Eastern European Electric Company B.V.

Annual Consolidated Financial Statements
Annual Consolidated Activity Report
for the year ended 31 December 2022

Amsterdam, the Netherlands

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GENERAL INFORMATION

Management Board:
Milen Christov
Yoan Ivanov

Seat and registered office:

Kerkstraat 134A, 1017 GP

Amsterdam

The Netherlands

Register and registration number:

EASTERN EUROPEAN ELECTRIC COMPANY B.V., established and existing under the laws of Netherlands in the legal Besloten Vennootschap (comparable with Private Limited Liability Company), registered with the Netherlands Chamber of Commerce under CCI number 75462788 and RSIN number 860292034.

Banks:

UniCredit Bulbank
Varengold Bank
TBI Bank

Auditors:

Grant Thornton, The Netherlands

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 BGN'000	2021* BGN'000
Revenue from operating activities	3	3 571 446	1 208 580
Expenses of operating activities	4	(3 117 374)	(1 031 279)
Gross Operating Profit		**454 072**	**177 301**
Other revenue	5	9 773	2 633
Other income, net	6	4 207	3 834
Other operating expenses	7	(212 797)	(82 086)
Expected credit loss and impairment expenses on financial assets	10	(8 787)	(7 039)
EBITDA		**246 468**	**94 643**
Financial expenses	8	(35 663)	(16 171)
Financial income	9	2 510	595
EBTDA		**213 315**	**79 067**
Depreciation and amortization	12, 13 26.1.1	(105 398)	(43 044)
EBT		**107 917**	**36 023**
Income tax expenses	11.1	(13 456)	(5 833)
Net profit for the period		**94 461**	**30 190**
Attributable to:			
Equity holders of the parent company		**94 461**	**24 848**
Non-controlling interest		**-**	**5 342**
Other comprehensive loss			
Components of other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Subsequent remeasurement of retirement benefit obligations	25.1	(819)	(243)
Other comprehensive income for the period, net of tax		**(819)**	**(243)**
Total comprehensive income for the period, net of tax		**93 642**	**29 947**
Attributable to:			
Equity holders of the parent		**93 642**	**24 669**
Non-controlling interests		**-**	**5 278**

* As the actual date of acquisition is 27.07.2021, the comparative information is for the period 01.08.2021 – 31.12.2022.

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The accompanying notes 1 to 37 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2022 BGN'000	31.12.2021 BGN'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	833 746	826 869
Right-of-use assets	26.1.1	11 576	18 037
Goodwill	14	2 500	2 500
Other intangible assets	13	98 184	109 176
Other financial assets	15	75	75
Deferred tax assets	11.2	7 584	5 286
Total Non-current assets		**953 665**	**961 943**
Current assets			
Inventories	16	32 787	24 117
Trade and other receivables	17	369 100	341 376
Contract assets	3.2	121 551	113 616
Financial assets	18	19 370	22 735
Receivables from related parties	0	1 664	5 013
Advances and prepayments, other receivables	17	7 980	23 996
Income tax receivables		1 150	367
Cash and cash equivalents	20	177 879	76 822
Total Current assets		**731 481**	**608 042**
TOTAL ASSETS		**1 685 146**	**1 569 985**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	31.12.2022 BGN'000	31.12.2021 BGN'000
EQUITY AND LIABILITIES			
Equity			
Share capital	21	2	2
Share premium	22	370 532	343 283
Reserve from remeasurement of defined benefit plans	23	(569)	(179)
Retained earnings		96 805	39 001
Current period profit		94 461	24 848
Total equity, attributable to equity holders of the parent		**561 231**	**406 955**
Non-controlling interests	35	**-**	**145 329**
Total equity		**561 231**	**552 284**
Liabilities			
Non-current liabilities			
Long-term portion of bank loans	24	722 018	638 391
Retirement benefit obligations	25.1	19 510	16 302
Lease liabilities	26.1.2	7 431	12 846
Deferred tax liabilities	11.3	20 558	22 242
Contract liabilities	3.2	12 712	5 175
Government grants	28	89	95
		782 318	**695 051**
Current liabilities			
Short-term portion of bank loans	24	11 734	8 756
Trade and other payables	29	265 049	252 515
Payables to related parties	0	1 473	270
Provisions	30	37 239	29 810
Contract liabilities	3.2	17 297	18 480
Retirement benefit obligations	25.1	2 583	1 028
Lease liabilities	26.1.2	5 034	5 256
Payables under derivative financial instruments	30	-	7
Income tax payables		1 188	6 528
		341 597	**322 650**
TOTAL LIABILITIES		**1 123 915**	**1 017 701**
TOTAL EQUITY AND LIABILITIES		**1 685 146**	**1 569 985**

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CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Notes	*2022* BGN'000	*2021** BGN'000
Cash flow from operating activities			
Profit before tax		**107 917**	**36 023**
Adjustment for reconciliation of profit before tax with net cash flows			
Non-cash:			
Depreciation and amortization	12, 13	105 398	43 044
Loss/(gain) on sale and derecognition of property, plant and equipment	12	(1 913)	(612)
Scrap of property, plant and equipment	6	1 829	183
Accrued/(recovered) impairment loss on financial assets, net	10	18 353	7 039
Accrued/(reversed) impairment loss of inventories	16	(72)	(404)
Movement in provisions	30	7 429	29 810
Movement in retirement benefit obligations	25	4 763	17 330
Finance costs	8	35 663	16 171
Finance income	9	(2 510)	(595)
Adjustments of working capital:			
Increase in trade and other receivables and receivables from related parties	17, 0	(33 047)	(440 603)
(Increase)/decrease in prepaid expenses	17	16 015	(23 996)
Increase in inventories	16	(8 670)	(24 117)
Increase in trade and other payables, payables to related parties and other adjustments	29, 0	48 297	295 669
Payments for financial expenses		(671)	(1 420)
Corporate income tax paid		(24 034)	(4 219)
Other payments		-	(59)
Net cash flows from/(used in) operating activities		**274 747**	**(50 756)**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	12	612	314
Purchase of property, plant and equipment	12	(108 653)	(39 472)
Purchase of investments		3 619	(22 563)
Loans granted		(36 390)	(125 852)
Acquisition of subsidiaries, net from received cash		-	(448 217)
Other proceeds/ (payments), net		31	(14)
Net cash flows used in investing activities		**(140 781)**	**(635 804)**

* As the actual date of acquisition is 27.07.2021, the comparative information is for the period 01.08.2021 – 31.12.2022.

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CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2022 (continued)

	Notes	2022 BGN'000	2021* BGN'000
Cash flow from financial activities			
Proceeds upon issue of equity		27 243	343 283
Lease payments		(5 353)	(1 703)
Proceeds from loans		83 103	682 340
Repayment of loans		(5 157)	(108 796)
Finance costs paid on loans		(781)	(4 054)
Proceeds from government grant		438	95
Other payments related to bank loans		(23 040)	(22 888)
Acquisition of non-controlling interest		(108 180)	(122 036)
Other payments, net		(1 182)	(2 859)
Net cash flow from/(used in) financing activities		**(32 909)**	**763 382**
Net increase in cash and cash equivalents		**101 057**	**76 822**
Cash and cash equivalents at 1 January		76 822	-
Cash and cash equivalents at 31 December	20	**177 879**	**76 822**

* As the actual date of acquisition is 27.07.2021, the comparative information is for the period 01.08.2021 – 31.12.2022.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31 December 2022

	Attributable to the equity holders of the parent company						
	Issued capital	*Share premium*	*Reserve from remeasurement of defined benefit plans*	*Retained earnings*	*Total*	*Non-controlling interests*	***Total equity***
Notes	21	22	23			35	
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
At 1 January 2021	**-**	**-**	**-**	**(141)**	**(141)**	**-**	**(141)**
Profit for the period	-	-	-	24 848	**24 848**	5 342	**30 190**
Other comprehensive loss	-	-	*(179)*	-	**(179)**	(64)	(243)
Total comprehensive income	**-**	**-**	**(179)**	**24 848**	**24 669**	**5 278**	**29 947**
Issue of share capital	2	343 283	-	-	**343 285**	-	343 285
Acquisition of a subsidiaries	-	-	-	-	-	299 161	299 161
Acquisition of non-controlling interests	-	-	-	39 142	**39 142**	(159 110)	(119 968)
Transactions with owners	2	343 283	-	39 142	**382 427**	140 051	522 478
At 31 December 2021	**2**	**343 283**	**(179)**	**63 849**	**406 955**	**145 329**	**552 284**
At 1 January 2022	**2**	**343 283**	**(179)**	**63 849**	**406 955**	**145 329**	**552 284**
Profit for the period	-	-	-	94 461	**94 461**	-	94 461
Other comprehensive loss	-	-	(819)	-	**(819)**	-	(819)
Total comprehensive income	**-**	**-**	**(819)**	**94 461**	**93 642**	**-**	**93 642**
Write-off reserve from subsequent remeasurement on defined benefit plan due to plan change	-	-	451	(451)	**-**	-	-
Issue of share capital	-	27 249	-	-	**27 249**	-	27 249
Acquisition of non-controlling interests	-	-	(22)	33 407	**33 385**	(145 329)	(111 944)
Transactions with owners	-	27 249	(22)	33 407	**60 634**	(145 329)	(84 695)
At 31 December 2022	**2**	**370 532**	**(569)**	**191 266**	**561 231**	**-**	**561 231**

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME BY SUBSIDIARIES

BGN'000	**Notes**	*31.12.2022*										
		Consolidated	EDG West	Sales	ICT	Trade	Bulgaria	FEPO	BARA	EPC	EEEC	*Eliminations*
Revenue from operating activities	3	**3 571 446**	507 036	1 690 355	24 296	1 671 937	31 256	2 670	-	1 936	665	(358 705)
Expenses of operating activities	4	**(3 117 374)**	(210 284)	(1 611 509)	-	(1 596 772)	-	(407)	-	-	-	301 598
Gross Operating Profit		**454 072**	**296 752**	**78 846**	**24 296**	**75 165**	**31 256**	**2 263**	**-**	**1 936**	**665**	**(57 107)**
Other revenue	5	**9 773**	10 785	-	-	-	-	-	-	-	-	(1 012)
Other income, net	6	**4 207**	2 902	1 514	40	61	296	11	69	44		(730)
Other operating expenses	7	**(212 797)**	(166 417)	(40 232)	(17 840)	(13 550)	(27 948)	(443)	(74)	(1 876)	(2 312)	57 895
Expected credit loss and impairment expenses on financial assets	10	**(8 787)**	(4 830)	(3 896)	3	(357)	(161)	(11)	(5)	-	-	470
EBITDA		**246 468**	**139 192**	**36 232**	**6 499**	**61 319**	**3 443**	**1 820**	**(10)**	**104**	**(1 647)**	**(484)**
Financial expenses	8	**(35 663)**	(5 715)	(1 189)	(79)	(1 288)	(699)	(5)	(5)	(3)	(31 467)	4 787
Financial income	9	**2 510**	20	1 152	4	1 290	571	-	-	-	6 761	(7 288)
EBTDA		**213 315**	**133 497**	**36 195**	**6 424**	**61 321**	**3 315**	**1 815**	**(15)**	**101**	**(26 353)**	**(2 985)**
Depreciation and amortization	12, 13, 26.1.1	**(105 398)**	(89 919)	(2 493)	(7 998)	(2 268)	(2 271)	(1 349)	-	(14)	(2)	916
EBT		**107 917**	**43 578**	**33 702**	**(1 574)**	**59 053**	**1 044**	**466**	**(15)**	**87**	**(26 355)**	**(2 069)**
Income tax expenses	11.1	**(13 456)**	(4 302)	(3 643)	181	(5 940)	313	(46)	-	(19)	-	-
Net profit for the period		**94 461**	**39 276**	**30 059**	**(1 393)**	**53 113**	**1 357**	**420**	**(15)**	**68**	**(26 355)**	**(2 069)**
Attributable to:												
Equity holders of the parent company		**94 461**	**39 276**	**30 059**	**(1 393)**	**53 113**	**1 357**	**420**	**(15)**	**68**	**(26 355)**	**(2 069)**

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The accompanying notes 1 to 37 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME BY SUBSIDIARIES

BGN'000	***Notes***	*2021*									
		Consolidated	EDG West	Sales	ICT	Trade	Bulgaria	FEPO	BARA	EEEC	*Eliminations*
Revenue from operating activities	3	1 208 580	172 352	556 784	10 095	484 802	8 988	991	-	-	*(25 432)*
Expenses of operating activities	4	(1 031 279)	(48 935)	(532 390)	(1 083)	(456 295)	-	(116)	-	-	*7 540*
Gross Operating Profit		**177 301**	**123 417**	**24 394**	**9 012**	**28 507**	**8 988**	**875**	**-**	**-**	***(17 892)***
Other revenue	5	2 633	2 955	-	-	-	-	-	-	-	*(322)*
Other income, net	6	3 834	2 760	482	1 080	50	1	-	-	-	*(539)*
Other operating expenses	7	(82 086)	(60 319)	(9 979)	(6 318)	(4 283)	(7 927)	(188)	(39)	(10 954)	*17 921*
Expected credit loss and impairment expenses on financial assets	10	(7 039)	(2 362)	(4 797)	(65)	(69)	-	(1)	(1)	-	*256*
EBITDA		**94 643**	**66 451**	**10 100**	**3 709**	**24 205**	**1 062**	**686**	**(40)**	**(10 954)**	***(576)***
Financial expenses	8	(16 171)	(2 094)	(706)	(23)	(3 393)	(125)	(5)	(484)	(11 262)	*1 921*
Financial income	9	595	20	573	-	2	-	-	-	3 484	*(3 484)*
EBTDA		**79 067**	**64 377**	**9 967**	**3 686**	**20 814**	**937**	**681**	**(524)**	**(18 732)**	***(2 139)***
Depreciation and amortization	12, 13, 26.1.1	(43 044)	(37 070)	(1 090)	(3 016)	(929)	(783)	(562)	-	-	*406*
EBT		**36 023**	**27 307**	**8 877**	**670**	**19 885**	**154**	**119**	**(524)**	**(18 732)**	***(1 733)***
Income tax expenses	11.1	(5 833)	(2 702)	(1 230)	96	(1 986)	20	(31)	-	-	-
Net profit for the year		**30 190**	**24 605**	**7 647**	**766**	**17 899**	**174**	**88**	**(524)**	**(18 732)**	***(1 733)***
Attributable to:											
Equity holders of the Parent Company		**24 848**	**21 699**	**5 302**	**675**	**17 899**	**174**	**88**	**(524)**	**(18 732)**	***(1 733)***
Non-controlling interests		**5 342**	**2 906**	**2 345**	**91**	**-**	**-**	**-**	**-**	**-**	**-**

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1. Corporate information

Organisation

The Group consists of Eastern European Electric Company B.V. ("the Parent Company") and its subsidiaries Electrohold Bulgaria EOOD, Electrohold Sales EAD, Electrodistribution Grid West EAD (EDG West EAD), Electrohold Trade EAD, Electrohold ICT EAD (100% subsidiary of EDG West EAD), Free Energy Project Oreshets EOOD, Electrohold EPC EOOD (100% subsidiary of Electrohold Bulgaria EOOD) and BARA Group EOOD.

As of 28 April 2022 Electrohold is the new brand name of the CEZ's companies in Bulgaria. The companies have presented new brand and corporate identity.

Following the registration of the new names by the Bulgarian Commercial Register and the register of the NPLE at the Registry Agency of the Republic of Bulgaria, the subsidiaries are named as follows: Electrohold Bulgaria EOOD (formerly known as CEZ Bulgaria EOOD), Electrohold Sales EAD (formerly known as CEZ Electro Bulgaria AD), Electrohold Trade EAD (formerly known as CEZ Trade Bulgaria EAD), and the company for providing ICT services called Electrohold ICT EAD (formerly known as CEZ Information and Communication Technologies Bulgaria EAD). The operator of the electricity distribution network in Western Bulgaria – Electrodistribution Grid West EAD (EDG West EAD)/ Electrorazpredelitelni mreji Zapad EAD (ERM Zapad EAD) was formerly known as CEZ Razpredelenie Bulgaria AD.

On 04 January 2022, Free Energy Project Oreshets EAD - sole owned joint stock company, registered in the Bulgarian Commercial Register and the register of the NPLE at the Bulgarian Registry Agency changed its legal form from sole owned joint-stock company to sole owned limited liability company, namely Free Energy Project Oreshets EOOD, under UIC 206772530.

On 05 January 2022, CEZ Bulgaria EAD - sole owned joint stock company, registered in the Bulgarian Commercial register and the register of the NPLE with the Registry Agency of the Republic of Bulgaria changed its legal form from sole owned joint-stock company to sole owned limited liability company, namely CEZ Bulgaria EOOD under UIC 206772943.

Ownership and management

The Group is a part of the economic group of Eurohold Bulgaria AD which is a public joint stock company established by virtue of article 122 of the Public Offering of Securities Act and article 261 of the Commerce Act, registered in Sofia City Court under corporate file 14436/2006 and is established by merger of Eurohold AD registered under corporate file № 13770/1996 as per the register of Sofia City Court and Starcom Holding AD registered under corporate file № 6333/1995 as per the register of Sofia City Court. The headquarters and registered address of Eurohold Bulgaria AD are as follows: city of Sofia, Iskar Region, 43 Christopher Columbus Blvd., UIC 175187337.

Eurohold Bulgaria AD is controlled by Starcom Holding AD – a joint stock company, established and existing in accordance with the laws of the Republic of Bulgaria, registered in The Commercial Register at the Registry Agency with UIC 121610851 with registered office and management address: Republic of Bulgaria, city of Sofia, Iskar Region, 43 Christopher Columbus Blvd.

Starcom Holding AD owns 50,08% of the capital of Eurohold Bulgaria AD as at 31.12.2022 and as at the date of this report.

Management Board

As at 01.01.2022, the Management Board of the Company consists of the following members: Milen Christov and Rense Boks.

On 2 August 2022, a new Director B was appointed as managing director of Eastern European Electric Company B.V. Mr. Rense Boks (Director B) was replaced by Mr. Yoan Ivanov, who is a Dutch resident. The change was registered in the Netherlands Chamber of Commerce (Kamer van Koophandel, KVK) on 3 August 2022.

As at 31.12.2022, the Management Board of the Company consists of the following members: Milen Christov and Yoan Ivanov.

No changes in the way of representation have been made. The parent company is represented by each of the two members of the Management Board together.

Parent Company

Eastern European Electric Company B.V. ("the Parent Company") is established on 26 July 2019 and existing in the Netherlands in the legal form *Besloten Vennootschap* (comparable with Private Limited Liability Company) with registered address Kerkstraat 134 A, 1017 GP, Amsterdam, the Netherlands.

The objectives of the Parent Company are to act as a holding and finance company.

At 31 December 2022, the share capital of the Parent Company is BGN 2 thousand (EUR 1 thousand), divided into 1,000 ordinary shares of BGN 2 (EUR 1) each, 100% of which are owned by Eastern European Electric Company III B.V.

On 15 July 2021 100% of the parent company's shares were contributed by Eastern European Electric Company II B.V. to Eastern Eimuropean Electric Company III B.V. As at 31 December 2022, the sole shareholder of the parent company is Eastern European Electric Company III B.V.

On 21 July 2021, the parent company of the Group as borrower entered into senior facilities agreement with, among others, The Bank of New York Mellon, London Branch as agent, for the purpose of the financing of the acquisition of the shares in Electrodistribution Grid West EAD (EDG West EAD) or Electrorazpredelitelni mreji Zapad EAD (ERM Zapad EAD), at that time - CEZ Razpredelenie Bulgaria AD; Electrohold ICT EAD (CEZ Information and Communication Technologies Bulgaria EAD); Electrohold Sales EAD (CEZ Electro Bulgaria AD), Electrohold Trade EAD (CEZ Trade Bulgaria EAD); Electrohold Bulgaria EOOD (CEZ Bulgaria EAD); Free Energy Project Oreshets EOOD (Free Energy Project Oreshets EAD) and Bara Group EOOD. The total amount available for the Parent Company under the senior facilities agreement is BGN 704 099 thousand (EUR 360 000 thousand), structured in three facilities. Facility A Loan for financing the initial acquisition of the seven subsidiaries amounting to total commitment of BGN 500 692 thousand (EUR 256 000 thousand). Facility B1 Loan for financing of the buy-out of the remaining 33% of the capital of CEZ Razpredelenie Bulgaria AD with total commitment of BGN 140 820 thousand (EUR 72 000 thousand), Facility B2 Loan for financing of the buy-out of the remaining 33% of the capital of CEZ Electro Bulgaria AD with total commitment of BGN 35 205 thousand (EUR 18 000 thousand) and Facility C Loan for financing of the capital expenditures of CEZ Razpredelenie Bulgaria AD incurred in relation to its investment programme approved by EWRC with total commitment of BGN 27 382 (EUR 14 000 thousand).

In addition, on 21 July 2021, Eastern European Electric Company II B.V., sole owned subsidiary of Eurohold Bulgaria AD and the sole owner of Eastern European Electric Company III B.V. – the mother company of the Parent Company, has entered as borrower into holdco facility agreement with, among others, Metric Capital Partners LLP, as Agent for the purpose of attracting additional the financing for the acquisition of the above listed seven companies. The funds are to be provided to the Parent Company in the form of equity. The total available net amount under the agreement is BGN 215 000 thousand (EUR 110 000 thousand) structured again in three facilities. Facility A Loan for financing the initial acquisition of the seven subsidiaries amounting to total net commitment of BGN 186 000 thousand (EUR 95 000 thousand). Facility B1 Loan for financing of the buy-out of the remaining 33% of the capital of CEZ Razpredelenie Bulgaria AD with total net commitment of BGN 23 000 thousand (EUR 12 000 thousand) and Facility B2 Loan for financing of the buy-out of the remaining 33% of the capital of CEZ Electro Bulgaria AD with total net commitment of BGN 6 000 thousand (EUR 3 000 thousand).

On 23 July 2021, Eastern European Electric Company III B.V. made a contribution into the parent company's share premium reserve in the amount of BGN 314 106 thousand (EUR 160 600 thousand) for the acquisition of the shares in Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD), Electrohold ICT EAD (CEZ Information and Communication Technologies Bulgaria EAD), Electrohold Sales EAD (CEZ Electro Bulgaria AD), Electrohold Trade EAD (CEZ Trade Bulgaria EAD), Electrohold Bulgaria EOOD (CEZ Bulgaria EAD), Free Energy Project Oreshets EOOD (Free Energy Project Oreshets EAD) and Bara Group EOOD.

On 27 July 2021, the parent company acquired 67% of the shares in Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD) and Electrohold ICT EAD (CEZ Information and Communication Technologies Bulgaria EAD) a 100% subsidiary of Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD), 67% of the shares in Electrohold Sales EAD (CEZ Electro Bulgaria AD), 100% of the shares of Electrohold Trade EAD (CEZ Trade Bulgaria EAD), 100% of the shares of Electrohold Bulgaria EOOD (CEZ Bulgaria EAD) from CEZ A.S., as well as 100% of the shares of Free Energy Project Oreshets EOOD (Free Energy Project Oreshets EAD) and 100% of the shares in Bara Group EOOD from CEZ Bulgarian Investments B.V. for a total consideration of BGN 682 990 thousand (EUR 349 207).

On 27 July 2021, as part of the acquisition of the shares in Electrohold Trade EAD (CEZ Trade Bulgaria EAD), Bara Group EOOD and Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD), the Parent Company as assignee entered into assignment agreements with CEZ A.S. and CEZ Bulgarian Investments B.V. in respect to the following:

- Loan agreement dated 27 June 2018 between CEZ A.S. as lender and Electrohold Trade EAD (CEZ Trade Bulgaria EAD) as borrower. The assigned receivable is BGN 7 509 thousand (EUR 3 839,4 thousand), comprising of principal in the amount of BGN 7 500 thousand (EUR 3 834,5 thousand) and unpaid interest in the amount of BGN 9 thousand (EUR 4,9 thousand);
- Loan facility agreement dated 14 May 2014 between CEZ Bulgarian Investments B.V. as lender and Bara Group EOOD as borrower. The assigned receivable is BGN 28 254 thousand (EUR 14 446 thousand), comprising of principal in the amount of BGN 28 169 thousand (EUR 14 403 thousand) and unpaid interest of BGN 85 thousand (EUR 43 thousand);
- Loan facility agreement dated 3 December 2018 between CEZ A.S. as lender and Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD) as borrower. The assigned receivable is BGN 61 168 thousand (EUR 31 274,5 thousand), comprising of principal in the amount of BGN 59 985 thousand (EUR 30 670 thousand) and unpaid interest of BGN 1 183 thousand (EUR 605 thousand). Pursuant to a deed of novation and amendment with respect to a subordination agreement originally dated 29 November 2018 with CEZ A.S. and European Bank for Reconstruction and Development entered into on 22 July 2021 by the Parent Company as new junior creditor (the “Subordination Deed”), the loan is subordinated to a loan agreement originally dated 02 November 2016 between Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD) as borrower and European Bank for Reconstruction and Development (EBRD) as lender (as amended and restated on 22 July 2021) (the EBRD Loan).

On 28 July 2021 the Parent Company as lender entered into a loan agreement with Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD) for the amount of BGN 31 436 thousand (EUR 16 073 thousand) with purpose of the loan repayment of part of the outstanding liability of Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD) toward EBRD under the EBRD Loan. Pursuant to the amendment to the loan agreement, dated 28 July 2021, concluded on 29 November 2021, the loan bears interest at 3.5% per annum and is due on 31 October 2027. Pursuant to the Subordination Deed the loan is subordinated to the EBRD Loan.

On 14 October 2021, following an approval granted by the Financial Supervision Commission of the Republic of Bulgaria, Eastern European Electric Company B.V. (EEEC) made a mandatory tender offer in accordance with art. 149, para. 6 of the Public Offering of Securities Act (POSA) of the Republic of Bulgaria to the minority shareholders of the two public companies - Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD) and Electrohold Sales EAD (CEZ Electro Bulgaria AD) for the acquisition of the remaining 33% in each of the companies with term for the acceptance 15.10.2021г. - 11.11.2021 (the MTOs). The offered price per share for the shares of Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD) was BGN 291.00 for the each of the remaining 636 240 shares (33%). The offered price per share for the shares of Electrohold Sales EAD (CEZ Electro Bulgaria AD) was BGN 26,904 for each of the remaining 1 650 shares (33%).

On 18 November 2021, Eastern European Electric Company III B.V. made an additional contribution into the Parent Company’s share premium reserve in the amount of BGN 29 178 thousand (EUR 14 918 thousand) for the purchase of the additional shares in Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD) and Electrohold Sales EAD (CEZ Electro Bulgaria AD) under a mandatory Tender Offer to the minority shareholders of the two public companies in accordance with art. 149, para. 6 of the Public Offering of Securities Act (POSA) of the Republic of Bulgaria (the MTO).

On 18 November 2021, the Parent Company utilized partially the available commitment under Facility B1 Loan and Facility B2 Loan under the SFA. Under Facility B1 Loan the funds utilized amount to BGN 90 425 thousand (EUR 46 234 thousand) and under Facility B2 Loan - amount to BGN 2 496 thousand (EUR 1 276 thousand).

On 22 November 2021, as a result of the tender offers the Parent Company acquired additional 408 552 shares (representing 21.19%) from the share capital of Electrodistribution Grid West EAD (CEZ Distribution Bulgaria AD) and additional 117 shares (representing 2.34%) from the share capital of Electrohold Sales EAD (CEZ Electro Bulgaria AD). Following the execution of the MTOs the participation of Eastern European Electric Company BV in Electrodistribution Grid West EAD (CEZ Distribution Bulgaria AD) increased to 88.19% and in Electrohold Sales EAD (CEZ Electro Bulgaria AD) increase to 69.34%. The total consideration paid is BGN 122 036 thousand (EUR 62 404 thousand).

On 25 November 2021 the Parent Company as lender entered into a loan agreement with Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD) for the amount of BGN 27 382 thousand (EUR 14 000 thousand). The loan bears interest at 3.15% plus 6-month EURIBOR per annum and is due on 15 November 2022. On 30 May 2022 an amendment was signed changing the interest rate to 3.29% + 6m EURIBOR, and repayment scheme to 3 instalments:

- 21.07.2024 – 3,500 thousand EURO;
- 21.07.2025 – 4,900 thousand EURO;
- 21.07.2026 – 5,600 thousand EURO.

Accrued interest is payable in bi-annual instalments in arrears.

On 17 March 2022, the Parent Company utilized the remaining available commitment under the SFA by which the available funding was drawn in full. EEEC B.V. made an utilization under the Facility B1 Loan under the SFA at the amount of BGN 50 394 thousand (EUR 25 766 thousand) and Facility B2 Loan under the SFA at the amount of BGN 32 709 thousand (EUR 16 724 thousand).

In March 2022 the parent company increased its share in the capital of the electricity distributor - Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD) to 98.93% (by acquiring additional 207 107 shares or 10.74% for BGN 62.1m/EUR 31.8 m) and the electricity supplier - Electrohold Sales EAD (CEZ Electro Bulgaria AD) to 96.92% (by acquiring additional 1 379 shares or 27.58% for BGN 38.6 m /EUR 19.7 m). The additional acquisition was made by Utilization under the Facility B1 at the amount of BGN 50.4 m/EUR 25.8 m and Facility B2 at the amount of BGN 32.7/EUR 16.7 m and share premium contributions of the equity provided by EEEC III at the amount of BGN 17.8/EUR 9.1 m.

At the end of May 2022, the Parent Company address a Tender Offer to the remaining minority shareholders in the public listed companies Electrodistribution Grid West EAD and Electrohold Sales EAD for the buy-out of the remaining 154 shares (3.08% of the capital) of Sales at price per share BGN 28 433.51 and for the remaining 20 581 shares (1.07% of the capital) of EDG West for the price per share BGN 302.56 (the Voluntary Tender Offers).

The acceptance procedure ended on 17 June 2022 with payment to the shareholders due and paid on 28 June 2022. Shareholders in Electrodistribution Grid West EAD holding 6 165 shares have accepted the offer to sell their participation for total purchase price of BGN 1 865 thousand (EUR 954 thousand). Shareholders in Electrohold Sales EAD holding 37 shares have accepted the offer to sell their participation for total purchase price of BGN 1 052 thousand (EUR 538 thousand). As a result of the Voluntary Tender Offers, Eastern European Electric Company B.V. (EEEC) has increased its participation in Electrodistribution Grid West EAD to 99.25% and in Electrohold Sales EAD to 97.66% as at 30 June 2022.

On 2 August 2022, a new Director B was appointed as managing director of the Parent Company. Mr. Rense Boks (Director B) was replaced by Mr. Yoan Ivanov. The change was registered in the Netherlands Chamber of Commerce (Kamer van Koophandel, KVK) on 3 August 2022.

On 25 August 2022, the FSC issued a decision not to issue a prohibition on the publication of a proposal based on Art. 157a, para. 1 of the POSA, from Eastern European Electric Company B.V., the Netherlands, for the purchase of the shares of the remaining shareholders of the two public companies

through the investment intermediary Euro-Finance AD, as follows:
- to 14,416 shares (0.75%) of the equity of Electrodistribution Grid West AD, Sofia, from the remaining shareholders of the company. The offered price of one share is BGN 303.55;
- 117 shares (2.34%) of the equity of Electrohold Sales AD, Sofia, from the remaining shareholders of the company. The offered price of one share is BGN 29,161.02.

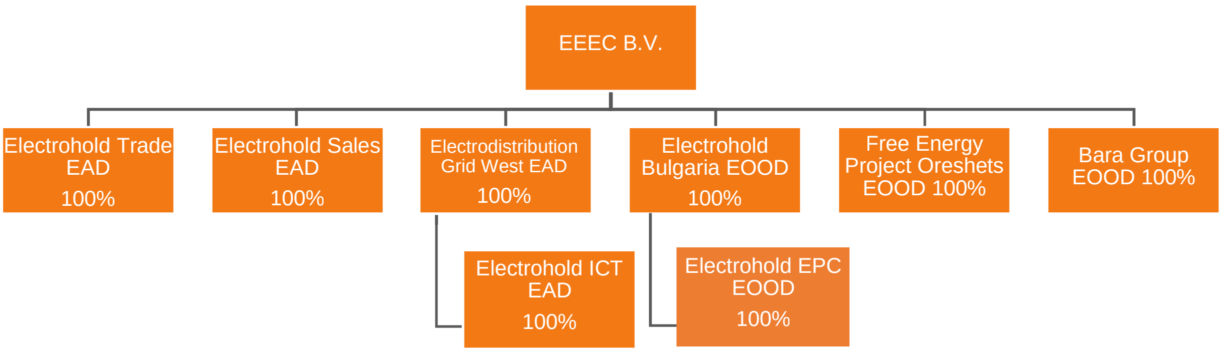
On 01 September 2022, a change in the address of management of the Parent Company was registered in the in the Netherlands Chamber of Commerce (Kamer van Koophandel, KVK). The current address of the Company is Kerkstraat 134 A, 1017GP Amsterdam Netherlands.

On 05 September 2022 as a result of the offer under the provisions of Art. 157a, para. 1 of the POSA Eastern European Electric Company B.V. (EEEC) increased its participation in the two subsidiary companies of the energy group - Electrodistribution Grid West AD and Electrohold Sales AD up to 100% by buying out all the remaining shares of minority owners. EEEC acquired an additional 14,416 shares of EDG West for nearly BGN 4 376 million (EUR 2 237 million) or BGN 303.55 (EUR 155.2) per share, as well as 117 shares of Electrohold Sales for BGN 3 412 million (1 744 EUR million) or BGN 29 161.02 (EUR 14 909.79) per share.

On 20.09.2022, FSC issued decisions pursuant to which Electrodistribution Grid West EAD and Electrohold Sales EAD were de-listed from BSE-Sofia and de-registered from the resister of the public companies kept by FSC.

Group structure

As at 31 December 2022, the consolidated financial statement of the Group includes:



<u>COVID-19 pandemic – impact, effects, actions and measures taken</u>

On March 11, 2020 the World Health Organisation declared a COVID-19 pandemic, and on March 13, 2020 the Bulgarian Parliament imposed a state of emergency in Bulgaria, as a result of which a number of restrictive measures were taken.

On March 24, 2020, the State of Emergency Act was promulgated, imposing measures for the period of the pandemic state of emergency in various areas – employment relations and social security, taxation and annual financial closure, default and forced execution, terms and deadlines, etc. Decisions and orders of the Council of Ministers and the Ministry of Health were adopted for introducing anti-epidemic measures on the territory of the country aimed to protect and preserve the population’s life and health in relation to: a ban on entering the country and applying measures (quarantine or provision of a negative lab result from a PCR test prior to entering the country) for countries with high COVID-19 rates and significant pandemic spread; observing requirements on physical distance, hand hygiene, disinfection and wearing protective face masks in indoor public places; temporary suspension or restriction of the operations of public sites and/or other sites or services rendered to citizens, etc.

As a result of the restrictions imposed in Bulgaria and in most countries around the world, the normal operations of businesses in a number of economic sectors were disrupted. There were difficulties with the supplies of raw and other materials from suppliers, shipments to clients, and procuring workforce. Almost all entities, though to a different extent, had to impose certain actions and measures to reorganise business operations, work schedules, business communications and other aspects of their relations to counterparts, partners, and state institutions.

Pursuant to Decision No826/25.11.2021 of the Minister of Health of the Republic of Bulgaria, the pandemic situation was prolonged until 31 March 2022.

Effective from 01 April 2022 the pandemic situation was cancelled.

Impact on the Group's operations and financial position

The subsidiary companies operate in the Energy sector in Bulgaria, whose functioning was not affected by the restrictive measures applied.

The Group's operating volumes in 2022 have not been affected by the post pandemic situation. There have been no significant changes in the structure of energy transmitted to end electricity users. Sales revenue increased in the period.

The management has not dismissed personnel.

The Group continues to perform its business activities without difficulties. The Group has procured the supply of assets needed to perform its licensed operating and investing activities. No contracts with key suppliers and/or customers have been terminated.

Effects on the items in the financial statements

The Group's management has not identified areas in the financial statements on which the pandemic has direct and material impact and effects, incl. with respect to the measurement of individual assets and liabilities.

Military actions in Ukraine

On February 21, 2022, by decree of the President of the Russian Federation (RF), the Donetsk People's Republic and the Luhansk People's Republic were recognized as independent states. On February 24, 2022, the Ministry of Defense of the Russian Federation announced a "special military operation" on the territory of the Republic of Ukraine.

The hostilities received widespread international condemnation, and many countries-imposed sanctions on assets and operations owned by the Russian state and certain individuals. The invasion sparked a refugee crisis among Ukrainian citizens.

The economic consequences of the military conflict in Ukraine cannot be assessed, but they are already indicating extremely serious effects on the overall global economy. Energy and raw material prices - including wheat and other cereals - have risen sharply, further exacerbating inflationary pressures from supply chain disruptions and the recovery from the Covid-19 pandemic. Price shocks are expected to have an impact on a global scale. If the conflict develops negatively or lasts for a longer period of time, the economic damage will be significant and is expected to affect all sectors of the economy, both Bulgaria and the EU. The IMF notes that sanctions against Russia are affecting the global economy and financial markets and will have significant side effects in other countries.

In many countries, the crisis has created adverse shocks to both inflation and activity amid rising price pressures. Central banks are closely monitoring the impact of rising international prices on domestic inflation, in order to monitor and, if necessary, take appropriate, carefully calibrated responses. Fiscal policy will need to support the most vulnerable households to offset rising living costs.

In connection with the above and in view of the ambiguities regarding the effect of the imposed sanctions and restrictions, the Company has reviewed activities, contractors and economic relationships that could be put at risk. Based on the analysis performed, the Management has not identified any exposure to currency risk or counterparty risk in connection with these events.

As the situation is extremely dynamic, the Company's management is not able to reliably assess the impact of the war on the future financial condition and results of its activities in 2022 in terms of the overall effect on the national economy, inflation, energy prices, costs for construction of energy facilities, etc. elements of the supply chain, but considers that it may have a negative impact. This, in turn, could lead to a change in the carrying amounts of the Company's assets, which are determined in the financial statements when performing a number of judgments and assumptions by management and reporting the most reliable information available at the date of estimates.

The Company's management will continue to monitor potential side effects on all economic sectors and other countries in the region, in particular those that provide energy sources.

Effects on the items in the financial statements

The Group's management has not identified areas in the financial statements on which the war has direct and material impact and effects, incl. with respect to the measurement of individual assets and liabilities.

Future outlook

The management has no plans which would have a significant influence on expectations concerning future activities, investments, financing, staffing and profitability. It is expected that the result will be in line with that of the reporting period.

2. Basis of preparation

The consolidated financial statement of the Group has been prepared on a historical cost basis, with the exception of non-current tangible and intangible assets and financial instruments, which were measured at fair value at the acquisition date. The consolidated financial statements are presented in Bulgarian Leva (BGN) and all values are rounded to nearest thousand (BGN'000), including information for comparative period, except when otherwise indicated. The Bulgarian lev is pegged to the euro in the ratio of EUR 1 = BGN 1.95583.

Management is responsible for the preparation and fair presentation of the information in these consolidated financial statements.

The consolidated financial statements are prepared under the going concern principle.

Comparative data

In these consolidated financial statements of the Group presents information for one comparative period. Subsidiaries are included in consolidated financial statements of the Group started from August 01, 2021 which is the effective date of their acquisition.

2.1. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with all **International Financial Reporting Standards (IFRS)**, which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force as from January 01, 2022 and have been accepted by the Commission of the European Union **and in accordance with Part 9 of Book 2 of the Dutch Civil Code.**

2.2. Going concern

In the next reporting periods, the Group will continue its operations as going concern. The management and/or owners have no plans and intentions, respectively force, to change the scope and structure of activities. The Group is not faced with the treat of insolvency. Additionally, management is currently monitoring potential business and financial risks and considering and evaluating their importance for the Group's development, considering and/or taking appropriate action.
Therefore, the management has determined that the going concern basis is applicable, therefore, the financial statements have been prepared on a going concern basis.

2.3. Changes in accounting policies and disclosures

2.3.1. New and amended standards and clarifications

For the current financial period the Group has adopted all new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and respectively, by the

International Financial Reporting Interpretations Committee (IFRIC), which have been relevant to its activities.

The adoption of these standards and/or interpretations, effective for periods commencing on January 01, 2022, has not resulted in changes to the Group's accounting policy, with the exception of some new and the expansion of already introduced disclosures, without leading to other changes in the classification or measurement of individual reporting items and transactions.

The new and/or amended standards and interpretations include:

IFRS 3 Business Combinations - updated references to the Conceptual Framework with amendments to IFRS 3 Business Combinations without substantially changing the reporting requirements.

IAS 16 Property, plant and equipment - amendment of the standard regarding "Revenue before bringing the asset to the location and condition necessary for its operation". It is forbidden to deduct from the value of a given property, machinery and equipment any income from the sale of manufactured products, before bringing this asset to the location and condition necessary for its operation in the manner provided by the management. Instead, businesses recognize revenue from the sale of output and the costs of producing it in profit or loss.

IAS 37 Provisions, contingent liabilities and contingent assets – the amendment concerns changes in onerous contracts. Contract performance costs are clarified by specifying that "contract performance costs" include "costs that are directly related to the contract". Costs that are directly related to a contract can be either additional costs for the performance of this contract or allocation of other costs that are directly related to the performance of contracts.

Annual Improvements 2018-2020 effective from 1 January 2022 adopted by the EU

IFRS 1 First-time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 Financial Instruments - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases - The amendment to 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

IAS 41 Agriculture - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

2.3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2022 and have not been adopted early by the Group. Information on those expected to be relevant to the Group's consolidated financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

IFRS 17 "Insurance Contracts" effective from 1 January 2023, adopted by the EU

IFRS 17 replaces for IFRS 4 "Insurance Contracts". It requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment, and

- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income.
The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective from 1 January 2023 not yet adopted by the EU
The amendments in Classification of Liabilities as Current or Non-current affect only the presentation of liabilities in the consolidated statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They:

clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies effective from 1 January 2023 not yet adopted by the EU

The entity is required to disclose its material accounting policy information instead of its significant accounting policies, the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if the entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates effective from 1 January 2023 not yet adopted by the EU

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.
The amendments will help companies:

- improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and
- distinguish changes in accounting estimates from changes in accounting policies.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023 not yet adopted by the EU

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information effective from 1 January 2023 not yet adopted by the EU
The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.

The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.

IFRS 14 “Regulatory deferral accounts” effective from 1 January 2016, not adopted by the EU
IFRS 14, “Regulatory deferral accounts” permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

2.4. Summary of significant accounting policies

2.4.1. Basis for consolidation

The consolidated financial statements comprise the financial statements of Parent Company and its subsidiaries as at December 31, 2022.

The Group (investor) controls an investee if and only if the investor owns all of the following:

a) power over the investee (i.e., existing rights that give it the ability to direct the relevant activities of the investee);

b) exposure, or rights, to variable returns from its involvement with the investee, as well as

c) the ability to use its power over the investee to affect the amount of the investor's returns.

Usually there is a presumption that a majority of the voting rights results in control over investee. To support this presumption and when the Group has less than a majority of the rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

a) contractual arrangements with the other vote holders;

b) rights arising from other contractual arrangements;

c) Group’s voting rights or potential voting rights.

The consolidation of subsidiaries starts on the date on which the Group obtains control and continues until the date when the control is lost. Assets, liabilities, revenue and expenses of a subsidiary, acquired or disposed during the reporting period are included in the consolidated financial statements on the date on which the Group acquires control till the date on which the Group ceases to control the subsidiary. In the consolidated financial statements, the subsidiaries' consolidated financial statements are consolidated using the "full consolidation" method, in order, by applying an accounting policy that is unified for major items. The Parent Company's investments are eliminated against the equity interest of the subsidiaries at the acquisition date. Intragroup operations and estimates are completely eliminated.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The owned shares by the Parent Company and subsidiaries' main fields of activities are represented as follows:

Name	Principal activities	Country of incorporation	Number of shares	Ownership %
Eastern European Electric Company B.V. (Referred to as EEEC, Parent Company)	**Finance company**	**Netherlands**		
Electrohold Bulgaria EOOD (Referred to as ELH Bulgaria) (CEZ Bulgaria EOOD, until 28.04.2022)	Business services, purchasing and sale of equipment and materials as well as any other activity, not prohibited by law.	Bulgaria	200 000	100%
Electrohold Sales EAD (Referred to as ELH Sales)	Public Supply of electricity according to the Energy Act (EA) after obtaining and in compliance with the conditions of the obtained license for Public Supply of electricity and every other activity, not prohibited by law.	Bulgaria	5 000	100%
Electrodistribution Grid West EAD (EDG West EAD) (Referred to as EDG West)	Operation of the electricity distribution grid as an aggregation of Medium Voltage, Low Voltage and High Voltage power lines and facilities, used for transmission and distribution of electricity to the end customers connected to the Company's electricity distribution grids (EDG) within the territory where the Company operates, subject to the presence and maintenance of a valid license for electricity distribution for the respective area.	Bulgaria	1 928 000	100%
Electrohold Trade EAD (Referred to as ELH Trade)	Trade in electricity, heating power, gas fuels, and all other types of energy sources after obtaining of the relevant license, in case such a license is required; Research, consulting, designing, financing and construction of energy projects, delivery of energy efficient services, delivery of services under contracts with guaranteed results – ESCO contracts, construction and assembly works, repair works, delivery of materials and equipment.	Bulgaria	500 000	100%
Electrohold ICT EAD (Referred to as ELH ICT)	Trade in integrated systems in the field of information and communication technologies, provision of information, communication and technological services, as well as other technical and consulting services.	Bulgaria	60 000	100%
Free Energy Project Oreshets EOOD (Referred to as FEPO)	Production, construction and operation of power systems and power plants, related to renewable energy resources; production of and trading with energy from renewable resources; purchase of real estate for the purposes of construction, lease or sale; construction and entrepreneur services; marketing researches, consultancy; import and export; commercial representation and intermediary services of Bulgarian and foreign natural persons and legal entities, as well as any other activity non-prohibited by law.	Bulgaria	1 602	100%
Electrohold EPC EOOD (Referred to as ELH EPC)	Preparation of investment projects, execution of construction and assembly activities, supply, purchase /sale of materials /goods, consultations, and assistance in preparation of tendering procedures documentation, as well as any other activity, not prohibited by law.	Bulgaria	500	100%
BARA Group EOOD (Referred to as BARA)	Construction, maintenance and exploitation of energy sites for production of electric power from renewable energy sources and alternative energy sources (after	Bulgaria	500	100%

Name	Principal activities	Country of incorporation	Number of shares	Ownership %
	obtaining of the respective licence and permits); electric power production from renewable energy sources and alternative energy sources (after obtaining of the relevant licenses and permits), internal and external trade, purchase and sale of real estate, construction, commercial representation, intermediation and agency of local and foreign individuals and legal entities; transport and forwarding activities, as well as any other activities not prohibited by law.			

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit and loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When the Group ceases to have control of a subsidiary, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The profit or loss on disposal is calculated as the difference between i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and ii) the previous carrying amount of the assets including goodwill and liabilities of the subsidiary and any non-controlling interest.

2.4.2. Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree that is present ownership interests and entitles their holders to a proportionate share of the entity's net assets in the event of liquidation either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair value of any identifiable net assets exceeds the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if the interest were disposed of.

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date and included as part of the consideration transferred in a business combination. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, is recognized in accordance with IFRS 9 “Financial Instruments” either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

2.4.3. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. See note **Error! Reference source not found.** for i nformation on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Refer to note 2.4.8 for a description of impairment testing procedures.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4.4. Transactions with non-controlling interest

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are treated as transactions with equity owners of the Group. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent Company.

2.4.5. Foreign currency translation

The consolidated financial statements are presented in Bulgarian Leva (BGN), which is the Group’s functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated on a monthly basis by applying the exchange rate published by the Bulgarian National Bank for the last working day of the respective month. All exchange rate differences are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are valued at historical acquisition cost in a foreign currency are translated to the functional currency at the exchange rate as at the dates of initial transaction (acquisition).

The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into BGN at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences, if any, are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity.

On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into BGN at the closing rate.

2.4.6. Property, plant and equipment

Property, plant and equipment are initially stated at cost less the accumulated depreciation and accumulated impairment losses, if any. All costs also include the cost of replacing parts of the property, plant and equipment when these costs are incurred and provided that they meet the criteria for recognition of a non-current tangible asset. All costs also include borrowing costs for long-term construction projects if the recognition criteria are met.

In the case of expenses for fundamental examination and repair/enhancement of plant and/or equipment, they are included in the carrying amount of the asset as replacement costs provided that they meet the criteria for recognition of a non-current tangible asset and in as far as their result in replacement of an essential part of the existing asset or in its improvement, thereby increasing its functionalities and/or production capacity. All other repairs and maintenance costs are recognized in profit or loss in the period in which they are incurred.

Construction in progress is measured at cost. Once an asset is placed in service, all costs associated with it that are stored in the construction work in progress account are shifted into whichever fixed asset account is most appropriate for the asset and depreciation starts.

Depreciation is calculated on the straight-line method over the useful life of assets.

For 2022 and 2021 the useful lives of the Group's property, plant and equipment are estimated as follows:

	Years
Buildings	25 - 50
Computer systems	2 - 5
Measuring equipment and tools	2 - 8
Industrial machines and equipment	2-25
Equipment in transformer units and sub-stations	2 - 20
Power distribution lines and cables -medium and low voltage	20 - 25
Equipment, installations, sewerage, roads, fences	5 -25
Fixture and fittings	2 -8
Vehicles, motor and electric trucks	2 - 7

Depreciation expense on property, plant and equipment is recognized in the line "Depreciation and amortisation" in the Statement of Profit or Loss and Other Comprehensive Income. Tangible fixed assets are derecognised from the consolidated statement of financial position when they are permanently disposed of, and no future economic benefits are expected therefrom or on sale.

The gains or losses arising from the sale of an item of 'property, plant and equipment' group are determined as the difference between the consideration the Group expects to be entitled to (sales revenue) and the carrying amount of the asset at the date when the customer obtains control thereon.

The gains or losses arising from the sale of an item of 'property, plant and equipment' group are determined as the difference between the consideration the Company expects to be entitled to (sales revenue) and the carrying amount of the asset at the date when control is transferred. They are stated on a net basis within 'Other income/(expenses), net' line of the Consolidated Statement of Profit or Loss and Other Comprehensive income. (Note 6).

At the end of each financial year, a review is performed of the residual amounts, useful life and the methods applied for asset depreciation, and if expectations differ from prior estimates, the latter are prospectively adjusted.

2.4.7. Intangible assets

Intangible assets are initially stated at cost less the accumulated amortization and accumulated impairment losses, if any.

