

**Everybody has a story, we have a vision.**



**Eurohold Bulgaria AD  
Annual Consolidated Report 2018**



***Eurohold Bulgaria AD (Parent Company) has prepared an Annual Consolidated Financial Statement, which includes the results of the operations and the financial position of the Parent Company and the subsidiaries, Consolidated Management Report presenting commentary and analysis of the consolidated financial statements and other material information on the consolidated financial position and the results of the Group's operations, as well as the Consolidated Non-financial Statement of the Eurohold Group for 2018***

***Translation: this annual consolidated report of Eurohold Bulgaria AD is available in Bulgarian and English.***

***The Bulgarian version is the original version. The English version is a convenience translation. We have made all possible reasonable efforts to avoid any inconsistency between the different language versions.***

***If there are any such discrepancies, however, the Bulgarian version shall prevail.***

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**A -**

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# **Independent Auditor's Report**

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
EUROHOLD BULGARIA AD**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of EUROHOLD BULGARIA AD and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How this key audit matter was addressed in our audit
<p><b>1. Insurance reserves assessment</b></p> <p>Insurance reserves as at 31 December 2018: BGN 676,346 thousand (31 December 2017: BGN 596,232 thousand)</p> <p>Note 2.6, Note 2.11.1, Note 43 to the consolidated financial statements</p> <p>Group insurance reserves amount to 57% from the total liabilities and subordinated debts, and include Unearned premium reserve (UPR), insurance reserves related to loss events and insurance claim payments (outstanding claim reserves) and other technical reserves.</p> <p>Outstanding claim reserves amount to 66% from the total insurance reserves as at 31 December 2018 and are calculated as the best estimate of the expected final expenses for each and every claim settlement as at the reporting date (Reserve for reported but not settled claims) and for the expected final expenses for settlement of incurred but not reported claims at the reporting date (Reserve for incurred but not reported claims).</p> <p>Calculation of insurance reserves includes applying significant judgment by the management mainly related to: trends in claims growth, assessment of input data appropriateness and necessity of relevant amendments to that data, judgment about frequency and influence of the claims and their relevant claim settlement expenses, as well as claims long term horizon.</p> <p>Because of these reasons, insurance reserves and disclosure of Group consolidated financial statements require and presume numerous estimates, assumptions and specific calculations, inclusive participation of experts. Therefore we determine this matter as key audit matter.</p>	<p>In this area, our audit procedures along with others similar, include:</p> <ul style="list-style-type: none"> <li>• review of Group rules, accounting policies and procedures for setting up of insurance reserves in accordance with the legislative requirements;</li> <li>• assessment of the nature of the insurance portfolio nature and the accepted risks in order to determine the nature of the Group liabilities under its insurance contracts;</li> <li>• analysis of the models applied by the Group and the main assumptions compared to the best actuarial practices;</li> <li>• assessment of the types of insurance reserves, the completeness of the risks they cover, the basis and the methods used for the calculation of the reserves;</li> <li>• assessment of the disclosure in Group consolidated financial statements related to insurance reserves.</li> </ul>

Key audit matter	How this key audit matter was addressed in our audit
<p><b>2. Impairment of Goodwill recognized in Business combination</b></p> <p>Goodwill as at 31 December 2018: BGN 190,458 thousand (31 December 2017: BGN 189,813 thousand)</p> <p>Note 34 to consolidated financial statements</p> <p>Review of the Goodwill acquired with Business combination is carried out on yearly basis with the help of external appraisers, hired by the Group. Assumptions are made based on future development of subsidiaries, taking into account their mid and long term business plans and planned future business activities within the Group. Key assumptions applied in calculations were determined separately for each Goodwill bearing Company, treated as separate unit generating Cash Flows and taking into account its business activity and risk specifics.</p> <p>These reasons as of above along with the application of significant judgments of the Group management and the considerable volatility related to used input data and the assumptions allowed when determining the fair values made us to define this matter as a key audit matter.</p>	<p>In this area, our audit procedures along with others similar, include:</p> <ul style="list-style-type: none"> <li>• review of the main assessment and assumptions, calculations and results from the impairment of the Goodwill review acquired with Business combination carried out by the Group with the help of independent external appraisers, hired by the Group;</li> <li>• assessment of the competence, independence and objectivity of the external appraisers, hired by the Group;</li> <li>• analysis of implementation of subsidiaries' forecast indicators from the previous year and comparison to their respective implementation during the reporting period as well as an assessment of appropriateness of Group's forecasts for its subsidiaries;</li> <li>• assessment of the disclosure adequacy in Group consolidated financial statements related to impairment of goodwill.</li> </ul>

### Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor's report, comprises the consolidated management report, including the corporate governance statement and consolidated non-financial statement prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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 Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 deficiencies in internal control that we identify during our audit.

We also 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

### ***Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act***

In addition to our responsibilities and reporting in accordance with ISAs, described above in the "Information Other than the Consolidated Financial Statements and Auditor's Report Thereon" section, in relation to the consolidated management report, the Group corporate governance statement and the consolidated non-financial statement, we have also performed the procedures added to those required under ISAs in accordance with "Guidelines about new and expanded auditor's reports and communications from the auditor's side" of the professional organisation of

certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100(m), paragraph 10 of the POSA in conjunction with Art. 100(m), paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

*Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act*

Based on the procedures performed, our opinion is that:

- a) The information included in the consolidated management report referring to the financial year for which the consolidated financial statements have been prepared is consistent with those consolidated financial statements.
- b) The consolidated management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act.
- c) The Group corporate governance statement referring to the financial year for which the consolidated financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100(m), paragraph 8 of the Public Offering of Securities Act.
- d) The consolidated non-financial statement referring to the financial year for which the consolidated financial statements have been prepared is provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

*Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100(m), paragraph 8 (3) and (4) of the Public Offering of Securities Act*

Based on the procedures performed and the knowledge and understanding obtained about Group's activities and the environment in which it operates, in our opinion, the description of the main characteristics of Group's internal control and risk management systems relevant to the financial reporting process, which is part of the consolidated management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

*Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act*

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Audit firm HLB BULGARIA OOD was appointed as a statutory auditor of the consolidated financial statements of EUROHOLD BULGARIA AD for the year ended 31 December 2018 by the general meeting of shareholders held on 29 June 2018 for a period of one year.

- The audit of the consolidated financial statements of the Group for the year ended 31 December 2018 represents second total uninterrupted statutory audit engagement for that Group carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the audit committee of EUROHOLD BULGARIA AD, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Group.

**Audit Firm**  
**HLB BULGARIA OOD**

**Manager:**  
**Veronika Revalska**

**Registered auditor, responsible for the audit:**  
**Vaska Gelina**

**30 April 2019**



The image shows a handwritten signature in blue ink, which appears to be 'Vaska Gelina', written over a blue circular stamp. The stamp contains the text: 'ОДИТОРСКО ДРУЖЕСТВО' (Audit Firm) at the top, 'София' (Sofia) in the center, 'Рег. № 017' (Reg. No. 017) below it, and 'Ейч Ел Би България ООД' (EYB Bulgaria OOD) at the bottom.

**B -**

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**Consolidated Financial  
Statements**

**B - CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**Eurohold Bulgaria AD  
Consolidated statement of profit or loss and other comprehensive income  
For the year ended 31 December**

<i>In thousand BGN</i>	Notes	2018	2017 Restated*
<b>Revenue from operating activities</b>			
Revenue from insurance business	3	987 201	1 005 026
Revenue from car sales and after sales	5	223 332	204 255
Revenue from leasing business	6	25 180	25 374
Revenue from asset management and brokerage	8	4 322	3 882
Revenue from the activities of the parent company	10	23 125	2 179
		<b>1 263 160</b>	<b>1 240 716</b>
<b>Expenses of operating activities</b>			
Expenses of insurance business	4	(928 424)	(919 255)
Cost of cars and spare parts sold		(194 093)	(182 089)
Expenses of leasing business	7	(4 288)	(4 325)
Expenses of asset management and brokerage	9	(2 539)	(2 749)
Expenses of the activities of the parent company	11	(576)	(859)
		<b>(1 129 920)</b>	<b>(1 109 277)</b>
<b>Gross Operating Profit</b>			
		<b>133 240</b>	<b>131 439</b>
Other income/(expenses), net	12	(4 816)	(6 037)
Other operating expenses	13	(78 528)	(67 889)
(Accrued)/recovered Impairment loss on financial assets, net	14	913	-
<b>EBITDA</b>		<b>50 809</b>	<b>57 513</b>
Financial expenses	15	(23 182)	(22 007)
Financial income	16	166	368
Foreign exchange gains/(losses), net	17	619	(1 173)
<b>EBTDA</b>		<b>28 412</b>	<b>34 701</b>
Depreciation and amortization	18	(10 541)	(8 110)
<b>EBT</b>		<b>17 871</b>	<b>26 591</b>
Tax expenses	19	(997)	(2 256)
<b>Net profit for the year</b>		<b>16 874</b>	<b>24 335</b>
<b>Net profit, attributable to:</b>			
Equity holders of the parent		14 385	18 103
Non-controlling interests		2 489	6 232
<b>Earnings per share, BGN</b>	<b>44.3</b>	<b>0.074</b>	<b>0.124</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2017 in connection with the correction of error disclosed in Note 50. The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Prepared by:



/Ivan Hristov/

Signed on behalf of BoD:



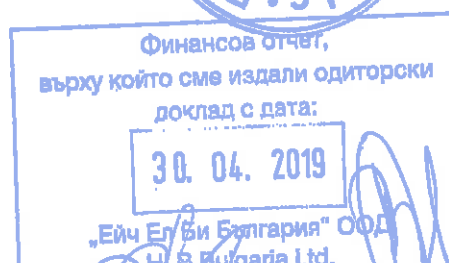
/Asen Minchev/

Procurator:



/Hristo Stoev/

19.4.2019


 Audit firm  
HLB Bulgaria OOD


These annual consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD on 19 April 2019. The notes from pages 22 to 86 are an integral part of the annual consolidated financial statements.

