increase of the impairment loss for 2021 is due to the recognized loss from impairment of goodwill at the amount of BGN 19.8 million (EUR 10.1 million) and trade and other receivables at the amount of BGN 2 million (EUR 1 million). The impairment loss recognized by the Group is a consequence of the return of the license for management of a tax warehouse, issued by the Customs Agency in February 2022 by the subsidiary Varna Storage EOOD, and the termination of the activity due to inability of the subsidiary to negotiate an acceptable level of remuneration for the rented storage depot. (see also Note 12 to the consolidated financial statements for 2021).

## Other operating expenses

For 2021 the other operating expenses reported by the Group amounted to BGN 1.5 million (EUR 0.8 million), compared to BGN 1.4 million (EUR 0.7 million) for 2020. The increase of BGN 0.1 million (EUR 0.05 million) is mainly due to the higher entertainment expenses and sponsorship by BGN 0.2 million (EUR 0.1 million) and the increase by BGN 0.2 million (EUR 0.1 million) expenses for scrap and shortages. The largest reduction in 2021 report the expenses for local taxes, taxes on expenses and others, which decrease by BGN 0.3 million (EUR 0.16 million) as a result of renegotiation of the main parameters under lease agreements with business partners.



## **Profit from operations**

For 2021 the Group reported a negative result before net finance costs, taxes and depreciation (EBITDA) at the amount of BGN 16.5 million (EUR 8.4 million) compared to a profit of BGN 0.8 million (EUR 0.4 million) for 2020. The main reason for the worsening of the indicator compared to the previous year by BGN 15.7 million (EUR 8 million) is the recognized net impairment loss during the reporting period at the amount of BGN 23.2 million (EUR 11.9 million). The increase in the gross margin by BGN 2.4 million (EUR 1.2 million) from the sale of fuels and other goods, the increase in revenue from services by BGN 1.7 million (EUR 0.85 million), as well as the increase in other income by BGN 2.1 million (EUR 1.1 million) partially offset the effect from the net impairment loss in 2021.

The drop of EBITDA in 2021 has a negative impact on Group's earnings before interest and taxes (EBIT). For 2021 the Group reported an operating loss before financial costs and taxes at the amount of BGN 22.1 million (EUR 11.3 million) compared to operating profit of BGN 6.5 million (EUR 3.3 million) for 2020, as the depreciation and amortization in 2021remain the same at the amount of BGN 5.7 million (EUR 2.9 million) compared to the previous year.

#### Net finance costs

In 2021 the Group reports net financial expenses in the amount of BGN 3.5 million (EUR 1.8 million) with net financial expenses in the amount of BGN 2.8 million (EUR 1.4 million) for 2020. In 2021 the financial revenues of the Group amount to BGN 1.4 million (EUR 0.7 million) compared to BGN 2.1 million (EUR 1.1 million) for 2020. The decrease in financial income was affected by the decrease by BGN 0.4 million (EUR 0.2 million) in interest income on trade loans, as well as the decrease by BGN 0.3 million (EUR 0.15 million) in interest income on trade receivables (*see also Note 14 to the Annual Consolidated Financial Statements for 2021*).

For 2021 the finance costs of the Group amounts to BGN 5 million (EUR 2.6 million) compared to BGN 4.9 million (EUR 2.5 million) for 2020. The increase of BGN 0.1 million (EUR 0.05 million) is due to the increase of the interests on trade and other liabilities by BGN 0.6 million (EUR 0.3 million).

#### **Financial position**

As at December 31, 2021 the Group's current ratio declined to 0.94 compared to 0.97 for 2020. The decrease of the indicator is entirely due to the increase by BGN 2.5 million (EUR 1.3 million) in current liabilities at the end of 2021 compared to the previous year, while short-term assets also increased, but only by BGN 0.1 million (0.05 million). The increase in current liabilities is entirely due to the higher trade and other liabilities by BGN 13.6 million (EUR 6.4 million), and in particular the increase in trade payables by BGN 12.8 million (EUR 6.6 million), while short-term liabilities on loans and borrowings decreased by BGN 8.9 million (EUR 4.6 million), as a result of the renegotiation of a bank loan granted to the Group and extension of the loan term by three years. In addition, lower current liabilities 16 by BGN 2.5 million (EUR 1.3 million) under lease agreements according to IFRS were reported in the current period, as a result of termination of operating lease agreements.



As at December 31, 2021 the consolidated indebtedness of the Group including short-term and long-term liabilities on interest-bearing loans and credits decreased, amounting to BGN 42.9 million (EUR 21.9 million) compared to 46.5 million (EUR 23.8 million) as of December 31, 2020. The decrease is due to the debt paid during the year. As at December 31, 2021 the Debt / Assets ratio increased to 34% from 31% at the end of 2020. The Debt / Equity ratio as at December 31, 2021 amounted to 1,278%, compared to 162% as of December 31, 2020, as the increase is due to the decrease of the equity by BGN 25.4 million (EUR 13 million).

In 2021 the Group decreased the turnover ratio of goods to 16 days compared to 21 days as at December 31, 2020. The time required for the Group to collect its receivables from customers decreases to 15 days by the end of 2021 compared to 21 days in 2020.

# 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 capital 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.

Some of the measures include the decrease of the registered capital bellow the net assets of the Parent company. The first step in this direction was the holding of several Extraordinary General Meeting of Shareholders (EGMS) in 2016 and 2017, where a proposal for reverse split (merging) of 4 old shares with nominal value of BGN 1 into 1 new share with nominal value of BGN 4 and consequently decreasing of the Parent company's capital 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 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 BGN 1 nominal 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 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 submitted on April 2018 application 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.

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 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. At present, the court proceedings on the claims for annulment of the decisions taken by EGMS from November 2018 are pending.



# **Capital management (continued)**

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 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.

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 assets.

The Group's Management expectations are in the coming years as a result of a growing competition mainly in retail market, part of the small independent players to be forced out gradually of fuels business. At the same time, the expectations in terms of the levels of trade margins, in particular in the retail market, are the margins to stabilize around the average European levels.

At the end of 2019, a new coronavirus was identified in China. Due to the fast widespread of the virus worldwide at the beginning of 2020, the World Health Organization declared a global pandemic. On March 13, 2020 the Parliament of the Republic of Bulgaria declared a state of emergency on request of the Government of the Republic of Bulgaria and on March 24, 2020 the Law on Measures and Actions during a State of Emergency became effective.

In order to restrict the widespread of coronavirus infection, an Order of the Health Minister was issued for the introduction of anti-epidemic measures, which directly affect the business activity of the Group. Part of the measures include extension and interruption of the administrative deadlines, extension of the of administrative acts, suspension of the procedural court terms and the statute of limitations, changes in the labor legislation, referring to new working hours, suspension of work and / or reduction of working hours and use of leave, etc.

The pandemic causes a significant reduction in economic activity in the country and raises significant uncertainty about future macroeconomic processes in 2022 and beyond.

The Group's Management monitors the emergence of risks and negative consequences in the outcome of the pandemic with COVID-19, 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.



# **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 to improve 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 delivering of new projects. The investments of the Group will be focused predominantly on the development of new sites 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.

In the next year the Management of the Group will direct its effort towards conducting an active marketing campaign. It is provided marketing activities – 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.

With the aim to improve the financial position, the Management continues to analyze actively all expenses and to look for hidden reserves for optimization. (see also Outlook section).

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, the decrease of receivables collection period and extension of the liabilities paying period.

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



# Disclosure of additional information in compliance with regulatory requirements

<u>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</u>

Loans granted by the issuer

| Type of borrower    | Annual interest rate | Maturity   | Outstanding<br>Principal | Impairment           | Net<br>Principal | Purpose         |
|---------------------|----------------------|------------|--------------------------|----------------------|------------------|-----------------|
|                     |                      |            |                          | till Dec.31,<br>2021 | Dec.31,<br>2021  |                 |
|                     |                      |            | BGN'000                  | BGN'000              | BGN'000          |                 |
| Trade company       | 9.50%                | 21.1.2017  | 44                       | 44                   | 0                | Working capital |
| Trade company       | 8.75%                | 17.7.2015  | 1,500                    | 1,500                | 0                | Working capital |
| Trade company       | 8.50%                | 26.8.2015  | 12                       | 12                   | 0                | Working capital |
| Trade company       | 5.00%                | 31.12.2025 | 4,455                    | 747                  | 3,708            | Working capital |
| Trade company       | 5.00%                | 31.12.2022 | 3,000                    | 748                  | 2,252            | Working capital |
| Trade company       | 6.70%                | 31.12.2022 | 3,945                    | 752                  | 3,193            | Working capital |
| Trade company       | 9.50%                | 31.12.2015 | 2,210                    | 2,210                | 0                | Working capital |
| Trade company       | 6.70%                | 31.12.2022 | 2,122                    | 8                    | 2,114            | Working capital |
| Trade company       | 6.70%                | 31.12.2019 | 677                      | 112                  | 565              | Working capital |
| Trade company       | 6.70%                | 31.12.2022 | 5,737                    | 1,049                | 4,688            | Working capital |
| Trade company       | 5.00%                | 31.12.2022 | 72                       | 72                   | 0                | Working capital |
| Subsidiary          | 9.50%                | 29.4.2014  | 104                      | 104                  | 0                | Working capital |
| Subsidiary          | 6.70%                | 31.12.2022 | 1,660                    | 304                  | 1,356            | Working capital |
| Subsidiary          | 6.70%                | 31.12.2022 | 213                      | 42                   | 171              | Working capital |
| Total loans granted |                      |            | 25,751                   | 7,704                | 18,047           |                 |

## Loans and borrowings received by the issuer

| Type of lender         | Annual interest rate                   | Maturity   | Principal            | Purpose  |
|------------------------|--|------------|----------------------|--|
|                        |  |            | 31 Dec.21<br>BGN'000 |  |
| Corporate bond holders | 4.24%                                  | 26.1.2027  | 36,274               | Working capital,<br>financing of<br>investment projects<br>and restructuring of<br>previous debt |
| Financial institution  | 3mEuribor+3.5%                         | 30.9.2022  | 463                  | Investment loan  |
| Financial institution  | IRBS+5.2802%,but not less<br>than 5.5% | 15.12.2024 | 5,450                | Working capital  |
| Total loans received   |  |            | 42,187               |  |



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

Loans received by companies controlled by the issuer

| Type of lender       | Annual interest rate | Maturity   | Principal                  | Purpose         |
|----------------------|----------------------|------------|----------------------------|-----------------|
|                      |                      |            | Dec.31,<br>2021<br>BGN'000 |                 |
|                      |                      |            |                            |                 |
| Parent company       | 9.50%                | 29.4.2014  | 104                        | Working capital |
| Parent company       | 6.70%                | 31.12.2022 | 1,660                      | Working capital |
| Parent company       | 6.70%                | 31.12.2022 | 213                        | Working capital |
| Total loans received |                      |            | 1,977                      |                 |

## Loans granted by companies controlled by the issuer

| Category Lender/depositor | Annual interest | Maturity   | Outstanding<br>Principal | Impairment till Dec.31, 2021 | Net<br>Principal<br>Dec.31,<br>2021 | Purpose         |
|---------------------------|-----------------|------------|--------------------------|------------------------------|-------------------------------------|-----------------|
|                           |                 |            | BGN'000                  | BGN'000                      | BGN'000                             |                 |
|                           |                 |            |                          |                              |                                     |                 |
| Trade company             | 6.70%           | 31.12.2022 | 1,284                    | 1,284                        | 0                                   | Working capital |
| Trade company             | 6.70%           | 31.12.2022 | 17                       | 17                           | 0                                   | Working capital |
| Trade company             | 7.00%           | 07.08.2022 | 314                      | 0                            | 314                                 | Working capital |
| Total loans granted       |                 |            | 1,615                    | 1,301                        | 314                                 |                 |



## **Contingent liabilities**

<u>Information pursuant to the requirements of item 6 of the Appendix No. 2 to the Ordinance No. 2 of</u> November 9, 2021

As at December 31, 2021 the Group has contingent liabilities, including issued mortgages and pledges of property, plant and equipment and non-current assets held for sale, which serve as a collateral for bank loans granted to the Group and unrelated parties and credit limits for issuance of bank guarantees with total carrying amount of BGN 23,926 thousand.

The Group is a joint co-debtor under loan agreement of unrelated supplier, including limit for overdraft and limit for stand-by credit for issuance of bank guarantees in favour of Customs Agency. The total amount of the utilized funds and issued bank guarantees of all borrower's exposures to the Bank shall not exceed BGN 45,000 thousand. In relation to this credit agreement, the Group has established a special pledge on its cash in the bank account opened in the bank-creditor with total amount of BGN 51 thousand as at December 31, 2021 and a special pledge on receivables from contractors for BGN 4,000 thousand average monthly turnover.

The Group bears a joint obligation according to a contract for debt from January 2017 on an obligation of a subsidiary until February 2018 for BGN 2,346 thousand as at December 31, 2021.

Under a bank agreement for revolving credit line signed in 2016, bank guarantees were issued for a total amount of BGN 10,361 thousand as at December 31, 2021, including BGN 8,300 thousand in favor of third parties – Group's suppliers, BGN 500 thousand in favor of Ministry of Economics to secure its registration under the Law on the Administrative Regulation of Economic Activities Related to Oil and Petroleum Products, BGN 1,561 thousand to secure own liabilities related to contracts under the Public Procurement Act. In December 2020 bank guarantees at the amount of BGN 1,055 thousand, securing tax assessments appealed by the Group, were returned to the bank by the National Revenue Agency as a result of the final completion of the court proceedings. The contract is secured by mortgages of property, pledge of plants and equipment, pledge of all receivables on bank accounts of the Parent company and a subsidiary. In July 2017 the credit limit under the revolving credit line was increased from BGN 8,500 thousand to BGN 9,500 thousand. Assets amounted to BGN 1,500 thousand, owned by a subsidiary, additionally secured the credit limit. With annex from December 2018 the limit is increased to BGN 21,000 thousand and is additionally secured with mortgages and pledge of property, plants and equipment, and special pledge of goods in turnover, namely petroleum products. In 2021, the Group partially repays the principal of this tranche of the credit line. In December 2021 the bank granted an additional tranche at the amount of BGN 100 thousand, and the repayment term of the loan was extended until December 15, 2024. As at December 31, 2021 the Group has a liability of BGN 5,450 thousand.