The Group has no intangible assets with indefinite useful life.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

For 2022 and 2021 the useful lives of the intangible assets are estimated as follows:

	Years
Rights of use	10 - 20
Software	3 - 12
Others	18- 25

Intangible assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale, at the date of transfer of control to the asset recipient.

The gains or losses arising from the sale of an item of intangible assets are determined as the difference the consideration the Group expects to be entitled to (sales revenue) and the carrying amount of the asset at the date when the customer obtains control thereon. They are stated net within 'Other operating income/(losses)' on the face of the statement of comprehensive income (within profit or loss for the year).

At the end of each reporting year, a review is performed of the useful life and amortisation methods applied with respect to intangible assets with finite lives. The changes in the expected useful life or in the model of consumption of future economic rewards from the intangible asset are accounted for by means of change in the amortisation term or are treated as changes to the accounting estimates.

2.4.8. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The asset's recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or available sources of information about the fair of an assets or cash-generating unit.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised within 'Other expenses' in the consolidated statement of comprehensive income (within profit or loss for the year).

The Group makes an assessment at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income, within the same item in which the impairment itself has been recognized.

Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

2.4.9. Financial instruments

A financial instrument is any contract that simultaneously gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity.

Financial assets

Initial recognition, classification and measurement

Upon initial recognition, financial assets are classified in three groups, based on their subsequent measurement: at amortised cost; at fair value through other comprehensive income, and at fair value through profit or loss.

The Group initially measures financial assets at fair value, and in the case of financial assets which are not stated at fair value through profit and loss, the direct transaction costs are added. An exception to this rule is trade receivables that do not contain a significant financing component – they are measured based on the transaction price determined under IFRS 15 Revenue from Contracts with Customers (Note 3;17).

The purchases and sales of financial assets whose conditions require asset delivery within a certain period, usually pursuant to legislation or the effective practice of the respective market (regular way purchases), are recognised using trade date accounting, i.e. on the date when the Group committed to purchase or sell the asset.

The classification of financial assets upon their initial recognition depends on the characteristics of the contractual cash flows of the respective financial asset and on the Group's business model for management thereof. In order for a financial asset to be classified and measured at amortised value or at fair value through other comprehensive income, its conditions should give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. For this purpose, analysis is performed by means of SPPI test at instrument level.

The Group's business model for the management of financial assets reflects the way the Group manages its financial assets to generate cash flows. The business model determines if cash flows are generated only by the collection of contractual cash flows, the sale of financial assets, or both.

Subsequent measurement

For the purpose of subsequent measurement, the Group's financial assets are classified as financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

The Group measures a financial asset at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. They are subject to impairment. Gains and losses are recognised in the consolidated statement of comprehensive income (within profit or loss for the year) upon asset disposal, modification or impairment.

The Group's financial assets at amortised cost include: cash and cash equivalents at banks, trade and other receivables, and contract assets (Note 17, 20 and 3.2).

Derecognition

A financial asset (or, when applicable, a portion of a financial asset or a group of similar financial assets) is derecognised from the Group's consolidated statement of financial position, when:

- the rights to cash flows from the asset have expired, or
- the rights to cash flows from the asset have been transferred or the Group has assumed an

obligation to pay in full the cash flows received, without undue delay, to a third party under a transfer agreement, in which: a) the Group has transferred substantially all risks and rewards from ownership of the asset; or b) the Group has neither transferred nor retained substantially all risks and rewards from ownership of the asset, but has transferred control thereon.

When the Group has transferred its right to obtain cash flows from the asset or has concluded a transfer agreement, it assesses the extent to which it has retained the risks and rewards of ownership. When the Group has neither transferred, not retained substantially all risks and rewards from ownership of the financial assets, it continues to recognise the asset transferred to the extent of its continuing interest therein. In this case, the Group also recognises the respective liability. The transferred asset and the related liability are measured on a basis reflecting the rights and obligations that the Group has retained.

Continuing involvement in the form of a guarantee on the transferred asset is measured at the lower of the two values: the initial carrying amount of the asset and the maximum amount of consideration that the Group may be required to pay.

Impairment of financial assets

The Group recognises an allowance (impairment provision) for expected credit losses for all debt instruments which are not carried at fair value through profit or loss. Expected credit losses are calculated as the difference between the contractual cash flows due under the contractual conditions, and all cash flows the Group expects to receive, discounted at the initial effective interest rate. Expected cash flows also include cash flows from the sale of collateral held or other credit enhancements that constitute an integral part of the contractual conditions.

Trade and other receivables and contract assets

In order to calculate expected credit losses for trade and other receivables and contract assets, the Group has elected and applies a simplified approach based on an expected credit losses calculation matrix(es) and does not monitor subsequent changes in their credit risk. In this approach, it recognises an allowance (impairment provision) based on lifetime expected credit losses at each reporting date. The Group has developed and applies a provisioning matrix/es (Note 17). The information about the Group's expected credit losses from trade and other receivables and contract assets is disclosed in Note 17 and 18.

Cash

In order to calculate expected credit losses for cash and cash equivalents in banks, the Group applies the general impairment approach under IFRS 9. According to this approach, the Group applies a "three-stage" impairment model based on changes compared to the initial recognition of the credit quality of the financial instrument (asset).

The Group adjusts expected credit losses determined based on historical data with forecast macroeconomic indicators for which it has been established that a correlation exists and which may impact the future amount of expected credit losses (Note 2.5.2 and Note 19).

Participations

Participations, over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence. The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.

If the valuation of a participation based on the net asset value is negative, it will be stated at one. If and insofar as the Parent Company can be held fully or partially liable for the debts of the participation, or has the firm intention of enabling the participation to settle its debts, a provision is recognised for this.

Newly acquired participations are initially recognised on the basis of the fair value of their identifiable assets and liabilities at the acquisition date.
For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis.

The amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the net result achieved by the participation is recognised in the statement of income.

Participations over which no significant influence can be exercised are valued at historical cost. The result represents the dividend declared in the reporting year, whereby dividend not distributed in cash is valued at fair value.

In the event of an impairment loss, valuation takes place at the recoverable amount; an impairment is recognised and charged to the statement of income.

Receivables recognised under financial fixed assets are initially valued at the fair value less transaction costs. These receivables are subsequently valued at amortised cost price, less the amount of impairment accumulated for expected credit losses. For determining the value, any depreciation is taken into account.

Derecognition

Financial assets are derecognised when no reasonable expectation exists for the collection of contractual cash flows.

Financial liabilities

Initial recognition, classification and measurement

The Group's financial liabilities include trade and other payables, loans and borrowings.

All financial liabilities are initially recognised at fair value, and in the case of loans and borrowings and trade and other payables, net of direct transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification.

Classification groups

Loans and borrowing

Following their initial recognition, the Group measures interest-bearing loans and borrowings at amortised cost, applying the effective interest method. Gains and losses are recognised in the consolidated statement of comprehensive income (within profit or loss for the year) when the respective financial liability is derecognised, as well as through amortisation based on the effective interest rate.

The amortised cost is calculated by taking into consideration any discounts or premiums at acquisition, as well as fees or costs that constitute an integral part of the effective interest rate. Amortisation is stated as a "finance cost" in the consolidated statement of comprehensive income (within profit or loss for the year).

Derecognitions

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income (within profit or loss for the year).

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position, if a legally enforceable right exists to offset the recognised amounts and if there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

This requirement results from the concept of the actual economic nature of the Group's relations with a given counterpart stating that in the simultaneous presence of these two requirements the expected actual future cash flow and rewards for the Group is the net flow, i.e. the net amount reflects the Group's actual right and obligation resulting from these financial instruments – in all cases to only receive or pay the net amount. If the two conditions are not simultaneously met, it is assumed that the Group's rights and obligations with respect to these offsetting financial instruments are not exhausted in all situations by only the payment or receipt of the net amount.

The offsetting policy is also related to the measurement, presentation and management of actual credit risk and the liquidity risk pursuant from these offsetting instruments.

The criteria applied to establish the "current and legally enforceable entitlement to offsetting" are:

- lack of dependence on a future event, i.e. it should not only be applicable upon the occurrence of a future event;
- the offsetting should be enforceable and legally defendable during (cumulatively):
    - the Group's usual business operations;
    - in case of default/delay, and
    - in case of insolvency.

The applicability of criteria is measured against the requirements of the Bulgarian legislation and the contractual relations between the parties. The condition of "presence of current and legally enforceable right to offsetting" is always and mandatorily assessed together with the second condition – for "mandatory settling of these instruments on a net basis".

2.4.10. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments – interest swaps, to hedge risks related to change in interest rates. These derivative financial instruments are initially recognised at fair value on the date of concluding the derivative contract. Following their initial recognition, derivatives continue to be measured at fair value. They are carried as financial assets when the fair value is positive, and as financial liabilities when the fair value is negative.

The fair value is determined based on observable market data (Level 2) for the respective type of trade derivative instruments – the source of information is the counterparty bank that uses its own information sources for market price levels and appropriate valuation methods and techniques to determine and offer to the Group reasonable amounts of fair value.

The Group has decided to recognize the contracts for derivative financial instruments (swaps) as an "economic hedge".

Derivative instruments are classified and presented according to their residual maturity (up to / over 12 months) within current or non-current financial assets and liabilities.

Gains or losses from revaluation of derivatives (non-classified for reporting by the special procedure of IFRS 9 for (cash flow) hedge accounting is currently recognised in the consolidated statement of comprehensive income (within profit or loss for the year) as "finance income", respectively "finance costs".

2.4.11. Fair value measurement

Some of the Group's assets and liabilities are measured and presented and/or only disclosed at fair value for the purpose of financial reporting. Such are: <u>on recurrent (annual) basis</u> – *financial assets at fair value through profit or loss (derivatives), loans granted and received to/from third parties and loans received, certain trade and other receivables and payables, finance lease receivables and payables, etc.*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. Fair value is an exit price and is based on the assumption that the sale transaction will take place either in the principal market for this asset or liability or in the absence of a principal market – in the most advantageous market for the asset or liability. Both the designated as a principal market and the most advantageous market are markets to which the Group must have an access.

Fair value is measured from the perspective of using the assumptions and judgments that potential market participants would use when pricing the respective asset or liability assuming that market participants act in their economic best interest.

In measuring the fair value of non-financial assets, the starting point is always the assumption what would be the highest and best use of the particular asset for the market participants.

The Group applies various valuation techniques that would be relevant to the specific features of the respective conditions and for which it has sufficient available inputs while trying to use at a maximum the publicly observable information, and respectively, to minimize the use of unobservable information. It uses the three acceptable approaches – the market approach, the income approach and the cost approach – whereas the most frequently applied valuation techniques include directly quoted and/or adjusted quoted market prices, market comparable (analogues) and discounted cash flows, including based on capitalised rental income.

All assets and liabilities that are measured and/or disclosed in the consolidated financial statements at fair value are categorised within the following fair value hierarchy, namely:

> Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
>
> Level 2 — Valuation techniques that use inputs other than directly quoted prices but are observable, either directly or indirectly, including where the quoted prices are subject to significant adjustments; and
>
> Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are measured at fair value in the consolidated financial statements on a recurring basis, the Group determines at the end of each reporting period whether transfers between levels in the fair value hierarchy are deemed to be made for a particular asset or liability depending on the inputs available and used at that date.

The Group has developed internal rules and procedures for measuring the fair value of various types of assets and liabilities.

2.4.12. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, in BGN and foreign currency respectively as well as short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash and cash equivalents are subsequently measured at amortised cost, less the impairment accrued for expected credit losses.

2.4.13. Inventories

Inventories are valued at the lower of cost and net realisable value.

The purchase costs of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of spare parts. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The costs incurred in using inventories are measured as follows:

Spare parts	–	purchase cost on a weighted average basis;
Materials	–	purchase cost on a weighted average basis.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The policy for presentation and accounting for inventory stocks intended for the construction of non-current assets reflects the specific nature of activity – namely, simultaneous and active construction of specialized assets, energy facilities and equipment, as well as ongoing maintenance of the electricity distribution grid in constant operability. Therefore, the Group has decided to present all inventory stocks as current assets within "inventories", since at the stage of supply and storage thereof they could be equally used for both repair activities to support grid operability and quick reaction in any situations, and for capital works and asset construction; respectively, this portion of materials is capitalized within specific equipment and facilities. Therefore, the Group has determined the point of transfer of materials to non-current assets within property, plant and equipment to be the point in time when the need of consumption thereof is identified for the purpose of implementing the subsidiaries' investment programme, i.e. the point of identification of the specific investment project in which the asset will be utilized.

2.4.14. Trade receivables

Trade receivables constitute the Group's unconditional entitlement to consideration under contracts with customers and other counterparties (i.e. it is only dependent on the passage of time before payment of the consideration).

Initial measurement

Trade receivables are initially recognised and carried at fair value based on the transaction price, which is usually equal to the invoice amount, unless they contain a significant financial component, which is not additionally charged. In this case they are recognised at their present amount determined at a discount equal to the interest associated to the debtor.

Subsequent measurement

The Group holds trade receivables only for the purpose of collecting contractual cash flows and subsequently measures them at amortised cost less the amount of impairment accumulated for expected credit losses (Note 17).

Impairment

The Group applies the expected credit losses model for the entire term of all trade receivables, using the simplified approach under IFRS 9, and based on the matrix model for loss percentage (Note 2.5.2)

The impairment of receivables is accrued through the respective corresponding allowance account for each type of receivables within "Expected credit loss and impairment expenses on financial assets" in the consolidated statement of comprehensive income (within profit or loss for the year).

2.4.15. Trade and other payables

Trade and other current payables in the consolidated statement of financial position are presented at the original invoiced amount (acquisition cost), which is designated as the transaction's fair value and will be paid in the future in return for the goods and services obtained.

In case of deferred payment exceeding the usual credit period, for which no additional interest payment is envisaged, or the interest substantially deviates from the usual market interest rate, payables are initially measured at their fair value based on their present value at a discount rate applicable for the Group, and subsequently – at amortised cost (Note 29).

2.4.16. Interest-bearing loans and other borrowings

In the Consolidated Statement of Financial Position, all loans and other borrowings are initially presented at acquisition cost (nominal amount) which is designated as the fair value of the transaction's deliverable, net of the direct costs related to these loans and borrowings. Following their initial recognition, interest-bearing loans and other borrowings are subsequently measured and presented in the Consolidated Statement of Financial Position at amortised cost, determined by means of the effective interest method. The amortised cost is calculated by considering all charges, commissions and other costs, including discounts and premiums associated with these loans. Gains and losses are recognised in the Consolidated Statement of Comprehensive Income (within profit or loss for the year) as finance income or expenses (interest) over the amortisation period or when the payables are written-off or reduced (Notes 8, 9, 24, 26.1.2).

Interest costs are recognised for the term of the financial instrument based on the effective interest method.

Interest-bearing loans and other borrowings are classified as current, except for the portion thereof for which the Group has an unconditional right to settle its obligation within over 12 months from the end of the reporting period.

2.4.17. Equity, share premium, retained earnings and dividend

Share capital is presented at the nominal value of shares issued and paid.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Reserves include actuarial reserves which are the present value from the acquisition date as of 31.12.2022 of the future liabilities to the personnel for benefits in case of termination of employment due to illness or after acquiring the right to a pension for length of service and age, according to IAS 19 which requires recognition of a liability when an employee has worked (provided services) in exchange for income that is payable in the future.
The present value of the payment obligations represents the present value of the expected future payments required to settle the obligation arising from the employees' seniority /work experience/ in the current and prior periods.

Retained earnings/Accumulated losses include all retained profits and uncovered losses for the holding period of subsidiaries and all current and prior period retained profits and uncovered losses of the Parent Company.

Dividend payables to shareholders/owners, if any, are included in “Related parties payables” by approval at the general meeting of shareholders/owners prior to the reporting date.

All transactions, if any, with owners of the parent are recorded separately within equity.

2.4.18. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, there is a probability that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects that some or all provision settlement costs will be recovered, for example under an insurance agreement, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured based on the approximate best assessment of the total amount of costs to be incurred by the Group to settle the liability. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects the risks specific to the liability. Provision expenses are presented in the Consolidated Statement of Comprehensive Income, net of the amount of expenses recovered. Where discounting is used, the increase in the provision due to the passage of time is recognised as a financial cost (Note 30).

2.4.19. Retirement benefits

Short-term benefits

Short-term employee benefits in the form of remuneration, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or have met the required terms and requirements) are recognised as an expense in the consolidated statement of comprehensive income (within profit or loss for the year), unless a specific IFRS requires this amount to be capitalised within an asset’s cost, in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount.

At the date of the consolidated financial statements, the Group measures the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated expenses on the employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

Long-term retirement benefits

Defined benefit plans

The major duty of the Group in its capacity as an employer is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund and for health insurance. The rates of social security and health insurance contributions are defined under the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC). These social security and pension plans, applied by the Group in its capacity of an employer are defined contributions plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient means to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are analogous.

There is no established and functioning private voluntary social security fund at the Group.

The contributions payable by the Group under defined contribution plans for social security and health insurance, are recognised as a current expense in the consolidated statement of comprehensive income (within profit or loss for the year) unless a particular IFRS requires this amount to be capitalised to the cost of an asset, and as a current liability at their undiscounted amount along with the accrual of the respective employee benefits to which the contributions refer and in the period of rendering the underlying service.

In accordance with the Labour Code, the Group in its capacity as an employer in Bulgaria is obliged to pay an indemnity to its personnel when coming of age for retirement, at an amount which, depending on the length of service with the entity, varies between two and six gross monthly salaries at the employment termination date. In their nature these are unfunded defined benefit schemes.

The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they shall be presented in the consolidated statement of financial position, and respectively, the change in their value – in the statement of comprehensive income as follows: a) current and past service costs, interest costs and effects of curtailment and settlements are recognised immediately when incurred and are presented within current profit or loss in the item 'employee benefits expense'; and b) the effects of obligation remeasurement, which in substance represent actuarial gains and losses, are recognised immediately when incurred and are presented within other comprehensive income in the item 'remeasurement of defined benefit pension plans'. Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments.

At the end of each reporting period, the Group companies assigns certified actuaries who provide their report with calculations regarding the long-term retirement benefit obligations. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation and using the interest rates of long-term government bonds of similar term, quoted in Bulgaria where the Group itself operates.

Termination benefits

Under the local provisions of the employment and social security legislation in Bulgaria, the Group as employer is obliged to pay upon termination of the employment contract before retirement certain types of benefits.

The Group recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on announced plan, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the consolidated statement of financial position at their present value.

2.4.20. Cash dividend and non-cash distribution to equity holders

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised (i.e. approved by the shareholders) and the distribution is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised within profit or loss for the year.

2.4.21. Leases

Assessment of lease recognition

At the lease inception (the earlier of the date of a lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease), the Group performs analysis and assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.4.21.1. Lessee

The Group applies a uniform model for recognition and measurement of all leases, except for short-term leases (leases with a lease term of 12 months or less and which do not contain a purchase option) and leases of low value assets (such as tablets, personal computers, telephones, office equipment, etc.).

The Group has not elected to apply the practical expedient of IFRS 16, which allows a lessee, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

a) right-of-use assets

The Group recognises right-of-use assets in the consolidated statement of financial position at the commencement date of the lease, i.e. the date on which a lessor makes an underlying asset available for use by the lessee.

Right-of-use assets are presented in the statement of financial position at acquisition cost, less the accumulated depreciation, impairment losses and adjustments resulting from remeasurement and adjustments to the lease liability. The acquisition cost includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group in its capacity as lessee;
- costs for dismantling and removing the underlying asset, restoring the site on which the asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease;

The Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the asset is transferred under the lease by the end of the lease term, the Group shall depreciate it to the end of the useful life. Depreciation shall be charged from the commencement date.

The depreciation terms by types of underlying assets are as follows:

- offices and parking places for administrative needs – 5-6 years;
- real estate – municipal land – 9 years;
- energy sites and facilities – 5 years.

The Group has elected to apply the acquisition cost model for all of its right-of-use assets.

Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets, by applying an impairment determination and reporting policy analogous to the one for property, plant, and equipment. The recoverable amount of right-of-use assets is the higher of the fair value less disposal costs, or value in use. To determine assets' value in use, future cash flows are discounted to their present amount, by applying a pre-tax discount rate reflecting the market conditions and time value of money and the risks inherent to the respective asset. Impairment losses are determined as the difference between the recoverable and carrying amount (when the recoverable account is lower than the carrying amount) and are presented in the consolidated statement of comprehensive income as 'other expenses'.

Right-of-use assets are presented on a separate line in the consolidated statement of financial position, and depreciation thereof – within 'depreciation and amortization expenses' in the consolidated statement of comprehensive income.

b) lease liabilities

The Group recognises lease liabilities at the commencement date, measured at the present value of the lease payments that are not paid at this date. They include:

fixed lease payments (including in-substance fixed payments), less any lease inceptives receivable;

variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

the exercise price of the purchase options, if the lessee is reasonably certain to exercise this option;

payments of penalties for terminating the lease, of the lease term reflects the exercise of an option to terminate the lease;

the amount expected to be payable by the Group to lessor under residual value guarantees.

Variable lease payments that do not depend on an index or a rate, but are dependent on performance or use of the underlying asset, are not included in the measurement of the lease liability and the right-of-use asset. They are recognised as current expenses in the period when the event or circumstance resulting in these payments arises and are stated within profit or loss for the year.

Lease payments are discounted using the interest rate implicit in the lease, of that rate can be readily determined, or the Group's incremental borrowing rate, which it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments (instalments) contain a certain ratio of the finance cost (interest) and the respective portion of the lease liability (principal). Interest costs for the lease are presented in the statement of comprehensive income (within profit or loss for the year) for the lease period on a periodic basis, so as to achieve constant periodic rate of interest on the remaining balance of the lease liability, and are presented as "finance costs".

Lease liabilities are stated on a separate line in the consolidated statement of financial position.

The Group subsequently measures the lease liability by:

increasing the carrying amount to reflect the interest on the lease liability;
reducing the carrying amount to reflect the lease payments made;
remeasuring the carrying amount to reflect any reassessment or lease modifications of the lease;
residual value guarantees are reviewed and if necessary, adjusted, at the end of each reporting period.

The Group remeasures the lease liabilities (and makes corresponding adjustments to the related right-of-use assets) whenever:

- the lease term has changes or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged (original) discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

c) Short-term leases and leases of low-value assets

The Group has elected the exemption from recognition of right-of-use assets and lease liabilities under IFRS 16 for low-value leases of parking places, rental of multi-filtration water dispensers, which the Group considers to be at a low value when new and are independently used at the Group without dependence or close relation to other assets, and rental of pool car vehicles, which the Group states as short-term leases.

Payments related to short-term leases and leases of low-value assets are recognised directly as current expenses in the consolidated statement of comprehensive income (within profit or loss for the year) on a straight-line basis over the lease term.

2.4.21.2. Lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease; all other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Operating lease

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. They are stated within 'Other revenue' line of the Statement of Profit or Loss and Other Comprehensive income. (Note 5)

The underlying asset which is subject to the lease shall remain and be stated within the Group's statement of financial position.

2.4.22. Revenue

The Group's usual income is for the activities disclosed in Note 3.

Recognition of revenue from contracts with customers

The Group's revenue is recognised when control over the goods and/or services promised in the *contract with the customer* is transferred to the customer. Control is transferred to the customer upon satisfaction of the contractual performance obligations through transfer of the promised goods and/or provision of the promised services.

Measurement of contracts with customers

The Group accounts for a contract with a customer only if upon its enforcement:
a. it has commercial essence and rationale;
b. the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform it;

c. each party's rights can be identified;
d. the payment conditions can be identified; and
e. it is probable that the Group will collect the consideration to which it is entitled upon performing its performance obligations. In evaluating whether collectability of an amount of consideration is probable, the Group considers all relevant facts and circumstances of the transaction, including past experience, customary business practices, published rules and declarations made by the Group, collaterals and possibilities for satisfaction.

A contract for which any of the above criteria has not yet been met is subject to new assessment in each reporting period. The consideration received under such contracts shall be recognised as payable (*contract liability*) in the consolidated statement of financial position, until: a. all criteria for recognizing a contract with a customer are met; b. the Group meets its performance obligations and has received the whole or almost the whole remuneration (which is not recoverable); and/or c. when the contract is terminated, and the remuneration received is not recoverable.

Upon the initial measurement of its contracts with customers, the Group makes additional analysis and judgement whether two or more contracts should be combined and accounted for as a single contract, respectively whether the products and/or services promised in each separate and/or combined contract should be accounted for as a single and/or multiple performance obligation(s).

Each promise to transfer goods and/or services which are distinct (in nature and in the context of the contract) of essentially the same nature and the same model of transfer to the customer is accounted for as a separate performance obligation. Each promise to transfer a series of distinct goods and/or services of essentially the same nature and the same model of transfer to the customer is accounted for as a separate performance obligation.

The Group recognises revenue for *each separate performance obligation* at the level of *individual contracts with customers*, by analysing the type, term and conditions of each particular contract. For contracts with similar features, revenue is recognised on a portfolio basis, only if their grouping into a portfolio would not have a materially different impact on the consolidated financial statements.

Measurement of revenue under contracts with customers

Revenue is measured based on the *transaction price* determined for each contract.

The transaction price is the amount of consideration to which an entity expects to be entitled, excluding amounts collected on behalf of third parties. Upon determining the transaction price, the Group takes into consideration the contractual conditions and its customary business practices, including the impact of variable consideration, the existence of a significant financing component in the contract, non-cash consideration, consideration payable to the customer (if any). In contracts with more than one performance obligations, the transaction price is allocated between each performance obligation based on the standalone selling prices of each good and/or service determined based on one of the methods permitted under IFRS 15, priority being given to the method of "observable selling prices".

*The change in the scope or price (*or both) of the contract is accounted for as a separate contract and/or as part of the existing contract, depending on whether the change is related to the addition of goods and/or services which are distinct, and on the price determined for them. Depending on that:

a) the Group accounts for a contract modification as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct, and the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods and/or services;

b) the Group accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract (future application), if the remaining goods and/or services are distinct from the goods and/or services transferred before the contract modification, but the change in the contract price does not reflect the standalone selling price of the goods and/or services added;

c) the Group accounts for the contract modification as if it were a part of the existing contract (cumulative adjustment) if the remaining goods and/or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied.

Performance obligations under contracts with customers

The revenue generated by the subsidiaries as follow:

Revenue from the sale of electricity

Revenue from construction services for building energy installations
Services for access to and transmission along the electricity distribution grid
Services for the connection of new customers to the electricity distribution grid
Other services - services for survey, repair and maintenance of the electricity distribution grid and commercial metering devices.
Information, communication and technological services (ICT services)
Production of electricity

The Parent Company and the subsidiaries have concluded that they act as principals in their contracts with customers, unless explicitly stated otherwise, since they usually control the goods and services prior to their control to the customers.

Principal vs. agent, net or gross presentation

Electrodistribution Grid West provides services for access to the high-voltage electricity grid (HV) and transmission along the high-voltage electricity grid (HV), as well as the services for collecting a fee for access to the electricity distribution grid for producers of energy from renewable sources, which is payable by solar and wind energy producers connected to the electricity transmission and electricity distribution grid.

With respect to these services, the subsidiary has concluded that it does not control the services before, during and after their provision to the customers and its obligation is rather to collect the amounts due by customers on behalf of a third party (the Electricity System Operator – ESO), which is legislatively regulated. Therefore, the Parent Company has decided to present the revenue and costs from these transactions net in the consolidated statement of comprehensive income.

Electrohold ICT has concluded that it acts as an agent in the supply of specialized equipment – ground Lidar equipped with a metering device, on behalf of a third party. For this supply, Electrohold ICT has determined that it acts as an agent, since it rather provides the equipment on behalf of a third party, and does not control the goods prior to their transfer to the customer. Other expenses have been decreased by the same amount.

Electrohold Sales was obliged to purchase electricity from RES producers with capacity up *to 4 MW* at a preferential price and to sell this electricity to the National Electricity Company (NEC), until September 30, 2019 in accordance with the effective legislation. From October 1, 2019 a change in the legislation was made according to which the obligation of the Company is for purchase of electricity from RES producers with capacity up *to 1 MW.*

For these sales Electrohold Sales has determined that it does not control the goods prior to their transfer to the NEC and is not in a position to direct their use or obtain rewards from the goods. Therefore, the Company has determined that in the performance of these contracts it acts as an agent.

Since November 1, 2018 pursuant to an amendment to the Energy Act (EA), RES producers with power capacity higher than or equal to 4 MW and, resp. as of October 1, 2019 RES producers with power capacity higher than or equal to 1 MW, are obliged to see the electricity produced to the Bulgarian Independent Energy Exchange (IBEX). The Company has two types of contracts concluded with such RES producers. Usually it sells on their behalf to IBEX the volumes according to a submitted by them daily schedule for the produced electricity. The same volume of the monthly produced electricity at the achieved average selling price on the exchange, the Company purchases from the RES producers. The Company receives consideration in the form of fee which is calculated based on the energy volumes produced in a past period (on a monthly basis) on behalf of the respective RES producers on the IBEX. Also, from October 1, 2019, the Company has concluded another type of contracts with RES producers to sell the electricity produced by them on IBEX and purchase the electricity at fixed price. For these sales the Company bears the price risk from the sale of electricity. The remaining obligations and conditions under the second type contracts are identical to the first type.
Electro has determined that it does not usually control the goods prior to their transfer to the IBEX and is not in a position to direct their use or obtain rewards from the goods, mostly under the first type of contracts with RES, since:

it does not bear primary responsibility for fulfilment of the performance obligations;
it cannot determine the volume of electricity produced;
it is not free to negotiate prices.

Due to the above, the Company has determined that in the performance of these contracts it acts as an agent.
The sales revenue under these contracts is recognised at the amount of the fee (net remuneration) that the Company retains after paying to the other party the consideration received for the electricity volumes sold on the IBEX.

Under the second type RES contracts, the Company judges whether it acts as an agent or principal considering the concrete obligations undertaken to the respective RES and respectively the risks borne. In the cases when it has obligations outside the intermediary function, and bears the risks for realization of the electricity to third parties, and respectively, risks related to the negotiations in the supply chain, including price; market and in addition the credit risk from collectability, the Company determines that it acts as a principal and reflects the revenue gross. In all other cases when it has an intermediary function – the Company determines that it acts as an agent and reflects the revenue net.

Under the Electricity Market Rules and EWRC's price decisions, through the sales of electricity, the Company collects from its customers amounts due to third parties in relation to:

- grid service fees determined at EWRC prices in favour of the distribution companies;
- amounts billed to customers on the grounds of Art. 51 of the Electricity Metering Rules (repealed by SG, issue 97 dated November 23, 2018) at a price determined by EWRC in favour of the distribution companies;
- the "obligation to society" component at a price determined by EWRC in favour of Energy System Security Fund (ESSF) for the period after July 1, 2018 and in favour of NEC for the period until June 30, 2018.

Electrohold Sales does not exercise control and cannot control or determine the amounts described hereinabove, nor does it receive consideration for these sales, since it pays to third parties the full amount of the payment collected from customers. Therefore, the Company has determined that its obligation is rather to collect the amounts due by customers on behalf of third parties, which is a statutory obligation. Therefore, it has elected to present revenue and expenses related to these transactions net in the statement of comprehensive income.

Electrohold Trade, according to the Rules on trade with electricity and EWRC's Price Decisions, by selling electricity, collects from its customers amounts due to third parties, in relation to:

- network service fees determined at EWRC prices in favour of the distribution companies – transmission and access fees;
- the "obligation to society" component at a price determined by EWRC in favour of Energy System Security Fund (ESSF) for the period after July 1, 2018 and in favour of NEC for the period until June 30, 2018.

The Company does not exercise control and cannot control or determine the amounts described hereinabove, nor does it receive consideration for these sales, since it pays to third parties the full amount of the payment collected from customers. Therefore, the Company has determined that its obligation is rather to collect the amounts due by customers on behalf of third parties, which is a statutory obligation. Therefore, it has elected to present revenue and expenses related to these transactions net in the statement of comprehensive income.

Electrohold Bulgaria considers itself :

- to be the principal with regard to the goods sold. Revenue from the sale of goods is recognized at a point in time when the transfer of the control over the goods occurs.
- acts as an agent with regard to some of the services provided, such as some consultancy services, part of rental costs, collection fees, outsourced services provided by commercial centers, GPS systems, part of the expenses for publications, advertisements, announcements, etc.

Transaction price and payment terms

Electrodistribution Grid West performs its licensing activity under general and individual administrative acts issued by The Energy and Water Regulatory Commission, which are obligatory for execution, including with respect to price formation. Prices are regulated by the state.

Upon determining the transaction price, the Group also takes into consideration variable consideration and the presence of a significant financing component (*if any*).

Electrohold Sales performs its licensing activity under general and individual administrative acts issued by The Energy and Water Regulatory Commission, which are obligatory for execution, including with respect to price formation.
The prices applicable for sales under the End Supplier and Last Resort Supplier licenses are regulated by the state.

With respect to sales under the Electricity Trade license, the transaction price is usually determined as a fixed (unit) selling price set in a contract, in accordance with a general or customer-specific price list and may include a variable consideration and a significant financing component effect (if any). Sales on the IBEX are carried out at exchange prices valid for the date and time of the transaction.

Electrohold Trade supplies electricity to corporate and business customers and trades on the wholesale market at free prices separately determined for each transaction.

Variable consideration

The variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The forms of variable consideration include contract penalties – *penalties for default of a party's obligation, including for quality performance by the Group companies.*

Variable consideration in the form of penalties are included as a deduction of the transaction price only if payment is very probable. The Group's experience shows that historically, it has observed the requirements of contracts with customers and has not charged penalty payables. The receipt of variable consideration in the form of penalties due by the customer depends on customers' actions.

Therefore, it is only included within the transaction price where the uncertainty of receipt has been resolved. Such is usually interest due for customers' late payment.

Significant financing component

Advance payment

In contracts with customer usually pays in advance. The Group has performed an analysis and has determined that the duration of the period from the customer's payment and the transfer of control over these services is usually less than twelve months, therefore, there is no significant financing component.

When the period exceeds 365 days, the Group has determined that a financing component exists, since the purpose of the advance payment is to ensure the performance of customers' obligations, including upon contract termination due to a reason other than default.

The advance payments received are carried as contract liabilities and are recognised as revenue following the construction of the asset, thereby the connection service is carried out.

Contract costs

The Group states as contract costs the following:

- the additional and directly related expenses it incurs upon concluding a contract with a customer, which it expects to recover over a period longer than twelve months ***(costs to obtain a contract with a customer)*** and
- the expenses it incurs to fulfil a contract with a customer and which are directly related to the specific contract, support the generation of resource to be used in the contract fulfilment and the Group expects to recover them over a period longer than twelve months (*costs to fulfil such contracts)*.

In its usual business activity, the Group does not incur any direct and specific costs to obtain contracts with customers and contracts to fulfil such contracts which would not have occurred if the respective contracts had not been concluded and which are subject to capitalisation.

Contract balances

Trade receivables and contract assets

Trade receivables constitute the Group's unconditional entitlement to consideration under contracts with customers and other counterparties (i.e. it is only dependent on the passage of time before payment of the consideration).

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer but is not unconditional (receivable accrual). If by transferring the products and/or providing the services the Group performs its obligation to the customer to pay the respective consideration and/or before the payment is due, a contract asset is recognised for the consideration worked-out (which is conditional). Recognised contract assets are reclassified as trade receivables when the right to consideration becomes unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The initial measurement, remeasurement and impairment of trade and other receivables and contract assets are disclosed in Notes 3.2 and 17.

Contract liabilities

A contract liability is the consideration received from the customer and/or the unconditional right to receive consideration before it has performed its contractual obligations. Contract liabilities are recognised as revenue when (or as) the performance obligations are satisfied.

Contract assets and contract liabilities are stated separately from trade receivables and payables in the consolidated statement of financial position. They are included within the group of current assets when their maturity is within 12 months or within the Group's usual operating cycle, and the others are stated as non-current.

Assets and liabilities from a single contract are stated net in the consolidated statement of financial position, even if they result from difference performance obligations in the contract.

Following their initial recognition, trade receivables and contract assets are subject to review for impairment pursuant to the conditions of IFRS 9 *Financial Instruments*.

Impairment losses from contracts with customers are stated separately from other impairment losses.

Other revenue from customers

The Group treats as other revenue rental income from the operating lease of property, plant and equipment, and revenue from amounts billed upon established incomplete or inaccurate measurement pursuant to Art. 56(1) of the Electricity Metering Rules.

The Group usually presents income from expired payables written-off, revenue from default penalties, different from delayed payment penalties under contracts with customers and others. Revenue from delayed payments penalties is recognised as revenue to the amount for which a high probability exists for the Company to obtain economic rewards.

2.4.23. Finance income and costs

Finance income

Finance income is included in the consolidated statement of comprehensive income (within profit or loss for the year) when earned, and comprises: interest revenue from current accounts and term deposits.

Interest income is calculated by applying the effective interest rate on the gross carrying amount of financial assets, with the exception of financial assets, which are credit-impaired (Stage 3), for which interest income is calculated by applying the effective interest rate on their amortised cost (i.e. the gross carrying amount adjusted for impairment allowance).

Finance costs

Finance costs are included in the consolidated statement of comprehensive income (within profit or loss for the year) when incurred and comprise: interest costs on loans obtained, interest costs on leases, and bank charges on loans and guarantees.

2.4.24. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred revenue and released to income in equal amounts over the expected useful life of the related asset. Where the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and the income is released to the consolidated statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

2.4.25. Technological costs from distribution of electricity

Technological costs occur as a result of the transfer of electricity to end-consumer trough distribution grid. Based on the methodology adopted, the EWRC approves a maximum annual level of technological losses as a percentage and monthly deviations rates. Both, a percentage and monthly deviations rates, are disclosed in Note 4.

2.4.26. Taxes

Current corporate income tax

Current income tax assets and liabilities for the current and prior periods are recognised at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are debited or credited directly in equity (and not in the consolidated statement of comprehensive income) when the tax relates to items recognised directly in the current or prior periods equity.

Deferred income tax

Deferred taxes are recognised using the balance sheet method for all temporary differences of each consolidated entity as at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts, including if any have arisen as a result of consolidation adjustments.

Deferred tax liabilities are recognised for all taxable temporary differences, except to the extent to which the deferred tax liability arises from the initial recognition of an asset or liability from a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax credits and unused tax losses, but to the extent that it is probable they will reverse and a taxable profit will be available or taxable temporary differences might occur, against which these deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized, with the exception of the differences arising from the recognition of an asset or liability, which has affected neither the accounting nor taxable profit /(loss) at the transaction date.

The carrying amount of deferred tax assets is reviewed by the Group entities at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be realised to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be realized to allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in equity in the current or prior periods is debited or credited directly to equity (and not in the consolidated statement of comprehensive income).

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax assets and liabilities relate to income tax imposed by one and the same taxation authority for one and the same taxable entity.

For 2022 the nominal tax rate applied is 10%.

Value added tax ("VAT")

Revenue, expenses and assets are recognised net of value added tax (VAT) except where:

VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2.5. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainties related to the made assumptions and estimates could result in factual outcomes that could require material adjustments to the carrying amount of respective assets or liabilities in future reporting periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are described below.

It is the judgement of the Group's management that there are presently no clear and specific factors that impact the main assumptions related to future and other main sources of uncertainty in the estimates at the reporting risk for which a significant risk exists of adjustments to the carrying amounts of assets and liabilities in the next reporting period.

2.5.1. Revenue from contracts with customers

Upon the recognition of revenue and the preparation of the consolidated financial statements of the Group, the management makes various judgements, estimates and assumptions that impact the revenue, expenses, contract assets and liabilities accounted for and the respective disclosures. As a result of the inherent uncertainty of these assumptions and estimates, significant adjustments may arise to the carrying amount of the respective assets and liabilities in the future, accordingly to the expenses and revenue accounted for.

The key judgements and assumptions that have a significant impact on the amount and period of recognition of revenue from contracts with customers are disclosed in detail in the Accounting Policy, Note 2.4.22, and are as follows:

Determining the point in time of satisfying performance obligations for the service of connection to the electricity distribution grid – the Parent Company has performed an analysis and has determined that control is transferred to the customer at a point in time, when the connection assets are

constructed and commissioned and the connection service has been rendered;
Estimate of variable consideration - penalties for default of contractual obligations;
Judgement on significant financing component – when the period between the customer's payment for the services promised and the point of transfer of control over these services exceeds 365 days;
Principal vs. agent considerations;
Determining the point of satisfaction of performance obligations in the case of electricity sales and contracts for the construction of energy installations.

2.5.2. Calculation of expected credit losses from financial assets measured at amortised cost

The measurement of expected credit losses for financial assets stated at amortised cost (trade and other receivables and contract assets) granted is an area that requires the use of complex models and material assumptions for future economic conditions and the credit behaviour of customers and debtors (for instance, the probability of counterparties not meeting their obligations and the pursuant losses).

In order to apply these requirements, the Group's management makes a number of material judgements, such as: a) determining criteria to identify and measure significant credit risk increases; b) selection of suitable models and assumptions to measure expected credit losses; c) establishing groups of similar financial assets (portfolios) for the purpose of measuring expected credit losses; d) establishing and assessing the correlation between historical default rates and the behaviour of certain macro indicators to reflect the effects of forecasts for these macro indicators in the calculation of expected credit losses (Notes 17, 18)

Trade and other receivables

The Group uses a provisioning matrix to calculate expected credit losses from trade and other receivables and contract assets. The provision rates are based on days past due for groups from different customer segments (portfolios) sharing similar loss models (type of client by sector).

Each provisioning matrix is initially based on detailed historical observation of default rates in the Group's receivables and the movement of receivables by delay groups. Usually, historical data is used for two years as per the consolidated financial statement's date. Additionally, the Group calibrates the matrix so as to adjust historically ascertained dependence for credit losses with forecast information by also using probability scenarios. For instance, if forecast economic conditions are expected to aggravate or improve in the next year, which might result in proven correlational increase in delays for a certain sector (type of customer), the historic default rates are adjusted. At each reporting date, the observable historical default rates are updated and the effects of changes in the estimates are accounted for.

Regarding trade receivables from related parties and contract assets under contracts with customers – related parties, the Group's management has performed special analyses and has tracked collectability and has determined that they contain a negligible percentage of expected losses due to the established control mechanisms for monitoring and settling intragroup accounts at company level. Therefore, it has applied a "100% percent collection" rating for receivables from other entities within The Group.

The assessment of the relation between observable historical default rates, the forecast economic conditions and expected credit losses is a significant accounting judgement. The amount of expected credit losses is sensitive to changes in circumstances and forecast conditions. The Group's historical credit closes and the forecast economic conditions may deviate from actual collection rates in the future.

The information about expected credit losses from trade and other receivables and contract assets is disclosed in Notes 17, 18.

Cash

In order to calculate expected credit losses for cash and cash equivalents at banks, the Group applies a „three-stage" impairment model established by IFRS 9. For this purpose it applies a rating model by using the banks' ratings as determined by internationally recognised rating firms such as Moody's, Fitch, S&P, BCRA and Bloomberg. Based on this, on the one hand, public data is used for the PD (probability of default) of the respective bank, and on the other hand, based on the change in a bank's rating, the Group determines the presence of increased credit risk. Loss given default is measured based on the formula.

Accrued credit loss for impairment of cash and cash equivalents is presented in Note 20.

2.5.3. Provision for court claims and provision for penalties

The Group is involved in a certain of litigations and proceedings giving rise to provisions and contingent liabilities which are presented in Note 30.

Significant judgement is necessary to be applied by the management, with support from internal legal experts and external lawyers, in the estimation their potential effects (i.e. whether the liability should be recognized, or a contingency should be disclosed and whether the potential outflows can be reliably estimated) due to the inherent uncertainties over the final outcome of these litigations and proceedings and their complexity.

In addition, these provisions originate in relation to current liabilities, object to court disputes with big dynamics and fluctuation in the payment and completion deadline thereof. Therefore, the management has decided to include them fully within current liabilities.

2.5.4. Retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations and the use of external actuarial experts. The actuarial valuation involves making assumptions about discount rates, future salary increases, staff turnover and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.5.5. Useful life of property, plant and equipment, and intangible assets

Financial reporting of property, plant, equipment and intangible assets involves the use of estimates for their expected useful life and remaining values, which are based on judgments from the Group's management.

2.5.6. Impairment of inventories

At the end of each financial year, the Group reviews the state, useful life and usability of the existing inventories. When the companies identify inventories the assessment of which shows that it is highly probable for them to be not realised at their current carrying amount in the following reporting periods, these inventories are impaired to net realisable value.

2.5.7. Impairment of Property, Plant and Equipment, Intangible Assets and Goodwill

At the end of each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values. The assessment of the recoverable amount involves inherent uncertainty in forecasting and discounting future cash flows. The impairment identified is recognised directly in the consolidated statement of comprehensive income as expense for PPE impairment, within profit or loss.

The Group has not incurred an impairment loss on goodwill in 2021.

2.5.8. Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value management uses estimates about future cash flows and discount rates, however, the actual results may vary. Any measurement changes upon initial recognition would affect the measurement of goodwill.

Management uses various valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

2.5.9. Determining whether a contract contains a lease or lease components and determining the lease term of leases with renewal and termination options – as lessee

Upon identification and classification of a lease or a lease component of a contract, the Group determines whether the contract contains an identifiable asset and whether it transfers the right of control over this asset for the contract term. Contracts for rental of property and equipment contain a lease, since the Group controls the use of assets over the contract term for which it pays a consideration. The assets are identifiable.

The Group determines the lease term as the non-cancellable period of the lease, together with both: a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Group's effective leases contain an extension option and a termination option. The Group applies judgement to determine whether it is reasonably certain that it would exercise the extension/termination option, considering all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease (such as costs for negotiation, relocation and identification of another asset, the importance of the underlying asset for the Group's operations, etc.).

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within its control and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

2.5.10. Determining the incremental interest rate of leases in which the Group is a lessee

In the cases when the companies of the Group is a lessee and cannot readily determine the interest rate to discount lease liabilities, it uses the incremental borrowing rate it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of- use asset in a similar economic environment. In case of leases where no similar borrowing exists, the Group companies seek observable data such as market levels of loans and publicly available bank statistics, and performs specific calculations and adjustments to reflect their own credit rating.

2.5.11. Review of indicators for impairment of right-of-use assets

As at the date of the financial statements, the Group's management performs an impairment review of right-of-use assets. If indicators exist that the approximate recoverable amount is lower than their carrying amount, the latter is impaired to the recoverable amount of assets.

2.5.12. Interpretation of the scope and content of a penalty when determining lease terms

The Group accounts for several leases (cancellable) which do not have a specific lease term, and the term continues until any of the parties – lessee or lessor, terminates them. Some of the leases contain a termination notice period – for instance, not more than 6 months; respectively, the contract may not require any of the parties to pay amounts upon termination, as well as contracts with an option for multiple re-negotiation – which include an initial period and an unlimited number of re-negotiations after the initial period, unless terminated by either of the parties. With respect to these two types of contracts, the Group applies a wider interpretation of "penalty" according to IFRS 16, outside the scope of the ones described in the lease, based on reasonably substantiated economic incentive or factors of deterring nature or acting as a sanction (for instance: significant costs to find an alternative underlying asset, significant relocation costs, significance of the underlying asset for the Group's operation, etc.). For these two types of contracts, the Group's aim is that the lease term corresponds to its realistic judgement on the period of use of the underlying asset.
The terms of these leases are as follows:

- Real estate – 6 - 9 years
- Energy facilities – 5 years

3. Revenue from operating activities

3.1. Information by types of revenue

The Group's revenue from contracts with customers by customer types is as follows:

	31.12.2022	***31.12.2021****
	BGN'000	*BGN'000*
Revenue from customers on open market	2 314 396	722 123
Household customers	780 072	326 361
Corporate customers	416 685	137 847
Revenue from access fees for connection of customers	21 727	12 108
Delayed payments penalties from clients	5 104	1 879
Revenue from services for survey, repair and maintenance of the electricity distribution grid and commercial metering devices	10 307	3 225
Revenue from information, communication and technological (ICT) services	3 905	1 428
Revenue from Electricity System Security Fund	939	719
Other revenue	18 311	2 890
	3 571 446	**1 208 580**

The Group's revenue from contracts with customers by subsidiaries is presented below:

Electrodistribution Grid West EAD

For the reporting periods 2022 and 2021* the subsidiary's revenue from distribution of electricity (transmission and access fees) is generated from customers located in Bulgaria.

The Group's revenues from contracts with customers generated from the subsidiary's activities for the reporting period are as follows:

	31.12.2022	***31.12.2021****
	BGN'000	*BGN'000*
Revenue from customers on open market	163 149	56 264
Household customers	269 295	85 415
Corporate customers	42 420	15 295
Revenue from access fees for connection of customers	21 727	12 108
Revenue from services for survey, repair and maintenance of the electricity distribution grid and commercial metering devices	10 307	3 225
Other revenue	138	45
	507 036	**172 352**

Other revenue

The subsidiary reports revenue from producers of renewable energy representing access fees to the grid at the amount of BGN 138 thousand (2021*: BGN 45 thousand) for the reporting period.

Electrohold ICT EAD

For the reporting periods 2022 and 2021* the subsidiary's revenues from contracts with customers are from information, communication and technological services, ICT project and goods.

The subsidiary recognises revenues from sales over time, and the performance of the contracts is measured by assessing the stages reached, resources invested - working hours, costs, time, etc., as well as other appropriate measurement methods. For ICT services, the remuneration is determined on the basis of fixed unit prices for the individual types of activities and volume of work performed.

Revenue from information, communication and technological (ICT) services

For the reporting period the subsidiary's revenues from ICT services are for the amount of BGN 2 890 thousand (2021*: BGN 1 421 thousand).

Electrohold Sales EAD

For the reporting periods 2022 and 2021* the subsidiary's revenue from sales of electricity is generated mainly from external customers – non-related parties on the territory of the Republic of Bulgaria.

The subsidiary's revenue from Public Supply (End Supplier) of electricity is generated from customers (corporate and residential) on the territory of the Republic of Bulgaria. According to IFRS 8 *Operating Segments*, the Company designates a customer as a major customer if it generates 10% or more of its revenue. For the reporting periods 2022 and 2021*, the subsidiary had no big customers. All customers of the subsidiary are based on the territory of the country.

In 2013 the subsidiary was granted a license for a Last Resort Supplier. Under this license, the subsidiary will supply electricity to customers who have not selected another supplier, or the selected supplier does not supply for reasons beyond the customer. The subsidiary has also a license for trade with electricity. The management of the Group monitors the operating results of the individual business units (licenses) in order to make decisions for allocation of resources and management of its activities.