**Eurohold Bulgaria AD**  
**Consolidated Statement of profit or loss and other comprehensive income (continued)**  
**For the year ended 31 December**

<i>In thousand BGN</i>	<i>Note</i>	2018	2017 Restated*
<b>Net profit for the year</b>	45	<b>16 874</b>	<b>24 335</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified subsequently to profit or loss:</i>			
Net loss from change in the fair value of financial assets through other comprehensive income		(7)	-
Net loss from change in the fair value of available-for-sale financial assets		-	(486)
		<b>(7)</b>	<b>(486)</b>
Exchange differences on translating foreign operations		138	(599)
		<b>138</b>	<b>(599)</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>131</b>	<b>(1 085)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>17 005</b>	<b>23 250</b>
<b>Total comprehensive income, attributable to:</b>			
Equity holders of the parent		14 494	16 896
Non-controlling interests		2 511	6 354
		<b>17 005</b>	<b>23 250</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2017 in connection with the correction of error disclosed in Note 50. The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Prepared by:   
 /Ivan Hristov/

Signed on behalf of BoD:    
 /Asen Minchev/  /Hristo Stoev/

19.4.2019

Audit firm  
 HLB Bulgaria OOD



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**B - CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**

**Eurohold Bulgaria AD  
Consolidated statement of financial position**

<i>In thousand BGN</i>	Note	31.12.2018	31.12.2017 Restated*
<b>ASSETS</b>			
Cash and cash equivalents	20	49 540	45 945
Time Deposits at banks	21	20 157	11 171
Reinsurers' share in technical reserves	22.1	408 377	361 247
Insurance receivables	22.2	99 448	87 941
Trade receivables	23	37 518	43 397
Other receivables	24	39 262	30 822
Machinery, plant and equipment	25, 25.2-5	51 467	44 630
Intangible assets	27	3 274	2 198
Inventory	28	60 622	59 125
Financial assets	29	290 023	327 053
Deferred tax assets	30	14 676	13 184
Land and buildings	25, 25.1	15 043	20 090
Investment property	26	20 209	12 698
Investments in associates and other investments	31	12 698	4 724
Other financial investments	32	2 403	2 391
Non-current receivables	33	79 826	69 985
Goodwill	34	190 458	189 813
<b>TOTAL ASSETS</b>		<b>1 395 001</b>	<b>1 326 414</b>


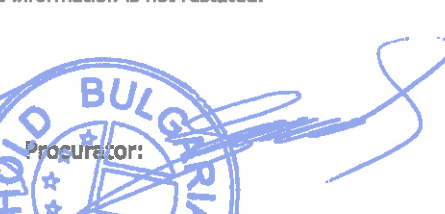
\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2017 in connection with the correction of error and reclassifications disclosed in Note 50. The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Prepared by:



/Ivan Hristov/

Signed on behalf of BoD:

/Asen Minchev/      /Hristo Stoev/

19.4.2019

Audit firm  
HLB Bulgaria OOD



These annual consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD on 19 April 2019. The notes from pages 22 to 86 are an integral part of the annual consolidated financial statements.

**Annual consolidated financial statement for 2018**

**B - CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**

**Eurohold Bulgaria AD  
Consolidated statement of financial position (continued)**

<i>In thousand BGN</i>	<i>Notes</i>	31.12.2018	31.12.2017 Restated*
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	44.1	197 526	197 526
Treasury shares	44.1	(77)	(77)
Share Premium	44.2	49 568	49 568
General reserves		7 641	7 641
Revaluation and other reserves		(55 632)	(57 203)
Retained earnings/(losses)		(44 781)	(45 055)
Profit for the year	45	14 385	18 103
<b>Equity attributable to equity holders of the parent</b>		<b>168 630</b>	<b>170 503</b>
Non-controlling interests	46	38 692	43 606
<b>Total equity</b>		<b>207 322</b>	<b>214 109</b>
<b>Subordinated debts</b>	<b>35</b>	<b>19 558</b>	<b>26 058</b>
<b>LIABILITIES</b>			
Bank and non-bank loans	36	142 167	99 245
Obligations on bond issues	37	157 564	150 757
Non-current liabilities	38	24 745	26 412
Current liabilities	39	35 330	29 262
Trade and other payables	40	108 308	102 192
Payables to reinsurers	41	23 265	81 863
Deferred tax liabilities	42	396	284
		<b>401 775</b>	<b>490 015</b>
<b>Insurance reserves</b>	<b>43</b>	<b>676 346</b>	<b>596 232</b>
		<b>676 346</b>	<b>596 232</b>
<b>Total liabilities and subordinated debts</b>		<b>1 187 679</b>	<b>1 112 305</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 395 001</b>	<b>1 326 414</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2017 in connection with the correction of error and reclassifications disclosed in Note 50. The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Prepared by:

*Ivan Hristov*  
/Ivan Hristov/

Signed on behalf of BoD:

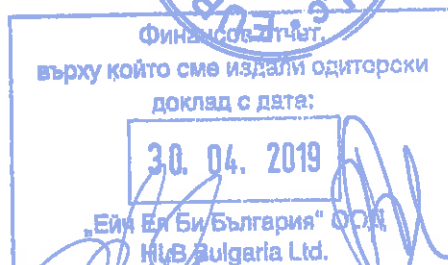
*Asen Minchev*  
/Asen Minchev/

Procurator:

*Hristo Stoev*  
/Hristo Stoev/

19.4.2019

Audit firm  
HLB Bulgaria OOD



These annual consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD on 19 April 2019. The notes from pages 22 to 86 are an integral part of the annual consolidated financial statements.

**Annual consolidated financial statement for 2018**



**B - CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**

**Eurohold Bulgaria AD  
Consolidated statement of cash flows  
For the year ended 31 December**

<i>In thousand BGN</i>	<i>Note</i>	2018	2017 Restated*
<b>Operating activities</b>			
Profit for the year before tax:		<b>17 871</b>	<b>26 591</b>
Adjustments for:			
Depreciation and amortization	18	10 541	8 110
Foreign exchange gain/(loss)		(948)	1 367
Dividend Income		(90)	(101)
Change in Insurance reserves		33 262	19 598
Increase in Impairment loss		6 055	14 809
Revaluation of Investments		(475)	(1 061)
Profit from the purchase of Investments in subsidiaries		742	-
Profit from the sale of Investments		(33 029)	(8 261)
Profit from transfer of property, plant and equipment		(397)	(314)
Net Investment Income (Interest income and expenses)		12 894	13 406
Other non-cash adjustments		5 318	(2 915)
<b>Operating profit before change in working capital</b>		<b>51 744</b>	<b>71 229</b>
Change in trade and other receivables		(12 402)	14 284
Change in Inventory		(1 497)	(18 913)
Change in trade and other payables and other adjustments		(39 845)	(42 156)
<b>Cash generated from operating activities</b>		<b>(2 000)</b>	<b>24 444</b>
Interest (paid)/received		3 356	4 244
Income tax paid		(379)	(968)
<b>Net cash flows from operating activities</b>		<b>977</b>	<b>27 720</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(5 076)	(7 533)
Proceeds from the disposal of property, plant and equipment		3 311	20 366
Loans granted		(43 662)	(43 444)
Repayment of loans, including financial leases		75 794	65 620
Interest received on loans granted		1 882	2 283
Purchase of Investments		(136 210)	(210 187)
Sale of Investments		104 540	80 536
Dividends received		4 222	1 934
Effect of exchange rate changes		164	4
Other proceeds/(payments) from Investing activities, net		(2 437)	(3 946)
<b>Net cash flows from Investing activities</b>		<b>2 528</b>	<b>(94 367)</b>

Prepared by:  Signed on behalf of BoD:  Procurator: 

19.4.2019

Audit firm  
HLB Bulgaria OOD



These annual consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD on 19 April 2019. The notes from pages 22 to 26 are an integral part of the annual consolidated financial statements.

**Annual consolidated financial statement for 2018**

„Ел Ел Би България“ ООД  
HLB Bulgaria Ltd.



**B - CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**Eurohold Bulgaria AD  
Consolidated Statement of Changes in Equity  
For the year ended 31 December**

<i>In thousand BGN</i>	Share capital	Share premium	General reserves	Revaluation and other reserves	Retained earnings/(losses)	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance as at 31 December 2016	124 399	39 736	7 641	(56 477)	(36 185)	79 114	36 145	115 259
Effect of correction of error (Note 50)	-	-	-	-	(230)	(230)	(87)	(317)
Balance as at 1 January 2017 (Restated)	124 399	39 736	7 641	(56 477)	(36 415)	78 884	36 058	114 942
Capital issue	70 181	10 854	-	-	-	81 035	-	81 035
Dividends	-	-	-	-	(1 613)	(1 613)	(490)	(2 103)
Repurchased own shares	2 869	(1 022)	-	-	-	1 847	-	1 847
Change in non-controlling interest due to transactions without change of control	-	-	-	481	(7 027)	(6 546)	1 684	(4 862)
Profit for the Year	-	-	-	-	18 103	18 103	6 232	24 335
<b>Other comprehensive income:</b>								
Revaluation reserve from recalculations in the foreign currency presentation	-	-	-	(734)	-	(734)	135	(599)
Change in the fair value of available-for-sale financial assets	-	-	-	(473)	-	(473)	(13)	(486)
Total other comprehensive income	-	-	-	(1 207)	-	(1 207)	122	(1 085)
Total comprehensive income	-	-	-	(1 207)	18 103	16 896	6 354	23 250
Balance as at 31 December 2017 (Restated) *	197 449	49 568	7 641	(57 203)	(26 952)	170 803	43 606	214 109
Adjustment upon initial application of IFRS 9 (Note 2.2.1.B)	-	-	-	-	(11 584)	(11 584)	85	(11 499)
Adjustment for initial application of IFRS 15 (Note 2.2.1.A)	-	-	-	-	(2 102)	(2 102)	-	(2 102)
Balance as at 1 January 2018 (Restated)	197 449	49 568	7 641	(57 203)	(40 638)	156 817	43 691	200 508
Dividends	-	-	-	-	(1 800)	(1 800)	(1 127)	(2 927)
Change in non-controlling interest due to transactions without change of control	-	-	-	1 462	(2 343)	(881)	(6 383)	(7 264)
Profit for the Year	-	-	-	-	14 385	14 385	2 489	16 874
<b>Other comprehensive income:</b>								
Revaluation reserve from recalculations in the foreign currency presentation	-	-	-	115	-	115	23	138
Changes in the fair value of financial assets through other comprehensive income	-	-	-	(6)	-	(6)	(1)	(7)
Total other comprehensive income	-	-	-	109	-	109	22	131
Total comprehensive income	-	-	-	109	14 385	14 494	2 511	17 005
Balance as at 31 December 2018	197 449	49 568	7 641	(55 637)	(26 553)	166 630	38 692	207 322

\*The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Prepared by:

  
/Ivan Hristov/

Signed on behalf of BoD:

  
/Asen Minchev/

Procurator:

  
/Hristo Stoev/

19.4.2019

 Audit firm  
HLB Bulgaria OOP


These annual consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD on 19 April 2019. The notes from pages 22 to 86 are an integral part of the annual consolidated financial statements.