As a collateral of an investment loan signed in July 2016, a mortgage of property, acquired through the investment loan and a pledge of receivables, arising from opened bank accounts of the Parent company to the amount of the outstanding balance of the loan, which as at the December 31, 2021 amounting to BGN 463 thousand.



## **Contingent liabilities (continued)**

There is a 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. By a decision of November 2021, the Court recognized as established on the negative claim filed by the Parent company that the Group does not owe the defendant these claims. The decision of November 2021 was appealed by the defendant and the case is currently pending at second instance.

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 in the course of 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.



## **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 codebtor subsidiaries and the potential risk for the Group is reduced to the court proceedings against the second subsidiary.

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 conclusion of the guarantee 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 rulling, 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 a Contract for purchase of receivables on commercial invoices (standard factoring) concluded with a commercial bank in March 2021, providing a pledge of receivables on the Group's bank accounts opened with the bank, with a carrying amount as of December 31, 2021 in amount of BGN 65 thousand.

The Group is a joint debtor and avalist of a promissory note for BGN 12,000 thousand under a overdraft credit agreement with a financial institution, granted to an unrelated party - a major fuel supplier.



## **Contingent liabilities (continued)**

As at December, 31 2021 the Group has a contingent liability related to a signed promissory note for BGN 100 thousand as a collateral under contract for purchase of electricity.

As at December 31, 2021, funds in bank accounts at the amount of BGN 82 thousand are blocked in enforcement cases to which the Group is a party.

In May 2020, the Parent company received from the Commission for Protection of Competition a decision for initiated proceedings to establish any violations under Art. 15 and Art. 21 of LPC and / or under Art. 101 and Art. 102 of the Treaty on the Functioning of the European Union (TFEU) in 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. At present, the proceedings in the case are pending at the CPC.

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.



## 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 2021.

The Pparent 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 personnel of the Parent company, included in the personnel costs, amounts to BGN 1,457 thousand (2020: BGN 1,148 thousand), and the outstanding liabilities as of December 31, 2021 and 2020 amount to of BGN 73 thousand, of which BGN 61 thousand are presented as liabilities to personnel and BGN 12 thousand as liabilities to related parties (see Note 28 to the consolidated financial statements).

In 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, 2021 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 2021 the Parent company did not carry out transactions subject to notification under Art. 187e of Commercial Act.

As at December 31, 2021 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                | 2021   | 2020   | 2019   |
|------------------------------|--------|--------|--------|
| Alpha Capital AD             | 28.85% | 28.85% | 28.85% |
| Yulinor EOOD                 | 23.11  | 23.11  | 23.11  |
| Perfeto Consulting EOOD      | 16.43  | 16.43  | 16.43  |
| Trans Express Oil EOOD       | 9.86   | 9.86   | 9.86   |
| Petrol Bulgaria AD           | 7.32   | 7.32   | _      |
| Corporate Commercial Bank AD | 5.51   | 5.51   | 5.51   |
| Storage Invest EOOD          | 3.66   | -      | _      |
| VIP Properties EOOD          | 2.26   | 2.26   | 2.26   |
| Ministry of Economics        | 0.65   | 0.65   | 0.65   |
| Correct Pharm EOOD           | -      | 3.66   | 10.98  |
| Other minority shareholders  | 2.35   | 2.35   | 2.35   |
| Total                        | 100%   | 100%   | 100%   |

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 (9.86%), Petrol Bulgaria AD (7.32%) and Corporate Commercial Bank (5.51%).

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, 2021, 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 paragraph 1, point 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 of December 31, 2021 no person holds more than 50% of votes at the General Meeting of Shareholders of Petrol AD.

In 2021, 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:

|   |             | 2021  | 2020  | 2019  |
|---|-------------|-------|-------|-------|
| Share capital as at 31 December         | BGN million | 109.3 | 109.3 | 109.3 |
|   | EUR million | 55.9  | 55.9  | 55.9  |
| Share price as at 31 December           | BGN         | 0.30  | 0.41  | 0.715 |
|   | EUR         | 0.15  | 0.21  | 0.37  |
| Market capitalization as at 31 December | BGN million | 8.2   | 11.2  | 19.5  |
|   | EUR million | 4.2   | 5.7   | 10.0  |
| Highest price throughout the year       | BGN         | 0.40  | 0.695 | 1.10  |
|   | EUR         | 0.20  | 0.36  | 0.56  |
| Lowest price throughout the year        | BGN         | 0.094 | 0.21  | 0.56  |
|   | EUR         | 0.05  | 0.11  | 0.28  |



## **Outlook**

<u>Information pursuant to Art. 39 item 4 of the Accountancy Act and Art. 247, par. 3 of the Commercial Act</u>

Despite the turmoil caused by COVID-19, the country's economy grew in the past reporting period, covering a wide range of industries and sectors. At present, however, the economy of the country faces a number of challenges and future risks. The ongoing military conflict between Russia and Ukraine creates preconditions for a lasting humanitarian crisis, shortage of raw materials, rising inflation and geopolitical turmoil, which may affect Bulgaria. At the same time, commodity prices continue to rise, and the high prices of raw materials, goods and services likely to remain. On the other hand, the pandemic has not completely subsided and new virus outbreaks are possible, which will further complicate the current market situation. This leads to a risk of slowing down cash flows and increasing intercompany indebtedness, reducing income and ultimately - to a general deterioration of the economy of the country in which the Group operates.

Due to the arising at the beginning of 2020 pandemic situation and the economic consequences, which the pandemic caused, the Group's management expectations are that in the coming years the competition mainly in the retail market to increase, as many small independent players would be forced out of fuel business. At the same time, the expectations in terms of the levels of trade margins, in particular on the retail market, are the margins to stabilize around the average European levels.

The plans for the future development of the company are closely related with 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.

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 2022, the Group's Management will look for opportunities, through external funding to build several new petrol stations at excellent locations. With regard to 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.

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 depended of the market environment and the development of the fuels sector. In May 2020, the government launched the idea of establishing a State Oil Company to operate up to 100 trade sites, located throughout the country, as well as tax warehouses for storing fuels for wholesale trading. In 2021 there are no operating petrol stations and clarity about the realization of the original idea. The entry of a new player in the fuel market of such a scale in the face of the State will inevitably lead to shocks in the fuels market and will reflect on the future development of the Group.



## **Outlook** (continued)

In terms of wholesale trading, in 2022 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.

With the aim to improve 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 as a result of 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.



## 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, 2021, the retail network includes 301 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 2021 wholesale trading and fuel storage activities are carried out through the managed 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 2021, see the Annual report for 2021.

The subsidiaries included in the consolidation over which the Group exercises control as at December 31, 2021 are as follows:

| Subsidiary                 | Major activity   | Operations in 2021  | Investment<br>as at<br>December<br>31, 2021 |
|----------------------------|--|---|---|
| Varna Storage EOOD         | Trade with petrol and petroleum products                       | Wholesale trading and<br>storage of crude oil and<br>petroleum products | 100%  |
| 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 Finances EOOD       | Financial and accounting services                              | Financial and accounting services                                       | 99%   |
| Petrol Technologies<br>OOD | IT services and consultancy                                    | IT services and consultancy   | 98,80%                                      |
| Petrol Technology OOD      | IT services and consultancy                                    | Does not have operations  | 98,80%                                      |



## SPECIFIC RISKS FACING THE GROUP

In 2022 the need for measures and actions related to climate change continues, and all participants in economic and social life, in particular consumers, governments and businesses should make efforts to reduce gas emissions and the greenhouse effect. Growing energy demand and, at the same time, the acceleration of climate change require the setting of ambitious targets for the players in the energy sector.

The specifics of Petrol'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 the reduction of carbon emissions and the overall impact on the environment.

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;

## Influence of COVID-19 on the Group's operations

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. In 2021, the Government of the Republic of Bulgaria via the Minister of Health twice imposed anti-epidemic measures restricting the movement of people and goods. Despite the imposed restrictive measures in 2021, the country's GDP grew by 4.5% on an annual basis compared to 2020, with a decline of 4.2% in 2020 compared to 2019.



Over the past two calendar years, 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 compared to BGN 538,499 thousand for 2019. Despite the growth of sales revenue in 2021 compared to 2020, the Petrol Group cannot restore its 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 two 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. Despite the actions taken by the competent authorities to prevent the spread of the virus, it continues to spread and the likelihood of future risks for the Petrol Group remains.

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 the date of preparation of these financial statements, the Group operates 15 full or partial self-service petrol stations, and for the last year alone they have increased by 55%, 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.

## 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 of December 31, 2021 the Group reports an annual increase in sales revenue of goods and services of 28% to BGN 506,115 thousand. Despite the impossibility of reaching the Group's sales before the pandemic, the rapid recovery in 2021 inspires a dose of optimism that the main shocks for the Petrol Group caused by the virus have passed.

The increased sales in 2021 helped the Group to a large extent to restore the normal rhythm of work, but the negative effects on the liquidity, sales and overall financial condition of the Petrol Group have not completely disappeared. High inflation, rising minimum wages and rising fuel prices are preventing the Group from reaching the levels of financial results and sales before the pandemic. (see also section Results from operations). In addition, the dynamics of COVID-19 spread in combination 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, pose significant risks for the Group and at the same time hinder the coverage and 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.

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.

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.

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.

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

Petrol 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 group, Petrol 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 Group 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.

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 the Petrol AD or its subsidiaries to comply with such acts may be a ground for civil and/or administrative liability.

With regard to 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:

- In accordance with the regulatory requirements, the annual reports on generated industrial or hazardous waste for 2020, generated in the petrol stations operated by the Group, have been prepared and submitted to the Executive Environment Agency in a timely manner;
- 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 2020 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 2020;
- An inspection of the systems for capturing petrol vapours at all petrol stations has been organized.



The 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 activities;
- 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 activities;

| Major directions and actions taken by<br>Petrol for environmental protection                     | Activities   | Stage                 |
|--|--|-----------------------|
|  | Installation of systems for capturing harmful emissions in trade sites   | Finished              |
| Environmental protection and reduction of harmful emissions and vapors from Petrol's operations; | 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                  | Promotion and enforcement of low carbon fuels and increasing their share in total fuels sales                    | In progress           |
| to the supply of cleaner and more competitive fuels;   | Installation of charging power stations  | In progress           |
|  | Internal quality control   | Finished              |
|  | Replacement of the regular lighting at petrol stations with energy-saving lighting and other electricity devices | Finished/ in progress |
| Reducing the consumption of natural resources in Petrol's operation;                             | ISO certification  | Finished              |
| _  | Automation of processes in Petrol Group  | In progress           |
|  | Digitization of document flow in Petrol Group  | In progress           |



#### 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. Thus 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 11 gas flowmeters together with spare parts;
- Carried out repairs with grinding of cylinder liners and cuffs for finishing of Tokheim flowmeters "Petrolmechanika", "Schwolm" and "FAS 22501";
- 165 Gas Installations and Automobile Gas Filling Stations are prepared for periodic technical inspections;
- 34 petrol stations are prepared for 4 and 8 year inspection of pressure vessels;
- 13 SIHI gas pumps were repaired;



Refrigeration and air conditioning systems

In 2021 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 2020;
- 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 15.02.2021.

For all reconstructed petrol stations with installations containing over 3 kg. FIGs / Fluorinated greenhouse gases / and over 5 kg tCO2 equivalent were prepared Annual Reports of each site for 2020. / Operators of the equipment / and handed over to the Regional RIEWs by 15.02.2021 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, 2021 Petrol manages 14 trade sites at key locations with AdBlue dispensers, and despite the difficult situation in which the Group was placed as a result of the global spread of COVID-19 and the economic consequences of the imposed by the Government anti-epidemic measures led to an unprecedented drop in sales revenue of 27 per cent in 2020, Petrol continues to invest in improving the energy balance of the goods and services offered by the Group.





For the period 2016 - 2021 AdBlue's sales of installed speakers have increased nearly eightfold, reducing the environmental emissions.

AdBlue sales table for the period 2017 – 2021

| AdBlue/Year                            | 2021    | 2020    | 2019    | 2018    | 2017   |
|--|---------|---------|---------|---------|--------|
| Volumes through dispenser (in liters)  | 425,926 | 246,053 | 212,777 | 103,761 | 50,408 |
| Sales growth compared to previous year | 73%     | 16%     | 105%    | 106%    |        |
| Sales growth compared to 2017          | 745%    | 388%    | 322%    | 106%    |        |

In addition to the locations with installed dispensers for AdBlue sales, 246 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, 2021 the Group managed to get 80% of the trade sites to be able to sell the environmentally friendly AdBlue additive.

During the past several calendar years, Petrol is making efforts to promote and expand its sales of low-carbon fuels, in particular LPG and methane, looking for new sales and distribution channels while developing and expanding the current. The auto gas



Gas Blue Force offered by the Group is of the highest quality with a combustion improver and a cleaning additive, which help to improve the combustion process and reduce the harmful emissions of carbon oxide by 25 per cent.



As a result of the marketing campaigns, promotions and other activities, as well as a result of the attracted new customers, and despite the difficult financial year for Petrol as a result of the worldwide pandemic, Petrol

increased the methane sales by 35% in the last four years, taking into account the decline in 2020 and 2021 as a result of the force-majeure situation caused by COVID-19. In comparison, for the

same period the total sales of gasoline A95 and diesel fuel decreased by 31% and 18% respectively. During the same period, Petrol also achieved success in the sale of Gas Blue Force and starting wholesale sales of LPG, reporting for two consecutive years an increase in wholesale sales of LPG, which in 2021 reached 4,012 thousand liters.





#### RECHARGE POINT



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 their own carbon footprint. 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 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 a number of 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;
- Organization and control of the implementation of scheduled inspections of the quality of fuels at
  gas stations and in the withdrawal of fuels in order to inspect the tanks. A total of 200 samples
  from 80 petrol stations were tested. Adequate measures have been taken in case of established
  discrepancies;
- In connection with inventories of trade sites and on other occasions, written opinions were considered and given in 54 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 10 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.

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 2021 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 invests in its employees by offering them adequate programmes for training and development of the necessary professional and management skills.

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 1,189.

