# EUROHOLD BULGARIA AD

# Interim Separate Report

**31 March 2021**

# TABLE OF CONTENTS



**Further information on:**
About Us
Structure
Corporate Governance
Information for investors
Communications and Media
**You can find on:**
**www.eurohold.bg**

# INTERIM MANAGEMENT REPORT

***containing information on important events occurred in the period 1 January – 31 March 2021 in accordance with Art. 100o, para. 4, item 2 of the POSA***

## CORPORATE OVERVIEW

- Eurohold Bulgaria AD is a leading independent business group in Central and Southeast Europe (CSE) and the largest public holding in Bulgaria by amount of revenue
- Main scope of business activity - financial activity related to the establishment, acquisition and management of participations and financing of related enterprises.
- The holding owns the largest independent insurance group in CSE by gross premium income - Euroins Insurance Group
- Public joint-stock company within the meaning of the Public Offering of Securities Act. The company's shares are registered for trading on:

- Main market of the Bulgarian Stock Exchange (BSE) - with stock exchange code EUBG
- Warsaw Stock Exchange (WSE) - Poland with stock index EHG.

### OUR BUSINESS OPERATIONS

- 5 subsidiary companies
- 32 operating companies
- 1 associated company
- 14 countries in Europe
- 9,400 shareholders
- 25 years of history

### Credit ratings

| | |
|---|---|
| FitchRatings | *EuroHold Issuer Default Rating "B"* |
| BCRA CREDIT RATING AGENCY | *EuroHold Long-term: BBB- Outlook: stable Short-term: A-3* |

Euroins Insurance Group - main asset in the Eurohold Group
Insurer in CEE and SEE with leading positions in Romania and Bulgaria.
Active operations in 9 markets in Europe.

**Avto Union - investments in the automotive sector**
Leading automotive trader in Bulgaria and operating on 2 markets in the Balkans.

**Eurolease Group is a leasing group**
Large leasing group operating on 2 markets in the Balkans.

**Euro-Finance - investment intermediation and asset management:**
Leader in market turnover on the Bulgarian Stock Exchange, member of the Deutsche Börse Group.
More than 20 years of experience

**Eastern European Electric Company II B.V. - energy industry**
In the process of acquisition of the CEZ Group companies in Bulgaria

**IMPORTANT EVENTS FOR THE ACTIVITY OF EUROHOLD BULGARIA, OCCURRED DURING THE PERIOD JANUARY - MARCH 2021 AND UNTIL THE DATE OF THE REPORT**

### 1. FSC Approved Eurohold's Capital Increase Prospectus

**On 29th of April 2021, The Bulgaria's Financial Supervision Commission (FSC) approved Eurohold's capital increase prospectus, which will allow the largest Bulgarian public holding and one of the leading independent financial and insurance groups in the CEE/SEE/CIS region to raise up to EUR 100 million by issuing new shares on the Bulgarian Stock Exchange (BSE).**

**The Bulgarian investment intermediary Euro-Finance AD will be the lead manager of the public offering. Eurohold has appointed Renaissance Capital solely in capacity of a financial adviser in relation with the offering.**

### 2. Eurohold Mandated J.P. Morgan AG as Lead and Exclusive Arranger for Structuring the Debt Financing related to the Deal with CEZ Group

***On 26th of April 2021, Eurohold Bulgaria has mandated J.P. Morgan AG to act as its lead and exclusive arranger for structuring the debt financing related to the deal with CEZ Group.***

***J.P. Morgan AG is one of the leading and most experienced institutions worldwide in such complex transactions, especially in the energy sector. This is a further step towards the completion of the acquisition of CEZ Group's subsidiaries in Bulgaria by the end of the first half of the year.***

### 3. General Meeting of the Shareholders of Eurohold Bulgaria adopts a resolution for share capital increase of the company and issuance of a corporate guarantee by Eurohold to its subsidiary

**At the extraordinary session, held on 10.04.2021, the General Meeting of Shareholders adopted a resolution for increase of the share capital of the Company from BGN 197,525,600 (one hundred ninety-seven million five hundred twenty-five thousand six hundred) to BGN 276,535,840 (two hundred and seventy-six million five hundred and thirty-five thousand eight hundred and forty) through issuance of a new issue of shares under the terms of a public offering pursuant to the provisions of the Public Offering of Securities Act. The new issue consists of 79,010,240 shares of the same type and class as the existing issue of shares of the company, namely: dematerialized, registered, non-preferred, with the right to 1 (one) vote in the general meeting of the shareholders of the company, with the right to dividend and right to liquidation share, proportionate to the nominal value of the share. The nominal value of each share is BGN 1.00 (one). The issue value of each share is BGN 2.50 (two and 0.50).**
**The capital of Eurohold Bulgaria AD will be increased only if at least 31,604,096 shares are subscribed and fully paid, representing 40% (forty percent) of the offered shares. In this case, based on Art. 192a, para. 2 of the Commerce Act, the capital will be increased only with the value of the subscribed and fully paid shares, equal to or exceeding the indicated minimum admissible amount of the raised capital, whereby the public offering is considered successfully completed. It is not possible to subscribe for shares above the maximum admissible amount of the capital announced for raising amounting to 79,010,240 shares.**

**The proceeds from the capital increase will be used for financing of the acquisition energy companies owned by CEZ in Bulgaria.**

**In addition, for the purposes of financing of the CEZ deal, the General Meeting of Shareholders adopted a resolution for Eurohold Bulgaria to provide a corporate guarantee to its subsidiary Eastern European Electric Company II B.V. as a result of which for Eurohold Bulgaria AD will arise an obligation in its capacity as corporate guarantor for the payment of all liabilities (including, but not limited to, principal, interest, penalties, fees, commissions, other expenses) of its subsidiary Eastern European Electric Company II B.V., which are related to and/ or would result from the conclusion of financing transactions in the form of (i) subordinated debt, (ii) perpetual non-convertible preferred shares with guaranteed dividend, issued by the subsidiary - Eastern European Electric Company II B.V., (iii) a mezzanine loan and / or (iv) another financial instrument with an economic effect similar to the effect of the instruments under (i), (ii) and/ or (iii). The minimum value of the guarantee is EUR 50 000 000 (fifty million), including the corresponding return for the applicable financing instrument for creditors/ investors (e.g. interest, fixed dividend, nominal discount) and the maximum value of EUR 150 000 000 (one hundred and fifty million), including the relevant return for creditors/ investors (e.g. interest, fixed dividend, nominal discount); term – from 3 to 10 years; the transaction is carried out in favour of the subsidiary of Eurohold Bulgaria AD - Eastern European Electric Company II BV and indirectly, in favour of the subsidiary Eastern European Electric Company B.V. and Eurohold Bulgaria AD - the parent company Eurohold Bulgaria AD.**

**4. Granted approvals by the competent regulatory authorities for the acquisition of the subsidiaries of the Check energy group CEZ in Bulgaria**

**On January 19, 2021, the Energy and Water Regulatory Commission (EWRC) granted its approval for Eurohold Bulgaria AD, through its subsidiary Eastern European Electric Company BV, to acquire the subsidiaries of the Czech energy group CEZ in Bulgaria.**

**Eurohold Bulgaria AD will acquire control over the business of CEZ in Bulgaria through an especially created for this purpose company Eastern European Electric Company B.V., the Netherlands, which in turn is 100% owned by Eastern European Electric Company II BV. The latter is 100% sole owned by Eurohold Bulgaria AD. The Dutch companies were established as the so-called special purpose vehicles (SPVs): to carry out the acquisition of CEZ assets in Bulgaria. The company which acquires directly the participation in the target companies is Eastern European Electric Company B.V.**

**The acquisition comprises of 67% of the share capital of the electricity distribution company CEZ Distribution Bulgaria AD and of the power supply utility company CEZ Electro Bulgaria AD, as well as of the acquisition of 100% from the capital of the licensed electricity trader CEZ Trade Bulgaria EAD, the IT services company CEZ ICT Bulgaria EAD (a subsidiary of CEZ Distribution Bulgaria AD), the photovoltaic (solar) park "Free Energy Project Oreshets" EAD, the company for production of electricity from biomass - Bara Group EOOD, and CEZ Bulgaria EAD, which coordinates and manages the activities of all companies in the Czech group in the Bulgaria (together herein referred to as "CEZ Assets in Bulgaria").**

**Following receipt of the required approvals and authorizations from the competent regulatory authorities, the transaction enters into its final stage. The next steps in its implementation are completion of the procedures for securing part of the financing through own funds (raised from share capital increase), securing the debt part of the financing by closing the negotiations and respectively executing the relevant financing agreements for the borrowed capital, and respectively carrying out the corresponding transfer of the shares.**

**Insofar as the acquired companies CEZ Distribution Bulgaria AD and CEZ Electro Bulgaria AD are publicly listed companies whose shares are traded on a regulated market and the acquired by Eastern European Electric Company BV participation exceeds two thirds of the voting rights in the general meeting of each of these listed companies (67%), according to the provision of art. 149, para. 6 of the Public Offering of Securities Act, after the acquisition of the shares, Eastern European Electric Company BV, the Netherlands will be obliged to submit a mandatory tender offer to the other shareholders (owners of voting rights in the GMS) in these companies for the purchase of their shares. In case the offer is accepted by all shareholders of each of the two companies, for Eastern European Electric Company BV will arise an obligation for the acquisition of a minority stake in the amount of 33% of the capital of each of the public listed companies CEZ Distribution Bulgaria AD and CEZ Electro Bulgaria AD.**

**The funding of the above-described acquisition of CEZ's assets in Bulgaria, including the minority stake in the two public listed target companies, will be secured through own funds (raised from share capital increases) and borrowed capital provided by leading global investment banks.**

## ACQUISITION OF CONTROL OVER THE SUBSIDIARIES OF CEZ IN BULGARIA

**With the acquisition of control over the subsidiaries owned by CEZ in Bulgaria, Eurohold Bulgaria AD aims to establish a strong regional company within the holding following the established model of Euroins Insurance Group AD (one of the largest insurance groups in Southeast Europe) and an opportunity to diversify its investment portfolio.**

Eurohold Bulgaria AD will acquire control over the business of CEZ in Bulgaria through an especially created for this purpose company Eastern European Electric Company B.V., the Netherlands, which in turn is 100% owned by Eastern European Electric Company II BV. The latter is 100% sole owned by Eurohold Bulgaria AD.
The acquisition package comprises of 67% of the share capital of the electricity distribution company CEZ Distribution Bulgaria AD and of the power supply utility company CEZ Electro Bulgaria AD, as well as of the acquisition of 100% from the capital of the licensed electricity trader CEZ Trade Bulgaria EAD, the IT services company CEZ ICT Bulgaria EAD (a subsidiary of CEZ Distribution Bulgaria AD), the photovoltaic (solar) park "Free Energy Project Oreshets" EAD, the company for production of electricity from biomass - Bara Group EOOD, and CEZ Bulgaria EAD, which coordinates and manages the activities of all companies in the Czech group in the Bulgaria

As of the date of preparation of this Activity Report, Eurohold Bulgaria is in the process of structuring the financing of the transaction, which will be followed by the transfer of the shares.

The financing of the purchase of the shares from the majority shareholder and of those from the minority shareholders of the two public listed companies part of the package deal (CEZ Electro Bulgaria AD and CEZ Trade Bulgaria EAD) will be secured through own funds (raised from share capital increase) and borrowed capital from leading global investment banks.

# FINANCIAL PERFORMANCE

Eurohold Bulgaria AD as a holding company does not carry out regular commercial transactions, and in this respect, its main (operating) revenues are of a financial nature, as the most significant of them - revenues from financial operations occur in different reporting periods and do not have a permanent occurrence. In this respect, investors and stakeholders should read this individual report together with the consolidated statement giving a clear and complete picture of the risks, results, financial situation and prospects for the development of the Eurohold Group.

## FINANCIAL RESULT

### INCOME

The income of the company over the reporting period amounted to BGN 0.9 million, of which:

- » Income from profits from operations with financial instruments and subsequent valuations totaling BGN 0.3 million, including:
  - BGN 206 thousand profit from transfer of ownership of repurchased own bonds 10,500 pcs. from the EMTN Programme in EUR with ISIN XS1731768302
  - BGN 97 thousand profit from repurchase of own bonds 5 900 pcs. with ISIN BG2100013205.
- » Income from revaluations of debt instruments measured at fair value, in the total amount of BGN 0.2 million, including:
  - BGN 113 thousand from revaluation of purchased own bonds 10,500 pcs. from EMTN Programme in EUR with ISIN XS1731768302;
  - BGN 32 thousand from revaluation of purchased own bonds 900 pcs. with ISIN BG2100013205;
- » Other financial income (positive exchange rate differences) amounting to BGN 0.4 million.

For comparison, the income reported by Eurohold as of 31.03.2019 amounted to BGN 1.8 million, formed by:

- » Income from profits from operations with financial instruments and subsequent valuations totaling BGN 0.4 million;

- » Other financial income (positive exchange rate differences) amounting to BGN 1.4 million.

### EXPENSES

In the first quarter of this year, Eurohold Bulgaria marked a slight increase in its operating expenses, which amounted to BGN 5.9 million for the reporting period, compared to BGN 5.4 million as of 31.03.2019.

The reported increase by 9.7% of operating expenses amounted to BGN 0.5 млн. лв. and it was characterized mainly by an increase in interest expenses by BGN 0.9 million and a decrease in expenses for external services by BGN 0.5 million. The other operating expenses remain relatively constant, as their total change compared to the previous period is an increase of BGN 0.1 million.

<u>Interest expenses amounted to BGN 4.9 million and they are grouped into three categories, namely:</u>

- Interest on loans from banks and non-banking financial institutions amounting to BGN 0.8 million accounting an increase of BGN 0.2 million – the increase is due to the new bank loan disbursed in mid-2020;
- Interest on the EMTN Programme bonds amounting to BGN 3.2 million – with an reported increase of BGN 0.4 million due to the newly issued in November 2020 bond loan in the

amount of EUR 30 million, on which interest in the amount of BGN 0.5 million was accrued for the first quarter of 2021.

- Interests on borrowings and leasing from related and third parties amounting to BGN 0.9 million – an increase of BGN 0.3 million was reported.

#### RESULTS FROM OPERATING ACTIVITIES

For the first three months of 2021, Eurohold Bulgaria realized a loss from operating activities in the amount of BGN 5.9 million, accounting an increase of the loss by BGN 0.5 million vs. the comparable period.

#### FINANCIAL RESULT

For the period January 1 - March 31, 2020 Eurohold Bulgaria AD reports a financial result on an individual basis a loss of BGN 5 million. For comparison, the financial result realized for the comparable period of the previous year was a loss of BGN 3.5 million.

## FINANCIAL POSITION

#### ASSETS

As of 31st of March 2021 the company's assets increased by BGN 3.7 million and reached to BGN 637.4 million compared to BGN 633.7 million as of the end of 2020.

### Non-current investments

The assets of Eurohold Bulgaria AD mainly represent investments in subsidiaries and other enterprises, as of the end of the current reporting period amounted to BGN 632.9 million compared to BGN 629.5 million at the end of 2020.

The growth by BGN 3.4 million was entirely due to an increase of the investment in the subsidiary Euroins Insurance Group AD. The increase is in connection with the acquisition by Eurohold Bulgaria AD of another 3,915,473 shares of the capital of the subsidiary Euroins Insurance Group AD. As a result, the participation in the capital of the subsidiary insurance subholding was increased to 96.67%, with which the total shares held by Eurohold Bulgaria AD amount to 525,371,935 shares.

### Non-current assets

Non-current assets include property, plant and equipment, and intangible assets. During the reporting period, non-current assets increased by BGN 0.2 million, which was due to a decrease in the recognized assets (properties) with the right of use by BGN 0.1 million as their value at the end of the reporting period amounted to BGN 2 million.

In the first quarter of 2021 Eurohold Bulgaria has provided long-term loans to subsidiaries amounting to BGN 0.3 million.

## Current assets

Current assets relatively retain their value and amount to BGN 2.2 million, they include:

- Receivables from related parties from commercial operations in the amount of BGN 0.6 million, reporting an increase for the period by BGN 0.2 million;
- Other receivables and assets in the amount of BGN 1.4 million., which decreased by BGN 0.2 million;
- Cash and cash equivalents amounting to BGN 0.3 million.

## EQUITY

As of 31.03.2021 the equity of Eurohold Bulgaria amounted to BGN 298.7 million compared to BGN 303.7 million at the end of 2020. The reported decrease of 1.6% was due to the realized loss during the current reporting period.

## SUBORDINATED DEBT INSTRUMENTS

In order to strengthen the capital of the group and after reviewing the indebtedness, Eurohold Bulgaria has agreed and converted part of its loan obligations as of 31.12.2020 in the form of a subordinated debt (not issued) instrument.

The subordinated debt instrument represents unissued tier 1 capital and amounts to BGN 33 million due to the majority shareholder Starcom Holding for an indefinite period, but not earlier than 5 years with interest due at the end of each quarter, calculated as fixed interest rate of 6.5%.

The total amount of equity and subordinated tier 1 capital amounted to BGN 331.5 million as of March 31, 2021.

## LIABILITIES

The company's liabilities reached BGN 338.7 million, increasing by 2.6% at the end of the reporting period.

The change in liabilities was due to the following factors:

### » Non-current liabilities

Non-current liabilities marked an increase of 7.1% compared to the end of 2020. They are formed mainly by liabilities on borrowed funds for financing, incl. loans from financial and non-financial institutions and liabilities under bonds loans with a total value as of 31.03.2021 of BGN 236 million.

### Loans from financial and non-financial institutions

During the reporting period there was a decrease in the long-term amount of loans received from banking institutions by BGN 2.9 million and as of 31.03.2021 their amount was BGN 39.9 million. This change is due to the following factors:

- Reduction of the non-current liability under a bank loan from the International Investment Bank by BGN 1.5 million - from BGN 12 million at the end of 2020 to BGN 10.5 million as of the end of reporting period due to their reporting in short-term liabilities.

The loan liabilities from the International Investment Bank represent attracted funds under a second bank loan with an agreed limit of EUR 10 million and principal due as of March 31, 2021 in the amount of EUR 6.9 million, the agreed interest rate on the loan is 6.0% + EURIBOR, maturity - March 2025, secured by a pledge of shares of a subsidiary.

- Loan agreement with the International Bank for Economic Cooperation as of the date of the report EUR 15 million (BGN 29.3 million) have been utilized.