**B - CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**Consolidated statement of profit or loss by Business Segments  
For the year ended 31 December 2018**

*In thousand BGN*

		2018	2018	2018	2018	2018	2018	
	Note	Consolidated	Insurance business	Automotive	Leasing business	Asset management and brokerage	Parent company	Elimination
<b>Revenue from operating activities</b>								
Revenue from insurance business	3	987 201	988 994	-	-	-	-	(1 793)
Revenue from car sales and after sales	5	223 332	-	234 318	-	-	-	(10 986)
Revenue from leasing business	6	25 180	-	-	27 081	-	-	(1 901)
Revenue from asset management and brokerage	8	4 322	-	-	-	5 071	-	(749)
Revenue from the activities of the parent company	10	23 125	-	-	-	-	24 007	(882)
		<b>1 263 160</b>	<b>988 994</b>	<b>234 318</b>	<b>27 081</b>	<b>5 071</b>	<b>24 007</b>	<b>(16 311)</b>
<b>Expenses of operating activities</b>								
Expenses of insurance business	4	(928 424)	(936 924)	-	-	-	-	8 500
Cost of cars and spare parts sold		(194 093)	-	(194 312)	-	-	-	219
Expenses of leasing business	7	(4 288)	-	-	(4 686)	-	-	398
Expenses of asset management and brokerage	9	(2 539)	-	-	-	(2 541)	-	2
Expenses of the activities of the parent company	11	(576)	-	-	-	-	(661)	85
		<b>(1 229 920)</b>	<b>(936 924)</b>	<b>(194 312)</b>	<b>(4 686)</b>	<b>(2 541)</b>	<b>(661)</b>	<b>9 204</b>
<b>Gross profit</b>		<b>133 240</b>	<b>82 070</b>	<b>40 006</b>	<b>22 395</b>	<b>2 530</b>	<b>23 346</b>	<b>(7 107)</b>
Other income/(expenses), net	12	(4 816)	-	105	(7 653)	50	-	2 682
Other operating expenses	13	(78 528)	(36 392)	(30 543)	(9 521)	(1 645)	(3 004)	2 577
(Accrued)/recovered impairment loss on financial assets, net	14	913	(621)	29	1 431	21	(13)	66
<b>EBITDA</b>		<b>50 809</b>	<b>18 057</b>	<b>9 597</b>	<b>6 652</b>	<b>956</b>	<b>20 329</b>	<b>(1 782)</b>
Financial expenses	15	(23 182)	(2 416)	(3 299)	-	-	(19 278)	1 811
Financial income	16	355	-	381	-	-	-	(215)
Foreign exchange gains/(losses), net	17	819	-	(17)	-	-	636	-
<b>EBTDA</b>		<b>28 412</b>	<b>12 641</b>	<b>6 662</b>	<b>6 652</b>	<b>956</b>	<b>1 687</b>	<b>(186)</b>
Depreciation and amortization	18	(10 541)	(2 243)	(2 821)	(5 392)	(58)	(27)	-
<b>EBT</b>		<b>17 871</b>	<b>10 398</b>	<b>3 841</b>	<b>1 260</b>	<b>898</b>	<b>1 660</b>	<b>(186)</b>
Tax expenses	19	(997)	(488)	(403)	(42)	(64)	-	-
<b>Net profit for the year</b>		<b>16 874</b>	<b>9 910</b>	<b>3 438</b>	<b>1 218</b>	<b>834</b>	<b>1 660</b>	<b>(186)</b>

**Consolidated statement of profit or loss by Business Segments  
For the year ended 31 December 2017**

*In thousand BGN*

		2017	2017*	2017	2017	2017	2017	2017
	Note	Restated	Restated					
		Consolidated	Insurance business	Automotive	Leasing business	Asset management and brokerage	Parent company	Elimination
<b>Revenue from operating activities</b>								
Revenue from insurance business	3	1 005 026	1 006 257	-	-	-	-	(1 231)
Revenue from car sales and after sales	5	204 255	-	214 285	-	-	-	(10 030)
Revenue from leasing business	6	25 374	-	-	26 527	-	-	(1 153)
Revenue from asset management and brokerage	8	3 862	-	-	-	4 991	-	(1 109)
Revenue from the activities of the parent company	10	2 179	-	-	-	-	4 268	(2 089)
		<b>1 240 716</b>	<b>1 006 257</b>	<b>214 285</b>	<b>26 527</b>	<b>4 991</b>	<b>4 268</b>	<b>(15 612)</b>
<b>Expenses of operating activities</b>								
Expenses of insurance business	4	(919 255)	(926 872)	-	-	-	-	7 617
Cost of cars and spare parts sold		(182 089)	-	(182 101)	-	-	-	12
Expenses of leasing business	7	(4 325)	-	-	(4 675)	-	-	350
Expenses of asset management and brokerage	9	(2 749)	-	-	-	(2 752)	-	-
Expenses of the activities of the parent company	11	(659)	-	-	-	-	(859)	-
		<b>(1 209 277)</b>	<b>(926 872)</b>	<b>(182 101)</b>	<b>(4 675)</b>	<b>(2 752)</b>	<b>(859)</b>	<b>7 982</b>
<b>Gross profit</b>		<b>131 439</b>	<b>79 385</b>	<b>32 184</b>	<b>21 852</b>	<b>2 239</b>	<b>3 409</b>	<b>(7 630)</b>
Other income/(expenses), net	12	(6 037)	-	40	(8 918)	24	-	2 817
Other operating expenses	13	(67 889)	(31 030)	(26 619)	(8 645)	(1 981)	(1 887)	2 273
(Accrued) / recovered impairment loss on financial assets, net	14	-	-	-	-	-	-	-
<b>EBITDA</b>		<b>57 513</b>	<b>48 355</b>	<b>6 605</b>	<b>4 289</b>	<b>282</b>	<b>1 522</b>	<b>(2 540)</b>
Financial expenses	15	(22 007)	(3 494)	(2 888)	-	-	(17 648)	2 023
Financial income	16	358	-	390	-	-	-	(22)
Foreign exchange gains/(losses), net	17	(1 173)	-	-	-	-	(1 173)	-
<b>EBTDA</b>		<b>34 791</b>	<b>44 861</b>	<b>3 107</b>	<b>4 289</b>	<b>282</b>	<b>(17 299)</b>	<b>(539)</b>
Depreciation and amortization	18	(8 110)	(1 380)	(2 506)	(4 161)	(56)	(7)	-
<b>EBT</b>		<b>26 681</b>	<b>43 481</b>	<b>601</b>	<b>128</b>	<b>226</b>	<b>(17 306)</b>	<b>(539)</b>
Tax expenses	19	(2 256)	(1 880)	(343)	(16)	(17)	-	-
<b>Net profit for the year</b>		<b>24 425</b>	<b>41 601</b>	<b>258</b>	<b>112</b>	<b>209</b>	<b>(17 306)</b>	<b>(539)</b>

**C.**

**Notes to the Consolidated  
Financial Statements**

# Notes to the Annual Consolidated Financial Statements for 2018

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

## 1. INFORMATION ABOUT THE ECONOMIC GROUP

Eurohold Bulgaria AD (parent company) 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.

The parent company is 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 inventory of Sofia City Court and Starcom Holding AD registered under corporate file № 6333/1995 as per the inventory of Sofia City Court.

The seat and registered address of Eurohold Bulgaria AD are as follows: city of Sofia, 43 Christopher Columbus Blvd.

The parent company has the following managing bodies: General Meeting of Shareholders, Supervisory Board /two-tier system/ and Management Board, with the following members as at 31.12.2018:

### Supervisory board:

Asen Milkov Christov – Chairman;  
Dimitar Stoyanov Dimitrov – Deputy Chairman;  
Radl Georgiev Georgiev – Member;  
Kustaa Lauri Ayma – Independent Member;  
Lyubomir Stoev – Independent Member;  
Louls Gabriel Roman – Independent Member.

### Management board:

Kiril Ivanov Boshov – Chairman, Executive Member;  
Asen Mintchev Mintchev – Executive Member;  
Velislav Milkov Hristov – Member;  
Assen Emanouillov Assenov – Member;  
Dimitar Kirilov Dimitrov – Member;  
Razvan Stefan Lefter – Member.

As at 31.12.2018, the Company is represented and managed by Kiril Ivanov Boshov and Assen Mintchev Mintchev – Executive Members of the Management Board, and Hristo Stoev – Procurator, jointly by the one of the executive members and the Procurator of the Parent Company only.

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

As at 31.12.2018, the Audit Committee of the Parent Company comprises the following members:

Ivan Georgiev Mankov – Chairman;  
Dimitar Stoyanov Dimitrov – Member;  
Rositsa Mihaylova Pencheva – Member.