## PROCESS AUTOMATION AND DIGITALIZATION OF DOCUMENT FLOW

Petrol Group is committed to preserve the planet's resources. In order 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 ENVINRONMENT

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. In order to minimize the spread of the virus and preserve the health of Petrol's employees and society as a whole, the actions taken by Petrol in 2021 include:

- 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, 2021 1,189 employees;
- As at December 31, 2020 1,257 employees;
- As at December 31, 2019 1,246 employees;

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 Management of the Group supports various forums and events with social significance for the society. During the reporting period, the Parent company has donated several institutions, initiatives and causes, including Association Christian Union, Association Give a smile, Bulgarian Christmas and others. The Parent company systematically provides financial support to people in need mainly related with treatment in the country and abroad and purchase of medicines. In 2021 the Group participated in several events and social projects, including events organized by the Bulgarian Federation of Artistic Gymnastics.

#### 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

<u>Information pursuant to Art. 100n, par.8 in conjunction with par.7 item 1 of the Public Offering of</u> 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;



- Make proposals for election of members of the SB and to vote for their electing;
- 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 from 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 Company;
- to make proposals for increase or decrease of the 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 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.



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 has to 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.

#### 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 to reach 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.

## **Internal control and Risk Management systems**

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

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.



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.

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

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, 2021, there is no shareholder with higher share than 30 per cent of the capital of Petrol AD. In 2020 there were no transactions with shares of the Parent company resulted in crossing the borders under Art.89 from the Directive 2001/34/EC of the European Parliament and of the Council from May 28, 2001.

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

Petrol AD has no shareholders with special control rights.

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

As at December 31, 2021 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 from 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 Company applies the International Financial Reporting Standards (IFRS), as approved by the European Union.

This responsibility includes: design, 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 2021.

Georgi Tatarski, Milko Dimitrov, Executive Director Executive Director

April 2022



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended December 31, 2021

|   |                                      | Note<br>№                                   | 2021<br>BGN'000  | 2020<br>BGN'000   |
|---|--------------------------------------|---|--|---|
| Revenue<br>Other income   |                                      | 6<br>7                                      | 499,841<br>6,274   | 390,521<br>4,126  |
| Cost of goods sold Materials and consumables Hired services Employee benefits Depreciation and amortisation Impairment losses Other expenses                  |                                      | 8<br>9<br>10<br>11<br>16, 17,18<br>12<br>13 | (435,978)<br>(5,237)<br>(34,748)<br>(21,896)<br>(5,684)<br>(23,197)<br>(1,513) | (330,806)<br>(3,822)<br>(35,362)<br>(20,197)<br>(5,658)<br>(3,902)<br>(1,353) |
| Finance income<br>Finance costs   |                                      | 14<br>14                                    | 1,449<br>(4,991)   | 2,053<br>(4,867)  |
| Loss before income tax  |                                      | _   | (25,680)   | (9,267)   |
| Tax income  |                                      | 15  | 294  | 338   |
| Loss for the year   |                                      | <u>-</u>                                    | (25,386)   | (8,929)   |
| Other comprehensive income  |                                      |   |  |   |
| Items that will not be reclassified Remeasurements of defined benefit Revaluation of property, plant and Tax effects on the revaluation of property equipment | it obligations equipment             | 27<br>15                                    | (63)<br>-<br>-   | (27)<br>25,762<br>(2,577)   |
| Other comprehensive income for  | r the year                           | <del>-</del>                                | (63)   | 23,158  |
| Total comprehensive income  |                                      | _   | (25,449)   | 14,229  |
| This consolidated financial sta<br>Management Board of Petrol AI  |                                      | d for issue                                 | on April 28,   | 2022 by the   |
| Georgi Tatarski<br>Executive Director   | Milko Dimitrov<br>Executive Director |   | Prepared by Ele<br>Teofanova   | ena Pavlova -   |

Certified according to audit report by:

Evgeni Atanasov Registered auditor, № 0701



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021 (continued)

|   |                                      | Note<br>№ | 2021<br>BGN'000              | 2020<br>BGN'000 |
|---|--------------------------------------|-----------|------------------------------|-----------------|
| Loss attributable to:   |                                      |           |                              |                 |
| Owners of the Parent compar<br>Non-controlling interests      | ny                                   |           | (25,387)                     | (8,929)         |
| Loss for the year   |                                      |           | (25,386)                     | (8,929)         |
| Other comprehensive income a                                  | ttributable to:                      |           |                              |                 |
| Owners of the Parent compar<br>Non-controlling interests      | ny                                   |           | (25,450)                     | 14,229          |
| Total comprehensive income for the year                       |                                      |           | (25,449)                     | 14,229          |
| Loss per share (BGN)  |                                      | 25        | (0.93)                       | (0.33)          |
| This consolidated financial s<br>Management Board of Petrol A |                                      | for issu  | ne on April 28,              | 2022 by the     |
| Georgi Tatarski<br>Executive Director                         | Milko Dimitrov<br>Executive Director |           | Prepared by Ele<br>Teofanova | na Pavlova -    |

Certified according to audit report by:

Evgeni Atanasov Registered auditor, № 0701



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at December 31, 2021

|   | Note<br>№ | 31 December<br>2021<br>BGN'000 | 31 December<br>2020<br>BGN'000 |
|---|-----------|--------------------------------|--------------------------------|
| Non-current assets  |           |                                |                                |
| Property, plant and equipment and intangible  |           |                                |                                |
| assets  | 16        | 40,632                         | 40,479                         |
| Investment property   | 17        | 1,650                          | 1,699                          |
| Right-of-use assets   | 18        | 6,851                          | 14,176                         |
| Goodwill  | 19        | 57                             | 19,844                         |
| Deferred tax assets   | 15        | 2,465                          | 1,977                          |
| Loans granted   | 22        | 3,708                          |                                |
| Total non-current assets  |           | 55,363                         | 78,175                         |
| Current assets  |           |                                |                                |
| Inventories   | 20        | 20,866                         | 18,779                         |
| Loans granted   | 22        | 18,423                         | 23,202                         |
| Trade and other receivables   | 23        | 28,349                         | 26,779                         |
| Non-current assets held-for-sale  | 21        | -                              | 8                              |
| Cash and cash equivalents   | 24        | 4,027                          | 2,773                          |
| Total current assets  |           | 71,665                         | 71,541                         |
| Total assets  |           | 127,028                        | 149,716                        |
| This consolidated financial statement was app.  Management Roard of Petrol AD and was signed by |           | ssue on April 28               | , 2022 by the                  |

Management Board of Petrol AD and was signed by:

| Georgi Tatarski           | Milko Dimitrov            | Prepared by Elena Pavlova - |
|---------------------------|---------------------------|-----------------------------|
| <b>Executive Director</b> | <b>Executive Director</b> | Teofanova                   |

Certified according to audit report by:

Evgeni Atanasov Registered auditor, № 0701



# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued) As at December 31, 2021**

|   | Note<br>№            | 31 December<br>2021<br>BGN'000  | 31 December<br>2020<br>BGN'000 |
|---|----------------------|---------------------------------|--------------------------------|
| Equity  |                      | 2 31 (                          | 2011 000                       |
| Registered capital<br>General reserves<br>Accumulated loss  | 25                   | 109,250<br>43,278<br>(149,199)  | 109,250<br>43,682<br>(124,153) |
| Total equity attributable to the owners of the Parent company   |                      | 3,329                           | 28,779                         |
| Non-controlling interests   | 31.4.                | 24                              | 23                             |
| Total equity  |                      | 3,353                           | 28,802                         |
| Non-current liabilities   |                      |                                 |                                |
| Loans and borrowings Liabilities under lease agreements Employee defined benefit obligations                    | 26<br>18<br>27       | 41,724<br>4,799<br>870          | 36,543<br>9,796<br>773         |
| Total non-current liabilities   |                      | 47,393                          | 47,112                         |
| Current liabilities   |                      |                                 |                                |
| Trade and other payables Loans and borrowings Liabilities under lease agreements Current income tax liabilities | 28<br>26<br>18<br>29 | 73,183<br>1,139<br>1,766<br>194 | 59,543<br>10,008<br>4,251      |
| Total current liabilities   |                      | 76,282                          | 73,802                         |
| Total liabilities   |                      | 123,675                         | 120,914                        |
| Total equity and liabilities  |                      | 127,028                         | 149,716                        |

This consolidated financial statement was approved for issue on April 28, 2022 by the Management Board of Petrol AD and was signed by:

|                           |                           | <u> </u>                    |
|---------------------------|---------------------------|-----------------------------|
| Georgi Tatarski           | Milko Dimitrov            | Prepared by Elena Pavlova - |
| <b>Executive Director</b> | <b>Executive Director</b> | Teofanova                   |

Certified according to audit report by:

Evgeni Atanasov Registered auditor, № 0701

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# **COMPREHENSIVE STATEMENT OF CHANGES IN EQUITY** For the year ended December 31, 2021

|  |                                  | Equity attributable to the owners of the Parent company |                                   | Non-<br>controlling<br>interests | Total equity                      |         |          |
|--|----------------------------------|---|-----------------------------------|----------------------------------|-----------------------------------|---------|----------|
|  | Registered<br>capital<br>BGN'000 | General<br>reserves<br>BGN'000                          | Registere<br>d capital<br>BGN'000 | General<br>reserves<br>BGN'000   | Registere<br>d capital<br>BGN'000 | BGN'000 | BGN'000  |
| Balance at January 1, 2020   | 109,250                          | 18,864  | -                                 | (113,564)                        | 14,550                            | 23      | 14,573   |
| Changes in equity for 2020<br>Comprehensive income for the year                          |                                  |   |                                   |                                  |                                   |         |          |
| Loss for the year<br>Remeasurements of defined benefit                                   | -                                | -   | -                                 | (8,929)                          | (8,929)                           | -       | (8,929)  |
| obligations  | -                                | -   | -                                 | (27)                             | (27)                              | -       | (27)     |
| Revaluation of property, plant and equipment  Tax effect on the revaluation of property, | -                                | -   | 27,730                            | (1,968)                          | 25,762                            | -       | 25,762   |
| plant and equipment  |                                  |   | (2,774)                           | 197                              | (2,577)                           |         | (2,577)  |
| Total other comprehensive income   |                                  |   | 24,956                            | (1,798)                          | 23,158                            |         | 23,158   |
| <b>Total comprehensive income</b>  |                                  |   | 24,956                            | (10,727)                         | 14,229                            |         | 14,229   |
| Transfer of revaluation reserve of assets to the accumulated profit, net of taxes        |                                  |   | (138)                             | 138                              |                                   |         |          |
| Balance at December 31, 2020   | 109,250                          | 18,864  | 24,818                            | (124,153)                        | 28,779                            | 23      | 28,802   |
| Changes in equity for 2021 Comprehensive income for the year                             | r                                |   |                                   |                                  |                                   |         |          |
| Loss for the year  | -                                | -   | -                                 | (25,387)                         | (25,387)                          | 1       | (25,386) |
| Other comprehensive income   |                                  |   |                                   | (63)                             | (63)                              |         | (63)     |
| Total comprehensive income   |                                  |   |                                   | (25,450)                         | (25,450)                          | 1       | (25,449) |
| Transfer of revaluation reserve of assets to the accumulated profit, net of taxes        |                                  |   | (404)                             | 404                              |                                   |         |          |
| Balance at December 31, 2021   | 109,250                          | 18,864  | 24,414                            | (149,199)                        | 3,329                             | 24      | 3,353    |

This consolidated financial statement was approved for issue on April 28, 2022 by the Management Board of Petrol AD and was signed by:

| Georgi Tatarski           | Milko Dimitrov            | Prepared by Elena Pavlova - |
|---------------------------|---------------------------|-----------------------------|
| <b>Executive Director</b> | <b>Executive Director</b> | Teofanova                   |

Certified according to audit report by:

Evgeni Atanasov Registered auditor, № 0701



# **CONSOLIDATED STATEMENT OF CASH FLOWS** For the year ended December 31, 2021

|   | 2021<br>BGN'000   | 2020<br>BGN'000 |
|---|-------------------|-----------------|
| Cash flows from operating activities  |                   |                 |
| Net loss before taxes   | (25,680)          | (9,267)         |
| Adjustments for:  |                   |                 |
| Depreciation/amortization of property, plant and equipment,   |                   |                 |
| intangible assets and   | 5,684             | 5,658           |
| Interest expense and bank commissions, net  | 3,527             | 2,814           |
| Shortages and normal loss, net of excess assets   | (1,262)           | (706)           |
| Provisions for unused paid leave and retirement benefits  | 732               | 741             |
| Impairment of assets  | 23,197            | 3,902           |
| Loss (profit) on sale of assets   | (1,211)           | 5               |
| Payables written-off  | (111)             | (44)            |
|   | 4,876             | 3,103           |
| Change in trade payables  | 10,486            | (9,405)         |
| Change in inventories   | (826)             | 2,977           |
| Change in trade receivables   | (3,518)           | 8,677           |
| Cash flows from operating activities  | 11,018            | 5,352           |
| Interest, bank fees and commissions paid  | (3,971)           | (2,945)         |
| Income tax paid   |                   | (3)             |
| Net cash from operating activities  | 7,047             | 2,404           |
| This consolidated financial statement was approved for issue Management Board of Petrol AD and was signed by: | ne on April 28, 2 | 022 by the      |

| Georgi Tatarski    | Milko Dimitrov     | Prepared by Elena Pavlova - |
|--------------------|--------------------|-----------------------------|
| Executive Director | Executive Director | Teofanova                   |

Certified according to audit report by:

Evgeni Atanasov Registered auditor, № 0701



# **CONSOLIDATED STATEMENT OF CASH FLOWS** For the year ended December 31, 2021 (continued)

| (794)<br>1,875<br>28<br>321 | (580)<br>224<br>1,767  |
|-----------------------------|--|
| 1,875<br>28                 | 224<br>1,767   |
| 28                          | 1,767  |
|                             | •  |
| 321                         | •  |
|                             | 213  |
|                             |  |
| -                           | (3)  |
| <u> </u>                    | 160  |
| 1,430                       | 1,781  |
|                             |  |
| 100                         | -  |
| 2,401)                      | (343)  |
| 4,968)                      | (4,606)  |
| 7,269)                      | (4,949)  |
| 1,208                       | (764)  |
| 2,722                       | 3,486  |
| 15                          | -  |
| 3,945                       | 2,722  |
|                             | 1,430<br>100<br>2,401)<br>4,968)<br>7,269)<br>1,208<br>2,722 |

This consolidated financial statement was approved for issue on April 28, 2022 by the Management Board of Petrol AD and was signed by:

| Georgi Tatarski           | Milko Dimitrov            | Prepared by Elena Pavlova - |
|---------------------------|---------------------------|-----------------------------|
| <b>Executive Director</b> | <b>Executive Director</b> | Teofanova                   |

Certified according to audit report by:

Evgeni Atanasov Registered auditor, № 0701



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021



#### 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, 2020 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 28, 2022.