The loan agreement was concluded in the third quarter of 2020, with the following parameters: principal limit - EUR 20 million, which can be disbursed in three tranches within six months (the disbursed funds are currently € 15,000,000) ; interest: 6.5% on an annual basis on the utilized amount; term of the loan - the utilized principal of the loan shall be repaid in full on the maturity date - 31.07.2022, but not later than 01.01.2023; the loan cannot be renegotiated; collateral - pledge of shares of a subsidiary.

### Bond loans

The non-current liabilities on bond loans increased by BGN 58.1 million and at the end of the reporting period amounted to BGN 193.8 million. The increase is characterized by the following changes:

- The liability under the issued bond loan (within the EMTN Programme) increased by BGN 20 million and at the end of the reporting period amounted to BGN 136.2 million.

- The liability on issued corporate bond loan with ISIN: BG2100013205 decreased by BGN 1.8 million. The amount of the loan liability at the end of March 2021 amounted to BGN 56.9 million.

In the first quarter of 2021 the following bond transactions were made:

- Repurchased 10,500 own bonds from EMTN Programme in EUR with ISIN XS1731768302 and a profit from operations with investments and financial instruments was realized in the amount of BGN 206 thousand was reported. The liabilities for the repurchased own bonds were settled as of 31.03.2021 (as of 31.12. 2020 they are not settled)
- 5,000 own bonds were repurchased with ISIN BG2100013205 and a profit from operations with investments and financial instruments in the amount of BGN 82 thousand was reported.
- 900 own bonds were repurchased with ISIN BG2100013205 and a profit from operations with investments and financial instruments in the amount of BGN 15 thousand was reported.
- The ownership of 5,000 repurchased own bonds shares has been transferred with ISIN BG2100013205 and a loss from investment operations in the amount of BGN 109 thousand was reported.

Information about EMTN programme conditions (EUR and PLN) is publicly available on the Irish Stock Exchange website, Bonds section. The maturity of the EMTN Programme in PLN is on 29.12.2021, and that of EMTN Programme in EUR - on 07.12.2022.

On November 26, 2020 Eurohold Bulgaria AD issued a bond loan with ISIN code BG2100013205 in the amount of EUR 30,000,000 (BGN 58,674,900) under the terms of an initial private (non-public) offering within the meaning of Art. 205, para. 2 of the Commercial Law. The issue is the second in a row and represents 30,000 corporate bonds issued, which are ordinary, registered, dematerialized, interest-bearing, secured, non-convertible, and freely transferable of one class and with equal rights. The nominal and issue value of each bond is EUR 1,000. The maturity date of the issue is November 26, 2027, and the principal is repaid once at maturity. Interest payments are made every six months, as of the date of registration of the issue (November 26, 2020), at a fixed nominal interest rate - 3.25% on an annual basis. The debenture loan is secured in favor of all bondholders with Bond Loan insurance, valid until the date of full repayment of the issue and covering 100% of the risk of non-payment by Eurohold Bulgaria AD to any and all interest and/or principal payment. Eurohold will take the necessary actions for subsequent admission of the bond issue to trading on a regulated market - Bulgarian Stock Exchange AD within 6 (six) months from the date of registration of the bond issue in Central Depository AD. At the first general meeting of the bondholders, held on 18.12.2020 as a Trustee of the bondholders for issue of corporate bonds with ISIN code BG2100013205, Financial House Ever AD was elected - performing activity as an investment intermediary. The funds raised from the issue were used according to the purposes for which it was issued, namely for repayment of short-term liabilities of the Company and additional payment of subscribed but unpaid capital of the subsidiary Euroins Insurance Group AD.

### » Current liabilities

In the first quarter of 2021, Eurohold's current liabilities decreased by BGN 6.8 million, amounting to BGN 70 million at the end of the period. The largest change in current liabilities was observed in the liabilities on loans from financial and non-financial institutions, amounting to BGN 15.4 million or decrease by BGN 3.5 million compared to the end of 2020, as well as short-term liabilities to related parties.

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

The significant part of the current liability to financial institutions is the first bank loan disbursed by the International Investment Bank reported entirely in short-term liability and maturing - December 2021. The loan is granted under the following parameters - agreed limit of EUR 15 million and principal due December 31, 2021 The agreed interest rate on the loan is 6.0% + EURIBOR and is secured by a pledge of shares of a subsidiary.

Also, Eurohold Bulgaria AD has a liability of BGN 4.9 million under issued Euro Commercial Papers (ECP), with a maturity of 5.2021, an annual interest rate of 2.0% and a face value of EUR 2,500 thousand, as well as interest in the amount of 0.3 BGN million under the loan to the International Bank for Economic Cooperation.

### Bond loans

Current liabilities on bond loans increased by BGN 2 million as the amount includes the entire liability on the principal of the loan issued under the EMTN Programme in PLN (maturing - December 2021) in the amount of BGN 18.9 million, as well as liabilities under interest to bondholders of all issues.

### Short-term liabilities to related parties

Current liabilities to related parties decreased by BGN 6.6 million at the end of March 2021 and amounted to BGN 28.8 million.

### Summary information on liabilities on borrowed funds

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

| **Loan liabilities** | Change % | **31.03.2021 *000'BGN*** | 31.12.2020 *000'BGN* |
|---|---|---|---|
| **Subordinated debt instruments** | 0% | **32 784** | **32 784** |
| **Liabilities to financial and non-financial loans:** | **-11.4%** | **60 219** | **67 994** |
| - *Non-current liabilities to banks* | 6.8% | 39 861 | 42 747 |
| - *Current liabilities to banks* | -18.5% | 15 432 | 18 945 |
| - *Other non-current borrowings* | -96.6% | 50 | 1 450 |
| - *Other current borrowings (Euro Commercial Papers – ECPs)* | 0.5% | 4 876 | 4 852 |
| **Bond Loan Obligations:** | **10.5%** | **215 183** | **194 719** |
| - *Non-current liabilities on bond loans, including:* | 10.6% | 193 092 | 174 531 |
| - *EMTN Programme* | *0.8%* | *136 197* | *135 158* |
| - *Bond loan ISIN code BG2100013205* | *-3.0%* | *56 895* | *58 675* |
| - *Current liabilities on bond loans (interests)* | 9.4% | 22 091 | 20 188 |
| **Liabilities to related parties:** | **104.3%** | **26 133** | **12 790** |
| - *Non-current* | -0.5% | 1 694 | 1 703 |
| - *Current* | 120.4% | 24 439 | 11 087 |
| **Total loan liabilities** | **8.4%** | **334 319** | **308 287** |

## CONDITIONAL OBLIGATIONS AND COMMITMENTS

### Litigations

As at 31.12.2020 against the Company has no substantial legal proceedings instituted.

The Company appeals against imposed penal decrees with general material interest in the amount of BGN 100 thousand. As at the date of this report a forecast for the probability of entry into force of the decrees cannot be made, the Company has not reported expenses for provisions under them.

The company is a plaintiff in a material interest case of EUR 375 363,21. The company requests a refund of the amount it has transferred. The transferred amount was completely blocked in an account at Erste Bank, Novi Sad, on the basis of a prosecutor's order and an order of the civil court and will be returned to the company after a formal ruling in the above case. A final judgment is expected within the next 12 months. In view of the declared state of emergency in the country it is possible to extend the deadline.

### Guarantees provided

Eurohold Bulgaria is a co-debtor for borrowings to related parties, as follows:

| Business division | Amount in EUR'000 as at 31.3.2021 | Amount in BGN'000 as at 31.3.2021 | MATURITY (EUR'000) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | After 2025 |
| **Lease sub-holding** | | | | | | | | |
| For funding of lease operations | 12 788 | 25 010 | 62 | 2 491 | 2 078 | 1 477 | 555 | 6 125 |
| **Automotive sub-holding** | | | | | | | | |
| Working capital loans | 3 710 | 7 256 | 3 710 | - | - | - | - | - |
| **TOTAL:** | **16 498** | **32 266** | **3 772** | **2 491** | **2 078** | **1 477** | **555** | **6 125** |

In connection with a loan to the automotive subholding Eurohold Bulgaria AD has established a pledge of shares of a subsidiary.

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

| Company from : | Contracted limit in EUR'000 as at 31.12.2020 | Contracted limit in BGN'000 as at 31.12.2020 | MATURITY(EUR'000) | | |
|---|---|---|---|---|---|
| | | | 2021 | 2022 | 2023 |
| Automotive sub-holding | **3 750** | **7 334** | 3 750 | - | - |
| Automotive sub-holding | **1 050** | **2 054** | - | 1 050 | - |
| Automotive sub-holding | **4 300** | **8 410** | 4 300 | - | - |
| Energy sub-holding | **5 000** | **9 779** | 5 000 | - | - |
| **TOTAL:** | **14 100** | **27 577** | **13 050** | **1 050** | **-** |

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

| Company/ Guarantor | Currency | Guaranteed liability | Guaranteed amount as at 31.03.2021 in original currency | Maturity date |
|---|---|---|---|---|
| Euroins Insurance Group AD | EUR | Issue of bonds (EMTN programme) | 70 000 000 | 12/2022 . |
| Euroins Insurance Group AD | PLN | Issue of bonds (EMTN programme) | 45 000 000 | 12/2021 |
| Euroins Insurance Group AD | EUR | Bank loan | 15 000 000 | 07/2022. |

# DESCRIPTION OF THE MAIN RISKS

*Current and potential investors should keep in mind that Eurohold Bulgaria AD operates through its subsidiaries, in this regard its financial condition, operating results and prospects are directly dependent on the condition, results and prospects of its subsidiaries.*

## a) NON-SYSTEMATIC RISKS

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

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

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

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

Also, the main activities of the company are carried out through the subsidiaries in Eurohold Bulgaria AD, which means that its financial results are directly related to the financial results and development trends of the subsidiaries.

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

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

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

➢ **Insurance business**

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

The risk categories inherent in the EIG, such as an insurance holding company, are identified and classified in accordance with the identified risk categories at the level of subsidiaries. In accordance with the lines of business issued in the license for performing insurance activity of the undertakings, subsidiaries identify the following categories of risk:

Underwriting risk

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

- Risk associated with premiums and reserves
- Lapse risks;

- Catastrophic risks.

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

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

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

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

**Market Risk**

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

Market risk includes the following sub-risks:

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

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

**Credit Risk**

Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors of the subsidiaries over the next twelve (12) months. The Group maintains its established relationship with leading reinsurance companies in the high credit rating industry, which minimizes the risk of non-fulfillment of Type 1 counter-party.

**Operational risk**

Operational risk means the risk of loss due to inadequate or failed internal processes, personnel or systems, or from external events In connection with the Operational Risk, the Chief Executive Officers of the undertakings within the Group:

- Allocate the powers and responsibilities for managing the operational risk as they organize and approve a list of employees, in charge for identifying and reporting operational events;
- Perform operational control over the periodicity and completeness of risk management reports and assessments, prepared by the Risk Management Function.

The main sources of operational risk at the level of the Group are personnel, processes, systems, internal events. Losses from operational events that result from the different combination of factors are classified into several major categories:

- Internal frauds;
- External frauds;
- Customers, product and business practices;
- Damages to tangible assets;
- Interruption of activity and/or failure of the information system;
- Performance management, delivery and processing.

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

### ➢ Automotive sector

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

**Risks related to withdrawal of permits and authorizations**

The activity is directly dependent on the availability of permits and authorizations that the respective car manufacturers have provided to the companies in the group of Avto Union AD, the termination or revocation of such rights can dramatically reduce the sales of the car group. This is particularly important in the context of global restructuring of the automotive industry. The business environment in the automotive industry is also influenced by purely internal factors related to the general purchasing power, access to financing, business tendencies, inventory levels, etc.

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

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

**Dependence on norms and standards**

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

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

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

### ➢ Leasing sector

Risk of lack of attracted external debt financing at reasonable prices

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

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

Risk that the leasing group will not be able to fulfill its obligations under the borrowed funds

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

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

- **Investment intermediation and asset management**

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

**Market and credit risk**

The financial results of Euro-Finance AD depend on market risk and credit risk, respectively, given the fact that a large part of the assets of Euro-Finance AD are invested in publicly traded securities with fixed yield, denominated in several currencies, whose market value changes daily. Euro-Finance AD is definitely a very well-capitalized company, given the current regulatory requirements, but sharp and significant failures in the financial markets, as well as the credit profile of the specific issuers of securities in whose instruments Euro-Finance AD has invested capital, could have a significant adverse effect on the prospects of Euro-Finance AD, its results and/or financial condition.

**Risk in settlement and clearing of transactions**

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

**Risk of change in the regulatory framework**

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

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

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

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

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

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

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

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

**Risks related to the management of Eurohold**

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

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

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

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

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

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

There is a risk that the subscription for the subscription of the new shares from the forthcoming capital increase of Eurohold will end unsuccessfully. Due to the fact that the purpose of the offer of shares is to raise funds that will be used to finance the purchase of a strategic asset (CEZ' assets in Bulgaria), then a possible failure of the current subscription would lead to management's choice of other financing options by raising debt capital. In this case, however, for Eurohold the effect of debt financing will be more unfavorable in the long run, as it will significantly increase its interest expenses, which will affect its profit and liquidity, as well as the ability to distribute dividends to its shareholders.

### Risks related to recruiting and retaining qualified staff

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

### Risk of concentration

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

### Risk of lack of liquidity

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

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

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

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

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

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

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

### b) SYSTEMATIC RISKS

**Macroeconomic risk**

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

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

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

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

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

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

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

We are currently witnessing a macroeconomic risk posed by the scale and spread of the coronavirus pandemic (COVID-19), which has affected the world and dramatically affected global macroeconomics and economic growth. Due to the COVID-19 pandemic, at the end of the first and throughout the second quarter of 2020, a large part of the world economy slowed down and work in some sectors was almost completely stopped. As a result of the measures imposed by governments, a significant part of international trade has been hampered. Globally, the subsequent business results of the economic disruption caused by the pandemic are: deteriorating economic prospects, a significant increase in expected credit losses and other impairments, as well as a decrease in revenues caused by lower volumes and reduced customer activity.

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

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

### Risk of occurrence of force majeure circumstances

Force majeure circumstances are all natural disasters and other cataclysms such as abrupt climate change, floods, earthquakes, civil disobedience, clashes, strikes, terrorist acts and hostilities and the like, which have an unforeseen nature. Force majeure circumstances can also be accidents on the material base of a mechanical nature due to human or system error. The occurrence of such events may disrupt the normal activities of the Company until the damages are repaired. Also, they may lead to an unpredictable change in the investor attitude and interest in connection with the market of the equity and debt securities issued by the Company.

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

### Global impact of the pandemic (COVID-19)

The nature, scale and spread of the coronavirus pandemic affecting the world have dramatically affected global macroeconomics and economic growth. The restrictive measures taken against the spread of COVID-19 globally from March 2020 to June 2020 have led to a sharp and comprehensive decline in global economic activity and adversely affected stock markets, tourism, transport, the automotive industry and many other industries. Restrictive measures were imposed on the population worldwide, declaring a state of emergency in a number of countries, including Bulgaria, closing borders, as well as significantly restricting and/or suspending entire business sectors. This has led to a significant reduction in revenues, and hence the generation of losses in many economic segments, the need to lay off employees, reduce the income of the population, and hence their purchasing activity, slowing down the supply chain and failure to meet agreed deadlines, postponement of the payment of principal and interest on credit and leasing agreements, renegotiation of lease and vacancy agreements and to many other negative consequences for the limitation of which companies have invested significant resources, developed online systems, digitized business processes, analyzed and evaluated consumer/customer behavior, invested in maintaining the health of staff, developed new products and services to the dynamic and unpredictable environment.

Overall, the current crisis raises considerable uncertainty about future processes in the global macroeconomy in 2021, including new measures taken by governments to curb the spread of the disease, and depending on the stage of some measures, they will be loosened gradually, and others will remain in force or new ones will be introduced. With the development and approval of vaccines against COVID-19 and the ongoing vaccination of the population, it is hoped that immunity can be acquired more quickly in a large part of the population and the spread of the virus can be counteracted by reducing the potential health consequences of COVID-19.

Investors should keep in mind that all significant effects affected by the pandemic, affecting the macro and micro economy, as well as the international and local business environment, may adversely affect the Company's business. In general, the risk of the current force majeure circumstance will be expressed and will strengthen its influence in case of failure of the Group of the

Company to adapt to the changing environment, consumer preferences and market dynamics, change its business strategies if necessary, flexibility in decision making to retain customers, or to direct/expand sales through online platforms or other means of trading, which may adversely affect the business, financial condition and results of the group's operations.

Today's unpredictable situation is changing rapidly and additional impacts may occur, of which the Issuer is currently unaware. Even after mastering COVID-19, the Eurohold Group may continue to experience adverse effects on its business as a result of the global economic impact of the virus, as well as the impact of any recession that has occurred or may occur in the future.

**Impact of the coronary crisis in the following reporting periods**

The outbreak of Covid-19 has had and continues to have a significant impact on business around the world and the economy in which the companies in our group operate. The impact and duration of the Covid-19 crisis on a global scale is likely to affect our business in the coming periods. Prolonged reduced economic activity due to the effects of coronavirus could have an adverse effect on our business, lower revenues due to reduced customer activity and due to stock market volatility and a disrupted supply chain, may also have an impact on the capital position and liquidity of the group.

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

At present, the COVID-19 pandemic is entering its third phase, with significant uncertainties remaining regarding the assessment of the duration of the spread of coronavirus infection and its impact. A number of countries are taking drastic new measures to control the coronavirus infection, including Bulgaria.

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

As of the date of this report, Eurohold Bulgaria AD is a stable business structure with preserved stable market positions and preserved operating profitability, able to guarantee good prospects to its shareholders and partners in the conditions of unprecedented health and economic crisis.

### Political risk

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

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

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

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

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

Mechanism with its existing currency board regime, as a unilateral commitment and without additional requirements to the ECB. The agreement on the participation of the Bulgarian lev in the Exchange Rate Mechanism II (ERM II) is accompanied by a firm commitment of the Bulgarian authorities to pursue prudent economic policies in order to preserve economic and financial stability and achieve a high degree of sustainable economic convergence.

### Risk of high unemployment rates

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

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

At the end of the first and in the second quarter of 2020, the labor market in Bulgaria was severely affected by the measures taken by the state to deal with the pandemic of COVID-19, which affected the whole world.