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**1.1 Scope of Activities**

The scope of activities of the parent company is as follows: acquisition, management, assessment and sales of participations in Bulgarian and foreign companies, acquisition, management and sales of bonds, acquisition, assessment and sales of patents, granting patent use licenses to companies in which the parent company participates, funding companies, in which the Parent company participates.

**1.2 Structure of the economic group**

The Investment portfolio of Eurohold Bulgaria AD comprises three economic sectors: insurance, finance and automobile. The insurance sector has the biggest share in the holding's portfolio, and the automobile sector is the newest line.

**Companies involved in the consolidation and percentage of participation in equity**
**Insurance Sector**

Company	% of participation in the share capital 31.12.2018	% of participation in the share capital 31.12.2017
<b>Euroins Insurance Group AD (EIG AD) *</b>	<b>91.84%</b>	<b>89.36%</b>
<i>Indirect participation through EIG AD:</i>		
Insurance Company Euroins AD, Bulgaria	98.27%	98.21%
Euroins Insurance AD, Romania	98.51%	98.50%
Euroins Insurance AD, Northern Macedonia	93.36%	93.36%
Euroins Health Insurance EAD, Bulgaria	100.00%	100.00%
Insurance Company EIG Re AD, Bulgaria	100.00%	100.00%
Euroins Ukraine AD, Ukraine	98.36%	98.32%
Euroins Claims OOD, Greece	66.00%	-
Euroins Georgia AD, Georgia	50.04%	-
European Travel Insurance AD, Ukraine	99.99%	-

\*direct participation

**Automobile Sector**

Company	% of participation in the share capital 31.12.2018	% of participation in the share capital 31.12.2017
<b>Avto Union AD (AU AD)*</b>	<b>99.99%</b>	<b>99.99%</b>
<i>Indirect participation through AU AD:</i>		
Bulvaria Varna EOOD, Bulgaria	100.00%	100.00%
N Auto Sofia EAD, Bulgaria	100.00%	100.00%
Espace Auto OOD, Bulgaria through N Auto Sofia EAD	51.00%	51.00%
EA Properties EOOD, Bulgaria	51.00%	51.00%
Daru Car AD, Bulgaria	99.84%	99.84%
Auto Italy EAD, Bulgaria	100.00%	100.00%
Bulvaria Holding EAD, Bulgaria	100.00%	100.00%
Bulvaria Sofia EAD, Bulgaria through Bulvaria Holding EAD	100.00%	-
Star Motors EOOD, Bulgaria	100.00%	100.00%
Star Motors DOOEL, Northern Macedonia through Star Motors EOOD	100.00%	100.00%
Star Motors SH.P.K., Kosovo through Star Motors EOOD	100.00%	100.00%
Avto Union Service EOOD, Bulgaria	100.00%	100.00%
Motohub OOD, Bulgaria	51.00%	-
Motobul EAD, Bulgaria	100.00%	100.00%
Benzin Finance EAD, Bulgaria through Motobul EAD	100.00%	-
Bopar Pro S.R.L., Romania through Motobul EAD	99.00%	99.00%

\*direct participation

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**Finance Sector**

Company	% of participation in the share capital 31.12.2018	% of participation in the share capital 31.12.2017
<b>Euro-Finance AD, Bulgaria*</b>	<b>99.99%</b>	<b>99.99%</b>
*direct participation		

Company	% of participation in the share capital 31.12.2018	% of participation in the share capital 31.12.2017
<b>Eurolease Group EAD*</b>	<b>100.00%</b>	<b>100.00%</b>
<i>Indirect participation through Eurolease Group EAD:</i>		
Eurolease Auto EAD, Bulgaria	100.00%	100.00%
Eurolease Auto Romania AD, Romania	77.98%	77.98%
Eurolease Auto Romania AD through EuroIns Insurance Romania AD	22.02%	22.02%
Eurolease Auto DOOEL, Northern Macedonia	100.00%	100.00%
Eurolease Rent A Car EOOD, Bulgaria	100.00%	100.00%
Amigo Leasing EAD, Bulgaria	100.00%	100.00%
Autoplaza EAD, Bulgaria	100.00%	100.00%
Sofia Motors EOOD, Bulgaria	100.00%	100.00%
*direct participation		

**2. SUMMARY OF THE GROUP'S ACCOUNTING POLICY**
**2.1 Basis for Preparation of the Consolidated Financial Statement**

The consolidated financial statements of Eurohold Bulgaria AD are prepared in compliance with all International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of the Standing Interpretation Committee (SIC), Interpretations of the IFRS Interpretation committee (IFRIC), which are effectively in force and are adopted by the Commission of the European Union.

The Group has considered all standards and interpretations applicable to its activity as at the date of preparation of the present financial statement.

The annual consolidated financial statements have been prepared in accordance with the historical cost principle, except for investment properties and those financial instruments and financial liabilities that are measured at fair value.

**2.2 Changes in accounting policies and disclosures**
**2.2.1 New Standards, Explanations and Amendments in effect since January 1, 2018**

The Group applies IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments" for the first time. The nature and effect of the changes resulting from the adoption of these new accounting standards are described below.

For the first time in 2018, some other amendments and clarifications apply, but they have no material impact on the consolidated financial statements of the Group.

The Group has not adopted standards, clarifications or amendments that have been published but have not yet entered into force.

The Group applies the following new standards, amendments and interpretations to IFRSs developed and published by the International Accounting Standards Board, which are mandatory for the period beginning on 1 January 2018:



### 2.2.1.A IFRS 15 „Revenue from contracts with customers“

IFRS 15 replaces IAS 11 "Construction Contracts", IAS 18 "Revenue" and the related explanations and, with some limited exceptions, applies to all revenue arising from contracts with clients. IFRS 15 introduces a new, five-step accounting model for revenue arising from contracts with clients and requires income to be recognized at an amount that reflects the remuneration the Group expects to have in return for the goods or services transferred to the customer.

IFRS 15 requires undertakings to exercise judgment, taking into account all relevant facts and circumstances when applying each step of the model to the contracts with their clients. In addition, the Standard also sets out the accounting treatment of the differential costs of acquiring a contract and the costs directly related to the performance of the contract. Moreover, the standard requires advanced disclosures.

The Group has adopted IFRS 15 using a modified retrospective application, with adoption date 1 January 2018. According to this method, the Standard may be applied either to all contracts at the date of initial application or only to contracts, which were not met by that date. The group preferred to apply the standard only to contracts that were not completed on 1 January 2018.

The cumulative effect of initial application of IFRS 15 is recognized at the date of initial application as a correction of the opening balance of retained earnings / (uncovered loss). That is, the comparative information is not restated and continues to be reported under IAS 11, IAS 18 and the related interpretations.

The Group has assessed the effects of the application of the new standard on the annual consolidated financial statement and the following table presents the net impact of tax on the transition to IFRS 15 on retained earnings / (uncovered losses) and non-controlling interest at 1 January 2018.

<i>In BGN'000</i>	<b>Impact after adoption at January 1, 2018</b>
<b>Retained earnings / (losses)</b>	
Inventory	(698)
Prepaid expenses (Other receivables)	(1 404)
<b>Impact at January 1, 2018</b>	<b>(2 102)</b>
<b>Non-controlling interest</b>	
<b>Impact at January 1, 2018</b>	<b>-</b>
<b>Total Equity</b>	
<b>Impact at January 1, 2018</b>	<b>(2 102)</b>

The Group has assessed the effects of applying the new IFRS 15 on its consolidated financial statements and has identified areas that are affected and that affect its earnings and / or receivables. No substantial change in the business model is expected, nor is there change in the time horizon of transferring control to customers from the services rendered or the accounting of sales of cars and other short-term assets.

#### **Effect of extended guarantees**

The Group has found it is an agent and has changed its way of reporting extended guarantees. The Group agrees that the sale of the extended guarantees should be accounted for at the expense of Car-Guarantee Versicherung AG or a party to the contracts for these guarantees. Previous practice has been to count them as expenditures for future periods. The effect of the adjustment in the reporting of the extended guarantees is calculated and carried forward to a decrease in the undistributed profit / (uncovered loss) as follows:

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**

	<b>Impact on opening balances</b> (BGN'000)
Retained earnings / (uncovered loss)	(1 404)
Prepaid expenses (Other receivables)	(1 404)
<b>Impact at January 1, 2018</b>	<b>(1 404)</b>

Under IFRS 15, in the case of sales of extended warranties and cardfuel sales, the Group has the role of an agent rather than a principal. Therefore, revenues from sales of extended guarantees and from sales of fuels are presented in the consolidated statement of profit or loss and other comprehensive income on a net basis, i.e. income is the difference between the gross amount of revenue less the book value of the extended guarantees. The effects of this statement in the consolidated statement of profit or loss and other comprehensive income for the year 2018 are presented in the table:

	<b>Impact on profit for 2018</b> (BGN'000)
Adjustment of revenue under contracts with customers	(73)
Costs for external services	73
<b>Impact on profit for 2018</b>	<b>-</b>

**Effect of providing free equipment against reached turnover**

As of January 1, 2018, the Group has effective contracts for the provision of free equipment to customers when the turnover exceeds a certain limit of sales of oil. The Group has considered that the provision of free equipment is a separate obligation to execute and has recalculated revenue and liabilities to customers in connection with the provision of free equipment to customers.

The effect of initial application of IFRS 15 related to this restatement is as follows:

	<b>Impact on opening balances</b> (BGN'000)
Retained earnings / (uncovered loss)	(698)
Inventory	(698)
<b>Impact at January 1, 2018</b>	<b>(698)</b>

**Effect of providing free goods and services**

The Group provides free of charge additional goods and services to its customers (in the form of accessories, tires, alarms, free registration of vehicles, other services).

The impact on the consolidated statement of profit or loss and other comprehensive income for the year 2018 are presented in the table:

	<b>Impact on profit for 2018</b> (BGN'000)
Revenue from the sale of goods	(99)
Revenues from sales of services	26
Costs for external services	73
<b>Impact on profit for 2018</b>	<b>-</b>

**2.2.1.B IFRS 9 „Financial Instruments“**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, combining all three aspects of the accounting for financial instruments: classification and measurement, impairment and accounting for the hedge.

