

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OF PETROL GROUP
AND CONDENSED EXPLANATORY NOTES TO THE INTERIM
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED SEPTEMBER 30, 2021**

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
For the period ended September 30

	2021 BGN'000	2020 BGN'000
Revenue	366,889	295,976
Other income	4,283	1,824
Cost of goods sold	(318,073)	(250,407)
Materials and consumables	(3,013)	(2,659)
Hired services	(25,909)	(26,223)
Employee benefits	(16,477)	(14,535)
Depreciation and amortisation	(4,307)	(4,183)
Impairment losses	6	(2,181)
Other expenses	(822)	(501)
Finance income	1,096	1,432
Finance costs	(3,656)	(3,809)
Profit (loss) before tax	<u>17</u>	<u>(5,266)</u>
Tax income	<u>(32)</u>	<u>474</u>
Loss for the period	<u>(15)</u>	<u>(4,792)</u>
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
Revaluation	-	27,730
Income tax relating to items not reclassified	-	(2,767)
Other comprehensive income for the period	<u>-</u>	<u>24,963</u>
Total comprehensive income for the period	<u>(15)</u>	<u>20,171</u>
Loss attributable to:		
Owners of the Parent company	(15)	(4,792)
Non-controlling interest	-	-
Loss for the period	<u>(15)</u>	<u>(4,792)</u>
Total comprehensive income attributable to:		
Owners of the Parent company	(15)	20,171
Non-controlling interest	-	-
Total comprehensive income for the period	<u>(15)</u>	<u>20,171</u>
Loss per share (BGN)	(0.00)	(0.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Sept. 30 2021 BGN'000	Dec. 31 2020 BGN'000
Non-current assets		
Property, plant and equipment and intangible assets	39,583	40,479
Investment properties	1,662	1,699
Right-of-use asset	10,856	14,176
Goodwill	19,844	19,844
Deferred tax assets	2,049	1,977
Total non-current assets	<u>73,994</u>	<u>78,175</u>
Current assets		
Inventories	22,291	18,779
Loans granted	23,601	23,202
Trade and other receivables	35,143	26,779
Non-current assets held-for-sale	1,422	8
Cash and cash equivalents	2,969	2,773
Total current assets	<u>85,426</u>	<u>71,541</u>
Total assets	<u>159,420</u>	<u>149,716</u>
Equity		
Registered capital	109,250	109,250
Reserves	43,329	43,682
Accumulated loss	<u>(123,815)</u>	<u>(124,153)</u>
Total equity attributable to the owners of the Parent company	<u>28,764</u>	<u>28,779</u>
Non-controlling interests	<u>23</u>	<u>23</u>
Total equity	<u>28,787</u>	<u>28,802</u>
Non-current liabilities		
Loans and borrowings	36,289	36,543
Liabilities under lease agreements	7,195	9,796
Employee defined benefit obligations	<u>773</u>	<u>773</u>
Total non-current liabilities	<u>44,257</u>	<u>47,112</u>
Current liabilities		
Trade and other payables	75,778	59,543
Loans and borrowings	6,740	10,008
Liabilities under lease agreements	3,754	4,251
Income tax liability	<u>104</u>	<u>-</u>
Total current liabilities	<u>86,376</u>	<u>73,802</u>
Total liabilities	<u>130,633</u>	<u>120,914</u>
Total equity and liabilities	<u>159,420</u>	<u>149,716</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the owners of the Parent company					Non-controlling interests	Total equity
	Register ed capital	General reserves	Reval. reserve	Accumula ted profit (loss)	Total		
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000		
Balance at January 1, 2020	109,250	18,864	-	(113,564)	14,550	23	14,573
Comprehensive income for the period							
Loss for the period	-	-	-	(8,929)	(8,929)	-	(8,929)
Revaluation of defined benefit obligations	-	-	-	(27)	(27)	-	(27)
Revaluation of property, plant and equipment	-	-	27,730	(1,968)	25,762	-	25,762
Tax effect on revaluation of property, plant and equipment	-	-	(2,774)	197	(2,577)	-	(2,577)
Total comprehensive income	-	-	24,956	(10,727)	14,229	-	14,229
Transfer of revaluation reserve of sold assets to retained earnings, net of taxes	-	-	(138)	138	-	-	-
Balance at December 31, 2020	109,250	18,864	24,818	(124,153)	28,779	23	28,802
Comprehensive income for the period							
Loss for the period	-	-	-	(15)	(15)	-	(15)
Total comprehensive income	-	-	-	(15)	(15)	-	(15)
Transfer of revaluation reserve of sold assets to retained earnings, net of taxes	-	-	(353)	353	-	-	-
Balance at September 30, 2021	109,250	18,864	24,465	(123,815)	28,764	23	28,787