According to data from the National Statistical Institute (NSI) for the fourth quarter of 2020, the following indicators have been reported:

- The economic activity rate for the population aged 15-64 is 72.7%, and compared to the fourth quarter of 2019, it decreases by 0.3 percentage points;
- The employment rate for the population aged 15-64 decreased by 1.2 percentage points compared to the same quarter of 2019 and reached 68.8%.
- The unemployment rate is 5.2%, or 1.1 percentage points higher compared to the fourth quarter of 2019.

In the fourth quarter of 2020 the number of unemployed persons was 173.1 thousand, of which 95.7 thousand (55.3%) were men and 77.4 thousand (44.7%) were women. The unemployment rate is 5.2%, respectively 5.4% for men and 5.1% for women. Compared to the fourth quarter of 2019, the unemployment rate increased by 1.1 percentage points, with the increase for men and women being 1.0 and 1.3 percentage points, respectively.

***Източник: www.nsi.bg***

### Credit risk of the country

Credit risk is the probability that a country's international credit ratings will decline. Low credit ratings of the country may lead to higher interest rates, less advantageous conditions of financing the economic subjects, including the Eurohold.

On November 28, 2020, the international rating agency S&P Global Ratings confirmed Bulgaria's 'BBB' rating with a stable outlook.

The international rating agency S&P Global Ratings confirmed the long-term and short-term credit rating of Bulgaria in foreign and local currency 'BBB/A-2'. The outlook for the rating remains stable.

The summary report notes the improvement in expectations for the development of the Bulgarian economy, as domestic demand is more resilient to the impact of the pandemic than the agency's preliminary estimates. The decline in GDP in 2020 has been revised to -4.5% compared to -6.5% set in the S&P forecast for May. The budget deficit will remain moderate this year and next, after which a rapid consolidation is expected, accompanied by a significant inflow of European funds. The rating agency also notes the inclusion of the Bulgarian lev in Exchange Rate Mechanism II in July and Bulgaria's accession to the Banking Union, noting that the process of final accession to the euro area will strengthen cooperation between the BNB and the ECB and is expected to take several years.

The stable outlook reflects the agency's expectations for a rapid recovery of the Bulgarian economy after the pandemic, with no imbalances in the external and financial sectors over the next two years. This will allow for rapid fiscal consolidation and limit the growth of public debt.

The rating agency would raise the credit rating if the recovery of the Bulgarian economy is accompanied by faster fiscal consolidation, as well as an improvement in external balance sheets, exceeding the agency's expectations. Factors that would lead to a downgrade include a deepening economic downturn or a slowdown in the recovery, which in turn will lead to longer fiscal consolidation and rising public debt over the next two years.

***Source:* www.minfin.bg**

On 19.02.2021, the international rating agency Fitch Ratings raised the outlook from stable to positive over Bulgaria's long-term credit rating in foreign and local currency, and the 'BBB' rating was confirmed.

The positive outlook reflects the reduction in macroeconomic risks arising from the COVID-19 pandemic, supported by a more sustainable economy and a sound policy framework, as well as an ongoing gradual process towards the introduction of the euro. According to the rating agency, the short-term negative risks arising from the pandemic and the uncertain outcome of the elections are largely offset by the prospects for significant EU investment funding and commitment to macroeconomic and fiscal stability, supported by long-term currency board arrangements and participation. Bulgaria in the Exchange Rate Mechanism II (ERM II).

In the coming years, Bulgaria will be one of the main beneficiaries of EU transfers, including EUR 16.6 billion (27% of GDP in 2020) in the next multiannual financial framework (2021-2027) and 7.5 billion (12% of GDP) EU grants under the Next Generation EU (NGEU) mechanism. Despite the challenge of absorbing such a large amount of funds, Fitch Ratings believes that this will increase economic growth from the projected 3% in 2021 to 4-5% in the period 2022-2025.

Bulgaria's rating is supported by its strong external and fiscal balances and the sound political framework of EU membership and the long-standing functioning of the currency board arrangement. The assessment is limited by slightly lower income levels compared to the median of BBB countries and unfavorable demographics, which may limit growth and affect public finances in the long term. The governance indicators are slightly above those of the countries selected for comparison.

Despite the negative effects of the pandemic, thanks to long-term prudent fiscal policy, public finance indicators remain better than other countries with the same rating, as well as to EU countries. The rating agency estimates the budget deficit (on an accrual basis) at 4% of GDP in 2020 (compared to a median of 6.9% for countries with a similar rating), mainly influenced by COVID-19-related expenditure measures. about 3% of GDP. The implementation of revenues exceeded the revised budgetary targets, partly due to improvements in tax collection, as well as a weaker-than-expected economic contraction.

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

***Source:* www.minfin.bg**

Taking a consistent and long-term economic policy in Bulgaria would be a good reason for the potential increase in the country's credit rating, which in turn would have a favorable impact on the economic group of Eurohold, which is expressed in the financing possibilities of the Group. In the event of a decrease in Bulgaria's credit rating due to unstable management of the country, it may have a negative impact on the Group and on the cost of financing, unless its borrowing agreements do not have fixed interest rates.

## Inflation risk

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

According to NSI data, the consumer price index for March 2021 compared to February 2021 is 100.1%, i.e. monthly inflation is 0.1%. Inflation since the beginning of the year (March 2021 compared to December 2020) is 0.9%, and annual inflation for March 2021 compared to March 2020 is 0.6%. The average annual inflation for the period April 2020 - March 2021 compared to the period April 2019 - March 2020 is 0.8%.

The harmonized index of consumer prices for March 2021 compared to February 2021 is 100.2%, ie monthly inflation is 0.2%. Inflation since the beginning of the year (March 2021 compared to December 2020) is 0.8%, and annual inflation for March 2021 compared to March 2020 is 0.8%. The average annual inflation for the period April 2020 - March 2021 compared to the period April 2019 - March 2020 is 0.5%.

The price index for the small basket for March 2021 compared to February 2021 is 99.9%, and since the beginning of the year (March 2021 compared to December 2020) is 100.7%.

***Source: www.nsi.bg***

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

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

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

### Currency risk

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

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

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

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

### Interest rate risk

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

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

### Risks related to regulatory changes Regulatory risk

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

### Financial risk

The financial risk is the additional uncertainty with regard to the investor in obtaining income, when the company uses borrowed or borrowed funds. This additional financial insecurity adds to the business risk. When part of the funds used for financing of the activity of the company are in the form of loans or debt securities, the repayment of these funds represents a fixed liability.

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

### Risk of increased competition

All sectors in which the subsidiaries of the Eurohold Group operate have a highly competitive environment. The future success of the group will depend on the ability of Eurohold and its subsidiaries to remain competitive compared to other companies operating in the market segment.

## c) MANAGEMENT AND RISK MINIMIZATION MECHANISMS

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

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

The occurrence of unforeseen events, force majeure events, incorrect assessment of current trends, as well as many other micro- and macroeconomic factors can affect the judgment of the company's management. The only way to overcome this risk is to work with professionals with many years of experience, as well as maintaining from this team as complete and up-to-date information base for the development and market trends in these areas.

The Group has implemented a comprehensive corporate integrated risk management system. The system covers all business segments in the Group and the goal is to identify, analyze and organize risks in all areas. In particular, the risks in the insurance business, which is the largest segment of the Group, are minimized by optimal selection of the insurance risks to be assumed, adjustment of the duration and maturity of assets and liabilities, as well as minimization of currency risk. An effective risk management system guarantees the Group financial stability, despite the continuing financial and economic problems worldwide.

**Risk management aims to:**

- Identifies potential events that may affect the functioning of the Group and the achievement of certain operational objectives;
- Controls the significance of the risk to an extent that is considered acceptable in the Group;
- Achieve the financial objectives of the Group with as little risk as possible.

*Information on the management of significant systemic risks is available in the "Notes to the interim separated financial statements for the first quarter of 2021".*

Sofia,

27 April 2021

**Kiril Boshov,**

*Executive director*

## Eurohold Bulgaria AD
## Interim separate statement of profit or loss and other comprehensive income for the first quarter of 2021

| | Notes | 31.03.2021 BGN '000 | 31.03.2020 BGN '000 |
|---|---|---|---|
| **Revenue from operating activities** | | | |
| Dividend income | 3 | - | - |
| Gains from sale of investments and subsequent revaluation | 4 | 448 | 357 |
| Interest income | 5 | 4 | - |
| Other financial revenue | 6 | 398 | 1 441 |
| | | **850** | **1 798** |
| **Expenses on operating activities** | | | |
| Interest expenses | 7 | (4 913) | (4 020) |
| Losses on sale of investments and subsequent revaluation | 8 | (111) | - |
| Other financial expenses | 9 | (104) | (115) |
| Hired services expenses | 10 | (385) | (897) |
| Salaries and related expenses | | (201) | (158) |
| Depreciation | 13.1, 13.2 | (170) | (173) |
| (Expenses) / Revenue from impairment of financial assets, net | 11 | - | - |
| | | **(5 884)** | **(5 363)** |
| **Profit / (Loss) from operating activities** | | **(5 034)** | **(3 565)** |
| Other revenue/(expenses),net | 12 | 37 | 111 |
| **Net Profit /(Loss)** | | **(4 997)** | **(3 454)** |
| Other comprehensive income | | **-** | **-** |
| **Total comprehensive income for the period** | | **(4 997)** | **(3 454)** |

Prepared by: Signed on behalf of BoD: Procurator:

/S. Trampov/ /K. Boshov/ /H. Stoev/

27.04.2021

These separate financial statements have been approved from the Board of Directors of Eurohold Bulgaria AD. The notes are an integral part of the separate financial report.

## Eurohold Bulgaria AD
## Interim separate statement of financial position
## as of 31 March 2021

| | Notes | 31.03.2021 BGN '000 | 31.12.2020 BGN '000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, machinery and equipment | *13.1* | 1 951 | 2 119 |
| Intangible assets | *13.2* | 10 | 12 |
| Non-current receivables from related parties | *14* | 349 | - |
| | | **2 310** | **2 131** |
| **Investments** | | | |
| Investments in subsidiaries and other companies | *15* | **632 931** | **629 459** |
| **Current assets** | | | |
| Related parties' receivables | *16* | 590 | 345 |
| Other receivables and assets | *17* | 1 350 | 1 539 |
| Cash and cash equivalents | *18* | 259 | 267 |
| | | **2 199** | **2 151** |
| **TOTAL ASSETS** | | **637 440** | **633 741** |

Prepared by: Signed on behalf of BoD: Procurator:

/S. Trampov/ /K. Boshov/ /H. Stoev/

27.04.2021

## Eurohold Bulgaria AD
## Interim separate statement of financial position (continued)
## as of 31 March 2021

| | Notes | 31.03.2021 BGN '000 | 31.12.2020 BGN '000 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 19.1 | 197 526 | 197 526 |
| Share premium | 19.2 | 49 568 | 49 568 |
| General reserves | 19.2 | 7 641 | 7 641 |
| Retained earnings | | 48 966 | 65 720 |
| Profit / (Loss) for the period | | (4 997) | (16 754) |
| **Total equity** | | **298 704** | **303 701** |
| **Subordinated debts** | 20 | **32 784** | **32 784** |
| **Non-current liabilities** | | | |
| Loans and borrowings | 21 | 39 861 | 42 747 |
| Bond liabilities | 22 | 193 092 | 174 531 |
| Non-current related parties' liabilities | 23 | 1 694 | 1 703 |
| Other non-current liabilities | 24 | 1 344 | 1 468 |
| | | **235 991** | **220 449** |
| **Current liabilities** | | | |
| Loans and borrowings | 21 | 15 432 | 18 945 |
| Bond liabilities | 22 | 22 091 | 20 188 |
| Trade payables | 25 | 369 | 583 |
| Related parties liabilities | 26 | 28 755 | 35 390 |
| Other current liabilities | 27 | 3 314 | 1 701 |
| | | **69 961** | **76 807** |
| **Total liabilities and subordinated debts** | | **338 736** | **330 040** |
| **TOTAL EQUITY AND LIABILITIES** | | **637 440** | **633 741** |

Prepared by: Signed on behalf of BoD: Procurator:

/S. Trampov/ /K. Boshov/ /H. Stoev/

27.04.2021

## Eurohold Bulgaria AD
## Interim separate statement of cash flows
## for the first quarter of 2021

| | Notes | 31.03.2021<br>BGN '000 | 31.03.2020<br>BGN '000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **(Loss) / Profit before tax** | | **(4 997)** | **(3 454)** |
| Adjusted for: | | | |
| Depreciation | | 170 | 173 |
| Interest income | *5* | (4) | - |
| Interest expenses | *7* | 4 913 | 4 020 |
| Dividend income | *3* | - | - |
| (Gains)/ Losses from sale of investments, net | | (192) | (24) |
| (Gains)/ Losses from revaluation of investments, net | | (145) | (333) |
| Foreign exchange differences | | (358) | (1 398) |
| (Expenses for)/reintegration of impairment of financial assets, net | | - | - |
| Adjustments in working capital: | | | |
| Change in trade and other receivables | | (54) | 251 |
| Change in trade and other payables, other adjustments | | (39) | 23 |
| **Net cash flows from operating activities** | | **(706)** | **(742)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for investments | | (3 473) | (2 461) |
| Proceeds from sale of investments | | - | - |
| Borrowings granted | | (349) | - |
| Proceeds/ (payments) of borrowings | | - | - |
| Proceeds from interests on loans | | - | - |
| Dividends received | | - | - |
| Other cash receipts/ payments from investing activities | | (87) | (1) |
| **Net cash used by investing activities** | | **(3 909)** | **(2 462)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from loans | | 13 544 | 11 374 |
| Repayments of loans | | (7 892) | (6 431) |
| Interest and commissions paid | | (860) | (1 482) |
| Lease payments | | (175) | (246) |
| Dividends paid | | - | - |
| Other cash receipts/ payments from financing activities | | (3) | 4 |
| **Net cash generated/(used) by financing activities** | | **4 614** | **3 219** |
| **Net increase/(decrease) in cash and cash equivalents** | | | |
| *The effect of IFRS 9* | | (1) | **15** |
| Cash and cash equivalents at the beginning of the year | *17* | (7) | - |
| **Cash and cash equivalents at the end of the year** | *17* | 267 | 138 |
| | | **259** | **153** |

Prepared by: Signed on behalf of BoD: Procurator:

/S. Trampov/ /K. Boshov/ /H. Stoev/

27.04.2021

## Eurohold Bulgaria AD
## Interim separate statement of changes in equity
## as of 31 March 2021

| | Share capital | General reserves | Share premium | Retained earnings | Total Equity |
|---|---|---|---|---|---|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| **Balance as of 1 January 2021** | **197 526** | **7 641** | **49 568** | **65 720** | **320 455** |
| Loss for the year | - | - | - | (16 754) | **(16 754)** |
| **Balance as of 31 March 2021** | **197 526** | **7 641** | **49 568** | **48 966** | **303 701** |
| **Balance as of 1 January 2021** | **197 526** | **7 641** | **49 568** | **48 966** | **303 701** |
| Loss for the year | - | - | - | (4 997) | (4 997) |
| **Balance as of 31 March 2021** | **197 526** | **7 641** | **49 568** | **43 969** | **298 704** |

Prepared by: Signed on behalf of BoD: Procurator:

/S. Trampov/ /K. Boshov/ /H. Stoev/

27.04.2021

# Notes to the Interim Separate Financial Statement for the first quarter of 2021

Founded in 1996, Eurohold Bulgaria AD operates in Bulgaria, Romania, Northern Macedonia, Ukraine, Georgia, Greece and Belarus. The company owns a large number of subsidiaries in the insurance, financial services and car sales sectors.

## 1. INFORMATION ABOUT THE GROUP

Eurohold Bulgaria AD is a public joint stock company established pursuant to the provisions of article 122 of the Law for Public Offering of Securities and article 261 of the Commerce Act.

The company is registered in the Sofia City Court under corporate file 14436/2006 and is formed through the merger of Eurohold AD registered under corporate file № 13770/1996 as per the registry of Sofia City Court, and Starcom Holding AD, registered under corporate file № 6333/1995 as per the registry of Sofia City Court.

Eurohold Bulgaria has its seat and registered address in the city of Sofia, P.B. 1592, Iskar Region, 43 Hristofor Kolumb Blvd., UIC 175187337.

The governing bodies of the company are the general meeting of shareholders, the supervisory board /two-tier system/ and the management board comprising the following members as at 31.03.2021:

**Supervisory board:**
Asen Milkov Christov, Bulgaria – Chairman;
Dimitar Stoyanov Dimitrov, Bulgaria – Deputy Chairman;
Radi Georgiev Georgiev, Bulgaria – Member;
Kustaa Lauri Ayma, Finland – Independent Member;
Lyubomir Stoev, Austria – Independent Member;
Louis Gabriel Roman, USA – Independent Member.

Mandate until 09.05.2022.

**Management board:**
Kiril Ivanov Boshov, Bulgaria - Chairman, Executive Member;
Asen Mintchev Mintchev, Bulgaria – Executive Member;
Velislav Milkov Hristov, Bulgaria – Member;
Assen Emanouilov Assenov, Bulgaria – Member;
Razvan Stefan Lefter, Romania – Member.

Mandate until 14.08.2022.

As of 31.03.2021, the Company is represented and managed by Kiril Ivanov Boshov and Assen Minchev Minchev – Executive Members of the Management Board, and Hristo Stoev and Milena Guentcheva – Procurators, jointly by the one of the executive members and one of the Procurators of the Company only.

The Audit Committee supports the work of the Management board and plays the role of those charged with governance who monitor and supervise the Company's internal control, risk management and financial reporting system.

As of 31.03.2021, the Audit Committee of the Company comprises the following members:
Ivan Georgiev Mankov, Bulgaria– Chairman;
Dimitar Stoyanov Dimitrov, Bulgaria – Member;
Rositsa Mihaylova Pencheva, Bulgaria – Member.

### 1.1. Scope of Activities

The scope of activities of Eurohold Bulgaria AD is: acquisition, management, assessment and sales of participations in Bulgarian and foreign companies, acquisition, management and sales of bonds, acquisition, assessment and sales of patents, granting patent use licenses to companies in which the company participates, funding companies, in which the Company participates.

### 1.2. Types of Activities

As a holding company with a main activity of acquisition and management of subsidiaries, Eurohold Bulgaria AD performs mainly financial activities.