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**

The Group applies IFRS 9 for future periods beginning on or after 1 January 2018. The Group has not restated comparative information that continues to be reported under IAS 39. The differences arising from the adoption of IFRS 9 are recognized directly in retained earnings / (uncovered loss) and non-controlling interests.

The following table shows the impact net of tax on the transition to IFRS 9 on retained earnings / (uncovered loss) and non-controlling interests at 1 January 2018.

<b>BGN'000</b>	<b>Type of adjustment</b>	<b>Impact on transition at 1 January 2018</b>
<b>Retained earnings / (uncovered loss)</b>		
Cash and cash equivalents	b)	(141)
Deposits at banks	b)	(28)
Trade receivables	b)	(6 156)
Other receivables	b)	(837)
Financial assets	a),b)	(93)
Other financial investments	a),b)	(9)
Non-current receivables	b)	(4 459)
Trade and other payables	a)	139
<b>Impact at January 1, 2018</b>	<b>a),b)</b>	<b>(11 584)</b>
<b>Non-controlling participation</b>		
Cash and cash equivalents	b)	(12)
Term deposits in banks	b)	(4)
Trade and other receivables	b)	102
Financial assets	a),b)	(1)
<b>Impact at January 1, 2018</b>	<b>a),b)</b>	<b>85</b>
<b>Total Equity</b>		
<b>Impact at January 1, 2018</b>	<b>a),b)</b>	<b>(11 499)</b>

Deferred tax assets are not recognized as it is estimated that they are unlikely to be utilized through future taxable profits.

**(a) Classification and evaluation**

Under IFRS 9, after initial recognition, financial assets are measured at fair value through profit or loss or amortized cost or at fair value in other comprehensive income. The classification is based on two criteria: the asset management business model and whether the contractual cash flows of the instrument are 'only principal and interest payments' on the outstanding principal.

The Group's business model is valued at the date of initial application, 1 January 2018. The assessment of whether the contractual cash flows of the debt instruments consist solely of principal and interest based on the facts and circumstances of the initial recognition of assets.

The following table presents the classification of each type of financial assets of the Group under IAS 39 and its subsequent classification and measurement under IFRS 9 at 1 January 2018.

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	Type of financial asset	Category by IAS 39	Category by IFRS 9	Carrying amount under IAS 39 (BGN'000)	Carrying amount under IFRS 9 (BGN'000)
1	Cash and cash equivalents	Credits and receivables	Debt Instrument at amortized cost	45 945	45 792
2	Term deposits in banks	Credits and receivables	Debt Instrument at amortized cost	11 171	11 139
3	Trade and other receivables	Credits and receivables	Debt Instrument at amortized cost	43 397	37 343
4	Other receivables	Credits and receivables	Debt Instrument at amortized cost	30 822	29 985
5	Financial assets	Available for sale Held to maturity Credits and receivables	An equity Instrument at fair value through profit or loss Debt Instrument at fair value through profit or loss Debt Instrument at fair value through OCI Debt Instrument at amortized cost	327 053	326 959
6	Other financial investments	Available for sale	An equity Instrument at fair value through profit or loss	2 391	2 382
7	Non-current receivables	Credits and receivables	Debt Instrument at amortized cost	69 985	65 526
	<b>Total financial assets</b>			<b>530 764</b>	<b>519 126</b>

There are no changes in the classification and measurement of the financial liabilities of the Group.

An adjustment of BGN 139 thousand is reflected in a decrease in non-current liabilities and respectively in an increase of retained earnings / (accumulated loss) and is due to a recalculation of the present value of a long-term liability of the Group.

**(b) Impairment**

The adoption of IFRS 9 substantially changed the Group's accounting for impairment losses for financial assets by replacing the accrued loss approach of IAS 39 with the more forward-looking expected credit loss model (expected credit losses). IFRS 9 requires the Group to recognize a provision for expected credit losses for all debt instruments that are not carried at fair value through profit or loss and for contract assets.

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

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

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

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- financial Instruments whose credit quality has not significantly deteriorated since the Initial recognition or have low credit risk (Phase 1), and
- financial Instruments whose credit quality has deteriorated significantly since the time of Initial recognition or where the credit risk is not low (Phase 2)
- „Phase 3“ covers financial assets that have objective evidence of impairment at the reporting date

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

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

**Trade and other receivables, contracted assets, receivables on loans granted**

The Group applies a simplified depreciation model for financial assets falling within the scope of IFRS 9 (portfolio approach) based on Moody's statistics on the probability of execution, the default losses and the expected credit losses. The statistical databases in question have the following temporal and geographical dimensions:

- External world-wide statistics for the period since 1990;
- Local country statistics (adapting external to the local environment) for the period 2011-2017.

The set of impairment guidelines adopted by the Group includes information on the main types of financial assets (segregated in individual portfolios) within the scope of IFRS 9 but mainly includes the following types of assets:

- Loan receivables - loan receivables that are categorized depending on whether the Borrowing Company has a rated rating and whether the receivables from such loans are overdue;
- Trade and other receivables - a large group of receivables arising from the normal business activity of the Group and related to general transactions in the normal course of business. The Group divides the portfolio of the aforementioned assets into 4 major portfolios according to their specific characteristics, namely:

(A) Corporate clients - Includes all receivables arising from commercial (non-financial) transactions that are further subdivided according to their geographic features (1) Sub Portfolio A - International clients (including all types of international non-domestic customers) B - local clients (including all local clients at the respective place of operation);

(B) Individual clients - the portfolio includes all receivables and other receivables (non-financial) from individuals;

(C) Related parties - Includes all trade and other receivables from related parties of the Group as well as within the Group in accordance with the general requirements of IAS 24 „Related Party Disclosures“;

(D) Surveillance receivables - the last portfolio includes all other receivables that are overdue for more than 120 days but are not yet considered as being individually reviewed due to the specific nature of the relationship with the counterparty;

(E) Other individually assessed receivables - all other assets (trade and other receivables) that are overdue for more than 150 days and must be individually assessed for impairment.

### **Cash and deposits**

Cash and deposits - Including cash held by the Group in banks, as well as deposits with a repayment term of more than 3 months from the reporting date.

The Group categorizes the banks in which it holds cash on the basis of their rating agencies (Moody's, Fitch, S & P, BCRA) and, depending on it, applies a different percentage of the expected credit losses.

### **Receivables under finance leases**

In determining the impairment of finance lease receivables, the Group is based on a three-tier approach that seeks to reflect the deterioration in the credit quality of the financial instrument. At each reporting date after the initial recognition, the Group assesses to what extent the financial asset that is the subject of the impairment test is at each stage. The stage defines the relevant impairment requirements.

The Group uses a 5-point credit rating system for each transaction, the criteria of the system being used to consider both the lease asset, the transaction parameters (initial payment, term, residual value) and the financial status of the individual client.

In connection with the application of IFRS 9 in accounting for finance leases, the following segmentation is used to determine the potential credit loss.

**Group 1** - Financial assets that do not have a significant change in post-start credit risk and for which probable credit losses are calculated within the next 12 months.

In this category, all lease transactions with a rating of 1 to 3 are repaid and / or there is no deterioration in the qualitative indicators. The expected loss amounts for the following 12 months are calculated on the basis of the probability of default, the amount of exposure in respect of which the default could occur and the expected loss in the event of default.

The selected model differentiates the accrued expected loss by type of client and assigned credit rating under the lease.

**Group 2** - financial assets assigned a less favorable credit rating of 4 and 5 and / or deterioration of the qualitative indicators.

Leasing companies in the Group charge expected losses for the entire period up to the end of the asset's life.

**Group 3** - financial assets for which there is a significant deterioration in the qualitative indicators. This category includes all financial assets that did not fall into the previous two groups, namely:

- a) financial assets under active leasing contracts for which there is a significant delay in payments;
- b) financial assets on terminated leasing contracts for which the leasing company has seized the leasing asset and at the date of the consolidated financial statement it is in stock;
- c) financial assets on terminated leasing contracts for which the leasing company has seized the leasing asset and at the date of the consolidated financial statement it is already realized;
- d) other financial assets under leasing contracts that do not fall under the previous three categories.

As a result of the adoption of IFRS 9, the Group has adopted the related amendments to IAS 1 Presentation of Financial Statements that require the impairment loss on financial assets to be presented in a separate line item in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of other comprehensive income.

In addition, the Group has adopted the related amendments to IFRS 7 "Financial Instruments: Disclosures" that are applicable to the disclosures for the year 2018 but are not fully applied to comparative information.

The Group has adopted the following new and revised standards and interpretations that are mandatory for application from 1 January 2018 that do not have an effect on the consolidated financial position and the results of its operations.

**Explanation to IFRS 15 "Revenue from contracts with customers"** (Issued on 12 April 2016), in force since 1 January 2018, adopted by the EU on 31 October 2017, published in the OJ on 9 November 2017;

**Amendments to IFRS 4: Application of IFRS 9 Financial Instruments to IFRS 4 Insurance Contracts** (Issued on September 12, 2016), effective January 1, 2018, adopted by the EU on 3 November 2017, published in the OJ on 9 November 2017;

**Annual Improvements to IFRS 2014-2016** (Issued December 8, 2016), effective January 1, 2018 / January 1, 2017, adopted by the EU on February 7, 2018, published in the OJ on 8 February 2018;

**Amendments to IFRS 2 "Classification and measurement of share-based payment transactions"** (Issued on 20 June 2016), in force since 1 January 2018, adopted by the EU on 26 February 2018, published in the OJ on February 26, 2018;

**Amendments to IAS 40 "Transfer of Investment Property"** (Issued December 8, 2016), effective January 1, 2018, adopted by the EU on March 14, 2018, published in the OJ on March 15, 2018;

**IFRIC 22 "Foreign Currency Transactions and Prepayments"** (Issued December 8, 2016), effective January 1, 2018, adopted by the EU on 28 March 2018, published in the Official Journal on 3 April 2018.