The Group's revenues from contracts with customers generated from the subsidiary's activities for the reporting period are as follows:

	31.12.2022	***31.12.2021****
	BGN'000	*BGN'000*
Revenue from customers on open market	780 389	187 654
Household customers	510 777	240 946
Corporate customers	376 431	122 552
Delayed payments penalties from clients	5 104	1 879
Other revenue	17 654	2 474
	1 690 355	**555 505**

Other revenue

For the reporting period the subsidiary reports revenues from the balancing of electricity at the total amount of BGN 17 654 thousand (2021*: BGN 2 474 thousand).

Electrohold Trade EAD

Revenue from customers in an open market

For the reporting periods 2022 and 2021* the revenues of the subsidiary are from two main directions – electricity trading and from the performance of services under contracts for construction of energy facilities – ESCO contracts.

The subsidiary sells electricity according to the trader's license issued by the EWRC. Revenues from the sale of electricity are from industrial and business customers on the free market and sales of electricity on the wholesale market at the total amount of BGN 1 662 600 thousand (2021*: BGN 478 205 thousand).

The subsidiary sells energy to the Electricity System Operator EAD (ESO EAD) when balancing from surplus.

On 01.07.2022, the Company concluded a contract with Electrohold Sales EAD for electricity trade services. The services provided in 2022 are amounting to BGN 462 thousand.

Other revenue

The subsidiary reports revenue from construction services granted for building of energy installations at the amount of BGN 519 thousand (2021*: BGN 371 thousand) for the reporting period.

FEPO EOOD

Revenue from Electricity System Security Fund
For the reporting period the subsidiary has generated revenue from Electricity System Security Fund amounting to BGN 939 thousand (2021*: BGN 719 thousand).

As a result of the legislative change as of July 01, 2018 and a contract concluded with the ESSF, the difference between the preferential price and the market price determined by EWRC decisions is paid to the company by the ESSF.

In 2018 as a producer under Energy Sector Act, the subsidiary has concluded contract with ESSF for compensation with premiums by paying a premium for the amount of electricity produced and registered with the Guarantee of Origin.

On a monthly basis, the subsidiary submits to the ESSF an Application for compensation with a premium.

Electrohold Bulgaria EOOD

Revenue from SLA services
For the reporting period the subsidiary's revenues are realised from shared services that it provides to client companies: Electrodistribution Grid West EAD, Electrohold ICT EAD, Electrohold Sales EAD, Electrohold Trade EAD, Free Energy Project Oreshets EOOD, Bara Group EOOD, ESCO Bulgaria EOOD and others. The types of services provided are as follows:

Financial and accounting services
Customer Service
Human resource management
Management and business consulting
Legal services
Facility management
Procurement
Public relations
Other services

The total revenue, generated from these activities outside the Group's companies for the reporting period is at the amount of BGN 1,015 thousand (2021*: BGN 7 thousand).

Electrohold EPC EOOD

For the period from its establishment 21st of September 2022 till the end of the year, the subsidiary's revenues from contracts with customers are from procurement and logistic services, sale of goods, all of which are from related companies within the Electrohold Group and all those amounts has been eliminated in those financial statements.

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Logistics services	1 317	-
Procurement services	589	-
Project services	30	-
Sale of goods	645	-
	2 581	**-**

* As the actual date of acquisition is 27.07.2021, the comparative information is from 01.08.2021.

3.2. Balances from contracts with customers

Contract assets

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Contracts assets, gross	122 185	114 223
Impairment of contract assets	*(634)*	*(607)*
	121 551	**113 616**

Contract liabilities

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Long-term contract liabilities	12 712	5 175
Short-term contract liabilities	17 297	18 480
	30 009	**23 655**

The remaining performance obligations, which are expected to be recognized after more than one year, are related to the implementation of the services for connection of customers to the electricity distribution network (EDG West).

Liabilities under contracts with customers as of 31.12.2022 include advance paid fees for connection to the electricity distribution network (EDG West) and advances for electricity supply (Trade).

4. Expenses of operating activities

	31.12.2022	***31.12.2021****
	BGN'000	*BGN'000*
Expenses on electricity purchased	(2 839 319)	(963 026)
Technological costs from distribution of electricity	(199 492)	(42 041)
Balancing electricity	(74 677)	(25 025)
Transmission and access fees	(3 765)	(1 140)
Other expenses	(121)	(47)
	(3 117 374)	**(1 031 279)**

Detailed description of the Group's expenses for operating activities by subsidiaries is presented below:

Electrodistribution Grid West EAD

Technological costs from distribution of electricity

During the reporting period the subsidiary reported technological costs for electricity transmission in the amount of BGN 199 492 thousand (2021*: BGN 42 041 thousand).

Technological costs in distribution grid are electricity costs which are related to the technological process of electricity distribution and transformation. In accordance with article 21 of the Energy Act, the Energy and Water Regulatory Commission (EWRC) approves a maximum annual level of technological costs for the relevant regulatory period, by means of adopted methodology for determination of electricity costs. The marginal technological costs are determined in accordance with the parameters of the distribution grid, volume and structure of sales by customer categories, level of voltage, precision of metering devices and other factors.

Based on the methodology adopted, the EWRC has approved a maximum annual level of technological costs as a percentage of electricity distributed through the grid. Since July 1, 2021 with Decision C-27/01.07.2021, the EWRC reduced the recognized amount for technological costs to 7.5%. With decision C-19/01.07.2022, the EWRC kept that level.
The monthly levels of deviations applicable to the annual coefficient of technological costs, which are

approved by the EWRC, are as follows:

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Noe	Dec
Coefficient	1.38	1.31	1.31	1.1	1	1	1	1	1	1.1	1.25	1.25

In the first quarter of 2022 the Management Board of EDG West EAD adopted Standard for maximum levels of technological costs for electricity transmission for year 2022. The Standard is based on an independent analysis of the technological costs arising from electricity transmission through the distribution grid. Its objective is the effective management of technological costs for electricity distribution for the subsidiary.
Its goal is effective management of technological costs for electricity distribution for EDG West. For 2022, the marginal value of annual technological costs is set at 6.82% (2021: 7.49%). After applying the monthly deviation levels approved by the EWRC, the technological costs of the subsidiary for the period from January to December are within the maximum allowable levels.

During the period the subsidiary has recognized a reduction of technological costs at the expense of government-funded amounts as compensations.

Compensations
By Decision №893 of 30 December 2021 and Decree № 476 of 30 December 2021, the Government of the Republic of Bulgaria approves the Program for Compensation of the Costs of the Operators of the Transmission and Distribution Networks (Operators) for Purchase of Electricity costs (Program). The program aims to compensate for the deficits received as a difference between the estimated EWRC market price and the stock exchange price at which Operators purchase the energy needed to cover technological costs for the period from July to December 2021.

On 25 February 2022 the Government of the Republic of Bulgaria accepted Decision №92 for extension of the compensation period in the Program to 31 March 2022. By Decision №202/06 April 2022 of the Government the period was changed from 01 July 2021 to 30 June 2022. By Decision №534/29 July 2022 of the Government the period was extended to 30 September 2022. By Decision №710/29 September 2022 of the Government the period was extended to 31 December 2022.
The compensation ensures financial stability of Operators, necessary for the implementation of their activities ensuring the normal and reliable functioning of the electricity system of the country.

The Compensation of the Operators was performed on the basis of individual contracts concluded between the Ministry of Energy (ME) and the Operators, accompanied by an application and monthly statements of costs for the quantities of electricity invoiced to them by Providers for technological costs. For the subsidiary, the quantities of consumed electricity subject to compensation amount to 659 324 MWh at the amount of BGN 126 950 thousand, and the value of the receivable balance amounts to BGN 3 141 thousand (Note 17).

Electrohold Sales EAD

Expenses on electricity purchased

For the reporting period the subsidiary has purchased from NEC EAD electricity for sale to customers under the license End Supplier.

For the reporting period the subsidiary reported total costs for purchases of electricity in the amount of BGN 1 536 832 thousand (2021*: BGN 507 365 thousand).

Balancing electricity

As of June 01, 2014, Electrohold Sales EAD submits daily schedules to the Electricity System Operator EAD for estimated quantities of electricity for sale to end customers and daily schedules to NEK EAD for estimated quantities for purchase of electricity from producers. In accordance with the Electricity Trading Rules from June 2014, the subsidiary has balancing costs for producers, in the capacity as their coordinator, which is paid to NEC EAD. For the end customers under the license Last Resort Supplier, Electrohold Sales EAD is financially responsible for balancing them before ESO EAD.
For the reporting period balancing costs of the subsidiary are reported at the amount of BGN 74 677 thousand (2021*: BGN 25 025 thousand).

Electrohold Trade EAD

Expenses on electricity purchased

The subsidiary purchases electricity from producers, traders and from ESO.
The subsidiary pays to the Electricity System Security Fund the “Liabilities to Society” component for the sold energy to end customers on the free market at a price determined by a decision of the EWRC.

For the reporting period the subsidiary reported total costs for purchases of electricity in the amount of BGN 1 302 487 thousand (2021*: BGN 455 661 thousand).

FEPO EOOD

Transmission and access fees
Transmission and access fees expenses stated from the subsidiary for the reporting period are at the amount of BGN 34 thousand (2021*: BGN 11 thousand).

Other expenses
For the reporting period the other expenses for the amount of BGN 121 thousand (2021*: BGN 47 thousand) are representing the subsidiary’s regulated instalment in Electricity System Security Fund.

* As the actual date of acquisition is 27.07.2021, the comparative information is from 01.08.2021.

5. Other revenue

	31.12.2022	***31.12.2021****
	BGN'000	*BGN'000*
Rentals	3 538	1 516
Revenue under art. 56, para. 1 Rules for Measuring	6 235	1 117
	9 773	**2 633**

* As the actual date of acquisition is 27.07.2021, the comparative information is from 01.08.2021.

For the reporting period the Group’s other revenues are generated from the activities of Electrodistribution Grid West EAD.

The Group treats as other revenue rental income from the operating lease of property, plant and equipment, and revenue from amounts billed upon established incomplete or inaccurate measurement pursuant to Art. 56 (1) of the Electricity Metering Rules .

6. Other income

	31.12.2022	***31.12.2021****
	BGN'000	*BGN'000*
Payables written-off	1 755	641
Excess of fixed assets and materials, net gains from sale, scrap	1 223	1 167
Government grants	398	-
Revenues from the sale of goods	8	412
Other operating income, net	823	1 614
	4 207	**3 834**

* As the actual date of acquisition is 27.07.2021, the comparative information is from 01.08.2021.

7. Other operating expenses

	31.12.2022	***31.12.2021****
	BGN'000	*BGN'000*
Expenses on materials and consumables	(15 322)	(5 268)
Hired services expenses	(54 836)	(33 166)
Employee benefit expenses	(124 803)	(42 506)
Other operating expenses	(17 836)	(1 146)
	(212 797)	**(82 086)**

* As the actual date of acquisition is 27.07.2021, the comparative information is from 01.08.2021.

For the reporting period the Group's audit fees in the financial statements are as follows:

	Grant Thornton Netherlands	**Grant Thornton network**	**Total**
Audit of financial statements	115 834 BGN	410 150 BGN	525 984 BGN
Other audit services	-	123 900 BGN	123 900 BGN
Tax advisory services	-	-	-
Other non-audit services	-	-	-
Total	**115 834 BGN**	**534 050 BGN**	**649 884 BGN**

8. Finance expenses

	31.12.2022	***31.12.2021****
	BGN'000	*BGN'000*
Interest expenses on bank loans	(31 918)	(10 593)
Interest expenses on lease liabilities	(225)	(160)
Other finance costs	(3 520)	(5 418)
	(35 663)	**(16 171)**

* As the actual date of acquisition is 27.07.2021, the comparative information is from 01.08.2021.

For the reporting period the Group's other financial costs are from foreign exchange differences, bank fees and charges for bank guarantees and revaluation of financial instruments, as follows:

	BGN'000	*BGN'000*
FX differences	(37)	(183)
Bank fees and charges for bank guarantees	(2 158)	(1 750)
Re-measurement of financial instruments	(1 325)	(3 485)
	(3 520)	**(5 418)**

9. Finance income

	31.12.2022	***31.12.2021****
	BGN'000	*BGN'000*
Interest income	1 308	3
Other finance income	1 202	592
	2 510	**595**

* As the actual date of acquisition is 27.07.2021, the comparative information is from 01.08.2021.

For the reporting period the Group's other financial income is from revaluation of financial instruments, as follows:

	BGN'000	*BGN'000*
Revaluation of financial instruments	1 202	592
	1 202	**592**

10. Expected credit loss and impairment expenses on financial assets

	31.12.2022	***31.12.2021****
	BGN'000	*BGN'000*
Recovered impairment of receivables	-	3
Accrued impairment of receivables	(8 584)	(6 934)
Impairment of cash in bank accounts	(203)	(108)
	(8 787)	**(7 039)**

* As the actual date of acquisition is 27.07.2021, the comparative information is from 01.08.2021.

11. Income tax

11.1. Income tax expenses

	31.12.2022	*31.12.2021**
	BGN'000	*BGN'000*
Corporate income tax expenses	(16 773)	(1 158)
Deferred tax (expenses)/revenue	3 317	(4 675)
	(13 456)	**(5 833)**

* As the actual date of acquisition is 27.07.2021, the comparative information is from 01.08.2021

The main components of tax expenses are as follows:

	2022	**2021**
	BGN'000	*BGN'000*
Accounting profit for the year	149 078	36 023
Income tax expense – 10%**	*(14 901)*	*(3 602)*
Current income tax		
Amounts related to decrease of the accounting financial result for tax purposes	12 935	11 057
Amounts related to increase of the accounting financial result for tax purposes	(14 807)	(13 606)
Current income tax	**(16 773)**	**(6 151)**
Origination and reversal of temporary tax differences	3 317	318
Income tax expense stated in the statement of profit or loss and other comprehensive income	**(13 456)**	**(5 833)**
Effective tax rate	9%	17%

* As the actual date of acquisition is 27.07.2021, the comparative information is from 01.08.2021

**The applicable income tax rate in subsidiaries' country of operation - Republic of Bulgaria, for 2021 is 10%. For the purposes of income taxation in Bulgaria entities are taxed on individual basis.

11.2. Deferred tax assets

	31.12.2022	*31.12.2021*
	BGN'000	*BGN'000*
Deferred tax assets	7 584	5 286
	7 584	**5 286**

In 2021 balance of BGN 4 929 thousand of deferred tax assets have occurred due the business combination with CEZ Entities. Please refer to table for movement during 2021 below.

	Deferred tax	
Description of items	***2022***	***2021***
	BGN'000	*BGN'000*
Accelerated amortization for accounting purposes	273	303
Accrual for unused paid leave	126	74
Accrual for staff bonuses	1 147	369
Impairment of receivables and cash in bank accounts	2 541	2 262
Retirement benefit obligations	512	160
Provisions	2 985	2 118
	7 584	**5 286**

The movement in deferred tax assets is presented below:

	2022	**2021**
	BGN'000	BGN'000
Deferred tax assets		
Deferred tax assets as at 31 December 2021	5 286	4 929
Total deferred tax assets as at 31 December 2021	**5 286**	**4 929**
Movement of deferred tax assets	*2 298*	357
Total deferred tax assets as at 31 December 2022	**7 584**	**5 286**

11.3. Deferred tax liabilities

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Deferred tax liabilities	20 558	22 242
	20 558	**22 242**

In 2021 balance of BGN 22 448 thousand of deferred tax liabilities have occurred due the business combination with CEZ Entities.

Description of items	***Deferred tax 2022***	***Deferred tax 2021***
	BGN'000	*BGN'000*
Long-term tangible assets	18 177	17 901
Provisions for court claims and sanctions	(659)	(674)
Impairment of receivables	(1 080)	(1 025)
Impairment of inventories	(181)	(187)
Employee income liabilities	(1 708)	(1 362)
Accrual for staff bonuses	(334	(433)
Accrual for unused paid leave	(618)	(538)
Expired liabilities to suppliers	(354)	(417)
Liabilities under contracts with customers	(1 847)	(1 425)
Accrual for lease liabilities	(4)	(2)
IFRS 3 adjustments:		
Long-term tangible assets	679	411
Long-term intangible assets	8 487	9 434
Assets under construction	-	(17)
Inventories	-	223
Government grants	-	353
Total:	**20 558**	**22 242**

The movement in deferred tax liabilities for the period from January 01, 2022 to December 31, 2022 is presented below:

	2022	**2021**
	BGN'000	*BGN'000*
Deferred tax liabilities		
Deferred tax liabilities at the beginning of the period	22 242	11 809
IFRS 3 adjustments	-	*10 639*
Total deferred tax liabilities at the beginning of the period	**22 242**	**22 448**
Movement of deferred tax assets	*(446)*	*29*
IFRS 3 adjustments movement	*(1 238)*	*(235)*
Total deferred tax assets as at 31 December	**20 558**	**22 242**

12. Property, plant and equipment

Non-current tangible assets, acquired upon subsidiaries purchase:

	Land and Buildings	*Machinery, Technical equipment and Vehicles*	*Construction in progress*	***Total***
	BGN'000	*BGN'000*	*BGN'000*	***BGN'000***
Fair value:				
At 31 July 2021	**110 237**	**657 561**	**47 796**	**815 594**
Additions	2 115	54 194	47 970	**104 279**
Disposals	(117)	(5 412)	(56 043)	**(61 572)**
IFRS 3 adjustments	-	-	*(390)*	***(390)***
At 31 December 2021	**112 235**	**706 343**	**39 333**	**857 911**
Additions	1 484	97 611	94 572	193 667
Disposals	(36)	(4 699)	(98 076)	(102 811)
At 31 December 2022	**113 683**	**799 255**	**35 829**	**948 767**
Depreciation:				
At 31 July 2021	**-**	**-**	**-**	**-**
Depreciation for the period, incl.:	1 853	34 054	-	**35 907**
IFRS 3 adjustments	-	*76*	-	***76***
Depreciation written off	(53)	(4 812)	-	**(4 865)**
At 31 December 2021	**1 800**	**29 242**	**-**	**31 042**
Depreciation for the period	4 420	83 454	-	87 874
Depreciation written off	(19)	(3 876)	-	(3 895)
At 31 December 2022	**6 201**	**108 820**	**-**	**115 021**
Carrying amount:				
At 31 December 2021	**110 435**	**677 101**	**39 333**	**826 869**
At 31 December 2022	**107 482**	**690 435**	**35 829**	**833 746**

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Land	37 364	37 364
Buildings	70 118	73 071
Machinery	327 563	322 573
Technical equipment	355 535	343 618
Vehicles	5 252	8 559
Office equipment	520	632
Construction in progress /tangible assets/	35 829	39 333
Other non-current tangible assets	1 565	1 719
	833 746	**826 869**

The Group has not pledged property, machinery, equipment as collateral for its obligations.

13. Other intangible assets

Non-current intangible assets, acquired upon subsidiaries purchase:

	Computer software BGN'000	*Rights, licenses and other BGN'000*	*Client relationships BGN'000*	***Total BGN'000***
Fair value:				
At 31 July 2021	**11 497**	**69 198**	**32 300**	**112 995**
Additions	564	4 494	-	**5 058**
Disposals	(1 920)	(2 201)	-	**(4 121)**
IFRS 3 adjustments	*(7)*	-	-	***(7)***
At 31 December 2021	**10 134**	**71 491**	**32 300**	**113 925**
Additions	1 282	3 769	-	**5 051**
Disposals	(160)	(8 111)	-	**(8 271)**
At 31 December 2022	**11 256**	**67 149**	**32 300**	**110 705**
Amortization:				
At 31 July 2021	**-**	**-**	**-**	**-**
Amortization for the period	778	3 133	976	**4 887**
Amortizations written off	(111)	(27)	-	**(138)**
At 31 December 2021	**667**	**3 106**	**976**	**4 749**
Amortization for the period	2 086	7 670	2 341	**12 097**
Amortizations written off	(129)	(4 196)	-	**(4 325)**
At 31 December 2022	**2 624**	**6 580**	**3 317**	**12 521**
Carrying amount:				
At 31 December 2021	**9 467**	**68 385**	**31 324**	**109 176**
At 31 December 2022	**8 632**	**60 569**	**28 983**	**98 184**

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Licenses and patents	47 750	53 781
Computer software	8 632	9 467
Client relationships	28 983	31 324
Other Intangibles	12 819	14 604
	98 184	**109 176**

The Group has not pledged intangible assets as collateral for its liabilities.

14. Goodwill

The movements in the net carrying amount of goodwill are as follows:

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Gross carrying amount		
Balance at 1 January	2 500	-
Acquired through business combination	-	2 500
Balance at 31 December	**2 500**	**2 500**
Carrying amount at 31 December	**2 500**	**2 500**

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises, as follows:

	31.12.2022	*31.12.2021*
	BGN'000	*BGN'000*
Electrohold Trade EAD	2 500	2 500
Goodwill allocation at 31 December	**2 500**	**2 500**

No impairment losses have been recognised during period.

15. Other financial assets

	31.12.2022	*31.12.2021*
	BGN'000	*BGN'000*
Other financial assets – non-current	75	75
	75	**75**

ELH Bulgaria owns 25% of the equity of Energy Management Institute – registered in May 2010 as a non-profit legal entity for private benefit activities. The subsidiary assesses its investment at fair value. The subsidiary has made an analysis of the financial condition of the investment, as a result of which no impairment of the asset is required as of 31 December 2022.

16. Inventories

	31.12.2022	*31.12.2021*
	BGN'000	*BGN'000*
Inventories	32 787	24 117
	32 787	**24 117**

Reversed impairment of inventories for 2022 is BGN 72 thousand (2021*: BGN 404 thousand).

The amount of expenses on materials and consumables recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income stated in the “Other operating expenses” line item is BGN 15 141 thousand.(Note 7)

Inventories as of 31 December 2022 are not provided as collateral for liabilities.

17. Trade and other receivables

	31.12.2022	*31.12.2021*
	BGN'000	*BGN'000*
Trade receivables, gross	260 801	299 655
Impairment of trade receivables	(66 396)	*(63 263)*
Court receivables, gross	42 404	38 541
Impairment of court receivables	(38 767)	*(36 640)*
Compensations	73 108	55 493
VAT	1 836	8 869
Other receivables, gross	108 684	50 944
Impairment of other receivables	(12 570)	*(12 223)*
	369 100	**341 376**

Trade receivables paid within the due date are non-interest bearing and interest is due after the expiry of their term. Trade receivables from customers are denominated in BGN and are incurred in connection with the sale of electricity, distribution of electricity, services provided and other within the scope of supply of the Group. The Group has determined a usual credit period of up to 30 days in which it does not charge interest to customers, except in the cases of signing deferred payment agreements, pursuant to which a longer repayment plan and interest payments are determined.

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Compensations
By Decision № 893 of 30 December 2021 and Decree № 476 of 30 December 2021, the Government of the Republic of Bulgaria approves the Program for Compensation of the Costs of the Operators of

the Transmission and Distribution Networks (Operators) for Purchase of Electricity costs (Program). The Program aims to compensate for the deficits received as a difference between the estimated EWRC market price and the stock exchange price at which Operators purchase the energy needed to cover technological costs for the period from July to December 2021. It ensures financial stability of Operators, necessary for the implementation of their activities ensuring the normal and reliable functioning of the electricity system of the country.

The Compensation of the Operators was performed on the basis of individual contracts concluded between the Ministry of Energy (ME) and the Operators, accompanied by an application and monthly statements of costs for the quantities of electricity invoiced to them by Providers for technological costs. For the subsidiary, the quantities of consumed electricity subject to compensation amount to 659 324 MWh, and the value of the receivable balance amounts to BGN 3 141 thousand as of 31 December 2022, which are fully received in February 2023.

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Beginning of the period	*112 126*	*105 195*
Accrued impairment loss	*9 036*	*9 208*
Recovered impairment loss	(480)	(2 277)
Impairment written-off	(2 949)	-
As at 31 December	*117 733*	*112 126*

The loss allowance for trade and other receivables as at 31 December 2022 includes the following:

31.12.2022	Not due	0 – 30 days	30 – 90 days	91-180 days	181-360 days	>360 days	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	***BGN '000***
Receivables from clients (gross carrying amount)	151 405	40 330	8 599	3 767	3 536	53 164	**260 801**
Expected credit loss (Impairment allowance)	(576)	(632)	(481)	(785)	(1 265)	(47 018)	**(50 757)**
Expected credit loss (Impairment allowance) for individually impaired receivables	(155)	(1 429)	(3 157)	(572)	(6)	(16)	**(5 335)**
Additional credit loss for clients in liquidation and insolvency	(14)	(106)	(54)	(57)	(57)	(1 443)	**(1 731)**
Additional credit loss on revenues under Art. 56 of RMEV*	(502)	(1 194)	(998)	(689)	(999)	(4 191)	**(8 573)**
Receivables from clients, net	**150 158**	**36 969**	**3 909**	**1 664**	**1 209**	**496**	**194 405**

31.12.2021	Not due	0 – 30 days	30 – 90 days	91-180 days	181-360 days	>360 days	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	***BGN '000***
Receivables from clients (gross carrying amount)	198 246	27 189	9 679	3 955	4 222	56 364	**299 655**
Expected credit loss (Impairment allowance)	(555)	(705)	(1 233)	(1 189)	(1 737)	(50 722)	**(56 141)**
Expected credit loss (Impairment allowance) for individually impaired receivables	(5)	(635)	(62)	(3)	(5)	(5)	**(715)**
Additional credit loss for clients in liquidation and insolvency	(75)	(90)	(71)	(67)	(65)	(1 420)	**(1 788)**
Additional credit loss – RMEV*	(363)	(73)	(338)	(326)	(997)	(2 522)	**(4 619)**
Receivables from clients, net	**197 248**	**25 686**	**7 975**	**2 370**	**1 418**	**1 695**	**236 392**

**Electricity Metering Rules (Rules on metering electricity volume)*

Advances and prepayments, other receivables

	31.12.2022	*31.12.2021*
	BGN'000	*BGN'000*
Advances paid	4 983	19 649
Prepaid expenses	2 997	4 347
	7 980	**23 996**

Trade receivables pledged as collateral to third parties:

Electrohold Sales EAD

On 19.08.2021 the subsidiary received a notification for established pledge from the majority shareholder "Eastern European Electric Company" B.V. on receivables from the subsidiary, present and future, in favor of BNY Melon Corporate Trustee Services Limited.

On 19.08.2021 the subsidiary received a notification from "Eastern European Electric Company II" B.V., exercising indirect control over the majority shareholder of the subsidiary - "Eastern European Electric Company" B.V. The subsidiary was notified by the Eastern European Electric Company II B.V. for established pledge on receivables from the subsidiary, current and future, in favor of GLAS Trust Corporation Limited.

Electrohold Trade EAD

Collaterals established in favour of UniCredit Bulbank AD upon contract for undertaking credit commitments under an overdraft loan № 00022/714/15.07.2021 are:

First special pledge on a set of current and future receivables of Electrohold Trade EAD under concluded contracts with specified counterparties.

Financial security in the form of a pledge on all current and future receivables of the Borrower on all accounts in national and foreign currency, of which they are holders with the Bank.

18. Financial assets

	31.12.2022	*31.12.2021*
	BGN'000	*BGN'000*
Corporate bonds at FVPL	1 995	5 984
Open-end investment funds at FVPL	17 375	16 751
	19 370	**22 735**

None of the Groups financial assets are pledged as collateral to third parties.

19. Related party transactions

Parent Company:

The Group is a subsidiary of Eastern European Electric Company III B.V. which owns 100% of Eastern European Electric Company B.V.’s shares, respectively a 100% of the shares of all its sole owned subsidiaries: Electrodistribution Grid West EAD, Electrohold Sales EAD, Electrohold Trade EAD, Electrohold Bulgaria EOOD, Free Energy Project Oreshets EOOD, Bara Group EOOD.

On July 15, 2021 100% of Eastern European Electric Company B.V.’s shares were contributed by Eastern European Electric Company II B.V. to Eastern European Electric Company III B.V.

As of 31 December 2022, the sole shareholder of the Company is Eastern European Electric Company III B.V.

Economic group:

The Group is a part of the economic group of Eurohold Bulgaria and in this sense related parties are the following companies:

Insurance Sector
Company
Euroins Insurance Group AD (EIG AD)*
Indirect participation through EIG AD:
Insurance Company Euroins AD, Bulgaria
Euroins Romania Asigurare-Reasigurare S.A., Romania
Euroins Osiguruvanje AD, North Macedonia
Insurance Company Euroins Life EAD, Bulgaria
Insurance Company EIG Re AD, Bulgaria
Euroins Ukraine PrAT, Ukraine
Euroins Claims I.K.E., Greece
Insurance Company Euroins Georgia JCS, Georgia
European Travel Insurance PrAT, Ukraine
CJSC Insurance company Euroins, Belarus *(former CJSC IC ERGO)* - out of economic group as of 30.12.2022
IC Euroins, Russian Federation - associated of EIG – out of economic group as of 30.12.2022

**Eurohold's direct participation*

Automobile Sector – Out of the economic group as of 30.06.2022
Company
Avto Union AD (AU AD)*
Indirect participation through AU AD:
Avto Union Service EOOD, Bulgaria
N Auto Sofia EAD, Bulgaria – until 02.August.2021
Espace Auto OOD, Bulgaria through N Auto Sofia EAD – until 02.August.2021
EA Properties EOOD, Bulgaria through N Auto Sofia EAD – until 02.August.2021
Daru Car AD, Bulgaria**
Auto Italy EAD, Bulgaria
Bulvaria EOOD, Bulgaria (former name Bulvaria Varna EOOD, Bulgaria)
Bulvaria Sofia EAD, Bulgaria
Star Motors EOOD, Bulgaria**
Star Motors DOOEL, North Macedonia through Star Motors EOOD**
Star Motors SH.P.K., Kosovo through Star Motors DOOEL**
Motohub OOD, Bulgaria
Motobul EAD, Bulgaria
Benzin Finance EAD, Bulgaria
Bopar Pro S.R.L., Romania through Motobul EAD
China Motor Company AD, Bulgaria

**Eurohold's direct participation; ** Eurohold's investments classified as non-current assets held for sale.*

Finance Sector
Euro-Finance AD, Bulgaria*

**Eurohold's direct participation*

Lease Sector – Out of the economic group as of 30.06.2022
Company
Eurolease Group EAD*
Indirect participation through Eurolease Group EAD:
Eurolease Auto EAD, Bulgaria (new name Money lease EAD)
Eurolease Auto Romania AD, Romania
Eurolease Auto DOOEL, North Macedonia
Eurolease Rent A Car EOOD, Bulgaria
FINACITY EAD, Bulgaria (previous Amigo Leasing EAD)
Autoplaza EAD, Bulgaria
Sofia Motors EOOD, Bulgaria
Amigo Finance EOOD, Bulgaria (previous Mogo Bulgaria EOOD), Acquisition date: 01.12.2021

**Eurohold's direct participation*

Energy sector
Company
Eastern European Electric Company II B.V., Netherlands* *(established on July 25, 2019)*
Eastern European Electric Company III B.V., Netherlands *(established on July 13, 2021),* through Eastern European Electric Company II B.V., Netherlands
Eastern European Electric Company B.V., Netherlands through Eastern European Electric Company III B.V. *(established on July 26, 2019)*

Indirect participation through Eastern European Electric Company B.V.:
Electrodistribution Grid West EAD and/or Electrorazpredelitelni mreji Zapad EAD, Bulgaria (formerly CEZ Distribution Bulgaria AD), owned by EEEC B.V., the Netherlands - Acquisition date: 27.07.2021
Electrohold ICT EAD, Bulgaria (formerly CEZ Information and Communication Technologies AD) through Electrodistribution Grid West EAD – Acquisition date: 27.07.2021
Electrohold Sales EAD, Bulgaria (formerly CEZ Electro Bulgaria AD) owned by EEEC B.V., the Netherlands - Acquisition date: 27.07.2021
Electrohold Trade EAD, Bulgaria (formerly CEZ Trade Bulgaria EAD) owned by EEEC B.V., the Netherlands - Acquisition date: 27.07.2021
Free Energy Project Oreshets EOOD, Bulgaria, owned by EEEC B.V., the Netherlands - Acquisition date:27.07.2021
Bara Group EOOD, Bulgaria, owned by EEEC B.V., the Netherlands – Acquisition date: 27.07.2021
Electrohold Bulgaria EOOD, Bulgaria (formerly CEZ Bulgaria EOOD) owned by EEEC B.V., the Netherlands - Acquisition date: 27.07.2021
Electrohold EPC EOOD, Bulgaria (formerly CEZ Bulgaria EOOD) through Electrohold Bulgaria EOOD, registered at 03.10.2022
Electrohold Green EOOD, Bulgaria **-** subsidiary of Eurohold Bulgaria AD – established in 2022.

**Eurohold's direct participation*

Ultimate owner:

Eurohold Bulgaria AD is controlled by Starcom Holding AD – a joint stock company, established and existing in accordance with the laws of the Republic of Bulgaria, registered in The Commercial Register at the Registry Agency with UIC 121610851 with registered office and management address: Republic of Bulgaria, city of Sofia, Iskar Region, 43 Christopher Columbus Blvd.

Starcom Holding AD owns 50,08% of the capital of Eurohold Bulgaria AD.

The following tables provide the total amount of transactions for the relevant period by companies:

		Sales to related parties	*Purchases from related parties*	*Receivables from related parties*	*Payables to related parties*
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
		31 December	*31 December*	*31 December*	*31 December*
Eastern European Electric Company II B.V.	2022	-	-	326	
Eurohold Bulgaria AD	2022	-	-	-	1 247
	2021	-	-	4 890	260
Euroins Bulgaria AD	2022	70	711	1 338	220
	2021	23	15	59	1
Euroins Life EAD	2022	-	35	-	6
	2021	-	6	25	5
Euro Finance AD	2022	20	27	-	-
	2021	-	2	-	-
Star Motors EOOD*	2022	38	-	-	-
	2021	28	-	11	-
Bulvaria EOOD*	2022	38	74	-	-
	2021	18	-	-	-
Bulvaria Sofia EAD*					
	2021	10	-	11	-
Daru Car AD*	2022	64	-	-	-

		Sales to related parties	*Purchases from related parties*	*Receivables from related parties*	*Payables to related parties*
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
		31 December	*31 December*	*31 December*	*31 December*
	2021	45	-	17	4
Auto Italy EAD*	2022	689	-	-	-
Total	**2022**	**919**	**847**	**1 664**	**1 473**
	2021	**124**	**23**	**5 013**	**270**

**Non-related party as of 30.06.2022.*

19.1. Receivables from related parties

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Sales receivables	55	55
Prepaid expenses	1 326	68
Other	283	4 890
	1 664	**5 013**

19.2. Payables to related parties

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Sales	227	10
Other payables to related parties - short term	1 246	260
	1 473	**270**

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash, via bank transfers.

19.3. Key management personnel

The total accrued remuneration of Parent and subsidiaries' key management personnel during 2022 is BGN 562 thousand (2021: BGN 988 thousand) short-term employee benefits.

20. Cash and cash equivalents

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Cash in bank accounts and cash equivalents	178 191	76 939
Impairment of cash in bank accounts	(312)	*(117)*
	177 879	**76 822**

The Group's available cash in current bank accounts is in highly rated banks. The amount of restricted cash and cash equivalents of the Group as of December 31, 2022, is BGN 23 165 thousand.

The Group carries as cash in transit the amounts of receivables from customers collected at 31 December from intermediary partners, which have not yet been received at the Group's current accounts. As at 31 December 2022 the amount of cash in transit is BGN 42 614 thousand. The period agreed with intermediaries, within which they should transfer the amounts collected to the Group, is from 3 to 6 days, depending on the area where the customers and intermediaries' offices are located. The usual period in which the Group performs full collection of the amounts due for a given period by intermediaries is up to 60 days.

Cash equivalents of the Group represent deposits at banks which include term deposits in BGN at the amount of BGN 535 thousand with maturity from one to six months.

21. Share capital

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Share capital	2	2
	2	**2**

The issued and paid-up share capital of the Parent company amounts to BGN 2 thousand (EUR 1 thousands) divided into 1,000 ordinary shares of BGN 2 (EUR 1) each. On 15 July 2021 a 100% of the Parent company's shares were contributed by Eastern European Electric Company II B.V. to Eastern European Electric Company III B.V. As at 31 December 2022, the sole shareholder of the Parent company is Eastern European Electric Company III B.V.

22. Share premium

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Premium reserves upon issue of equity	370 532	343 283
	370 532	**343 283**

Proceeds received in addition to the nominal value of the shares issued during the year have been included in share premium, less registration and other regulatory fees and net of related tax benefits.

On 22 July 2021, Eastern European Electric Company III B.V. made a contribution into the Parent Company's share premium reserve in the amount of BGN 314 106 thousand.

On 16 November 2021, Eastern European Electric Company III B.V. made an additional contribution into the Parent Company's share premium reserve in the amount of BGN 29 177 thousand.

During 2022, Eastern European Electric Company III B.V. made an additional contributions into the Parent Company's share premium reserve in total amount of BGN 27 249 thousand.

23. Reserve from remeasurement of defined benefit plans

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Actuarial reserve	(569)	(179)
	(569)	**(179)**

The actuarial reserve is an accumulated result of remeasurements of the net defined benefit liability (actuarial gains and losses) that is recognised in other comprehensive income.

Actuarial gains and losses result from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments, including the change in discount rates.

24. Bank loans

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Long-term portion of bank loans	722 018	638 391
Short-term portion of bank loans	11 734	8 756
	733 752	**647 147**

Electrodistribution Grid West

On 2 November 2016, Electrodistribution Grid West (CEZ Razpredelenie Bulgaria AD) and the European Bank for Reconstruction and Development concluded a loan agreement amounting to EUR 116 000 thousand with a BGN equivalent of BGN 226 876 thousand of which EUR 98 000 thousand are for investment purposes and EUR 18 000 thousand for working capital.

The maturity date of the loan is 31 October 2023. Drawdown of the loan takes place in parts, and in 2016 the first advance of 15 000 thousand euro was received with a BGN equivalence of BGN 29 337 thousand.

In May 2017 the Company received a new advance of EUR 50 000 thousand with which the loan liability as at 31.12.2017 amounted to EUR 65 000 thousand with a BGN equivalent of BGN 127 129 thousand. In 2017 there was no loan repayment.

There were no other drawdowns in 2018. The Company has made two payments of the principal, each at the amount of EUR 3 545 thousand, with BGN equivalent – BGN 6 935 thousand, one in April, and one in October.

There were no other drawdowns in 2019. The Company has made two payments of the principal, each at the amount of EUR 3 545 thousand, with BGN equivalent – BGN 6 935 thousand, one in April, and one in October.

As at 31 December 2020, the loan balance amounts to EUR 43 727 thousand, with BGN equivalent – BGN 85 523 thousand and amortised cost of BGN 84 906 thousand (31 December 2019: EUR 50 818 thousand with BGN equivalent – BGN 99 392 thousand and amortised cost of BGN 98 481 thousand).

The Company's loan agreement with the EBRD was supplemented and amended on 22 July 2021. at an interest rate of 1.80%+6m EURIBOR and a repayment period of 30 April 2027. The supplemented and amended loan agreement of 22 July 2021 entered into force on 30 November 2021.

As of 31 December 2022 the balance of the loan amounts to EUR 19 574 thousand with BGN equivalent of BGN 38 284 thousand and the amortized amount amounting to BGN 38 284 thousand (31 December 2021: EUR 22 040 thousand with BGN equivalent 43 107 thousand and amortized cost amounting to 42 684 thousand).

Electrohold Sales

For financing the activity under the "Trader" license on 25 October 2017 the subsidiary has concluded a loan agreement (overdraft) № 124/25.10.2017 with UniCredit Bulbank, The interest rate on the overdraft is determined as a variable interest index + a surcharge to the interest rate index. The loan is guaranteed by Eurohold Bulgaria AD.

Annex 6 of 27 November 2020 increases the amount of the granted bank loan to BGN 15 000 thousand with a drawdown deadline to 31 October 2021 and a maturity of 31 October 2021, all other clauses are unchanged. The variable interest rate index as of 27 November 2020 and as of 31 December 2020 amounts to 0.06%.

Annex 7 of 22 July 2021 changes the annual interest rate accrued on regular principal. The annual interest rate is the sum of the variable Interest rate applicable for the respective interest period and a surcharge to the interest rate of 1.45%. As of the date of conclusion of Annex 7, the applicable amount of the Annual Interest Rate for regular debt is 1.48%. The drawdown deadline to 31 January 2022 and the maturity 31 January 2022 are changed. As of 31 December 2021 the variable interest rate index is 0.02%.

Annex 8 of 31 January 2022 changes the drawdown deadline to 31 January 2023 and the maturity to 31 January 2023.

The loan is secured according to a guarantee agreement dated 06.08.2021 between UniCredit Bulbank AD and Eurohold Bulgaria AD.

As of 31 December 2022 and as of 31 December 2021 the subsidiary has no utilized amounts on the bank overdraft.

Electrohold Trade

Overdraft loan agreement № 312/04.12.2009

The subsidiary entered in a loan overdraft agreement No312/04.12.2009 at the amount of BGN 4 000 thousand, effective as from 4 December 2010, the interest rate is 1-month EURIBOR / SOFIBOR plus a mark-up of 0.8% p.a. for payments depending on whether the loan was disbursed in EUR or BGN respectively. In the subsequent years with annexes, the validity of the contract was extended until 4 December 2017 (Annex No 12 from 02 March 2016) and the maximum loan amount to BGN 25 000 thousand (Annex No 11 from 02 August 2016).

By means of Annex No. 13/09.03.2017 the loan overdraft agreement for working capital was amended to maximum amount BGN 5 000 thousand and maximum overdraft payments to suppliers BGN 20 000 thousand. By means of annexes 14, 15, 16, 17, 18, new suppliers' bank accounts were added. By means of Annex 19/24.11.2017 the validity was extended until 04 December 2018. By means of annexes 20, 21, 22, 23, 24, 25 new suppliers' bank accounts were added. By means of Annex No 26/30.11.2018 the validity was extended until 04 December 2019, with maximum amount of BGN 25,000 thousand. By means of Annexes Nos. 27, 28, 29, 30, 31, 32, 33, 34, new accounts of suppliers were added.

With Annex № 36/04.12.2020 the utilization period is changed to 04 December 2021 and the maximum amount of the loan of TBGN 25 000 is maintained. As of 31 December 2020 there is no utilized amount of the loan and there are interest due in the amount of BGN 9 thousand. № 37/26.07.2021, which repays in full the amount of the debt under the Loan Agreement, as well as terminates the Loan Agreement, terminates all rights and obligations arising from it.

Contract for undertaking credit agreements under the overdraft loan № 00022/714/15.07.2021
The amount of the provided credit limit is up to BGN 72 340 thousand or their equivalent in EUR, calculated at the applicable exchange rate of the BNB, divided into overdraft credit and contingent credit limits.
Credit - overdraft BGN 29 340 thousand or their equivalent in EUR, calculated at the applicable exchange rate of the BNB, the term of the contract is until 15 February 2024. The interest rate before the change of ownership is formed as follow - Average Deposit Index (AVI) plus margin 0.8% (0.83%) on an annual basis for payments. The interest rate after the change of ownership is formed - Average Deposit Index (AVI) plus a margin of 1.45% (1.48%) on an annual basis for payments. The loan is secured by:

- First special pledge on a set of current and future receivables of Electrohold Trade (CEZ TRADE BULGARIA EAD) under concluded contracts with specified counterparties.
- Financial security in the form of a pledge on all current and future receivables of the Borrower on all accounts in national and foreign currency, of which they are holders with the Bank. Contract for guarantee in the meaning of Art. 138 and following of the LOC with UNICREDIT BULBANK AD for guaranteeing the obligations of Electrohold Trade (CEZ TRADE BULGARIA EAD) under the Contract by EUROHOLD BULGARIA AD, entered in the Commercial Register and the Register of Non-Profit Legal Entities at the Registry Agency with UIN 175187337.

With annex № 1/06.08.2021 – with term to 28.09.2021 the amount of the granted credit limit amounting to BGN 72 340 thousand or their equivalent in EUR, calculated at the applicable exchange rate of the BNB.

With Annex № 2/30.09.2021 – with term from 04 October 2021 to 05 November 2021 the amount of the overdraft is changed to BGN 35 340 thousand or their equivalent in EUR, calculated at the applicable exchange rate of the BNB. Annex №3/04.11.2021 - the term Annex №2 is extended until 17 November 2021. Annex №4/17.11.2021 - the term of Annex №2 and Annex №3 is extended until 26 November 2021. Annex №5/22.11.2021 - the amount of the overdraft of BGN 43 031 thousand or their equivalent in EUR, calculated at the applicable exchange rate of the BNB, is increased. Annex №6/31.01.2022 retains the terms of the overdraft agreed with Annex №5/22.11.2021. Due amount as of 31.12.2022 is BGN 0 thousand.

EEEC B.V.
On 21 July 2021 the parent company as borrower entered into senior facilities agreement with, among others, The Bank of New York Mellon, London Branch as agent, for the purpose of the financing of the acquisition of the shares in Electrodistribution Grid West EAD (EDG West EAD), (CEZ Razpredelenie

Bulgaria AD), Electrohold Sales EAD (CEZ Electro Bulgaria AD), Electrohold Trade EAD (CEZ Trade Bulgaria EAD), Electrohold Bulgaria EOOD (CEZ Bulgaria EAD) from CEZ A.S., Free Energy Project Oreshets EAD and Bara Group EOOD. The total amount available for the parent company under the senior facilities agreement is EUR 360 000 thousand.

	Total facility commitment	Drawdowns during 2021	Available per 31 Dec 2021	Unpaid interest 31 Dec 2021	Drawdowns during 2022	Available per 31 Dec 2022	Unpaid interest 31 Dec 2022
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Facility A	256 000	256 000	-	1 643	-	-	2 409
Facility B1	72 000	46 234	25 766	193	25 766	-	633
Facility B2	18 000	1 276	16 724	5	16 724	-	229
Facility C	14 000	14 000	-	41	-	-	63
Total:	**360 000**	**317 510**	**42 490**	**1 882**	**42 490**	**-**	**3 334**

	31 December 2022	31 December 2022	31 December 2021	31 December 2021
	EUR	BGN	EUR	BGN
Senior Facilities Agreement	360 000	704 099	317 510	620 996
Interest – Senior Facility Agreement	3 334	6 521	1 882	3 681
Deferred expenses	(7 747)	(15 152)	(10 335)	(20 214)
	355 587	**695 468**	**309 057**	**604 463**

The deferred expenses relate to the upfront fees and advisory fees which will be written-off over the loan duration.

25. Pension post-employment benefits obligations

25.1. Employee benefit liabilities

As of 31 December 2022, the total number of employees in the Group is 3 258, employed and working outside The Netherlands.

According to the Bulgarian labour legislation and the subsidiaries' Collective Labour Agreement, the Group as an employer is obliged to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service, as follows:

Length of service	*Retirement benefit in gross monthly salaries*
Last 10 years in the energy industry	4
Over 10 years in the energy industry	6
Within the Company in the last 10 years	6

The Group does not maintain specific assets in connection with retirement benefit plans and defined benefit liabilities will be repaid from the Group's operations.

The table below summarizes the components of the net employee benefit expense recognized in the income statement and other comprehensive income and the amounts recognized in the statement of financial position for the retirement benefit plan:

Components of net benefit expenses

	31.12.2022	*31.12.2021**
	BGN'000	*BGN'000*
Retirement benefit obligation at the beginning of the period	**17 330**	**17 383**
Interest expenses	1 251	93
Current service cost	3 635	7
Transferred obligations	870	
Total recognized in profit or loss	**5 756**	**100**
Actuarial losses on the obligation	819	243
Total recognized in the other comprehensive income	**819**	**243**
Paid retirement benefits	(841)	(396)
Transferred obligations	(971)	
Retirement benefit obligation at the end of the period	**22 093**	**17 330**

* As the actual date of acquisition is 27.07.2021, the beginning of comparative period is 01.08.2021.

Retirement benefit obligation recognised in the statement of financial position	*31.12.2022*	*31.12.2021*
	BGN'000	*BGN'000*
Long-term retirement benefit obligations	19 510	16 302
Short-term retirement benefit obligations	2 583	1 028
	22 093	**17 330**

The principal assumptions used in determining retirement benefit obligation to the subsidiary with largest number of employees in the Group are presented below:

	2022	*2021*
Discount rate	5.20%	0.45%
Future benefit increase	6.65%	3.25%
Staff turnover	Until 30 yr.:17% From 31-40 yr.:10% From 41-50 yr.: 6% Above 50 yr: 2%	Below 30 years:16% From 31 to 40 years: 7.2% From 41 to 50 years: 5% Over 50 years: 3.7%

A point change in the percentage of future increase of remunerations would have the following effect:

	Increase	*Decrease*
	BGN’000	*BGN’000*
2022		
Effect on service cost	365	(311)
Effect on interest expense	125	(106)
Effect on retirement benefit obligations	1 995	(1 701)
2021		
Effect on the expenses on current service and interest	128	(104)
Effect on the retirement benefits obligation	1 637	(1 378)

A 1% change in the discount rate would result in the following effect:

	Increase	*Decrease*
	BGN’000	*BGN’000*
2022		
Effect on service cost	(4)	4
Effect on interest expense	-	-
Effect on retirement benefit obligations	(36)	37
2021		
Effect on the expenses on current service and interest	(24)	25
Effect on the retirement benefits obligation	(336)	351

The table below presents the maturity structure of the employee benefit obligation on retirement on the basis of expected payments:

	2022	***2021***
	BGN'000	***BGN'000***
Up to 1 year	*2 583*	1 028
From 2 to 5 years	*4 291*	2 312
From 6 to 10 years	*5 042*	3 293
Over 10 years	*10 177*	10 697
Total expected payments	**22 093**	**17 330**

The key management personnel of the Parent Company is not included within the defined benefit plan. The amount of BGN nil. have been allocated in favour of the Key management personnel.