The companies within the issuer's portfolio operate on the following markets: insurance, leasing, finance and automobile.

**Insurance and Health Insurance line:**
- Insurance services
- Health insurance services
- Life insurance services

**Leasing line:**
- Leasing services
- Car rentals

**Financial line:**
- Investment intermediation

**Automobile line:**
- Sales of new cars
- Car repairs

**Energy line:**
Currently, the energy line companies are not active.

## 2. SUMMARY OF THE GROUP'S ACCOUNTING POLICY

### 2.1. Basis for Preparation of the Financial Statement

The separate financial statement of Eurohold Bulgaria AD is being prepared in compliance with International Financial Reporting Standards (IFRS), issued and published by the International Accounting Standards Board (IASB) and adopted by the Commission of the European Union (EU). For paragraph 1, point 8 of the Supplementary Provisions of the Accounting Act, applicable in Bulgaria, the term "IFRS adopted by the EU" means International Accounting Standards (IAS) adopted under Regulation (EC) 1606/2002 of the European Parliament and the Council.

This financial statement is non-consolidated. The Company also prepares consolidated financial statement by International Financial Reporting Standards (IFRS), issued and published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU), in which investments in subsidiaries are accounted for and disclosed under IFRS 10 "Consolidated Financial Statements".

The separate financial statement has been prepared on a going concern basis.

As a holding company, Eurohold Bulgaria does not carry out regular business activities.

## ACCOUNTING POLICY

### 2.2. General point

The most significant accounting policies applied in the preparation of the separate annual financial statement are set out below.

The separate annual financial statement is being prepared in accordance with the principles for the valuation of all IFRS assets, liabilities, income, and expenses. The valuation bases are disclosed in detail below in the accounting policies of those separate financial statement.

### 2.3. Accounting Assumptions and Accounting Estimates

The presentation of the non-consolidated financial statement in accordance with International Financial Reporting Standards requires management to make the best estimates, accruals, and reasonable assumptions that affect the reported amounts of assets and liabilities, income and expense, and disclosure of contingent receivables; liabilities at the reporting date. These estimates, accruals and assumptions are based on the information available at the date of the unconsolidated financial statement, which is why the future factual results could be different from them (as in a financial crisis, uncertainties are more significant).

### 2.4. Presentation of the financial statement

The financial statement is being presented in accordance with IAS 34 Interim Financial Reporting. This follows the same accounting policy and calculation methods as in the last annual financial statement as of 31.12.2020.

Two comparative periods are being presented in the statement of financial position when the Company applies the accounting policy retrospectively, recalculates the positions in the financial statements retrospectively; or reclassify items in the financial statements and this has a material effect on the information in the statement of financial position at the beginning of the previous period.

### 2.5. Functional and Reporting Currency

The Bulgarian Lev (BGN) is the functional and reporting currency of the company. The data presented are in thousands BGN (000'BGN) (including the comparative information for 2020), unless otherwise specified. Since 1 January 1999, the Bulgarian Lev is pegged to the EURO at the exchange rate: BGN 1,95583 for EUR 1.

Upon initial recognition, a foreign currency transaction is recorded in the functional currency by applying to the amount in foreign currency the exchange rate at the time of the transaction or operation. Cash, receivables and payables denominated in foreign currency are reported in the BGN equivalent on the basis of the exchange rate as at the date of the operation and are revaluated on a quarter and annual basis using the official exchange rate of the Bulgarian National Bank on the last working day of the quarter/year.

Non-monetary reporting items of the separate statement of financial position that have been initially denominated in foreign currency are stated in the functional currency by applying the historical exchange rate as at the date of the operation and are not subsequently revaluated at the closing exchange rate.

The effect of foreign exchange losses and gains related to the settlement of business transactions in foreign currency or the reporting of business transactions at exchange rates different from those that have been initially recognized is stated in the separate statement of profit or loss and other comprehensive income at the time of occurrence thereof under Other financial revenue/(expenses).

### 2.6. Consolidated financial statement of the Company

The company has begun the process of preparing its interim consolidated report for the first quarter of 2021 in accordance with the current IFRS, which report will also include the current non-consolidated report. According to the planned dates, the management expects an interim consolidated report to be approved for issuance no later than 28.5.2021 from the board of Directors of the company, after which date the report will be available to third parties.

### 2.7. Investments in subsidiaries, associates and joint ventures

A subsidiary is a company that is subject to the control of the Company as an investor. Having control means that the investor is exposed to or has rights to the variable return of its shareholding in the investee and is able to influence this return by means of its powers over the investee. Long-term investments, being shares in subsidiaries, are stated in the separate financial statements at acquisition price (cost), which is the fair value of paid consideration, including the direct expenses for the acquisition of the investment.

These investments are not traded at stock exchanges.

The investments in subsidiaries held by the Company are subject to impairment review. Upon finding conditions for impairment, it is recognized in the separate statement for profit or loss and other comprehensive income as a financial expense.

Upon purchase and sale of investments in subsidiaries, the "date of entering into" the transaction applies.

Investments are derecognized upon transferring the pertaining rights to other entities upon the occurrence of legal grounds to this effect like losing control over the economic benefits from the investments. The revenue from their sales is stated in "Financial revenue" or "Financial expenses", respectively, in the separate financial statement for profit or loss and other comprehensive income.

The companies in which the company holds between 20% and 50% of the voting rights and may significantly affect, but not perform control functions, are considered associated companies.

Investments in associates are accounted for by applying the equity method. By the equity method, the investment in an associate is accounted for in the non-consolidated statement of financial position at acquisition cost, plus changes in the share of net assets of the associate after the acquisition. Goodwill associated with an associate is included in the carrying amount of the investment and is not depreciated.

The investments in associates and other companies held by the Company are subject to impairment review. Upon finding conditions for impairment, it is recognized in the separate statement for profit or loss and other comprehensive income.

Investments in associates and other companies are derecognized upon transferring the pertaining rights to other entities upon the occurrence of legal grounds to this effect thus losing the joint control over the economic benefits from the investments.

The revenue from their sale is stated under the item "Gains from financial operations", or under the item "Losses from financial operations", respectively, in the separate financial statement for profit or loss and other comprehensive income.

### 2.8. Income

Revenue in the Company is recognized at an amount that reflects the remuneration the Company expects to be entitled to in exchange for the goods or services transferred to the customer.

To determine whether and how to recognize revenue, the Company uses the following 5 steps:

1. Identify the contract with a client;
2. Identify performance obligations;
3. Determining the transaction price;
4. Distribution of the transaction price to the execution obligations;
5. Recognition of revenue upon satisfaction of performance obligations.

Revenue is recognized either at any time or overtime when or until the Company satisfies the performance obligations, transferring the promised goods or services to its customers.

The Company recognizes as contract liabilities remuneration received in respect of unmet performance obligations and presents them as other liabilities in the separate statement of financial position. Similarly, if the Company meets a performance obligation before receiving the remuneration, it recognizes in the separate statement of financial position either as an asset under the contract or receivable, depending on whether or not something other than a specified time is required to receive the remuneration.

Dividend incomes are recognized upon certifying the right to obtain them.

Eurohold Bulgaria AD generates financial income mainly from the following activities:

- Income from operations with investments;
- Gains from financial operations;
- Income from dividends;
- Income from loan interest granted to subsidiaries and third parties;
- Income from Services granted to subsidiaries.

### 2.9. Expenses

Expenses are recognized at the time of occurrence thereof and on the accrual and comparability principles.

Administrative expenses are recognized as expenses incurred during the year and are relevant to the management and administration of the company, including expenses that relate to the administrative staff, officers, office expenses, and other outsourcing.

Deferred expenses (prepaid expenses) are carried forward for recognition as current expenses for the period in which the contracts they pertain to are performed.

Financial expenses include expenses incurred in relation to investment operations, negative differences from financial instruments operations and currency operations, expenses on interest under granted bank loans and obligatory issues, as well as commissions.

Other operating income and expenses include items of a secondary character in relation to the main activity of the Company.

### 2.10. Interest

Interest income and expenses are recognized in the separate statement of profit or loss and other comprehensive income using the effective interest rate method. The effective interest rate is the rate for discounting the expected cash payments and proceeds during the term of the financial asset or liability up to the net book value of the respective asset or liability. The effective interest rate is calculated upon the initial recognition of the financial asset or liability and is not adjusted subsequently.

The calculation of the effective interest rate includes all received or paid commissions, transaction costs, as well as discounts or premiums, which are an integral part of the effective interest rate. Transaction costs are the inherent costs directly attributable to the financial asset or liability acquisition, issue or derecognition.

The interest income and expenses stated in the separate statement of profit or loss and other comprehensive income include interest recognized on the basis of effective interest rate under financial assets and liabilities carried at amortized value.

### 2.11. Fees and Commissions

Fees and commissions costs, which are an integral part of the effective interest rate for a financial asset or liability, are included in the calculation of the effective interest rate.

Other fees and commissions incomes, including logistic services fees, insurance, and other intermediation fees, are recognized upon providing the respective services.

The other fees and commissions cost relevant mainly to banking services are recognized upon receipt of the respective services.

### 2.12. Taxes

#### Income Tax

The current tax includes the tax amount, which should be paid over the expected taxable profit for the period on the basis of the effective tax rate or the tax rate applicable on the day of preparation of the separate statement of financial position and all adjustments of due tax for previous years.

The company calculates the income tax in compliance with the applicable legislation.

The income tax is calculated on the basis of taxable profit after adjustments of the financial result in accordance with the Corporate Income Tax Act.

Current income taxes are defined in compliance with the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal tax rate for 2021 is 10% of the taxable profit (2020: 10%).

#### Deferred Tax

Deferred tax is calculated using the balance sheet method for all temporary differences between the net book value as per the financial statements and the amounts used for taxation purposes.

The deferred tax is calculated on the basis of the tax rate that is expected to be effective upon the realization of the asset or the settlement of the liability. Deferred tax assets and liabilities are not discounted.

Deferred tax liabilities are recognized in full.

Deferred tax assets are recognized only if it is probable that they will be utilized through future taxable income.

Deferred tax assets and liabilities are offset only when the Company has the right and intention to offset current tax assets or liabilities from the same tax institution.

The effect from changes in the tax rates on the deferred tax is reported in the separate statement of profit or loss and other comprehensive income, except in cases when it concerns amounts, which are earlier accrued or reported directly in equity. Based on IAS 12, Income Taxes, the Company recognizes only the portion of a current tax asset or liability from the acquisition or sale of financial instruments for which the Company expects to realize a reverse benefit in the foreseeable future, or does not control the timing of the reverse benefit. The Company's policy applies equally to each class of financial instruments.

#### VAT

Eurohold Bulgaria AD has a VAT registration and charges a 20% tax upon delivery of services.

In connection with a lease agreement for real estate (office) located in London, UK, the Company has a VAT registration in this country.

#### Withholding tax

Pursuant to the Corporate Income Tax Act, payment of incomes to foreign individuals or legal entities is subject to withholding tax within the territory of the Republic of Bulgaria. Withholding tax is not due provided the foreign legal entity has proved grounds for application of the Agreements for Avoidance of Double Taxation before-tax rate or applicable tax rate on the day of expiration of the tax payment term.

## 2.13. Fixed Assets

### 2.13.1 Property, plant and equipment, right-of-use assets

#### 2.13.1.1 Property, plant and equipment

Property, plant and equipment (fixed tangible assets) are measured at acquisition cost, less the amount of accrued amortization and possible impairment losses.

The company has a fixed value capitalization threshold to BGN 700, under which acquired assets, regardless if they have the characteristics of fixed assets, are reported as current expenses at the time of acquisition thereof.

**Initial Acquisition**
Fixed tangible assets are initially measured:

- at acquisition cost, which includes purchase price (including duties and non-refundable taxes) and all direct costs for bringing the asset into working condition according to its purpose: for assets acquired from external sources;
- at fair value: for assets obtained as a result of a charitable transaction;
- at evaluation approved by the court and all direct costs for bringing the asset into working condition according to its purpose – for assets acquired as a contribution of physical assets.

Borrowing costs directly related to acquisition, construction or production of eligible assets are included in the acquisition cost (cost) of this asset. All other borrowing costs are reported on the current basis in the profit or loss for the period.

**Subsequent measurement**
The approach chosen by the Company for the subsequent measurement of machines and equipment is the cost model under IAS 16 - historical cost less accumulated depreciation and accumulated impairment losses.

**Subsequent expenses**
Subsequent costs associated with an item of property, plant and equipment are added to the carrying amount of the asset when it is probable that the Company will have economic benefits that exceed the initially estimated effectiveness of the existing asset. All other subsequent expenses are recognized as an expense for the period in which they are incurred.

The residual value and useful lives of property, plant and equipment are evaluated by management at each reporting date.

**Sales profit and loss**
Upon sales of fixed assets, the difference between the net book value and the sales price of the asset is reported as profit or loss in the statement of profit or loss and other comprehensive income, in item "Other revenue/(Expenses), net".

Fixed tangible assets are derecognized from the statement of financial position upon sale or when the asset is finally decommissioned and no further economic benefits are expected after derecognition.

#### 2.13.1.2. Right-of-use assets

The Company presents the right-to-use assets in a line item with similar own assets but provides detailed information on own and leased assets in the notes to the financial statements.

### 2.13.2. Intangible assets

Intangible assets are accounted for at cost, including all duties paid, non-recoverable taxes and direct costs incurred in preparing the asset for use.

Subsequent measurement is carried out at cost less accumulated depreciation and impairment losses.

Subsequent costs arising from intangible assets after initial recognition are recognized in profit or loss and other comprehensive income for the period in which they occur unless the asset is able to generate more than the projected future economic benefits and when these costs can be reliably estimated and attributed to the asset. If these conditions are met, the cost is added to the cost of the asset.

The Company has set a materiality threshold of BGN 700 below which the assets acquired, despite having a characteristic of a fixed asset, are reported as a current expense at the time they are acquired.

The carrying amount of intangible assets is reviewed for impairment when there are events or changes in circumstances that indicate that the carrying amount could exceed their recoverable amount.

The gain or loss on the sale of intangible assets is determined as the difference between the proceeds from the sale and the carrying amount of the assets and is recognized in the statement of profit or loss and other comprehensive income in the line Other income / (Expenses), net.

### 2.13.3. Depreciation Methods

The company applies the straight-line method of depreciation. Depreciation of assets begins from the month following the month of acquisition thereof. Land and assets in process of construction are not depreciated.

The useful life by groups of assets depends on the usual wear and tear, equipment specificity, future intentions for use and the probable moral aging.

The estimated useful lives by groups of assets are as follows:

| | |
|---|---|
| Buildings | 25 years |
| Machinery and equipment | 3–10 years |
| Vehicles | 4–6 years |
| Fixtures and fittings | 3–8 years |
| Computers | 2–3 years |
| Software | 2 years |
| Right-of-use-assets | over the shorter of the asset's life and the lease term on a straight line basis |

### 2.13.4. Impairment

In calculating the amount of impairment, the Company defines the smallest identifiable group of assets for which individual cash flows (a cash-generating unit) can be determined. As a result, some assets are subject to an impairment test on an individual basis, while others are subject to a cash-generating unit.

All cash-generating assets and units are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment when events or changes in circumstances indicate that their carrying amount cannot be recovered.

Net book values of fixed tangible and intangible assets are subject to review for impairment, when events or changes in circumstances have occurred, which evidence that the net book value might permanently differ from their recoverable amount. If there are indicators that the estimated recoverable value is less than their net book value, the latter is adjusted up to the recoverable value of assets.

An impairment loss shall be recognized as the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is higher than the fair value, reduced costs to sell of an asset and its value in use.

Impairment losses are recognized as expenses in the separate statement of profit or loss and other comprehensive income during the year of occurrence thereof.

Impairment losses on a cash-generating unit are stated in a decrease in the carrying amount of that unit's assets. For all assets of the Company, management subsequently assesses whether there is any indication that the impairment loss recognized in prior years may no longer exist or be reduced. An impairment loss recognized in a prior period is reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

### 2.14. Lease

#### The Company as a lessee

The company assesses whether the contract constitutes or contains elements of leasing if, under this contract, the right to control the use of an asset for a certain period of time is transferred for remuneration. Leasing is defined as "a contract or part of a contract that bears the right to use the asset (the underlying asset) for a period of time in return for payment." To apply this definition, the Company evaluates whether the contract meets three key evaluations that it has given:

- The contract contains a specific asset that is either explicitly identified in the contract or implicitly stated, being identified when the asset is made available to the Company;
- The Company is entitled to receive substantially all the economic benefits from the use of the specified asset over the entire period of use, taking into account its rights within the defined scope of the contract;
- The Company has the right to direct the use of the designated asset throughout the period of use. The Company assesses whether it is entitled to direct the "how and for what purpose" of the asset to use throughout the period of use.

If it is found that the lease agreement recognizes the Company as an asset with a right of use and a corresponding obligation at the date on which the leasing asset is available for use by the Company.

A reassessment of whether a contract represents or contains elements of a lease is made only if the terms and conditions of the contract change.

The company has elected not to reassess whether a contract is, or contains a lease at the date of initial application. For contracts entered into before 01.01.2019 the Company relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Accounting for operating leases with a remaining lease term of less than 12 months as short-term leases. The costs are present as a hire service costs.

Leasing assets and liabilities are initially measured at present value.

Leasing liabilities include the net present value of the following lease payments:

- fixed payments (including substantially fixed payments) minus any lease incentive receivables;
- variable lease based on an index or interest initially measured by the index or rate at the commencement date;
- amounts expected to be paid by the Company under guarantees of residual value;
- the cost of exercising a purchase option if the Company has reason to exercise that option, and
- payments of penalties for termination of the lease if the lease term reflects the fact that the Company exercises this option.

Lease payments that are made under reasonably defined extension options are also included in the liability measurement. The valuation of a lease contract with an option to extend the lease term should be taken plus 1 year to the fixed period. The Company acknowledges that this is the minimum for which there is an assurance that an option contract may be extended.

The lease payments shall be discounted using the interest rate implicit in the lease if that rate can be readily determined. If this interest rate cannot be directly determined, the lessee's differential interest rate is used, which is the rate that the individual lessee would have to pay to obtain the funds needed to obtain an asset of similar value to an asset with a usable interest in a similar economic environment with similar conditions, security and conditions.