### 2.2.2 Standards, clarifications and changes to standards issued by the IASB and accepted by the EU but not in force

At the date of preparation of these consolidated financial statements, the following standards and amendments to existing standards and interpretations have been issued by the International Accounting Standards Board (IASB) but are not yet effective for annual periods beginning on or after 1 January 2018 have not been accepted for earlier application by the Group.

The management of the Group has judged that the following would have a potential effect in the future for changes in accounting policies and the classification and amounts of reportable items in the consolidated financial statements for subsequent periods and disclosing how it can be expected to affect disclosures, consolidated financial position and operating results when the Group adopts these standards for the first time.

**IFRS 16 Leasing** (Issued on January 13, 2016), effective January 1, 2019, adopted by the EU on 31 October 2017, published in the OJ on 9 November 2017.

IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of the lease and requires lessees to account for all leases under a single balance sheet model similar to the accounting for finance leases under IAS 17 Leases. On the commencement date of the lease, the lessee will recognize an obligation to make lease payments (i.e., a lease liability) and an asset - entitlement to use the underlying asset over the lease term (i.e., the right to use the asset). Lessees will have to recognize separately the interest expense on the lease obligation and the depreciation cost of the right to use the

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asset. Similarly, lessees will be required to re-determine the value of the lease liability at the occurrence of certain events (eg, change in the lease term, change in future lease payments as a result of an index change or percentage used to determine such payments). In principle, the lessee will recognize the amount of the revaluation of the lease liability as an adjustment to the right to use the asset.

Essentially, accounting under IFRS 16 for lessors will not change significantly from current accounting in accordance with IAS 17. Lessors will continue to classify all leases by applying the same classification principle as IAS 17 and distinguishing between two types of lease: operational and financial.

In addition, IFRS 16 requires lessees and lessors to make more detailed disclosures than IAS 17.

**Transition to IFRS 16**

The Group plans to adopt IFRS 16 by applying a modified retrospective approach, with the cumulative effect of applying it being recognized on the date of initial application in the opening balance of the capital and no comparative information is restated. The Group will choose to apply the Standard to contracts that were previously identified as a lease under IAS 17 and IFRIC 4. Therefore, the Group will not apply the Standard to contracts that were previously not identified as leases under IAS 17 and IFRIC 4.

The Group will choose to use the exceptions proposed by the Standard for Leases for which the lease term ends within 12 months and Leases for which the underlying asset is of low value.

The management of the Parent Company has assessed the application of the Standard and, at the date of preparation of these consolidated financial statements, the expected effect is as follows:

<b>BGN'000</b>	<b>Impact on transition at 1 January 2019</b>
<b>Right-of-use assets</b>	
Property, plant and equipments, Incl:	26 306
<i>Insurance business</i>	15 172
<i>Automotive business</i>	7 604
<i>Leasing business</i>	744
<i>Asset management and brokerage</i>	490
<i>Parent company</i>	2 296
<b>Impact at January 1, 2019</b>	<b>26 306</b>
<b>Lease liabilities</b>	
<b>Impact at January 1, 2019</b>	<b>26 306</b>

**Amendments to IFRS 9 "Prepayments with Negative Compensation"** (Issued 12 October 2017), in force since January 1, 2019, adopted by the EU on March 22, 2018, published in the OJ on March 26, 2018;

**IFRIC 23 "Uncertainty in Taxation of Income Tax"** (Issued on 7 June 2017), in force since 1 January 2019, adopted by the EU on 23 October 2018, published in the OJ on 24 October 2018.



### 2.2.3 Standards and Interpretations issued by the IASB / IFRIC not yet approved for implementation by the EU

The following new or revised standards, new interpretations and amendments to existing standards that have not yet been approved by the EU at the reporting date and are therefore not taken into account by the Group in the preparation of the consolidated financial statements.

**IFRS 17 "Insurance Contracts"** (Issued on 18 May 2017), in force since 1 January 2021;

In May 2017, the IASB published IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, and disclosure. After its entry into force, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4), which was published in 2005. IFRS 17 applies to all types of insurance contracts (ie life insurance, non-life insurance, direct insurance and reinsurance) irrespective of the type of enterprise that issues them, as well as certain guarantees and financial instruments with additional, non-guaranteed income (discretionary participation). There will be few exceptions to the scope. The overall objective of IFRS 17 is to provide an accounting model of insurance contracts that is more useful and consistent to insurers.

**Amendments to IAS 28 "Investments in Associates and Joint Ventures"** (Issued 12 October 2017), effective from 1 January 2019;

**Annual improvements to IFRS 2015-2017** (Issued December 12, 2017), effective from January 1, 2019;

**Amendments to IAS 19 Employee Benefits - Amendment, curtailment or settlement of the plan** (Issued on February 7, 2018) effective from 1 January 2019;

**Changes in the Conceptual Financial Reporting Framework** - (Issued on 29 March 2018), effective from 1 January 2020;

**Amendments to IFRS 3 Business Combinations** - (Issued on 22 October 2018) effective from 1 January 2020;

**Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** (Issued on 31 October 2018) effective from 1 January 2020.

### 2.3 Comparative data

The Group retains the presentation of the information in the financial statements during the periods. Where necessary, comparative information is reclassified to reflect the changes occurring in the current year.

### 2.4 Consolidation

The consolidated financial statements include a consolidated statement of financial position, a consolidated statement of profit or loss and other comprehensive income, a consolidated cash flow statement and a consolidated statement of changes in equity as of 31 December 2018. These statements include the Parent Company and all subsidiaries. A subsidiary is consolidated by the Parent Company by holding, directly or indirectly, more than 50% of the voting shares of the capital or by the ability to manage its financial and operating policies in order to obtain economic benefits from its activities.

The full consolidation method is applied. Reports are aggregated in order, with items such as assets, liabilities, property, income and expense aggregated. All domestic transactions and balances between the group companies are eliminated. There is elimination of counter-elements: capital, financial, trade, goodwill on the acquisition date.

The non-controlling interest in the net assets of the subsidiaries is determined by the shareholder structure of the subsidiaries at the date of the consolidated statement of financial position.

For business combinations covering enterprises or businesses under common control, the Group has opted to apply the purchase method in accordance with IFRS 3 Business Combinations. The Group has made an accounting policy choice regarding these transactions as they are currently outside the scope of IFRS 3 and do not contain guidance for them in existing IFRSs. According to IAS 8, in the absence of a standard or explanation that is specifically applicable to an operation, other event or condition, management uses its own judgment to develop and apply accounting policies.

#### ***Principles of consolidation***

Business combinations are accounted for using the purchase method. This method requires the acquirer to recognize, separately from goodwill, acquired acquiree's identifiable assets, liabilities assumed and participation that does not constitute control in the acquiree. Costs that are not directly related to the acquisition are attributable to profit or loss for the period.

The identifiable assets acquired and the liabilities assumed and contingent liabilities in a business combination are measured at fair value at the acquisition date regardless of the extent of the non-controlling interest. The Group has the ability to measure participations that do not represent control of the acquiree either at fair value or as a pro rata share in the identifiable net assets of the acquiree.

The excess of the acquisition cost over the acquirer's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree is recognized as goodwill. If the cost of acquisition is lower than the investor's interest in the fair values of the net assets of the company, the difference is recognized directly in the consolidated statement of profit or loss and other comprehensive income for the period.

Self-recognized goodwill on the acquisition of subsidiaries is tested for impairment at least annually. Impairment losses on goodwill are not reversed. Gains or losses on disposal (disposal) of a subsidiary of the Group also include the carrying amount of the goodwill, the deductible for the (released) company.

Each recognized goodwill is identified as belonging to an object generating cash proceeds when a business combination is realized, and this object is applied when carrying out the impairment tests. In determining the cash-generating entities, the entities that were expected to benefit from future business combinations in the business combination and for which the goodwill itself arose.

#### ***Transactions with non-controlling interest***

Non-controlling operations are treated by the Group as transactions with entities owning the equity instruments of the Group. The effects of the sale of units of the Parent Company without loss of control to non-controlling interests are not treated as components of the Group's current profit or loss but as movements in the components of its equity. Conversely, in the case of purchases by the Parent Company of non-controlling interests of any non-controlling interests, any difference between the amount paid and the corresponding share of the net book value of the subsidiary's net assets is recognized directly in the consolidated statement of comprehensive income, changes in equity, usually to the "unallocated profit / (uncovered loss)" line.

When the Group ceases to have control and significant influence, any remaining minority investment as a share in the capital of the company concerned is remeasured at fair value, the difference to carrying amount being recognized in current profit or loss, respectively all amounts previously recognized in other components of comprehensive income are accounted for, as in the case of a direct exemption operation, of all those associated with the initial investment (in the subsidiary or associate).

## **2.5 Functional and reporting currency**

The functional and reporting currency of the Group is the Bulgarian Lev. The data in the consolidated report and its annexes are presented in thousands of BGN. From 1 January 1999, the Bulgarian lev has a fixed exchange rate to the euro: BGN 1,95583 for 1 euro. Cash, receivables and payables denominated in foreign currencies are reported in BGN on the exchange rate at the date of the transaction and are revalued on an annual basis using the official exchange rate of the BNB on the last working day of the year.

## **2.6 Accounting assumptions and approximate accounting estimates**

The preparation of consolidated financial statements in accordance with IFRS adopted by the EU requires the Group's management to apply approximate accounting estimates and assumptions that affect the reported assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date. Although the assessments are based on the knowledge of the current events management, the actual results may differ from the accounting estimates used.

### **Significant judgments**

#### **Deferred tax assets**

##### **Tax loss**

The assessment of the probability of future taxable income for the use of deferred tax assets is based on the last approved estimate, adjusted for significant non-taxable income and expense, and specific restrictions on the transfer of unused tax losses or loans. If a reliable estimate of taxable income implies the probable use of a deferred tax asset, particularly in cases where the asset can be used without a time limit, the deferred tax asset is recognized as a whole. Recognition of deferred tax assets that are subject to certain legal or economic constraints or uncertainties is judged by the management on a case-by-case basis based on the specific facts and circumstances.