26. Lease

26.1. The Group as a lessee

Assets and liabilities recognised in the statement of financial position, acquired upon subsidiaries purchase

The statement of financial position contains the following items and amounts related to leases:

26.1.1. Right of use assets

	Land and Buildings	*Machinery, Technical equipment and Vehicles*	*IFRS 3 adjustments*	***Total***
	BGN'000	*BGN'000*	*BGN'000*	***BGN'000***
Fair value:				
At 31 July 2021	**17 231**	**5 243**	***(2 969)***	**19 505**
Additions	693	181	-	**874**
Disposals	(58)	(61)	-	**(119)**
IFRS 3 adjustments	*(3 047)*	*-*	*2 969*	***(78)***
At 31 December 2021	**14 819**	**5 363**	**-**	**20 182**
Additions	4 811	16	-	4 827
Disposals	(4 893)	(2 569)	-	(7 462)
At 31 December 2022	**14 737**	**2 810**	**-**	**17 547**
Depreciation:				
At 31 July 2021	**-**	**-**	**-**	**-**
Depreciation for the period	1 656	594	-	**2 250**
Depreciation written off	(57)	(48)	-	**(105)**
At 31 December 2021	**1 599**	**546**	**-**	**2 145**
Depreciation for the period	4 256	1 169	-	**5 425**
Depreciation written off	(1 591)	(8)	-	**(1 599)**
At 31 December 2022	**4 264**	**1 707**	**-**	**5 971**
Carrying amount:				
At 31 December 2021	**13 220**	**4 817**	**-**	**18 037**
At 31 December 2022	**10 473**	**1 103**	**-**	**11 576**

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Buildings - right of use	10 473	13 220
Machinery - right of use	19	22
Technical equipment - right of use	1 063	4 563
Vehicles - right of use	21	232
	11 576	**18 037**

26.1.2. Lease liabilities

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Lease liabilities – long - term	7 431	12 846
Lease liabilities – short - term	5 034	5 256
	12 465	**18 102**

Movements in lease liabilities as at 31 December 2022 are as follows:

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Beginning of the period	**18 102**	**19 645**
Increases	3 759	714
Decreases	(784)	-
Reclassified to trade liabilities	-	14
Interest accrued	230	160
Written-off	(2 227)	-
Payments	(6 368)	(2 431)
Adjustment due to change in interest rate	(247)	-
As at 31 December	**12 465**	**18 102**
Incl. current portion	*5 034*	*5 256*
non-current portion	*7 431*	*12 846*

The maturity analysis of future discounted cash payments under leases by years is as follows:

	2022	**2021**
	BGN'000	*BGN'000*
Year 1	5 034	5 256
Year 2	3 141	5 908
Year 3	2 623	4 154
Year 4	1 043	2 290
Year 5	393	488
Over 5 years	232	6
Total	**12 465**	**18 102**

Revenues and expenses under leasing contracts recognised in profit or loss for the reporting period are presented below:

	Note	**31.12.2022**	**31.12.2021**
		BGN'000	*BGN'000*
Depreciation expense on right-of-use assets (under IFRS 16)	26.1.1	5 425	2 250
Interest expense on lease liabilities (reported under IFRS 16)	26.1.2	225	160
Expenses related to short-term leases (reported under IFRS 16)		54	40
Expenses related to leasing contracts for low-value assets (reported under IFRS 16) (incl. in Hired services expenses)		505	738
Total amount recognised in profit or loss		**6 209**	**3 188**

The total cash outflow for leases in 2022 amounts to BGN (5 353) thousand. In 2022 there is effect of a non-monetary increase in the assets with the right of use and the lease liability at the amount of BGN (2 042) thousand.

Group's leases and reporting thereof
The Group leases property, energy facilities and vehicles. The energy facilities are owned by third parties and the Group needs to obtain access thereto to provide possibility for electricity transmission and distribution to other customers' sites.

Leases are usually agreed for fixed periods but may contain extension options. They are usually signed with the following terms, divided based on the class of underlying assets, as follows:

Properties – from 2 – 10 years;
Facilities – 5 years. The leases of electricity facilities forming part of the electricity distribution grid are treated in accordance with IFRS 16 as right-of-use assets with a 5-year use period, irrespective of the lease term;
Vehicles – from 2 – 10 years.

The average term of the Group's leases is 6 years.

Leases are negotiated on an individual basis and contain a significant number of conditions and clauses. Leases do not contain mandatory indicators and leases. Underlying right-of-use assets may not be used as collateral under other contracts.

Variable lease payments
The Group has no leases containing variable payment clauses that would result in uncertainty in the measurement of lease payments.

Extension and termination options
The Group accounts for many leases of property and energy sites and facilities containing extension and termination options. These options have been negotiated by the management for the purpose of greater flexibility in managing the right-of-use assets and the Group's economic needs. The Group's management applies significant judgement to determine whether it is reasonably certain to exercise these options. Lease of energy sites and facilities are agreed for a one-month period, but use thereof is long-term, since the Group, in its capacity as operator of the electricity distribution grid and licensee for the electricity distribution activity uses the electricity distribution facilities to other clients/users different from the owners of those energy sites.
Regarding the contract for use of the leased areas and parking places for the Group's administrative needs, there is certainty about long-term use resting on the Group's right to obtain and gain all economic rewards for the entire period of use, manifest in performing management, control and administration of all processes and activities related to its object of activity. These assumptions are reviewed if a significant event or circumstances arise that impact assumptions and if this event is within the Group's control.

Potential outgoing undiscounted future cash flows for 2022 amount to BGN 0 thousand, which is not included in the lease liabilities, due to Group's management judgment that there is no substantial certainty that the lease agreements will be extended (or will not be terminated). In 2021, these amount to BGN 115 thousand. These assumptions are reviewed if a substantial event or substantial circumstance arise, that impact assumptions and if this event is within the Group's control.

Short-term leases and leases of low-value assets

The Group has elected the exemption from recognition of right-of-use assets and lease liabilities under the standard for low-value leases, which include multi-filtration water dispensers and parking places.
The costs of short-term leases and low-value leases are disclosed in "Other operating expenses" (Note 7) and amount to BGN 579 thousand (2021*: BGN 68 thousand).

26.2. The Group as a lessor

Operating leases

The operating leases of property and energy facilities owned by the Group in its capacity as lessor have a term between 1 and 10 years. All operating leases contain conditions for review of clauses if the lessee exercises its extension options. The lessee has no option to purchase the property after the lease term expires.

Unguaranteed residual values do not pose a significant risk for the Group, since there are no indications that the value of assets would decrease more than would be expected as a result of time or normal wear and tear. The Group has no indications that this situation would change.

The maturity analysis of future undiscounted proceeds from operating leases is as follows:

	2022	2021
	BGN'000	*BGN'000*
Year 1	4 550	4 347
Year 2	4 550	4 347
Year 3	4 550	4 347
Year 4	4 550	4 347
Year 5	4 550	4 347
Over 5 years	4 550	4 347
Total	**27 300**	**26 082**

Operating lease amounts included in the statement of comprehensive income, as follows:

		31.12.2022	***31.12.2021****
	Note	*BGN'000*	*BGN'000*
Revenues from fixed lease payments	5	3 538	1 516
Total		**3 538**	**1 516**

27. Commitments and contingent liabilities

27.1. Capital commitments

The Group has no capital commitments at 31 December 2022.

27.2. Guarantees

<u>Electrodistribution Grid West EAD</u>

Suppliers of the subsidiary have established bank deposit collateral in its favour for the performance of contracts concluded therewith for the delivery of materials and services. The amount of securities valid as at 31 December 2022 is BGN 1 100 thousand (2021: BGN 14 300 thousand);

According to the Rules on the conditions and procedure for granting access to the electricity transmission and distribution grids, where it is stated that a guaranteed collateral of customers eligible for transactions at freely negotiated prices is to be provided in favour of the subsidiary's incorporated bank guarantees amounting at BGN 2 382 thousand (2021: BGN 1 905 thousand) at 31 December 2022.

The subsidiary has established a bank guarantee in favour of Stolichna municipality at the amount of BGN 78 thousand for repair of sidewalks cover when performing construction activities related to it's investment program.

<u>Electrohold ICT EAD</u>

As of 31 December 2022, guarantees for the implementation of concluded contracts in the total amount of BGN 806 thousand (2021: BGN 278 thousand) have been established in favour of the subsidiary.

Electrohold Trade EAD

Clients of the subsidiary have established in his favour in 2022 bank guarantees in the amount of BGN 504 thousand, thus the amount of valid bank guarantees as of 31.12.2022 issued in favour of the subsidiary is BGN 1 354 thousand (2021: BGN 11 115 thousand).
The issued bank guarantees secure the payments under contracts for sale of electricity and balancing.

The subsidiary has concluded a loan agreement № 260/10.12.2007 with Citibank AD. The purpose of the loan is to issue bank guarantees. For the period from 2007 to the present the term of validity and the maximum amount of the loan have been extended and with the last annex №19/31.01.2019 the maximum amount of utilization is changed to BGN 59 000 thousand, and with the annex №20/ On 25.05.2020 the period of utilization has been extended until 21.05.2021, which is also the deadline for repayment of all obligations under this contract. The utilization period has been extended to №21/21.05.2021 until 21.05.2022, and the deadline for repayment of all obligations under this contract is 15 (fifteen) months from the date of issuance of the bank guarantee.

Bank loan under subject to BGN 43 000 thousand or their equivalent in EUR, calculated at the applicable exchange rate of the BNB with the term of the contract until 31 January 2022. The interest rate before the change of ownership is 0.15% per quarter. The interest rate after the change of ownership is 0.25% quarterly. With Annex № 1/06.08.2021 - for a period up to 28.09.2021 the amount of the conditional loan is changed to BGN 35 000 thousand or their equivalent in EUR, calculated at the applicable exchange rate of the BNB. With Annex № 2 / 30.09.2021 - for the period from 04.10.2021 to 05.11.2021 the amount of the conditional loan is changed to BGN 37 000 thousand or their equivalent in EUR, calculated at the applicable exchange rate of BNB. Annex № 3/04.11.2021 - the term of validity of Annex №2 is extended until 17.11.2021. Annex № 4/17.11.2021 - the term of validity of Annex № 2 and Annex № 3 is extended until 26.11.2021 Annex № 5/22.11.2021 - the amount of the loan under condition is increased to BGN 43 000 thousand or their equivalent in EUR, calculated at the applicable exchange rate of the BNB. Annex № 6/31.01.2022 - the term for guarantees is extended until 31.01.2023. Annex № 7/25.01.2023 - the term for guarantees is extended until 30.04.2023 As at 31.12.2022 the utilized part is BGN 33 626 thousand (2021: 33 477 thousand).

Electrohold Bulgaria EOOD

As of December 31, 2022, by order of Electrohold Bulgaria EOOD, two bank guarantees have been issued with a total amount of BGN 86 thousand. As of 31.12.2022, the Company acts as a guarantor, with funds restricted in favour of a commercial bank in the amount of BGN 19,595 thousand.

27.3. Legal claims

There are no legal claims against the entities in the Group.

27.4. Undrawn loan facilities

Electrohold Trade EAD

Bank loan for working capital
As of 31.12.2021 the undrawn amount of the overdraft loan № 00022/714/15.07.2021 is BGN 43 031 thousand (2021: BGN 43 031 thousand).

Electrohold Bulgaria EOOD

As of December 31, 2022 the company has unutilized credit facility from Electrohold Trade at the amount of BGN 1 200 thousand and unutilized credit facility from Electrohold Sales at the amount of BGN 3 400 thousand.

During 2022 the subsidiary has concluded loan agreement to provide funds to Electrohold EPC for operational needs. As of 31.12.2022 the unutilized amount is BGN 500 thousand.

27.5. Other

Electrodistribution Grid West EAD

A Commitments pursuant from the Energy Act (§4, Para 1 of the Final and Transitional Provisions) **on the obligations for purchase of energy installations representing an element of the distribution grid and owned by third parties**

In accordance with the license for electricity distribution and §3 and §4 of the Final and Transitional Provisions of the Energy Act (former § 67 of the Act on Energy and Energy Efficiency) the Company is obliged to purchase and replace the commercial metering equipment as well as the energy installations and facilities representing the distribution grid owned by third parties. The conclusion of contracts for the acquisition of energy facilities on the initiative of the Company is obstructed by a number of objective obstacles - lack of data in the Property Registry, unclear property rights, property and other burdens of many facilities, their technical condition. It should also be noted that the provision of § 4, Para. 5 of TFP of the Energy Act stipulates that electricity distribution company is not required to buy energy facilities in the event that their own facilities to replace existing in the statutory deadline. Notwithstanding the expiry of the period and at the moment, given the unclear ownership of many facilities and/or their not good condition, the Company invested in the construction of new facilities, consistent with current plans for regulation of settlements and the modern technical standards. To replace the commercial metering devices, a significant factor is the need for unhindered access to the properties of customers and accommodate the commercial metering devices. The cost of replacing the commercial metering devises will be capitalised in property, plant and equipment. The approximate cost of these replacement investments over a one year period is BGN18,805 thousand (2021: BGN 29,469 thousand

The recent tax audits of the Company comprise the following periods and tax laws:

Type of taxes	
Taxes under CITA	until 31.12.2012
Tax on social expenses under CITA paid in kind	until 31.12.2015
Personal income tax	until 31.12.2007
VAT	until 31.12.2012
Social security	until 30.09.2008

Electrohold Bulgaria EOOD

In 2022, there were no tax revisions of the Company. There is an inspection by the National Revenue Agency regarding the refund of overpaid corporate tax. The tax in the amount of BGN 30 thousand has been fully refunded on the basis of the APV of 19.07.2022.

The Company's management does not consider that there are any significant risks as a result of the dynamic fiscal and regulatory environment in Bulgaria that would require adjustments to the financial statements for the year ending December 31, 2022.

28. Government grants – long term

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Government grants	89	95
	89	**95**

Government grants are related to the financing of non-current tangible assets and current operations with regard to the following EDG's projects:

“Replacement of obsolete transformers and reducing the supply losses of Electrodistribution Grid West EAD”

Programme related to Directive 2003/87/EC and National Investment Plan of Bulgaria 2013-2020

LIFE programme

Project „LIFE DANUBE FREE SKY” LIFE19 NAT/SK/001023

FLEXITRANSTORE Programme
INTERRFACE Programme
SDN-microSENSE Programme
EnergyShield Programme
FORESIGHT Programme
DATA CELLAR programme
ENFLATE programme

29. Trade and other payables

	31.12.2022	*31.12.2021*
	BGN'000	*BGN'000*
Trade liabilities	185 692	195 533
Advance payments received	1 590	40
Personnel payables	28 084	19 262
Social security payables	4 654	4 247
VAT payables	4 401	785
Other tax payables	955	1 542
Liabilities for guarantees	26 121	25 876
Other current liabilities	13 552	5 230
	265 049	**252 515**

The net carrying value of trade and other payables is considered a reasonable approximation of fair value.

30. Provisions

	Notes	*31.12.2022*	*31.12.2021*
		BGN'000	*BGN'000*
Provisions for court claims and for imposed penalties	30.1	14 348	10 563
Provisions for imposed penalties	30.2	1 726	2 371
Energy efficiency provision	30.3	21 165	16 876
		37 239	**29 810**

As of 31 December 2022	*Provisions for court claims*	*Provisions for imposed penalties*	*Energy efficiency provision*	*Total*
Notes	*30.1*	*30.2*	*30.3*	
	BGN'000	BGN'000	BGN'000	BGN'000
At 1 January 2021	**14 664**	**3 453**	**15 030**	**33 147**
Occurred during the period	1 515	5	2 242	3 762
Utilized	(5 616)	(1 087)	(54)	(6 757)
Reversed	-	-	(342)	(342)
At 31 December 2021	**10 563**	**2 371**	**16 876**	**29 810**
Occurred during the period	6 931	(385)	4 305	10 851
Utilized	(1 861)	(260)	(16)	(2 137)
Reversed	(1 285)	-		(1 285)
At 31 December 2022	**14 348**	**1 726**	**21 165**	**37 239**

30.1. Court provisions

Various companies and natural persons have initiated court litigation against the Group in relation to employment, property disputes and other claims resultant from the subsidiaries' business operations, the significant ones being as follows:

Electrodistribution Grid West

In 2012, multiple court proceedings were initiated based on requests by producers of electricity from renewable energy sources, pleading with the court to repeal Decision Ц-33/14.09.2012 of the Energy and Water Regulatory Commission as unlawful. The subsidiary was advised by its consultants that there is a probability of negative income of these litigations. In June 2013, SAC issued several final-instance rulings, thereby repealing the temporary prices for access to the electricity distribution grid in several groups for solar and wind renewable sourced. On 13 March 2014 EWRC issued Decision Ц-6/13.03.2014 on determining permanent access tariff for producers of electricity from renewable energy sources using preferential prices, and Decision КМ-1/13.03.2014 on the previous period. The compensatory mechanism envisaged in Decision No КМ-1/13.03.2014 applies for RES producers which did not appeal against the Decision on determining temporary prices Ц-33/14.09.2012 and those for which it was not enforced, even though they appealed.

During 2022 provision has been accrued on newly opened court cases amounting to BGN 3 thousand. In 2020, the receivables from renewable sources electricity producers against the subsidiary, at the amount of BGN 2 106 thousand based on the court's repeal of any item of Decision No Ц-33, were written-off due to the expiration of the five-year limitation period. In the financial statements as at 31 December 2022, this provision amounts to BGN 118 thousand (2021: BGN 149 thousand).

The remaining portion of recognized provisions under court claims and proceedings include various cases in which the subsidiary is involved as claimant or defendant, at the total amount of BGN 6 471 thousand (2021: BGN 6 581 thousand).

Electrohold Sales
In 2022 the Company has a provision for litigation amounting to BGN 7 759 thousand on the basis of the probable outcome of several litigations, which are at a different stage but are pending at the present moment.

Under a claim filed by Receiver CHB EOOD, a creditor in the insolvency proceedings of Future Energy OOD – in bankruptcy, a proceeding under a commercial case № 1375/2019 was initiated against the Company on the inventory of the Sofia City Court. Receiver CHB EOOD filed a claim to set aside in respect of the creditors of the bankruptcy of Future Energy OOD - in bankruptcy of the set-off of counterclaims and utilization of Bank Guarantee confirmed by the Settlement Agreement concluded on 12 March 2018 between Electrohold Sale EAD, Future Energy OOD – in bankruptcy and Karpleon Bulgaria EOOD. By means of a Ruling dated 30 June 2020, the court rejected the claims filed by Receiver CHB EOOD for declaring as null the repayment of a cash payable of BGN 3 350 thousand. By means of the Ruling, the court upheld the claim of Receiver CHB EOOD against a bank guarantee of BGN 500 thousand, drawn by Electrohold Sales EAD, thereby sentencing Electrohold Sales EAD to pay to Future Energy PPD the amount of BGN 500 thousand to fill in the bankruptcy amount. Electrohold Sales EAD appealed the Ruling in the part sentencing the Company to return the guarantee drawn at the amount of BGN 500 thousand. Electrohold Sales EAD and Receiver CHB EOOD appealed against the Ruling. Electrohold Sales EAD submitted a reply to the claim, requesting the court to upheld Ruling 914 dated 30 June 2020 in the part appealed against by Receiver CHB EOOD. By means of a Resolution dated 7 October 2020, the court amended its Ruling in the part regarding costs. Receiver CHB EOOD submitted a claim for correction of an evident factual error in the Ruling – the bank guarantee has not been drawn as default penalty, but as compensation for damages. On 27 January 2021 court proceedings No 80/2021 were initiated at the Appellate Court - Sofia. During the open court hearing on the case held on 26 November 2021, the court granted the parties 7 days to submit written notes and announced the case for resolution. Electrohold Sales EAD submitted its written notes within the provided deadline. With decision № 79 of 04.02.2022 of the Appellate Court - Sofia the court confirmed decision № 914 of 30.06.2020 of the previous instance in the part by which Electrohold Sales EAD was sentenced to pay to Future Energy OOD (in bankruptcy) BGN 500 thousand for invalid set-off of a bank guarantee. The court declared the set-off invalid with the agreement. With the decision Electrohold Sales EAD was sentenced to pay to Future Energy OOD (in bankruptcy) BGN 3,350 thousand together with interest, as well as to pay a state fee for first and appellate instance. Receiver CB EOOD applied for the issuance of a writ of execution. Electrohold Sales EAD filed a cassation appeal with the Supreme Court of Cassation (SCC), as well as a request to suspend the preliminary execution of the decision. On 09.02.2022 under item № 249 according to the inventory of the Supreme Court of Cassation for 2022, on the grounds of Art. 282, para. 2 of the Civil Procedure Code, a ruling was issued suspending the execution of the appellate decision № 79 / 04.02.2022 on item № 80/2021 on the list of the Court of Appeal - Sofia in the parts with which Electrohold Sales EAD was sentenced to pay to Future Energy OOD (in bankruptcy) the amount of BGN 500 thousand and BGN 3 350 thousand together with the due legal interest. On 08.03.2022, Electrohold Sales filed an addendum to the cassation appeal before the Supreme Court, together with an addendum to the grounds for admissibility to cassation. On 20.06.2022, commercial case 1342/2022, II TO was initiated before the Supreme Court. The closed session of the

Supreme Administrative Court to consider the request of Electrohold Sales for admission to cassation is scheduled for 04.05.2023. According to the legal forecast for the likely outcome of the case, the total amount of the accrued provision for the lawsuit is BGN 6 244 thousand.

On 29 September 2021, a claim was received №20211100901536 of the Sofia City Court, VI-13 panel, filed by Fast Pay HD AD. The claim is for BGN 100 thousand, as a partial claim of BGN 1 688 thousand principal and BGN 10 thousand, as a partial claim of BGN 641 thousand - moratorium interest for the period from 01.11.2017 until 29.07.2021. The formation of an opinion and a ruling was requested within the second possible main claim regarding the nullity of the Contract for the collection of amounts from clients from 01.11.2017 between the parties.

The claims for the principal have been filed on three possible grounds (according to the petitum), and it is the duty of the court to give a final qualification:

- Art. 105, para. 1 of the Law on Protection of Competition (“LPC”), claiming that Electrohold Sales EAD is guilty within the meaning of the provision of an entity that owes compensation for violation of the LPC, as a special tort claim. It is argued that the compensation should cover the "normal prices" due for this type of activity, which also determines the causal link between the infringement and the damage suffered;
- A request was made for an incidental ruling of the court regarding the nullity of the Contract for collection of amounts from clients from 01.11.2017 between the parties (in the text specifically referred to as invalid Article 9, Article 21, and Article 22) and awarding compensation of the same amount on the grounds of unjust enrichment (Art. 55, para. 1, item 1 of the Law on Obligations and Contracts).
- For awarding remuneration under a Contract for collection of amounts from clients from 01.11.2017 under Art. 37 of the Commercial Law (for commercial representation), as well as legal interest for delay from the date of the claim.

The indicated moratorium, as well as legal interest is claimed for each of the first two claims. Evidential requests have been formulated. A large volume of written evidence was presented. The subsidiary has filed a response to the claim, disputing the claims in a timely manner. On 21.01.2022, the Company, through its legal representative, received an additional claim submitted by the opposite party. A response to the additional claim was submitted within the statutory period. On 30.03.2022, an out-of-court settlement was concluded between the parties, according to which Electrohold Sales undertakes to pay Fast Pay HD AD the sum of BGN 500,000, with the payment of which the claims are considered satisfied. On 04.04.2022, the Company paid the agreed amount, as a request was submitted by both parties under the following. No. 20211100901536 of the SCC, VI-13 panel, to conclude a court settlement in the same sense. Arrangements were also made for the cancellation of the security of the claims, with the submission of an application by both parties, which were also fulfilled. In an open court session on the case, held on 20.04.2022, a court settlement was concluded in the same sense, which was approved by the Court. It is not subject to appeal and has been executed by the parties. The proceedings in the case have been terminated. The remainder of the provision in the amount of BGN 1 285 thousand has been written off.

On 26.06.2019, a claim was filed by "Pirin BMK" EOOD - the concessionaire of the Oranovo Mine, claiming an amount of BGN 100 thousand. The claim was filed as a partial claim for damages for the period from 21.03.2018 to 23.11.2018, consisting of unrealized coal mining, which was not carried out due to the lack of an electricity contract between "Pirin BMK" EOOD and Electrohold Sales. The full amount of the claim (damages) is not specified. A civil case No. 6882/2019 has been filed under the inventory of the Sofia City Court ("SCC"), Civil Department, I-13 panel. A response to the claim was filed in July 2019, with a counterclaim in the amount of BGN 236 thousand representing the value of the consumed electricity and network services, together with the legal interest on the principal, which until the filing of the claim was in the amount of BGN 8 thousand. In July 2020, "Pirin BMK" EOOD for the first time, following instructions from the court, indicated the full amount of the claim for damages, setting it at BGN 2 670 thousand, excluding VAT. If the court accepts the partial claim, the establishment of the factual relationship will be binding for the full amount of the claim. Given the high amount of the claim and the numerous necessary evidentiary actions, a contract was concluded with Attorney Company Zahariev and Metodiev, together with an employee with a legal education from the Company, to perform the procedural representation in the case for the protection of the legal rights and interests of the Company. A decision of the SCC was issued in the case, with which the claims of "Pirin BMK" EOOD were completely rejected. The counterclaims of Electrohold Sales for BGN 236 thousand principal and

BGN 5 thousand moratorium interest, as well as for incurred court costs, were respected. The decision was appealed, by the other party, by court case No. 663/2022 of the Appellate Court - Sofia ("ACS"). With decision dated 29.12.2022 of the ACS, the decision of the SCC was fully confirmed. The decision is subject to a cassation appeal.

30.2. Provisions for sanctions

Electrodistribution Grid West

Provision in relation to penal administrative decisions of the regulatory body (EWRC)

- As a result of a regulatory audit of the operations of EDG West EAD performed in 2014, in the beginning of 2015 EWRC served the Company 206 penal decisions on violations of the provisions of the Energy Act, the Company's license to perform "electricity distribution", and the General Terms of contracts on the use of the electricity distribution grids of EDG West EAD. The amount of each of the penal sanctions imposed is BGN 20 thousand, or the total amount of all 2016 penal sanctions is BGN 4 120 thousand.

All 206 penal decisions were appealed by EDG West EAD before the administrative penal body and the local competent court. 206 penal administrative proceedings were initiated. Currently, 204 of proceedings are completed with final decisions, of which 96 with confirmed paid penal decisions and the other 108 with cancelled penal decisions. In 2022, the last 2 penal decrees were finally issued, as a result of which, as of 31.12.2022, the provision in the amount of BGN 40 thousand has been written off.

- By means of Order No 3-E-131/30.07.2020 of the Chairperson of the Energy and Water Regulatory Commission, an inspection was assigned of CEZ Razpredelenie Bulgaria AD in relation to fulfilment of its license requirements. During the inspection, electricity metering devices were installed for a period of 7 days at 69 connection points in different areas of the licensed territory. The protocols of findings containing the metering results were sent to the EWRC. At 19 (nineteen) connection points, the values of supply voltage do not meet the applicable standard. Pursuant to this finding, Protocol of Findings No E-5/ 20.11.2020 was issued, and on 14 January 2021 EWRC issued EDG West EAD with 19 acts for ascertaining penal violations. The violations consist in the fact that over the period of metering the electricity supplied EDG West EAD supplied to 19 installations with electricity whose quality did not meet the indicators set in the Methodology for reporting compliance with the target indicators and control over the quality indicators for electricity and servicing of grid operators, public suppliers and end suppliers, by means of which the electricity distribution Company violated the provision of Art. 206, Para 3 of the Energy Act. It is claimed in the acts that the violations have a recurring nature, due to the enforced resolution No 7/2020 regarding the same violation in another period and for another customer. Therefore, the Company was advised by its legal advisors to accrue a provision at the amount of BGN 1 140 thousand. On 19 May 2021, 19 penal decrees were served, each of which imposed a property sanction worth BGN 60 000 or a total amount of BGN 1 140 000. The Company appealed all penal decrees within the statutory period before the competent court. On the same date - 19.05.2021, EWRC handed over 4 separate penal decrees, which were issued on complaints from customers for the supply of electricity that does not meet the established quality indicators. The imposed property sanction on each of them amounts to BGN 60 000 or a total amount of BGN 240 000. The Company also appeals against these penal decrees within the statutory period before the competent court.

Out of a total of 23 penal decrees issued in 2021, 1 was confirmed, 8 of them were completely cancelled, for 14 of them the violations were reclassified and the sanctions were changed, and their value was reduced to BGN 20,000 for each.

In 2022, EWRC issued 3 penal decrees, which were appealed. Two of the penal decrees are for non-implementation of the KEVR decision and the sanctions are BGN 20,000 each, and the third is for providing false information and the sanction is BGN 5,000. The penal decree for furnishing false information is cancelled. One of the penal decrees for non-implementation of the EWRC decision has been confirmed, the other is under appeal.

By order No. 3-E-1129/11.08.2022 of the Chairman of the Commission for Energy and Water Regulation, an inspection of "Electrodistribution Grid West" EAD was assigned for the fulfilment of the requirements of the license regarding the provision of electric energy with indicators corresponding to the requirements of the standard. During the inspection, devices were installed to measure the quality of the supplied electrical energy for a period of seven days in 30 connection points located in different areas of the license territory. The constative protocols with the measurement results have been sent to KEVR. According to the delivered Constative Protocol No. E-8 of 06.12.2022, in 10 connection points, the supply voltage values do not meet the applicable standard. Based on the above, the Company estimates that there is a high degree of probability that 10 acts for establishing administrative violations and correspondingly 10 penal decrees, each worth at least BGN 60,000, will be drawn up and handed over to the Company, due to the repetition of the violation within 1 year, to be confirmed.

The total amount of provisions for pecuniary sanctions imposed by the EWRC as of 31.12.2022 is at the amount of BGN 700,000. The specified amount has been charged and is in the process of appeal.

Provision for tax payables related to NRA inspection

In December 2019, an audit covering the periods 2014 and 2015 was commissioned, which ended with the issuance of a revision act, in which based on established court decisions and criminal decrees, unpaid insurance and tax on social expenses under CITA for all months of the two years in which there are accrued social costs for which reliefs and discounts were used under CITA are determined. The amount of the revision act has been paid in full. The revision act was appealed before the Administrative Court of Sofia-city and case No. 5874/2021 was formed, on which technical expertise was assigned.

In order to comply with the principle of consistency in assessing the incurrence of liabilities related to inspections by state regulatory authorities, the Company has assessed that there remains a risk for 2016, pending the outcome of the 2014 and 2015 tax audit cases, that the tax audit will again raise the issue of a breach of the condition that there are no enforceable public liabilities at the time of enjoyment of reliefs and discounts under the Income Tax Act, namely at the time of the provision of food vouchers.

Electrohold Sales

Administrative proceedings under file No CPC/486/2021 of the CPC

On 07.07.2021, Electrohold Sales EAD received a letter from the Commission on Protection of Competition (CPC), with which the Company was notified of the initiation of administrative proceedings under file No. CPC/486/2021 on the basis of Art. 38, para. 1, item 3 of the Civil Code at the request of "Fast Pay HD" AD to investigate a possible violation under Art. 29 of the Civil Code on the part of Electrohold Sales. The alleged violation is the general prohibition under Art. 29 of the Civil Code for any action or inaction in carrying out business activity that is contrary to good faith commercial practice and damages or may damage the interests of competitors. The letter requests a written opinion on the request submitted by Fast Pay HD AD, as well as information and documents. Electrohold Sales submitted a written opinion, as well as information and documents to the CPC within the relevant period. On 05.05.2022, an open meeting was held in the CPC in connection with a request submitted by Fast Pay HD AD to withdraw the request and terminate the proceedings. With Decision No. AKT-324-05.05.2022 of 05.05.2022, the CPC terminated the proceedings under file No. CPC/486/2021 (due to the withdrawal of the request by "Fast Pay HD" AD). The decision is subject to appeal before the Administrative Court - Sofia region within 14 days of its notification to the parties. With a letter from the CPC dated 22.06.2022, the Company was informed that no appeal was filed with the CPC against Decision No. ACT-324-05.05.2022, which is why the same has entered into force.

30.3. Energy efficiency provision

Electrohold Sales

Electrohold Sales EAD is an obligated person within the meaning of Art. 14, Par. 4, item 1 of the Energy Efficiency Act (EEA). Therefore, by decision of the Council of Ministers to the Company are set individual targets for realizing energy savings in final energy consumption for the period 2017-2020 and by Order of the Minister of Energy for the period 2021-2030.

Individual targets of Electrohold Sales EAD with reflected implementation as of 31.12.2022

	Requirement for measure validity in:			
Annual target/GWh (targets approved by CM)	2017	2018	2019	2020
2017	34.705	34.705	34.705	34.705
2018	-	71.630	71.630	71.630
2019	-	-	49.892	49.892
2020	-	-	-	70.194

	Requirement for measure validity									
Annual target/GWh	2021*	2022	2023	2024	2025	2026	2027	2028	2029	2030
2021	9.45047	9.45047	9.45047	9.45047	9.45047	9.45047	9.45047	9.45047	9.45047	9.45047
2022		7.61181	7.61181	7.61181	7.61181	7.61181	7.61181	7.61181	7.61181	7.61181
2023			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2024				0.00	0.00	0.00	0.00	0.00	0.00	0.00
2025					0.00	0.00	0.00	0.00	0.00	0.00
2026						0.00	0.00	0.00	0.00	0.00
2027							0.00	0.00	0.00	0.00
2028								0.00	0.00	0.00
2029									0.00	0.00
2030										0.00
	9.45047	17.06228	17.06228	17.06228	17.06228	17.06228	17.06228	17.06228	17.06228	17.06228
Cumulative savings for the period 2021-2030, **GWh**										163.0111

In 2022 the Company continued to consistently apply the approach in determining the amount of energy efficiency provision. For this purpose, the price levels received on the basis of quotations from independent third parties for the price of 1 MWh certificates were used, due to the fact that it could not identify reliable sources of public information on the prices of the certificates.

As a result of the assessment made at 31 December 2022, the Company has determined that the approximate total amount of funds for cumulative fulfilment of EEA targets for 2022 amounts to BGN 21 117 thousand.

Electrohold Trade

Electrohold Trade EAD is an obliged person under Art. 14, Para 4, item 1 of the Energy Efficiency Act (EEA). The Company is set individual objectives to realise energy savings in end energy consumption. The Company is obliged to fulfil the individual energy savings objectives set in CM decision. Energy savings targets are set by a decision of the Council of Ministers ("Council of Ministers") for the period 2017 - 2020 and by an Order of the Minister of Energy for the period 2021 - 2030. The reporting of energy savings achieved by the obliged entities is carried out through. Several options are provided for completing the objectives: The reporting of energy savings achieved by the obliged persons is done by means of Energy Saving Certificates (ESC) from SEDA.

- ✓ Direct investments in energy savings in the final consumption of energy with financing of the end user of the measures;
- ✓ Offering energy efficient services independently or in partnership with ESCO;
- ✓ Contributions to the "Energy Efficiency and Renewable Energy" Fund or another financial intermediary under the conditions of free negotiation;
- ✓ acquisition (purchase) of UES from measures implemented by other persons, and for the period 2021 - 2030, the obliged entity should prove his contribution to the measures that led to the achievement of the acquired energy savings.

According to the Energy Efficiency Act of the Company, the following goals for energy savings have been set for the program period 2017 - 2020, confirmed by decisions of the Council of Ministers:
- For 2017 - 13.3110 GWh with Decision of the Ministry of Internal Affairs No. 796 of 20.12.2017;
- For 2018 – 21.7290 GWh with Protocol No. 27 of 11.07.2018 of the Council of Ministers;
- For 2019 - 16,2680 GWh with Protocol No. 43/23.10.2019 of the Council of Ministers;
- For 2020 - 23.2160 GWh with Protocol No. 43/22.07.2020 of the Council of Ministers.

Using several of the mechanisms for the implementation of the goals indicated above, the Company has fulfilled all its obligations for the entire program period 2017 - 2020.

For the program period 2021 - 2030, as of 31.12.2022, the following goals have been approved:
- For 2021 - 3,229 GWh with Order No. E-RD-16-216/04.07.2021 of the Minister of Energy;
- For 2022 - 2,650 GWh with Order No. E-RD-16-195/29.03.2022 of the Minister of Energy.

For 2021, the individual goal is 100% met.

The annual goals for energy efficiency have a cumulative nature and the term of effect of the energy savings should be until the end of the relevant program period.

For 2021, the Company has fulfilled its goal 100%, but the period of validity of the measure is 1 year, and in view of the cumulative nature, the amount of 3,229 GWh should be "added" to the individual goal for 2022. Thus, the total amount for 2022, which is to be "reported"/"implemented" becomes **5.879 GWh.**

To fulfil the individual goal for 2022, the Company took similar actions as those for the program period 2017 – 2020 with "Energy Savings Assessment Agreement" with a licensed appraiser and a "Technical Assistance Agreement" with a client who implemented specific energy efficiency program/measure.
The company took actions, as a result of which Contracts were signed, registered with the SES and reported in fulfilment of the individual goal by submitting an Application to SEDA ent. No. 12-178/28.02.2023 5,900 MW were reported. with a term of validity of the measures of 30 years, which covers the obligation for 2022 and the "cumulative" accumulation of the obligation for 2021, i.e. for the entire program period 2021-2030, the individual goals are 100% met.

In order to fulfil its objectives as of 31.12.2022, the Company has accrued expenses amounting to BGN 37 thousand The total obligation as of 31.12.2022 of obligations for energy efficiency is amounting to BGN 48 thousand (31.12.2021: BGN 11 thousand).

31. Payables under derivative instruments

	31.12.2022	***31.12.2021***
	BGN'000	*BGN'000*
Payables under derivative instruments	-	7
	-	**7**

The Group is a party in derivative transactions through Electrohold Trade.

32. Non-cash transactions

During the presented reporting period, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- the Group has terminated non-current lease agreements, as a result the fair value of liabilities has decreased by BGN 1 469 thousand;
- the Group has reduced the lease period on non-current lease agreement, as a result the fair value has been decreased by BGN 480 thousand;
- the Group has acquired BGN 166 thousand of non-current assets under lease agreement

33. Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Bank loans	**Issue of equity**	**Lease liabilities**	**Government grands**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
31 July 2021	**109 710**	**2**	**19 645**	**-**	**129 357**
Cash flows:					
Proceeds	682 340	343 283	-	95	**1 025 718**
Repayment	(135 738)	-	(1 703)	-	**(137 441)**
Non-cash:					
Accrued effective interest	10 544	-	160	-	**10 704**
Other changes*	(19 709)	-	-	-	**(19 709)**
31 December 2021	**647 147**	**343 285**	**18 102**	**95**	**1 008 629**

Cash flows:					
Proceeds	83 103	27 243	-	438	**110 784**
Repayment	(28 978)		(5 353)	-	**(34 331)**
Non-cash:					
Change in differential rate	-	-	(399)	-	**(399)**
Accrued effective interest	31 918	-	115	-	**32 033**
Utilised government grands	-	-	-	(444)	**(444)**
Other changes*	562	6	-	-	**568**
31 December 2022	**733 752**	**370 534**	**12 465**	**89**	**1 116 840**

34. Financial Risk Management

Factors that determine the financial risk

In carrying out their activities, the companies of the Group are exposed to various financial risks:

- market risk, including currency risk, interest rate risk and price risk.
- credit risk;
- liquidity risk;
- operational risk;
- capital risk;
- other risks resulting from Covid-19.

The overall risk management program focuses on the unpredictability of the financial markets and aims to reduce any adverse effects on the Group's financial performance.

34.1. Currency risk

The Group is exposed to currency risk through payments in foreign currency and through its assets and liabilities denominated in foreign currency. Foreign currency exposures result in gains or losses that are recognized in the consolidated statement of profit or loss and other comprehensive income. These exposures comprise the Group's monetary assets that are not denominated in the currency used in the financial statements of local companies.

The Group operates mainly in Bulgarian levs and in euro. Management believes that with the Bulgarian Currency Board operating in Bulgaria and the fixed exchange rate of the Bulgarian lev to the euro, the Group is not exposed to significant adverse effects of changes in the exchange rate.

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The Group has no significant investments in countries other than the country in which it operates – Republic of Bulgaria In cases, if any, where the local currency is exposed to significant currency risk, its management is achieved by investing in assets denominated in Euro.

The distribution of significant financial assets and liabilities exposed to currency risk by currencies as of December 31, 2022 is as follows:

As of 31 December 2022 *BGN'000*	**Bulgarian leva**	**Euro**	**Romanian lei**	**Total**
Cash and cash equivalents	151 847	26 027	5	**177 879**
Receivables from related parties	1 619	45	-	**1 664**
Trade receivables	194 405	-	-	**194 405**
Contract assets	121 551	-	-	**121 551**
Financial assets	19 370	-	-	**19 370**
Total	**488 792**	**26 072**	**5**	**514 869**
Loans from banks and non-bank financial institutions	-	733 752	-	**733 752**
Lease liabilities	12 465	-	-	**12 465**
Total	**12 465**	**733 752**	**-**	**746 217**

The distribution of significant financial assets and liabilities exposed to currency risk by currencies as of December 31, 2021 was as follows:

As of 31 December 2021 *BGN'000*	**Bulgarian leva**	**Euro**	**Romanian lei**	**Total**
Cash and cash equivalents	71 242	5 576	4	**76 822**
Receivables from related parties	123	4 890	-	**5 013**
Trade receivables	229 295	7 097	-	**236 392**
Contract assets	113 616	-	-	**113 616**
Financial assets	22 735	-	-	**22 735**
Total	**437 011**	**17 563**	**4**	**454 578**
Loans from banks and non-bank financial institutions	-	647 147	-	**647 147**
Lease liabilities	18 102	-	-	**18 102**
Total	**18 102**	**647 147**	-	**665 249**

34.2. Interest rate risk

The Group is exposed to the risk of changes in market interest rates, mainly with respect to its short-term and long-term financial liabilities with variable (floating) interest rates. The Group's policy is to manage interest expenses by using financial instruments with both fixed and floating interest rates. The interest rates on the majority of the Group's loans to banking institutions are based on one-month and / or quarterly and / or six-month EURIBOR.

The following table presents a sensitivity analysis to possible changes in interest rates, with their effect on the Group’s profit before tax (through the effect on floating interest rate loans and borrowings), all other variables held constant. There is no impact on the other components of Group’s equity.

	Increase / Decrease in interest rates	Effect of the profit before taxes
2022	%	*BGN’000*
For interest-bearing loans and borrowings	+1%	(7 524)
For interest-bearing loans and borrowings	-0.5%	3 762
2021		
For interest-bearing loans and borrowings	+1%	(6 732)
For interest-bearing loans and borrowings	-0.5%	3 366

The Group controls this exposure through periodic review of its active positions. Cash flow assumptions as well as the impact of interest rate fluctuations on the investment portfolio are reviewed every six months.
The purpose of these strategies is to limit large changes in assets related to changes in interest rates. The Group is also exposed to the risk of changes in future cash flows from fixed income securities resulting from changes in market interest rates.

34.3. Price and Regulatory risk

The Group's exposure to price risk is related to financial assets at fair value, which include shares and bonds traded on EU stock exchanges.

Under these instruments, there is a risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those related to interest rate and currency risk), regardless of whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting the market.

Price risk is managed by analysing the companies in which investments are made on the basis of their operating activities which are regulated.

The regulatory risk is related to the impact of the existing regulatory framework or its change on the subsidiaries' activities, as well as to potential fines and sanctions due to violations of this framework.

The energy business is a highly regulated economic sector, as the financial results of the companies operating in the field of energy are directly dependent on a number of normative acts and decisions of the state regulatory body (EWRC). Companies are at risk of not taking into account all the costs associated with their normal activities when setting electricity prices by the regulator.

Electrodistribution Grid West performs its licensing activity under general and individual administrative acts issued by The Energy and Water Regulatory Commission, which are obligatory for execution, including with respect to price formation. Prices are regulated by the state.

Upon determining the transaction price, the Group also takes into consideration variable consideration and the presence of a significant financing component (*if any*).

Electrohold Trade supplies electricity to corporate and business customers and trades on the wholesale market at free prices separately determined for each transaction.

Electrohold Sales performs its licensing activity under general and individual administrative acts issued by The Energy and Water Regulatory Commission, which are obligatory for execution, including with respect to price formation.
The prices applicable for sales under the End Supplier and Last Resort Supplier licenses are regulated by the state.
With respect to sales under the Electricity Trade license, the transaction price is usually determined as a fixed (unit) selling price set in a contract, in accordance with a general or customer-specific price list and may include a variable consideration and a significant financing component effect (if any). Sales on the IBEX are carried out at exchange prices valid for the date and time of the transaction.

34.4. Credit risk

The Group's credit risk is mainly related to trade and financial receivables (including cash at bank).

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

The Group holds assets in a trading portfolio in order to manage credit risk. Credit risk is the risk that one party to a financial instrument will incur a financial loss for the other party to it by failing to meet an obligation. The Group has implemented policies and procedures to mitigate the exposure of the credit risk group.
The Group's investment policy requires strict application of the diversification rules on exposure limits for each type of instrument and for an individual counterparty, set out in the insurance legislation of each country.
Group's cash and payment operations are mainly concentrated in different first-class banks. In order to calculate expected credit losses for cash and cash equivalents, the Group applies a rating model by using the banks' ratings as determined by internationally recognized rating firms such as Moody's, Fitch, S&P, BCRA and Bloomberg and the reference public data about the PD (probability of default) of the respective bank.
The management currently monitors changes in the respective bank's rating in order to assess the presence of increased credit risk and for the purpose of ongoing management of incoming and outgoing cash flows and the allocation of cash in bank accounts and banks.
The Group's cash and cash equivalents available at 31 December 2022 are in bank accounts with ratings A to BBB according to Fitch/ BCRA.

The management of the Group has performed a test for impairment of the expected credit losses on cash and has recognized in the financial statements as of 31.12.2022 impairment in the amount of BGN 312 thousand (2021: BGN 108 thousand) (Note 10).

The Group conducts derivative transactions through Electrohold Trade EAD.

The Group invests its own funds mainly in bank deposits, securities issued by Member States of the European Union, bonds issued by financial institutions or other companies. In order to implement its investment policy, the Group uses professional services of investment intermediaries that have received permission to conduct transactions in the country and abroad.

The structure of trade receivables as at 31 December 2022 and 31 December 2021 based on residual term is presented below:

31.12.2022	Not due	0 – 30 days	30 – 90 days	91-180 days	181-360 days	>360 days	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Receivables from clients (gross carrying amount)	151 405	40 330	8 599	3 767	3 536	53 164	**260 801**
Expected credit loss (Impairment allowance)	(576)	(632)	(481)	(785)	(1 265)	(47 018)	**(50 757)**
Expected credit loss (Impairment allowance) for individually impaired receivables	(155)	(1 429)	(3 157)	(572)	(6)	(16)	**(5 335)**
Additional credit loss for clients in liquidation and insolvency	(14)	(106)	(54)	(57)	(57)	(1 443)	**(1 731)**
Additional credit loss on revenues under Art. 56 of RMEV	(502)	(1 194)	(998)	(689)	(999)	(4 191)	**(8 573)**
Receivables from clients, net	**150 158**	**36 969**	**3 909**	**1 664**	**1 209**	**496**	**194 405**

31.12.2021	Not due	0 – 30 days	30 – 90 days	91-180 days	181-360 days	>360 days	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Receivables from clients (gross carrying amount)	198 246	27 189	9 679	3 955	4 222	56 364	**299 655**
Expected credit loss (Impairment allowance)	(555)	(705)	(1 233)	(1 189)	(1 737)	(50 722)	**(56 141)**
Expected credit loss (Impairment allowance) for individually impaired receivables	(5)	(635)	(62)	(3)	(5)	(5)	**(715)**
Additional credit loss for clients in liquidation and insolvency	(75)	(90)	(71)	(67)	(65)	(1 420)	**(1 788)**
Additional credit loss – RMEV*	(363)	(73)	(338)	(326)	(997)	(2 522)	**(4 619)**
Receivables from clients, net	**197 248**	**25 686**	**7 975**	**2 370**	**1 418**	**1 695**	**236 392**

**Electricity Metering Rules (Rules on metering electricity volume)*

	31.12.2022	***31.12.2021***
Contract assets		
Contract assets, gross	122 185	114 223
Expected credit loss (impairment of contract assets)	(634)	(607)
Contract assets, net	**121 551**	**113 616**

Court receivables	***31.12.2022***	***31.12.2021***
Court receivables, gross up to 3 years	7 415	4 984
Expected credit loss (impairment of court receivables)	(3 904)	(3 267)
Court receivables, gross above 3 years	30 697	29 746
Expected credit loss (impairment of court receivables)	(30 697)	(29 683)
Court fees	3 990	3 811
Other	302	-
Expected credit losses	(4 166)	(3 690)
Court receivables, net	**3 637**	**1 901**

As at December 31, 2022 the Group is not exposed to substantial credit risk.

34.5. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they become due. The policy in this area is aimed at ensuring that sufficient liquidity is available to service the obligations when they become due, including in extraordinary and unforeseen situations. The objective of the management is to maintain a constant balance between the continuity and flexibility of financial resources through the use of adequate forms of funding.

Liquidity risk management is the responsibility of the Group's management and includes maintaining sufficient cash, negotiating adequate credit lines, preparing analysis and updating cash flow projections.

The table below presents an analysis of the consolidated liabilities of the Group by maturity periods, based on the residual period from the date of the consolidated statement of financial position to the date of realization of the liabilities based on the agreed undiscounted payments:

31.12.2022	Not due	< 3 months	3-12 months	1-5 years	> 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Trade liabilities	39 678	141 626	4 388	-	-	185 692
Lease liabilities	420	839	3 776	7 199	232	12 465
Liabilities for guarantees	5 986	132	18 362	1 549	92	26 121
Total:	**46 084**	**142 597**	**26 526**	**8 748**	**324**	**224 278**

Consolidated liabilities by residual term

31.12.2021	Not due	< 3 months	3-12 months	1-5 years	> 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Trade liabilities	30 354	147 688	17 418	73	-	**195 533**
Lease liabilities	200	1 176	3 880	12 840	6	**18 102**
Liabilities for guarantees	5 538	17 754	732	1 288	564	**25 876**
Total:	**36 092**	**166 618**	**22 030**	**14 201**	**570**	**239 511**

Detailed information about Group's bank loans by entities is presented below:

	Effective interest rate	**Maturity**	***2022***		***2021***	
			Short-term portion	Long-term portion	Short-term portion	Long-term portion
			BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
EDG West	6M EURIBOR + 1.80%	30 April 2027	5 213	33 071	5 075	37 609
Electrohold Trade	Average Deposit Index + 1.45% (1.48%)	15 February 2024	-	-	-	-
Eastern European Electric B.V.	3.50%	21 July 2026	6 521	688 947	3 681	600 782
			11 734	**722 018**	**8 756**	**638 391**

34.6. Operational risk

Operational risk is the risk of direct and indirect losses for the Group, caused by various internal factors related to the Group's operations, personnel, technology and infrastructure, as well as external factors other than credit, market and liquidity risk and arising from legal requirements and generally accepted rules for corporate ethics.

The Group defines the operational risk as: the risk of loss or non-realization of profits, which is caused by non-functioning or not implemented internal control systems or by factors external to the Group, such as economic condition, changes in the insurance environment, technical progress and others. Legal risk is part of operational risk and arises as a result of non-compliance or misapplication of legal and contractual commitments that would have an adverse effect on operations. The definition does not include strategic risk and reputational risk.