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended September 30

	2021 BGN'000	2020 BGN'000
Cash flows from operating activities		
Receipts from customers	534,891	441,255
Payments to suppliers	(470,500)	(378,262)
VAT and excise paid to the budget, net	(42,070)	(42,513)
Payments related to personnel	(15,796)	(13,815)
Income tax paid	-	(3)
Other cash flows from operating activities, net	1,621	(1,274)
Net cash flows from operating activities	8,146	5,388
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(643)	(454)
Proceeds from sale of property, plant and equipment	1,818	40
Payments for loans granted	(535)	(2,470)
Proceeds from loans granted	439	3,146
Interest received on loans and deposits	7	97
Proceeds from other investments	20	158
Net cash flows used in investing activities	1,106	517
Cash flows from financing activities		
Proceeds from loans	152	-
Repayment of loans and borrowings	(1,957)	(241)
Lease payments	(3,591)	(3,532)
Interest, bank fees and commissions paid, net	(3,490)	(2,567)
Other cash flows from financing activities, net	(210)	(168)
Net cash flows from financing activities	(9,096)	(6,508)
Net decrease in cash flows during the period	156	(603)
Cash at the beginning of the period	2,773	3,486
Effect of movements in exchange rates	(11)	4
Cash as per cash flow statement at the end of the period	2,918	2,887
Restricted cash	51	130
Cash as per statement of financial position	2,969	3,017

I. General Information

Petrol AD (the Parent company) was registered in Bulgaria in 1990 and entered in the Commercial Register to the Registry Agency with UIC 831496285. The headquarter address of the Parent company is 12 Tyrgovska Str., Hotel Lovetch in Lovetch city. As at the end of the reporting period shareholders are legal entities, the country – through the Ministry of Energy and individuals.

The main activity of Petrol AD and its subsidiaries (the Group) is related with trading of petrol products, non-oil products, merchandise and services.

These explanatory notes are prepared according to the requirements of Art. 100o1, para.5 of the Public Offering of Securities Act (POSA) in relation to Art. 33, para.1, item 2 of the Ordinance No 2 of September 17, 2003 on the prospectuses in public offering and admission of securities for trading on a regulated market and for disclosure of information by the public companies and other issuers of securities, and represent information about important events occurred during the first quarter of 2021. The explanatory notes reflect their influence on the results in the statements for the first quarter of 2021 and describe of the main risks and uncertainties, which stay ahead of the Petrol Group in the rest of the financial year and comprise information for transactions with related parties and/or interested parties, as well as information for emerging significant receivables and/or payables during the same period.

II. Information on important events, occurred in the third quarter of 2021 and cumulatively from the beginning of the financial year to the end of the current quarter

General

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

These interim consolidated financial statements have been prepared under the historical cost convention, except for provisions, assets and liabilities under IFRS 16 reported at the present value of expected future payments. When compiling it, the same accounting policy and calculation methods applied in the last annual financial statement have been followed.

Property, plant, equipment, intangible assets and non-current assets held for sale

From January 1, 2020 the Group has changed its approach to the subsequent valuation of property, plant and equipment under the revaluation model under IAS 16 and intangible assets under IAS 38. The revaluation model provides, after initial recognition for an asset, any property, plant and equipment whose fair value may to be measured reliably, to be carried at revalued amount, which is the fair value of the asset at the date of revaluation less any subsequent accumulated depreciation as well as subsequent accumulated impairment losses. The revalued (to fair) value of property, plant and equipment and intangible assets was initially determined through a market valuation by an independent appraiser. Revaluations should be carried out at sufficiently regular intervals to ensure that the carrying amount does not differ materially from the fair value that would be determined using the fair value at the statement of financial position date.

II. Information on important events, occurred in the third quarter of 2021 and cumulatively from the beginning of the financial year to the end of the current quarter (continued)

As at September 30, 2021 the Group has property, plant, equipment and intangible assets with total carrying amount of BGN 39,583 thousand.

Property, plant and equipment with a carrying amount of BGN 23,589 thousand are mortgaged or pledged as collaterals under bank loans, granted to the Group and to unrelated parties, under credit limit agreements for issuance of bank guarantees.