#### **Revenue from contracts with customers**

When recognizing revenue under contracts with customers, the management makes various judgments, estimates and assumptions that affect the reported revenue, expense, assets and liabilities under contracts. Additional information is disclosed in attachment 2.7 Revenues

### **Uncertainty of accounting estimates**

#### **Evaluation of the pending payment reserve**

The Reserve for Outstanding Payments includes RBNS claims as at the date of the consolidated financial statements as well as unrecognized claims (IBNRs).

Liabilities on claimed but unpaid claims are individually assessed for each claim based on the best estimate of expected cash outflows for them.

The assessment of the liabilities for the IBNR is based on the assumption that the Group's experience in the development of claims from past years can be used to predict the future development of claims and their ultimate obligations. The development of claims is analyzed by year of event. Additional qualitative judgment is made to assess the extent to which past trends may not be applicable in the future.

The nature of the business makes it difficult to accurately determine the likely outcome of a particular damage and the overall amount of damage sustained. Any damage claimed is individually reviewed due to the circumstances, the information provided by damage experts and the historical data on the amount of such damage. Estimates of damage are reviewed and updated regularly with new information available. Reserves are based on the current available information.

The final amount of liabilities, however, may differ as a result of subsequent events and catastrophic cases. The impact of many circumstances that determine the final cost of settling the damage is difficult to predict. Difficulties in assessing reserves vary from one business class to another, depending on the insurance contracts, the complexity, the volume and the significance of the damage, the date of occurrence of the damage and the delay in making the claim.

The reserve for incurred but unproven damages is calculated on the basis of statistical and actuarial methods. The key method used or a combination of methods depends on the business class and the observed historical level of the loss ratio. The biggest share in this reserve is Motor Third Party Liability (civil liability of a motor vehicle).

The actuarial method used to determine technical provisions since 2016 is in line with generally accepted actuarial practices and a unified approach to assessing the provision for unsecured and unannounced civil liability insurance claims for all companies in the Group. The methodology is based on the Chain-Pillar method, which is based on the number of damages claimed for a period of not less than 3 years. The amount of the provision for unforeseen damage has been calculated on the basis of the expected number of claims and the average amount of damage.

The number of damages expected to be delayed is calculated on the Chain-Pillar Method based on the actuarial triangles Claims Damages - Paid Damages and the Pending Payout Reserve at the Date of the Consolidated Financial Statement.

#### **Claims on recourse claims**

Claims on recourse claims by insurance companies and other individuals (physically and legally) are recognized as an asset and income when recourse is made to the extent that future economic benefits to the Group are expected. Receivables are reviewed on an individual basis on recognition and subsequently on any impairment indications.

The Group has the practice of settling claims on regressions from insurance companies by offsetting its claims on recourse claims.

#### **Share of reinsurers in technical provisions**

The insurance companies of the Group are a party to quota reinsurance contracts that provide for the transfer of a share in the existing technical reserves upon the entry into force of the contract. IFRS does not provide for specific reporting requirements for such contracts. Due to the specific nature of this type of contract, the Group has made an analysis of the degree of risk transfer to the reinsurer and the results show that there is such a transfer, contracts meet the objective criteria for reinsurance. For the analysis, a commonly agreed stochastic model was used and the accepted reinsurer risk limit of 1%.

The Group has adopted an accounting policy for accounting for reinsurance contracts that at the date of entry into force of the contract, the Group recognizes the reinsurers share of the technical provisions as an asset and the corresponding change in the reinsurer's share of the technical provisions in the consolidated statement of profit or loss and other comprehensive income; other comprehensive income, and the liabilities to reinsurers under these contracts are recorded in the subsequent periods of the contracts.

During the term of the contracts in subsequent periods, the Group will remit to the reinsurers the respective percentage of premiums and damages on motor vehicle insurance. Upon termination or termination of reinsurance contracts, the reinsurers' share of the technical provisions will be released or transferred to another reinsurer. The terms of these contracts are indefinite and, by their nature, the contracts are indefinite. Due to the conventions relating to the future development of the contracts and their cash flows, the management of the Group considers that the adopted accounting policy is appropriate.

**Inventories - Impairment**

At the end of the reporting period, the management reviews the available inventories - materials, commodities to determine whether there are those with a net realizable value below their carrying amount. During this review as of 31.12.2018 there were no indications for impairment of inventories.

**Impairment of property, plant and equipment**

In accordance with IAS 36, at the end of the reporting period, an estimate is made as to whether there is any indication that the value of an asset in property, plant and equipment is impaired. In the case of such indications, the recoverable amount of the asset is calculated and the impairment loss is determined. As of 31.12.2018, there is no impairment of property, plant and equipment.

**Actuarial assessments**

In determining the present value of long-term employee retirement liabilities, calculations of certified actuaries based on mortality assumptions, staff turnover rates, future salary levels, and discount factors have been used, which assumptions have been judged by management to be reasonable and relevant for the Group.

**Impairment of goodwill**

The Group performs an impairment test of goodwill at least once a year. The recoverable amounts of the units that generate cash are determined on the basis of the value in use or the fair value, net of the cost of the sale. These calculations require the use of estimates as described in Note 34.

**Impairment of loans and receivables and net investment in finance leases****Accounting policy applicable until 31 December 2017**

The Group uses a corrective account to account for the impairment of bad debts and non-recoverable receivables from counterparties. Management assesses the adequacy of this impairment on the basis of an age analysis of claims, historical experience of the level of write-off of irrecoverable receivables, as well as a solvency analysis of the respective counterparty, changes in the agreed payment terms, if the financial position and performance of counterparties are worse than expected, the value of the receivables to be derecognised in subsequent reporting periods may be higher than expected at the reporting date.

**Accounting policy applicable from 1 January 2018****•Net investment in finance leases**

In determining the impairment of finance lease receivables, the Group is based on a three-tier approach that seeks to reflect the deterioration in the credit quality of the financial instrument. At each reporting date after the initial recognition, the Group assesses to what extent the financial asset that is the subject of the impairment test is at which stage. The stage defines the relevant impairment requirements. The Group uses a 5-point credit rating system for each transaction, with the criteria of the system being used to consider both the lease asset, transaction parameters (initial installment, term, residual value) and the financial status of the individual client.

**•Cash and cash equivalents**

The Group categorizes the banks in which it holds cash on the basis of their rating agencies (Moody's, Fitch, S & P, BCRA) and, depending on it, applies a different percentage for the expected credit losses for 12 months.

**•Loans receivables**

The Group has loan receivables that are categorized depending on whether the borrower has a rating, and whether or not the receivables from such loans are overdue.

**•Litigation and claims**

The Group's court and assignment receivables are categorized in Group 3, respectively as such, they are individually reviewed by the management and each such receivable is assigned an individual impairment.

Detailed information about the Group's accounting policies and the applied impairment model from 1 January 2018 are set out in Note 2.2.1. As at 31 December 2018, the management's best estimate of the expected credit losses of financial assets amounted to BGN 4,517 thousand (January 1, 2018: BGN 11,638 thousand).

**Fair value of financial instruments**

The management uses techniques to measure the fair value of financial instruments in the absence of quoted prices in an active market. Details of the assumptions used are presented in the notes on financial assets and liabilities. In applying valuation techniques, management uses the market data and assumptions that market participants would use when evaluating a financial instrument. When no applicable market data is available, management uses its best estimate of the assumptions that market participants would make. These estimates may differ from the actual prices that would have been determined in a fair market transaction between informed and willing parties at the end of the reporting period.

**2.7 Revenues****Accounting policy applicable until 31 December 2017**

Revenue in the Group is recognized on the basis of the accrual principle and to the extent that the economic benefits are acquired by the Group and as long as the earnings can be reliably measured.

When selling goods, revenue is recognized when all significant risks and rewards of ownership of the goods are transferred to the buyer.

In the provision of services, revenue is recognized taking into account the stage of completion of the transaction at the end of the reporting period if this stage can be measured reliably, as well as transaction costs.

Financial revenue generated by Eurohold Group stems from:

- Investment operations;
- dividends;
- Interest on loans granted.

**Accounting policy applicable from 1 January 2018**

Revenue from contracts with customers is recognized when the control of the goods or services is transferred to the client in an amount that reflects the remuneration the Group expects to be entitled to in exchange for those goods or services.

The Group recognizes revenue when (or is) satisfied the obligation to perform, under the terms of the contract, by transferring the promised product or service to the client. An asset (product or service) is transferred when (or as) a customer has control over that asset.

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Clients' contracts typically include a single performance obligation:

- Sales of cars (spare parts);
- Car Services.

Sales are made under contracts with clients. Sales contracts with customers meet the criteria set out in IFRS 15. Typically, the Group expects to collect the remuneration for contracts with clients.

The following table provides information on the Group's accounting policy for recognition of revenue and time to satisfy obligations for the execution of contracts with clients under IFRS 15 and IAS 18.