The Group's goal is to manage operational risk in such a way as to prevent financial losses in the most effective way, while maintaining its good reputation and at the same time not hindering initiative and creativity in its actions.

34.7. Capital risk management

With capital management, the Group aims to create and maintain opportunities for it to continue to operate as a going concern and to ensure the appropriate return on investment of shareholders and economic benefits of other stakeholders and participants in its business, as well as to maintain optimal capital structure.

The Group currently monitors the security and capital structure based on the debt ratio, namely the net debt capital to the total amount of capital.

Net debt includes all liabilities, loans, debenture, trade and other payables less the carrying amount of cash and cash equivalents. For capital risk calculation, subordinated debt instruments are treated as equity.

The capital for the presented reporting period can be analysed as follows:

BGN'000	***31.12.2022***	***31.12.2021***
Equity (net assets)	**561 231**	**552 284**
Total liabilities	1 123 915	1 017 701
Cash and cash equivalents, and time deposits with banks	(177,879)	(76 822)
Net debt	**946 036**	**940 879**
Total Equity and net debt	**1 507 267**	**1 493 163**
Indebtedness ratio % (Net debt to Equity and net debt)	**63%**	**63%**

The policy of the Group companies is to maintain stable levels of coverage of capital requirements, as well as to maintain the balance between high return and risk. Management is in the process of continuously analysing the effect of the new regulatory framework on the Group's capital position and operations.

As at 31 December 2022 applied covenants for the Group from creditors according Senior Facilities Agreement (SFA) are calculated on the basis of **“last twelve months”** data and presented as follows:

Operating companies as of 31.12.2022	EBITDA *BGN'000*	EBITDA *EUR'000*	EBIT *BGN'000*	EBIT *EUR'000*	Cash *BGN'000*	Cash *EUR'000*
EDG West	139 192	71 168	49 273	25 193	13 132	6 714
ELH Sales	36 232	18 525	33 739	17 250	86 349	44 150
ELH Bulgaria	3 443	1 760	1 172	599	23 588	12 060
ELH ICT	6 499	3 323	(1 499)	(766)	1 453	743
BARA	(10)	(5)	(10)	(5)	321	164
FEPO	1 820	931	471	241	2011	1028
ELH EPC	104	53	90	46	39	20
ELH Trade	61 319	31 352	59 051	30 192	47 021	24 041
EEEC*	(1 647)	(842)	(1 649)	(843)	3 965	2 027
Eliminations	(484)	(247)	432	221	-	-
TOTAL	**246 468**	**126 018**	**141 070**	**72 128**	**177 879**	**90 947**

**SFA Definitions

Covenants calculations**	***BGN'000***	***EUR'000***
Total Debt	733 752	375 161
CASH	(177 879)	(90 948)
Total NET DEBT	**555 873**	**284 213**
TOTAL EBITDA	**246 468**	**126 017**
TOTAL EBIT	**141 070**	**72 128**
TOTAL Interest	**31 918**	**16 319**

**SFA Definitions

Covenants	**Ratio**	**Reference value**
Leverage covenant	2,26	<3,75
Interest coverage covenant	4,42	>3,5

Interest Cover: Adjusted EBIT is EUR 72 128 thousand, Finance Charges is EUR 16 319 thousand therefore the ratio is **4,42**.

Leverage: Total Net Debt on the last day of the Relevant Period is EUR 284 213 thousand, Adjusted EBITDA is EUR 126 017 thousand therefore the ratio is **2,26**.

"Adjusted EBITDA" for the financial period ended 31 December 2022 is EUR 126 017 thousand.

"Basket Adjusted EBITDA" for the financial period ended 31 December 2022 is EUR 126 017 thousand.

As at 31 December 2022 all required covenants are fully covered by the Group.

Note: Until 13 of December 2022 Electrohold Trade was excluded from all SFA meterings. At this date Amendment Letter was signed changing the metering meanings as follows:

<u>*SFA Definitions:</u>

"Interest Cover" means the ratio of Adjusted EBIT to Finance Charges.

"Leverage" means the ratio of Total Net Debt on the last day of that Relevant Period to Adjusted EBITDA in respect of that Relevant Period.

"Total Net Debt" means, at any time, the aggregate amount of all obligations of members of the Company Group for or in respect of Borrowings at that time but:

(a) **excluding** any such obligations to any other member of the Company Group;
(b) **excluding** any such obligations in respect of the Parent Loans;
(c) **including**, in the case of Finance Leases only, their capitalised value;

(d) **deducting** the aggregate amount of Cash and Cash Equivalent Investments held by any member of the Company Group at that time, and so that no amount shall be included or excluded more than once.

"Relevant Period" means each period of twelve months ending on or about the last day of the Financial Year and each period of twelve months ending on or about the last day of each Financial Quarter.

"EBIT" means, in respect of any Relevant Period, the consolidated operating profit of the Company Group before taxation (excluding the results from discontinued operations):
(a) before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalized by any member of the Company Group (calculated on a consolidated basis) in respect of that Relevant Period;
(b) not including any accrued interest owing to any member of the Company Group;
(c) before taking into account any Exceptional Items;
(d)before deducting any Acquisition Costs;
(e) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Company Group which is attributable to minority interests;
(f) after deducting the amount of any profit of any Non-Company Group Entity to the extent that the amount of the profit included in the financial statements of the Company Group exceeds the amount actually received in cash by members of the Company Group through distributions by the Non-Company Group Entity;
(g) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset at any time after 31 December 2020;
(h) before taking into account any effect of any Parent Loan or any loan to any Unrestricted Subsidiary and any profit or gain arising therefrom; and
(i) before taking into account any gain arising from any Excluded Debt Purchase Transaction, in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Company Group before taxation.

"EBITDA" means in respect of any Relevant Period, EBIT after adding back any amount attributable to the amortization, depreciation or impairment of assets of members of the Company Group (and taking no account of the reversal of any previous impairment charge made in that Relevant Period).

"Adjusted EBIT" means, in relation to a Relevant Period, EBIT for that Relevant Period adjusted by:
(a) including the operating profit before interest and tax (calculated on the same basis as EBIT) of a member of the Company Group (or attributable to a business) acquired during the Relevant Period for that part of the Relevant Period prior to its becoming a member of the Company Group or (as the case may be) prior to the acquisition of the business or assets; and
(b) excluding the operating profit before interest and tax (calculated on the same basis as EBIT) attributable to any member of the Company Group (or to any business) disposed of during the Relevant Period for that part of the Relevant Period.

"Adjusted EBITDA" means, in relation to a Relevant Period, EBITDA for that Relevant Period adjusted by:
(a) including the operating profit before interest, tax, depreciation, amortisation and impairment charges (calculated on the same basis as EBITDA) of a member of the Company Group (or attributable to a business or assets) acquired during the Relevant Period for that part of the Relevant Period prior to its becoming a member of the Company Group or (as the case may be) prior to the acquisition of the business; and
(b) excluding the operating profit before interest, tax, depreciation, amortisation and impairment charges (calculated on the same basis as EBITDA) attributable to any member of the Company Group (or to any business or assets) disposed of during the Relevant Period for that part of the Relevant Period.

"Basket Adjusted EBITDA" at any time means Adjusted EBITDA as set out in the most recent Quarterly Financial Statements and corresponding Compliance Certificate delivered to the Agent pursuant to Clause 21 (Information Undertakings).

Ratios - financial structure indicators

	2022	*2021*
Equity/Liabilities	*0.50*	*0.50*
Loans/Trade and other short-term liabilities	*0.04*	*0.03*
Cash and cash equivalents/Liabilities	*0.16*	*0.08*

The Group monitors its equity through the realized financial result for the reporting period, as follows:

	2022	*2021*
Profit/Equity	*19.23%*	*8.85%*

There are no external regulatory capital requirements imposed on the Group.

34.8. Risk of negative impact on the environment

The Group complies with applicable domestic and international legislation in the field of sustainable development, ecology and environmental protection, in solidarity with the main objectives and principles of environmental law. Concrete actions are taken and policies regarding the sustainable development of the Group are followed. The management is currently monitoring the emergence of risks and negative consequences of climate change on the activities of the Group, as well as its impact on climate change.

For the needs of its customers on the open (liberalised) electricity market, the Group buys required energy from the Independent Bulgarian Energy Exchange (IBEX) or on the basis of direct contracts with other traders. Free market energy is a mix of energy produced from both renewable and non-renewable energy sources (fossil fuels and nuclear energy).

At the explicit request of the customers, the energy that will be supplied to them can be purchased only from renewable sources, in which case the customer accepts the price at which this energy is purchased plus the corresponding agreed markup.

For the needs of its customers on regulated market, the Group buys the required energy at the respective prices determined by the Bulgarian Energy and Water Regulatory Commission (EWRC) for each regulatory period.

Furthermore, the development of EU energy policy towards reducing the production of electricity from fossil fuels and replacing them with low-emission green technologies may lead to significant increases in the price of electricity due to the necessary investments to renovate the production sector. Accompanying mechanisms to promote green energy production, such as the obligation to purchase green certificates to exceed the level of flue gas emissions from electricity production from conventional coal-fired power plants, also affect the final price of the product. The implementation of these policies has a particular impact on the energy sector in Bulgaria, where over 40% of electricity is traditionally produced from high-emission lignite. The obligation to close and decommission existing TPPs in the country can pose a significant risk to the country's energy market, further complicated by the expected full market liberalization and higher connectivity with EU energy markets, where electricity trades at higher price levels. These risks are relevant to the medium and long term, and their severity depends mainly on measures at national and European level and can be affected to a very small extent within the company.

Apart from the above, the Group has obligations within the framework of the EU policy in the field of energy efficiency and the current Scheme of obligations for energy efficiency in the country and is obliged to apply measures to reduce energy consumption to end customers.

In conducting its activities, the Group strives mainly to reduce operating costs and carbon footprint (purchase of recycled paper, recycling of used batteries, campaigns promoting the use of energy-saving light bulbs), as well as new and improved customer service that reduces the time and costs associated with end-user service. In this regard, the Group has undertaken campaigns to promote electronic invoices (instead of paper), the purpose of which is to reduce paper costs and preserve the environment by reducing the carbon footprint of the Group. Additionally, the Group offers services for electronic notifications of liabilities, planned interruptions, and other events aimed at informing consumers in advance and potentially reducing the employment of customer service centers.

In connection with the corporate social responsibility of the Group, one of the criteria when choosing a supplier of company cars under operating lease agreements is that the provided cars meet a higher emission standard.

The Group also conducts other campaigns related to the fight against climate change, such as afforestation of public parks, with the participation of employees and customers of the Group.

34.9. Climate change risk

The management is currently monitoring the emergence of risks and negative consequences of climate change on the activities of the Group, as well as its impact on climate change.

For the most part, the risks associated with climate change are arising from:

Change in the policies and regulations as a result of the implementation of the European normative documents in the field of climate by the respective regulatory bodies in the Republic of Bulgaria

Change in the legislation framework in accordance with the European documents related to climate and approved policies;

Change in the distribution network technologies needed to move to a carbon-neutral society

Negative effects on suppliers or customers related with climate that affect the Company:

- Negative effects on the Company's suppliers are possible due to effects in the chain of climate change, which would lead to a refusal to fulfil commitments directly related to the investment program of the Company. This would lead to non-implementation or delayed implementation of this program.
- It is possible to increase the energy prices of end customers, which may lead to a reduction in the amount of energy transferred, both due to savings and due to bankruptcies and business closures. This would reduce the amount of profit. At the same time, newly opened businesses would offset this decline.

35. Non-controlling interests

As of 31 December 2022 the Group does not have any subsidiaries with non-controlling interests.

Entity	% NCI at 31.12.2022	% NCI at 31.12.2021	Non-controlling interest 31.12.2022	Non-controlling interest 31.12.2021
EDG West AD (Group)*	- %	11.81%	-	89 667
Electrohold Sales AD	- %	30.66%	-	55 662
Total amount	-	-	**-**	**145 329**

*Consolidated amount; Eliminated investment in Electrohold ICT EAD at the amount of BGN 6 000 thousand

The acquisition process (all stages of acquisition) is presented in Note 35.1.

The Group has elected to assess the non-controlling interest at fair value at the acquisition date:

Entity	% NCI at acquisition date	100% Net Assets at Fair Value*	Share of Eurohold in the Net Assets at Fair Value	Non-controlling interest
EDG West AD (Group)	33%	736 182**	493 242	242 940
Electrohold Sales AD	33%	170 365	114 144	56 221
Electrohold Trade EAD	-	51 135	51 135	-
Electrohold Bulgaria EOOD	-	5 764	5 764	-
Free Energy Project Oreshets EOOD	-	15 877	15 877	-
BARA Group EOOD	-	(27 921)	(27 921)	-
Total amount		**951 402**	**652 241**	**299 161**

*Detailed information in the table below

**Consolidated amount; Eliminated investment in Electrohold ICT EAD at the amount of BGN 6 000 thousand

There are no dividends distributed to the non-controlling interest for the year ending 31 December 2021.

35.1. Acquisition process

On July 27, 2021 the acquisition by the Parent Company of the seven subsidiaries of the Czech energy company CEZ Group in Bulgaria was officially completed.

As a result of the transaction are acquired a:

67% interest in CEZ Razpredelenie Bulgaria AD– electricity distribution company;

67% interest in CEZ Electro Bulgaria AD – electricity supplier;

100% interest in CEZ Trade Bulgaria EAD – licensed electricity trader;

CEZ Information and Communication Technologies Bulgaria EAD – IT services provider – 100% subsidiary of CEZ Razpredelenie Bulgaria AD;

100% interest in Free Energy Project Oreshets EOOD – solar park;

100% interest in BARA Group EOOD - biomass-fired power plant;

100% interest in CEZ Bulgaria EOOD – management and coordination of all CEZ Group's entities activities.

In November 2021 as a result from realized mandatory tender offers and after the completion of transactions with shareholders who accept the offers, the ownership is increased respectively:

- Up to 88.19% by acquiring additional 408 552 shares or 21.19% of CEZ Razpredelenie Bulgaria AD's capital for the amount of BGN 119 m and
- Up to 69.34% by acquiring 117 shares or 2.34% of CEZ Electro Bulgaria AD's capital for the amount of BGN 3 m.

In March 2022, through market purchases executed on the Bulgarian Stock Exchange, the Parent company increased its share in the capital respectively:

- Up to 98.93% by acquiring additional 207 107 shares or 10.74% of EDG West's (CEZ Razpredelenie Bulgaria AD) capital for the amount of BGN 62.1 m/EUR 31.8 m and
- Up to 96.92% by acquiring additional 1 379 shares or 27.58% of ELH Sales's (CEZ Electro Bulgaria AD) capital for the amount of BGN 38.6 m/EUR 19.7 m.

The acquisition of the additional shares was financed by Utilization under the Facility B1 at the amount of BGN 50.4 m/EUR 25.8 m and Facility B2 at the amount of BGN 32.7/EUR 16.7 m and share premium contributions of the equity provided by EEEC III at the amount of BGN 17.8/EUR 9.1 m.

At the end of May 2022, the Parent Company address a Tender Offer to the remaining minority shareholders in the public listed companies CEZ Razpredelenie Bulgaria AD (currently Electrodistribution Grid West EAD) and CEZ Electro Bulgaria AD (currently Electrohold Sales EAD) for the buy-out of the remaining 154 shares (3.08% of the capital) of CEZ Electro Bulgaria AD at price per share BGN 28 433.51 and for the remaining 20 581 shares (1.07% of the capital) of CEZ Razpredelenie Bulgaria AD for the price per share BGN 302.56 (the Voluntary Tender Offers).

The acceptance procedure ended on 17 June 2022 with payment to the shareholders due and paid on 28 June 2022. Shareholders in CEZ Razpredelenie Bulgaria AD (currently Electrodistribution Grid West EAD) holding 6 165 shares have accepted the offer to sell their participation for total purchase price of BGN 1 865 thousand (EUR 954 thousand). Shareholders in CEZ Electro Bulgaria AD (currently Electrohold Sales EAD) holding 37 shares have accepted the offer to sell their participation for total purchase price of BGN 1 052 thousand (EUR 538 thousand).

As a result of executed Voluntary Tender Offers procedure, on 28 June 2022 the Parent Company increased its share in the capital respectively:

- Up to 99.25% by acquiring additional 6 165 shares or 0.32% of EDG West's (CEZ Razpredelenie Bulgaria AD) capital for the amount of BGN 1.9 m/EUR 0.9 m and
- Up to 97.66% by acquiring additional 37 shares or 0.74% of ELH Sales's (CEZ Electro Bulgaria AD) capital for the amount of BGN 1.1 m/EUR 0.5 m.

The acquisition of the additional shares was financed by available own funds of the Parent Company and share premium contributions of the equity provided by EEEC III at the amount of BGN 1.27 m/EUR 0.65 m.

On 25 August 2022, the FSC issued a decision not to issue a ban on the publication of a proposal based on Art. 157a, para. 1 of the POSA, from Eastern European Electric Company B.V., the Netherlands, for the purchase of the shares of the remaining shareholders of the two public companies through the investment intermediary Euro-Finance AD, Sofia, as follows:

- -to 14,416 shares (0.75%) of the capital of Electric Distribution Grid West AD, Sofia, from the remaining shareholders of the company. The offered price of one share is BGN 303.55;
- -117 shares (2.34%) of the capital of Electrohold Sales AD, Sofia, from the remaining shareholders of the company. The offered price of one share is BGN 29,161.02.

On 5 September 2022 as a result of the offer under the provisions of Art. 157a, para. 1 of the POSA Eastern European Electric Company B.V. (EEEC) increased its participation in the two subsidiary companies of the energy group - Electrodistribution Grid West AD (ERM Zapad AD) and Electrohold Sales AD to 100% of the capital by buying out all the remaining shares of minority owners.

The Parent company used the legislative option for Squeeze Out the remaining shares and as a result, on 05 September 2022:

- 14 416 shares of EDG West EAD were acquired at the price approved by Financial Supervisory Commission thus the ownership has been increased to 100%. The total consideration is BGN BGN 4 376 million (EUR 2 237 million) or BGN 303.55 (EUR 155.2) per share.
- 117 shares of ELH Sales EAD were acquired at the price approved by Financial Supervisory Commission thus the ownership has been increased to 100%. The total consideration is BGN 3 412 million (1 744 EUR million) or BGN 29 161.02 (EUR 14 909.79) per share.

On 20 September 2022, FSC issued decisions pursuant to which Electrodistribution Grid West EAD (ERM Zapad AD) and Electrohold Sales EAD were de-listed from BSE-Sofia and de-registered from the resister of the public companies kept by FSC.

36. Events after the reporting period

Management is not aware of any significant events that have occurred since the balance sheet date that were not included in the annual report.

37. Authorisation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2022 (including comparatives) were approved for issue by the Management board on 12.05.2023.

ANNUAL CONSOLIDATED ACTIVITY REPORT

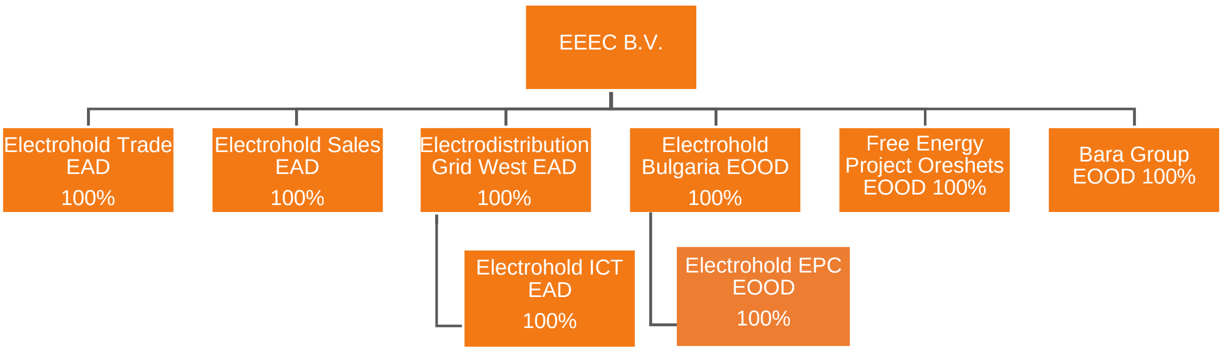
I. GENERAL INFORMATION AND ACTIVITY REVIEW

Management hereby presents the annual consolidated activity report of Eastern European Electric Company (the "Group"/"Electrohold Group") for the year 2022.

1. Group Structure

Eastern European Electric Company B.V. (the Parent Company):

The Group consists of Eastern European Electric Company B.V. ("the Parent Company") and its subsidiaries Electrohold Bulgaria EOOD, Electrohold Sales EAD, Electrodistribution Grid West EAD (EDG West EAD), Electrohold Trade EAD, Electrohold ICT EAD (100% subsidiary of EDG West EAD), Free Energy Project Oreshets EOOD, Electrohold EPC EOOD (100% subsidiary of Electrohold Bulgaria EOOD) and BARA Group EOOD.



Eastern European Electric Company B.V. is established on 26 July 2019 and existing in the Netherlands in the legal form *Besloten Vennootschap* (comparable with Private Limited Liability Company) with registered address Kerkstraat 134 A, 1017 GP, Amsterdam, the Netherlands.

Eastern European Electric Company B.V. part of the Eurohold Bulgaria AD group, consolidating the energy business of the group in Bulgaria.

On 15 July 2021 100% of the Parent Company's shares were contributed by Eastern European Electric Company II B.V. to Eastern European Electric Company III B.V. As at 31 December 2021, the sole shareholder of the Parent Company is Eastern European Electric Company III B.V.

On 21 July 2021, the Parent Company as borrower entered into senior facilities agreement with, among others, The Bank of New York Mellon, London Branch as agent, (the "**SFA**") for the purpose of the financing of the acquisition of 67% of the shares in CEZ Razpredelenie Bulgaria AD (currently renamed Electrodistribution Grid West AD (EDG West AD) / Electrorazpredelitelni mreji Zapad AD (ERM Zapad AD), including its 100% subsidiary CEZ Information and Communication Technologies Bulgaria EAD (currently renamed Electrohold ICT EAD), 67% of the shares in CEZ Electro Bulgaria AD (currently renamed Electrohold Sales AD), 100% of the shares of CEZ Trade Bulgaria EAD (currently renamed Electrohold Trade EAD), 100% of the shares of CEZ Bulgaria EAD (currently renamed Electrohold Bulgaria EOOD) from CEZ A.S., as well as 100% of the shares of Free Energy Project Oreshets EAD (currently Free Energy Project Oreshets EOOD) and 100% of the shares in Bara Group EOOD from CEZ Bulgarian Investments B.V. (the "**Initial Acquisition**") and the further buy-out of the remaining 33 % in each of the listed targets CEZ Razpredelenie Bulgaria AD and CEZ Electro Bulgaria AD (the "**Buy-Out**").The total amount available for the Parent Company under the SFA is EUR 360 000 thousand structured in three facilities. Facility A Loan for financing the Initial Acquisition amounting to total commitment of BGN 500 692 thousand (EUR 256 000 thousand). Facility B1 Loan for financing of the Buy-Out of the remaining 33% of the capital of CEZ Razpredelenie Bulgaria AD with total commitment of BGN 140 820 thousand (EUR 72 000 thousand), Facility B2 Loan for financing of the Buy-Out of the remaining 33% of the capital of CEZ Electro Bulgaria AD with total commitment of BGN 35 205 thousand (EUR 18 000 thousand) and Facility C Loan for financing of the capital expenditures of CEZ

Razpredelenie Bulgaria AD incurred in relation to its investment programme approved by EWRC with total commitment of BGN 27 382 (EUR 14 000 thousand).

In addition, on 21 July 2021, Eastern European Electric Company II B.V., sole owned subsidiary of Eurohold Bulgaria AD and the sole owner of Eastern European Electric Company III B.V. – the mother company of the Parent Company, has entered as borrower into holdco facility agreement with, among others, Metric Capital Partners LLP, as Agent for the purpose of attracting additional the financing for the acquisition of the above listed seven companies. The funds are to be provided to the Parent Company in the form of equity. The total available net amount under the agreement is BGN 215 000 thousand (EUR 110 000 thousand) structured again in three facilities. Facility A Loan for financing the Initial Acquisition amounting to total net commitment of BGN 186 000 thousand (EUR 95 000 thousand). Facility B1 Loan for financing of the Buy-Out of the remaining 33% of the capital of CEZ Razpredelenie Bulgaria AD with total net commitment of BGN 23 000 thousand (EUR 12 000 thousand) and Facility B2 Loan for financing of the Buy-Out of the remaining 33% of the capital of CEZ Electro Bulgaria AD with total net commitment of BGN 6 000 thousand (EUR 3 000 thousand).

On 23 July 2021, Eastern European Electric Company III B.V. made a contribution into Eastern European Electric Company B.V.'s share premium reserve in the amount of BGN 314 106 thousand (EUR 160 600 thousand) for the acquisition of the shares CEZ Razpredelenie Bulgaria AD (currently Electrodistribution Grid West EAD), CEZ Electro Bulgaria AD (currently Electrohold Sales EAD), CEZ Trade Bulgaria EAD (currently Electrohold Trade EAD), CEZ Bulgaria EAD (currently Electrohold Bulgaria EOOD), Free Energy Project Oreshets EAD (currently Free Energy Project Oreshets EOOD) and Bara Group EOOD.

On 26 July 2021, the Parent Company utilized Facility A Loan under the SFA in the amount of BGN 500 692 thousand (EUR 256 000 thousand) for the Initial Acquisition.

On 27 July 2021, the Parent Company acquired 67% of the shares in CEZ Razpredelenie Bulgaria AD (currently renamed Electrodistribution Grid West AD (EDG West AD) / Electrorazpredelitelni mreji Zapad AD (ERM Zapad AD), including its 100% subsidiary CEZ Information and Communication Technologies Bulgaria EAD (currently renamed Electrohold ICT EAD), 67% of the shares in CEZ Electro Bulgaria AD (currently renamed Electrohold Sales AD), 100% of the shares of CEZ Trade Bulgaria EAD (currently renamed Electrohold Trade EAD), 100% of the shares of CEZ Bulgaria EAD (currently renamed Electrohold Bulgaria EOOD) from CEZ A.S., as well as 100% of the shares of Free Energy Project Oreshets EAD (currently Free Energy Project Oreshets EOOD) and 100% of the shares in Bara Group EOOD from CEZ Bulgarian Investments B.V.for a total consideration of BGN 682 990 thousand (EUR 349 207 thousand).

On 27 July 2021, as part of the acquisition of the shares in CEZ Trade Bulgaria EAD, Bara Group EOOD and CEZ Razpredelenie Bulgaria AD, the Parent Company as assignee entered into assignment agreements with CEZ A.S. and CEZ Bulgarian Investments B.V. in respect to the following:

- Loan agreement dated 27 June 2018 between CEZ A.S. as lender and CEZ Trade Bulgaria EAD as borrower. The assigned receivable is BGN 7 509 thousand (EUR 3 839,4 thousand), comprising of principal in the amount of BGN 7 500 thousand (EUR 3 834,5 thousand) and unpaid interest in the amount of BGN 9 thousand (EUR 4,9 thousand);
- Loan facility agreement dated 14 May 2014 between CEZ Bulgarian Investments B.V. as lender and Bara Group EOOD as borrower. The assigned receivable is BGN 28 254 thousand (EUR 14 446 thousand), comprising of principal in the amount of BGN 28 169 thousand (EUR 14 403 thousand) and unpaid interest of BGN 85 thousand (EUR 43 thousand);
- Loan facility agreement dated 3 December 2018 between CEZ A.S. as lender and CEZ Razpredelenie Bulgaria AD as borrower. The assigned receivable is BGN 61 168 thousand (EUR 31 274,5 thousand), comprising of principal in the amount of BGN 59 985 thousand (EUR 30 670 thousand) and unpaid interest of BGN 1 183 thousand (EUR 605 thousand). Pursuant to a deed of novation and amendment with respect to a subordination agreement originally dated 29 November 2018 with CEZ A.S. and European Bank for Reconstruction and Development entered into on 22 July 2021 by the Parent Company as new junior creditor (the "Subordination Deed"), the loan is subordinated to a loan agreement originally dated 02 November 2016 between CEZ Razpredelenie Bulgaria AD as borrower and European Bank for Reconstruction and Development (EBRD) as lender (as amended and restated on 22 July 2021) (the EBRD Loan)

On 28 July 2021 the Parent Company as lender entered into a loan agreement with CEZ Razpredelenie Bulgaria AD for the amount of BGN 31 436 thousand (EUR 16 073 thousand) with purpose of the loan repayment of part of the outstanding liability of CEZ Razpredelenie Bulgaria AD toward EBRD under the EBRD Loan. Pursuant to the amendment to the loan agreement, dated 28 July 2021, the said amendment, concluded on 29 November 2021, the loan bears interest at 3.5% per annum and is due on 31 October 2027. Pursuant to the Subordination Deed the loan is subordinated to the EBRD Loan.

On 14 October 2021, following an approval granted by the Financial Supervision Commission of the Republic of Bulgaria, Eastern European Electric Company B.V. (EEEC) made a mandatory tender offer in accordance with art. 149, para. 6 of the Public Offering of Securities Act (POSA) of the Republic of Bulgaria to the minority shareholders of the two public companies - CEZ Razpredelenie Bulgaria AD and CEZ Electro Bulgaria AD for the acquisition of the remaining 33% in each of the companies with term for the acceptance 15.10.2021г. - 11.11.2021 (the MTO**s**). The offered price per share for the shares of CEZ Razpredelenie Bulgaria AD was BGN 291.00 for the each of the remaining 636 240 shares (33%). The offered price per share for the shares of CEZ Electro Bulgaria AD was BGN 26 904 for each of the remaining 1 650 shares (33%)

On 18 November 2021, Eastern European Electric Company III B.V. made an additional contribution into the Eastern European Electric Company B.V.'s (the Parent Company) share premium reserve in the amount of BGN 29 178 thousand (EUR 14 918 thousand) for the purchase of the additional shares in CEZ Razpredelenie Bulgaria AD and CEZ Electro Bulgaria AD under the mandatory Tender Offers to the minority shareholders of the two public companies in accordance with art. 149, para. 6 of the Public Offering of Securities Act (POSA) of the Republic of Bulgaria.

On 18 November 2021, the Parent Company utilized partially the available commitment under Facility B1 Loan and Facility B2 Loan under the SFA. Under Facility B1 Loan the funds utilized amount to BGN 90 425 thousand (EUR 46 234 thousand) and under Facility B2 Loan - amount to BGN 2 496 thousand (EUR 1 276 thousand).

On 22 November 2021, as a result of the tender offers the Parent Company acquired additional 408 552 shares (representing 21.19%) from the share capital of CEZ Distribution Bulgaria AD and additional 117 shares (representing 2.34%) from the share capital of CEZ Electro Bulgaria AD. Following the execution of the MTOs the participation of Eastern European Electric Company B.V, in CEZ Distribution Bulgaria AD increased to 88.19% and in CEZ Electro Bulgaria AD increased to 69.34%. The total consideration paid is BGN 122 036 thousand (EUR 62 404 thousand).

On 25 November 2021 the Parent Company as lender entered into a loan agreement with CEZ Razpredelenie Bulgaria AD (currently Electrodistribution Grid West EAD) for the amount of BGN 27 382 thousand (EUR 14 000 thousand). The loan bears interest at 3.15% plus 6-month EURIBOR per annum and is due on 15 November 2022. On 30 May 2022 an amendment was signed changing the interest rate to 3.29% + 6m EURIBOR, and repayment scheme to 3 instalments:

- 21.07.2024 – EUR 3 500 thousand;
- 21.07.2025 – EUR 4 900 thousand;
- 21.07.2026 – EUR 5 600 thousand.

Accrued interest is payable in bi-annual instalments in arrears.

On 17 March 2022, Eastern European Electric Company III B.V. contributed the amount of BGN 17 762 thousand (EUR 9 081 652) as share premium to Eastern European Electric Company B.V. for the purchase of the additional shares in CEZ Razpredelenie Bulgaria AD and CEZ Electro Bulgaria AD.

On 17 March 2022, the Parent Company utilized the remaining available commitment under the SFA by which the available funding was drawn in full. EEEC B.V. made an utilization under the Facility B1 Loan under the SFA at the amount of BGN 50 394 thousand (EUR 25 766 thousand) and Facility B2 Loan under the SFA at the amount of BGN 32 709 thousand (EUR 16 724 thousand).

On 18 March 2022, through purchases on the market with settlement date of the trades 22 March 2022, the Parent Company increased its ownership in the capital of the electricity distributor - Electrodistribution Grid West EAD (CEZ Razpredelenie Bulgaria AD) to 98.93% (by acquiring additional 207 107 shares or 10.74% for BGN 62 132 thousand (EUR 31 771 thousand) and the electricity supplier - Electrohold Sales EAD (CEZ Electro Bulgaria AD) to 96.92% (by acquiring additional 1 379 shares or

27.58% for BGN 38 612 thousand (EUR 19 744 thousand).The additional acquisition was financed by the final utilization under the SFA's Facility B1 and Facility B2 Loans and share premium contributions of the equity provided by EEEC III as detailed above.

As of 28 April 2022 the new names were registered by the Bulgarian Commercial Register and the register of the NPLE at the Registry Agency of the Republic of Bulgaria, as follows: CEZ Bulgaria EOOD is renamed Electrohold Bulgaria EOOD, CEZ Electro Bulgaria AD became Electrohold Sales AD, CEZ Trade Bulgaria EAD is renamed Electrohold Trade EAD, and the company for providing ICT services will be called Electrohold ICT EAD. The operator of the electricity distribution network in Western Bulgaria - CEZ Razpredelenie Bulgaria AD, will be called Electrodistribution Grid West AD (EDG West AD) / Electrorazpredelitelni mreji Zapad AD (ERM Zapad AD).

On 20 May 2022, in view of the intention to increase its participation in Electrodistribution Grid West AD (EDG West AD) and Electrohold Sales AD up to 100% in course of 2022, the Parent Company addressed a Tender Offer to the remaining minority shareholders in the public listed companies EDG West AD and Electrohold Sales AD for the buy-out of the remaining 154 shares (3.08 % of the capital) of EDG West AD at price per share BGN 28 433.51 and for the remaining 20 581 shares (1.07 % of the capital) of Electrohold Sales AD for the price per share BGN 302.56 (the Voluntary Tender Offers, the **VTOs**).

The acceptance procedure ended on 17th of June 2022 with payment to the shareholders due on 28th of June 2022. Shareholders in CEZ Razpredelenie Bulgaria AD (currently Electrodistribution Grid West EAD) holding 6 165 shares have accepted the offer to sell their participation for total purchase price of BGN 1 865 thousand (EUR 954 thousand). Shareholders in CEZ Electro Bulgaria AD (currently Electrohold Sales EAD) holding 37 shares have accepted the offer to sell their participation for total purchase price of BGN 1 052 thousand (EUR 538 thousand). As a result of the Voluntary Tender Offers, following the settlement is registered in the book of shareholders of the companies by the Central Depository AD , Eastern European Electric Company B.V. have increased its participation in CEZ Razpredelenie Bulgaria AD (currently Electrodistribution Grid West EAD) to 99.25% and in CEZ Electro Bulgaria AD (currently Electrohold Sales EAD) to 97.66%.

On 2 August 2022, a new Director B was appointed as managing director of the Parent Company. Mr. Rense Boks (Director B) was replaced by Mr. Yoan Ivanov. The change was registered in the Netherlands Chamber of Commerce (Kamer van Koophandel, KVK) on 3 August 2022.

As announced in the Voluntary Tender Offers, following the completion, if the participation of EEEC B.V. in both companies does not reach 100 % a procedure under Art. 157a, para. 1 of the POSA (Squeeze-Out Offer) was to be initiated.

On 25.08.2022, the FSC issued a decision not to issue a ban on the publication of a proposal based on Art. 157a, para. 1 of the POSA (Squeeze-Out Offers) from EEEC B.V.to the remaining shareholders of the two public companies EDG West AD and Electrohold Sales AD, for the purchase of their shares. As per the Squeeze-Out Offers, the offered price per share in EDG West AD is BGN 303.55 for the remaining 14 416 shares (0.75% of the capital) and the offered price per share in Electrohold Sales AD is BGN 29 161.02 for the remaining 117 shares (2.34% of the capital)

On 01.09.2022, a change in the address of management of the Parent Company was registered in the in the Netherlands Chamber of Commerce (Kamer van Koophandel, KVK). The current address of the Company is Kerkstraat 134 A, 1017GP Amsterdam Netherlands.

On 05.09.2022 as a result of the Squeeze-Out Offers under the provisions of Art. 157a, para. 1 of the POSAEEEC B.V. increased its participation in the two subsidiary companies of the energy group - Electrodistribution Grid West AD and Electrohold Sales AD to 100% of the capital by buying out all the remaining shares of minority owners. EEEC acquired additional 14 416 shares of EDG West for BGN 4 376 million (EUR 2 239 million) or BGN 303.55 (EUR 155.2) purchase price per share, as well as 117 shares of Electrohold Sales AD for BGN 3 412 million (1 746 EUR million) or BGN 29 161.02 (EUR 14 909.79) purchase price per share.
On 20.09.2022, FSC issued decisions pursuant to which Electrodistribution Grid West AD and Electrohold Sales AD were de-listed from BSE-Sofia and de-registered from the Register of the public companies at the Financial Supervision Commission of Bulgaria.

Electrodistribution Grid West EAD (EDG West EAD) (former CEZ Distribution Bulgaria AD):

Electrodistribution Grid West EAD is a joint stock company, duly established and validly existing under the laws of the Republic of Bulgaria, entered in the Commercial Register at the Registry Agency under UIC 130277958. As of 01.01.2021 the registered office is in Sofia and the address of the company is the city of Sofia 1784, Mladost district, 159 Tsarigradsko Shose Blvd., BenchMark Business Center. The subsidiary is registered for VAT with identification number BG130277958.

Electrodistribution Grid West EAD is located in Sofia, Republic of Bulgaria and does not have branches and representative offices in other settlements. In 2022 no changes were made to the seat and registered address of the subsidiary. Electrodistribution Grid West EAD distributes electricity in Bulgaria, on the territory of Western Bulgaria, with an area of 40 000 sq. km. and a population of 2 930 000 inhabitants covering the districts of Sofia-city, Sofia district, Blagoevgrad, Kyustendil, Pernik, Pleven, Lovech, Montana, Vratsa, and Vidin.

In 2012, pursuant Decision № 950-PD of 19.09.2012 of the Financial Supervision Commission CEZ Razpredelenie Bulgaria AD was entered as a public company in the Register of the public companies under Art. 30, para 1, item 3 of the FSCA, led by the Financial Supervision Commission ("FSC") of the Republic of Bulgaria.

On 27 July 2021, CEZ, a.s. (the majority shareholder) disposed of 67% of the shares in the capital of CEZ Razpredelenie Bulgaria AD, by selling and transferring them to the Parent Company (EEEC B.V.) - a company of the group of Eurohold Bulgaria AD.

Following the Initial Acquisition, in 2021 and
2022, EEEC B.V. conducted several buy-out procedures in respect of CEZ Razpredelenie Bulgaria AD for the acquisition of the remaining 33 % of the share capital (as detailed above). On 05.09.2022 EEEC B.V. acquired the final portion and reached 100 % participation in the company. As at 31.12.2022 EEEC B.V. is the sole-owner of the capital of Electrodistribution Grid West EAD.

After the final acquisition by EEEC B.V., Electrodistribution Grid West EAD applied for deregistration from the register of public companies led by FSC. On 20.09.2022 the FSC issued Decision No. 757 -PD/20.09.2022, pursuant to which Electrodistribution Grid West EAD was de-registered from the Register of the public companies led by FSC and the securities issued by the company with ISIN code BG1100025110 were de-listed from the Bulgarian Stock Exchange. As of that date, 20.09.2022 the company seizes to be a public listed company.

On 23.09.2022, a new Articles of Association of the EDG West was adopted by the sole owner Eastern Europe Electric Company B.V. in view of the completed buy-out of the Company's shares under Art. 1 of the POSA, respectively the change of the ownership structure from AD (joint stock company) to EAD (sole owned joint stock company) and the deregistration and delisting of the Company. The current Articles of Association of the EDG West EAD was adopted on 23.09.2022 and entered in the Commercial Register of the Republic of Bulgaria on 06.10.2022.

As of 28 April 2022 the name of the company was changed from CEZ Razpredelenie Bulgaria AD to Electrodistribution Grid West AD (EDG West AD) / Electrorazpredelitelni mreji Zapad AD (ERM Zapad AD) in line with the rebranding strategy of the majority shareholder EEEC B.V.

The registered capital of the subsidiary amounts to BGN 1 928 thousand, distributed in 1 928 000 ordinary, registered, dematerialized and freely transferable shares, all with voting rights and nominal value of BGN 1 each.

Electrohold Sales EAD (former CEZ Electro Bulgaria AD):

Electrohold Sales EAD is a joint stock company, established by ČEZ, a.s, the Czech Republic, and the Republic of Bulgaria in compliance with the Council of Ministers' decision No 569 dated 28.07.2006 for state participation in a joint stock company. The subsidiary is registered by virtue of Decision of the Sofia City Court under company file No 10140 in the inventory for the year 2006, lot No. 107837, Reg. 1, item 1453, page 116, re-registered in the Registry Agency on 4 February 2008 UIN 175133827. The subsidiary has its headquarters at 159 Tsarigradsko Shose Blvd., BenchMark Business Center, 1784 Sofia.

The subsidiary was established in compliance with the obligation under §17, Para. 2 of the Transitional and Final Provisions of the Energy Act (EA) for the purpose of unbundling the activity related to distribution of electricity and operational management of distribution grids, in legal and organizational respects, from the electricity supply and the other activities of the electricity distribution companies. CEZ Electro is a successor of the legal relations connected to the activity of 'public electricity supply' implemented by Electrorazpredelenie Stolichno AD, Electrorazpredelenie Sofia Oblast AD, and Electrorazpredelenie Pleven AD, which are transferred as a result of the three companies' reorganization. In execution of the obligation under §17 of the Transitional and Final Provisions of the EA, the electricity distribution companies implemented reorganization under the conditions of Art. 262в, Para. 1 and 2 first proposal of the Commercial Act (CA), through spin-off with acquisition of the activity of public supply.

In 2012, pursuant Decision No 949-ПД dated 19 September 2012 of the Financial Supervision Commission CEZ Electro Bulgaria AD was entered as a public company in the Register of the public companies under Art. 30, para 1, item 3 of the FSCA, led by the Financial Supervision Commission ("FSC") of the Republic of Bulgaria.

On 27 July 2021, CEZ, a.s. (the majority shareholder) disposed of 67% of the shares in the capital of CEZ Electro Bulgaria AD, by selling and transferring them to the Parent Company (EEEC B.V.) - a company of the group of Eurohold Bulgaria AD.

Following the Initial Acquisition, in 2021 and 2022, EEEC B.V. conducted several buy-out procedures in respect of CEZ Electro Bulgaria AD for the acquisition of the remaining 33 % of the share capital (as detailed above). On 05.09.2022 EEEC B.V. acquired the final portion and reached 100 % participation in the company. As at 31.12.2022 EEEC B.V. is the sole-owner of the capital of Electrohold Sales EAD.

After the final acquisition by EEEC B.V., Electrohold Sales EAD applied for deregistration from the register of public companies led by FSC. On 20.09.2022 the FSC issued Decision No. 757 - PD/20.09.2022, pursuant to which Electrohold Sales EAD was de-registered from the Register of the public companies led by FSC and the securities issued by the company with ISIN code BG1100024113 were de-listed from the Bulgarian Stock Exchange. As of that date, 20.09.2022 the company seizes to be a public listed company.

On 23.09.2022, a new Articles of Association of the Electrohold Sales was adopted by the sole owner Eastern Europe Electric Company B.V. in view of the completed buy-out of the Company's shares under Art. 1 of the POSA, respectively the change of the ownership structure from AD (joint stock company) to EAD (sole owned joint stock company) and the deregistration and delisting of the Company. The current Articles of Association of the Electrohold Sales EAD was adopted on 23.09.2022 and entered in the Commercial Register of the Republic of Bulgaria on 06.10.2022.

As of 28 April 2022 the name of the company was changed from CEZ Electro Bulgaria AD became Electrohold Sales AD in line with the rebranding strategy of the majority shareholder EEEC B.V.

The registered capital of the subsidiary amounts to BGN 50 thousand, divided into 5 000 ordinary, registered, non-materialized shares with voting rights and freely transferrable with nominal value of BGN 10 each.

Electrohold Trade EAD (former CEZ Trade Bulgaria EAD):

Electrohold Trade EAD is a sole-owned joint-stock company with seat and registered address in the Republic of Bulgaria, Sofia 1000, Pozitano 2 Square, floor 7, office 7. The subsidiary is entered into the Commercial register at the Registry Agency under UIC 113570147 and in the VAT system with ID No. BG113570147. Electrohold Trade EAD is 100% owned by Eastern European Electric Company B.V.

The subsidiary's main scope of activity develops in two main areas:

- Trade in electricity, heating power, gas fuels, and all other types of energy sources after obtaining of the relevant license, in such case a license is required;
- Research, consulting, designing, financing and construction of energy projects, delivery of energy efficient services, delivery of services under contracts with guaranteed results – ESCO contracts, construction and assembly works, repair works, delivery of materials and equipment.

The subsidiary is registered with the Central Professional Builders' Register with a Certificate from the Bulgaria Chamber of Builders for execution of 3rd group construction works – construction works of the energy infrastructure second to fifth category, valid until 30 September 2023.

The registered capital of the subsidiary amounts to BGN 500 thousand, divided into 500 000 ordinary, registered, non-materialized shares with voting rights and freely transferrable with nominal value of BGN 1 each.

Electrohold Bulgaria EOOD (former CEZ Bulgaria EOOD):

Electrohold Bulgaria EOOD is a sole-owned limited liability company, duly established and validly existing under the laws of the Republic of Bulgaria, with registered office in Sofia and address of management: Sofia 1784, Mladost district, 159 Tsarigradsko Shose Blvd, BenchMark Business Center, entered in the Commercial Register at the UIC Registry Agency № 206772943, VAT Act BG 206772943. Electrohold Bulgaria EOOD is 100% owned by Eastern European Electric Company B.V.

Main activity of the subsidiary is commercial consulting, purchase and sale of equipment and materials, as well as the performance of any other activity not prohibited by law. The subsidiary provides consulting services, purchases and sells equipment and materials for the needs of the companies of Electrohold Group in the Republic of Bulgaria, as well as for its own needs.

The registered capital of the subsidiary amounts to BGN 200 thousand, divided into 200 000 shares, with a nominal value of BGN 1 each.

Electrohold ICT EAD (former CEZ ICT Bulgaria EAD):

Electrohold Information and Communication Technologies EAD is a sole proprietorship joint stock company, duly established and validly existing under the laws of the Republic of Bulgaria, with registered office: Sofia 1784, Mladost district 159 Tsarigradsko Shose Blvd., BenchMark Business Center, registered in the Commercial Register under UIC 203517599. The subsidiary is registered under VAT system with identification number BG 203517599.

On 28.04.2015 the Commercial Register at the Registry Agency has registered a sole proprietorship joint stock company. As at 31.12.2022 Electrohold ICT EAD is 100% owned by Electrodistribution Grid West EAD is the sole owner of the capital.

The scope of the activity of the subsidiary, expanded compared to the initial scope by a decision of the Sole Owner dated 21.10.2019 is "Trade with integrated systems in the field of information and communication technologies, provision of information, communication and technological services and other technical and consulting services and activities not expressly prohibited by law. The establishment of the subsidiary is related to a change in the model of providing services in the field of information and communication technologies, without making changes in the type of services. The main goal of the change is to increase the economic efficiency in the use of these services.

The registered capital of the subsidiary amounts to BGN 6 000 thousand, corresponding to 60 000 ordinary registered available shares with a nominal value of BGN 100 and an issue value of BGN 100.

Electrohold EPC EOOD:

Electrohold EPC EOOD is a sole owned limited liability company, incorporated and validly existing under the laws of the Republic of Bulgaria, with its registered office in Sofia1784, Mladost District, 159 "Tsarigradsko Shose" blvd., BenchMark Business Center, registered in the Commercial Register at the Registry Agency with UIC 206772943. As at 31.12.2022 Electrohold EPC EOOD is 100% owned by Electrohold Bulgaria EOOD.

The subject of activity of "Electrohold EPC" EOOD is the preparation of investment projects, carrying out construction and installation works, supply, purchase and sale of materials / goods, consulting and assistance in the preparation of documentation for procedures and tenders, as well as any other activity not prohibited by law. The company is incorporated for an indefinite period.

The registered capital of the subsidiary amounts to BGN 5 000 (five thousand) divided into 500 shares, with a nominal value of BGN 10 each and is fully subscribed and contributed by its Sole Owner Electrohold Bulgaria EOOD.

Free Energy Project Oreshets EOOD:

Free Energy Project Oreshets EOOD is a sole owned limited liability company, established and existing under the laws of the Republic of Bulgaria, with registered office in Sofia and address of management Sofia 1784, Mladost district, Blvd. Tsarigradsko Shose № 159, BenchMark Business Center, entered in the Commercial Register at the Registry Agency under UIC 206772530, VAT Act BG 206772530. Free Energy Project Oreshets EOOD is 100% owned by Eastern European Electric Company B.V.

The subject of activity of the subsidiary Free Energy Project Oreshets is: production, construction and operation of power systems and power plants, related to renewable energy resources; production of and trading with energy from renewable resources; purchase of real estate for the purposes of construction, lease or sale; construction and entrepreneur services; marketing researches, consultancy; import and export; commercial representation and intermediary services of Bulgarian and foreign natural persons and legal entities, as well as any other activity non-prohibited by the Bulgarian law.

The registered capital of the subsidiary amounts to BGN 160 200, distributed in 1 602 shares, each with nominal value of BGN 100.

BARA Group EOOD:

Bara Group EOOD is a sole owned limited liability company, duly incorporated and validly existing under the laws of Republic of Bulgaria, having its seat and registered address in Sofia 1784, Mladost Region, 159 “Tsarigradsko Shose” Blvd., BenchMark Business Center, registered with the Commercial Register at the Registry Agency under UIC № 120545968. Bara Group EOOD is 100% owned by Eastern European Electric Company B.V.

The registered capital of the subsidiary amounts to BGN 5 000, divided into 500 shares with a nominal value of BGN 10 each.