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  $N_{2}$  596/2014 of the European Parliament and the Counsel from April 16, 2014 is <a href="http://www.x3news.com">http://www.x3news.com</a>

#### 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 provisions and the defined benefit obligations, assets and liabilities under IFRS 16, recognized at present value of the expected future payments.

#### 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, 2021:

• Amendments to IFRS 16 Leasing: COVID-19 rental discounts after June 30, 2021 (issued March 31, 2021) effective from April 1, 2021. The amendment to IFRS 16, issued on 28 May 2020, increases the scope of COVID-19 rental discounts, which provides a practical tool that allows lessees not to judge whether rental discounts that arise as a direct result of the Covid-19 pandemic and meet certain conditions are a changes of lease. This amendment increases the eligibility period by 12 months from June, 30 2021 to June, 30 2022.



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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Base Interest Rate Reform Phase 2 (issued on August 27, 2020). The purpose of the changes is to take into account the consequences for financial reporting caused by the actual replacement of existing base interest rates with alternative base (risk-free) interest rates. The changes in the standards related to Phase 2 of the base interest rate reform provide mainly two practical reliefs: a) in determining and estimating changes in agreed cash flows from financial assets and liabilities and lease liabilities changes in the base interest rates are reported updating the effective interest rate; and (b) in accounting for hedging relationships, allowing for a change (revision) in the determination of the hedging relationship and the valuation of the hedged item based on cash flows, due to and as a result of replacing the applied base interest rates with other alternatives. The amendments are applied retrospectively. Earlier application is allowed.
- *IFRS 4 Insurance Contracts* (issued on June 25, 2020). The purpose of the amendments to IFRS 4 is to overcome the temporary accounting consequences of the different effective dates of IFRS 9 *Financial Instruments* and the coming IFRS 17 *Insurance Contracts*. In particular, with the amendments to IFRS 4 the period for temporary exemption from the application of IFRS 9 is extend until 2023 in order to harmonize the effective date of IFRS 9 with the new IFRS 17.

Since the adoption of these standards and / or interpretations, effective for annual periods beginning on or after January 1, 2021, there have been no changes in the Group's accounting policies, except for some new ones and the expansion of already established disclosures, without leading to other changes in the classification or evaluation of individual reporting objects and operations.

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

The following new or revised standards, new interpretations and amendments to existing standards that have been issued by the International Accounting Standards Board (IASB) at the reporting date but are not yet effective for annual periods beginning on or after January 1, 2021 or are not approved for implementation by the EU and accordingly not taken into account in the preparation of these financial statements.

• IFRS 17 Insurance Contracts - (effective for annual periods beginning on or after January 1, 2023 (adopted by the EC). In May 2017, the IASB published IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering the recognition and measurement, presentation and disclosure. After its entry into force, 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 insurance, non-life insurance, direct insurance and reinsurance), regardless of the type of companies that issue them, as well as in respect of certain guarantees and financial instruments with additional, non-guaranteed income (participation at discretion). A small number of exceptions to the scope 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.



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

- Amendments to IFRS 17 *Insurance contracts:* Initial adoption of IFRS 17 and IFRS 9 Comparative information (issued on December 9, 2021, effective for annual periods, beginning on or after January 01, 2023, are not adopted by EC).
- IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2023, not adopted by 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 the settlement of a liability. The changes may affect the classification of liabilities, especially for entities that have previously considered management's intentions to determine the classification, as well as for some liabilities that may be converted into equity. They shall be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2022, adopted by EC). The amendment to the standard prohibits the entity to deduct from the cost of an element of the PPE all proceeds from the sale of manufactured products while the entity prepares the asset for its intended use. It also clarifies that the entity "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 entities must disclose separately the amounts of income and expenses related to manufactured products that are not the result of the entity's normal activities.
- IFRS 3 Business Combinations (effective for annual periods beginning on or after January 1, 2022, adopted by EC). Minor amendments were made to IFRS 3 Business Combinations for updating the references to the Conceptual Framework for Financial Reporting and adding an exception to the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 of IFRIC Taxes. The amendments also confirm that contingent assets should not be recognized at the acquisition date.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after January 1, 2022). The amendment to IAS 37 clarifies that the direct contract fulfillment costs include both additional contract fulfillment costs and the allocation of other costs directly attributable to the fulfillment of the contracts. Before recognizing a separate provision for an onerous agreement, the entity recognizes any impairment loss that has occurred on the assets used in fulfillment the contract.



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

- Annual improvements to IFRS for the period 2018-2020 (effective for annual periods beginning on or after January 1, 2022). The following improvements were finalized in May 2020: IFRS 9 Financial Instruments clarifies which fees should be included in the 10% test in assessing whether to recognize a financial liability; IFRS 16 Leasing amendment to Illustrative Example 13 to remove the illustration of lessor payments related to leasehold improvements in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example; IFRS 1 Adoption of International Financial Reporting Standards for the First Time allows entities that have assessed their assets and liabilities at carrying amount, recorded in the accounting records of their Parent companies to also measure any cumulative foreign currency differences, using the amounts reported by the Parent company. This amendment will also apply to associates and joint ventures that have undertaken the same exemption under IFRS 1; IAS 41 Agriculture elimination of the requirement for entities to exclude cash flows for taxation when measuring the fair value under IAS 41. This amendment seeks to align with the requirement in the standard for discounting cash flows on a post-tax basis.
- Amendments to IAS 1 *Presentation of financial statements* and IFRS *Practical Statement* 2. Disclosure of accounting policies (issued February 12, 2021, effective for the annual periods from January 1, 2023, not adopted by EC).
- Amendments to IAS 8 *Accounting policy*, Changes in the accounting approximate estimates and errors (issued on February 12, 2021, effective for the annual periods from January 1, 2023, not adopted by EC).
- Amendments to IAS 12 *Income taxes:* Deferred taxes on assets and liabilities arising from a single deal (issued on May 7, 2021, effective for the annual periods, beginning on or after January 1, 2023, not adopted by EC).
- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in terms of the sale or contribution of assets between an investor and its associates or joint ventures (with effective date deferred to be determined by the IAS). These changes are aimed at resolving the accounting treatment of sale or in-kind contributions between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the sold assets or the contributed non-monetary assets constitute or not substantially "business" within the meaning of IFRS 3. If these assets as a whole do not meet the definition of "business" the investor recognizes profit or loss up to the interest, corresponding to the share of other unrelated investors in the associate or joint venture. In cases where assets are sold or non-monetary assets are in-kind contributed, which as a whole are "business", the investor fully recognizes the profit or loss from the transaction. These amendments will be prospectively applied. The IASB has postponed the date of applying of these changes indefinitely.

Management is in the process of researching, analyzing and evaluating the effects of changes that would affect the accounting policy and the classification and presentation of the Group's assets and liabilities:



#### 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, 2021: 1 USD = 1.72685 BGN December 31, 2020: 1 USD = 1.59386 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 15 recoverability of deferred tax assets;
- Note 19 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 losses 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, 2021 the Group's equity is BGN 3,329 thousand and is lower by BGN 105,921 thousand than the registered capital of the Parent company, due to accumulated losses in previous periods. As at December 31, 2021 the current liabilities of BGN 76,282 thousand are not fully covered by the current assets with a shortage of BGN 4,617 thousand. The Management has assessed the resulting uncertainties, including the possible effects of risks associated with the continuing impact of the COVID-19 coronavirus pandemic (data disclosed in Note 33. Capital management), lawsuits (Note 35. Contingent liabilities) and subsequent events disclosed in Note 36 Events after the end of the reporting period that indicate significant uncertainties that could cast doubt on the Group's ability to continue as a going concern if these risks materialize. Actions have been taken to bring the capital of the Parent Company in compliance with the requirements of Art. 252, par. 1, item 5 of the Commercial Act (see note 25 and note 33).



# 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.

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.



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

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.

#### 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

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 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.



# 3.4.1. Non-derivative financial assets and financial liabilities – recognition, assessment and derecognition (continued)

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.



#### 3.4.2. Subsequent measurement of financial assets (continued)

#### 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 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.



#### 3.8. Employment benefits (continued)

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 2021 and 2020 the tax rate applied in calculation of the tax payables of the Group is 10%.



#### 3.9. Income tax (continued)

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.



#### 3.10.2. Finance income and finance costs (continued)

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 2021 and 2020.

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.



#### 3.11. Leases (continued)

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 asset 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.

#### 4. Determination of fair values

A number 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.



#### 4. Determination of fair values (continued)

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, 2021 and 2020 is as follows:

| 2021   | Wholesale of<br>fuels<br>BGN'000 | Retail of<br>fuels<br>BGN'000 | All other segments BGN'000 | Total for the<br>Group<br>BGN'000 |
|--|----------------------------------|-------------------------------|----------------------------|-----------------------------------|
| Total segment revenue<br>Intra-group revenue | 24,639                           | 479,190                       | 3,509                      | 507,338                           |
| Revenue from external customers              | 24,639                           | 115<br><b>479,075</b>         | 1,108<br><b>2,401</b>      | 1,223<br><b>506,115</b>           |
| Adjusted EBITDA                              | 4,864                            | 9                             | 1,870                      | 6,743                             |
| Depreciation/amortization<br>Impairment      | 2,258<br>19,787                  | 3,114<br>3,337                | 312<br>73                  | 5,684<br>23,197                   |



## 5. Segments reporting (continued)

| 2020   | Wholesale of<br>fuels<br>BGN'000 | Retail of<br>fuels<br>BGN'000 | All other segments BGN'000 | Total for the<br>Group<br>BGN'000 |
|--|----------------------------------|-------------------------------|----------------------------|-----------------------------------|
| Total segment revenue<br>Intra-group revenue | 20,348                           | 372,863                       | 2,958                      | 396,169                           |
| Revenue from external customers              | 20,348                           | 114<br><b>372,749</b>         | 1,408<br><b>1,550</b>      | 1,522<br><b>394,647</b>           |
| Adjusted EBITDA                              | 3,254                            | (1,530)                       | 1,383                      | 3,107                             |
| Depreciation/amortization<br>Impairment      | 2,264                            | 3,053<br>481                  | 341<br>3,421               | 5,658<br>3,902                    |

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 Management of the Group evaluates the results of the performance of the segments based on the adjusted EBITDA<sup>17</sup>. In the calculation of the adjusted EBITDA the effect of the impairment of assets is not taken into account. The reconciliation of the adjusted EBITDA and the profit (loss) before tax is presented in the table below:

|                                      | 2021<br>BGN'000 | 2020<br>BGN'000 |
|--------------------------------------|-----------------|-----------------|
| Adjusted EBITDA - reporting segments | 4,873           | 1,724           |
| Adjusted EBITDA - all other segments | 1,870           | 1,383           |
| Depreciation/amortization            | (5,684)         | (5,658)         |
| Impairment                           | (23,197)        | (3,902)         |
| Finance income (cost), net           | (3,542)         | (2,814)         |
| Loss before tax                      | (25,680)        | (9,267)         |

## **6.** Revenue from sales

|                                     | 2021<br>BGN'000   | 2020<br>BGN'000  |
|-------------------------------------|-------------------|------------------|
| Sales of goods<br>Sales of services | 489,431<br>10,410 | 381,811<br>8,710 |
|                                     | 499,841           | 390,521          |

Revenue from sales of goods comprises, as follows:

<sup>&</sup>lt;sup>17</sup> EBITDA (earnings before interest, tax, depreciation and amortization)



#### **6.** Revenue from sales (continued)

|   | 2021<br>BGN'000 | 2020<br>BGN'000 |
|---|-----------------|-----------------|
| Fuels   | 431,274         | 329,687         |
| Lubricants and other goods                                | 58,157          | 52,124          |
|   | 489,431         | 381,811         |
| 7. Other income   |                 |                 |
|   | 2020<br>BGN'000 | 2019<br>BGN'000 |
| Grants  | 2,552           | 2,689           |
| Surpluses of assets                                       | 1,780           | 1,026           |
| Gain on sale of property, plant and equipment, including: | 1,211           | -               |
| Income from sales   | 1,975           | -               |
| Carrying amount   | (764)           | -               |
| Gain on sale of right-of-use assets                       | 202             | -               |
| Payables written-off                                      | 111             | 44              |
| Insurance claims  | 38              | 33              |
| Penalties and indemnities                                 | 35              | 99              |
| Other   | 345             | 235             |
|   | 6,274           | 4,126           |

As a result of the negative impact and consequences of the global pandemic caused by 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 trade sites and to establish a reduced working hours of part of personnel. From the end of March 2020, the Employment Agency opens an application procedure under Art. 1 of Decree № 55 of March 30, 2020 determining the terms and conditions for payment of compensations to employers in order to maintain the employment of employees in the state of emergency, declared by a Decision of the National Assembly of March 13, 2020, subsequently replaced by Decree № 151 from 2020. The Group has submitted documents for application under this procedure and for 2021 has reported income from state grants under this program at the amount of BGN 2,212 thousand (2020: BGN 2,689 thousand).

By Decision № 739 of 26.10.2021, amended by Decision № 771 of 06.11.2021 and Decision № 885 of 16.12.2021, the Council of Ministers adopted a program for compensation of non-household 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 the end of the reporting period the Group received and reported revenues from financing for 2021 under this program worth BGN 340 thousand.