In January 2021, as a creditor in an enforcement proceeding against an unrelated party, from which there are overdue receivables on loans granted and trade and other receivables, the Group was declared as a buyer through a distribution protocol by (Private Bailiff) PB for a public sale of property owned by an unrelated party - debtor. The acquisition price of the property was paid by offsetting counter receivables on loan granted in previous periods and interest on it, as well as trade receivables, re-invoicing and legal interest on them at the total amount of BGN 1,340 thousand and by additional payment at the amount of BGN 210 thousand. The Group paid the price within the statutory term and in February 2021, when the award decree, issued by the PB, came into force, the Group made the set-off and acquired the ownership of the property. In the consolidated statement of financial position as at September 30, 2021 the property is classified as a held-for-sale asset.

Investment property

The investment properties of the Group, representing a land and a building, were acquired in December 2016 through a business combination. The carrying amount of the investment property is the maximum approximation of their fair value, which as at September 30, 2021 is BGN 1,662 thousand. The Group measures the fair value of investment property for disclosure purposes using an appraisal of an independent appraiser done using the methods of market comparison, rental income capitalization and the method of real value. The investment properties are part of a set of assets serving to secure liabilities of up to BGN 1,500 thousand under a revolving credit line agreement signed in 2016.

Leases

The consolidated statement of financial position as at September 30, 2021 presents the following items and amounts related to lease agreements:

Consolidated statement of financial position	September 30, 2021 BGN'000
Right-of-use assets, incl.:	10,856
<i>Properties (lands and buildings)</i>	5,666
<i>Transport vehicles</i>	219
<i>Machinery, plants and equipment</i>	4,971
Liabilities under leases, incl.:	(10,949)
<i>Current liabilities</i>	(3,754)
<i>Non-current liabilities</i>	(7,195)

II. Information on important events, occurred in the third quarter of 2021 and cumulatively from the beginning of the financial year to the end of the current quarter (continued)

The Group has chosen to use the exclusions, provided by the Standard for lease contracts, which ended within 12 months and lease contracts for which the base asset is with low value. The analysis of the terms of the main rent contracts for petrol stations shows that they should be treated as short-term within the scope of the exclusion, because they do not have a guaranteed period, the rent price is determined for six months periods, and both parties have the right to cease the contract for any petrol site with one to three months advance notice without any onerous sanctions, that would justify the Group's assessment of the probability of exercising the termination option by landlords as unlikely.

Loans Granted

As at 30 September, 2021 the Group reports receivables on short-term trade loans, net of impairment at the total amount of BGN 23,601 thousand. The loans are granted to unrelated parties with the following interest rates and maturity:

Debtor	Receivables on loans granted	Initial amount	Accrued impairment	Annual interest	Maturity
	BGN'000	BGN'000	BGN'000	%	
Company	6,019	6,669	(650)	6.70 %	31 December 2021
Company	5,510	6,028	(518)	5.00 %	31 December 2021
Company	4,575	5,072	(497)	6.70 %	31 December 2021
Company	3,219	3,736	(517)	5.00 %	31 December 2021
Company	2,740	2,750	(10)	6.70 %	31 December 2021
Company	610	610	-	6.70 %	31 December 2019
Company	429	429	-	6.70 %	31 December 2019
Company	356	356	-	7.00 %	7 August 2021
Company	73	73	-	5.00 %	31 December 2021
Company	65	1,502	(1,437)	6.70 %	31 December 2021
Company	5	17	(12)	6.70 %	31 December 2021
Company	-	5,190	(5,190)	0.00 %	28 October 2015
Company	-	2,210	(2,210)	9.50 %	28 October 2015
Company	-	1,633	(1,633)	8.75 %	17 July 2015
Company	-	44	(44)	9.50 %	21 January 2017
Company	-	13	(13)	8.50 %	26 August 2015
	23,601	36,332	(12,731)		

In April 2021 the Group granted a loan to an unrelated party with a credit limit of up to BGN 500 thousand, used in tranches for one-year period from the signing date at 5 per cent interest rate. With an annex form August 2021 the contracted credit limit is increased to BGN 1,600 thousand. As at the date of preparation of these financial statements, the Group has no unsettled receivables under this loan granted.

In April 2021 the Group granted a loan to an unrelated party with a credit limit of up to BGN 75 thousand, used in tranches until December 31, 2021 at 5 per cent annual interest rate. As at September 30, 2021 the Group has receivables of BGN 72 thousand principal and BGN 1 thousand interest.