The new brand name of the Energy Group is ELECTROHOLD introduced in the end of April 2022. As part of the integration strategy in addition to the new brand the group adopted and is developing its new corporate identity.
As of 28 April 2022, the new names of the companies are:

Old name	New name
CEZ Bulgaria EOOD	Electrohold Bulgaria EOOD
CEZ Electro Bulgaria AD became Electrohold Sales AD	Electrohold Sales AD
CEZ Razpredelenie Bulgaria AD / CEZ Distribution Bulgaria AD	Electrodistribution Grid West AD (EDG West AD)/Electrorazpredelitelni mreji Zapad AD (ERM Zapad AD)
CEZ Trade Bulgaria EAD	Electrohold Trade EAD
CEZ Information and Communication Technologies Bulgaria EAD (CEZ ICT Bulgaria EAD)	Electrohold ICT EAD

2. Nature of Operations

Eastern European Electric Company B.V.:

The objectives of the Parent Company are to act as a holding and finance company.

Electrodistribution Grid West EAD (EDG West EAD) (former CEZ Distribution Bulgaria AD):

The main activity of the subsidiary is: Operation of the electricity distribution network, which is a set of power lines and electrical installations with medium, low and high voltage, which serves for transmission and distribution of electricity for transportation to end customers connected to the electricity distribution network of the Subsidiary (EDN) on the territory where it carries out its activity in the presence of a valid license for carrying out distribution activity on the defined territory.

The subsidiary operates on the basis of a license issued by SEWRC (currently EWRC):

- License №Л-135-07/13.08.2004 for carrying out the activity "distribution of electricity". The license is for a period of 35 years.
- With Decision №И1-Л-135/06.06.2011 of SEWRC the license was supplemented, including conditions in connection with the Compliance Program.
- With Decision №И2-Л-135/09.12.2013 of SEWRC, the license is supplemented with rights and obligations in connection with the implementation of the activity "coordinator of a special balancing group".

The activity of the subsidiary is carried out in accordance with the normative base for the energy sector in Bulgaria, regulated by the Energy Act (EA), the Renewable Energy Act (REA), the bylaws on their implementation, the Public Offering of Securities Act (POSA), Public Procurement Act (PPA), Competition Protection Act (CPA), Spatial Planning Act (SPA), as well as in accordance with the current legislation in the Republic of Bulgaria. The state body that performs regulatory functions regarding the activity of EDG West EAD is the Energy and Water Regulatory Commission (EWRC). The Commission issues general and individual administrative acts related to the licensing activity of the subsidiary, which are mandatory for implementation, including with regard to pricing.

According to the entered into force amendments to the Energy Act (EA), in force from 01.07.2018 and specifically Art. 100, para 4, the operators of electricity distribution networks shall purchase the necessary quantities of electricity for technological expense from an organized electricity exchange market. In this regard, EDG West is registered as a participant in the Independent Bulgarian Energy Exchange EAD (IBEX) and as of 1 July 2018 buys the necessary quantities of electricity from market segments: "Centralized market for bilateral contracts", "Day Ahead" and "During the day". The estimated market price for the period 01.01.2022 – 30.06.2022, determined by EWRC in the prices for network services for the subsidiary is in the amount of 131.27 BGN/MWh, while for the period 01.07.2022 – 31.12.2023 is in the amount of 446.78 BGN/MWh.

<u>Electrohold Sales EAD (former CEZ Electro Bulgaria AD):</u>

The subject of activity of the subsidiary is public supply of electricity according to the EA after obtaining and in compliance with the conditions of the obtained license for Public Supply of electricity and any other activity, not prohibited by law and/or by the license of Public Supply of electricity. The company operates in a highly regulated environment. EWRC determines both the purchase and sale prices of electricity for the Company (under the public supply license) and many other normative documents determining the activity of the Company.

The subsidiary operates on the basis of licenses issued by SEWRC (currently EWRC):

License for Public Supply of electricity No. Л-135-11/29.11.2006

License for Electricity trader No. Л-229-15/17.05.2007 issued by the State Commission for Energy and Water Regulation, currently named Energy and Water Regulatory Commission (EWRC). By means of a Decision dated 1 September 2016, EWRC extended the term of the Company's license for trade in electricity with 10 years.

License for Last Resort Supplier issued by Decision Л-409 of EWRC dated 01.07.2013

Public electricity supply

In 2022 the Company performed its activity to supply with electricity all consumers connected to the electricity distribution grid within the licensed territory, who do not have a statute of eligible consumer, and supply with electricity under the conditions of the generally offered service for all the eligible consumers connected to the electricity distribution grid within the licensed territory who have not exercised their right to conclude a deal for supply of electricity on freely negotiated prices.

Since 1 June 2014, the balancing market of electricity has been in place in the country. The Company operates as a coordinator of the special balancing groups of the End Supplier and of the Last Resort Supplier, as coordinator/sub coordinator of special balancing group (CSpBG), members of which are all producers connected to the electricity grid of EDG West EAD, from which Electrohold Sales purchases electricity and which have not chosen other Coordinator of combined balancing group (BG) and as Coordinator of the standard balancing group of Trader. In its capacity of sub coordinator of balancing group of producers, Electrohold Sales is a group member of virtual BG of all producers in the country, with Coordinator "Natsionalna Elektricheska Kompania" EAD (NEK).

Trade with electricity on freely negotiated prices

Electrohold Sales EAD was granted a license for the activity: Trade with electricity No Л-229-15/17.05.2007 issued on the grounds of Art. 39, Para. 1, item 5 with reference to Art. 21, item 1 of the Energy Act. The Company fulfilled the requirements for registration on the balancing energy market as a trader in electricity and in accordance with Art. 9, Para. 1 of the Electricity Trading Rules, concluded a contract for balancing with Electricity System Operator EAD and a contract for opening and serving a special account. The Company was registered on the balancing energy market under a virtual code No 096TTZ01.

With the promulgation of the Law for amendment and supplement of the Energy Act (SG, issue 57 of 26.06.2020), as of 01.10.2020 all non-household consumers entered the free electricity market. Non-household consumers supplied by the final supplier, who did not conclude a contract with a trader of electricity on the free market until 30.09.2020, concluded a standard contract with their current supplier in his capacity as a holder of a Trader license. Such a standard contract could be concluded for a maximum period of 30.06.2021, after which non-household consumers who had not yet concluded a contract with a supplier on the market at freely negotiated prices were officially transferred to the Supplier of last resort.

In connection with the promulgation of the Law on Amendments to the Energy Law, the EWRC has fulfilled its commitment to create a single centralized platform for comparing offers and concluding contracts with traders for electricity supply, which has registered a profile of Electrohold Sales. The purpose of the platform is to support consumers and to support the acceleration of the process of full liberalization of the electricity market.

Supplier of last resort

With the promulgation of the Methodology for determining the prices of electricity of the Supplier of last resort (promulgated SG, issue 60 of 20.07.2021, amended and supplemented SG, issue 90 of 29.10.2021) the model for determining the electricity prices of SLR has changed and the average selling price is calculated by the formula:

PSLR = (80% * PMDA + 20% * PSBM) * (1 + Ca), where:

PSLR – average selling price of electricity, in BGN / MWh;
PMDA – price of electricity on the market day ahead for the respective hour, in BGN / MWh;
PSBM – price for shortage of the balancing market for the respective hour, in BGN / MWh;
Ca – the component for the activity "supply of electricity from SLR", which is set at 5%.

With the adoption of amendments and supplements to the Methodology (promulgated in the S.G., issue 90 of 29.10.2021) for the period from 01.11.2021 to 31.01.2022 the average selling price of the electricity intended for sale to customers from SLR is formed by the following formula:

PSLR = (90%* PMDA + 10%* PSBM)*(1 + Ca), such as:
The component for the activity "supply of electricity from SLR" for the above period is 5 percent, but not more than BGN 10 / MWh.

The price for delivery of SLR was linked to the hourly prices on the Day Ahead market of the Bulgarian Independent Electricity Exchange EAD and to the prices for shortage on the balancing market in order to ensure that the prices paid by customers will be significantly higher than the market.
In case the measured quantities of electricity deviate by more than 20% from the quantities according to the registered purchase schedules for the respective calendar month, SLR may charge additional imbalance costs to end customers, direct members of the special balancing group.

Changes in regulated prices

With Decision C-27 / 01.07.2021 of EWRC, the electricity prices for the customers of Electrohold Sales EAD for the first half of 2022 as follows:

Purchase price without VAT
NEK EAD – Public supplier 108.37 BGN/MWh
Price obligation to society component 7.18 BGN/MWh

Sale prices without VAT
Sale of electricity to residential users – low voltage

- Two scales
  - Day 0.14666 BGN/KWh
  - Night 0.06245 BGN/KWh
- One scale 0.14666 BGN/KWh

With Decision C019 / 01.07.2022 of EWRC, the electricity prices for the customers of Electrohold Sales EAD for the second half of 2022 as follows:

Purchase price without VAT

- NEK EAD – Public supplier 81.90 BGN/MWh
- Price obligation to society component 0.00 BGN/MWh

Sale prices without VAT
Sale of electricity to residential users – low voltage

- Two scales
  - Day 0.11146 BGN/KWh
  - Night 0.02629 BGN/KWh
- One scale 0.11146 BGN/KWh

Energy efficiency provision

According to the provisions of the Energy Efficiency Act (EEA), Electrohold Sales EAD is an obligated entity within the meaning of Art. 14, para. 4, item 1 and Art. 14a, para. 4, item 1. The Company shall set individual nominal goals for the realization of energy savings in the final energy consumption. The company is obliged to meet the individually set targets for energy savings set by a decision of the Council of Ministers (CoM) in the period 2017 – 2020 or by Order of the Minister of Energy for the period 2021 – 2030. Reporting of energy savings achieved by the obligated persons is carried out through Energy Saving Certificates issued (ESC) by the Sustainable Energy Development Agency (SEDA). The Ordinance on the methodologies for determining the national energy efficiency target provides several opportunities for meeting the objectives:

- Direct investments in energy savings in final energy consumption
- Offering energy efficient services
- Contributions to the Energy Efficiency and Renewable Energy Fund
- Acquisition (purchase) of ESC from measures implemented by others and the obliged person should prove his contribution to the implementation of the measures when they are for a program period 2021 – 2030.

Pursuant to the Energy Efficiency Act of the Company, the following targets for energy savings have been set for the period 2017 – 2020:

- For 2017 – 51.885 GWh with Decision of the Council of Ministers № 796 of 20.12.2017;
- For 2018 – 76.960 GWh with Protocol № 27 of 11.07.2018 of the Council of Ministers;
- For 2019 – 52.425 GWh with Protocol № 43 / 23.10.2019 of the Council of Ministers;
- For 2020 – 73.859 GWh with Protocol № 43 / 22.07.2020 of the Council of Ministers;

For the period 2021 – 2030:

- For 2021 – 10.742 GWh with Order of the Minister of Energy № Е-РД-16-216 / 07.04.2021
- For 2022 – 9.320 GWh with Order of the Minister of Energy № Е-РД-16-195/29.03.2022

As of 31.12.2022, SEDA has reported partial implementation of the objectives as follows:

- For 2017: 17.18 GWh;
- For 2018: 5.33 GWh;

- For 2019: 2.53 GWh;
- For 2020: 3.66 GWh;
- For 2021: 1.29 GWh;
- For 2022: 1.71.GWh.

Given the distinction introduced by the amendments to the EEA from March 2021 between the programming period of the scheme with commitments until 2020 and the current – 2021 – 2030, energy savings from measures implemented after 01.01.2021 measures cannot be used to account for old liabilities. Possible options to cover the old obligations are the acquisition of Energy Saving Certificates ("ESC") by evaluating measures implemented in the period 2017 – 2020 or by directly purchasing already issued ESC from the same period.

On April 26, 2022, a new Ordinance was published in the State Gazette on the methodologies for determining the national energy efficiency target and for determining the general cumulative target, introduced a scheme for energy savings obligations and the distribution of individual energy savings targets among the obligated persons.

On 23.12.2022, an Ordinance amending and supplementing Ordinance № Е-РД-04-3 dated 04.05.2016 was published in the State Gazette on the permissible measures for realizing energy savings in final consumption, the ways of proving the achieved energy savings, the requirements to the methodologies for their assessment and the ways to confirm them.

The obligations under the EEA of the persons operating on the regulated market are bound by the fulfilment of the obligation of the EWRC under the Energy Act to recognize the costs of energy efficiency in the regulated electricity prices.

The company continues to work towards meeting the targets, proportional to the electricity sold under the license for free trade in electricity, given the systematic refusal of the EWRC in all pricing decisions of the period of obligations to recognize energy efficiency costs in regulated electricity prices. The proportional share of energy efficiency obligations related to the annual sales of electricity to customers at freely negotiated prices for each of the years in the period 2017 – 2022 has been calculated and ESC has been acquired to cover them: 1) by purchasing already issued ESC; and 2) by an assessment by a licensed auditor of implemented energy efficiency measures.

In 2022, the Company continues to focus its efforts in the field of energy efficiency in the development of productive and sustainable cooperation with ESCO Bulgaria EOOD within the framework of the signed Agreement for implementation of joint projects. During 2022 Electrohold Sales EAD acquired ESC in the amount of 4,55 GWh/g as a result of a project implemented by ESCO Bulgaria EOOD for the period 2018 – 2020. These savings were recognized in the Company's 2017 target.

By letter № RD-07-1362 / 25.08.2021 SEDA informed, that from 2021 renewable energy sources for own consumption will not be considered as an energy efficiency measure, enclosing an opinion from the EC. In view of this, the joint work with ESCO Bulgaria EOOD has a greatly reduced potential for realizing energy savings for the fulfilment of the Company's targets in the period 2021 – 2030. In this regard, actions were taken to evaluate energy savings at the end customers with implemented energy efficiency measures by "Stilplast 2002" EOOD under the Technical Cooperation Agreement concluded on 27.05.2022. The energy savings under this Agreement in the amount of 1.71 GWh have been registered by SEEA for partial fulfilment of the Company's obligations for 2022 calculated as proportional to the target for the same year corresponding to the electricity sold on the free market.
In 2022 the Company continued to consistently apply the approach in determining the amount of energy efficiency provision. For this purpose, the price levels received based on quotations from independent third parties for the price of 1 MWh certificates were again used, since it could not identify reliable sources of public information on the prices of the certificates.

In 2022 the reported provision for fulfilment of the objectives for energy savings under the EEA for 2017, 2018, 2019 and 2020 with a period of validity until the end of the reporting programming period 2017-2020 and a provision for the new programming period 2021-2030, which amounts to a total of BGN 21 117 thousand (for 2021: BGN 16 865 thousand).

Electrohold Trade EAD (former CEZ Trade Bulgaria EAD):

In 2022 main activities of the subsidiary are:

- Sale of electricity to industrial and business customers;
- Electricity trading on the wholesale market;
- Coordinator of a standard balancing group;
- Delivery of energy solutions for the customers;
  Management of renewable energy sources (RES).

The subsidiary operates on the basis of a license issued by SEWRC (currently EWRC):

License for Electricity trader No. L-191-15/04.07.2005, issued by the State Energy and Water Regulatory Commission (SEWRC). The license was amended by the SEWRC with Decision No И2-Л-191 from 06.10.2014 with the rights and obligation of "combined balance group coordinator". The validity of the licenses was extended by the SEWRC with Decision No IZ-L-191 from 06.10.2014 until 04.07.2025.

The subsidiary is registered at Electricity System Operator EAD (ESO) on the end customer electricity market, on the wholesale market and as a standard balance group coordinator with electricity identification number EIC 32XCEZ-TRADE-BG3, as well as a market participant on the Independent Bulgarian Power Exchange EAD.

The main goal of the subsidiary is to develop and expand its portfolio of industrial and business customers, to effectively manage a sustainable balancing group, to trade on the wholesale market in the country and the region, to offer energy solutions for clients and to achieve a competitive energy mix.

Electrohold Bulgaria EOOD (former CEZ Bulgaria EOOD):

Electrohold Bulgaria EOOD is a specialized centre for shared services and sale of goods for all companies of the Electrohold Group in Bulgaria. The purpose of the Company is to develop and increase the quality of shared services and to provide client companies, mainly EDG West EAD, Electrohold Sales EAD, Electrohold ICT EAD and Electrohold Trade EAD, the opportunity to focus efforts and resources on its core business to achieve maximum efficiency in core business processes. The main directions in the development of the activity are specialization, optimization of the used capacity and resources and, as a result, an increase in quality and a reduction of costs, better negotiating positions with suppliers as a result of the unification of scales, improvement of the level of service to consumers of electricity and network services, implementation and development of information and communication systems.

In 2022, the subsidiary carried out activities in accordance with the legislation of the Republic of Bulgaria and according to its subject of activity, stated in the Articles of Association and in the decision of the Sofia City Court on the establishment of the Company, which was subsequently announced in the Trade Registry during the re-registration of the Company at Registry Agency.

In 2012, Electrohold Bulgaria EOOD (former CEZ Bulgaria EOOD) successfully certified the implemented Quality Management System, according to the ISO 9001:2008 standard for the processes that are managed in the "Delivery and Logistics" Directorate and the "Customer Service" Directorate, which are key to the quality implementation of the licensing activities of the companies of the Electrohold Group. In 2018, the company successfully re-certified the Quality Management System, according to the new version of the ISO 9001:2015 standard for the processes that are managed in the Tender Procedures Directorate and the Customer Service Directorate. These certificates guarantee that all structures and employees of the certified companies of Electrohold apply uniform and strict quality management mechanisms, to control and measure the effectiveness of all processes, adequately maintain and secure the infrastructure and work to increase the satisfaction of our customers and partners . In 2023, the company is due for re-certification for the processes managed by the "Customer Service" department, due to the structural changes that have occurred in the company.

In 2022, changes in the organizational structure of the company were made, as well as in the scope of the Company's activities. As of 01.07.2022, on the basis of concluded new contracts for the provision of services with related parties, Electrohold Bulgaria EOOD provides Electrohold Sales EAD services related to processes, such as financial accounting, customer service, printing and distribution of invoices, collection, judicial and extrajudicial debt collection and others.

In September 2022, due to change in the model of providing services in the field of logistics and selection of suppliers in the Electrohold Group, Electrohold Bulgaria EOOD established the subsidiary company Electrohold EPC EOOD, the main purpose of the change being to increase economic efficiency in the consumption of these services and the optimization of processes in the Group. The subject of the subsidiary's activity is the preparation of investment projects, construction and installation works, delivery, purchase and sale of materials/goods, consultations and assistance in the preparation of documentation for conducting procedures and tenders, etc.

In 2022, the Company provided consulting services to related companies – EDG West EAD, Electrohold Sales EAD, Electrohold Trade EAD, Free Energy Project Oreshets EOOD, Electrohold EPC EOOD, Bara Group EOOD , Electrohold ICT EAD.

The services provided to the mentioned companies, according to the signed service contracts, are: financial and accounting services, receivables management, human resources, public relations and communication, customer service, legal services, property management, transport services, deliveries, management and business consulting.

Electrohold ICT EAD (former CEZ ICT Bulgaria EAD):

Electrohold ICT EAD provides complex information, communication and technological services, mainly to the companies of the Group, according to contracts concluded between the companies. The type and volume of services provided by Electrohold ICT EAD are presented in the Catalog of ICT Services, which is an integral part of each contract. The services maintain and develop implemented information systems and provide critical business processes for companies. In 2022 Electrohold ICT EAD implemented and performed:

- Strategic data center colocation project to ensure Business continuity and in response to Audit recommendations, including a measure to comply with the MIMIS Regulation - relocation of equipment from the main data centre; installation, setup and configuration of new highly specialised equipment (servers, communication and storage devices) supplied to the new data centre; migration of applications and data in accordance with an agreed plan;
- Continued activities to implement national information security legislation requirements (achieving compliance with the Network and Information Security Minimum Requirements Regulation/MIMIS);
- Finalised the selection of the partner and technology solution, as well as the implementation model for the project to build an integrated security management centre (Security Operation centre) in order to significantly increase the security level of the IT and OT infrastructure and in implementation of the decision to implement technology measures for compliance with the requirements of the NMIS;
- Work on the project to implement and integrate the selected WFM team management solution into Electrohold's IT environment;
- Commenced work on a group level project to review installation and settings of the SAP core information system to plan its subsequent development and upgrade;
- Update (upgrade) to new versions of key information systems Converge, MyAvis, Xenegrie and SCADA Microdispatching;
- Development of new functionalities in the information systems in the areas of Non-Technical Losses and Balances;
- Supporting the management activities of the Automated Metering Remote (AMR) system and performing Quality assurance functions, providing comprehensive support and the ability to extend the functionality of the implemented information system;

Electrohold EPC EOOD:

Electrohold EPC was established in 2022 due to change in the model of providing services in the field of logistics and selection of suppliers in the Electrohold Group, as Electrohold Bulgaria EOOD established it's subsidiary company Electrohold EPC EOOD, the main purpose of the change being to increase economic efficiency in the consumption of these services and the optimization of processes in the Group. The main subsidiary's activity is the preparation of investment projects, construction and installation works, delivery, purchase and sale of materials/goods, consultations and assistance in the preparation of documentation for conducting procedures and tenders, etc. During 2022 Electrohold EPC has been operating in accordance with the legislation of the Republic of Bulgaria and commenced limited operations within the scope of its business

Free Energy Project Oreshets EOOD:

In 2022, Free Energy Project Oreshets carried out activities in accordance with the legislation of the Republic of Bulgaria. The electricity produced in 2022 is 6 313.73 MWh. The revenues from the sold produced electricity are: BGN 1 556 thousand, according to the working hours determined by EWRC and at the premium determined in Decision No. C-2 of 01.01.2022 in the amount of 1 MWh – BGN 210.64, excluding VAT and Decision Ts-17 of 01.07.2022, determining the estimated market price by groups of producers depending on the primary energy source for the period 01.07.2022 - 30.06.2023 for producers of electrical energy produced from solar energy - 395.67 BGN/MWh (or a premium of 89.93 BGN/MWh), excluding VAT, at a preferential price of 485.60 BGN/MWh, excluding VAT, 6 369.98 MWh were sold.

The rest of the produced energy was sold at a freely negotiated price. For the electricity sold at a preferential price, the Company receives a guarantee of origin from the Agency for Sustainable Energy Development.

The Company, in implementation of the High Energy Prices Emergency Intervention Regulation and in its capacity as a Producer with electricity generation facilities with an installed capacity of more than 1 MW with a premium compensation contract effective as of October 8, 2022, whose market revenues are received from the sale of electricity produced from sources under Art. 7, paragraph 1 of Regulation (EU) 2022/1854, has an obligation to pay to the Electricity System Security Fund targeted contributions from the market revenues from each transaction without value added tax concluded at freely negotiated prices with a delivery period of 1 December 2022 to June 30, 2023, excluding balancing energy transactions.

BARA Group EOOD:

The subject of activity of the subsidiary is: “construction, maintenance and exploitation of energy sites for production of electric power from renewable energy sources and alternative energy sources (after obtaining of the respective licence and permits); electric power production from renewable energy sources and alternative energy sources (after obtaining of the relevant licenses and permits), internal and external trade, purchase and sale of real estate, construction, commercial representation, intermediation and agency of local and foreign individuals and legal entities; transport and forwarding activities, as well as any other activities not prohibited by law.

II. PERSONNEL AND SOCIAL PARTNERSHIP

All companies of the Group continued the program for development of key employees aiming at their retention and stimulation of future career development. The human resources management policy of the Group is oriented towards preserving and developing the potential of the employees. The main motivating factors are the fair assessment of individual contribution and work completion, the opportunities for career development and training, incl. supporting their professional development. The Group has a well-established and functioning system for evaluation and career development, through which employees with proven potential have the opportunity to develop. Corporate culture encourages a sense of belonging to the Group on time and transparent communication to the employees.

The organizational structures of each of the subsidiaries in the Group represents the way of organizing the activities and processes in individual organizational units, their hierarchy and management system. For the fulfilment of the obligations under the licensed activities the organizational structures of the subsidiaries are centralized and process oriented.

The Group has developed programs for young talent retention and a succession planning. in order to retain them and stimulate their future career development.

1. Education and career development

The Group provides career development opportunities for its employees, both vertically and horizontally. Emphasis is placed on utilizing and developing the skills of talented professionals from all fields who have demonstrated their professionalism.

Equal access to training opportunities is provided to all employees, based on and individual development plans, annual training plans and ad-hoc, by request of respective Manager.
When searching for a specialist for a position, opportunities are first reviewed to offer the position to employees internal to the organization and then if no selection is reached, external candidates are sought.

The Group is guided by the belief that attracting, assessing and involving new employees is key to their adaptation and retention. The Group pursues a long-term policy in support of Bulgarian education and building young professionals in the field of electricity.

As part of its concern for people development, the Group encourages and supports employees to continue or upgrade their qualifications through its partnership with leading Higher Education Institutions, which has an added value for the Company, as well for the individuals.

In order to prepare and develop ”next generation”, the competition Energy for the Future (ex - "Become a CEZ Scholarship holder") is held annually - for students of vocational high schools, Internship Program and Academy “Energy for the future(ex ”"CEZ Academy") - for students aimed at popularization of the energy field and attracting young people to work in the Group. In 2021, it is launched a new educational information site - "Energy for the Future" and the publication quarterly newsletter, with which Companies within the Group expanded access to more young people, teachers and parents aimed at promoting professions in society and supporting admission to secondary schools. vocational high schools and higher technical educational establishments.

The support of the dual form of education in partner vocational high schools continues successfully, and during the 2021/2022 school year the subsidiary continues to work with 24 students from 11th and 12th grade. During 2022/2023 the partnership with High schools is enlarged to 7.

The management of the Group believes that they must constantly invest in the development of employees and in this regard conducts various training programs, with the help of which employees upgrade and develop their knowledge and skills. The trainings are available to all employees and allow them to improve the professional and personal training directly related to their work. The training courses, depending on the topic, are realized internally or externally. The trainings are planned on an annual basis, as well as in case of extraordinary need during the year. During the implementation of the plan, tender procedures are conducted for selection of a provider of the respective trainings.

External trainings	
Number of external trainings held	On average, approximately 40 external trainings per year are held, according to the approved annual training plan. The topics are determined by the direct supervisor and agreed with the director of the directorate. If necessary, HR specialists consult the process.
Employees attending	Between 91-98% of employees planned for the respective training attend the external trainings
Internal trainings	
Number of internal trainings held	The internal trainings in the subsidiary are conducted with different periodicity and depending on the plan and the need, e.g. in training of managers, introduction of new employees in the subsidiary, training of interns and students, conducting activities to unite teams, introduction of new procedures and rules, etc., other professional and technical training. The average number of internal trainings held annually is 120
Employees attending	On average, 97% of all invited employees participate in the internal trainings.

For this period (2022) almost 90% of the trainings were conducted online through an external partners' platforms or the internal E-learning system. Second half of 2022 training were returned "to normal".

EDG West EAD also has a modern Technical Training Centre, which aims to support the development of professional skills and specific know-how of operational staff by developing training programs and opportunities for practical application of knowledge. In 2022, 136 trainings, workshops, operatives, and presentations of new specialized equipment were held at the Technical Training Centre (TTC). 1720 employees, subcontractors of EDG West, students and pupils from electrical engineering specialties took part in them. During the year, the programs designed for newly hired and current employees, as well as those specific to the subsidiary and necessary for raising the qualification of employees, were continued, and developed.

Based on the license received from the National Agency for Vocational Education and Training (NAVET), 79 employees and subcontractors of the subsidiary were trained, divided into 8 groups, in specialties of professional fields "Electrical Engineering and Energy" and "Motor vehicles, ships and aircraft". Each year, technical staff undergoes mandatory safety training programs, culminating in qualification group examinations. The training programs are led by in-house trainers who are experts and specialists in their field.

According to the strategic priorities of the subsidiary and the human resources policy, in 2022 the traditional "Management Academy" for newly appointed line managers was launched. 23 employees from the Operations and Maintenance and Data Measurement and Management Directorates took part in this edition, who passed 3 training modules. The trainings were conducted in person and online, and between the individual modules the participants underwent additional training in the "E-learning" platform.

2. Remuneration, social benefits and other motivating factors

The remuneration policy of the Group is oriented towards ensuring fair remuneration for the work performed, taking into account its complexity, responsibility, required education and qualifications, as well as reflecting the individual contribution of each employee. A uniform analytical methodology for job evaluation is in place and the Company applies a bonus evaluation linked to the performance and results achieved by each employee.
As part of it, companies in the Group provides fringe benefits to its employees as follows:

- funds for food, one part in the form of food vouchers;
- supplementary health insurance;
- supplementary voluntary pension insurance;
- organised annual preventive check-ups;
- discounts on products and services in a wide range of retail outlets;
- funds for holidays and summer recreation;
- childbirth and bereavement benefits;
- organisation of sporting events etc. for employees;
- etc.

Social benefits are an important employee motivation tool with which the Company supports its employees and their families.

3. Healthy and safe environment

Healthy and safe working conditions are a priority of the Group. We invest in quality equipment, continuous improvement of the dynamic office culture, healthy and safe working environment. All companies have concluded contracts with specialized external companies, which carry out inspections and give instructions in accordance with the Health and Safety at Work Act (HSWA).

The Group strives to provide the best and safest working conditions. To achieve this, companies in the Group comply with all legal provisions related to the protection of health and safety of employees by maintaining procedures and policies. Guides encourage employees to be proactive about maintaining safety and maintaining a healthy work environment.

4. Headcount and structure

As of 31 December 2022, the total number of Group`s position list is 3 353 employees (2021: 3 341 employees). The personnel expenses as of 31 December 2022 are BGN 124 803 thousand (2021: BGN 42 506 thousand).

Total accrued remuneration of key management personnel in the Group as of 31 December 2022 is BGN 562 thousand (2021:BGN 988 thousand).

Information below represents structure of employees in Group

Structure of staff

Average number of staff	Total	women	% of women	men	% of men
2021	3 271	1021	31.2%	2 250	68.8%
2022	3 258	1004	30.8%	2 254	69.2%

Distribution of staff by age

Indicator	Under 30 years			Between 30 and 50 years			Over 50 years		
Employees	women	men	total	women	men	total	women	men	total
Distribution by age 2021	73	182	255	632	1 205	1 837	316	863	1 179
Distribution by age 2022	71	171	242	608	1 207	1 815	325	876	1 201

Staff turnover

Period / Left employees	2022
Number of employees who have left the subsidiary, including:	674
- left voluntarily	608
- dismissed by the Subsidiary, including:	66
- *dismissed by the Subsidiary for corruption or bribery*	-
- *dismissed due to reduces* by the Subsidiary, including:	9
- *dismissed due to reduces in operation in relation to effects of COVID-19*	674

Period / Hired employees	2022
Number of employees hired for existing positions	631
Number of employees hired for opened positions during the period	-

Employee satisfaction

Period / Complaints / signals	2022
Number of registered complaints / signals of irregularities submitted by the staff on issues related to human resources	-

The Group takes all legal measures in connection with the review and acquaintance with each of the submitted signals, promptly organizing a committee for internal investigation with the participation of trade union representatives to objectively clarify the facts and circumstances, as well as providing information to management bodies and feedback to the employee.

An important prerequisite for achieving the business goals and prosperity of the Group are its employees as well as the availability of a sufficient number of qualified and motivated staff who are committed and loyal.

In this regard, there is the difficult task of recruiting new employees, especially for more specialized and/or key positions, which has encountered many difficulties in the last few years.

Recently, there has been a shortage of human capital and companies are finding it increasingly difficult to find the employees they need - both quantitatively and qualitatively, with the necessary knowledge and skills.

Therefore, emphasis should be placed on efforts to retain good professionals, both managerial and specialized expert positions, which have already acquired and proven high professional qualifications, have joined the team and the overall subsidiary policy and culture.

Staff turnover is an indicator of the level of staff satisfaction, which is formed by several components:

Atmosphere in the team and the subsidiary, the relationship manager / employee;

Nature of work, proper organization, and environment;

Remuneration adequate to the functions and competitive with the labour market;

Additional benefits and incentives;

Opportunities for career development and upgrading of professional competencies and skills;

Timely and clear submission of information to employees, as well as opportunities for meetings or inquiries to the subsidiary's management on all issues, helps employees feel valued and build relationships of mutual trust.

In order to eliminate the risk of head hunting, it is necessary to provide optimal conditions related to the above components.

Solving the problem of turnover cannot be achieved through single actions or short-term initiatives, but by implementing a comprehensive long-term mechanism (program) for retention and development of employees, especially those of key importance. The process of finding a replacement takes a lot of time and money, and it is uncertain whether it will succeed.

5. Internal communication

Management realizes that internal communication is an important condition for effective work in the subsidiary. The aim is to create good internal communication between departments, employees, and management, which will help achieve the general and social goals of the subsidiary. 3 main forms of communication are encouraged: Vertical - up, vertical - down and horizontal. Vertical (up) communication aims to reveal the views and questions of employees to management, vertical (down) communication aims to inform employees about the vision, goals and plans of the subsidiary, and horizontal communication takes place between employees by promoting information exchange and contributing for team building.

The established management system guarantees direct lines of reporting on the key functions, as well as the right of access to the information resource and all employees of the persons performing key control functions.

The Group encourages direct and immediate communication between management and employees, including timely reporting of events and risks that may significantly affect its activities. Currently, communication takes place through various channels, such as emails, informal meetings, team meetings, intranet messages, emails to stakeholders, and group emails are used for all staff.

The subsidiary has an archive system with levels of access to employees. In this way, the necessary information reaches every interested employee.

6. Cooperation with trade union organizations

Relations with trade unions are oriented towards improving working conditions and ensuring transparency and consultation in relation to activities, human resources management. Regular monthly meetings are held with representatives of the 4 trade union organizations in the Group, and cooperation is based on an open dialogue between the parties.

EDG West EAD, Electrohold Sales EAD, Electrohold Bulgaria EOOD have an effective Collective Labour Agreement valid for the period 01.01.2022 - 31.12.2023, with which all additional payments on the remuneration and social benefits of employees are agreed.

7. Diversity policy

EDG West and Electrohold Sales apply a diversity policy with regard to personal characteristics such as age, sex, ethnic origin, education, and professional experience, in the course of carrying out the overall activity of the subsidiary through the following guidelines:

- equal treatment;
- impartiality;
- equal access to resources and/or professional development;
- avoidance of any forms of discrimination; and
- active promotion and considering of the widest range of opinions in the formation of resolutions of the collective bodies of the subsidiary.

The Policy is applied by and with regard to the administrative, management and the supervisory bodies of the subsidiaries.

The manners and the results of the implementation of the Policy are disclosed to the attention of the shareholders and of the general public through a Corporate Governance Declaration to the annual activity report of the subsidiaries.

The subsidiaries applies the Policy in compliance with the regulatory requirements to public companies, with the objectives, short-term and long-term interests and the strategy for future development of the subsidiary, as well as with its financial and economic condition in the light of the relevant economic situation on national and European level.

Objectives of the policy

- The Policy aims to promote the manifestation of the different personal and individual characteristics of the officers from the administrative, management and supervisory bodies of the subsidiaries, by providing them equal access to occupation of positions within those bodies, as well as objective criteria for development, promotion, remuneration and dismissal.
- The Policy aims also to promote the adoption of competent, efficient, beneficiary and flexible with regard to the specific environment resolutions of the administrative, management and supervisory bodies of the subsidiary through providing opportunity to take part into such bodies to people from the widest possible range of social areas and of different economic and social background, as well as to people of different professions and expertise. The active formation, sharing and considering of opinions, reflecting the widest possible range of interests of different social, economic and seniority groups, is also encouraged.
- The Policy aims also to promote (or at least to provide equal opportunity for) participation in the selection process on hiring and in the realization of the activities of the administrative, management and supervisory bodies of the subsidiaries to under-privileged people and to people belonging to groups, which are possible targets of different types of discrimination (e.g. women; people of limited working ability; employees at the beginning of their professional path or at pre-pension age; people of under-privileged social status, etc.).

Directions of the policy implementation:

- The officers from the administrative, management and supervisory bodies of the subsidiaries shall guarantee to all applicants for the occupation of positions in these bodies equal access to application, selection and conclusion of individual agreements, including, but not limited to: announcement of unoccupied positions (whenever there are such), determination of a reasonable term for application, setting of objective selection and evaluation criteria, avoidance of any discrimination selective criteria (e.g. sex, age, etc.)

To the officers from the administrative, management and supervisory bodies of the subsidiaries should be provided equal conditions of access to resources of the subsidiary while performing their employment duties. Any restrictions or more favorable conditions for access to resources may be imposed or granted only with regard to objective conditions of specific positions (e.g.: access to specialized equipment, access to confidential information, etc.) or in cases of normative requirements for that.

The subsidiaries should apply uniform and consistent policy on working hours and working remuneration (including, basic salary or negotiated remuneration and all kinds of bonus schemes for additional remuneration or overtime remuneration) with regard to the officers from its administrative, management and supervisory bodies. Deviations are allowed only within the borders of specific cases regulated by law (e.g., more favorable working conditions to employees with limited abilities, etc.), as well as upon objectively set criteria for additional remuneration, which criteria have in advance been notified to the employees and applied regardless of aspects such as sex, age, etc.

The officers from the administrative, management and supervisory bodies of the subsidiary should be guaranteed equal conditions of education, promotion within the internal organizational structure of the subsidiary, regardless of factors such as age, sex, educational background, etc.

The officers from the administrative, management and supervisory bodies of the subsidiaries should be guaranteed equal criteria for selection upon dismissal, as well as equal conditions for receiving compensations upon dismissal, regardless of aspects such as sex, age, economic situation, etc.

The officers from the administrative, management and supervisory bodies of the subsidiaries should be guaranteed equal conditions for expressing of their opinion upon adoption of the resolutions of the bodies of the subsidiary, as their opinions, ideas and considerations should be evaluated with respect to objective expediency and efficiency. Preliminary discussions and exchange of opinions before the adoption of resolutions by the collective bodies of the subsidiaries are encouraged. The adoption of resolutions, which will correspond to the widest possible range of interests of representatives of different social groups, is encouraged.

Without prejudice to any of the abovementioned rules of promotion of equal access and participation in the administrative, management and supervisory bodies of the subsidiaries, and aiming at additional promotion of diversity within the activities of those bodies, it is encouraged - whenever the objective conditions and the status of the subsidiaries allow that and upon the discretion of the management of the subsidiaries on the necessity for that, to form additional consultative task-forces – *ad hoc* or with permanent functions, which shall include members of different social, economic or expert groups (e.g. on matters on promotion of employment among people of under-privileged economic status, of limited working abilities, on promotion on career start programs, etc.)

Without prejudice to the abovementioned rules of equal access and participation in the administrative, management and supervisory bodies of the subsidiaries, it is encouraged to provide opportunity to participate in the selection process for occupation of positions in those bodies to people of under-privileged status (e.g., by announcement of ongoing selection procedures among members of such groups, bearing administrative costs of participation in such process, etc.).

8. Human rights policy

The subsidiaries adhere to the established internal and international regulatory and legal frameworks in the human rights sphere, respecting and honouring the human dignity. The subsidiaries do not tolerate and emphatically declares its readiness to counteract any form of violence, disregarding human rights, discrimination and any other illegal deeds, towards personality of its employees and clients.

9. Combating corruption

The subsidiaries observe and encourage the application of the effective anticorruption legislation, exercising illegal actions fight policy aiming to motivate certain behaviour in employees and/or counteragents of the subsidiary.

On 20 September 2012 the subsidiaries and trade unions signed a declaration in accordance with Art. 7, Para. 2 of the Collective Labour Agreement for joined actions and efforts for non-admission of unprofessional and/or corruption practices and actions by the subsidiary employees to consumers, customers of the subsidiary.

With the adopted in 2016 Ethical Code the subsidiaries once again gave expression of its readiness to effectively counteract all actions, representing corruption practices carried out in any form.

III. FINANCIAL ANALYSIS

1. Group revenues, expenses, and financial performance

	Change	2022	2021*
	%	BGN'000	BGN'000
Revenue from operating activities	*196%*	3 571 446	1 208 580
Expenses of operating activities	*202%*	(3 117 374)	(1 031 279)
Gross Operating Profit	***156%***	**454 072**	**177 301**
Other Revenue	*116%*	13 980	6 467
Other operating expenses	*149%*	(221 584)	(89 125)
EBITDA	***160%***	**246 468**	**94 643**
Financial expenses, net	*113%*	(33 153)	(15 576)
EBT	***200%***	**107 917**	**36 023**
Net profit for the period	***213%***	**94 461**	**30 190**
Assets	***7%***	**1 685 146**	**1 569 985**
Property, plant and equipment	*1%*	*833 746*	*826 869*
Inventory	*36%*	*32 787*	*24 117*
Trade and other receivables	*8%*	*369 100*	*341 376*
Cash and cash equivalents	*132%*	*177 879*	*76 822*
Equity	***2%***	**561 231**	**552 284**
Total liabilities	***10%***	**1 123 915**	**1 017 701**
Non-current liabilities	*13%*	*782 318*	*695 051*

For the reporting period, the Group realized a ***net profit*** of BGN 94 461 thousand (2021: BGN 30 190 thousand).
The realized for the reporting period ***gross operating profit*** amounts to BGN 454 072 thousand (2021: BGN 177 301 thousand).

The Group's ***revenue*** is recognised when control over the goods and/or services promised in the *contract with the customer* is transferred to the customer. Control is transferred to the customer upon satisfaction of the contractual performance obligations through transfer of the promised goods and/or provision of the promised services. For the reporting period, the Group realized revenue from operating activities of BGN 3 571 446 thousand (2021: BGN 1 208 580 thousand). Sales revenue increased in the period and have not been affected by the pandemic.

The ***expenses of operating activities*** consist mainly of electricity purchases which for the reporting period are BGN 3 117 374 thousand (2021: BGN 1 031 279 thousand).

Depreciation expenses for the reporting period amount to BGN 105 398 thousand (2021: BGN 43 044 thousand).

Finance expenses net for the reporting period reached BGN 33 153 thousand (2021: BGN 15 576 thousand).

Group assets
The assets of the Group at the end of 2022 amount to BGN 1 685 146 thousand, of which long-term assets amount to BGN 953 665 thousand and current assets amount to at BGN 731 481 thousand.

The amount of property, plant and equipment as of 31 December 2022 is BGN 833 746 thousand.

The receivables of the Group are short-term and represent trade and other receivables, assets under contracts, receivables from related parties, tax receivables and advances and prepayments. The total amount of receivables reached BGN 501 445 thousand.

Other current assets are mainly cash and cash equivalents and amount to BGN 177 879 thousand.

Group assets by type:

	Tangible/ Intangible assets	Other Intangible assets	Trade and other receivables and Contract assets	Cash and cash equivalents and Inventories	**Total assets**
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	***BGN'000***
2021	954 082	7 861	507 103	100 939	**1 569 985**
2022	943 506	10 159	520 815	210 666	**1 685 146**

Group equity and liabilities:

The equity of the Group as at 31 December 2022 amounts to BGN 561 231 thousand.

The liabilities of the Group as at 31 December 2022 amount to BGN 1 123 915 thousand, of which non-current liabilities amount to BGN 782 318 thousand and current liabilities are BGN 341 597 thousand.

	Issued capital	Share premium	Reserve from remeasurement of defined benefit plans and Retained earnings	Non-controlling interest	Non-current liabilities	Current liabilities	**Total equity and liabilities**
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	***BGN'000***
2021	2	343 283	63 670	145 329	695 051	322 650	**1 569 985**
2022	2	370 532	190 697	-	782 318	341 597	**1 685 146**

Group financial ratios	**2022**	**2021**
Return on equity, (ROE)	16.83%	5.47%
Return on assets, (ROA)	5.61%	1.92%
Operating profit, %	3.95%	4.31%
Current ratio	2.14	1.88
Liquidity ratio	0.52	0.24
Assets turnover	2.12	0.77

2. Revenues, expenses, and financial performance by companies in Electrohold Group

<u>EEEC B.V.</u>

Revenues, expenses, and financial performance
In 2022, the parent company realized a ***net loss*** of BGN 33 779 thousand (2021: BGN 22 216 thousand).
The realized for 2021 ***operating loss*** amounts to BGN 2 312 thousand (2021: BGN 10 954 thousand).

The ***other operating expenses*** at the amount of BGN 2 312 thousand have been incurred for the operational activity, and in compliance with activity requirements of the parent company and of set strategic goals for the Group.

Finance expenses in 2022 reached BGN 31 467 thousand due to an increase in interest expenses.

The increase in 2022 compared to 2021 is due to increased levels of EURIBOR.

Electrodistribution Grid West EAD (EDG West EAD) (former CEZ Distribution Bulgaria AD):

In 2022, the Company realized a **net profit** of BGN 43 261 thousand, timely fulfilling its basic requirements under the license, namely, to develop and modernize the electricity distribution grid, to ensure continuity of electricity supply to the end user, as well as to serve it with the expected quality. For comparison, the net profit realized by the company for 2021 amounts to BGN 51 280 thousand.

Profit before tax for the reporting period amounted to BGN 48 011 thousand, decreasing by 15.5% compared to 2021. The main factors leading to this decrease are higher costs for technology losses as a result of the significantly higher technology cost price approved by the Regulator for the second half of 2022 and higher operating costs due to higher prices for materials and services following inflation growth. In 2022, the "Programme for compensation of the costs of electricity transmission and distribution grid operators for the purchase of electricity for technological costs approved by the Council of Ministers continued to operate, in relation to which, in the reporting period 2022, the Company recognised a decrease in the value of technological costs in the amount of BGN 126 950 thousand (2021: BGN 68 782 thousand).

Total revenue from customer contracts in 2022 amounted to BGN 507 036 thousand (2021: BGN 394 906 thousand) and increased compared to 2021 by BGN 112 130 thousand.

Operating expenses have been incurred to meet operational activities, set strategic objectives and in compliance with all licensing requirements and the Company has carried out investment and operational activities to reduce technological costs and achieve efficiencies in operating expenses.

The cost of materials, technological costs for electricity transmission, transmission and access services and external services totalled BGN 287 118 thousand (2021: BGN 185 781 thousand). The upward variation of BGN 101 337 thousand is mainly due to the increase in technological costs for electricity transmission in 2022 as a result of the higher prices in the Regulator's pricing decision for the second half of 2022.

Depreciation and amortization expenses amounted to BGN 88 553 thousand with an increase of BGN 3 254 thousand or 3.8% compared to the previous year 2021. This increase in depreciation charges is due to the investments made in fixed assets in 2022 and the increase in their book value.

Finance costs increased by BGN 1 164 thousand to BGN 5 715 thousand, compared to BGN 4 551 thousand in 2021. The increase in financial expenses is due to an increase in interest expenses on bank loans, which for 2022 total BGN 4 953 thousand (2021: BGN 3 460 thousand).

Assets

The Company's assets at the end of 2022 increased to BGN 1 048 726 thousand, of which the amount of property, plant and equipment as at 31.12.2022 is BGN 813 747 thousand, an increase of BGN 8 038 thousand compared to 2021 due to investment in the grid electricity distribution grid. The investments made in tangible fixed assets in 2022 are mainly aimed at modernization, reconstruction and development of the distribution grid. Investment funds have been invested in the removal of electricity meter boards and replacement of commercial metering equipment, as well as in the connection of energy facilities. The implementation of the investment programme for 2022 amounts to BGN 93 916 thousand (2021: BGN 100 075 thousand).

Liabilities

The Company's liabilities amount to BGN 302 606 thousand (2021: BGN 315 010 thousand), of which non-current liabilities amount to BGN 175 920 thousand (2021: BGN 164 481 thousand) and current liabilities amount to BGN 126 686 thousand (2021: BGN 150 529 thousand).

The increase in non-current liabilities by BGN 11 439 thousand is mainly the result of transfer of short-term interest-bearing loans received from related parties to long-term ones. Liabilities under contracts with customers increased by BGN 7 537 thousand compared to the previous year. The non-current portion of bank borrowings decreased by BGN 4 538 thousand due to a transfer to current liabilities. Also, the long-term part of lease liabilities shows a decrease of BGN 2 758 thousand, with a remaining balance of BGN 2 402 thousand.

Current liabilities decreased by BGN 23 843 thousand mainly due to the reclassification of part of the current liabilities on loans received from related parties into long-term liabilities. Separately, trade and other payables increased by BGN 17 042 thousand to BGN 80 093 thousand at the end of 2022. These relate mainly to payables to suppliers for regular deliveries of goods and services and are normally settled within 60 days. Short-term liabilities also include obligations under guarantees for transmission and access contracts, performance bonds, tender guarantees, etc. and are settled under the terms of the agreements with the counterparties.

Electrohold Sales EAD (former CEZ Electro Bulgaria AD):

Revenue, expenses, and financial result

During the last financial year Electrohold Sales EAD generated operational profit from its activity amounting to BGN 35 612 thousand (for 2021: BGN 18 051 thousand).

The revenue from contracts with customers for the financial year is related to the license for electricity supply, the last resort supplier license, and the Trader license. For 2022 the total revenues amount to a total of BGN 1 690 355 thousand (for 2021: BGN 965 845 thousand), realizing an increase of BGN 724 510 thousand (75.01%). The growth of the revenues is mainly due to the realized higher sales volume, as well as to the increase of prices during the reporting period.

The other income from the activity of the company amounts to BGN 1 642 thousand (for 2021: BGN 1 023 thousand) and represents:

Expenses for main activity for 2022 amount to BGN 1 656 385 thousand (for 2021 - BGN 948 817 thousand). In 2022, the main costs for hired services expenses include costs and fees for collection of receivables, printing and delivery of invoices and for services in the field of information and telecommunications technologies, finance, accounting, debt collection, in-store and contact centre customer service, invoicing, legal and regulatory, human resources, public relations and business management services – a total of BGN 18 796 thousand (2021: BGN 11 677 thousand). The increase in hired services expenses is the result of structural changes carried out from 01.07.2022, as a result of which activities and personnel are carried out according to a contract for the provision of services with Electrohold Bulgaria EOOD.

For the reporting year the Company has reported a net result from financial activity in the amount of BGN (37) thousand compared to (774) thousand for 2021, as:

Financial income – For 2022 BGN 1 152 thousand (for 2021 BGN 574 thousand)

The financial income in 2022 are based on an estimate at fair value of current financial assets acquired by the Company and amount to a total of BGN 975 thousand (2021: BGN 573 thousand) and BGN 174 thousand profit from sale of financial assets.

Financial costs – BGN 1 189 thousand (for 2021 – BGN 1 348 thousand)

Financial costs are mainly bank fees, bank guarantee fees and revaluation at fair value of current financial assets acquired by the Company.

Net profit for the Company is BGN 31 773 thousand (for 2021 – BGN 15 560 thousand)

Assets

The total assets of the Company at the end of the year are BGN 421 788 thousand (2021 – BGN 330 982 thousand), of which current assets are BGN 416 479 thousand (for 2021 – BGN 324 549 thousand), and non-current assets are BGN 5 309 thousand (for 2021 – BGN 6 433 thousand

Liabilities

The liabilities of the subsidiary amount to BGN 231 687 thousand, of which non-current liabilities amount to BGN 446 thousand and current liabilities are BGN 231 687 thousand.