## 8. Cost of goods sold

Consulting and training

Cash collection expense

Communications

Software licenses

State, municipal fees and other costs

Security

Insurances

Advertising

Transport

Other

|                              | 2021<br>BGN'000 | 2019<br>BGN'000 |
|------------------------------|-----------------|-----------------|
| Fuels                        | 387,033         | 286,718         |
| Lubricants and other goods   | 48,945          | 44,088          |
|                              | 435,978         | 330,806         |
| 9. Materials and consumables |                 |                 |
|                              | 2021<br>BGN'000 | 2020<br>BGN'000 |
| Electricity and heating      | 3,363           | 2,080           |
| Fuels and lubricants         | 481             | 390             |
| Office consumables           | 426             | 428             |
| Working clothes              | 291             | 234             |
| Spare parts                  | 283             | 271             |
| Water supply                 | 132             | 131             |
| Advertising materials        | 107             | 118             |
| Other                        | 154             | 170             |
|                              | 5,237           | 3,822           |
| 10. Hired services           |                 |                 |
|                              | 2021<br>BGN'000 | 2020<br>BGN'000 |
| Rents                        | 14,958          | 14,960          |
| Commissions and fees         | 11,253          | 10,977          |
| Maintenance and repairs      | 2,685           | 3,041           |
|                              |                 |                 |

Rental costs for 2021 include BGN 14,858 thousand (2020: BGN 14,886 thousand) related to trade sites leased under operating leases, which fall under the exceptions of IFRS 16 and whose agreements contain a clause stipulating that both parties have the right to terminate the contract for individual sites or entirely against a minor sanction.

In 2021 the Group reports that the accrued considerations for independent financial audit services for the companies included in the consolidation for 2021 are at the amount of BGN 85 thousand (2020: BGN 45 thousand).

1,693

595

934

747

633

515

322

238

661

35,362

46

1,274

762

688

630

624

589

229

234

75

747

34,748



# 11. Personnel expenses

|  | 2021<br>BGN'000 | 2020<br>BGN'000 |
|--|-----------------|-----------------|
| Wages and salaries<br>Social security contributions and benefits | 18,250<br>3,646 | 16,663<br>3,534 |
|  | 21,896          | 20,197          |

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 2021 have been distributed. food with a total value of BGN 513 thousand (2020: BGN 629 thousand)

# 12. Impairment losses

|   | 2021<br>BGN'000 | 2020<br>BGN'000 |
|---|-----------------|-----------------|
| Recognized impairment loss on goodwill                          | 19,787          | -               |
| Recognised impairment loss on financial assets, including:      | 3,428           | 1,760           |
| Impairment loss on trade and other receivables                  | 2,034           | 143             |
| Impairment loss on loans granted                                | 1,394           | 1,614           |
| Impairment loss on other assets                                 | -               | 3               |
| Recognised impairment loss on fixed assets held-for-sale        | 8               | 34              |
| Recognised impairment loss on property, plant and equipment and |                 |                 |
| intangible assets   | -               | 2,350           |
| Reversed impairment loss on financial assets, including:        | (26)            | (242)           |
| Reversed impairment loss on trade and other receivables         | (15)            | (78)            |
| Reversed impairment loss on trade loans granted                 | (11)            | (164)           |
| Recognised losses   | 23,197          | 3,902           |

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 (see Note 19 and Note 36).

As of January 1, 2020, the Group has made a change in its accounting policy and has adopted to report property, plant and equipment and intangible assets under the revaluation model under IAS 16 and IAS 38, as a result of which in 2020 impairment losses of property, plant and equipment and intangible assets at the total amount of BGN 2,350 thousand are reported.



# 13. Other expenses

|   | 2021<br>BGN'000 | 2020<br>BGN'000   |
|---|-----------------|-------------------|
| Scrap and shortages   | 518             | 320               |
| Entertainment expenses and sponsorship  | 384             | 165               |
| Local taxes and taxes on expenses   | 304             | 652               |
| Penalties and indemnities   | 162             | 75                |
| Business trips  | 17              | 14                |
| Loss from sale of property, plant and equipment and materials, incl.:                         | -               | 5                 |
| Income  | -               | (172)             |
| Carrying amount Other   | 128             | <i>177</i><br>122 |
| Other   |                 |                   |
|   | 1,513           | 1,353             |
| 14. Finance income and costs  |                 |                   |
|   | 2021<br>BGN'000 | 2020<br>BGN'000   |
| Finance income  |                 |                   |
| Interest income, including  | 1,444           | 2,053             |
| Interest income on loans granted  | 1,345           | 1,695             |
| Interest income on trade receivables  | 99              | 357               |
| Other interest income   | -               | 1                 |
| Other finance income  | 5               |                   |
|   | 1,449           | 2,053             |
| Financial costs   |                 |                   |
| Interest costs, including:  | (4,497)         | (4,404)           |
| Interest expenses on trade and other payables   | (1,766)         | (1,146)           |
| Interest expenses on debenture loans  | (1,747)         | (2,117)           |
| Interest on leases  | (574)           | (637)             |
| Interest expenses on bank loans   | (399)           | (442)             |
| Interest expenses on trade loans  | (9)             | -                 |
| Interest expenses to the state budget   | (2)             | (62)              |
| Negative foreign exchange changes, net<br>Bank fees, commissions and other financial expenses | (15)<br>(479)   | (463)             |
| Dank rees, commissions and other infancial expenses   | (4,991)         | (4,867)           |
| Einamas ingama (gagta) mat  | <u> </u>        |                   |
| Finance income (costs), net   | (3,542)         | (2,814)           |



### 15. Taxation

# 15.1. Tax expenses

Tax expense recognised in profit or loss includes the amount of current and deferred income tax expenses in accordance with IAS 12 *Income taxes*.

|  | 2021<br>BGN'000            | 2020<br>BGN'000       |
|--|----------------------------|-----------------------|
| Current tax expense  | 194                        | -                     |
| Change in deferred tax, including:  Temporary differences recognised during the year  Temporary differences arisen during the year  Adjustments in temporary differences | (488)<br>(584)<br>85<br>11 | (338)<br>(450)<br>112 |
| Tax income   | (294)                      | (338)                 |

### 15.2. 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, 2021 and 2020 is presented in the table below:

|   | 2021     | 2020    |
|---|----------|---------|
|   | BGN'000  | BGN'000 |
| Loss before tax for the year              | (25,680) | (9,267) |
| Applicable tax rate                       | 10%      | 10%     |
| Tax benefit at the applicable tax rate    | (2,568)  | (927)   |
| Tax effect from permanent differences     | 70       | 46      |
| Tax adjustments for prior periods         | 11       | -       |
| Tax effect from consolidation adjustments | 2,193    | 543     |
| Tax income                                | (294)    | (338)   |
| Effective tax rate                        |          |         |

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.

In November 2017 the issued amended assessment from March 2016 on the security contributions tax audit for BGN 543 thousand principal and BGN 248 thousand interest, appealed entirely by the Parent company as unjustified and secured by a bank guarantee of BGN 800 thousand, was entirely repealed due to decision of Administrative Court – Sofia city. The tax administration appealed the decision and SAC repealed the decision of AC – Sofia city and returned the court proceeding to the initial judicial body for new examination. In order to secure the additionally accumulated interest liabilities under this amended assessment, in February 2019 an additional bank guarantee at the amount of BGN 255 thousand was issued.



### **15.2.** Effective tax rate (continued)

With a decision from March 2020, the first-instance court has partially annulled the appealed amended assessment, as a result the liabilities of the Group have been reduced to BGN 53 thousand. The Appel and Tax Insurance Practice have appealed the decision of the first-instance court. With a decision of the Supreme Administrative Court from November 2020 was finally confirmed the decision of the court of first instance, which partially annulled the tax assessment of 2016. The Group has paid the remaining liabilities and the effect is reflected in the financial statements for 2020.

# 15.3. Recognised deferred tax assets and liabilities

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

|  | Asset<br>(liability)<br>as at<br>January 1,<br>2020 | Recognised<br>in profit<br>and loss | Recognised<br>in equity |         | -       | Asset<br>(liability) as<br>at December<br>31, 2021 |
|--|---|-------------------------------------|-------------------------|---------|---------|--|
|  | BGN'000   | BGN'000                             | BGN'000                 | BGN'000 | BGN'000 | BGN'000  |
| Property, plant and equipment  | (175)   | 49                                  | (2,577)                 | (2,703) | 79      | (2,624)  |
| Impairment of assets   | 4,107   | 235                                 | -                       | 4,342   | 317     | 4,659  |
| Tax loss carry-forwards<br>Provisions for unused paid                          | 9   | (2)                                 | -                       | 7       | 5       | 12   |
| leave and other provisions Excess of interest payments in                      | 125   | 16                                  | -                       | 141     | (2)     | 139  |
| accordance with CITA Other temporary differences, including unpaid benefits to | 104   | 67                                  | -                       | 171     | 83      | 254  |
| individuals  | 46  | (27)                                | -                       | 19      | 6       | 25   |
|  | 4,216   | 338                                 | (2,577)                 | 1,977   | 488     | 2,465  |

The Group has the right to carry forward deferred tax assets on tax losses until 2026.

# 15.4. Unrecognized deferred tax assets

As of December 31, 2021 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.



# 16. Property, plant, equipment and intangible assets

|  | Land    | Buildings | Plant and equipment | Vehicles | Other      | Assets<br>under    | Intangibl<br>e assets | Total    |
|--|---------|-----------|---------------------|----------|------------|--------------------|-----------------------|----------|
|  | BGN'000 | BGN'000   | BGN'000             | BGN'000  | BGN'000    | constr.<br>BGN'000 | 3GN'000               | BGN'000  |
| Cost   |         |           |                     |          |            |                    |                       |          |
| Balance at January 1, 2020                       | 7,201   | 6,761     | 9,716               | 572      | 1,844      | 244                | 675                   | 27,013   |
| Additions  | -       | 26        | 97                  | -        | 42         | 468                | 27                    | 660      |
| Transfers of assets held-for-<br>sale            | 2,345   | 700       | 381                 | _        | 4          | _                  | _                     | 3,430    |
| Transfers  | 2,545   | 10        | 171                 | _        | 312        | (493)              | _                     | -        |
| Netting of accumulated                           |         |           |                     |          |            | ( /                |                       |          |
| depreciation                                     | -       | (3,867)   | (6,707)             | (561)    | (937)      | -                  | (452)                 | (12,524) |
| Revaluation                                      | 4,817   | 2,598     | 16,142              | 419      | 1,570      | -                  | 308                   | 25,854   |
| Impairment losses                                | (1,751) | (554)     | (113)               | -        | (13)       | (34)               | -                     | (2,465)  |
| Disposals  | (53)    | (18)      | (115)               |          | (48)       | (17)               |                       | (251)    |
| Balance at December 31, 2020                     | 12,559  | 5,656     | 19,572              | 430      | 2,774      | 168                | 558                   | 41,717   |
| 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)    |
| Balance at December 31, 2021                     | 13,189  | 6,215     | 19,545              | 430      | 2,938      | 179                | 628                   | 43,124   |
| Accumulated depreciation                         |         |           |                     |          |            |                    |                       |          |
| Balance at January 1, 2020                       | -       | 3,867     | 6,707               | 561      | 937        | -                  | 452                   | 12,524   |
| Accumulated                                      | -       | 206       | 763                 | 10       | 217        | -                  | 48                    | 1,244    |
| Disposals for the year<br>Netting of accumulated | -       | -         | (6)                 | -        | -          | -                  | -                     | (6)      |
| depreciation                                     |         | (3,867)   | (6,707)             | (561)    | (937)      |                    | (452)                 | (12,524) |
| Balance at December 31,                          |         | •0.5      |                     | 40       | A          |                    | 40                    | 4.000    |
| 2020   |         | 206       | <u>757</u>          | 10       | <u>217</u> |                    | 48                    | 1,238    |
| Accumulated                                      | -       | 218       | 788                 | 11       | 245        | -                  | 34                    | 1,296    |
| Disposals for the year                           |         | (1)       | (33)                |          | (8)        |                    |                       | (42)     |
| Balance at December 31,                          |         |           |                     |          |            |                    |                       |          |
| 2021   |         | 423       | 1,512               | 21       | 454        |                    | 82                    | 2,492    |
| Carrying amount at January 1, 2020               | 7,201   | 2,894     | 3,009               | 11       | 907        | 244                | 223                   | 14,489   |
| Carrying amount at 31                            |         |           |                     |          |            |                    |                       |          |
| December 31, 2020<br>Carrying amount at          | 12,559  | 5,450     | 18,815              | 420      | 2,557      | 168                | 510                   | 40,479   |
| December 31, 2021                                | 13,189  | 5,792     | 18,033              | 409      | 2,484      | 179                | 546                   | 40,632   |

As at December 31, 2021 property, plant and equipment with carrying amount of BGN 23,926 thousand (2020: BGN 22,874 thousand) were mortgaged and pledged as collaterals for bank loans granted to the Parent company and unrelated parties under bank guarantee agreement and bank loans.

The under construction assets include mainly accrued expenses related to the reconstruction of trade sites.



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

The carrying amount of all fully depreciated property, plant and equipment and intangible fixed assets as of December 31, 2021, which are still in use amounts to BGN 499 thousand (2020: BGN 394 thousand).

The Group has changed the adopted approach for subsequent valuation of property, plant and equipment and intangible fixed assets according to the revaluation model under IAS 16 and the intangible fixed assets under IAS 38, which is applied for the first time from January 1, 2020.

The revaluation model provides that after the initial recognition of an asset, any property, plant and equipment which fair value can be measured reliably is carried at revaluation value, which is the fair value of the asset at the date of revaluation less any subsequent accumulated depreciation, and subsequent accumulated impairment losses. The revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from the value that would have been determined using fair value at the date of the consolidated financial statements.

### 17. Investment property

|  | December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|--|---------------------------------|---------------------------------|
| Cost   |                                 |                                 |
| Balance at the beginning of the year         | 1,883                           | 1,883                           |
| Acquisitions                                 | <u>-</u> _                      |                                 |
| Balance at the end of the year               | 1,883                           | 1,883                           |
| Accumulated depreciation                     |                                 |                                 |
| Balance at the beginning of the year         | 184                             | 137                             |
| Depreciation for the year                    | 49                              | 47                              |
| Balance at the end of the year               | 233                             | 184                             |
| Carrying amount at the beginning of the year | 1,699                           | 1,746                           |
| Carrying amount at the end of the year       | 1,650                           | 1,699                           |

Investment property representing land and building were acquired through business combination in December 2016. The Group determines the fair value of the investment property for reporting purposes, using a valuation report of independent appraiser, which is calculated by the methods of market comparisons, capitalized rental income and the method of amortized cost value. The fair value of investment property as of December 31, 2021 is BGN 1,987 thousand (December 31, 2020: BGN 1,726 thousand). The investment properties are part of a set of assets serving to secure the credit limit for BGN 1,500 thousand under a revolving credit line agreement concluded in 2016.