II. Information on important events, occurred in the third quarter of 2021 and cumulatively from the beginning of the financial year to the end of the current quarter (continued)

In March 2018 the Group entered into an agreement for granting a money loan to unrelated party with a credit limit up to BGN 300 thousand at 6.7 per cent annual interest rate and repayment period until December 31, 2018. With an annex the term of the loan was extended and the limit was increased. In February 2021, the Group made a set-off on counter-liabilities in connection with the acquisition of property rights through a public sale by a Private Bailiff. As at September 30, 2021 the receivables under the loan are BGN 572 thousand principal and BGN 38 thousand interest.

Cash and cash equivalents

As at September 30, 2021 the Group reported cash amounted to BGN 2,969 thousand as BGN 51 thousand are blocked as collateral under enforcement cases.

In the notes under Art. 33a2 of Ordinance No2 to the Public Offering of Securities Act (POSA), as cash equivalents of BGN 1,282 thousand, is presented the cash collected from the trade sites as at the end of the reporting period and actually registered in the Group's bank accounts at the beginning of the next reporting period.

Registered capital

The Group's registered capital is presented at its nominal value. The registered capital of the Group represents the registered capital of the Parent company Petrol AD.

As at the end of the reporting period shareholders in the Parent company are as follows:

Shareholder	Sept. 30, 2021
Alfa Capital AD	28.85 %
Yulinor EOOD	23.11 %
Perfeto Consulting EOOD	16.43 %
Trans Express Oil EOOD	9.86 %
Petrol Bulgaria AD	7.32 %
Corporate Commercial Bank AD	5.51 %
Storage Invest EOOD	3.66 %
VIP Properties EOOD	2.26 %
The Ministry of Economy of the Republic of Bulgaria	0.65 %
Other minority shareholders	2.35 %
	100.00 %

The Management of the Parent company has undertaken series of measures related to optimization of its capital adequacy. At several General Meetings of Shareholders (GMS) held in the period of 2016 – 2017 a decision for reverse-split procedure for merging 4 old shares with a nominal value of BGN 1 into 1 new share with a nominal value of BGN 4 and consequent decrease of the capital of the Parent company in order to cover losses by decreasing the nominal value of the shares from BGN 4 to BGN 1, was voted. In March 2018, following a decision of the Lovech Regional Court, which repealed the refusal of the Commercial Register to register the decision voted on EGMS for merging 4 old shares with a nominal value of BGN 1 into 1 new share with a nominal value of BGN 4, the applied change was registered in CR resulting in registered capital of the Parent company of BGN 109 249 612, distributed in 27 312 403 shares with a nominal value of BGN 4 each. The change in the capital structure of the Parent company was registered also in Central Depository AD.

II. Information on important events, occurred in the third quarter of 2021 and cumulatively from the beginning of the financial year to the end of the current quarter (continued)

The submitted on April 2018 application for registration of the voted on EGMS decision for the second stage of the procedure of the Parent company's capital to be decreased by decreasing the nominal value of the shares from BGN 4 to BGN 1 in order to cover losses, was refused by the Commercial Register.

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

In February 2019 was held a new EGMS, where the decision for reduction of capital was voted again and a decision for substitution of the deceased member of Supervisory Board Ivan Voynovski with Rumen Konstantinov was taken. A refusal on the application for registration of these circumstances in the file of the Parent company was enacted, which was appealed by the Parent company within the statutory term. In addition to the refusal, the registration proceeding was ceased on request of minority shareholders until the RC – Lovech rules on. In May 2019 the Lovech Regional Court enacted a decision, which repealed the enacted refusal and turn back the case to the Registry Agency for registration of the application after a resumption of the ceased registration proceedings. At present, the court proceedings for the repealing of the decisions of EGMS from February 2019 are pending.

Current income tax liabilities and tax audits

As at September 30, 2021 the Group has current corporate tax liabilities of BGN 104 thousand.

Loans and borrowings and factoring liabilities

As at September 30, 2021 the Group has total liabilities under received bank, debenture and trade loans of BGN 43,029 thousand, including BGN 6,740 thousand current liabilities.

Bank loans

In July 2016, the Parent company entered into an investment loan agreement, prepaying the liabilities on finance lease contract from November 2015. Collateral of the loan is a mortgage of property, acquired through finance lease and pledge of receivables. The term of the contract is May 2022 and the contracted interest rate is 3mEuribor+5.25 per cent. In April 2020 the Group renegotiated the terms of the investment loan agreement, as the interest rate on regular principal was reduced to 3mEuribor + 3.5 per cent, but not less than 3.5 per cent. With an annex from the beginning of 2021, the term of the loan has been extended until September 30, 2022. As at September 30, 2021 the liabilities under the bank loan amount to BGN 616 thousand.