The Company applies a three-step approach in determining the incremental borrowing rate based on:

- Yield of 10-years Government Bonds calculated as an average for the last 3 years;
- financing spread adjustment - loans to new enterprises, non-financial corporations in a local currency, to determine the initial interest rate for a period of 3 years (for real estate) or the average interest rate on financial leasing to unrelated persons for the last 3 years (for vehicles);
- specific lease adjustment related to the specific asset (at the discretion of each individual asset).

Applicable Rates at Eurohold Bulgaria AD:

| | Buildings - Bulgaria | Buildings - UK |
|---|---|---|
| Incremental borrowing rate | 4,05 % | 1,31 % |

The entity is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The Company adopts the threshold for recognition right-of-use assets of BGN 10,000.00, taking the price of the asset as new.

### The Company as a lessor

#### Classification of leases

The lessor classifies each of its leases as an operating or finance lease. Lessors classify leases according to the extent to which the risks and rewards of ownership of the underlying asset are transferred under the lease agreement.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset, and as an operating lease if it does not substantially transfer all the risks and rewards of ownership of the underlying assets. Risks include potential losses from unused capacity or technological aging, as well as from fluctuations in returns due to changing economic conditions. The benefits may be represented by the expected profitable exploitation over the economic life of the underlying asset and the expected profit from the increase in value or the realization of the residual value.

Whether a lease is a finance lease or an operating lease depends on the substance, not the legal form of the lease.

The classification of the lease agreement is made on the date of entry and is reviewed only if the lease agreement is amended. Changes in valuations or changes in circumstances do not warrant a new classification of the lease for accounting purposes.

### Classification of sublease contracts

A transaction in which the underlying asset is leased out by a lessee (the "intermediate lessor") to a third party and the lease agreement (the "principal lease") between the principal and the lessee remains in effect. In the classification of leasing contracts, the intermediate lessor classifies the leasing contract as a finance lease or an operating lease according to the following:

(a) if the principal lease is a short-term lease that the entity, as lessee, has reported using the exemption requirements, the sublease agreement is classified as an operating lease;

(b) in all other cases, the sublease agreement is classified according to the rights of use arising from the underlying lease and not depending on the underlying asset.

### Operating lease

### Recognition and evaluation

The lessor recognizes lease payments under operating leases as revenue on a straight-line basis or on a systematic basis. The lessor applies another systematic basis where that basis more accurately reflects the way in which the benefit of using the underlying asset is reduced.

The lessor adds the initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes it as an expense over the lease term on the same basis as the lease income.

The underlying asset subject to operating leases is amortized with the lessor's usual amortization policy for such assets. The depreciation of such an asset is recognized as an expense on the lease term on the same basis as the lease income.

### Changes to the lease contract

The lessor considers the change in an operating lease as a new lease from the effective date of the change, taking into account any advance or accrued lease payments related to the original lease as part of the lease payments for the new lease.

### Presentation

The lessor presents in its statement of financial position the underlying assets subject to operating leases in accordance with their nature.

Operating lease income, when the company is a lessor, is recognized as income on a straight-line basis over the term of the lease. The Company did not require adjustments in accounting for the assets held as lessor as a result of the adoption of the new leasing standard. Eurohold Bulgaria AD does not have any assets for financial lease.

### 2.15. Employment Benefits

#### Other long-term employee benefits

#### Defined contribution plans

A defined contribution plan is a plan for post-employment benefits in accordance with which the Company pays contributions to another person and does not have any legal or constructive obligations to make further payments. The Bulgarian government is responsible for providing pensions under the defined contribution plans. The company's engagement costs for transferring contributions under defined contribution plans are recognized currently in profit and loss.

#### Defined benefit plans

These are post-employment benefit plans other than defined contribution plans. The net payable of the Company with regard to defined benefit plans is calculated by estimating the amount of future benefits the employees are entitled to in return for their services during the current and previous years; and these benefits are discounted in order to define their present value.

The Company has the obligation to pay retirement benefits to those of its employees who retire in compliance with the requirements of article 222, § 3 of the Labour Code (LC) in Bulgaria. In accordance with these provisions of the LC, upon the termination of the employment agreement of an employee who is entitled to a pension, the employer pays them compensation in the amount of two monthly gross salaries. Provided the worker or employee has 10 or more years' length of service as at the date of retirement, such compensation is in the amount of six-monthly gross salaries. As of the date of the separate statement of financial position, the Company measures the approximate amount of potential expenses for all employees by using the estimated credit units.

#### Retirement benefits

Retirement benefits are recognized as an expense when the Company has clear engagements, without an actual opportunity to withdraw, with an official detailed plan either for termination of employment relations before the normal retirement date, or for payment of compensation upon termination as a result of a proposal for voluntary retirement.

Benefits upon voluntary retirement are recognized as an expense if the Company has made an official proposal for voluntary termination and the offer would be probably accepted, and the number of employees who have accepted the offer may be reliably measured. If compensations are payable for more than 12 months after the end of the reporting period, they are discounted up to their present value.

#### Short-term employee benefits

Payables for short-term employee benefits are measured on a non-discounted basis and are stated as an expense when the related services are provided. Liability is recognized for the amount that is expected to be paid as a short-term bonus in cash or profit distribution plans, provided the Company has legal or constructive obligation to pay such amount as a result of previous services rendered by an employee, and such obligation may be reliably measured.

The company recognizes as payable the non-discounted amount of measured paid annual leave expenses that are expected to be paid to the employees in return for their services for the past reporting period.

### 2.16. Financial Instruments

#### 2.16.1. Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual terms of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards are transferred.

Financial liabilities are derecognized when the obligation specified in the contract is fulfilled, cancelled or expires.

### 2.16.2. Classification and initial measurement of the financial instrument

Initially, financial assets are carried at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not contain a material financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted for transaction costs, which are reported as current expenses. The initial measurement of trade receivables that do not contain a material financial component represents the transaction price under IFRS 15.

Depending on the method of subsequent reporting, financial assets are classified in one of the following categories:

- debt instruments at amortized cost;
- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income, with or without reclassification of profit or loss, whether debt or equity.

The classification of financial assets is determined on the basis of the following two conditions:

- the business model of the Company for the management of financial assets;
- the characteristics of the contractual cash flows of the financial asset.

All income and expenses related to financial assets that are recognized in profit or loss are included in financial expenses, financial income or other financial positions, except for the impairment of trade receivables, which is presented in the line (Accrued) / recovered loss from impairment of financial assets, net in the statement of profit or loss and other comprehensive income.

### 2.16.3. Subsequent measurement of financial assets

**Debt instruments at amortized cost**
Financial assets are measured at amortized cost if the assets meet the following criteria and are not designated at fair value through profit or loss:

- the company manages the assets within a business model that aims to hold the financial assets and collect their contractual cash flows;
- under contractual terms and conditions of the financial asset, cash flows occur at specific dates, which are only principal payments and interest on the principal outstanding.

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest method. Discounting is not done when its effect is insignificant. The Company classifies in this category cash and cash equivalents, trade and other receivables, as well as listed and unlisted bonds, which have previously been classified as held-to-maturity financial assets in accordance with IAS 39.

**Trade receivables**
Trade receivables are amounts owed by customers for goods or services sold in the ordinary course of business. They are usually due for settlement in the short term and are therefore classified as current. Trade receivables are recognized initially at the amount of the unconditional remuneration, unless they contain significant components of financing. The Company holds trade receivables to collect contractual cash flows and therefore measures them at amortized cost using the effective interest method. Discounting is not done when its effect is insignificant.

**Financial assets at fair value through profit or loss**
Financial assets for which a contractual "cash flow business model" or a "held-for-sale business model" is not applicable, as well as financial assets whose contractual cash flows, are not solely principal and interest payments, are accounted for at fair value through profit or loss. All derivative financial instruments are reported in this category except those that are designated and effective as hedging instruments and to which the hedge accounting requirements apply.

Changes in the fair value of assets in this category are reflected in profit or loss. The fair value of financial assets in this category is determined by quoted prices in an active market or by using valuation techniques in the absence of an active market.

### 2.16.4. Impairment of financial assets

IFRS 9 requires the Company to recognize a provision for expected credit losses for all debt instruments that are not carried at fair value through profit or loss and for contract assets.

Instruments that fall under the new requirements include loans and other financial assets measured at amortized cost / fair value through other comprehensive income, trade receivables, contract assets recognized and measured under IFRS 15, and credit commitments and some financial guarantee contracts (with the issuer) that are not reported at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the occurrence of a credit loss event. Instead, the Company considers a wider range of information in assessing credit risk and assessing expected credit losses, including past events, current conditions, reasonable and supportive forecasts that affect the expected future cash flow of the instrument.

In implementing this forward-looking approach, a distinction is made between:

- financial instruments whose credit quality has not significantly deteriorated since the initial recognition or have low credit risk (Phase 1);
- financial instruments whose credit quality has deteriorated significantly since the time of initial recognition or where the credit risk is not low (Phase 2);
- "Phase 3" covers financial assets that have objective evidence of impairment at the reporting date. None of the Company's financial assets fall into this category.

12-month expected credit losses are recognized for the first category, while the expected losses over the life of the financial instruments are recognized for the second category. Expected credit losses are determined as the difference between all contractual cash flows attributable to the Company and the cash flows it is actually expected to receive ("cash deficit"). This difference is discounted at the original effective interest rate (or the effective interest rate corrected to the credit).

The calculation of expected credit losses is determined on the basis of the probability-weighted estimate of credit losses over the expected period of the financial instruments.

#### Trade and other receivables, contracted assets

The Company uses a simplified approach to accounting for trade and other receivables as well as contract assets and recognizes impairment losses as expected credit losses over the entire period. They represent the expected shortfall in contractual cash flows, given the possibility of default at any time during the term of the financial instrument. The Company uses its accumulated experience, external indicators and long-term information to calculate the expected credit losses through customer allocation by industry and time structure of receivables and using a maturity of provisions.

### 2.16.5. Classification and measurement of financial liabilities

Financial liabilities include loans, payables to suppliers and other counterparties.

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the Company has designated a financial liability as measured at fair value through profit or loss.

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for derivatives and financial liabilities that are designated at fair value through profit or loss (except for derivative financial instruments that are designated and effective as hedges tool).

Financial liabilities are recognized over the period of the loan with the amount of proceeds received, the principal less transaction costs. In subsequent periods, financial liabilities are measured at an amortized cost equal to the capitalized value when the effective interest rate method is applied. In the separate financial statement of profit or loss and other comprehensive income, borrowing costs are recognized over the period of the loan.

Current liabilities, such as payables to suppliers, subsidiaries and associates and other payables, are measured at amortized cost, which generally corresponds to the nominal value.

### 2.16.6. Securities sale and repurchase agreements

Securities can be rented or sold with a commitment to repurchase them (repo). These securities continue to be recognized in the statement of financial position when all material risks and rewards of ownership remain at the expense of the Company. In this case, a liability to the other party to the contract is recognized in the statement of financial position when the Company receives cash consideration.

Similarly, when the Company borrows or purchases securities with a commitment to repurchase them (reverse repo), but does not acquire the risks and rewards of ownership of the transactions, the transactions are treated as collateralised loans when the cash consideration is paid. Securities are not recognized in the statement of financial position.

The difference between the sale price and the redemption price is recognized by instalments over the period of the contract using the effective interest method. Leased-in securities continue to be recognized in the statement of financial position. Hired securities are not recognized in the statement of financial position unless they are sold to third parties, where the redemption obligation is recognized as a trading liability at fair value and the subsequent profit or loss is included in the net operating result.

### 2.17. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts and short-term deposits, including repo at banks whose original maturity is up to 3 months. For the purposes of the separate statement of cash flows, bank deposits are analysed and presented in compliance with the Company's purposes and intentions for earning therefrom, as well as the actual maintained duration of investing in such type of deposits.

### 2.18. Equity and reserves

Equity is presented at its nominal value pursuant to the court decisions for its registration.

The premium reserve includes premiums earned on the initial equity issue. All costs related to the issue of shares are deducted from the paid-in capital, net of tax relief.

Other reserves include statutory reserves, general reserves.

In accordance with the requirements of the Commerce Act and the Articles of Association, the Company is obliged to establish a Reserve Fund and the sources of such fund may be as follows:

- At least one-tenth of the profit being allocated until the fund amount reaches one tenth or bigger part of the capital as set out in the Articles of Association;
- The received funds exceeding the nominal value of shares upon issue thereof (premium reserve);
- Other sources as set out by resolution of the general meeting.

The funds may be used for covering annual losses or losses from previous years only. When the fund reaches the minimum amount as set out in the Articles of Association, the excess may be used for capital increase.

Retained earnings include current financial results and accumulated profits and uncovered losses from previous years.

Dividend payment obligations to shareholders are included in the line Other short-term liabilities in the statement of financial position when the dividends are approved for distribution by the general meeting of shareholders before the end of the reporting period.

All transactions with the owners of the Company are presented separately in the statement of changes in equity.

### 2.19. Earnings per share

The basic earnings per share are calculated by dividing the net profit or loss for the period that is subject to distribution among shareholders – holders of ordinary shares, by the average weighted number of ordinary shares held during the period.

The average weighted number of shares is the number of ordinary shares held at the beginning of the period adjusted with the number of redeemed ordinary shares and the number of newly issued shares multiplied by the average time factor. Such a factor expresses the number of days in which the respective shares have been held towards the total number of days during the period.

Upon capitalization, bonus issue or division, the number of outstanding ordinary shares until the date of such event is adjusted to reflect the proportionate change in the number of outstanding ordinary shares as if the event has occurred at the beginning of the earliest period presented.

Earnings per shares with decreased value are not calculated as no potential shares with decreased value are issued.

### 2.20. Liability Provisions

Provisions are recognized when it is probable that current liabilities resulting from a past event will result in an outflow of resources from the Company and a reliable estimate of the amount of the liability can be made. The timing or amount of cash outflow may be uncertain.
A present obligation arises from the existence of a legal or constructive obligation as a result of past events, such as guarantees, legal disputes or burdensome contracts. Restructuring provisions are recognized only if a detailed formal restructuring plan has been developed and implemented or management has announced the main points of the restructuring plan to those who would be affected. Provisions for future operating losses are not recognized.

The amount recognized as a provision is calculated on the basis of the most reliable estimate of the costs required to settle a current liability at the end of the reporting period, taking into account the risks and uncertainties associated with the current liability. Where there are a number of similar obligations, the probable need for an outflow to settle the obligation is determined taking into account the group of liabilities as a whole. Provisions are discounted when the effect of time differences in the value of money is significant.

Third-party benefits in respect of a liability that the Company is certain to receive are recognized as a separate asset. This asset may not exceed the value of the provision in question.
Provisions are revised at the end of each reporting period and adjusted to reflect the best estimate.

In cases where an outflow of economic resources is unlikely to occur as a result of current liability, a liability is not recognized. Contingent liabilities should subsequently be measured at the higher value between the comparable provision described above and the initially recognized amount, less accumulated depreciation.

Possible inflows of economic benefits that do not yet meet the criteria for recognition of an asset are considered contingent assets.

## 2.21. Judgments that are crucial for the application of the Company's accounting policy. Key estimates and assumptions with high uncertainty.

### 2.21.1. Significant management judgments in applying accounting policies

The management's significant judgments in applying the Company's accounting policies that have the most significant effect on the financial statements are set out below:

**Deferred tax assets**

The assessment of probability for future taxable income for the utilization of deferred tax assets is based on the last approved budget forecast adjusted with regard to material untaxable income and expenses and specific restrictions for carrying forward unused tax losses or credits. If a reliable estimate for taxable income suggests the probable use of deferred tax assets, in particular in case the asset may be used without a time limit, then the deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to specific legal or economic restrictions or uncertainty should be judged by the management on a case-by-case basis on the grounds of specific facts and circumstances.

On the basis of this approach and applying a high level of conservatism, the management has judged not to recognize deferred tax asset for tax losses to be carried forward to the separate financial statement for the first quarter of 2021.

**Debt instruments measured at amortized cost**

Management's analysis and intentions are endorsed by the debt-holding business model, which is eligible to receive principal and interest payments only and the assets are held until the contractual cash flows of the bonds, which are classified as debt instruments, have been measured at amortized cost. This decision is consistent with the current liquidity and capital of the Company.

**Leases**

In accordance with IFRS 16 Leases, management classifies sublease contracts as operating leases. In some cases, the lease transaction is not straightforward and management assesses whether the contract is a finance lease in which all material risks and rewards of ownership are transferred to the lessee or an operating lease, where substantially all the risks and rewards of ownership are transferred the underlying asset.

### 2.21.2. Uncertainty of accounting estimates

In preparing the financial statement, management makes a number of assumptions, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Actual results may differ from management's assumptions, estimates, and assumptions and, in rare cases, may be fully consistent with previously estimated results.

In preparing the presented separate annual financial statements, the management's significant judgments in applying the accounting policies of the Company and the main sources of uncertainty of the accounting estimates do not differ from those disclosed in the annual financial statement of the Company as of 31 December 2020.

**Impairment of investments in subsidiaries**

The amount with which the book value of an asset or a cash flow generating unit exceeds their replacement cost, which is the higher of the fair value less the sale cost of an asset, and its value in use, is recognized as an impairment loss. For the purposes of defining the value in use, the Company's management calculates the expected future cash flows per cash flow generating unit and defines an appropriate discount factor for the purposes of calculating the present value of these cash flows. Upon calculating the expected future cash flows, the management makes assumptions about the future gross profits. These assumptions are related to future events and facts. The actual results may differ and require significant adjustments in the Company's assets during the next reporting year.

In most cases, when defining the applicable discount factor, an assessment of appropriate adjustments with regard to the market risk and the risk factors inherent to different assets should be made.

The Company uses external appraisals to determine the fair values of investments in subsidiaries for each calendar year. The Company has not recognized impairment losses on investments in subsidiaries in first quarter of 2021 and 2020.

**Impairment of borrowings and receivables**
The Company uses an adjustment account to report the impairment of difficultly collectible and uncollectible receivables from counterparties. The management judges the adequacy of this impairment on the basis of age analysis of receivables, previous experience about the level of derecognition of uncollectible receivables, and analysis of the counterparty's solvency, amendments of contractual payment terms and conditions, etc. If the financial position and performance of the counterparties become worse than expected, the value of receivables that should be derecognized during the next reporting periods may be higher than the one expected as at the reporting date.