### 18. Assets and liabilities under leases

The consolidated statement of financial position as at December 31, 2021 and 2020 presents the following items and amounts related to lease agreements:

| Consolidated statement of financial position | December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|--|---------------------------------|---------------------------------|
| Right-of-use assets, incl.:                  | 6,851                           | 14,176                          |
| Properties (lands and buildings)             | 6,573                           | 7,037                           |
| Machinery, plants and equipment              | 144                             | 6,630                           |
| Transport vehicles                           | 134                             | 509                             |
| Liabilities under leases, incl.:             | (6,565)                         | (14,047)                        |
| Current liabilities                          | (1,766)                         | (4,251)                         |
| Non-current liabilities                      | (4,799)                         | (9,796)                         |
| Net effect on equity                         | 286                             | 129                             |

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,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|--|---------------------------------|---------------------------------|
| Depreciation costs of right-of-use assets, incl.:                        | 4,339                           | 4,367                           |
| Properties (lands and buildings)   | 1,724                           | 1,708                           |
| Machinery, plants and equipment  | 2,213                           | 2,217                           |
| Transport vehicles   | 402                             | 442                             |
| Interest for right-of-use assets on lease contracts                      | 574                             | 637                             |
| Total  | 4,913                           | 5,004                           |

The total outgoing cash flow under lease agreements for right-of-use assets as at December 31, 2021 is BGN 4,968 (2020: BGN 4,606 thousand). The amount does not include the value added tax paid.

### 19. Goodwill

|                 | December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|-----------------|---------------------------------|---------------------------------|
| Cost            | 19,844                          | 19,844                          |
| Impairment loss | (19,787)<br><b>57</b>           | 19,844                          |

The recognised goodwill as at December 31, 2021 and 2020 arose as a result of the acquisition of the subsidiaries: Varna Storage EOOD at the amount of BGN 19,787 thousand, Lozen Asset AD at the amount of BGN 29 thousand and Petrol Technologies OOD at the amount of BGN 28 thousand.



### 19. 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 (see Note 12 and Note 36).

# 20. Inventory

|                            | December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|----------------------------|---------------------------------|---------------------------------|
| Goods, including:          | 20,196                          | 18,137                          |
| Fuels                      | 13,408                          | 10,859                          |
| Lubricants and other goods | 6,788                           | 7,278                           |
| Materials                  | 670                             | 642                             |
|                            | 20,866                          | 18,779                          |

### 21. Non-current assets held for sale

In January 2021, as a creditor in an enforcement case against an unrelated entity, from which there are overdue receivables on loans granted and trade and other receivables, the Group was declared a buyer through a distribution protocol by Private Bailiff for public sale of unrelated entity's property - debtor. The acquisition price of the property was paid by offsetting counter-receivables on loans granted in previous periods and interest thereon, as well as receivables from trade receivables and pre-invoicing and legal interest on them at the total amount of BGN 1,340 thousand and by additional payment at the amount of BGN 210 thousand. The Group paid the price within the statutory period, and in February 2021, when the award decree issued by the Private Bailiff came into force, it made the set-off and acquired ownership of the property. In the consolidated statement of financial position, the property representing a storage depot, whose assets are mortgaged and pledged as collateral in favor of a commercial bank under a factoring agreement with an unrelated fuel supplier, is classified as an asset held for sale. As of December 31, 2021 the Management of the Group reviews the unsold assets of the storage depot, as a result of which it estimates that assets amounting to BGN 1,422 thousand no longer meet the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and decides to reclassify them into property, plant and equipment.



# 22. Loans granted

|  |                                  |           |          | Decemb<br>BG        | per 31,<br>2021<br>N'000   | December 31,<br>2020<br>BGN'000 |
|--|----------------------------------|-----------|----------|---------------------|----------------------------|---------------------------------|
| Non-current receivables  |                                  |           |          |                     |                            |                                 |
| Loans granted to unrelated  Initial value  Allowance for impairs |                                  | g         |          |                     | 3,708<br>4,455<br>(747)    | -<br>-<br>-                     |
| Current receivables  |                                  |           |          |                     | 3,708                      |                                 |
| Loans granted to unrelated Initial value Allowance for impairs   |                                  | ıg        |          | Ĵ                   | 18,423<br>81,797<br>3,374) | 23,202<br>35,970<br>(12,768)    |
|  |                                  |           |          | 1                   | 18,423                     | 23,202                          |
|  |                                  |           |          | 2                   | 22,131                     | 23,202                          |
| Borrower   | Receivables<br>31.12.2021<br>net | Principal | Interest | Accrued<br>Interest | Annual<br>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%                      | · ·                             |
| Commercial Company   | -                                | 17        | 1        | (18)                | 6.70%                      |                                 |
| Commercial Company   | -                                | 12        | 1        | (13)                | 8.50%                      | 26.aug.15                       |
|  | 22,131                           | 30,579    | 5,673    | (14,121)            |                            |                                 |



# 22. Loans granted (continued)

| Borrower           | Receivables<br>31.12.2020<br>net | Principal | Interest | Accrued<br>Interest | Annual<br>Interest | Maturity  |
|--------------------|----------------------------------|-----------|----------|---------------------|--------------------|-----------|
|                    | BGN'000                          | BGN'000   | BGN'000  | BGN'000             | %                  |           |
| Commercial Company | 5,727                            | 5,737     | 640      | (650)               | 6.70%              | 31.dec.21 |
| Commercial Company | 5,571                            | 4,935     | 1,153    | (517)               | 6.70%              | 31.dec.21 |
| Commercial Company | 4,374                            | 3,945     | 926      | (497)               | 6.70%              | 31.dec.21 |
| Commercial Company | 3,106                            | 3,001     | 623      | (518)               | 6.70%              | 31.dec.21 |
| Commercial Company | 2,551                            | 2,037     | 524      | (10)                | 6.70%              | 31.dec.21 |
| Commercial Company | 922                              | 825       | 97       | -                   | 6.70%              | 31.dec.19 |
| Commercial Company | 429                              | -         | 429      | -                   | 6.70%              | 31.dec.19 |
| Commercial Company | 340                              | 314       | 26       | -                   | 7.00%              | 17.aug.21 |
| Commercial Company | 128                              | 127       | 1        | -                   | 6.70%              | 1.aug.21  |
| Commercial Company | 51                               | 50        | 1        | -                   | 5.00%              | 31.dec.20 |
| Commercial Company | 2                                | -         | 2        | -                   | 10.00%             | 31.dec.20 |
| Commercial Company | 1                                | -         | 1        | -                   | 6.70%              | 31.dec.19 |
| Commercial Company | -                                | -         | 26       | (26)                | 9.50%              | 12.jul.15 |
| 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 | -                                | 1,297     | 151      | (1,448)             | 6.70%              | 31.dec.21 |
| Commercial Company | -                                | 44        | -        | (44)                | 9.50%              | 21.jan.17 |
| Commercial Company | -                                | 12        | 1        | (13)                | 8.50%              | 26.aug.15 |
| Commercial Company | -                                | 11        | 1        | (12)                | 6.70%              | 31.dec.21 |
|                    | 23,202                           | 31,235    | 4,735    | (12,768)            |                    |           |

In April 2021 the Group granted a cash loan to an unrelated party with a credit limit of up to BGN 500 thousand, disposable in tranches for a period of up to one year from the date of its signing and with an interest rate of 5%. With an Annex from August 2021, the agreed credit limit was increased to BGN 1,600 thousand. As of the date of preparation of these financial statements, the Group has no outstanding settlements on this loan.

In April 2021 the Group granted a cash loan to an unrelated party with a credit limit of up to BGN 75 thousand, disposable in tranches, for a period up to 31 December 2021 and with an interest rate of 5%. As of December 31, 2021 the term of the loan has been extended by another year and the Group has receivables on it in the amount of BGN 72 thousand principal and BGN 2 thousand interest, which at the end of the reporting period are fully impaired.

In March 2018 the Group entered into an agreement for a cash loan granted to an unrelated party with a credit limit of up to BGN 300 thousand at 6.7% annual interest and repayment period until December 31, 2018. With Annexes, the loan term has been extended and the limit has been increased. In February 2021, the Group made a set-off on counter-obligations in connection with the acquisition of ownership of property through a public sale by Private Bailiff. As of December 31, 2021 the receivables on the loan amount to BGN 613 thousand, net of impairment.



### 23. Trade and other receivables

|  | December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|--|---------------------------------|---------------------------------|
| Receivables from clients, including                                  | 22,553                          | 19,013                          |
| Initial value  | 24,093                          | 20,281                          |
| Allowance for impairment   | (1,540)                         | (1,268)                         |
| Financial assets, measured at fair value through profit or loss      | 2,235                           | 2,235                           |
| Receivables under cession agreements, assumption of debt and regress | 1,785                           | 3,378                           |
| Initial value  | 4,043                           | 4,007                           |
| Allowance for impairment   | (2,258)                         | (629)                           |
| Guarantees for participation in tender procedures                    | 911                             | 904                             |
| Advances granted, including  | 366                             | 188                             |
| Initial value  | 435                             | 258                             |
| Allowance for impairment   | (69)                            | (70)                            |
| Litigations and writs  | 169                             | 169                             |
| Initial value  | 179                             | 179                             |
| Allowance for impairment   | (10)                            | (10)                            |
| Prepaid expenses   | 164                             | 96                              |
| Tax refundable, incl.:   | 2                               | 5                               |
| VAT  | 2                               | 5                               |
| Other  | 164                             | 791                             |
| Initial value  | 175                             | 829                             |
| Allowance for impairment   | (11)                            | (38)                            |
|  | 28,349                          | 26,779                          |

In accordance with the established policy, the Group provides its clients a credit period, after which an interest for delay is charged on the unpaid balance. An interest for delay 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,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|--|---------------------------------|---------------------------------|
| Cash in transit  | 1,286                           | 1,570                           |
| Cash at banks  | 2,612                           | 1,052                           |
| Cash on hand   | 47                              | 100                             |
| Cash in the consolidated cash flow statement             | 3,945                           | 2,722                           |
| Blocked cash   | 82                              | 51                              |
| Cash in the consolidated statement of financial position | 4,027                           | 2,773                           |

As at December 31, 2021 and 2020 the Group reported BGN 82 thousand and BGN 51 thousand cash in banks, blocked as a collateral for enforcement litigations.

Cash in transit comprises cash collected from fuel stations as at the end of the reporting period, but actually 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, 2021 and 2020 the shareholders in the Parent company are as follows:

| Shareholder   | December 31,<br>2021 | December 31,<br>2020 |
|---|----------------------|----------------------|
| Alfa Capital AD                                     | 28.85%               | 28.85%               |
| Yulinor EOOD  | 23.11%               | 23.11%               |
| Perfeto consulting EOOD                             | 16.43%               | 16.43%               |
| Trans Express Oil EOOD                              | 9.86%                | 9.86%                |
| Petrol Bulgaria AD                                  | 7.32%                | 7.32%                |
| Corporate Commercial Bank AD                        | 5.51%                | 5.51%                |
| Storage Invest EOOD                                 | 3.66%                | -                    |
| VIP Properties EOOD                                 | 2.26%                | 2.26%                |
| The Ministry of Economy of the Republic of Bulgaria | 0.65%                | 0.65%                |
| Correct Pharm EOOD                                  | -                    | 3.66%                |
| Other minority shareholders                         | 2.35%                | 2.35%                |
|   | 100.00%              | 100.00%              |



# 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 series of measures in order to optimize the capital adequacy of the company. 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 on April 2018 application 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.

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.

On 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 loss per share is calculated by dividing the net loss for the period by the weighted average number of ordinary shares held during the reporting period.

|   | December 31,<br>2021            | December 31,<br>2020            |
|---|---------------------------------|---------------------------------|
| Weighted average number of shares (BGN'000)<br>Loss (BGN'000) | 27,312<br>(25,386)              | 27,312<br>(8,929)               |
| Loss per share (BGN)  | (0.93)                          | (0.33)                          |
| 26. Loans and borrowings                                      |                                 |                                 |
|   | December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
| Non-current liabilities                                       |                                 |                                 |
| Debenture loans   | 36,274                          | 36,234                          |
| Loans from financial institutions                             | 5,450                           | 309                             |
|   | 41,724                          | 36,543                          |
| Current liabilities   |                                 |                                 |
| Debenture loans   | 668                             | 2,183                           |
| Loans from financial institutions                             | 471                             | 7,825                           |
|   | 1,139                           | 10,008                          |
|   | 42,863                          | 46,551                          |

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 34,620 thousand (2020: BGN 34,897 thousand), calculated at an interest rate of 7.51% (2020: 8.23%).

The debenture loan liabilities are presented in the statement of financial position at amortised cost. After the prolongation 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. 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, 2021 the liabilities under the bank loan amount to BGN 463 thousand current liabilities.

In September 2018 the Group entered into a credit-overdraft agreement on current account in commercial bank, intended for working capital with maximum allowed amount of BGN 2,000 thousand and repayment period until January 31, 2019 and contracted interest rate as Savings-based interest rate (SIR) plus added amount of 6,1872 points, but cumulatively not less than 6.5% annually. The credit is secured with a special pledge of its goods in turnover at the amount of BGN 2,419 thousand, representing oil products and with pledge of receivables on bank accounts. In December 2018, as a result of a signed annex to an agreement from 2016 for revolving credit line with the same bank, the Group negotiated an increase of the amount of the credit line of BGN 9,500 thousand with an additional amount of BGN 11,500 thousand, by which the total amount of credit line rose to BGN 21,000 thousand. The credit line is separated in total limit of BGN 13,500 for issuance of bank guarantees and BGN 7,500 for refinancing of the received credit-overdraft of BGN 2,000 thousand and the rest for working capital.



### **26.2.** Loans from financial institutions (continued)

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 31 December 2021 the Group has a liability under this loan for principal in the amount of BGN 5,450 thousand.

### 26.3. 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 the 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 of December 31, 2021 the Group has net liabilities in connection with received financing under this factoring agreement at the amount of BGN 462 thousand.