II. Information on important events, occurred in the third quarter of 2021 and cumulatively from the beginning of the financial year to the end of the current quarter (continued)

In September 2018 the Group entered into a credit-overdraft agreement on current account in commercial bank, intended for working capital with maximum allowed amount of BGN 2,000 thousand and repayment period until January 31, 2019 and contracted interest rate as Savings-based Interest Rate (SIR) plus added amount of 6,1872 points, but cumulatively not less than 6.5 per cent annually. The credit is secured with a special pledge of its goods in turnover, representing oil products and with pledge of receivables on bank accounts. In December 2018, as a result of a signed annex to an agreement from 2016 for revolving credit line with the same bank, the Group negotiated an increase of the amount of the credit line of BGN 9,500 thousand with an additional amount of BGN 11,500 thousand, by which the total amount of credit line rose to BGN 21,000 thousand. The line is separated in total limit of BGN 13,500 for issuance of bank guarantees and BGN 7,500 for refinancing of the received credit-overdraft of BGN 2,000 thousand and the rest for working capital. The increased amount of the credit limit on the revolving credit line is covered additionally with establishment of mortgages and pledges of properties, plants and equipment and special pledge on goods in turnover, representing oil products. In June 2019 the loan was partially repaid and the limit for working capital decreased from BGN 7,500 thousand to BGN 7,000 thousand as at December 31, 2020. In January 2020 the Parent company renegotiated the terms of the used credit line granted to it by a commercial bank under a revolving credit line agreement and achieved a reduction of the annual compound interest of SLP + 5,2802 per cent, but not less than 5.5 per cent. In March 2021 and September 2021 the Group partially repaid the principal of this tranche of the credit line and as at September 30, 2021 is BGN 5,350 thousand.

Debenture loans

In October 2006, the Parent company issued 2,000 registered transferable bonds with fixed annual interest rate of 8.375 per cent and emission value of 99.507 per cent of the nominal, which is determined at EUR 50,000 per bond. The purpose of the bond issue is to provide funds for working capital, investment projects financing and restructuring of previous Group's debt. The principal was due in one payment at the maturity date and the interest was paid once per year. At the general meetings of the bondholders conducted in October and December 2011, it was decided to extend the term of the issue until January 26, 2017. On December 23, 2016, a procedure for extension of the bond issue to 2022 and reduction of the interest rate in the range from 5.5 per cent to 8 per cent was successfully completed.

In September 2020, the Parent company successfully completed a procedure for renegotiation of the terms of the debenture loan. The maturity of the principal of the debenture loan is deferred until January 2027, and the agreed interest rate is reduced to 4.24 per cent per year, as the periodicity of the due interest (coupon) payments is every six months - in January and in July of each year until the maturity of the loan.

As at the date of preparation of these financial statements the nominal value of the debenture loan is EUR 18,659 thousand.

The liabilities under the debenture loan are disclosed in the statement of financial position at amortised cost. The annual effective interest rate after the term extension of the bond issue is 4.66 per cent. (incl. 4.24 per cent annual coupon rate).

II. Information on important events, occurred in the third quarter of 2021 and cumulatively from the beginning of the financial year to the end of the current quarter (continued)

Loans from non-financial institutions

In February 2021 the Group received a short-term loan from unrelated party with a credit limit of BGN 200 thousand, used in tranches at 4 per cent annual interest rate due to December 31, 2021. With additional annexes the contracted credit limit is increased to BGN 800 thousand. As at the date of preparation of these consolidated financial statements the Group has liabilities under this loan for BGN 400 thousand principal and BGN 1 thousand interest.

Factoring

In February 2019 the Group entered into an agreement with a commercial bank for factoring with special terms and without regress for transferring of preliminary approved receivables with a maximum period of the deferred payments up to 120 days from the date of invoice issuance with a payment in advance of 90 per cent of the value of the transferred receivables including VAT. The commission for factoring services is 0.35 per cent of the total value of the transferred invoices plus additional annual taxes. The interest for the amounts paid in advance is Base Deposit Index for Legal Entities + 1.95 per cent, accrued daily and paid on monthly basis at the end of every calendar month. With an annex from March 2021 the factoring commission was decreased to 0.25 per cent on the total amount of the transferred invoices including VAT. As at September 30, 2021, the Group has BGN 109 thousand exposure under this factoring agreement.