Electrohold Trade EAD (former CEZ Trade Bulgaria EAD):

Revenue, expenses, and financial result
In 2022, the Company reported profit before taxes at the amount of BGN 60 968 thousand (2021: BGN 23 087 thousand) net profit of BGN 54 841 thousand (2021 BGN 20 778 thousand). The increase in profit compared to 2021 is the result of the higher gross margin.

The revenues for the financial year are amounting to BGN 1 671 937 thousand (2021: BGN 837 312), or an increase by 99.68%. The increase in revenue is because of the higher average selling prices to end customers subject to the price formula for the “day ahead” IBEX segment.

Cost of purchased electricity for the financial year are amounting to BGN 1 596 772 thousand (2021: BGN 800 213), or an increase by 99.54%. The increase in purchased electricity is mainly due to the higher purchase prices.

The Company’s end customers portfolio is diversified and allocated in three main segments – industrial customers of HV grids (high-voltage), corporate customers of AV/LV grids (average and low voltage) and business customers of LV grids (low voltages) with lower annual consumption.

Assets
The Company`s total assets as of 31.12.2022 are amounting to BGN 267 737 thousand (2021: BGN 146 631 thousand), which include current assets amounting to BGN 265 218 thousand (2021: BGN 144 194 thousand), and non-current assets amounting to BGN 2 519 thousand (2021: BGN 2 437 thousand).

Liabilities and equity
The total equity has increased to BGN 100 860 thousand (2021: BGN 46 108 thousand).

Electrohold Bulgaria EOOD (former CEZ Bulgaria EAD):

Revenues, expenses and financial result
The subsidiary realized net profit for 2022 is BGN 1 351 thousand. An increase of BGN 1 069 thousand was reported compared to the net profit for 2021.

Revenues and expenses in 2022 are increased compared to those in 2021 by 1.87 times. Revenues from contracts with customers have a major share in revenues. The increase in revenue in 2022 is due to new customers of the Company, a greater volume of services provided and the sale of inventory. The increase in expenses is directly related to the larger volume of services provided, the increased number of customers and transactions with the sale of material stocks.

In the past financial year, Electrohold Bulgaria EOOD made an operating profit of BGN 1 164 thousand.

Depreciation and amortization expenses amount to BGN 2 258 thousand.

Net finance expenses amount to BGN 128 thousand.

Profit before tax amounts of BGN 1 036 thousand. Profit after tax for the year is in the amount of BGN 1 351 thousand.

Assets
The assets of the Company as of 31.12.2022 amount to BGN 79 973 thousand. Their structure is:
BGN 7 392 thousand (9%) are non-current and BGN 72 581 thousand (91%) are current. Assets with right of use have the largest share of non-current assets - 8%. These are leased areas according to signed leasing contracts.

The share of cash in the subsidiary's current assets is 30%. Receivables are 60% of current assets. The change in trade receivables compared to 2021 is BGN 10 190 thousand. Loans in the amount of BGN 16 936 thousand were also granted.

Equity and liabilities
The subsidiary's equity is in the amount of BGN 4 704 thousand compared to BGN 5 619 thousand for 2021. The change is mainly due to generated profit in the amount of BGN 1 351 thousand and dividend paid.

In 2022, the Company distributed dividends in the amount of BGN 2 160 thousand (2021: BGN 2 151 thousand).

In 2022, the Company received a loan from Electrohold Trade EAD in the amount of BGN 39 152 thousand, which is largely due to the increase in short-term liabilities in the statement of financial position.

Electrohold ICT EAD (former CEZ ICT Bulgaria EAD):

Revenues, expenses and financial result
In 2022 the subsidiary made a profit after tax of BGN 2 148 thousand. Realized profit before tax is BGN 2 356 thousand.

Operating income amounted to BGN 24 336 thousand.

Operating expenses were incurred to meet the operating activities and strategic objectives set for the Company.

Cost of materials and hired service expenses amounted to BGN 13 343 thousand.

Depreciation and amortisation expenses amounted to BGN 5 140 thousand and other expenses amounted to BGN 45 thousand.

The change in Customer Contract Revenue is due to a 7.43% increase in Information, Communication and Technology Services Revenue in 2022 compared to the same in 2021. In 2022, work has started on new projects and activity continues on old ones. At the reporting date, many of these projects have not reached the stage of completion resulting in an increase in project costs being generated and a decrease in revenue recognised from the sale of ICT projects.

Assets
The assets of the subsidiary at the end of 2021 amounts to BGN 29 884 thousand, distributed in current assets are BGN 15 821 thousand and non-current assets are BGN 14 063 thousand.

Liabilities
The liabilities of the subsidiary amount to BGN 6 615 thousand, of which non-current liabilities amount to BGN 1 851 thousand and current liabilities are BGN 4 764 thousand.

Electrohold EPC EOOD

Revenue, expenses and financial result
For the financial year 2022, Electrohold EPC EOOD made a net profit of BGN 68 thousand. Revenues in 2022 amount to BGN 2 625 thousand. Personnel expenses amount to BGN 1 580 thousand. Hired service expenses amount to BGN 291 thousand. Net financial expenses amounts to BGN 3 thousand.

Free Energy Project Oreshets EOOD:

Revenue, expenses and financial performance
For the financial year 2022 the subsidiary realized a net profit in the amount of BGN 941 thousand. Revenues in 2022 amount to BGN 2 681 thousand and are mostly related to the sale of electricity.

The ***transmission and access fees, balancing electricity, instalment to Electricity System Security Fund, expenses on materials and consumables and hired services expenses*** amount to BGN 835 thousand.

The ***depreciation expenses*** are BGN 770 thousand.

The ***financial costs*** are BGN 5 thousand.

Assets
The assets of the subsidiary at the end of 2022 amounts to BGN 9 041 thousand, distributed in current assets are BGN 2 181 thousand and non-current assets are BGN 6 860 thousand.

Liabilities
The liabilities of the subsidiary amount to BGN 529 thousand, of which full amount is current liabilities.

BARA Group EOOD:

During the reporting period BARA Group EOOD has generated ***operating loss*** amounting to BGN 9 thousand.

During the reporting period BARA Group EOOD has generated ***net loss*** amounting to BGN 14 thousand.

The ***revenue*** for 2022 is BGN 69.

The ***hired services expenses*** and other expenses amount to BGN 41 thousand.

IV. RISKS

The Group management, as well as management of the subsidiaries are responsible for identifying and managing the risks that Electrohold Group faces in its operational activities. Risk management policies and systems are subject to ongoing review in relation to changes occurring in the Group's operational activities.

The overall risk management focuses on the unpredictability of the financial markets and aims to reduce any adverse effects on the Group's financial performance.

The Group has established and operates a risk management system. The operational activity in this area is performed by a specialized intra-group unit - Risk Management Division, in which employees of Electrohold Bulgaria EOOD participate.

In carrying out their activities, the companies of the Electrohold Group are exposed to various general and specific risks.

1. General risks

Market risk

There is market risk associated with core business of Electrohold Group - electricity consumption and risk resulting from the volatility and unpredictability of the wholesale market and the fundamental factors impacting it (prices of natural gas, fuels, CO2 emissions, RES, EU policy, market mergers, climate changes, etc.), the risk of liberalisation of the electricity market. Risks related to competition and supplier change on the open market, risks related to the behaviour of market participants, experience and code of ethics and etc.

Market risk exists when the Group is in unfavourable conditions due to increased competition in the market, reduced market demand or the inability to develop in new markets or position products, to win targeted customers.

These are risks that arise from causes external to the Group and the Group's ability to effectively influence the factors determining this risk is very limited. Market risk includes currency risk, interest rate risk and price risk.

Currency risk

The Group is exposed to currency risk through payments in foreign currency and through its assets and liabilities denominated in foreign currency. Foreign currency exposures result in gains or losses that are recognized in the consolidated statement of profit or loss and other comprehensive income. These exposures comprise the Group's monetary assets that are not denominated in the currency used in the financial statements of local companies.

The Group operates mainly in Bulgarian levs and in euro. Management believes that with the Bulgarian Currency Board operating in Bulgaria and the fixed exchange rate of the Bulgarian lev to the euro, the Group is not exposed to significant adverse effects of changes in the exchange rate.

The Group has no significant investments in countries other than the country in which it operates – Republic of Bulgaria. In cases, if any, where the local currency is exposed to significant currency risk, its management is achieved by investing in assets denominated in Euro.

Interest rate risk

The Group is exposed to the risk of changes in market interest rates, mainly with respect to its short-term and long-term financial liabilities with variable (floating) interest rates. The Group's policy is to manage interest expenses by using financial instruments with both fixed and floating interest rates. The interest rates on the majority of the Group's loans to banking institutions are based on one-month and / or quarterly and / or six-month EURIBOR.

The following table presents a sensitivity analysis to possible changes in interest rates, with their effect on the Group’s profit before tax (through the effect on floating interest rate loans and borrowings), all other variables held constant. There is no impact on the other components of Group’s equity.

	Increase / Decrease in interest rates	Effect of the profit before taxes
2022	%	*BGN’000*
For interest-bearing loans and borrowings	+1%	(7 524)
For interest-bearing loans and borrowings	-0.5%	3 762
2021		
For interest-bearing loans and borrowings	+1%	(6 732)
For interest-bearing loans and borrowings	-0.5%	3 366

The Group controls this exposure through periodic review of its active positions. Cash flow assumptions as well as the impact of interest rate fluctuations on the investment portfolio are reviewed every six months.

The purpose of these strategies is to limit large changes in assets related to changes in interest rates. The Group is also exposed to the risk of changes in future cash flows from fixed income securities resulting from changes in market interest rates.

Price risk

The Group's exposure to price risk is related to financial assets at fair value, which include shares and bonds traded on EU stock exchanges.
Under these instruments, there is a risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those related to interest rate and currency risk), regardless of whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting the market.
Price risk is managed by analyzing the companies in which investments are made on the basis of their operating activities.

Credit risk

The Group's credit risk is mainly related to trade and financial receivables (including cash at bank).

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

The Group holds assets in a trading portfolio in order to manage credit risk. Credit risk is the risk that one party to a financial instrument will incur a financial loss for the other party to it by failing to meet an obligation. The Group has implemented policies and procedures to mitigate the exposure of the credit risk group.

The Group's investment policy requires strict application of the diversification rules on exposure limits for each type of instrument and for an individual counterparty, set out in the insurance legislation of each country.

Group's cash and payment operations are mainly concentrated in different first-class banks. In order to calculate expected credit losses for cash and cash equivalents, the Group applies a rating model by using the banks' ratings as determined by internationally recognized rating firms such as Moody's, Fitch, S&P, BCRA and Bloomberg and the reference public data about the PD (probability of default) of the respective bank.

The management currently monitors changes in the respective bank's rating in order to assess the presence of increased credit risk and for the purpose of ongoing management of incoming and outgoing cash flows and the allocation of cash in bank accounts and banks.

The Group's cash and cash equivalents available at 31 December 2022 are in bank accounts with ratings A to BBB according to Fitch/ BCRA.

The management of the Group has performed a test for impairment of the expected credit losses on cash and has recognized in the financial statements as of 31.12.2022 impairment in the amount of BGN 312 thousand (2021: BGN 108 thousand) (Note **10**).

The Group conducts derivative transactions through Electrohold Trade Bulgaria EAD.

The Group invests its own funds mainly in bank deposits, securities issued by Member States of the European Union, bonds issued by financial institutions or other companies. In order to implement its investment policy, the Group uses professional services of investment intermediaries that have received permission to conduct transactions in the country and abroad.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they become due. The policy in this area is aimed at ensuring that sufficient liquidity is available to service the obligations when they become due, including in extraordinary and unforeseen situations. The objective of the management is to maintain a constant balance between the continuity and flexibility of financial resources through the use of adequate forms of funding.

Liquidity risk management is the responsibility of the Group's management and includes maintaining sufficient cash, negotiating adequate credit lines, preparing analysis and updating cash flow projections.

Operational risk

Operational risk is the risk of direct and indirect losses for the Group, caused by various internal factors related to the Group's operations, personnel, technology and infrastructure, as well as external factors other than credit, market and liquidity risk and arising from legal requirements and generally accepted rules for corporate ethics.

The Group defines the operational risk as: the risk of loss or non-realization of profits, which is caused by non-functioning or not implemented internal control systems or by factors external to the Group, such as economic condition, changes in the insurance environment, technical progress and others. Legal risk is part of operational risk and arises as a result of non-compliance or misapplication of legal and contractual commitments that would have an adverse effect on operations. The definition does not include strategic risk and reputational risk.

The Group is exposed to operational risk inherent in its business activities, including risks of non-performance by third parties on whom the Subsidiaries rely to conduct their business, risks of direct and indirect losses arising from a wide range of internal causes related to the Subsidiaries' internal operations, personnel, organizational structure and internal processes. To manage and minimize these types of risks, the Group has established and validated internal procedures and operating rules. The content and implementation of these procedures are reviewed, revised and optimised where necessary. Compliance with these procedures and rules is monitored and enforced by management at the various levels of the Subsidiariesand they are held accountable for compliance.

The Group's goal is to manage operational risk in such a way as to prevent financial losses in the most effective way, while maintaining its good reputation and at the same time not hindering initiative and creativity in its actions.

Part of the operational risks is the security risk - the risk of loss due to intentional illegal actions by external parties or by employees of the Group. These risks are minimized by having specialized organizational units for ensuring the security of the Group's buildings and controlling the access provided to external individuals, and also by maintaining authorization matrix for access rights to various functions in the information systems.

Capital risk management

With capital management, the Group aims to create and maintain opportunities for it to continue to operate as a going concern and to ensure the appropriate return on investment of shareholders and economic benefits of other stakeholders and participants in its business, as well as to maintain optimal capital structure.

The Group currently monitors the security and capital structure based on the debt ratio, namely the net debt capital to the total amount of capital.

Net debt includes all liabilities, loans, debenture, trade and other payables less the carrying amount of cash and cash equivalents. For capital risk calculation, subordinated debt instruments are treated as equity.

The capital for the presented reporting period can be analysed as follows:

BGN'000	***31.12.2022***	***31.12.2021***
Equity (net assets)	**561 231**	**552 284**
Total liabilities	1 123 915	1 017 701
Cash and cash equivalents, and time deposits with banks	(177 879)	(76 822)
Net debt	**946 036**	**940 879**
Total Equity and net debt	**1 507 267**	**1 493 163**
Indebtedness ratio % (Net debt to Equity and net debt)	**63%**	**63%**

The policy of the Group companies is to maintain stable levels of coverage of capital requirements, as well as to maintain the balance between high return and risk. Management is in the process of continuously analyzing the effect of the new regulatory framework on the Group's capital position and operations.

As at December 31, 2022 applied covenants for the Group from creditors according Senior Facilities Agreement (SFA) are calculated on the basis of **"last twelve months"** data and presented as follows:

Operating companies as of 31.12.2022	**EBITDA** *BGN'000*	**EBITDA** *EUR'000*	**EBIT** *BGN'000*	**EBIT** *EUR'000*	**Cash** *BGN'000*	**Cash** *EUR'000*
EDG West	139 192	71 168	49 273	25 193	13 132	6 714
ELH Sales	36 232	18 525	33 739	17 250	86 349	44 150
ELH Bulgaria	3 443	1 760	1 172	599	23 588	12 060
ELH ICT	6 499	3 323	(1 499)	(766)	1 453	743
BARA	(10)	(5)	(10)	(5)	321	164
FEPO	1 820	931	471	241	2011	1028

ELH EPC	104	53	90	46	39	20
ELH Trade	61 319	31 352	59 051	30 192	47 021	24 041
EEEC*	(1 647)	(842)	(1 649)	(843)	3 965	2 027
Eliminations	(484)	(247)	432	221	-	-
TOTAL	**246 468**	**126 018**	**141 070**	**72 128**	**177 879**	**90 947**

**SFA Definitions

Covenants calculations**	***BGN'000***	***EUR'000***
Total Debt	733 752	375 161
CASH	(177 879)	(90 948)
Total NET DEBT	**555 873**	**284 213**
TOTAL EBITDA	**246 468**	**126 017**
TOTAL EBIT	**141 070**	**72 128**
TOTAL Interest	**31 918**	**16 287**

**SFA Definitions

Covenants	**Ratio**	**Reference value**
Leverage covenant	2,26	<3,75
Interest coverage covenant	4,42	>3,5

Interest Cover: Adjusted EBIT is EUR 72 128 thousand, Finance Charges is EUR 16 287 thousand therefore the ratio is **4,42**.

Leverage: Total Net Debt on the last day of the Relevant Period is EUR 284 213 thousand, Adjusted EBITDA is EUR 126 017 thousand therefore the ratio is **2,26**.

"Adjusted EBITDA" for the financial period ended 31 December 2022 is EUR 126 017 thousand.

"Basket Adjusted EBITDA" for the financial period ended 31 December 2022 is EUR 126 017 thousand.

As at 31 December 2022 all required covenants are fully covered by the Group.

Note: Until 13 of December 2022 Electrohold Trade was excluded from all SFA meterings. At this date Amendment Letter was signed changing the metering meanings as follows:

<u>*SFA Definitions:</u>

"Interest Cover" means the ratio of Adjusted EBIT to Finance Charges.

"Leverage" means the ratio of Total Net Debt on the last day of that Relevant Period to Adjusted EBITDA in respect of that Relevant Period.

"Total Net Debt" means, at any time, the aggregate amount of all obligations of members of the Company Group for or in respect of Borrowings at that time but:

(a) **excluding** any such obligations to any other member of the Company Group;
(b) **excluding** any such obligations in respect of the Parent Loans;
(c) **including**, in the case of Finance Leases only, their capitalised value;
(d) **deducting** the aggregate amount of Cash and Cash Equivalent Investments held by any member of the Company Group at that time, and so that no amount shall be included or excluded more than once.

"Relevant Period" means each period of twelve months ending on or about the last day of the Financial Year and each period of twelve months ending on or about the last day of each Financial Quarter.

"EBIT" means, in respect of any Relevant Period, the consolidated operating profit of the Company Group before taxation (excluding the results from discontinued operations):

(a) before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalized by any member of the Company Group (calculated on a consolidated basis) in respect of that Relevant Period;
(b) not including any accrued interest owing to any member of the Company Group;
(c) before taking into account any Exceptional Items;
(d) before deducting any Acquisition Costs;
(e) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Company Group which is attributable to minority interests;
(f) after deducting the amount of any profit of any Non-Company Group Entity to the extent that the amount of the profit included in the financial statements of the Company Group exceeds the amount actually received in cash by members of the Company Group through distributions by the Non-Company Group Entity;
(g) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset at any time after 31 December 2020;
(h) before taking into account any effect of any Parent Loan or any loan to any Unrestricted Subsidiary and any profit or gain arising therefrom; and
(i) before taking into account any gain arising from any Excluded Debt Purchase Transaction, in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Company Group before taxation.

“EBITDA” means in respect of any Relevant Period, EBIT after adding back any amount attributable to the amortization, depreciation or impairment of assets of members of the Company Group (and taking no account of the reversal of any previous impairment charge made in that Relevant Period).

“Adjusted EBIT” means, in relation to a Relevant Period, EBIT for that Relevant Period adjusted by:
(a) including the operating profit before interest and tax(calculated on the same basis as EBIT) of a member of the Company Group (or attributable to a business) acquired during the Relevant Period for that part of the Relevant Period prior to its becoming a member of the Company Group or (as the case may be) prior to the acquisition of the business or assets; and
(b) excluding the operating profit before interest and tax (calculated on the same basis as EBIT) attributable to any member of the Company Group (or to any business) disposed of during the Relevant Period for that part of the Relevant Period.

“Adjusted EBITDA” means, in relation to a Relevant Period, EBITDA for that Relevant Period adjusted by:
(a) including the operating profit before interest, tax, depreciation, amortisation and impairment charges (calculated on the same basis as EBITDA) of a member of the Company Group (or attributable to a business or assets) acquired during the Relevant Period for that part of the Relevant Period prior to its becoming a member of the Company Group or (as the case may be) prior to the acquisition of the business; and
(b) excluding the operating profit before interest, tax, depreciation, amortisation and impairment charges (calculated on the same basis as EBITDA) attributable to any member of the Company Group (or to any business or assets) disposed of during the Relevant Period for that part of the Relevant Period.

“Basket Adjusted EBITDA” at any time means Adjusted EBITDA as set out in the most recent Quarterly Financial Statements and corresponding Compliance Certificate delivered to the Agent pursuant to Clause 21 (Information Undertakings).

Ratios - financial structure indicators

	2022	*2021*
Equity/Liabilities	*0.50*	*0.50*
Loans/Trade and other short-term liabilities	*0.04*	*0.03*
Cash and cash equivalents/Liabilities	*0.16*	*0.08*

The Group monitors its equity through the realized financial result for the reporting period, as follows:

	2022	*2021*
Profit/Equity	*19.23%*	*8.85%*

There are no external regulatory capital requirements imposed on the Group.

Risks related to Republic of Bulgaria

- Political risks;
- Economic risks;
- Risks related to the legal system's functioning;
- Currency rates and currency board;
- Taxation.

Risk associated with the consequences of the pandemic situation in Bulgaria in relation to COVID-19

The Group operates in the energy sector, the normal functioning of which was not affected by the restrictive measures imposed.

The Group's business volumes in 2022 are not affected by the pandemic situation. There were no significant changes in the structure of energy distributed and sold to end users of electricity.

The Group continues to operate its business without encountering difficulties. The Group has secured the supply of resources necessary to carry out its licensed operational and investment activities. No contracts with key suppliers and/or customers have been terminated.

The Group met its liquidity needs. The Group's management has not identified any areas in the financial statements on which the pandemic has had a direct and material impact and effects, including with respect to the valuation of individual assets and liabilities.

Risk associated with Military conflict on the territory of Ukraine

On 21 February 2022, the Donetsk People's Republic and the Lugansk People's Republic were recognised as independent states by a decree of the President of the Russian Federation (RF). On 24 February 2022, the Republic of Lugansk and the Republic of Luhansk were declared the Republic of Lugansk. The Ministry of Defence of the Russian Federation announced a "special military operation" on the territory of the Republic of Ukraine.

Prices of energy and raw materials - including wheat and other grains have risen significantly, amplifying inflationary pressures in the supply chain of raw materials and supplies. All this has slowed recovery from the pandemic caused by Covid-19.

The sanctions imposed against Russia are having an impact on the global economy and financial markets, with significant spill-over effects in countries indirectly affected by the conflict.

Due to concerns over gas supplies and the surge in electricity trading prices in Bulgaria and Europe, electricity prices have been rising for an extended period of time. Since the beginning of hostilities in Ukraine, natural gas, one of the main energy sources for electricity generation, has seen an increase in price, leading to a rise in electricity prices.

In many countries, the crisis is causing adverse financial shocks. Central banks are monitoring the rise in international prices, preparing carefully to raise interest rates. The Council of Ministers has approved compensation programmes for electricity distribution companies and final non-domestic customers.

In order to tackle high electricity prices, in the context of the current energy crisis caused by increased demand for electricity, the restriction of natural gas supplies from Russia and the threat of their disruption, constraints related to technological and climatic problems, Regulation (EU) 2022/1854 of 06 October 2022 on emergency intervention to tackle high energy prices (Regulation (EU) 2022/1854) was adopted. That Regulation lays down temporary, proportionate, and exceptional measures to continue existing measures and introduce new measures to protect consumers and businesses. The Regulation provides for a temporary limitation of exceptional market revenues for generators with lower marginal costs by applying a cap on market revenues generated from the sale of electricity in the EU.

In connection with the foregoing and in view of the effect of the sanctions and restrictions imposed, the Group has reviewed activities, counterparties and economic relationships that could be at risk. Based on the analysis performed. Management has not identified any exposure to foreign currency risk.

The Group's management considers the situation to be highly dynamic, with the possibility of a negative impact on the Company's operations, especially on the carrying amounts of the Group's assets, which in the financial statements have been determined under a number of judgements and assumptions, taking into account the most reliable information available, at the date of making them.

2. Specific risks by companies in Electrohold Group

<u>Electrodistribution Grid West EAD (EDG West EAD) (former CEZ Distribution Bulgaria AD):</u>

Risks directly related to the activities of the Company and its industry

Risk of negative impact on the environment

Electrodistribution Grid West EAD has established itself as a leading company for the operation and management of the electricity distribution grid in Bulgaria. The company has already established an investment program aimed at modernization and automation of the power distribution grid, reduction of technological costs and technical outage times, and projects to protect the environment and reduce the company's carbon footprint. Information on the European projects in which the Company participates is disclosed in Note 25 "Government Grants" to the Company's Separate Financial Statements.

The Company complies with applicable domestic and international legislation in the field of sustainable development, ecology, and environmental protection, in solidarity with the main objectives and principles of environmental law. Concrete actions are taken and policies regarding the sustainable development of the Company are followed. The management is currently monitoring the emergence of risks and negative consequences of climate change on the activities of EDG West, as well as its impact on climate change.

The Company has reduced the technological loss percentage for 2022 to 6.49% compared to 2018 - 9.06%, and the Company's goal is to maintain the trend of reduction in the subsequent periods. The level of technology losses is directly related to the amount of energy transported to the end customer and the Company, by improving its operations, affects only the proportion of the amount of energy used for technology cost, but not its absolute value.

Structure of energy purchased: the Company purchases the energy it needs to cover its process costs from the organised exchange market. Purchased energy may be a mix of energy produced from both renewable energy sources (RES) and non-renewable energy sources (fossil fuels and nuclear energy), depending on the supply available on the Independent Bulgarian Energy Exchange.

In connection with the Company's corporate social responsibility, one of the criteria for selecting a supplier of company cars is that the cars provided meet a higher emission standard.

Risk of negative climate impact on the company

Risk associated with switching to a low carbon activity

For the most part, the risks associated with this stem from:

- Change in the policies and regulations as a result of the implementation of the European normative documents in the field of climate by the respective regulatory bodies in the Republic of Bulgaria.
- Change in the legislative framework in line with European climate documents and established policies;

- A change in the technologies concerning the distribution grid needed to move to a carbon-neutral society.

At the moment, there is a lack of clarity regarding the specific goals set by the Republic of Bulgaria related to climate change, aimed at distribution companies. This leads to a lack of individually set goals for Electrodistribution Grid West EAD. Therefore, it is impossible to identify individual risks as well as measure them.

It is expected that in the event of a change in technology, the value of investments for the transition to a carbon-neutral society will be included in the prices set by the regulatory body.

Risk of physical damage resulting from climate change

The Company's electricity distribution grid is not located in areas under the influence of extreme weather events (earthquake zones, landslides, etc.). However, for all assets of the Company there is insurance for all objects of the distribution grid, covering all risks, including natural disasters.

The Company bears the risk of deteriorating quality of the provided transmission service due to damage to the network and is subject to administrative and civil liability for causing damage and injury to third parties.

The Company actively monitors changes in the regulatory framework related to climate change and which directly affect its activities.

There is a potential risk for the Company arising from regulatory changes that stimulate the use of electricity produced from solar installations. Basically, these are the forthcoming associations of grid users, consumers and producers of electricity produced by SPP, and / or persons owning electricity storage facilities. All variants in which these energy communities can appear (active customer, consumer of own electricity; joint operating consumers of own energy from RES, civil energy community for RES) have the option through their own installations and installations to sell or supply electricity to each other, as long as it is not their main activity. These entities are given the opportunity to participate in flexible aggregation and energy efficiency schemes. The realization of such opportunities is risky for the distribution grid operator, as it will reduce its revenues as a result of the reduced quantities of transmitted and delivered electricity to the end customer.
Deteriorating climatic conditions can have a negative impact on the useful life of the company's assets.

Adverse effects related to the climate on suppliers or customers that affect the Company:

- Negative effects on the Company's suppliers are possible due to effects in the chain of climate change, which would lead to a refusal to fulfil commitments directly related to the investment program of the Company. This would lead to non-implementation or delayed implementation of this program.
- It is possible to increase the energy prices of end customers, which may lead to a reduction in the amount of energy transferred, both due to savings and due to bankruptcies and business closures. This would reduce the amount of profit. At the same time, newly opened businesses would offset this decline.

Regulatory risk

Regulatory risk relates to the regulatory framework and its change, as well as fines and penalties resulting from breaches of this framework. Electrodistribution Grid West EAD operates in a highly regulated business and its financial performance is subject to a number of regulations and decisions of the regulatory body, the Energy and Water Regulatory Commission. The Company is exposed to the risk that the regulator's determination of electricity prices may not take into account all costs necessary to operate the business, rising inflation, and future price trends in the electricity markets. In order to actively and effectively manage these risks, the Company analyses and participates in discussions to set the priorities of the regulatory and legislative framework, defends its corporate policy before the Regulator and other administrative bodies, maintains active communication with the Regulator in terms of future changes in the regulatory framework, as well as proposes a version of the changes, and promptly learns about and implements the changes in the regulatory environment that have entered into force. Where necessary, the Company takes corrective measures.

Operational risks

An operational risk for the company is the protection of personal data following the introduction of Regulation 2016/679 on 25.05.2018. In connection with its implementation, the Company has ensured compliance of its activities with the requirements of the Regulation. The position of Director of Personal Data Protection has been created at Electrohold Bulgaria EOOD. and has an approved privacy policy, which sets out the Company's rules regarding the personal data of its customers and partners processed. The information systems used by Electrodistribution Grid West EAD comply with all information security standards and robust technical and organisational measures are in place to ensure the security of processing, including the prevention of unauthorised access to the data of the company's customers and partners. The company also has a data breach response procedure in place. The Company has taken all necessary measures to minimise this risk.

The activities of another organisational unit are aimed at detecting and preventing unauthorised use of electricity. Checks are carried out at various facilities on the network in order to identify points at which unlawful activities related to electricity consumption are taking place. In determining the locations to be checked, a number of methods are used to identify risk points where such illegal activities are possible.

Electrohold Sales EAD (former CEZ Electro Bulgaria AD):

Specific risks for the Company's activities and its sector

Risk of the Company's licenses revocation;

Risk of imposing penalties by CPC and EWRC;

Risk of imposing penalties by PDPC upon incorrect implementation of the requirements of Regulation (EU) 2016/679 of the European Parliament and the Council on protection on natural persons in relation to personal data processing and regarding the free movement of such data and on repeal of Directive 95/46/EC;

Risk of impossibility the Company to cover all the operating expenses under the license of End Supplier as well as lack of regulatory changes allowing for their decrease;

Risk of insufficient number of imbalances which the Company may reflect in the end sales prices of electricity;

The activity of the Company may be adversely influenced by a decrease in electricity consumption due to economic, political, or technological reasons;

The Company's business is exposed to climate change risks;

The operations of the Company are exposed to a risk of increase in electricity prices as a result of an increase in the prices of primary energy resources and more strict CO2 emissions standards;

Liberalization of the electricity market in Bulgaria and increased competition;

The Company operates in a strongly regulated business environment and its financial results are dependent on a number of legislative acts and decisions of the regulatory body EWRC;

The Company is subject to the risk that not all of its costs required to fulfil the license activities may be reflected in the prices approved by the Regulator;

Risks related to interruptions of electricity supply;

Risks related to legislation, regulation practices and the changes thereto;

Risk of court disputes or other out-of-court procedures or actions may have adverse effects on the Company's business, its financial position or the outcomes of its activities;

The Company may choose an inappropriate market strategy, especially in light of the extremely high prices on the open market in recent months;

Risk from inability to retain or hire high-quality personnel

The Company is exposed to operational risk inherent to its business activities, including risks from default of third party, on which the Company relies for fulfilling its activities or failure of professional obligations by personnel;

Strikes or other industrial action, as well as negotiations with trade unions may disrupt Company's activities or increase its operating costs;

Risks related to the Company's obligations according to the Energy Efficiency Act;

Credit risk;

Risks exists, the Company to be unable to obtain the required for its activities permissions and licenses;

Risk resulting from the inability or restrictions to attract resources including substantial increase of financing price or change in interest rates;
Risk of sanctions due to failure to fulfil EEA targets.

Risk of negative impact on the environment

The company complies with applicable domestic and international legislation in the field of sustainable development, ecology, and environmental protection, in solidarity with the main objectives and principles of environmental law. Concrete actions are taken and policies regarding the sustainable development of the Company are followed. The management is currently monitoring the emergence of risks and negative consequences of climate change on the activities of Electrohold Sales EAD, as well as its impact on climate change.

The company buys the energy it needs to supply its customers on the open market from IBEX or on the basis of direct contracts with other traders. Free market energy is a mix of energy produced from both renewable and non-renewable energy sources (fossil fuels and nuclear energy).

At the explicit request of the customers, the energy that will be supplied to them can be purchased only from renewable sources, in which case the customer accepts the price at which this energy was purchased plus the corresponding agreed markup.

The company buys the energy it needs for a regulated market at the respective prices determined by the regulator for each individual regulatory period.

It should be borne in mind that the development of EU energy policy towards reducing the production of electricity from fossil fuels and replacing them with low-emission green technologies may lead to significant increases in the price of electricity due to the necessary investments to renovate the production sector. Accompanying mechanisms to promote green energy production, such as the obligation to purchase green certificates to exceed the level of flue gas emissions from electricity production from conventional coal-fired power plants, also affect the final price of the product. The implementation of these policies has a particular impact on the energy sector in Bulgaria, where over 40% of electricity is traditionally produced from high-emission lignite. The obligation to close and decommission existing TPPs in the country can pose a significant risk to the country's energy market, further complicated by the expected full market liberalization and higher connectivity with EU energy markets, where electricity trades at higher price levels. These risks are relevant to the medium and long term, and their severity depends mainly on measures at national and European level and can be affected to a very small extent within the company.

Apart from the above, the Company has obligations within the framework of the EU policy in the field of energy efficiency and the Scheme of obligations for energy efficiency in force in the country and is obliged to apply measures to reduce energy consumption to end customers. Liabilities and risks in this direction are discussed in detail, assessed in the section "Liabilities for energy efficiency" of the report on the activities of the Company.

In carrying out its activities, Electrohold Sales EAD strives mainly to reduce operating costs and carbon footprint of the Company (purchase of recycled paper, recycling of used batteries, campaigns promoting the use of energy-saving light bulbs), as well as new and improved customer service services that reduce the time and costs associated with end-user service. In this regard, the Company has undertaken campaigns to promote electronic invoices (instead of paper), the purpose of which is to reduce paper costs and preserve the environment by reducing the carbon footprint of the Company. Additionally, Electrohold Sales EAD offers services for electronic notifications of liabilities, planned interruptions, and other events aimed at informing consumers in advance and potentially reducing the employment of customer service centres.

In connection with the corporate social responsibility of the Company, one of the criteria when choosing a supplier of company cars under operating lease agreements is that the provided cars meet a higher emission standard.

Electrohold Sales EAD also conducts other campaigns related to the fight against climate change, such as afforestation of public parks, with the participation of employees and customers of the company.

Management is assessing timely the possible effects of climate change on the Company's assets, liabilities, and operations, as well as initial overall response plans and decisions. No indicators have been identified at this stage that have affected specific assets and / or lead to the cessation or significant reduction of activities, nor are such measures planned, nor have significant circumstances been identified that would require such measures or actions by the management of the Company. Therefore, the management's assessment is that at present there are no clearly defined and specific factors that would call into question the applicability of the going concern principle in the preparation of the financial statements.

Electrohold Trade EAD (former CEZ Trade Bulgaria EAD):

Specific for the Company's activities and its sector

Legislative framework

- Risks related to unpredictability of legislative changes and the potential adverse impact of these changes on the Company's operations;
- Risks related to direct institutional interference (EWRC, CPC, NRA, FSC, ESSF and others) in the Company's operations;
- Risks related to the behaviour of key market participants (NEP, NEC, ESO, TEC, ERP, IBEX) and the impact thereof on the energy market;
- Risks related to increasing financial requirements on the Company in terms of mandatory guarantees and deposits by key market participants;
- Risks related to the organization, model, structure and vision for development of the free energy market;
- Risks related to the introduction of additional statutory direct and indirect obligations for producers, traders, clients and grid companies for the free energy market, incl. increase and/or imposing new fees, taxes, contributions, and energy efficiency obligations.

Market risk

- Risks related to competition and supplier change on the open market;
- Risks related to changes in electricity prices on the wholesale market and their impact on the energy position and the trade margin of the Company;
- Risks resulting from the volatility and unpredictability of the wholesale market and the fundamental factors impacting it (prices of natural gas, fuels, CO2 emissions, RES, EU policy, market mergers, climate changes, etc.);
- Risks related to liquidity and adequate offering of energy products on the wholesale market, corresponding to the profile of consumption of the end customers of the Company;
- Risks arising from seasonal nature, climate changes, maintenance programs of producers, available transmission capacities, unexpected shutdowns of producers, and other unexpected events, which may lead to changes in the wholesale market of electricity;
- Risks related to inaccurate forecasting and/or abrupt change in the wholesale market and the Company's inability to adapt the portfolio of end customers to changes;
- Risks related to market infrastructure, the data exchange systems, balancing costs, security of information;
- Risks related to the behaviour of market participants, experience and code of ethics;
- Risks resulting from outstanding positions of other participants in the Company's balancing group;
- Risk of non-renewal of contracts with end-users due to internal and external factors;
- Risks of changes to the legislative framework, respectively – impossibility for full or partial transfer of purchase costs onto sales prices to end customers.

Climate change risk

The company complies with the applicable domestic and international legislation related with sustainable development, ecology and environmental protection, being in solidarity with the main goals and principles of environmental law. The management is currently monitoring the emergence of risks and negative consequences of climate change on the activity of Electrohold Trade EAD, as well as its impact on climate change.

The development of the EU's energy policy in the direction of reducing electricity production from fossil fuels and replacing them with low-emission green technologies should be taken into account. This gives rise to necessary investments for the restructuring of the production sector. Accompanying mechanisms to promote the production of green energy, such as the obligation to purchase green certificates for exceeding the norms of flue gas emissions released into the atmosphere when producing electricity from conventional coal-burning plants, have an impact on the final price of the produced product. The implementation of these policies has a particular impact on the energy sector in Bulgaria, where over 40% of electricity is traditionally produced from high-emission lignite coal. The obligation to close and decommission the thermal power plants operating in the country may represent a significant risk on the energy market in the country. These risks are relative to the medium and long-term time frame, and their severity mainly depends on the measures at the national and European level.

Apart from the above, the Company has obligations within the framework of the energy efficiency policy implemented by the EU and the Energy Efficiency Obligations Scheme in force in the country and is obliged to implement measures to reduce energy consumption among end customers. Obligations and risks in this direction are examined in detail, evaluated in the "Energy Efficiency Obligations" part of the report on the Company's activities.

For the most part, the risks associated with this are arising from:

- Change in the policies and regulations as a result of the implementation of the European normative documents in the field of climate by the respective regulatory bodies in the Republic of Bulgaria
- Change in the legislation framework in accordance with the European documents related to climate and approved policies;
- Change in the distribution network technologies needed to move to a carbon-neutral society
- Negative effects on suppliers or customers related with climate that affect the Company:
  - Negative effects on the Company's suppliers are possible due to effects in the chain of climate change, which would lead to a refusal to fulfil commitments directly related to the investment program of the Company. This would lead to non-implementation or delayed implementation of this program.
  - It is possible to increase the energy prices of end customers, which may lead to a reduction in the amount of energy transferred, both due to savings and due to bankruptcies and business closures. This would reduce the amount of profit. At the same time, newly opened businesses would offset this decline.

Management is currently making assessments of the possible effects of climate change on the Company's assets, liabilities and operations, as well as initial general response plans and solutions. At the current stage, no indicators have been identified that have affected specific assets and/or lead to the suspension or significant reduction of activities, nor are such measures planned, and no significant circumstances have been identified that would require such measures or actions on the part of the management of the Company.

Electrohold Bulgaria EOOD (former CEZ Bulgaria EAD)
Electrohold ICT EAD (former CEZ ICT Bulgaria EAD)
Electrohold EPC EOOD

Specific to the Subsidiaries' activity

Risk related to a change in the regulatory framework

The change in the current legislation could affect the performance of the **Subsidiaries'** main activities, as well as, respectively, in the provision of services in the Electrohold Group.

Climate change risk

The Subsidiaries comply with the applicable domestic and international legislation in the field of sustainable development, ecology and environmental protection, being in solidarity with the main goals and principles of environmental law. Concrete actions are taken and policies are followed regarding the sustainable development of the Subsidiaries. Management is currently monitoring the emergence of risks and negative consequences of climate change on the activities of each Subsidiary, as well as its impact on climate change. Management analyzes the possible effects of climate change on the Subsidiaries' assets, liabilities and operations, as well as initial general response plans and solutions. At the current stage, no indicators have been identified that have affected specific assets and/or lead to the suspension or significant reduction of activities, nor are such measures planned, and no significant circumstances have been identified that would require such measures or actions on the part of the management of Electrohold Bulgaria EOOD, Electrohold ICT EAD and Electrohold EPC EOOD.

Market risk

Electrohold Bulgaria EOOD, Electrohold ICT EAD and Electrohold EPC EOOD carry a significant market risk in relation to their activity in the provision of services in the field of customer service, financial and accounting services, legal and other services. Although Electrohold Bulgaria EOOD, Electrohold ICT EAD and Electrohold EPC EOOD have clients (companies from the Group), this does not guarantee a constant volume of services provided.

Operating risks

The Subsidiaries are exposed to operating risk inherent in its business activities, including risks of default by third parties on which the Company relies to conduct its business, risks of direct and indirect losses arising from a wide range of internal causes related to internal activities, personnel, organizational structure and internal processes. To manage and minimize these types of risks, the Subsidiaries have established and validated internal procedures and operating rules. The content and implementation of these procedures are reviewed, revised and optimised where necessary. Compliance with these procedures and rules is monitored and enforced by managers at the various levels of the Subsidiaries, who are responsible for ensuring compliance

Quality related risk

Electrohold Bulgaria EOOD, Electrohold ICT EAD and Electrohold EPC EOOD bear the risk regarding the quality and timely provision of services in the field of customer service, financial and accounting services, legal and other services. This risk is expressed in the accrual of penalties in case of non-fulfilment of the agreed quality parameters and/or in case of delay. Minimization of this risk is carried out through continuous monitoring of service parameters and management of service delivery resources.

Free Energy Project Oreshets EOOD:

Industry-specific risks and risks related to the Subsidiary's business operations

The Subsidiary's business is exposed to climate change risks.
Risks related to legislation, regulatory practices and their changes.
Risks associated with limitations of the ESO for production of electrical energy.
The Subsidiary is exposed to operational risks inherent to its business activities, including default risks related to third persons on whom the Subsidiary relies for carrying out its business operations.

V. QUALITY MANAGEMENT

Electrodistribution Grid West EAD (EDG West EAD) (former CEZ Distribution Bulgaria AD):

Since 2011 the company has implemented and applies a quality management system in accordance with the international standard EN ISO 9001:2008. In March 2021 the international certification organization BUREAU VERITAS BULGARIA EOOD conducted a recertification audit of the Quality Management System in accordance with the ISO 9001:2015 standard of CEZ Razpredelenie Bulgaria AD. The certifying organization expressed its full satisfaction with the established efficiency of the Quality Management System, the implemented processes, the high degree of commitment and good organization of the employees.

Electrohold Sales EAD (former CEZ Electro AD):

In accordance with item 3.7.4. of End Supplier license No Л-135-11/29.11.2006, item 3.7.2. of the Supplier of Last Resort license No Л-409-17/01.07.2013 and item 3.6.3. of Trader license No Л-229-15/17.05.2007, issued by EWRC, Electrohold Sales maintains a quality management system (QMS), which spreads over all the elements of the license activities and is certified by an independent competent organization. In 2012, the Company acquired a certificate under ISO 9001:2008. In 2018, the company successfully re-certified the Quality Management System, according to the new version of the ISO 9001:2015 standard. The implementation of the QMS, according to ISO 9001, ensures that all structures and employees of Electrohold Sales apply uniform and strict quality management mechanisms, to control and measure the effectiveness of all processes, adequately maintain and secure the infrastructure and work to increase customer satisfaction and our partners.

Electrohold Trade EAD (former CEZ Trade EAD):

In 2022, the subsidiary continued to act in compliance with the legislation in force, with the applicable legislative framework in the field of the open electricity market and with its electricity trading license No Л-191-15/04.07.2005.
The company is certified according to the following standards:

- Re-certification audit under Standard ISO 9001:2015 – Quality Management.
- Re-certification audit under Standard ISO 14001:2015 – Environmental Management.
- Re-certification audit under Standard ISO 45001:2018 – Occupational Health and Safety Management.
- Re-certification audit under Standard ISO 50001:2018 – Energy Management.
- Internal audits according to the Group's policy.

Electrohold Bulgaria EOOD (former CEZ Bulgaria EOOD):

In 2012, "Electrohold Bulgaria" EOOD successfully certified the implemented Quality Management System, according to the ISO 9001:2008 standard for the processes that are managed in the "Delivery and Logistics" Directorate and the "Customer Service" Directorate, which are key to the quality implementation of the licensing activities of the companies of the Electrohold Group. In 2018, the company successfully re-certified the Quality Management System, according to the new version of the ISO 9001:2015 standard for the processes that are managed in the Tender Procedures Directorate and the Customer Service Directorate. These certificates guarantee that all structures and employees of the certified companies of Electrohold apply uniform and strict quality management mechanisms, to control and measure the effectiveness of all processes, adequately maintain and secure the infrastructure and work to increase the satisfaction of our customers and partners . In 2023, the company is due for re-certification for the processes managed by the "Customer Service" department, due to the structural changes that have occurred in the company.

Electrohold ICT EAD (former CEZ ICT Bulgaria EAD):

The following systems have been implemented and are applied in the subsidiary:

Quality management system in accordance with ISO 9001: 2015 standard and
Information security management system in accordance with ISO 27001:2013 standard.

VI. MISSION, VISION, VALUES AND STRATEGY

Achieving a sustainable model is based on the accepted Mission, Vision, Values and Ethics

MISSION

To offer complex, quality and fast service to our customers. We strive to be a constantly evolving Group that meets its licensing requirements in Bulgaria. That is why we are dedicated to the continuous development of our services depending on the needs of customers and society as a whole. The Group's strategical aim is to offer such solutions that provide customers with security and stability in their daily lives and business operations.

VISION

To be a responsible, flexible, and transparent partner. We guarantee our customers quality service and quick response to their individual needs. Building long-term and lasting relationships with customers, partners and employees is a key concern for us. We have developed clear rules and policies to ensure sustainable business practices.

VALUES

The success of the subsidiary is based on a firm commitment to our core values. All activities and relationships with partners are based on the five values that distinguish the Group and help us maintain the trust of our customers:

Integrity;
Reliability;
Responsibility;
Correctness;
Professionalism;
Responsibility;
Efficiency;
Stability;
Trust,
Innovation
Pleasure in work and team spirit.

ETHICS

Observance and application of all principles of business ethics, moral values, ethical behaviour and protection of human rights.

STRATEGY

The strategy of the Group is focused on providing high quality services to its customers, implementation, and strict adherence to licensing requirements, as well as increasing the value of share capital. The implementation of the strategy will be carried out through the effective implementation of the long-term and short-term goals set by the Group.

The business strategy of the Group in the field of sustainable development is based on the understanding of creating shared value aimed at:

Business;
Management and employees;
Environmental protection;
The interests and needs of customers and society as a whole.

1. Corporate social responsibility

Corporate responsibility is realized through the following actions:

Dialogue with stakeholders through actions and initiatives that identify problems and promote appropriate solutions;

Improving corporate governance to ensure the transparency of the entire organization. We value proactivity and innovation as a valuable resource for ensuring the continuity of electricity supply;

Caring for the environment focused on climate change and contributing to sustainable growth. The prudent handling of the resources provided to us is an important measure of our care for the environment;

Care for employees as a valuable resource and basis for achieving the goals of the Group. ensuring safe working conditions and motivation for all employees;

The Group strives to provide excellent working conditions, to stimulate active internal communication. Social benefits are part of the motivational program with which we try to ensure the care and recognition of people. Their safety and satisfaction are of great importance to us;

Strict compliance with legislation along with the application of standards, policies, internal rules, and procedures.

Compliance with and implementation of environmental regulations, without violations;

Fulfilment of licensing obligations;

Ensuring continuity of electricity supply and quality distribution service to end customers;

Commitment and sustainability approach

As part of the Eurohold Bulgaria AD group (from 27 July 2021), the Electrohold Group integrated and supplemented its business model, corporate culture, and sustainable development model with that of the Eurohold Group.

For Electrohold Group sustainability means long-term economic success, combined with compliance with licensing requirements, ensuring continuity of electricity supply to end customers, care for the environment, healthy and highly efficient working environment for employees and social commitment to society. Understanding of sustainable development is a basic principle underlying the structure and corporate values of the subsidiaries.

The subsidiaries in Electrohold Group have their own internal policies, standards, and practices for sustainable business growth, for the creation of ethics, collegiality and good faith, responsible social behaviour towards employees and customers of the subsidiary, the needs of society and care for the environment. The actions we take to achieve commitment and a sustainable model are related to the following:

Environmental impact assessment

The subsidiaries in Electrohold Group strive to continuously assess the potential impact of the business on the environment in order to reduce the negative impacts of their activities on natural resources.

Care for employees

The subsidiaries in Electrohold Group care about the well-being of their employees; their needs and development and they support them in every way to become and remain committed and responsible to the environment and society.

Introduction and engagement of the business partners

The subsidiaries in Electrohold Group are working to expand our commitment to sustainability in the supply chain by introducing and engaging our business partners to their environmental standards, social rights, human rights, anti-bribery, and corruption.

Dialogue with stakeholders

The subsidiaries in Electrohold Group engage in dialogue with their various stakeholders - employees, customers, suppliers, shareholders, organizations, and communities, in order to gain a better understanding of their operating environment, including market development and cultural dynamics.

Identification of areas for environmental improvement

The subsidiaries in Electrohold Group analyse and identify areas for improving the environment at all levels of their structure, initiate projects related to environmental and health issues.

2. Business model

Electrohold group is the biggest energy group in Bulgaria, part of Eurohold Group. Subsidiaries in the group are performing their activities based on their licenses for distribution, sale of electricity on regulated and open market. Electrohold group companies work on the territory of West Bulgaria covering area of approximately 40 000 square kilometres.

The Group's businesses are:

Access to distribution grid and transmission of electricity on MV and LV
- Distribution of electricity to consumers who are connected to the electricity distribution grid (EDG);
- Management of EDG;
- Maintenance of EDG, sites and facilities in accordance with technical requirements;
- Construction of new systems for distribution and measurement of electricity and maintenance of existing sites and facilities;
- Development of EDG in accordance with the prospects for economic development and forecasts for changes in electricity consumption in the region;
- Maintenance and development of ancillary networks;
- Other services for consumers related to the distribution of electricity.