In March 2021 the Parent company entered into an Agreement with a commercial bank for the purchase of receivables on commercial invoices (standard factoring) with a total advance limit of up to BGN 402 thousand and an Saving-based interest rate (SIR) for BGN, increased by a margin of 3.8382 points, but not less than 4% per annum on the amount of the advance provided. The contract is secured by a pledge of receivables from the Group's bank accounts opened with this bank. As at December 31, 2021, the Parent company has no transferred receivables or liabilities in connection with the received financing under this factoring agreement.

### 27. Obligation for defined benefit retirement compensations

As at December 31, 2021 the Group accrued obligation for defined benefit retirement compensations amounting to BGN 870 thousand (2020: BGN 773 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 0.20% (2020: 0.34%) and an increase of the expected salary by 4% (2020: 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 a statistical information about the population and are attached to the staff structure by gender and age at the time of the assessment.



# 27. Obligation for defined benefit retirement compensations (continued)

The amount of the obligation for defined benefit retirement compensations is determined as follows:

|   | December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|---|---------------------------------|---------------------------------|
| Present value of defined benefit obligations at January 1   | 773                             | 656                             |
| Benefits paid by the plan Past service cost Current service cost Interest cost                      | (89)<br>16<br>106<br>1          | (46)<br>15<br>119<br>2          |
| Expenses recognized in profit or loss   | 123                             | 136                             |
| Remeasurements of defined benefit retirement compensations recognised in other comprehensive income | 63                              | 27                              |
| Present value of defined benefit obligations at December 31   | 870                             | 773                             |

# 28. Trade and other payables

|   | December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|---|---------------------------------|---------------------------------|
| Payables to suppliers                           | 63,928                          | 51,083                          |
| Tax payables, including                         | 5,342                           | 4,841                           |
| Excise duty and other taxes                     | 4,561                           | 4,590                           |
| VAT   | 781                             | 251                             |
| Payables to personnel and social security funds | 2,640                           | 2,506                           |
| Advances received and deferred income           | 257                             | 278                             |
| Payables to related parties                     | 12                              | 12                              |
| Other   | 1,004                           | 823                             |
|   | 73,183                          | 59,543                          |

The Group accrues unused paid leave provision of employees in compliance with IAS 19 *Employee Benefits*. The movement of these provisions for the period is as follows:

|  | December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|--|---------------------------------|---------------------------------|
| Balance at the beginning of the year       | 674                             | 608                             |
| Accrued during the year                    | 546                             | 578                             |
| Utilised during the year                   | (591)                           | (512)                           |
| Balance at the end of the year, including: | 629                             | 674                             |
| Paid leaves                                | 529                             | 569                             |
| Social security on paid leaves             | 100                             | 105                             |

The balance at the end of the year is presented in the consolidated statement of financial position together with current payable to personnel.



# 28. Trade and other payables (continued)

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 32.

## 29. Current income tax

|  | December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|--|---------------------------------|---------------------------------|
| Income tax payable at the beginning of the year        | -                               | 3                               |
| Corporate income tax accrued                           | 194                             | -                               |
| Corporate income tax paid                              |                                 | (3)                             |
| Refundable corporate income tax at the end of the year | <u> </u>                        | _                               |

## 30. Subsidiaries

The subsidiaries, included in the consolidation, over which the Group has control as of December 31, 2021 and 2020 are as follows:

| Subsidiary              | Main activity                               | Investment<br>at December<br>31, 2021 | Investment<br>at December<br>31, 2020 |
|-------------------------|---|---------------------------------------|---------------------------------------|
| Varna Storage EOOD      | Trade with petrol and petroleum products    | 100%                                  | 100%                                  |
| Petrol Finance EOOD     | Financial and accounting services           | 100%                                  | 100%                                  |
| Elit Petrol –Lovech AD  | Trade with 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 with petrol and petroleum products    | 100%                                  | 100%                                  |
| 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%                                |                                       |



### **30.** Subsidiaries (continued)

In December 2021, the Group became a co-founder of a company by making a cash contribution to a new subsidiary called Petrol Technology OOD. Against the cash contribution of BGN 8,000, the Group acquired 8,210 (eight thousand two hundred and ten) shares, each with a nominal value of BGN 1 (one), representing 98.80% of the capital. There is no effect on the current consolidated financial statements as of the date of the investment.

All subsidiaries have a registered office 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 company. For these reasons, the Management of Petrol AD considers that the claim was unfounded and after a judgment in favor of Petrol AD, a sale of shares will be recorded in the register. At present the court proceedings are pending at Regional Court – Troyan city.

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 sale of the shares is to be entered in the Commercial Register on the account of Naftex Petrol EOOD in accordance with the court decision.



# 31. Acquisition and sale of subsidiaries and non-controlling interest

The follow table totals the changes in the non-controlling interest for 2021 and 2020:

|  | Financial<br>result for<br>the year<br>BGN'000 | Non-<br>controlling<br>interest<br>% | Non-<br>controlling<br>interest<br>BGN'000 |
|--|--|--------------------------------------|--|
| Non-controlling interest as at January 1, 2020     |  |                                      | 23   |
| Share of the non-controlling interest in the total |  |                                      |  |
| comprehensive income                               |  |                                      |  |
| Petrol Finances OOD                                | (6)  | 1%                                   | -  |
| Petrol Finance EOOD                                | -  | 1%                                   | -  |
| Petrol Technologies OOD                            | (2)  | 1,2%                                 |  |
| Non-controlling interest as at December 31, 2020   |  |                                      | 23   |
| Share of the non-controlling interest in the total |  |                                      |  |
| comprehensive income                               |  |                                      |  |
| Petrol Finances OOD                                | 66   | 1%                                   | 1  |
| Petrol Finance EOOD                                | -  | 1%                                   | -  |
| Petrol Technologies OOD                            | 8  | 1,2%                                 | -  |
| Petrol Technology OOD                              | -  | 1,2%                                 |  |
| Non-controlling interest as at December 31, 2021   |  |                                      | 24   |



# 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, 2021                 |                  | Fair value    |                |           |         |
|-----------------------------------|------------------|---------------|----------------|-----------|---------|
| BGN'000                           | Debt A           | At fair value | Liabilities at | Total     | level 3 |
|                                   | instruments atth | rough profit  | amortised      |           |         |
|                                   | amortised cost   | or loss       | cost           |           |         |
| Financial assets                  |                  |               |                |           |         |
| 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   |
|                                   | 51,635           | 2,235         | -              | 53,870    | 2,235   |
| Financial liabilities             |                  |               |                |           |         |
| Trade and other liabilities       | -                | -             | (64,921)       | (64,921)  | -       |
| Loans and borrowings              |                  | -             | (42,863)       | (42,863)  | =       |
|                                   |                  | -             | (107,784)      | (107,784) |         |

| December 31, 2020<br>BGN'000      | Debt<br>instruments att | At fair value |          | bilities<br>Total | Fair value<br>level 3 |
|-----------------------------------|-------------------------|---------------|----------|-------------------|-----------------------|
|                                   | amortised cost          | or loss       | cost     |                   |                       |
| Financial assets                  |                         |               |          |                   |                       |
| Loans granted, net                | 23,202                  | -             | -        | 23,202            | -                     |
| Trade and other receivables, net  | 24,185                  | -             | -        | 24,185            | -                     |
| Cash and cash equivalents         | 2,773                   | -             | -        | 2,773             | -                     |
| Financial assets measured at fair |                         |               |          |                   |                       |
| value through profit or loss      |                         | 2,235         | -        | 2,235             | 2,235                 |
|                                   | 50,160                  | 2,235         | -        | 52,395            | 2,235                 |
| Financial liabilities             |                         |               |          |                   |                       |
| Trade and other liabilities       | -                       | -             | (51,910) | (51,910)          | _                     |
| Loans and borrowings              |                         | -             | (46,551) | (46,551)          |                       |
|                                   |                         | _             | (98,461) | (98,461)          |                       |



#### 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.

As a result of the global financial and economic crisis, the Bulgarian economy has been experiencing a continuing decline in its development which affects a wide range of industries. This leads to a noticeable deterioration in cash flows and reduction in income and eventually - to a significant deterioration of the economic environment in which the Group operates. In addition, there is a significant increase in price risk, market risk, credit risk, liquidity risk, interest rate risk, operating risk and other types of financial risks, which the Group is exposed to.



### 32.3.1. Risk management framework (continued)

As a result, there has been an increase in uncertainty about the customers' ability to repay their obligations in accordance with the agreed terms. Therefore, the amount of impairment losses on loans granted, sales receivables and on the values of other accounting estimates, might differ substantially in future reporting periods from the reported ones in these consolidated financial statements. The Management of the Group applies 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 3 | 31, 2021 | <b>December 31, 2020</b> |         |  |
|---------------------------|------------|----------|--------------------------|---------|--|
|                           | USD'000    | BGN'000  | <b>USD'000</b>           | BGN'000 |  |
| Financial assets          |            |          |                          |         |  |
| Cash and cash equivalents | 7          | 12       | 7                        | 12      |  |
|                           | 7          | 12       | 7                        | 12      |  |

The sensitivity analysis to currency risk is calculated based on 5% 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 as at December 31, 2021 the rate of the US dollar had decreased/increased by 5% assuming that all other variables remained constant, loss after tax would have increased/decreased by BGN 1 thousand, as a result of currency exchange rate differences and revaluation of cash in US dollars..



### 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,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|---|---------------------------------|---------------------------------|
| Instruments with fixed interest rate    |                                 |                                 |
| Financial assets Financial liabilities  | 16,880<br>(36,274)              | 18,825<br>(36,234)              |
|   | (19,394)                        | (17,409)                        |
| Instruments with variable interest rate |                                 |                                 |
| Financial liabilities                   | (5,913)                         | (7,923)                         |
|   | (5,913)                         | (7,923)                         |

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 9 basis points. If the interest rates were higher/lower by 9 basis points, and all other variables were constant, the loss after tax would have been higher/lower by BGN 4 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 2021, the Group held comparatively high inventory turnover. For approximately 17 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:

|                             | December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|-----------------------------|---------------------------------|---------------------------------|
| Loans granted               | 22,131                          | 23,202                          |
| Trade and other receivables | 27,712                          | 26,420                          |
| Cash and cash equivalents   | 3,980                           | 2,673                           |
|                             | 53,823                          | 52,295                          |

#### 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:

|                | 31 December 31,<br>2021<br>BGN'000 | December 31,<br>2020<br>BGN'000 |
|----------------|------------------------------------|---------------------------------|
| Up to 30 days  | 1,623                              | 1,058                           |
| 31 - 120 days  | 633                                | 321                             |
| 121 - 210 days | 433                                | 376                             |
| Over 211 days  | 5,150                              | 4,635                           |
|                | 7,839                              | 6,390                           |

### 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:

| December 31, 2021<br>BGN'000                 | Carrying amount | Contractua<br>l cash flows | Up to one<br>year | Between<br>one and five<br>years |
|--|-----------------|----------------------------|-------------------|----------------------------------|
| Debentures Loans from financial institutions | 36,942<br>5,921 | 45,700<br>5,921            | 1,678<br>471      | 44,022<br>5,450                  |
| Trade and other payables                     | 64,921          | 64,921                     | 64,921            |                                  |
|  | 107,784         | 116,542                    | 67,070            | 49,472                           |
| December 31, 2020<br>BGN'000                 | Carrying amount | Contractual cash flows     | Up to one year    | Between one<br>and five<br>years |
| Debentures                                   | 38,417          | 46,922                     | 2,183             | 44,739                           |
| Loans from financial institutions            | 8,134           | 8,134                      | 7,825             | 309                              |
| Trade and other payables                     | 51,910          | 51,910                     | 51,910            |                                  |
|  | 98,461          | 106,966                    | 61,918            | 45,048                           |

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



### 33. 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, aimed to bring the capital 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 2021 and 2020 the net assets are BGN 3,353 thousand and BGN 28,802 thousand, respectively.

From the beginning of 2019 the Law on the Administrative Regulation of Economic Activities Related to Oil and Petroleum Products become effective. The effect of the law directly affects the main activity of the Group. In September 2020 the Parent company has been entered within the register to the Ordinance on the terms and conditions for keeping a register of persons carrying out economic activities related to oil and petroleum products and issued a bank guarantee for wholesale trading in favour of the Ministry of economics at the amount of BGN 500 thousand. As at the date of publishing of these consolidated financial statements the Parent company is registered for its retail trading with oil and petroleum products.

The Management of the Parent company has undertaken series of measures in order to optimize the capital adequacy of the company. 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.

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 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. At present the court proceedings on the claims for annulment of the decisions taken by EGMS from November 2018 are pending.



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.

Next capital adequacy measure, which the Group has taken, as disclosed in Note 2.8. Changes in accounting policy 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.

In accordance with the requirements of Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109 / EC of the European Parliament and of the Council, all parts of the annual consolidated financial statements of the Group as at December 31, 2021 shall to be marked with the marking language XBRL and must be presented in XHTML format, in accordance with the requirements of the same Regulation. Management has made the necessary arrangements to comply with the requirements of the legislation in this regard with respect to these consolidated financial statements.

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 2021.

As at December 31, 2021 the Group's current ratio declined to 0.94 compared to 0.97 for 2020. The decrease of the indicator is entirely due to the increase by BGN 2.5 million (EUR 1.3 million) in current liabilities at the end of 2021 compared to the previous year, while short-term assets also increased, but only by BGN 0.1 million (0.05 million). The increase in current liabilities is entirely due to the higher trade and other liabilities by BGN 13.6 million (EUR 6.4 million), and in particular the increase in trade payables by BGN 12.8 million (EUR 6.6 million), while short-term liabilities on loans and borrowings decreased by BGN 8.9 million (EUR 4.6 million), as a result of the renegotiation of a bank loan granted to the Group and extension of the loan term by three years. In addition, lower current liabilities by BGN 2.5 million (EUR 1.3 million) under lease agreements according to IFRS 16 were reported in the current period, as a result of termination of operating lease agreements.



As at December 31, 2021 the consolidated indebtedness of the Group including all interest bearing liabilities (including short-term and long-term interest bearing non-commercial liabilities, excluding the liabilities under leases under IFRS 16) is BGN 42.9 million (EUR 21.9 million) compared to BGN 46.5 million (EUR 23.8 million) as at December 31, 2020. In 2021 the Debt / Assets ratio increased to 34% from 31% at the end of 2020. The Debt / Equity indicator as at December 31, 2021 amounts to 1,278%, compared to 162% as at December 31, 2020, as the increase of the indicator is due to the decrease of the equity with BGN 25.4 million (EUR 13 million).