In March 2021 the Group entered into an agreement with a commercial bank for purchasing of trade receivables (standard factoring) with a total limit of the advanced payments up to BGN 402 thousand and interest rate based on savings in BGN increased by 3.8382 points, but not less than 4 per cent per annum on the amount of the advanced payment. The contract is covered with a pledge of receivables on bank accounts of the Parent company and its subsidiary with a book value as at September 30, 2021 of BGN 145 thousand. As at September 30, 2021, the Group has no outstanding liabilities under this factoring agreement.

Operating lease agreements

The Group is lessee under operating lease agreements. The recognised rental expenses in the statement of profit or loss and other comprehensive income, include expense at the amount of BGN 11,149 thousand for renting of fuel stations under operating lease, which fall within the exceptions of IFRS 16 and which agreements include clause stipulating that both parties have the right to cease the agreement for each separate fuel station or as a whole with an immaterial penalty.

II. Information on important events, occurred in the third quarter of 2021 and cumulatively from the beginning of the financial year to the end of the current quarter (continued)

Subsidiaries

The Parent company (the Controlling company) is Petrol AD. The subsidiaries included in the consolidation, over which the Group has control as at September 30, 2021 and December 31, 2020 are as follows:

Subsidiary	Main activity	Ownership interest	Ownership interest
Petrol Properties EOOD	Trading movable and immovable property	100 per cent	100 per cent
Varna Storage EOOD	Trade with petrol and petroleum products	100 per cent	100 per cent
Petrol Finance EOOD	Financial and accounting services	100 per cent	100 per cent
Elit Petrol –Lovech AD	Trade with petrol and petroleum products	100 per cent	100 per cent
Lozen Asset AD	Acquisition, management and exploitation of property	100 per cent	100 per cent
Kremikovtsi Oil EOOD	Processing, import, export and trading with petroleum products	100 per cent	100 per cent
Shumen Storage EOOD	Processing, import, export and trading with petroleum products	100 per cent	100 per cent
Office Estate EOOD	Ownership and management of real estates	100 per cent	100 per cent
Svilengrad Oil EOOD	Processing, import, export and trading with petroleum products	100 per cent	100 per cent
Varna 2130 EOOD	Trade with petrol and petroleum products	100 per cent	100 per cent
Petrol Finances OOD	Financial and accounting services	99 per cent	99 per cent
Petrol Technologies OOD	IT services and consultancy	98,80 per cent	98,80 per cent

Contingent liabilities, including information for newly arising significant liabilities for the reporting period

As at September 30, 2021 the Group has contingent liabilities, including issued mortgages and pledges of property, plant and equipment and non-current assets held for sale, which serve as a collateral for bank loans granted to the Group and unrelated parties and credit limits for issuance of bank guarantees with total carrying amount of BGN 23,589 thousand.

The Group is a joint co-debtor under loan agreement of unrelated supplier, including limit for overdraft and limit for stand-by credit for issuance of bank guarantees in favour of Customs Agency. The total amount of the utilized funds and issued bank guarantees of all borrower's exposures to the Bank shall not exceed BGN 45,000 thousand. In relation to this credit agreement, the Group has established a special pledge on its cash in the bank account opened in the bank-creditor with total amount of BGN 51 thousand as at September 30, 2021 and a special pledge on receivables from contractors for BGN 4,000 thousand average monthly turnover.

II. Information on important events, occurred in the third quarter of 2021 and cumulatively from the beginning of the financial year to the end of the current quarter (continued)

The Group bears a joint obligation according to a contract for debt from January 2017 on an obligation of a subsidiary until February 2018 for BGN 2,346 thousand as at September 30, 2021.

Under a bank agreement for revolving credit line signed in 2016, bank guarantees were issued for a total amount of BGN 9,850 thousand as at September 30, 2021, including BGN 7,800 thousand in favor of third parties – Group's suppliers, BGN 500 thousand for securing the operations of the Parent company related to its registration under the Law on the Administrative Regulation of Economic Activities Related to Oil and Petroleum Products, and BGN 1,550 thousand to secure own liabilities related to contracts under the Public Procurement Act. In December 2020, bank guarantees at the amount of BGN 1,055 thousand, securing audited acts appealed by the Group, were returned to the bank by the National Revenue Agency as a result of the final completion of the court proceedings. The bank agreement is secured by mortgages of property, pledge of plants and equipment, pledge of all receivables on bank accounts of the Parent company and a subsidiary. In July 2017 the credit limit under the revolving credit line was increased from BGN 8,500 thousand to BGN 9,500 thousand. Assets amounted to BGN 1,500 thousand, owned by a subsidiary, additionally secured the credit limit. With an annex from December 2018 the limit is increased to BGN 21,000 thousand and is additionally secured with mortgages and pledge of property, plants and equipment, and special pledge of goods in turnover, namely petroleum products. In 2021 the Group partially repaid the principal of the credit line and as at September 30, 2021 it amounts to BGN 5,350 thousand.