Supply of electricity to regulated market
Sale of electricity on freely negotiated prices
Shared services in the Group
ICT Services mainly within the Group
Generation of energy from renewable energy sources

Strategy and aims

Strategy for the development of the energy business is implementation of the investment program in renovation and reconstruction of distribution grid, digitalization of grid management, customer service, renewable energy sources and information and communication technologies.

The long-term strategic goals of EDG West EAD are set to develop the activity of electricity distribution in accordance with the requirements of the European legislation and all current regulations in the Republic of Bulgaria. Of strategic importance for the implementation of the strategic goals are the activities on:

Ensuring quality and continuous distribution of electricity in the service of public interest;

Ensuring the reconstruction and modernization of existing facilities and construction of new facilities to contribute to the overall efficiency of the electricity distribution network;

Introduction of new modern technologies for automated and flexible management of electricity distribution networks, as well as the workforce, in accordance with the prospects for economic development, the development of new generations of electricity networks;

Reduction of distribution and management costs;

Improving technical safety and environmental protection;

Improving the quality of services provided in accordance with the requirements of European standards;

Sales and trade subsidiaries strategic goals are to continue to be leading providers of the free market to deliver electricity to industrial and business customers, supply electricity on regulated market, to maintain professional and honest relations with manufacturers, network operators and business partners, to provide quality service to its customers, to offer energy solutions to the customers and perform domestic and foreign wholesale.

Electrohold Trade to proceed with the strategy for development in the field of renewable energy production management based on the developed product, especially for industrial and corporate customers who want to be green, independent of the volatility of fuel prices and responsible to nature and society.

The strategic goals of Electrohold ICT EAD include automation of the supporting processes, integration of available information systems, as well as future development of the main business processes with the help of information technologies, development of the portfolio of offered services and synchronisation of the business strategies of the clients and their planned activities

Identification of key stakeholder groups

To respond to emerging changes, technological innovations, and increased digitalisation, we identify key stakeholder groups and actively engage with them.

Stakeholder groups identified include:

- State institutions, administrative bodies, the energy regulator, the national ombudsman, local and regional authorities;
- Land users and local communities;
- The general public, non-governmental organizations (NGOs), independent experts, leaders shaping public opinion;
- Media;
- Customers and consumer organizations (including customers who have questions about the power supply having difficulty paying their bills);
- Business / branch organizations;
- Internal stakeholders (employees, contractors, large equipment suppliers);
- Disadvantaged people.

The analysis of stakeholder expectations is an important process determining the ability to adequately respond to market challenges, the ability to adapt, identify risks and opportunities that are relevant to our key stakeholders.

Interaction with stakeholders

Stakeholder interaction policy is based on certain principles:
prudent resource management;
generating stable profitability;
in accordance with legal requirements;
ensuring publicity and transparency of the activities;
business ethics;
social responsibility to society;

Electrohold group, with the support of local non-governmental organizations, periodically trains the leaders of local communities (including Roma communities) on the best practices for reducing bills and saving electricity and its safe use. To date, Electrohold group has not started official identification of stakeholders who fall into the group of “disadvantaged people”.

EDG West EAD has a long-term communication program on investments in the network, which includes periodic press releases (monthly), regular announcement of planned interruptions related to the Investment Program, publication of price proposals during their submission to the Energy and Water Regulatory Commission, publication of the new prices at the time they are approved, interviews with representatives of Electrohold group and third parties.

3. Management system

The management system of Electrohold group is specific and is built in accordance with the regulatory requirements for the energy sector in which the Subsidiaries operates. It is also consistent with the nature, scale and complexity of the risks associated with the activity in applying the principles of legality, expediency, and effectiveness.

The management system is adequate and meets the following criteria:

- There is an adequate and transparent organizational structure in accordance with the regulatory requirements for the energy business;
- Responsibilities are clearly and appropriately allocated;
- An effective system for providing information has been established;

The management system meets the requirements of the specific regulations relevant to the business;

The management system is periodically reviewed;

Electrohold group as part of economic group of Eurohold AD, a public company, has adopted, complies with and is guided by the accepted and applied principles of corporate governance.

The Management monitors the adequacy of the management system and takes the necessary measures in case of weaknesses or inefficiencies of elements of the system.

Specifics of the management system

The activities for some of Electrohold subsidiaries are subject to special regulation by the Energy and Water Regulatory Commission (EWRC). The Commission issues general and individual administrative acts related to the licensed activities, which are mandatory for implementation, including with regard to pricing.

The activities for some of Electrohold subsidiaries are carried out in accordance with the normative base for the energy sector in Bulgaria, regulated by the Energy Act (EA), the Renewable Energy Act (REA), the bylaws on their implementation, the Public Offering of Securities Act (POSA), Public Procurement Act (PPA), Competition Protection Act (CPA), Spatial Planning Act (SPA), as well as in accordance with the current legislation in the Republic of Bulgaria.

The main policies affecting the management and functioning of some of Electrohold subsidiaries are:

Code of Ethics;

Corporate Management Policy

Policy for identification and prevention of conflicts of interest in the companies of the Group in Bulgaria;

Privacy Policy, which sets out the subsidiaries' rules regarding the processing of personal data of its customers and partners;

Remuneration Policy;

Diversity Policy

Others.

For the effective and consistent implementation of the management system in Electrohold subsidiaries, the management bodies are assisted by the following key functions, namely:

Internal control

Risk management

Internal audit

The following committees have been established for some of Electrohold subsidiaries:

Audit Committee – a mandatory body due to the quality of the Subsidiary of "enterprise of public interest" within the meaning of Art. 40f of the Independent Financial Audit Act (IFAA) (repealed) and Art. 107, para. 1 of the IFAA

The Supervisory Board of the subsidiary acts instead of the Remuneration Committee, as an internal body with special competence.

Risk management system

Risk factors related to sound financial reporting are external and internal events, transactions and circumstances that may arise and adversely affect the subsidiary's ability to create, maintain and process accounting and operational data in a way that ensures reliable financial accountability, and reports.

External risks are defined as: change in the business environment and the market environment of the Subsidiary; change in the legal and regulatory framework; changes in key suppliers or customers; risk of loss due to intentional illegal actions by outsiders or employees of the Group. The Group minimizes these risks through the presence of specialized organizational units for the security of the Group's buildings and the access of external persons. The activity of another organizational unit is aimed at detecting and preventing unregulated use of electricity. Inspections of various facilities on the network are carried out in order to identify points where illegal actions related to electricity consumption are performed. A number of methods are used to identify checkpoints where risk of such illegal actions is possible.

The internal risks include: change in the manner and intensity of use of the Group's assets and resources; new activities; new accounting policies and IFRS; changes in the staff of the departments responsible for and / or financial reporting; changes in information systems; errors in work and/or insufficient knowledge or skills of staff, application of multiple estimates – especially the application of fair values and calculation of recoverable amounts of certain non-current assets, with the participation of external experts.

The Group and its subsidiaries have established and operates a risk management system. The operational activity in this area is performed by a specialized intra-group unit – Risk Management Division, in which employees of Electrohold Bulgaria EOOD participate.

The risk management activity consists in identifying, measuring and assessing the risk. The Risk Management Division prepares an assessment report on the actions taken.

For the management and minimization of the risks the Group and its subsidiaries have established and approved internal procedures and rules for work. The content and implementation of these procedures are checked, if necessary revised and optimized. Compliance with these procedures and rules is monitored and enforced by managers at various levels in the subsidiary, and they are responsible for their compliance.

Risks and opportunities

Risk of negative impact on the environment

Electrohold group complies with applicable domestic and international legislation in the field of sustainable development, ecology, and environmental protection, in solidarity with the main objectives and principles of environmental law. Concrete actions are taken and policies regarding the sustainable development are followed. The management is currently monitoring the emergence of risks and negative consequences of climate change on the activities of Electrohold group, as well as its impact on climate change.

EDG West EAD has reduced the percentage of technological costs for 2022 to 6.49% compared to 2018 – 9.06%, and the goal of the subsidiary is to maintain the downward trend in future periods.

Risk of negative climate impact

Risk associated with switching to a low carbon activity. For the most part, the risks associated with this stem from:

- Change in the policies and regulations as a result of the implementation of the European normative documents in the field of climate by the respective regulatory bodies in the Republic of Bulgaria.
- Change in the legislative framework in line with European climate documents and established policies;
- A change in the technologies concerning the distribution network needed to move to a carbon-neutral society.

What can we do to address climate change?

- Support the adopted stricter standards for CO_2 emissions.
- Facilitate the transition to a low-carbon future so that we can fulfil our environmental and social responsibilities by spending resources wisely, collecting waste separately, periodically analysing and monitoring performance.
- To support environmentally friendly activities and green initiatives of society.

Risks related to stakeholders

Electrohold group believes in the importance of the service provided by it, but also believes that this importance is at risk if professional and committed management is not provided, as well as adequate training of employees. In this regard, the introduction and implementation of continuing education policies is encouraged, which, in addition to creating added value and motivation, support employees in their personal and career development.

Reputational and regulatory risks:

As a Group with significant importance for the society, reputational and regulatory risks are extremely important for Electrohold group. The professional attitude and commitment of the management staff, as well as the active participation of specialists in public life – in forums, sectoral meetings, as well as regular communication with various bodies and stakeholders, helps to strengthen the trust and image of the Group as a reliable partner in socio-economic life.

What can we do to influence stakeholders?

In order to interact more strongly with our stakeholders, we need to build strong relationships with all of them, and these are the employees who work for us, our customers, suppliers and shareholders, regulators, and the societies around us. This need has been further demonstrated and has become even more important with the outbreak of the Covid-19 Pandemic, which was testing the world with varying strength and in ways we could never have imagined could happen.

Control environment

Ethical principles and rules related to the processes of accounting and reporting

The management at the various levels of the Group has introduced and constantly monitors the observance of ethical values such as integrity, independence and objectivity as the foundations of the professional conduct of all persons involved in the processes related to accounting and financial reporting in the Group. They are the framework against which the control environment is built, and which have influenced the effectiveness of model design, administration and ongoing monitoring of other components of internal control in the field of accounting and financial reporting. The ethical principles that guide professional conduct that should be followed by all persons directly or indirectly involved in accounting and financial reporting processes are objectivity; impartiality; independence; conservatism; transparency; methodological justification; consistency and use of independent experts. These principles are applied at all stages of financial reporting when: choosing an accounting policy; accounting closing; the preparation and application of accounting estimates and the preparation of public and management financial statements, other public reports and documents containing financial information.

The Group's Information System, including related business processes, essential for financial reporting and communication

The Group uses modern information and communication systems for business process management, essential for financial reporting purposes, which actively use information technology. The information system covers procedures, data and documents for initiating, recording, processing and reporting the Group's operations (as well as events and conditions) and for maintaining responsibility for related assets, liabilities and equity. The quality of the systematically generated information from the various information systems affects the ability of management to make appropriate decisions in the management and control of the subsidiary's activities and to prepare reliable financial reports and statements.

The information system relevant to the objectives and process of financial reporting covers methods and documentation that:

- Identify and reflect all valid transactions;
- Describe transactions / transactions in a timely manner in sufficient detail to enable them to be properly classified for financial reporting purposes;
- Evaluate the value of transactions in a way that reflects their appropriate monetary value in the financial statements;

Determine the time period during which the transactions / transactions have occurred in order to allow their recording in the appropriate accounting period;

Present appropriately the transactions / transactions and related disclosures in the financial statements as required by the reporting framework.

Performance of the accounting function and key role in the financial reporting process

The performance of the accounting function is provided/performed by Electrohold Bulgaria EOOD, Financial and Accounting Directorate on the basis of a service level agreement concluded between the Group and Electrohold Bulgaria EOOD, provided the necessary qualified staff is provided to perform the accounting function in the Group, accounting control and preparation of financial statements. His responsibilities include the correct and consistent application of the developed accounting policies, the development and implementation of an internal chart of accounts; accounting methodologies, current accounting; the current accounting analysis of the reporting data and documentation; summarizing and classifying the reporting data for the purposes of the financial statements; preparation and / or processing of the input data for the accounting estimates together with the engaged experts, as well as reporting of identified deviations and discrepancies to the Management Board, as well as compliance with regulatory requirements in the field of accounting, taxes and other related areas.

All financial statements of the Group are prepared in accordance with the Accounting Act, the International Financial Reporting Statements, the International Accounting Standards, and other normative acts.

The preparation of the financial statements of the Group for public use is the result of a complete process of accounting closing of the reporting period. This process is formalized through documents and rules adopted by the management. They are related to the performance of certain actions and procedures, and resp. the preparation of certain documents by the responsible officials and these actions and procedures are aimed at: carrying out inventories; analysis of accounts; sending confirmation letters; determining best estimates such as depreciation, revaluation, impairment and accruals based on reasonable assumptions, consolidation and classification of accounting data; studies and analyses of certain legal documents (contracts, lawsuits, opinions of legal advisers); studies and evaluation of expert reports (appraisers, actuaries, internal auditors, other internal experts and officials); preparation of reports and financial packages for consolidation; preparation, analysis and discussion of draft financial statements.

Control activities

The control activities, which are envisaged in the developed and implemented internal controls by processes, include: reviews of the implementation and the results of the activity; information processing; physical controls and division of duties and responsibilities.

The current financial and accounting activity of the Group is a subject to periodic control and analysis by the Management of the Group. The Group has an established practice for periodic discussion and analysis of the current financial results of its activities, in order to ensure the implementation of business plans, budgets, forecasts and analyses compared to previous reporting periods. A precise analysis of the possibilities for implementation of future investment projects is being prepared. For the purposes of management, separate forms have been approved and approved, according to which the monthly reports are prepared. The reports contain actual and budget values, analysis of deviations. Comparison of current with previous period. They can usually also contain suggestions for optimization or revision of certain budgets.

The controls assigned to the information systems of the Group cover both the controls of the application programs and the general IT controls, which are policies and procedures that help to ensure the continuous proper functioning of the information systems.

The Group carries out physical controls in the field of: security through the presence of specialized organizational units for the security of the Group's buildings and the access of external persons; security of energy assets; detection and prevention of unregulated use of electricity, inspections of various facilities on the network are carried out in order to identify points where illegal actions related to electricity consumption are performed, a number of methods are used to determine the places of inspection at risk points where such illegal actions are possible; and other.

The Group carries out physical control through periodic inventories of assets - procedures for the organization and conduct of inventories through physical counting/weighing of stocks; sending letters for confirmation and comparison with the amounts reflected in the control inventories and accounting documents/registers. Procedures have been introduced for the timely analysis of the results of the inventories, development of solutions for their accounting and resp. approval by the Management Board.

Ongoing monitoring of controls

Ongoing monitoring of controls by management includes an assessment of whether they are operating as intended and whether they have been modified as appropriate and appropriate to changes in conditions. Ongoing monitoring of controls may include activities such as management review of whether internal management reports are being prepared in a timely manner and whether key data in them are in line with third party confirmation and its projections, assessment by internal auditors of compliance for management related to routine processes (sales and deliveries) by the staff employed in them, incl. the set internal controls, incl. and in comparison with the contracts with the counterparties, as well as supervision over the observance of the ethical norms or the policy for business practice by the legal department of the Subsidiaries. Ongoing monitoring is carried out to ensure that controls continue to be effective over time.

The Internal Audit Department also contributes to the ongoing monitoring of internal controls over the Subsidiary's processes through its assessments of individual controls. It usually periodically provides such information, in the course of its duties and functions, and its assessments of the functioning of certain internal controls, focusing considerable attention on assessing their effectiveness, communicating with relevant persons information on identified strengths and weaknesses of internal controls. And make recommendations for their improvement.

Also, in the implementation of ongoing monitoring activities, the management always takes into account the communication with the external auditors related to the internal control and the identified weaknesses and recommendations.

Environmental Protection

Environmental safety and security measures

The main goal of Electrohold Group is compliance with all regulations in the field of environmental issues, safety, and security of the electricity distribution network. In the reporting period the efforts of were directed mainly in the following directions:

Implementation of activities related to adequate management of the waste generated by the Subsidiary and prevention of pollution;

Implementation of other activities related to the implementation of regulatory requirements for environmental protection and biodiversity.

Observation of the applicable internal and international legislation in the ecology and environment protection sphere solidarizing with main goals and principles of the ecology legislation.

One of the principles of the Group's corporate governance is the principle of safety and environment protection

The subsidiary exercises only activities which do not affect substantially the ecology

Waste generated

In carrying out its activities, EDG West generates the following types of waste:

household waste – classified as non-hazardous;

hazardous and industrial waste generated as a result of the Subsidiary's licensing activities and which fall within the scope of the Waste Management Act.

As of 31 December 2022 EDG West has 10 storage sites on its territory where 14 types of generated waste are kept before disposal.

The Subsidiary has concluded contracts with companies for transportation of hazardous and industrial waste, all of which are holding the relevant permit for carrying out waste activities.

Society

Electrohold Group supports various public causes and actively demonstrates its commitment and responsible behaviour for the benefit of its customers, employees, partners, and society as a whole. The Group continues its long-term projects, constantly launching new initiatives to improve the welfare of society and the future of the country.

Electrohold Group actively participates in local initiatives related to improving the education and training of its employees, promotes the development of vocational education in the country, environmental protection and biodiversity conservation, preservation and improvement of the urban environment and others. Sports events and activities for a healthier lifestyle are held regularly.

Vocational education is central to corporate social responsibility policy. In support of vocational education with a profile in electrical engineering, a unique educational and information site has been created – “Energy for the Future”, which is constantly being developed and enriched. An information bulletin is issued, through which the Subsidiary seeks to expand its access to young people, teachers, and parents. EDG West is one of the first to support dual training with an electrical engineering profile in Bulgaria and this initiative is growing every year. In addition to granting scholarships and providing financial assistance from companies, educational initiatives actively involve employees who, with their expertise, commitment, and experience, give lectures and pass on their knowledge and skills to young professionals who have chosen electrical engineering for their careers. Employees organize donation campaigns for the benefit of the needy and disadvantaged. A communication committee has been set up in Group’s companies to review and approve requests and proposals for centralized donations and grants.

4. Events of special significance to Electrohold Group Subsidiaries

EDG West EAD New price decision of EWRC № № Ц-19/01.07.2022 until 30.06.2023

In the second half of 2022 Electrodistribution Grid West EAD shall provide services for access to and transmission through the electricity distribution grid at prices approved by the Energy and Water Regulatory Commission by Decision No Ц-19/01.07.2022 as follows:

- price for transmission of electricity through medium voltage distribution grid- BGN 0.01653/kWh;
- price for transmission of electricity through low voltage distribution grid - BGN 0.06759/kWh;
- price for access to the EDG for non-household customers - 0.02151 BGN/kW/day;
- price for access to EDG for residential customers - 0.00648 BGN/kWh.

Electrohold Sales EAD New price decision of EWRC № № Ц-19/01.07.2022 until 30.06.2023

	Decision 019 / 01.07.2022		
	Purchase price	**Price without VAT**	
1	NEK EAD – Public supplier	BGN/MWh	81.90
2	Obligation to society component	BGN/MWh	0.00
	Sale prices		
	Sale of electricity to residential users – low voltage		
1	Two scales	**Price without VAT**	
	Day	BGN/KWh	0.11146
	Night	BGN/KWh	0.02629
2	One scale	BGN/KWh	0.11146

Rebranding of the Group - change of the names of the Subsidiaries in the Group

The new brand name of the Energy Group is ELECTROHOLD introduced in the end of April 2022. As part of the integration strategy in addition to the new brand the group adopted and is developing its new corporate identity.

As of 28 April 2022 the new names of the companies are:

Old name	New name
CEZ Bulgaria EOOD	Electrohold Bulgaria EOOD
CEZ Electro Bulgaria AD	Electrohold Sales AD
CEZ Razpredelenie Bulgaria AD / CEZ Distribution Bulgaria AD	Electrodistribution Grid West AD (EDG West AD)/Electrorazpredelitelni mreji Zapad AD (ERM Zapad AD)
CEZ Trade Bulgaria EAD	Electrohold Trade EAD
CEZ Information and Communication Technologies Bulgaria EAD (CEZ ICT Bulgaria EAD)	Electrohold ICT EAD

FSC was notified for the changes. Information was disclosed in the public through publications and on official website.

Change in the ownership structure and adoption of a new Statute of Electrodistribution Grid West EAD and Electrohold Sales EAD

On 05.09.2022 as a result of the offer under the provisions of Art. 157a, para. 1 of the POSA Eastern European Electric Company B.V. (EEEC) increased its participation in the two subsidiary companies of the energy group - Electrodistribution Grid West AD and Electrohold Sales AD to 100% of the capital by buying out all the remaining shares of minority owners. EEEC acquired an additional 14 416 shares of EDG West for nearly BGN 4 376 million (EUR 2 237 million) or BGN 303.55 (EUR 155.2) per share, as well as 117 shares of Electrohold Sales AD for BGN 3 412 million (1 744 EUR million) or BGN 29 161.02 (EUR 14 909.79) per share.

On 20.09.2022, FSC issued decisions pursuant to which Electrodistribution Grid West AD and Electrohold Sales AD were de-listed from BSE-Sofia and de-registered from the resister of the public companies kept by FSC.

Decisions of the Council of Ministers on the provision of compensation for electricity distribution companies and final non-household customers for the period July-December 2022

In 2022, the electricity market has gone through extremely high volatility, one of the factors is the geopolitical instability because of the conflict in Ukraine. High volatility was characteristic both for the market segment of long-term contracts and for the short-term segments - the spot markets in the country and other countries in Europe. Bulgarian companies were faced with the challenge of operating in a dynamic environment and in economic and political uncertainty.

At the beginning of October 2022, the European Commission reacted to the rising prices of energy resources and proposed Regulation (EU) 2022/1854, adopted by the Council of the European Union on 06.10.2022 regarding emergency intervention to deal with high energy prices . The envisaged measures include an electricity price ceiling of 180 euros for power plants, a tax on the profits of energy companies, measures to save electricity and gas consumption, a solidarity contribution on excess profits from fossil fuels.
To deal with the crisis with rising electricity prices, the Bulgarian state continued to implement the mechanism for compensation of non-household end customers on the free market of electricity in Bulgaria, launched at the end of 2021. In order to implement this mechanism, end suppliers played a fundamental role customers in the country. For any business, it was of utmost importance to find a reliable partner in the free electricity market to guarantee supply and at the same time provide predictability through the implementation of the government's electricity cost compensation program.

With decision No. 30/25.01.2022, the Council of Ministers determined a base price of BGN 250/MWh, which is used to calculate the compensation of the costs of non-residential end customers. The compensation is in the amount of 100 percent of the difference between the real average monthly exchange price of the "day ahead" segment of the "Bulgarian Independent Energy Exchange" EAD, for the relevant month, and the determined base price. Decision No. 534/29.07.2022 of the Council of Ministers, compensations for electricity distribution companies and final non-domestic customers for the period July - September 2022, and with Decision No. 710/29.09.2022 of the Council of Ministers, the compensations for electricity distribution companies and final non-household customers were approved for the period October - December 2022. The compensations under both decisions are as follows:

for business users, the compensation is limited to the difference between BGN 250/MWh and the achieved market price for base load in the Day-ahead market segment of the Bulgarian Independent Energy Exchange EAD (IBEX);

for electricity distribution companies, the compensations are worth the difference between BGN 446.78/MWh and the achieved market price.

VII. Business goals and future development

Eastern European Electric Company B.V.:
The management has no other plans which would have a significant influence on expectations concerning future activities, investments, financing, staffing and profitability. It is expected that the result will be in line with that of the reporting period.

Electrodistribution Grid West EAD (EDG West EAD) (former CEZ Distribution Bulgaria AD):

The future activity and development of Electrodistribution Grid West EAD mainly depend on the decisions of the Energy and Water Regulatory Commission (EWRC) regarding the prices in the energy sector. As of 01.07.2021, the sixth regulatory period, which lasts for three years and will end on 30.06.2024, started. The recognized technology cost rate for the second year of the regulatory period is 7.5%. The key parameters in the Company's regulatory framework for this regulatory period are: recognised depreciation expense of BGN 72.1m; rate of return of 5.74%; net book asset value of BGN 514.2m and recognised average net nominal investment cost of BGN 105.5m.

The following goals have been set as priorities for the Company in 2023:

Optimization of operating costs in order to achieve financial stability;

Reduction of technological losses;

Expanding its automated meter reading system: a key component of building SMART Grid networks and providing enhanced electronic services to electricity market participants and end customers, as well as balance metering. The ultimate goal is to reach 100% SMART meter coverage in the upcoming years;

Continuing its ongoing workforce management project related to resource planning and management, which was launched in 2020 and is an integrated system for managing the activities of field teams - enabling automatic and semi-automatic functions, collecting and updating GIS data, improving the organizational model of work in the Operations and Maintenance Directorate;

Geographic Information System (GIS) Development Project, an integral part of the grid digitization and automation process. The project includes collection, processing, analysis, verification and entry of the collected data into GIS for all elements of the electricity distribution grid;

Prioritizing the Digitization of the Electric Grid;

Development and upgrading of strategic infrastructure and development and integration of information systems;

Increasing the efficiency of the employees of Electrodistribution Grid West EAD;

Meeting the requirements of the granted electricity distribution license;

Ensuring continuity of electricity supply to the end user and quality customer service;

Maintain a steady trend of reduction in occupational accidents while maintaining safe working conditions.

Electrohold Sales EAD (former CEZ Electro Bulgaria AD):

In 2023 the Company will continue to develop the activities of electricity supply and electricity supplier of last resort, together with the activity of electricity trade on the basis of the license issued in accordance with the requirements of European legislation, the Energy Act and all by-laws, complying with the requirements for separate accounting, avoiding the hypothesis of cross-subsidization between the three activities subject to licensing. Explanatory campaigns will continue to help our customers, both mass and individual in terms of price components, energy efficiency and more. Electrohold Sales EAD will continue to protect the interests of its customers and shareholders, complying with the requirements of the law, both in a regulated environment and in the conditions of an open electricity market. In terms of services offered, the Company focuses mainly on optimizing the service model.

Regulatory policy changes are expected to determine the next steps towards full liberalization of the electricity market. The gradual shift of household consumers from regulated to free market is forthcoming.

The gradual exit of household consumers to the free market is enshrined both in the draft Strategy for Sustainable Energy Development of the Republic of Bulgaria until 2030 with a horizon of 2050 published on the portal for public consultations at the Council of Ministers, and in the national Plan for reforms of the Bulgarian electricity market, for which the Commission should issue an opinion on whether the measures are sufficient to eliminate the identified regulatory deviations or market failures. During liberalization, measures will be implemented to ensure a gradual transition to a liberalized electricity market, starting from regulated prices, through partial regulation to the complete abolition of price regulation. This gradual transition should last until 31 December 2024 and is interlinked with the introduction of a mechanism to protect vulnerable electricity consumers. In the context of the planned reforms, the Company should be prepared to offer good conditions to the clients, striving to maintain an annual portfolio, as well as to be able to respond to the flow of requests for offers from clients from all over the country. This is achieved through the following initiatives launched by the Company:

- Automation and optimization of processes: automation of data exchange with ORM and filling in applications for switching suppliers, introduction of CRM strategy and software;
- Introduction of a full range of electronic services for the current portfolio of the Company and integration with RegiX;
- Strengthening training, adapting the motivation scheme to the new environment and challenges;
- Building a flexible and convenient knowledge basis for processes and activities by upgrading the current e-learning system or introducing a new system.

Gradual offering of a new range of products and services related to the basic business of the Company, for example: consultations and representation before the operators of the electricity distribution grids, fast (automatic) energy audit, new products and services related to home and customer comfort.

The main business goals of the company, without being limited to the above, are:

- Supply with electricity all the consumers connected to the electricity distribution grid within the End Supplier and Last Resort Supplier licensed territory who have not exercised their right to conclude a deal for supply of electricity on freely negotiated prices.
- Maintain the market segment and be able to effectively participate in the market through the obtained Trader license, which enables the Company to preserve its clients, mainly corporate subscribers, since they were the first one (after 1 January 2007) who had been provided with the opportunity to freely choose their electricity provider.
- Create new customized service packages for clients.
- Ensure continuous, reliable, and high-quality electricity supply to consumers.
- Forecast electricity consumption on the territory of the licenses and balancing groups.
- Perform the licensed activities at economically grounded costs under the terms of transparency for both the EWRC and end-users.
- Designate teams to perform the licensed activities and retain motivated, experienced, and trained personnel.
- Maintain the stable financial position of the Company.
- Implement specific sales models and campaigns in order to maximize market value.

Electrohold Trade EAD (former CEZ Trade Bulgaria EAD):

In 2023, the Company will continue as one of the leading providers of the free market to deliver electricity to industrial and business customers, to maintain professional and honest relations with manufacturers, network operators and business partners, to provide quality service to its customers, to offer energy solutions to the customers and perform domestic and foreign wholesale.

The presented business objectives do not include an assessment of the possible follow-up effects of the sale transaction of the shares held by the Company's principal in a potential buyer's equity.

At the beginning of 2023, the company signed long-term contracts for the purchase and sale of electricity with Yettel Bulgaria EAD and CETIN Bulgaria EAD. The contracts are for 10-year. Electrohold Trade will supply electricity for the needs of the sites of Yettel and CETIN Bulgaria, produced entirely from a renewable energy source.

The energy that will be supplied to the customers will be produced by the Verila photovoltaic power plant, owned by Belozem Solar Park 3 EOOD, with which the company has a long-term contract for the management of the production and purchase and sale of energy. The photovoltaic power plant has a total installed capacity of 123 MW and is located 50 km south of Sofia, near Dupnitsa.

This is the first major step in the decarbonization plan of PPF Telecom Group companies, which will have the opportunity to reduce greenhouse gas emissions when purchasing electricity and, accordingly, reduce the carbon footprint on the environment.

The contract with Yettel and CETIN is part of Electrohold Trade's strategy for development in the field of renewable energy production management based on the developed product, especially for industrial and corporate customers who want to be green, independent of the volatility of fuel prices and responsible to nature and society.

Electrohold Bulgaria EOOD (former CEZ Bulgaria EAD)

The following goals have been identified as priorities for the Subsidiary in 2023:

Effective management of companies from the Electrohold Group;

Optimization of the activities of the companies from the Electrohold Group;

Achieving European service quality standards.

Electrohold ICT EAD (former CEZ ICT Bulgaria EAD):

Electrohold ICT EAD plans the following development in 2023:

Implementation of the project for the establishment of a Cyber Security Operation centre with the already selected contractors and technological solutions for its implementation and setup. For each technological component of the information environment (network equipment, servers, applications, databases, etc.), real-time data will be collected and processed for the timely identification of possible malicious activities. The first line response and action is taken by the contractor, with specific actions to protect components at risk being passed to a second line team of ICT staff responsible for the component concerned.

Actions to implement the requirements of national information security legislation continue (achieving compliance with the Minimum Requirements for Network and Information Security Regulation/MIMIS). Continued activities to enhance data and information systems security, training and awareness campaigns for all users;

Complete SAP installation and settings review and discuss proposed SAP S/4 Hana migration plan. Planning the necessary actions to prepare for historical data backup and storage, implementing optimization and business process impact assessment;

Start selection of the migration plan contractor and work on project implementation. Preparing business users for the changes in business processes with the new organization of functionalities and way of working in SAP S/4 Hana.

Working on the assignment of the company's largest customer to select a suitable solution for collecting, processing and delivering meter reading data (Advanced Metering Infrastructure) , working in integration with SAP S/4 Hana version and the standard data exchange integration facade.

Selection of a contractor for the continuation of the project to implement a system for task management to teams and real-time reporting of completed activities to the SAP core information system;

Discussing a change of implementation approach for the electronic services provided and reviewing regulatory compliant options for implementing and operating a customer service platform in contractual relationships with various group companies with a single electronic customer profile;

Continue to develop new functionality in the information systems in the areas of Non-Technical Losses and Balances.

Electrohold EPC EOOD:

The following goals have been identified as priorities for the Subsidiary in 2023:

Support and improve the operations of EDG West EAD in the implementation of the Investment and Repair Programme through optimisation of the tendering process for the selection of suppliers of goods and services.

Effective management of supplier selection processes for the needs of the companies in the Electrohold Group.

Optimisation of the logistics services provided to the companies in the Electrohold Group.

Free Energy Project Oreshets EOOD:

During 2023 the Subsidiary will continue to produce electricity and to sale it in accordance with the rules laid down in the energy legislation and secondary legislation as well as the decisions of the EWRC.

VIII. OTHER INFORMATION

COVID-19 pandemic - impact, effects, actions and measures taken

On March 11, 2020, the World Health Organization declared a pandemic regarding the spread of COVID-19, and on March 13, 2020, the National Assembly voted on a state of emergency in the Republic of Bulgaria, as a result of which a number of restrictive measures were taken.

On 12.05.2020 the National Assembly adopted amendments to the Health Act, which were promulgated in the emergency issue 44 of the State Gazette of 13.05.2020. Following the lifting of the state of emergency by a decision of the Council of Ministers of 14 May 2020, an epidemiological emergency has been declared in the country. In view of the lifting of the declared epidemiological situation in the country, the Electrohold Group's offices have resumed operations at full capacity as of 1 April 2022.

Influence on the activity and financial condition of the Group
All subsidiaries directly or indirectly operates in the energy sector, the normal functioning of which was not affected by the restrictive measures imposed.

The subsidiaries’ business volumes in 2022 are not affected by the pandemic situation. There were no significant changes in the structure of energy distributed and sold to end users of electricity. Sales revenues have increased compared to 2021.

Management did not lay off staff and did not take advantage of measures adopted with the Emergency Act ("60:40" and others).

The subsidiaries continue to operate its business without encountering difficulties. The subsidiaries' secured the supply of resources necessary to carry out its licensed operating and investment activities. There are no terminated contracts with key suppliers and/or customers.
The subsidiaries has sufficient funding to meet its liquidity needs.

Effects on the elements of the financial statements
The management of all subsidiaries has not identified areas in the financial statements on which the pandemic has a direct and significant impact and effects, including the valuation of individual assets and liabilities.

Military conflict on the territory of Ukraine

On 21 February 2022, the Donetsk People's Republic and the Lugansk People's Republic were recognised as independent states by a decree of the President of the Russian Federation (RF). On 24 February 2022, the Republic of Lugansk and the Republic of Luhansk were declared the Republic of Lugansk. The Ministry of Defence of the Russian Federation announced a "special military operation" on the territory of the Republic of Ukraine.

Prices of energy and raw materials - including wheat and other grains have risen significantly, amplifying inflationary pressures in the supply chain of raw materials and supplies. All this has slowed recovery from the pandemic caused by Covid-19.

The sanctions imposed against Russia are having an impact on the global economy and financial markets, with significant spill-over effects in countries indirectly affected by the conflict.

Due to concerns over gas supplies and the surge in electricity trading prices in Bulgaria and Europe, electricity prices have been rising for an extended period of time.

Since the beginning of hostilities in Ukraine, natural gas, one of the main energy sources for electricity generation, has seen an increase in price, leading to a rise in electricity prices.

In many countries, the crisis is causing adverse financial shocks. Central banks are monitoring the rise in international prices, preparing carefully to raise interest rates. The Council of Ministers has approved compensation programmes for electricity distribution companies and final non-domestic customers.

In order to tackle high electricity prices, in the context of the current energy crisis caused by increased demand for electricity, the restriction of natural gas supplies from Russia and the threat of their disruption, constraints related to technological and climatic problems, Regulation (EU) 2022/1854 of 06 October 2022 on emergency intervention to tackle high energy prices (Regulation (EU) 2022/1854) was adopted. That Regulation lays down temporary, proportionate, and exceptional measures to continue existing measures and introduce new measures to protect consumers and businesses. The Regulation provides for a temporary limitation of exceptional market revenues for generators with lower marginal costs by applying a cap on market revenues generated from the sale of electricity in the EU.

In connection with the foregoing and in view of the effect of the sanctions and restrictions imposed, the Group has reviewed activities, counterparties and economic relationships that could be at risk. Based on the analysis performed. Management has not identified any exposure to foreign currency risk.

The Group's management considers the situation to be highly dynamic, with the possibility of a negative impact on the Company's operations, especially on the carrying amounts of the Group's assets, which in the financial statements have been determined under a number of judgements and assumptions, taking into account the most reliable information available, at the date of making them.

Research and development

During the past year 2022, only EDG West EAD has performed R&D activities in the following projects: FLEXITRANSTORE, INTERRFACE, SDN-microSENSE, EnergyShield, FORESIGHT, DATA CELLAR and ENFLATE.
Detailed information on these can be found in Note 25 "Government Grants" to the EDG West's Separate Financial Statements, where information related to participation in European projects is disclosed.

IX. RELATED PARTIES' TRANSACTIONS

Parent company:

The Group is a subsidiary of Eastern European Electric Company III B.V. which owns 100% of Eastern European Electric Company B.V.'s shares, respectively a 100% of the shares of all its sole owned subsidiaries: Electrodistribution Grid West EAD, Electrohold Sales EAD, Electrohold Trade EAD, Electrohold Bulgaria EOOD, Free Energy Project Oreshets EOOD, Bara Group EOOD.

On July 15, 2021 100% of Eastern European Electric Company B.V.'s shares were contributed by Eastern European Electric Company II B.V. to Eastern European Electric Company III B.V.

As of 31 December 2022, the sole shareholder of the Company is Eastern European Electric Company III B.V.

Economic group:

The Group is a part of the economic group of Eurohold Bulgaria and in this sense related parties are the following companies:

Insurance Sector
Company
Euroins Insurance Group AD (EIG AD)*
Indirect participation through EIG AD: Insurance Company Euroins AD, Bulgaria
Euroins Romania Asigurare-Reasigurare S.A., Romania
Euroins Osiguruvanje AD, North Macedonia
Insurance Company Euroins Life EAD, Bulgaria
Insurance Company EIG Re AD, Bulgaria
Euroins Ukraine PrAT, Ukraine
Euroins Claims I.K.E., Greece
Insurance Company Euroins Georgia JCS, Georgia
European Travel Insurance PrAT, Ukraine
CJSC Insurance company Euroins, Belarus *(former CJSC IC ERGO)* - out of economic group as of 30.12.2022
IC Euroins, Russian Federation - associated of EIG – out of economic group as of 30.12.2022

**Eurohold's direct participation*

Automobile Sector – Out of the economic group as of 30.06.2022
Company
Avto Union AD (AU AD)*
Indirect participation through AU AD: Avto Union Service EOOD, Bulgaria
N Auto Sofia EAD, Bulgaria – until 02.August.2021
Espace Auto OOD, Bulgaria through N Auto Sofia EAD – until 02.August.2021
EA Properties EOOD, Bulgaria through N Auto Sofia EAD – until 02.August.2021
Daru Car AD, Bulgaria**
Auto Italy EAD, Bulgaria
Bulvaria EOOD, Bulgaria (former name Bulvaria Varna EOOD, Bulgaria)
Bulvaria Sofia EAD, Bulgaria
Star Motors EOOD, Bulgaria**
Star Motors DOOEL, North Macedonia through Star Motors EOOD**

Star Motors SH.P.K., Kosovo through Star Motors DOOEL**
Motohub OOD, Bulgaria
Motobul EAD, Bulgaria
Benzin Finance EAD, Bulgaria
Bopar Pro S.R.L., Romania through Motobul EAD
China Motor Company AD, Bulgaria

**Eurohold's direct participation; ** Eurohold's investments classified as non-current assets held for sale.*

Finance Sector
Euro-Finance AD, Bulgaria*

**Eurohold's direct participation*

Lease Sector – Out of the economic group as of 30.06.2022
Company
Eurolease Group EAD*
Indirect participation through Eurolease Group EAD:
Eurolease Auto EAD, Bulgaria (new name Money lease EAD)
Eurolease Auto Romania AD, Romania
Eurolease Auto DOOEL, North Macedonia
Eurolease Rent A Car EOOD, Bulgaria
FINACITY EAD, Bulgaria (previous Amigo Leasing EAD)
Autoplaza EAD, Bulgaria
Sofia Motors EOOD, Bulgaria
Amigo Finance EOOD, Bulgaria (previous Mogo Bulgaria EOOD), Acquisition date: 01.12.2021

**Eurohold's direct participation*

Energy sector
Company
Eastern European Electric Company II B.V., Netherlands* *(established on July 25, 2019)*
Eastern European Electric Company III B.V., Netherlands *(established on July 13, 2021),* through Eastern European Electric Company II B.V., Netherlands
Eastern European Electric Company B.V., Netherlands*(established on July 26, 2019),* through Eastern European Electric Company III B.V.
Indirect participation through Eastern European Electric Company B.V.: Electrodistribution Grid West EAD and/or Electrorazpredelitelni mreji Zapad EAD, Bulgaria (formerly CEZ Distribution Bulgaria AD), owned by EEEC B.V., the Netherlands - Acquisition date: 27.07.2021
Electrohold ICT EAD, Bulgaria (formerly CEZ Information and Communication Technologies AD) through Electrodistribution Grid West EAD – Acquisition date: 27.07.2021
Electrohold Sales EAD, Bulgaria (formerly CEZ Electro Bulgaria AD) owned by EEEC B.V., the Netherlands - Acquisition date: 27.07.2021
Electrohold Trade EAD, Bulgaria (formerly CEZ Trade Bulgaria EAD) owned by EEEC B.V., the Netherlands - Acquisition date: 27.07.2021
Free Energy Project Oreshets EOOD, Bulgaria, owned by EEEC B.V., the Netherlands - Acquisition date:27.07.2021
Bara Group EOOD, Bulgaria, owned by EEEC B.V., the Netherlands – Acquisition date: 27.07.2021
Electrohold Bulgaria EOOD, Bulgaria (formerly CEZ Bulgaria EOOD) owned by EEEC B.V., the Netherlands - Acquisition date: 27.07.2021
Electrohold EPC EOOD, Bulgaria (formerly CEZ Bulgaria EOOD) through Electrohold Bulgaria EOOD, registered at 03.10.2022
Electrohold Green EOOD, Bulgaria **-** subsidiary of Eurohold Bulgaria AD – established in 2022.

**Eurohold's direct participation*

<u>Ultimate owner:</u>

Eurohold Bulgaria AD is controlled by Starcom Holding AD – a joint stock company, established and existing in accordance with the laws of the Republic of Bulgaria, registered in The Commercial Register at the Registry Agency with UIC 121610851 with registered office and management address: Republic of Bulgaria, city of Sofia, Iskar Region, 43 Christopher Columbus Blvd.

Starcom Holding AD owns 50.08% of the capital of Eurohold Bulgaria AD.

On July 27, 2021 the acquisition of seven subsidiaries of the Czech energy company CEZ Group in Bulgaria was officially completed.
As a result of the transaction are acquired a:

- 67% interest in CEZ Razpredelenie Bulgaria AD– electricity distribution company;
- 67% interest in CEZ Electro Bulgaria AD – electricity supplier;
- 100% interest in CEZ Trade Bulgaria EAD – licensed electricity trader;
- CEZ Information and Communication Technologies Bulgaria EAD – IT services provider – 100% subsidiary of CEZ Razpredelenie Bulgaria AD;
- 100% interest in Free Energy Project Oreshets EOOD – solar park;
- 100% interest in BARA Group EOOD - biomass-fired power plant;
- 100% interest in CEZ Bulgaria EOOD – management and coordination of all CEZ Group's entities activities.

On 05.09.2022 as a result of the offer under the provisions of Art. 157a, para. 1 of the POSA Eastern European Electric Company B.V. (EEEC) increased its participation in the two subsidiary companies of the energy group - Electrodistribution Grid West AD and Electrohold Sales AD to 100% of the capital by buying out all the remaining shares of minority owners. EEEC acquired an additional 14 416 shares of EDG West for nearly BGN 4 376 million (EUR 2 237 million) or BGN 303.55 (EUR 155.2) per share, as well as 117 shares of Electrohold Sales AD for BGN 3 412 million (1 744 EUR million) or BGN 29 161.02 (EUR 14 909.79) per share.

On 20.09.2022, FSC issued decisions pursuant to which Electrodistribution Grid West AD and Electrohold Sales AD were de-listed from BSE-Sofia and de-registered from the resister of the public companies kept by FSC.

The following tables provide the total amount of transactions for the relevant period by companies:

		Sales to related parties	*Purchases from related parties*	*Receivables from related parties*	*Payables to related parties*
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
		31 December	*31 December*	*31 December*	*31 December*
Eastern European Electric Company II B.V.	2022	-	-	326	
Eurohold Bulgaria AD	2022	-	-	-	1 247
	2021	-	-	4 890	260
Euroins Bulgaria AD	2022	70	711	1 338	220
	2021	23	15	59	1
Euroins Life EAD	2022	-	35	-	6
	2021	-	6	25	5
Euro Finance AD	2022	20	27	-	-
	2021	-	2	-	-
Star Motors EOOD*	2022	38	-	-	-
	2021	28	-	11	-
Bulvaria EOOD*	2022	38	74	-	-
	2021	18	-	-	-
Bulvaria Sofia EAD*					
	2021	10	-	11	-
Daru Car AD*	2022	64	-	-	-
	2021	45	-	17	4
Auto Italy EAD*	2022	689	-	-	-
Total	**2022**	**919**	**847**	**1 664**	**1 473**
	2021	**124**	**23**	**5 013**	**270**

**Non-related party as of 30.06.2022.*

Receivables from related parties

	31.12.2022	*31.12.2021*
	BGN'000	*BGN'000*
Sales receivables	55	55
Prepaid expenses	1 326	68
Other	283	4 890
	1 664	**5 013**

Payables to related parties

	31.12.2022	*31.12.2021*
	BGN'000	*BGN'000*
Sales	227	10
Other payables to related parties - short term	1 246	260
	1 473	**270**

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash, via bank transfers.

X. SUBSEQUENT EVENTS

Management of the Group is not aware of any significant events that have occurred since the balance sheet date that were not included in the annual report.

Amsterdam, 12.05.2023

Managing directors,

Milen Assenov Christov
Digitally signed by Milen Assenov Christov
Date: 2023.05.12 22:49:09 +03'00'

M. Christov

Yoan Hristov Ivanov
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To: The shareholders of Eastern European Electric Company B.V.

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the consolidated financial statements 2022 included in the annual report

Our opinion

We have audited the consolidated financial statements 2022 which are part of the financial statements of Eastern European Electric Company B.V. based in Amsterdam.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Eastern European Electric Company B.V. as at 31 December 2022 and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2022;
2. the following statements for 2022: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising material accounting policy information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the consolidated financial statements' section of our report.

We are independent of Eastern European Electric Company B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Audit approach fraud risks

For the board's responsibilities regarding fraud, we refer to the following paragraph in the section 'Responsibilities of management board for the financial statements':

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In accordance with the objective in the Dutch Standards of Auditing, we have identified and assessed the risks at the level of the financial statements and assertions for material misstatement due to fraud. In doing so, we paid attention to the possibility of fraudulent financial reporting, the withdrawal of funds (assets) from the company and the possibility of bribery and corruption.

We obtained an understanding of the entity and its environment, and components of the internal control environment. We have also added an element of unpredictability to our audit.

In the table below we describe the main fraud risks that required our (significant) attention and the related work performed by us:

Fraud risk identified	Audit work performed
Risk of management override of controls	We have performed the following procedures: - Journal entry testing, such as user analysis and selection of journal entries based on risk assessment; - Reviewed accounting estimates for biases that could result in material misstatement due to fraud; - Reviewed management's process for estimations, including an assessment of whether the method(s) and assumptions chosen are appropriate. - We have requested information from individuals involved in the financial reporting process about possible inappropriate or unusual activities related to the processing of journal entries and other modifications.

Fraud risk identified	Audit work performed
Risk of overstatement of revenues	We have evaluated the design and implementation of relevant internal controls. We have performed the following substantive procedures: - Obtained pricing decisions from Bulgarian regulator – Energy and water regulatory commission (EWRC) and reconciled these to the revenue recorded; - Performed substantive analytical procedures on quantities delivered and quantities distributed and the prices approved from the EWRC; - Performed test of details on samples of revenue transactions and compared with source documents; - Cut-off procedures on revenues based on the approved methodology for delivered and distributed energy as per balance sheet date.
Misappropriation of assets (cash) due to the complex payment organization and large number of bank accounts	We have evaluated the design and implementation of relevant internal controls. We have performed the following procedures: - An assessment of the segregation of duties in the payment organisation (accounts payable master data and payment rights); - Journal entry testing including unexpected entries to bank ledgers; - Test of details on selling, general and administrative expenses to determine the business purpose.
Risk that facilitation payments or bribery payments are made (risk of corruption and bribery)	We obtained an understanding of the entity level controls and the legal and regulatory framework of the company and executed procedures to confirm that they have been properly implemented. As the grid distribution operator EDG West EAD is a regulated party under the public procurement law, we have performed the following procedures: - Inquiry with management and investment controllers. - Review the design the investment process organised within the group implemented to prevent and/or detect bribery and corruption; - Review the reasonableness of projects implemented compared to the offers published in the Public Procurement Portal; - Performing substantive test of acquisition of distribution equipment; - Performing substantive test of details regarding cash payments.

Audit approach going concern

The financial statements have been prepared in accordance with the going concern assumption. The appropriateness of this assumption depends on management's estimate of future cash flows.

The Board of Directors has drawn up the financial statements based on the going concern assumption of all the activities for the period of twelve months from the date of the preparation of the annual accounts. Our work to evaluate the board's going concern assessment includes:

- consider whether the board's going concern assessment contains all relevant information of which we have knowledge as a result of our audit, inquiries with management about the most important assumptions and considerations underlying their going concern assumption;
- verify that management has not identified any events or circumstances that may cast reasonable doubt on the entity's ability to continue as a going concern (hereinafter: going concern risks);
- analyze whether the current and the necessary financing for the continuation of the entire business activities is guaranteed, including compliance with relevant covenants;
- inquiries with the board about its knowledge of going concern risks after the period of the going concern assessment carried out by the board.

Our audit procedures have not provided any information contrary to the assumptions and considerations of the board on the going concern assumption used. However, future events or conditions may cause an entity to cease to continue as a going concern.

Consolidated financial statements as part of the complete financial statements

The financial statements include the consolidated financial statements and the company financial statements. The company financial statements have been included in a separate report. For a proper understanding of the financial position and result the consolidated financial statements must be considered in connection with the company financial statements. On 12 May 2023 we issued a separate auditor's report on the company financial statements.

Report on the other information included in the annual report

The annual report contains other information, in addition to the consolidated financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the consolidated financial statements and does not contain material misstatements;
- contains all the information regarding the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the consolidated financial statements

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the consolidated financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the consolidated financial statements.

Our responsibilities for the audit of the consolidated financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures; and
- evaluating whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Rotterdam, 12 May 2023

Grant Thornton Accountants en Adviseurs B.V.

Remko Lagendijk

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