In 2021, the Group decreases the turnover ratio of goods to 16 days compared to 21 days as at December 31, 2020. The time required for the Group to collect its receivables from customers decreases to 15 days by the end of 2021 compared to 21 days in 2020.

At the end of 2019, a new coronavirus was identified in China. Due to the fast widespread of the virus across the world at the beginning of 2020, the World Health Organization declared a global pandemic. On March 13, 2020 the Parliament declared a state of emergency on request of the Government of Republic of Bulgaria and on March 24, 2020 the Law on Measures and Actions during a State of Emergency became effective. In order to restrict the widespread of coronavirus infection, an Order of the Health Minister was issued for the introduction of anti-epidemic measures, which directly affect the business activity of the Group. Part of the measures include extension and interruption of the administrative deadlines, extension of the of administrative acts, suspension of the procedural court terms and the statute of limitations, changes in the labor legislation, referring to new working hours, suspension of work and / or reduction of working hours and use of leave, etc.

The pandemic causes a significant reduction in economic activity in the country and raises significant uncertainty about future processes in macroeconomics in 2020 and beyond. The pandemic causes a significant reduction in economic activity in the country and raises significant uncertainty about future processes in macroeconomics in 2020 and beyond. The Group's Management monitors the emergence of risks and negative consequences in the outcome of the pandemic with COVID-19, 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.

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 to improve 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 delivering 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 results of the Group's activities are influenced by a number of factors, such as macroeconomic conditions in Bulgaria, competition, the dynamics of gross trade margins, the dynamics of crude oil and oil products prices, product mix, supplier relations, regulatory changes, changes in exchange rates, climatic conditions, seasonality, etc. In 2021 the need for actions on climate change continues, with all players in economic and social life in the face of consumers, governments and businesses working to reduce gas emissions and the greenhouse effect.

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.

In 2021, the Group suffered negative consequences from the drastic increase in the prices of electricity and raw materials, both on the domestic and global markets.

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 conduct 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.

The actions of the Management are aimed at establishing the principles and traditions of good corporate governance, increasing the trust of stakeholders, namely shareholders, investors and contractors, as well as disclosing timely and accurate information in accordance with legal requirements.



Comparison of the changes in the financial liabilities with cash flows from financial operations and other non-monetary changes

| 2021<br>BGN'000   |                    | Financial liabilities             |             |                      |                                   | Total          |
|---|--------------------|-----------------------------------|-------------|----------------------|-----------------------------------|----------------|
| BGN/000   | Debenture<br>loans | Loans from financial institutions | Trade loans | Lease<br>liabilities | Other<br>financial<br>liabilities |                |
| Carrying amount at January 1, 2021  | 38,417             | 8,134                             | -           | 14,047               | -                                 | 60,598         |
| Changes in result of cash flows Proceeds from loans received Payments on loans and borrowings     | -                  | 100<br>(2,111)                    | (290)       | - (4.069)            | -                                 | 100<br>(2,401) |
| Payments on finance leases Payments for interest and commissions  Total changes in result of cash | (3,062)            | (603)                             | (9)         | (4,968)              | -                                 | (3,674)        |
| flows   | (3,062)            | (2,614)                           | (299)       | (4,968)              | -                                 | (10,943)       |
| Other non-monetary changes<br>Capitalized interest expenses on<br>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)        |
| Total other non-monetary changes  | 1,587              | 401                               | 299         | (2,514)              | -                                 | (227)          |
| Carrying amount as at December 31, 2021   | 36,942             | 5,921                             | -           | 6,565                | -                                 | 49,428         |



| 2020<br>DCN1000   | Financial liabilities |                                   |             |                      | Total                             |                  |
|---|-----------------------|-----------------------------------|-------------|----------------------|-----------------------------------|------------------|
| BGN'000   | Debenture<br>loans    | Loans from financial institutions | Trade loans | Lease<br>liabilities | Other<br>financial<br>liabilities |                  |
| Carrying amount at January 1, 2020  | 39,119                | 8,267                             | 1           | 10,377               | -                                 | 57,764           |
| Changes in result of cash flows Payments on finance leases Payments on loans and borrowings | -                     | (343)                             | -           | (4,606)              | -<br>-                            | (4,606)<br>(343) |
| Payments for interest and commissions  Total changes in result of cash                      | (2,372)               | (230)                             | (1)         |                      | -                                 | (2,603)          |
| flows   | (2,372)               | (573)                             | (1)         | (4,606)              | -                                 | (7,552)          |
| Other non-monetary changes<br>Capitalized interest expenses on<br>loans                     | (447)                 | -                                 | -           | -                    | -                                 | (447)            |
| Accrued interest expense on loans, borrowings and other                                     | 2,117                 | 442                               | -           | 637                  | _                                 | 3,196            |
| Other changes related with liabilities  | <u>-</u>              | (2)                               | -           | 7,639                | -                                 | 7,637            |
| Total other non-monetary changes  | 1,670                 | 440                               | <u>-</u>    | 8,276                | -                                 | 10,386           |
| Carrying amount as at December 31, 2020   | 38,417                | 8,134                             | -           | 14,047               | -                                 | 60,598           |



# 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>18</sup> Chairman
Petrol Correct EOOD, represented Member

by Nikolay Gergov

Petrol Asset Management EOOD, Member

represented by Armen Nazaryan

# **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 1,457 thousand (2020: 1,148 thousand) and unsettled liabilities of BGN 73 thousand as at December 31, 2020 and 2021, where BGN 61 thousand are reported as personnel liabilities and BGN 12 thousand as liabilities to related parties (Note 28).

In 2021 and 2020 other transactions with related parties are not carried out.

<sup>&</sup>lt;sup>18</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, 2021 the Group has contingent liabilities, including issued mortgages and pledges of property, plant and equipment and non-current assets held for sale, which serve as a collateral for bank loans granted to the Group and unrelated parties and credit limits for issuance of bank guarantees with total carrying amount of BGN 23,926 thousand.

The Group is a joint co-debtor and avalist on promissory note for BGN 48,750 thousand under loan agreement of unrelated supplier, including limit for overdraft and limit for stand-by credit for issuance of bank guarantees in favour of Customs Agency. The total amount of the utilized funds and issued bank guarantees of all borrower's exposures to the Bank shall not exceed BGN 45,000 thousand. In relation to this credit agreement, the Group has established a special pledge on its cash in the bank account opened in the bank-creditor with total amount of BGN 51 thousand as at December 31, 2021 and a special pledge on receivables from contractors for BGN 4,000 thousand average monthly turnover.

The Group bears a joint obligation according to a contract for debt from January 2017 on an obligation of a subsidiary until February 2018 for BGN 2,346 thousand as at December 31, 2021.

Under a bank agreement for revolving credit line signed in 2016, bank guarantees were issued for a total amount of BGN 10,361 thousand as at December 31, 2021, including BGN 8,300 thousand in favor of third parties - Group's suppliers, BGN 500 thousand in favor of Ministry of Economics to secure its registration under the Law on the Administrative Regulation of Economic Activities Related to Oil and Petroleum Products, BGN 1,561 thousand to secure own liabilities related to contracts under the Public Procurement Act. In December 2020 bank guarantees at the amount of BGN 1,055 thousand, securing tax assessments appealed by the Group, were returned to the bank by the National Revenue Agency as a result of the final completion of the court proceedings. The contract is secured by mortgages of property, pledge of plants and equipment, pledge of all receivables on bank accounts of the Parent company and a subsidiary. In July 2017 the credit limit under the revolving credit line was increased from BGN 8,500 thousand to BGN 9,500 thousand. Assets amounted to BGN 1,500 thousand, owned by a subsidiary, additionally secured the credit limit. With annex from December 2018 the limit is increased to BGN 21,000 thousand and is additionally secured with mortgages and pledge of property, plants and equipment, and special pledge of goods in turnover, namely petroleum products. In 2021, the Group partially repays the principal of this tranche of the credit line. In December 2021 the bank granted an additional tranche at the amount of BGN 100 thousand, and the repayment term of the loan was extended until December 15, 2024. As at December 31, 2021 the Group has a liability of BGN 5,450 thousand.

As a collateral of an investment loan signed in July 2016, a mortgage of property, acquired through the investment loan and a pledge of receivables, arising from opened bank accounts of the Parent company to the amount of the outstanding balance of the loan, which as at the December 31, 2021 amounting to BGN 463 thousand.



### 35. Contingent liabilities (continued)

There is a 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. By a decision of November 2021, the Court recognized as established on the negative claim filed by the Parent company that the Group does not owe the defendant these claims. The decision of November 2021 was appealed by the defendant and the case is currently pending at second instance.

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 in the course of 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.

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 conclusion of the guarantee 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 rulling, 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 a Contract for purchase of receivables on commercial invoices (standard factoring) concluded with a commercial bank in March 2021, providing a pledge of receivables on the Group's bank accounts opened with the bank, with a carrying amount as of December 31, 2021 in amount of BGN 65 thousand.

The Group is a joint debtor and avalist of a promissory note for BGN 12,000 thousand under a overdraft credit agreement with a financial institution, granted to an unrelated party - a major fuel supplier.



#### **35.** Contingent liabilities (continued)

As at December, 31 2021 the Group has a contingent liability related to a signed promissory note for BGN 100 thousand as a collateral under contract for purchase of electricity.

As at December 31, 2021, funds in bank accounts at the amount of BGN 82 thousand are blocked in enforcement cases to which the Group is a party.

In May 2020, the Parent company received from the Commission for Protection of Competition a decision for initiated proceedings to establish any violations under Art. 15 and Art. 21 of LPC and / or under Art. 101 and Art. 102 of the Treaty on the Functioning of the European Union (TFEU) in 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. At present, the proceedings in the case are pending at the CPC.

#### 36. Events after the reporting date

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, a number of 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, no direct relationships with counterparties operating in these countries. The Management is in the process of analyzing the risks and effects on the Group.

The arising military conflict and the imposed by EU, US economic, financial and other sanctions on Russia to end the conflict are blocking economic activity between the European Union and Russia, restricting payments and the free movement of people, goods and services.



#### **36.** Events after the reporting date (continued)

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 future uncertainty about prices and availability of fossil fuels and other resources worsens the economic prospects for the EU and Bulgaria in particular.

As the Group's main activity is trade in fuels and other petroleum products, a sustained increase in fossil fuel prices on world markets will have a negative impact on the Group's sales, leading to significant losses and deterioration in financial condition and operating results. 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 Group to secure its sales, with the risk of closure, at retail outlets, switching to a temporary mode of operation and other negative consequences. To respond to this scenario, the Group's management is exploring the possibility of importing fuels from third countries, thus being able to reduce the potential future consequences of EU and US sanctions imposed on Russia and reciprocal ones.

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 12 and Note 19).

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. 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.

See also the section War conflict between Russia and Ukraine.



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, 2021, 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, 2021 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 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 evidences we have obtained are 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, 2021 the equity of the Group amounting to BGN 3,329 thousand and is under the registered capital of the Parent company by BGN 105,921 thousand, as a result of the accumulated losses. Besides the current liabilities at the amount of BGN 76,282 thousand are not fully covered by the current assets with a shortage of BGN 4,617 thousand. 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 (see Note 33 Capital Management), litigations (disclosed in Note 35 Contingent liabilities), and subsequent events disclosed in Events after the end of the reporting period, 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 pay regularly 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, Note 33 Capital Management.

Our opinion is not modified in respect of this matter.

#### **Emphasis of Matter**

We draw attention to:

We draw attention to Note 36 *Events after the end of the reporting period* to the disclosed consolidated financial statements, which describe the Management's assessment of the potential impact of the military conflict between Ukraine and Russia on the Group.

Our opinion has not been modified on this issue.

#### **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, 2021, regarding the assessment, classification and presentation of the financial assets of IFRS 9 Financial Instruments, 12. Impairment losses, 22. Loans granted, 23. Trade and other receivables and 32. Financial Instruments and risk management.



#### **Key audit matter**

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.

For financial assets classified as Debt instruments carried at amortized cost, the Group has developed models for determining expected credit losses.

For the measurement of receivables part of current trade and other receivables presented in 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 40% as at December 31, 2021. Therefore, we believe that they require special attention from us.

### How our audit addressed the key audit matter

Our audit procedures included, along with others:

- evaluation of the internal control system in regard to the processes related to current financial assets;
- 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;
- verification and valuation of the adopted models for the expected credit loss regarding the financial assets, reported at amortized cost;
- verification of the qualification and assessment of the independency and the objectivity of the hired by the Group appraiser;
- 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;
- valuation of the adequacy of the Group's disclosures regarding the loans granted and trade and other receivables and their impairment.

#### 2. Uncertainty related to future decisions on legal litigations

We refer to the Notes 25, 30 33 and 35 to the enclosed consolidated financial statements, wherein the litigations and future outcomes related with them are disclosed.

#### **Key audit matter**

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. 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.

On this basis, we consider the matter related to legal proceedings against the companies of the Group as key audit matter.

#### How our audit addressed the key audit matter

Our audit procedures included, along with others:

- 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;
- review of minutes of meetings of the persons in charge of general management and correspondence between the Group and external legal advisers;
- 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;
- 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;
- assessment of the completeness and adequacy of the Group's disclosures regarding material litigation;



#### Other audit matters

The consolidated financial statements of the Group for the year ended December 31, 2020 were audited by other auditor, who issued unmodified opinion on these consolidated financial statements dated April 28, 2021, with sections for "Substantial uncertainty related to going concern assumption and for "Emphasis of Matter".

#### 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 evidences, which are 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.



### ABS OANT KOHCYAT

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, para 5 of 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, 2021, attached to the electronic file "4851003SBNLWFQX4XS80-20211231-BG-CON.zip ", With the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 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, 2021 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.



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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, 2021, contained in the attached electronic file "4851003SBNLWFQX4XS80-20211231-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 (FII) No 537/2014 in relation to the requirements

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, 2021 of PETROL AD (the Parent company) by the General Meeting of Shareholders, held on June 30, 2021, for a period of one year.
- The audit of the consolidated financial statements for the year ended December 31, 2021 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 Article 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

May 02, 2022