As a collateral of an investment loan signed in July 2016, a mortgage of property, acquired through the investment loan and a pledge of receivables, arising from opened bank accounts of the Parent company to the amount of the outstanding balance of the loan, which as at the September 30, 2021 amounting to BGN 616 thousand.

There is a pending litigation in relation to a signed in 2015 guarantee contract of the liabilities of a subsidiary until February 2018, arising of a cession contract with outstanding book value as at December 31, 2019 of BGN 245 thousand. In April 2020 a final decision on the pending case was ruled. The court held that the Group is responsible as a guarantor for the obligations of the subsidiary under the cession contract. The Court of Appeal annulled the decision of the first-instance court in its entirety and found that the Group's claim under the warranty agreement had been established jointly with the other related party. The decision of the Court of Appeal was appealed by the Parent company in the Supreme Court of Cassation, but was not allowed to appeal. The Group has filed a claim to establish the non-existence of these receivables, and the case initiated is pending. A collateral at the amount of BGN 25 thousand to the court's account was admitted for a future claim against the provision of a guarantee in favor of the Group, as a result of which the enforcement proceedings initiated against the Group for these receivables were suspended. The funds given as collateral under Art. 180 and Art. 181 of the Law on Obligations and Contracts (LOC) at the amount of BGN 245 thousand in the case initiated against the Group in 2015, together with the amount of BGN 93 thousand, were collected by the bailiff in the course of the enforcement proceedings initiated against the Group. However, they have not been distributed due to the suspension of the enforcement case, based on the security of a future claim provided in favor of the Group and remain blocked on the account of the bailiff until the final conclusion of the litigation.

II. Information on important events, occurred in the third quarter of 2021 and cumulatively from the beginning of the financial year to the end of the current quarter (continued)

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

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

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

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

II. Information on important events, occurred in the third quarter of 2021 and cumulatively from the beginning of the financial year to the end of the current quarter (continued)

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

In March 2021 the Group entered into an agreement with a commercial bank for purchasing of trade receivables (standard factoring) with a total limit of the advanced payments up to BGN 402 thousand and interest rate based on savings in BGN increased by 3.8382 points, but not less than 4 per cent per annum on the amount of the advanced payment. The contract is covered with a pledge of receivables on bank accounts of the Group with a book value as at September 30, 2021 of BGN 145 thousand. As at September 30, 2021, the Group has no outstanding liabilities under this factoring agreement.

The Group is a joint debtor and a guarantor on a promissory note under a loan agreement - overdraft from a financial institution, granted to an unrelated party - a major fuel supplier with a total amount of BGN 60,975 thousand.

The Group has signed a promissory note as a collateral to a contract for electricity for the amount of BGN 100 thousand.

In May 2020, the Parent company received from the Commission for Protection of Competition a decision for initiated proceedings to establish any violations under Art. 15 and Art. 21 of LPC and / or under Art. 101 and Art. 102 of the Treaty on the Functioning of the European Union (TFEU) in determining the prices of mass automotive fuels in the production / import - storage – wholesale - retail trade, both at the individual horizontal and vertical levels, by eleven companies, including the Parent company. At present, the proceedings in the case are pending at the CPC.

As at September 30, 2021 cash at bank accounts at the amount of BGN 51 thousand are blocked under enforcement proceedings.

Other significant events occurred during the reporting quarter and cumulatively from the beginning of the financial year

As a result of the negative impact and the consequences of the global pandemic and the widespread of the new coronavirus COVID-19, the Group has undertaken series of measures for reorganizing the activities of some of its trade sites, establishing a reduced working time of part of the personnel, renegotiation of the terms with contractors, deferral of liabilities and optimization of costs. At the end of March 2020 the Employment Agency opens an application procedure under Art. 1 of Decree No 55 from March 30, 2020 determining the terms and conditions for the payment of compensation to employers in order to preserve the employees under the State of Emergency, announced with a decision by the Parliament on March 13, 2020, substituted later by Decree No 151 from 2020. In 2021 the Group continued to submit application documents under this program for the months it fulfill the requirements and until September 30, 2021 the Group reported revenue from State financing at the amount of BGN 2,070 thousand.