**Fair value of financial instruments**
The management uses techniques to measure the fair value of financial instruments if there are no quoted prices at the active market. Detailed information about the assumptions used is presented in the explanatory notes to the financial assets and liabilities. When applying assessment techniques, to the maximum extent, the management uses market data and assumptions that market stakeholders would assume upon assessing a financial instrument. In case there are no applicable market data, the management uses its best estimate of assumptions that the market stakeholders would make. These assessments may differ from the actual prices that would be defined in an arm's length transaction between informed and willing parties at the end of the reporting period.

## 2.22. Financial risk management

**Factors Determining Financial Risk**
In the implementation of its activity, the Company is exposed to diverse financial risks: market risk (including currency risk, risk from change of financial instruments fair value under the impact of market interest rates and price risk), credit risk, liquidity risk and risk from change of future cash flows due to a change in market interest rates. The overall risk management program emphasizes the unpredictability of financial markets and is aimed at mitigating the possible adverse effects on the Company's financial result.

The most significant financial risks to which the Company is exposed are described below:

### 2.22.1. Market risk analysis

Due to the use of financial instruments, the Company is exposed to market risk and in particular to the risk of changes in the exchange rate, interest rate risk and the risk of changes in specific prices, which is due to the operational and investment activity of the Company.

**Currency risk**
The Company is exposed to currency risk as a result of the settlements in foreign currency and through its assets and liabilities denominated in foreign currency.

The majority of the Company's transactions are executed in Bulgarian leva. The Company's foreign transactions, denominated principally in Polish zloty and British pounds, expose the Company to foreign exchange risk.

The company owns bond investments in euro and polish zloty. The company has borrowings and lease liabilities in foreign currency – Euro and British pounds. As the BGN/ EUR exchange rate is pegged at 1.95583, the currency risk caused by the euro expositions of the Company is on its minimum.

The Company makes payments under a bond loan in polish zloty. There is a significant risk of change in the exchange rates under this borrowing. Therefore, the Company's exposition to changes in the polish zloty exchange rate is possible, although the Company could hedge its exposition through derivatives, such as swaps.

### Interest Risk
The Company's policy is aimed at minimizing the interest risk with regard to long-term funding. Therefore, the long-term borrowings are with fixed interest rates. All investments in Company's bonds are paid on the basis of fixed interest rates. As of 31 December 2020, the Company is not exposed to the risk of changes in market interest rates on its bank loans, which have a constant interest rate. All other financial assets and liabilities of the Company have fixed interest rates. All investments in the Company's bonds are paid on the basis of fixed interest rates.

### Other Risk - Covid-19 (Coronavirus)
Due to the pandemic wave of Covid-19 (Coronavirus), which became global in late February and early March 2020 and led to a significant reduction in financial activity worldwide, the Group analysed on the basis of currently available data the potential effect on its financial position and in particular on the models used, according to IFRS 9.

***This disclosure complies with the requirements of IFRS 7 and IFRS 9, as well as the recommendations of the European Securities and Markets Authority (ESMA).***

As of the date of preparation of these Consolidated Annual Financial Statements, the economic activity has not yet fully recovered and sufficient statistical information been not yet available, both for the real effect on the Bulgarian and world economy and on available significant forecast data for their recovery in the coming months.

### Development of Covid-19 Pandemic (Coronavirus)
The National Assembly of the Republic of Bulgaria declared a state of emergency dated March 13, 2020, which expired on May 13, 2020. Similar measures were taken by all Member States of the European Union, as well as by the main trading partners (outside the European Union) of the Republic of Bulgaria.

Similar measures have been introduced in other countries where the Group operates, such as Greece (March 11, 2020), Romania (March 21, 2020), Ukraine (March 14, 2020) and Northern Macedonia (March 18, 2020). As a result of the measures imposed by the governments, a significant part of the economic activity in the countries was suspended, also a significant part of the international trade was slow down.

Despite the subsequent drop of the measures, international financial institutions and international credit agencies expect a significant economic effect in short term, and the overall levels of economic growth are expected to recover in period 2021-2022.

The Group's management has analysed the expected effect on both the economic growth and the credit quality of the countries (and respectively the counterparties) where it operates, and the analysis is presented below.

### Effect on economic growth
The table below presents information on the expectations for economic growth of
the Republic of Bulgaria, including forecast data after the occurrence of the pandemic situation related to Covid-19 (Coronavirus).

| | Historical data | | | Forecast | | | |
|---|---|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020 (before Covid-19)** | **2020 (Covid-19)** | **Average 2021-24 (before Covid-19)** | **2021 (Covid-19)** |
| Economic GDP growth | 3.5% | 3.1% | 3.4% | 3.2% | (4.0)% | 2.8% | 4.1% |

The table below provides information on the economic growth expectations of the euro area countries (representing the main foreign market of the Republic of Bulgaria), according to the International Monetary Fund, including forecast data after the Covid-19 pandemic (Coronavirus).

| | Historical data | | | Forecast | | | |
|---|---|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020 (before Covid-19)** | **2020 (Covid-19)** | **Average 2021-24 (before Covid-19)** | **2021 (Covid-19)** |
| Economic GDP growth | 1.9% | 2.5% | 1.9% | 1.4% | (8.3) % | 1.3% | 5.2% |

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

| | Historical data | | | Forecast | | | |
|---|---|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020 (before Covid-19)** | **2020 (Covid-19)** | **Average 2021-24 (before Covid-19)** | **2021 (Covid-19)** |
| Republic of Romania | 7.1% | 4.4% | 4.1% | 3.5% | (4.8)% | 3.0% | 4.6% |
| Republic of North Macedonia | 1.1% | 2.7% | 3.6% | 3.4% | (5.4)% | 3.5% | 5.5% |
| Republic of Ukraine | 2.5% | 3.3% | 3.2% | 3.0% | (7.2)% | 3.3% | 3.0% |
| Republic of Georgia | 4.8% | 4.8% | 5.1% | 4.8% | (5.0)% | 5.2% | 5.0% |
| Republic of Belarus | 2.5% | 3.1% | 1.2% | | (3.0)% | | 2.2% |
| Russian Federation | 1.8% | 2.5% | 1.3% | 1.9% | (4.1)% | 1.8% | 2.8% |
| Hellenic Republic | 1.5% | 1.9% | 1.9% | 2.2% | (9.5)% | 0.9% | 4.1% |
| Republic of Poland | 4.9% | 5.1% | 4.1% | 3.1% | (3.6)% | 2.5% | 4.6% |
| Republic of Italy | 1.7% | 0.8% | 0.3% | 0.5% | (10.6)% | 0.6% | 5.2% |
| Kingdom of Spain | 2.9% | 2.4% | 2.0% | 1.8% | (12.8)% | 1.6% | 7.2% |
| United Kingdom | 1.9% | 1.3% | 1.4% | 1.4% | (9.8)% | 1.5% | 5.9% |

As can be seen from the above data, the Management takes into account the possible short-term risks to the overall economic development of the main markets where it operates. The expected reduction of the Gross Domestic Product could be significant, but there are also general expectations for rapid recovery during the period 2021-2022 and a return to the average predicted growth levels before Covid-19 (Coronavirus).

### Effect on credit ratings

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

| | **Before Covid-19** | | **After Covid-19** | |
|---|---|---|---|---|
| | Rating | Forecast | Rating | Forecast |
| Republic of Bulgaria | BBB | Positive | BBB | Stable |
| Eurohold Bulgaria AD | B | Negative | B | Negative |

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

| | Before Covid-19 | | After Covid-19 | |
|---|---|---|---|---|
| | Rating | Forecast | Rating | Forecast |
| Republic of Romania | BBB | Stable | BBB | Negative |
| Republic of North Macedonia | BB+ | Stable | BB+ | Negative |
| Republic of Ukraine | B | Positive | B | Stable |
| Republic of Georgia | BB | Stable | BB | Negative |
| Republic of Belarus | B | Stable | B | Negative |
| Russian Federation | BBB | Stable | BBB | Stable |
| Hellenic Republic | BB | Stable | BB | Stable |
| Republic of Poland | A- | Stable | A- | Stable |
| Republic of Italy | BBB | Negative | BBB- | Stable |
| Kingdom of Spain | A- | Stable | A- | Stable |
| United Kingdom | AA | Negative | AA- | Negative |

Management continues to monitor the development of the credit risk in relation to the countries where the Group operates, as well as the main investments (subject to both markets and credit risk) of the Group companies.

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

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

The Group applies IFRS 9 from January 01, 2018.

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

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

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

- The measures taken by the Government of the Republic of Bulgaria, the governments of the countries where the Group operates, including the applied private and public moratoriums, which currently do not lead to additional indications of significantly deteriorated credit quality of the counterparties. Management strictly monitors the existence of long-term indications of deterioration, as the general temporary potential liquidity problems of counterparties caused directly by Covid-19 (Coronavirus) are not considered indications of credit deterioration;
- At present, despite the overall decrease and the limited cases of credit rating deterioration, the Management believes that before a significant period of time passes during which symptoms of deterioration in the overall credit quality of both investments and the general environment in which the Group operates, it cannot perform a sufficiently sustainable and reliable assessment of the effect that Covid-19 (Coronavirus).

About the model (including the full and simplified one) for calculating the expected credit losses, the Management considers that it is possible to make a change in the general model. However, the Management recognizes the possible short-term risks to the overall economic development of the countries in which the Group operates, and that in some markets the expected reduction in Gross Domestic Product could be significant, but also takes into account the general expectations for a rapid recovery in the period 2021-2022 and the expectations of a return to average projected growth levels before Covid-19 (Coronavirus) and has therefore decided to review its model and to update some of its expectations, namely - as Management believes that some of the Company's Counterparties may be affected by the deteriorating economic situation and in connection with these expectations has taken action to update some of the parameters in the model. As both macroeconomic statistics and information on the medium-term levels of probability of default are not available as of 31 March 2021, the Management has not recalculated / changed the model in relation to the expected credit losses compared to those as of 31.12.2020.

### 2.22.2. Credit risk analysis

Credit risk is the risk that a counterparty fails to pay its debt to the Company. The Company is exposed to this risk in connection with various financial instruments, such as the provision of loans, the occurrence of receivables from customers, deposit of funds and others.

The amounts presented in the separate statement of financial position are on a net basis excluding the provisions for doubtful receivables, assessed as such by management, based on previous experience and current economic conditions.

Credit risk on cash and cash equivalents, money market funds derivative financial instruments is considered insignificant as counterparties are banks with good repute and high external credit rating.

### 2.22.3. Liquidity risk analysis

Liquidity risk is the risk that the company may encounter difficulties in servicing its financial obligations when they become payable. Policy in this field is aimed at ensuring that there will be enough cash available to service its maturing obligations, including in exceptional and unforeseen conditions. The management's objective is to maintain continuous balance between continuity and flexibility of financial resources by using adequate forms of funding.

The company's management is responsible for managing the liquidity risk and involves maintaining enough cash available, arranging adequate credit lines, preparation of analysis and update of cash flows estimates.

## 2.23. Capital risk management

By managing its capital, the Company is aimed at creating and maintaining opportunities to continue operating as going concern and to ensure the respective return of invested funds for the shareholders and economic benefits for the other stakeholders and participants in its business, as well as at maintaining optimal capital structure.

The Company continuously monitors the availability and the structure of the capital based on the debt ratio, and namely the net debt capital to the total amount of capital. Net debt includes all liabilities, loans, debentures, trade and other payables less the carrying amount of cash and cash equivalents.

## 2.24. Determination of fair values

### 2.24.1. Fair value measurement of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### Determination of fair value

The valuation methods and techniques used to determine fair value have not changed from the previous reporting period.

### Stock traded repurchase bonds

All marketable bonds are represented in Bulgarian Leva and are publicly traded on the Irish Stock Exchange, Bonds Section. Fair values have been determined on the basis of their stock exchange price as of the reporting date.

### 2.24.2. Fair value measurement of non-financial assets

Fair value is the price that would have been obtained by selling an asset or paid by transferring a liability in the ordinary course of trade between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability is carried out:

- the main market for that asset or liability;
  or
- in the absence of a primary market, the most favourable market for that asset or liability.

The main or most favourable market must be accessible to the Company.

The measurement of the fair value of a non-financial asset takes into account the ability of a market participant to generate economic benefits by using the asset to maximize its value or by selling it to another market participant who will use it in such a way. The Company uses appropriate valuation methods for which there is sufficient data available to measure fair value, using the maximum relevant observable hypotheses and minimizing the use of the unobservable.

At each date of the statement of financial position, management makes an analysis and evaluation of whether there are any indicators of impairment of its investments in subsidiaries. The Company took into account the carrying amount of investments and their net assets, among other factors, when reviewing for impairment indications.

The main indicators for impairment are significant reduction in the volume and / or termination of the investee, losses in the customer market or technological problems, reporting of losses over a longer period, reporting of negative net assets or assets below registered share capital, trends in deterioration of key financial indicators, and a decrease in market capitalization.
The company uses external evaluators to determine the fair values of investments in subsidiaries for each calendar year.

The company did not report any impairment losses on investments in subsidiaries during the first quarter of 2021 and 2020.

### 2.25. Cash Flows

The separate statement of cash flows shows the cash flows for the year in relation to operating, investment and financial activity during the year, the change in cash and cash equivalents for the year, cash and cash equivalents at the beginning and at the end of the year.

The operating cash flows are calculated as a result of the year adjusted with the non-cash operating positions, changes in net turnover capital and corporate tax.

Investment activity cash flows include payments about purchase and sale of fixed assets and cash flows related to the purchase and sale of entities and operations. Purchase and sale of other securities which are not a cash and cash equivalents are also included in the investment activity.

Financial activity cash flows include changes in the amount or composition of share capital and the related costs, the borrowings and the repayment of interest-bearing loans, purchase, and sale of own shares and payment of dividends.

Cash and cash equivalents include bank overdraft, liquidity cash and securities for term less than three months.

| **3. Dividend income** | 31.3.2021 | 31.3.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Euro-Finance AD | - | - |
| | **-** | **-** |

| **4. Gains from sale of investments and revaluations** | 31.3.2021 | 31.3.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Gains from sale of investments and financial instruments* | 303 | 24 |
| Income from revaluation of investments measured at FVPL** | 145 | 333 |
| | **448** | **357** |

* In the first quarter of 2021, gains from transactions with investments and financial instruments include:
- BGN 206 thousand gains from transfer of ownership of repurchased own bonds 10,500 pcs. under the EMTN Program in EUR with ISIN XS1731768302 (*Note 22*);
- BGN 97 thousand gains from the repurchase of own bonds 5 900 pcs. with ISIN BG2100013205 (*Note 22*).

** In the first quarter of 2021 income from revaluations of instruments measured at fair value are:
- BGN 113 thousand from revaluation of purchased own bonds 10,500 pcs. under the EMTN Program in EUR with ISIN XS1731768302 (*Note 22*);
- BGN 32 thousand from revaluation of repurchased own bonds 900 pcs. with ISIN BG2100013205 (*Note 22*).

| **5. Interest income** | 31.3.2021 | 31.3.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Interest income – from related parties' loans | 4 | - |
| Interest income – from third parties' loans | - | - |
| | 4 | **-** |

| **5.1. Interest income on loans to related parties** | 31.3.2021 | 31.3.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Auto Union AD | 1 | - |
| Motobul EAD | 2 | |
| Auto Union Service EOOD | 1 | **-** |
| | **4** | - |

## 6. Other financial revenue

| | 31.3.2021<br>*BGN'000* | 31.3.2020<br>*BGN'000* |
|---|---|---|
| Foreign exchange gains | 398 | 1 441 |
| | **398** | **1 441** |

## 7. Interest expense

| | 31.3.2021<br>*BGN'000* | 31.3.2020<br>*BGN'000* |
|---|---|---|
| Interest expense – loans and borrowings | 838 | 642 |
| Interest expense – bonds, EMTN program | 2 714 | 2 746 |
| Interest expense – bonds, ISIN: BG2100013205 | 470 | - |
| Interest expense – from related parties' loans | 875 | 632 |
| Interest expense – from third party loans | 16 | - |
| | **4 913** | **4 020** |

## 7.1. Interest expense on borrowings and related parties leasing

| | 31.3.2021<br>*BGN'000* | 31.3.2020<br>*BGN'000* |
|---|---|---|
| Starcom Holding AD | 545 | 243 |
| Euroins Insurance Group AD | 255 | 211 |
| Auto Union AD | - | 27 |
| Auto Union Service EOOD | - | 2 |
| Eurolease Auto EAD | 67 | 67 |
| *incl. Leasing* | *1* | *2* |
| Motobul EAD | - | 75 |
| Star Motors EOOD | 8 | 7 |
| | **875** | **632** |

## 8. Losses from transactions with financial instruments and revaluations

| | 31.3.2021<br>*BGN'000* | 31.3.2020<br>*BGN'000* |
|---|---|---|
| Losses on transactions of investments* | 109 | - |
| Losses on transactions of investments – related parties | 2 | - |
| Losses from revaluation of investments measured at FVPL | - | - |
| | **111** | **-** |

*Reported in first quarter 2021 losses on transactions of investments in the amount of BGN 109 thousand are in connection with transfer of ownership of 5 000 pcs. repurchased own bonds with ISIN BG2100013205 *(Note 22)*.