III. Disclosure of transactions with related parties

The total amount of the accrued remunerations of the members of Management and Supervisory Board of the Parent company, included in the personnel expenses, amounted to BGN 1,153 thousand, and the unsettled liabilities as at September 30, 2021 are at the amount of BGN 72 thousand.

During the reporting period of 2021 no other related party transactions took place.

IV. Risks and uncertainties ahead of the Group for the rest of the financial year

Macroeconomic environment

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

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

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

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

IV.Risks and uncertainties ahead of the Group for the rest of the financial year (continued)

The plans for the future development of the company are closely related and depend to a greater extent to the stated expectations for changes in the market environment. The Management continues to follow the program outlined and started in the beginning of 2014 for restructuring the activities of Petrol Group, aiming to concentrate the efforts to optimize and develop the core business – wholesale and retail trading with fuels. With the aim to improve the financial position, the Management continues to analyze actively all expenses and to look for hidden reserves for optimization.

Future uncertainty about the ability of customers to repay their obligations, in accordance with the agreed conditions, may lead to an increase of impairment losses on interest loans granted, trade receivables, financial assets available-for-sale and other financial instruments, as well as the values of other accounting estimates in subsequent periods might materially differ from those specified and recorded in these consolidated financial statements. The Group's Management applies the necessary procedures to manage these risks.

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

Legislature

The Parent company is supervised by a number of regulatory bodies in the country and a potential change in the regulatory framework, regulating the Parent company's activity may have a negative impact on the Group's financial results. In July 2018 the Government of the Republic of Bulgaria adopted a new Law for Administrative Regulation of the Economic Activities, Related to Petrol and Petroleum Products, which aims to provide security and predictability in trading with petrol and petroleum products and increase the energy security of the country. Due to its core business, this law will affect the Group. As at the date of issuance of these financial statements, the Parent company is entered in the register to the Ordinance on the terms and conditions for keeping a register of entities carrying out economic activities related to oil and petroleum products for the wholesale trading activity and has issued a bank guarantee in favor of the Ministry of Economy at the amount of BGN 500 thousand. As at the date of issuance of these financial statements, the registration procedure of the Parent company for retail trading with oil and petroleum products is finished.

Suppliers

Due to the specific of the primary business of Petrol Group, namely retail and wholesale trading with fuels, the Group's fuels supplies are provided by a small number of suppliers, as a result of which the Group is at risk of discontinuation of relationships with key suppliers, which may lead to a short-term depletion of inventories and trading activity difficulties;

Petrol Group's wholesale and retail trading with fuels, lubricants and other goods, and storage of fuels is carried out through its own and rented from third parties petrol stations and storage facilities. There is a risk from a suspension of the relationships with the lessors and termination of the lease agreements for the petrol stations and/or storage facilities, which can have a significant negative impacts on Petrol Group as deteriorating of sales, worsening of the financial results and substantial loss of market share.

IV.Risks and uncertainties ahead of the Group for the rest of the financial year (continued)

Competition

In the last few years, there has been a tendency for consumers to increasingly turn to established and well-known brands with a tradition in fuel retail. As a result, some small retailers were forced to close down or enter into franchise or dealership agreements with one of the major market participants. Due to the general decline in economic activity, consumer attitudes and the introduction of additional regulatory control by the government, the share of small independent players continues to decline.

The lack of strategic deals and significant investments by large participants in the retail fuel market has led to a minimal change in the market shares of companies in the sector;

Price risk

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

Market risk

The Group is exposed to the risk of change in currency rate, movement in the interest rates and the prices of the capital instruments, which may impact the Group's financial instruments or the value of its investments.

Interest rate risk

Risks arising from the increase in the price of the Group's financing;

Credit risk

The risk of inability of the Group's trade partners to fulfill their contractual obligations, which may lead to losses for the Group;

Exceptional costs

There is a risk of incurring unforeseeable costs, which to affect negatively the financial position of the Group;

Political risk

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

IV.Risks and uncertainties ahead of the Group for the rest of the financial year (continued)

Climate conditions and seasonality

Climate conditions and seasonal fluctuations in demand for certain petroleum products affect the Group's operating results. Gasoline and diesel demand peaked in the second and third quarters, due to both the summer holiday season and the increased demand from farmers, who traditionally increase their consumption during the autumn season

Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its financial obligations when they fall due. The policy is aimed at ensuring sufficient liquidity with which to serve liabilities when they fall due, including abnormal and emergency situations.

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