## 8.1. Losses from transactions with financial instruments – related parties

| | 31.3.2021<br>*BGN'000* | 31.3.2020<br>*BGN'000* |
|---|---|---|
| Euro-finance AD | 2 | - |
| | **2** | **-** |

## 9. Other financial expenses

| | 31.3.2021 | 31.3.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Foreign exchange losses | 40 | 43 |
| Other financial expenses – related parties | - | 2 |
| Bank guarantee fees | 61 | 67 |
| Other financial expenses | 3 | 3 |
| | **104** | **115** |

## 9.1. Other financial expenses – related parties

| | 31.3.2021 | 31.3.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Euro-finance AD | - | 2 |
| | **-** | **2** |

## 10. Hired services expenses

| | 31.3.2021 | 31.3.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Hired services expenses | 373 | 897 |
| Hired services expenses – related parties | 12 | - |
| | **385** | **897** |

## 10.1. Hired services expenses - related parties

| | 31.3.2021 | 31.3.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Eurolease Auto EAD | - | - |
| Auto Italia EAD | - | - |
| IC Euroins AD | 12 | - |
| | **12** | **-** |

## 11. (Accrued) / Recoverable impairment loss on financial assets, net

| | 31.3.2021 | 31.3.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Recoverable loss from impairment of financial assets | - | - |
| Accrued loss from impairment of financial assets | - | - |
| | **-** | **-** |

## 12. Other revenue/(expenses), net

| | 31.3.2021<br>*BGN'000* | 31.3.2020<br>*BGN'000* |
|---|---|---|
| Other (expenses) | (112) | (53) |
| Other (expenses) – related parties | (3) | (1) |
| (Interest expenses) on right-of-use assets | (17) | (21) |
| Other revenue, incl. | 69 | 17 |
| *Rent income (sublease of right-of-use assets)* | *37* | *16* |
| *Revenues from discounts (on right-of-use assets)* | *32* | *-* |
| Other revenue – related parties, incl. | 100 | 169 |
| *Rent income (sublease of right-of-use assets)* | *100* | *85* |
| | **37** | **111** |

## 12.1. Other expenses – related parties

| | 31.3.2021<br>*BGN'000* | 31.3.2020<br>*BGN'000* |
|---|---|---|
| IC Euroins AD | 1 | 1 |
| Motobul EAD | 2 | - |
| | **3** | **1** |

## 12.2. Other revenue – related parties

| | 31.3.2021<br>*BGN'000* | 31.3.2020<br>*BGN'000* |
|---|---|---|
| IC Euroins AD | - | 25 |
| Star Motors EOOD | - | - |
| Euroins Romania Asiguarare – Reasigurare S.A., Romania | - | 53 |
| Bulvaria Varna EOOD | - | - |
| Auto Union Service EOOD | - | 2 |
| Daru Car AD | - | 2 |
| Auto Italia EAD | - | - |
| Eurolease Auto EAD | - | - |
| Hanson Asset Management Ltd, UK- office rental | 100 | 85 |
| Euroins Osigurovanje AD, Northern Macedonia | - | 2 |
| | **100** | **169** |

## 13. Fixed assets

### 13.1. Property, machinery and equipment

| | Right-of-use assets – Properties<br>*BGN'000* | Vehicles<br>*BGN'000* | Equipment<br>*BGN'000* | Total<br>*BGN'000* |
|---|---|---|---|---|
| **Cost:** | | | | |
| **At 1 January 2020** | **3 137** | **244** | **78** | **3 459** |
| Additions | - | - | - | **-** |
| **At 31 December 2020** | **3 137** | **244** | **78** | **3 459** |
| Additions | - | - | - | **-** |
| **At 31 March 2021** | **3 137** | **244** | **78** | **3 459** |
| **Depreciation:** | | | | |
| **At 1 January 2020** | **538** | **57** | **71** | **666** |
| Accrued depreciation | 611 | 57 | 6 | **674** |
| **At 31 December 2020** | **1 149** | **114** | **77** | **1 340** |
| Accrued depreciation | 153 | 15 | - | **168** |
| **At 31 March 2021** | **1 302** | **129** | **77** | **1 508** |
| **Carrying value:** | | | | |
| **At 1 January 2019** | **2 599** | **187** | **7** | **2 793** |
| **At 31 December 2019** | **1 988** | **130** | **1** | **2 119** |
| **At 31 March 2021** | **1 835** | **115** | **1** | **1 951** |

### 13.2. Intangible assets

| | Software<br>*BGN'000* | Acquisition costs<br>*BGN'000* | Total<br>*BGN'000* |
|---|---|---|---|
| **Cost:** | | | |
| **At 1 January 2020** | **3** | **11** | **14** |
| Additions | 14 | 3 | 17 |
| Written-of | - | (14) | (14) |
| **At 31 December 2020** | **17** | **-** | **17** |
| Additions | - | - | - |
| Written-of | - | - | - |
| **At 31 March 2021** | **17** | **-** | **17** |
| **Depreciation:** | | | |
| **At 1 January 2020** | **-** | - | **-** |
| Accrued depreciation | 5 | - | **5** |
| **At 31 December 2020** | **5** | - | **5** |
| Accrued depreciation | 2 | - | **2** |
| **At 31 March 2021** | **7** | - | **7** |
| **Carrying value:** | | | |
| **At 1 January 2020** | **3** | **-** | **14** |
| **At 31 December 2020** | **12** | **-** | **12** |
| **At 31 December 2020** | **10** | **-** | **10** |

## 14. Non-current receivables from related parties

### 14.1. Principal on loans granted

| | 31.3.2021 | 31.3.2020 |
|---|---|---|
| | *хил. лв.* | *хил. лв.* |
| Auto Union AD | 109 | - |
| Motobul EAD | 170 | - |
| Auto Union Service EOOD | 70 | - |
| | **349** | **-** |

## 15. Investments in subsidiaries

| | Value as at 1.1.2021 | Increase | Decrease | Value as at 31.03.2021 | Share capital of the subsidiary | % control in the subsidiary |
|---|---|---|---|---|---|---|
| | *BGN'000* | *BGN'000* | *BGN'000* | *BGN'000* | *BGN'000* | *%* |
| Euroins Insurance Group AD | 513 404 | 3 472 | - | 516 876 | 543 446 | 96.37% |
| Avto Union AD | 66 775 | - | - | 66 775 | 40 004 | 99.99% |
| Euro-Finance AD | 24 645 | - | - | 24 645 | 14 100 | 99.99% |
| Eurolease Group AD | 24 635 | - | - | 24 635 | 27 241 | 90.01% |
| Eastern European Electric Company II B.V. | - | - | - | - | 2 | 100.00% |
| | **629 459** | **-** | **-** | **632 931** | **-** | **-** |

In the first quarter of 2021 Eurohold has made the following investments in Euroins Insurance Group AD:

- In 2018 Eurohold Bulgaria AD signed an agreement for acquisition of the minority share of the other shareholder in Euroins Insurance Group AD - Basildon Holding S.A.R.L., the special investment company of the equity investment fund South Eastern Europe Fund L.P. (SEEF), managed by the Greek investment company Global Finance. The company agreed to repurchase the share of the fund in the amount of 10.64% of the capital as of the date of concluding the repurchase agreement. After the finalization of the transaction, Eurohold will own 100% of the capital of Euroins Insurance Group AD. The investments made in the first quarter of 2021 when purchasing the agreed share amount to BGN 3 472 thousand.

The activities of the subsidiaries are as follows:

- Euroins Insurance Group AD - acquisition, management, valuation and sale of holdings in Bulgarian and foreign companies. The company is active in Bulgaria, Romania, Macedonia, Ukraine and Georgia. The company IC Euroins AD, part of Euroins Insurance Group AD, operates on the principle of Freedom of Services in the following Member States of the European Union: Republic of Poland; Republic of Italy; Kingdom of Spain; Germany; Kingdom of the Netherlands. Business line - insurance market;
- Auto Union AD - import, sale and service of cars. Business line - car market;
- Euro-Finance AD - Provision and implementation of investment services and activities in the country and abroad. Business - Investment Intermediation and Asset Management;
- Eurolease Group AD - participation management, financial leasing. The company operates in Bulgaria and Macedonia. Business line - leasing market;
- Eastern European Electric Company II B.V. - energy market.

## 16. Receivables from related parties

| 16.1. Interest receivables | 31.03.2021 *BGN'000* | 31.12.2020 BGN'000 |
|---|---|---|
| Euroins Insurance Group AD | - | 2 |
| Auto Union AD | 1 | - |
| Motobul EAD | 2 | - |
| Auto Union Service EOOD | 1 | - |
| | **4** | **2** |

| 16.2. Other receivables | 31.03.2021 *BGN'000* | 31.12.2020 BGN'000 |
|---|---|---|
| Auto Union Service EOOD | 1 | 1 |
| Auto Italia EAD | 12 | 11 |
| Bulvaria Varna EOOD | 5 | 6 |
| IC Euroins AD | 51 | 63 |
| Eurolease Auto EAD | 1 | - |
| Star Motors EOOD | 1 | - |
| Autoplaza EAD | 5 | 4 |
| Euroins Osigurovanje AD, Northern Macedonia | 17 | 13 |
| Euro Insurance Group AD | 118 | 17 |
| Euroins Romania Asiguarare – Reasigurare S.A., Romania | 154 | - |
| Auto Union AD | 10 | 10 |
| Espas Auto OOD | 1 | - |
| Eurolease Group AD | 31 | 31 |
| Hanson Asset Management Ltd, UK | 130 | 194 |
| Eastern European Electric Company B.V. | 56 | - |
| | **593** | **350** |
| Impairment | (7) | (7) |
| | **586** | **343** |

| 17. Other receivables and assets | 31.12.2020 *BGN'000* | 31.12.2019 BGN'000 |
|---|---|---|
| Tax receivables - VAT | 223 | 226 |
| Bonds at fair value through profit and loss | 7 | 7 |
| Receivables from customers | 10 | 83 |
| Prepaid expenses, incl: | 168 | 113 |
| *Prepaid expenses to related parties – IC Euroins AD* | *54* | *-* |
| Other receivables, incl: | 960 | 1 128 |
| *Receivable from Erste Bank, Novi Sad ** | *734* | *734* |
| | **1 368** | **1 557** |
| Impairment | (18) | (18) |
| | **1 350** | **1 539** |

**Note 29.* **Contingent, liabilities and commitments -** *Court Cases.*

### 18. Cash and cash equivalents

| | 31.03.2021 | 31.12.2020 |
|---|---|---|
| | *BGN'000* | BGN'000 |
| Cash at banks | 243 | 251 |
| Cash in hand | 23 | 23 |
| | **266** | **274** |
| Impairment | (7) | (7) |
| | **259** | **267** |

### 19. Share capital and reserves

### 19.1. Share capital

| | 31.03.2021 | 31.12.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Issued shares | 197 525 600 | 197 525 600 |

As of 31.03.2021 the share capital is distributed as follows:

| Share holders | % | Number of shares | Par value |
|---|---|---|---|
| Starcom Holding AD | 50.08% | 98 924 841 | 98 924 841 |
| KJK Fund II Sicav-Sif Balkan Discovery | 14.23% | 28 116 873 | 28 116 873 |
| Blubeard Investments Limited | 9.96% | 19 672 400 | 19 672 400 |
| Specialized Logistic Systems AD | 6.17% | 12 186 009 | 12 186 009 |
| POD Budeshte through UPF, VPF and PPF | 6.08% | 12 005 698 | 12 005 698 |
| Other legal entities | 11.15% | 22 016 051 | 22 016 051 |
| Other individuals | 2.33% | 4 603 728 | 4 603 728 |
| **Total** | **100.00%** | **197 525 600** | **197 525 600** |

### 19.2. Reserves

| | 31.03.2021 | 31.12.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Share premium | 49 568 | 49 568 |
| General reserves | 7 641 | 7 641 |
| | **57 209** | **57 209** |

### 20. Subordinated debts

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | *хил. лв.* | *хил. лв.* |
| Subordinated debt instruments, not issued, tier 1 capital | 32 784 | 32 784 |
| | **32 784** | **32 784** |

## 21. Loans and borrowings

### Non-current loans and borrowings

| | 31.03.2021 | 31.12.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| International Investment Bank | 10 494 | 11 993 |
| International Bank for Economic Co-operation | 29 317 | 29 304 |
| Other* | 50 | 1 450 |
| | **39 861** | **42 747** |

### Current loans and borrowings

| | 31.03.2021 | 31.12.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| International Investment Bank | 10 298 | 13 887 |
| International Bank for Economic Co-operation | 258 | 206 |
| Other** | 4 876 | 4 852 |
| | **15 432** | **18 945** |

As of 31.3.2021 the other loans are in the form of:
* Liability on received loan, with maturity 11.2023, annual interest rate - 5.5% and limit BGN 2 000 thousand;
** Euro Commercial Papers (ECP), with maturity 5.2021, annual interest rate - 2.0% and face value EUR 2 500 thousand.

### Analysis of loans and borrowings

| Bank | Type | Currency | Size contracted | Principal as of 31.03.2021 | Principal as of 31.12.2020 | Interest rate | Maturity date | Security |
|---|---|---|---|---|---|---|---|---|
| International Investment Bank | Loan - Principal | EUR | 15,000,000 € | 3 600 000 € | 5 400 000 € | 6.0%+ EURIBOR | 12.2021 | Pledge on subsidiary shares |
| International Investment Bank | Loan - Principal | EUR | 10,000,000 € | 6 930 000 € | 7 700 000 € | 6.0%+ EURIBOR | 3.2025 | Pledge on subsidiary shares |
| International Bank for Economic Co-operation | Loan - Principal | EUR | 20,000,000 € | 15 000 000 € | 15 000 000 € | 6.5% | 07.2022 | Pledge on subsidiary shares |

The unutilized amount of the loan from the International Bank for Economic Co-operation as of December 31, 2020 amounts to EUR 5 million.

## 22. Bond liabilities

### Non - current bond liabilities

| | 31.03.2021 | 31.12.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| EMTN Programme in EUR | 136 197 | 115 856 |
| Corporate bond ISIN:BG2100013205* | 56 895 | 58 675 |
| | **193 092** | **174 531** |

### Current bond liabilities

| | 31.03.2021<br>*BGN'000* | 31.12.2020<br>*BGN'000* |
|---|---|---|
| EMTN Programme in EUR, interest | 2 209 | 15 |
| EMTN Programme in PLN | 18 924 | 19 302 |
| EMTN Programme in PLN, interest | 305 | 688 |
| Corporate bond ISIN:BG2100013205, interest | 653 | 183 |
| | **22 091** | **20 188** |

Bond liabilities are presented at amortized cost, net of treasury own bonds, which are subsequently measured at fair value based on information from Bloomberg / Eurobank and other sources, reflecting the effect on profit or loss for the period.

In the first quarter of 2021 the following bond transactions were made:

- The ownership of 10 500 pcs. repurchased own bonds under EMTN Program in EUR with ISIN XS1731768302 has been transferred and a profit on transactions of investments and financial instruments in the amount of BGN 206 thousand was reported (*Note 4*). Liabilities for repurchased own bonds are settled as of 31.03.2021 (as of 31.12.2020 they have not been settled) (*Note 26.3*).
- 5 000 pcs. own bonds with ISIN BG2100013205 were bought back and a profit on transactions of investments and financial instruments in the amount of BGN 82 thousand was reported (*Note 4*).
- 900 pcs. own bonds with ISIN BG2100013205 were bought back and a profit on transactions of investments and financial instruments in the amount of BGN 15 thousand was reported (*Note 4*).
- The ownership of 5 000 pcs. repurchased own bonds with ISIN BG2100013205 has been transferred and a loss on transactions of investments in the amount of BGN 109 thousand was reported (*Note 8*).

Information on EMTN program terms (EUR and PLN) is publicly available and available on the Irish Stock Exchange website, Bonds section. The maturity of the EMTN Program in PLN is on 29.12.2021, and that of the EMTN Program in EUR - on 07.12.2022.

* Bond loan with ISIN: BG2100013205 in the amount of EUR 30,000,000 was registered by Central Depository AD on November 26, 2020. The issue is the second in a row of ordinary, registered, dematerialized, interest-bearing, secured, non-convertible, freely transferable bonds under the terms of primary private (non-public) placement within the meaning of Art. 205, para. 2 of the CA. The nominal and issue value of each bond is EUR 1,000 (thousand). The maturity date of the issue is November 26, 2027, and the principal is repaid once at maturity. Interest payments are made every six months, as of the date of registration of the issue (November 26, 2020), at a fixed nominal interest rate - 3.25% on an annual basis.

## 23. Non-current liabilities to related parties

| **Loans principal** | 31.03.2021<br>*BGN'000* | 31.12.2020<br>*BGN'000* |
|---|---|---|
| Eurolease Auto EAD – loan granted | 1 600 | 1 600 |
| Eurolease Auto EAD – leases | 94 | 103 |
| | **1 694** | **1 703** |

## 24. Other non-current liabilities

| | 31.03.2021<br>*BGN'000* | 31.12.2020<br>*BGN'000* |
|---|---|---|
| Retirement benefit obligations | 15 | 15 |
| Lease liabilities – right-of use | 1 329 | 1 453 |
| | **1 344** | **1 468** |

## 25. Trade payables

| | 31.03.2021 | 31.12.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Trade payables | 369 | 583 |
| | **369** | **583** |

## 26. Current liabilities to related parties

### 26.1 Interest payables

| | 31.03.2021 | 31.12.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Starcom Holding AD | 545 | - |
| Auto Union AD | - | - |
| Eurolease Auto EAD | 817 | 767 |
| Euroins Insurance Group AD | 1 375 | 1 121 |
| Motobul EAD | - | - |
| Auto Union Service EOOD | - | - |
| Star Motors EOOD | 30 | 44 |
| | **2 767** | **1 932** |

### 26.2. Current borrowings - principal

| | 31.03.2021 | 31.12.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Euroins Insurance Group AD | 20 509 | 9 087 |
| Starcom Holding AD | 1 930 | - |
| Eurolease Auto EAD* | 2 000 | 2 000 |
| | **24 439** | **11 087** |

*Liabilities under receivables transfer agreements.

### 26.3 Other payables

| | 31.03.2021 | 31.12.2020 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Starcom Holding AD** | - | 20 536 |
| IC Euroins AD | - | 51 |
| Eurolease Auto EAD | 401 | 488 |
| Eurolease Auto EAD - leases | 38 | 38 |
| IC EIG RE EAD | 54 | 54 |
| Motobul EAD | 2 | 1 |
| Star Motors EOOD* | 1 009 | 1 158 |
| Euro-Finance AD | 45 | 45 |
| | **1 549** | **22 371** |

*Liabilities under receivables transfer agreements.
** Obligation to repurchase own bonds *(Note 22).*

## 27. Other current liabilities

| | 31.03.2021 BGN'000 | 31.12.2020 BGN'000 |
|---|---|---|
| Payables for acquisition of investments | 1 761 | 197 |
| Interest payables | 19 | 14 |
| Commissions on bank guarantees | - | 22 |
| Tax payables | 252 | 213 |
| Payables to employees and social security institutions | 89 | 89 |
| Dividends payables | 249 | 249 |
| Dividends payables – related parties – Starcom Holding AD | 101 | 101 |
| Lease liabilities – right-of-use | 676 | 686 |
| Other liabilities | 167 | 130 |
| | **3 314** | **1 701** |

## 28. Transactions and balances with related parties

The conditions under which the transactions were made do not deviate from the market for such transactions.

**The related parties of the Company are as follows:**
- Starcom Holding AD – major shareholder in Eurohold Bulgaria AD.

**Subsidiaries of Starcom Holding AD:**
- First Investment Bank AD, Russia*;*
- Starcom Finance EAD;
- Quintar Capital Limited, Hong Kong, China.
- Hanson Asset Management Ltd, United Kingdom;

**Subsidiaries of Eurohold Bulgaria AD:**

- **Euroins Insurance Group AD (EIG) – subsidiary of Eurohold Bulgaria AD;**
- IC Euroins AD – subsidiary of EIG;
- Euroins Romania Asiguarare – Reasigurare S.A., Romania – subsidiary of EIG;
- Euroins Osigurovanje AD, North Macedonia – subsidiary of EIG;
- IC Euroins Life EAD – subsidiary of EIG;
- IC EIG Re AD – subsidiary of EIG;
- IC Euroins Ukraine PrAT, Ukraine – subsidiary of EIG;
- Euroins Claims I.K.E. Greece - subsidiary of EIG;
- IC Euroins Georgia JSC, Georgia - subsidiary of EIG;
- European Travel Insurance PrAT, Ukraine - subsidiary of EIG;
- CJSC Insurance company ERGO, Belarus - subsidiary of EIG;
- Russian Insurance Company Euroins, Russian Federation - associated of EIG;

- **Avto Union AD (AU) – subsidiary of Eurohold Bulgaria AD;**
- Avto Union Service EOOD – subsidiary of AU;
- N Auto Sofia EAD – subsidiary of AU;
- Espace Auto OOD – through N Auto Sofia EAD - subsidiary of AU;
- EA Properties OOD – subsidiary of AU;
- Daru Car AD – subsidiary of AU;
- Auto Italia EAD – subsidiary of AU;
- Auto Italia - Sofia EOOD - through Auto Italia EAD – subsidiary of AU - a related party until 30.12.2020;
- Bulvaria Varna EOOD – subsidiary of AU;
- Bulvaria Sofia EAD - subsidiary of AU;
- Star Motors EOOD – subsidiary of AU;
- Star Motors DOOEL, North Macedonia through Star Motors EOOD - subsidiary of AU;
- Star Motors SH.P.K., Kosovo through Star Motors EOOD - subsidiary of AU;

- Motohub OOD - subsidiary of AU;
- Motobul EAD – subsidiary of AU;
- Benzin Finance EAD - subsidiary of AU;
- Bopar Pro S.R.L Romania through Motobul EAD - subsidiary of AU;

- **Eurolease Group AD (ELG) – subsidiary of Eurohold Bulgaria AD;**
- Eurolease Auto EAD – subsidiary of ELG;
- Eurolease Auto Romania AD, Romania – subsidiary of ELG;
- Eurolease Auto Romania AD through Euroins Romania Asiguarare AD – subsidiary of ELG;
- Eurolease Auto DOOEL, North Macedonia – subsidiary of ELG;
- Eurolease Rent-a-Car EOOD – subsidiary of ELG;
- Amigo Leasing EAD – subsidiary of ELG;
- AutoPlaza EAD – subsidiary of ELG;
- Sofia Motors EOOD – subsidiary of ELG;

- **Euro-Finance AD – subsidiary of Eurohold Bulgaria AD;**

- **Eastern European Electric Company II B.V, The Netherlands - subsidiary of Eurohold Bulgaria AD**;
- Eastern European Electric Company B.V, The Netherlands – subsidiary of Eastern European Electric Company II B.V, The Netherlands.

The related parties' transactions for the first quarter of 2021 and 2020 are disclosed in Notes 3, 5.1, 7.1, 8.1, 9.1, 10.1, 12.1 and 12.2.

Related party accounts are disclosed in the following Notes 14.1, 16, 17, 23, 26 and 27.

## 29. Contingent liabilities and commitments

### Litigations

As at 31.03.2021 against the Company has no substantial legal proceedings instituted.

The company appeals against imposed penal decrees with total material interest in the amount of BGN 100 thousand. As at the date of these reports a forecast for the probability of entry into force of the decrees cannot be made, the Company has not reported expenses for provisions under them.

The company is a plaintiff in a material interest case of EUR 375 363,21. The company requests a refund of the amount it has transferred. The transferred amount was completely blocked in an account at Erste Bank, Novi Sad, on the basis of a prosecutor's order and an order of the civil court and will be returned to the company after a formal ruling in the above case. A final judgment is expected within the next 12 months. In view of the declared state of emergency in the country it is possible to extend the deadline.

### Warranties and provided guarantees

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

| Business division | Amount in EUR'000 as at 31.03.2021 | Amount in BGN'000 as at 31.03.2021 | MATURITY (EUR'000) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | After 2025 |
| **Lease sub-holding** | | | | | | | | |
| For funding of lease operations | 12 788 | 25 010 | 62 | 2 491 | 2 078 | 1 477 | 555 | 6 125 |
| **Automotive sub-holding** | | | | | | | | |
| Working capital loans | 3 710 | 7 256 | 3 710 | - | - | - | - | - |
| **TOTAL:** | **16 498** | **32 266** | **3 772** | **2 491** | **2 078** | **1 477** | **555** | **6 125** |

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

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

| Company from: | Contracted limit in EUR'000 as at 31.03.2021 | Contracted limit in BGN'000 as at 31.03.2021 | MATURITY(EUR'000) | | |
|---|---|---|---|---|---|
| | | | 2021 | 2022 | 2023 |
| Automotive sub-holding | **3 750** | **7 334** | 3 750 | - | - |
| Automotive sub-holding | **1 050** | **2 054** | - | 1 050 | - |
| Automotive sub-holding | **4 300** | **8 410** | 4 300 | - | - |
| Energy sub-holding | **5 000** | **9 779** | 5 000 | - | - |
| **TOTAL:** | **14 100** | **27 577** | **13 050** | **1 050** | **-** |

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

| Company/ Guarantor | Currency | Guaranteed liability | Guaranteed amount as at 31.03.2021 in original currency | Maturity date |
|---|---|---|---|---|
| Euroins Insurance Group AD | EUR | Issue of bonds (EMTN programme) | 70 000 000 | 12/2022 |
| Euroins Insurance Group AD | PLN | Issue of bonds (EMTN programme) | 45 000 000 | 12/2021 |
| Euroins Insurance Group AD | EUR | Bank loan | 15 000 000 | 07/2022 |

## 30. Events after the end of the reporting period

There are no significant events after the reporting period that would require additional disclosure or adjustments in the financial statements of Eurohold Bulgaria AD as of 31.03.2021.

**INSIDE INFORMATION**

**pursuant to Article 7 of Market Abuse Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April**

*EUROHOLD BULGARIA AD has disclosed the following information:*

**29 April, 2021**
Bulgaria's FSC Approved Eurohold's Capital Increase Prospectus (News Release);

**28 April, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**27 April, 2021**
Annual Financial Report for the year ended on 31 December 2020:
1. Annual Financial Report as of 31 December 2020, IFRS;
2. Notes to the Annual Financial Statements;
3. Independent Auditor's Report;
4. Management Report for 2020;
5. Corporate Governance Declaration;
6. Annual Financial Report – FSC forms;
7. Independent Auditor's Declaration;
8. Declaration from the responsible persons;

**26 April, 2021**
Eurohold Mandated J.P. Morgan AG as Lead and Exclusive Arranger for Structuring the Debt Financing related to the Deal with CEZ Group (News Release);

**22 April, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**13 April, 2021**
Interim Consolidated Financial Report for Q4'2020:
1. Updated Interim Consolidated Financial Statements as of 31st of December,2020, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q4'2020;
3. Interim Consolidated Management Report;
4. Interim Consolidated Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

**12 April, 2021**
Disclosure of minutes of the extraordinary meeting of the GMS of Eurohold Bulgaria AD, held on April 10, 2021;

**8 April, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**6 April, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**31 March, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**26 March, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**24 March, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**18 March, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**17 March, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**16 March, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**12 March, 2021**
Annual Financial Report for the year ended on 31 December 2019:
1. Annual Financial Report as of 31 December 2019, IFRS;
2. Notes to the Annual Financial Statements;
3. Independent Auditor's Report;
4. Management Report for 2019;
5. Corporate Governance Declaration (revised);
6. Annual Financial Report – FSC forms;
7. Independent Auditor's Declaration;
8. Declaration from the responsible persons;

**11 March, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**9 March, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**8 March, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**2 March, 2021**
Presentation of an invitation and materials for convening an extraordinary meeting of the GMS of Eurohold Bulgaria AD, scheduled for April 10, 2021;

**2 March, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**1 March, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**1 March, 2021**
Interim Consolidated Financial Report for Q4'2020:
1. Interim Consolidated Financial Statements as of 31st of December,2020, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q4'2020;
3. Interim Consolidated Management Report;
4. Interim Consolidated Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;

7. Information according to Annex 9;
8. Declaration from the responsible persons;

**23 February, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**19 February, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**12 February, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**3 February, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**29 January, 2020**
Interim Financial Report for Q4’2020:
1. Interim Financial Statements as of 31st of December,2020, IFRS;
2. Notes to the Interim Financial Statements for Q4’2020;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

**22 January, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**19 January, 2021**
Eurohold got approval from the Energy and Water Regulatory Commission to acquire the subsidiaries of CEZ Group in Bulgaria (News Release);

**15 January, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**12 January, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**5 January, 2021**
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**Kiril Boshov,**

*Executive Member of the Management Board*
*of Eurohold Bulgaria AD*

## ADDITIONAL INFORMATION
## TO THE INTERIM FINANCIAL REPORT OF EUROHOLD BULGARIA FOR Q1’2021

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

### 1. Information about the changes in the accounting policy during the reported period, the reasons for carrying them out and how they affect the financial results and equity of the issuer

No changes have been made in the accounting policy of the company during the reported period.

### 2. Information about changes in the economic group of the issuer, if it belongs to such a group

No changes have been made in the economic group of the issuer.

### 3. Information about results of organizational changes in the issuer’s structure, such as conversion, sale of companies from the same economic group, in-kind contributes from the company, property rental, long-term investments, withdrawal from business

No organizational changes in the issuer’s structure during the reported period.

### 4. Opinion of the Governing Body of the feasibility of published estimates of the results of the current financial year, taking into account the results of the current three months, as well as information on the factors and circumstances, which will affect the achievement of the forecasted results at least in the next three months

No estimates of financial results of the company have been published for 2021.

### 5. Data on the persons, holding directly and indirectly at least 5 per cent of the votes in the General Meeting as of the end of the reported period, and changes in the votes, held by the persons in the end of the previous three months period

| | ***Shareholder*** | ***Number of shares*** | ***% participation*** |
|---|---|---|---|
| 1. | Starcom Holding AD | 98 924 841 | 50.08% |
| 2. | KJK Fund II Sicav-Sif Balkan Discovery | 28 116 873 | 14.23% |
| 3. | Blubeard Investments Limited | 19 672 400 | 9.96% |
| 4. | SLS AD | 12 186 009 | 6.17% |
| 5. | PAC-Future through UPF, VPF and PPF | 12 084 298 | 6.13% |

### 6. Data of the shares, held by the management and supervisory bodies of the issuer at the end of the respective three months and changes, which took place since the end of the previous three months period for each person individually

| | ***Shareholder*** | ***Number of shares*** | ***% participation*** |
|---|---|---|---|
| 1. | Dimitar Stoyanov Dimitrov | 200 | - |
| 2. | Assen Emanuilov Assenov | 67 400 | 0.03% |
| 3. | Velislav Christov | 200 | - |

**7. Information about pending judicial, administrative or arbitration proceedings concerning claims or liabilities of at least 10 per cent of the equity of the issuer; if the total amount of the debts or the obligations of the issuer in all proceedings exceeds 10 per cent of its own capital , information about each case separately is provided**

For the reported period the Company has no pending legal, administrative or arbitration proceedings.

**8. Information about granted by the issuer or its subsidiary company loans, guarantees or commitments totally to one person or its subsidiary, including to related to it persons, showing the type of relation between the issuer and the person, the amount of unpaid principal, the interest rate, the final maturity, the size of the commitment, the term and conditions.**

The related parties' transactions for the reported period are disclosed in Notes to the separate Financial statement for Q1'2020. The conditions under which the transactions were made do not deviate from the market for this type of transactions.

**Kiril Boshov,**
*Executive Director of Eurohold Bulgaria AD*

# INFORMATION ACCORDING TO ANNEX 9

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

## 1. There has no change of persons exercising a control over the Company

## 2. Opening of insolvency proceedings for the company or its subsidiary and all essential stages of the proceedings

No insolvency proceedings have been opened for the company or its subsidiary

## 3. Conclusion or execution of significant transactions

There has no conclusion or execution of significant transactions.

## 4. No decision on the conclusion or termination of the joint venture agreement

## 5. Change in company auditors and reasons for change

At the regular general meeting of the shareholders of Eurohold Bulgaria AD held on 30.09.2020, the auditing company Zaharinova Nexia Ltd., UIC 200876536, Sofia 1309, 157-159 K. Velichkov Blvd., 1st floor, office 3, was elected as an auditor to perform an independent financial audit of the individual and consolidated financial statements of Eurohold Bulgaria AD for 2020. Audit company Zaharinova Nexia Ltd. is included in the list of the Institute of Graduates expert accountants in Bulgaria under reg.№ 138.

## 6. No court or arbitration case relating to the debts or claims of the company or its subsidiary has been initiated or terminated at a purchase price of at least 10% of the capital of the company

## 7. Purchase, sale or pledge of shareholdings in commercial companies by the issuer or its subsidiary

During the reporting period Eurohold Bulgaria AD acquired another 3,915,473 shares of the capital of its subsidiary Euroins Insurance Group AD. As a result of the acquisition, the participation in the capital of the subsidiary insurance subholding was increased to 96.67%, with which the total shares held by Eurohold Bulgaria AD amount to 525,371,935 shares.

## 8. Other circumstances that the Company believes could be relevant to investors in taking a decision to acquire, sell or continue to hold publicly-traded securities

At the extraordinary session, held on 10.04.2021, the General Meeting of Shareholders adopted a resolution for increase of the share capital of the Company from BGN 197,525,600 (one hundred ninety-seven million five hundred twenty-five thousand six hundred) to BGN 276,535,840 (two hundred and seventy-six million five hundred and thirty-five thousand eight hundred and forty) through issuance of a new issue of shares under the terms of a public offering pursuant to the provisions of the Public Offering of Securities Act. The new issue consists of 79,010,240 shares of the same type and class as the existing issue of shares of the company, namely: dematerialized, registered, non-preferred, with the right to 1 (one) vote in the general meeting of the shareholders of the company, with the right to dividend and right to liquidation share, proportionate to the nominal value of the share. The nominal value of each share is BGN 1.00 (one). The issue value of each share is BGN 2.50 (two and 0.50).
The capital of Eurohold Bulgaria AD will be increased only if at least 31,604,096 shares are subscribed and fully paid, representing 40% (forty percent) of the offered shares. In this case, based on Art. 192a, para. 2 of the Commerce Act, the capital will be increased only with the value

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

The proceeds from the capital increase will be used for financing of the acquisition energy companies owned by CEZ in Bulgaria.

In addition, for the purposes of financing of the CEZ deal, the General Meeting of Shareholders adopted a resolution for Eurohold Bulgaria to provide a corporate guarantee to its subsidiary Eastern European Electric Company II B.V. as a result of which for Eurohold Bulgaria AD will arise an obligation in its capacity as corporate guarantor for the payment of all liabilities (including, but not limited to, principal, interest, penalties, fees, commissions, other expenses) of its subsidiary Eastern European Electric Company II B.V., which are related to and/ or would result from the conclusion of financing transactions in the form of (i) subordinated debt, (ii) perpetual non-convertible preferred shares with guaranteed dividend, issued by the subsidiary - Eastern European Electric Company II B.V., (iii) a mezzanine loan and / or (iv) another financial instrument with an economic effect similar to the effect of the instruments under (i), (ii) and/ or (iii). The minimum value of the guarantee is EUR 50 000 000 (fifty million), including the corresponding return for the applicable financing instrument for creditors/ investors (e.g. interest, fixed dividend, nominal discount) and the maximum value of EUR 150 000 000 (one hundred and fifty million), including the relevant return for creditors/ investors (e.g. interest, fixed dividend, nominal discount); term – from 3 to 10 years; the transaction is carried out in favour of the subsidiary of Eurohold Bulgaria AD - Eastern European Electric Company II BV and indirectly, in favour of the subsidiary Eastern European Electric Company B.V. and Eurohold Bulgaria AD - the parent company Eurohold Bulgaria AD.

On 26th of April 2021, Eurohold Bulgaria has mandated J.P. Morgan AG to act as its lead and exclusive arranger for structuring the debt financing related to the deal with CEZ Group.

J.P. Morgan AG is one of the leading and most experienced institutions worldwide in such complex transactions, especially in the energy sector. This is a further step towards the completion of the acquisition of CEZ Group’s subsidiaries in Bulgaria by the end of the first half of the year.

On 29th of April 2021, The Bulgaria's Financial Supervision Commission (FSC) approved Eurohold’s capital increase prospectus, which will allow the largest Bulgarian public holding and one of the leading independent financial and insurance groups in the CEE/SEE/CIS region to raise up to EUR 100 million by issuing new shares on the Bulgarian Stock Exchange (BSE).
The Bulgarian investment intermediary Euro-Finance AD will be the lead manager of the public offering. Eurohold has appointed Renaissance Capital solely in capacity of a financial adviser in relation with the offering.

**Kiril Boshov,**
*Executive Director of Eurohold Bulgaria AD*

EUROHOLD

**DECLARATION**
**in accordance with article 100o, paragraph 4, item 3 of**
**Public Offering of Securities Act**

The undersigned,

1. Kiril Boshov – Chairman of the Management Board of Eurohold Bulgaria AD

2. Hristo Stoev – Procurator of Eurohold Bulgaria AD

3. Salih Trampov – Chief Accountant of Eurohold Bulgaria AD (Complier of the financial statement)

**hereby DECLARE that to our best knowledge:**

1. The set of interim financial statements for Q1'2021, composed in accordance with the applicable accounting standards, contain true and fair information regarding the assets and liabilities, the financial standing and the profit of Eurohold Bulgaria AD;

2. The interim management report of Eurohold Bulgaria AD for Q1'2021 contains credible review of the information under article 100o, paragraph 4, item 2 of Public Offering of Securities Act.

**Declarers:**

1. Kiril Boshov

2. Hristo Stoev

3. Salih Trampov