Type of product / service	Nature and timing of fulfillment of performance obligations, including essential payment arrangements	Recognition of income under IFRS 15 (effective from 1 January 2018)	Recognition of income under IAS 18 (applicable before 1 January 2018)
Car sales	<p>Performance obligations satisfied at a certain point.</p> <p>Customers receive control when:</p> <ol style="list-style-type: none"> <li>1 / the client has a legal right of ownership;</li> <li>2 / The Group has transferred the physical possession of the asset;</li> <li>3 / the client carries significant risks and benefits from the asset;</li> <li>4 / The Group has an existing payment entitlement.</li> </ol> <p>The asset is derecognised at the time the control is transferred to the sold asset.</p> <p>Invoices are payable within 30-40 days.</p>	<p>Revenue from the sale of vehicles is recognized by the liability method at a specified time, in accordance with IFRS 15, when the control of the vehicle is transferred to the customer. This is usually done by passing the vehicles and the physical knowledge of them to the customer and the buyer has accepted the goods in accordance with the sales contract.</p> <p>The transaction price can be defined as a market price, reduced by discounts (net of taxes), which may include fixed remuneration and variable remuneration.</p> <p>The allocation of the transaction price to the performance obligations is based on unit sales prices (market).</p>	<p>Revenue from sales is recognized when significant risks and rewards are transferred to the buyer when the customer has accepted the goods and has reasonably confirmed the resulting receivables.</p> <p>Revenue is recognized when the amount of revenue can be reliably determined when the Group may obtain future economic benefits.</p>
Revenue from sales of short-term assets (spare parts and accessories)	<p>Delivery occurs when the assets have been shipped to the customer, the risks of potential losses have been passed on to the buyer and / or he has taken the assets in accordance with the sales contract. The usual payment term is up to 30 days after delivery.</p>	<p>Revenues from sales of short-term assets are recognized when the control of the assets sold is transferred. Delivery occurs when the assets have been shipped to the client, the risks of potential losses are passed on to the buyer and either he has accepted the assets in accordance with the sale contract.</p>	<p>Revenue is recognized when the significant benefits and risks of ownership of the assets are transferred to the buyer. It is considered that significant risks and rewards have been passed on to the buyer when the customer has accepted the assets without objection.</p>

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Type of product / service	Nature and timing of fulfillment of performance obligations, including essential payment arrangements	Recognition of income under IFRS 15 (effective from 1 January 2018)	Recognition of income under IAS 18 (applicable before 1 January 2018)
Revenue from services	The control is transferred when the service is performed. Receipt is due immediately.	Revenue from services is recognized using the liability method over time. If, at the end of the reporting period, the service contract is not fully realized, revenue is recognized on the basis of the actual service provided by the end of the reporting period as a proportion of the total services to be provided as the client receives and consumes the benefits simultaneously. This is determined on the basis of actual time spent or reported time for work, in relation to the total expected time of service.	Revenue from provision of services is recognized on the basis of the stage of completion of the transaction at the reporting date. The stage of completion of the transaction is determined in proportion to the term of the contract for which the services are agreed. When the outcome of the transaction (the contract) can not be reliably measured, revenue is recognized only to the extent that the expenses incurred are recoverable.
Extended warranties	<p>Separate obligation to implement. They are deferred if the Group is the principal of the extended guarantees.</p> <p>It is analyzed whether the Group is a principal or an agent.</p>	The Group has found that, when selling extended warranties, the Group companies providing extended guarantees have the role of agent and the way of reporting extended guarantees changed. The Group considers that all sales of extended warranties and repairs should be accounted for at the expense of the manufacturer or the insurance company Car-Guarantie Versicherung AG (whichever is the principal).	They were not a separate obligation. The sale was only reported as income from a commodity without distributing the portion of the extended warranty.

IFRS 15 does not have a material effect on the Group's accounting policies with respect to the other types of income it recognizes.

The transaction price is the amount of the consideration the Group expects to be entitled to in exchange for the customer's transfer of the promised goods or services, except for amounts collected on behalf of third parties (eg value added tax). The consideration promised in the contract with the client may include fixed amounts, variable amounts, or both.



The Group examines whether there are other promises in client contracts that are separate performance obligations for which part of the transaction price should be allocated.

When determining the transaction price, account is taken of the impact of variable remuneration, including price discounts, the existence of significant components of funding, non-monetary remuneration and remuneration payable to the client (if any).

In the contracts of the Group companies there are discounts that the client receives at the sale and which are reported as a reduction of the total price. In accordance with the requirement of IFRS 15, all discounts are reported as a reduction in sales revenue, at the same time as recognizing the sale proceeds of the goods for which the respective discounts are due. The policy of recognition of due price discounts applied so far does not differ from the requirements of IFRS 15.

The Group has reviewed its accounting policies and has assessed the areas in which there are changes from the application of IFRS 15.

➤ *Free goods*

For a large number of contracts, the Group provides free of charge to its customers free of charge (in the form of accessories, tires, alarms, etc.).

The provision of additional goods (in the form of an alarm, tires or accessories) is a separate obligation to perform.

In accordance with IFRS 15, the Group recognizes these free goods as variable remuneration, thereby reducing the fixed price of the products on the price list if they are provided additionally and free of charge.

➤ *Sales with redemption capability*

Revenue is recognized when the vehicle is sold, but the estimate of the redemption option is deducted from revenue and recognized as deferred income, as well as a liability to the customer for redemption. Similarly, the estimate of the value of the vehicle to be returned is reduced by the cost of the sale and is also deferred.

The group has estimated that in 2018, no contractual obligations in relation to a redemption option.

***Approach for recognizing major types of revenue under customer contracts***

Revenue from sale is realized by the following:

- car sales;
- car leasing;
- services, repair services;
- sales of spare parts.

**Revenue from car sales**

Revenue from the sale of vehicles is recognized by the method of meeting the obligations at a specific time in accordance with IFRS 15 when the control of the good is transferred to the customer.

This is usually the case with the passing of the cars and the physical knowledge to them by the customer and the buyer has accepted the goods in accordance with the sales contract.

For most contracts, there is a fixed unit price for each contract, taking into account the discounts provided to the client. The group is able to determine the distribution of the total contract price (delivery, order) for each site based on the scope of the goods / services under the contract that form the performance obligations.

The distribution of the transaction price to the performance obligations is based on unit sales prices (contractual or market).

### Revenue from services

Revenue from provision of services is recognized in the period in which the services are provided. The group transfers control over the service over time and therefore satisfies the obligation to execute and recognizes revenue over time. If, by the end of the reporting period, the service contract has not been fully implemented, revenue is recognized using the inputs method based on actual time spent on work, over the total expected service delivery time.

In cases where the services provided by the Group exceed the payment, an asset is recognized under the contract. If payments exceed the services provided, a liability under a contract is recognized.

### Revenue from sales of current assets

Revenues from sales of short-term assets and material are recognized when the control of the assets sold is transferred. Delivery occurs when the assets have been shipped to the customer, the risks of potential losses are transferred to the buyer and / or he has accepted the assets in accordance with the sale contract.

### Principal or agent

The group is the principal when controlling the promised product or service before transferring it to the customer. The Group is an agent if the Group's obligation to perform is to arrange the delivery of the goods or services from a third party.

The signs that it is the principal includes:

- The Group has the primary responsibility for implementing the promise to provide a particular good or service;
- There is a risk to the Group's inventory before the specific good or service is transferred to the customer or after the transfer of the client's control;
- The Group has discretion in determining the price of the particular good or service.

#### *Transactions where it is the principal*

The Group is the principal in the following transactions:

- Sales of cars;
- Sales of spare parts;
- Additional Services;
- Sales of oils.

The Group is an agent for the following transactions:

- Sales of extended guarantees;
- Sale of fuel with cards;
- Extended warranty repair services.

The Group has established that it is an agent in the sale of extended warranties and in the sale of fuels through cards. The Group accepts that all repairs carried out should be accounted for at the expense of the manufacturer / insurer party to the contracts for these guarantees.

#### *Extended warranties*

In the case of car sales, an extended warranty can be purchased, which can be purchased separately.

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The extended guarantees are a separate performance obligation, which should be deferred if the Group is the principal. If the extended guarantees are issued by the manufacturer, the Group is an agent and should account for the revenue from these sales as an agent on a net basis.

The group has found to be an agent and has changed its way of reporting on extended guarantees.

**Other revenues/income**

Other income includes operations that are incidental to the Group's core activities and are income or income that are recognized under other standards and are outside the scope of IFRS 15.

The following table provides information about the material conditions and related policies for recognizing other earnings.

<b>Income</b>	<b>IFRS / IAS - Applicable to Recognition of Revenue (Income)</b>	<b>Recognition approach</b>
Net gain on the sale of property, plant and equipment and intangible assets	IAS 16 IAS 38	Gains or losses arising on the disposal of a property, plant, equipment or intangible asset as a result of a sale are included in profit or loss when the asset is derecognised. The asset is derecognised at the time the control is transferred to the sold asset.
Rental income	IAS 17	Lease income from operating leases is recognized as income on a straight-line basis over the lease term unless the Group's management considers that another systematic basis reflects the timing model in which the lessor's benefit is reduced leased asset.
Surplus assets and asset liquidation	Conceptual framework	Revenues from surplus assets are recognized when surpluses are established.
Income from insurance events	Conceptual framework	Revenue is recognized when the Group's right to receive the payment is established.
Income from penalties		Revenue is recognized when the Group's right to receive the payment is established.
Income from write-off of liabilities	IFRS 9	Revenue from write-offs is recognized when the liability expires or the creditor waives its rights.

**Interest income**

Interest income is accounted for using the effective interest method, which is the percentage that accurately discounts the expected future cash payments for the expected term of the financial instrument or for a shorter period, where appropriate, to the carrying amount of the financial asset. Interest income is included in the financial income in the consolidated statement of profit or loss and other comprehensive income.

**Dividend income** shall be recognized when the right to receive them is established. In the consolidated statement of profit or loss and other comprehensive income, the dividends declared for the financial year by the subsidiaries are recognized as internal estimates and eliminated and therefore do not participate in the formation of the financial result.

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The financial revenue generated by Eurohold Group generated stems from:

- Investment operations;
- positive differences from operations with financial instruments and currency exchange operations;
- fee and commission income;
- dividends;
- interest on loans granted.

### 2.8 Expenses

Expenses in the Group are recognized at the time they are incurred and based on the principles of accrual and comparability.

Administrative expenses are recognized as expenses incurred during the year that are related to the management and administration of the Group companies, including expenses related to administrative staff, management staff, office and other external services.

Financial costs include: costs arising from investment operations, negative financial operations and currency exchange rate differences, interest expense on bank and commercial loans and debt securities, and charges for fees and commissions.

Prepayments (deferred expenses) are deferred for recognition as current expense over the period in which the contracts to which they relate are met.

Other operating income and expenses include items of a minor nature in respect of the core business of the Group companies.

### 2.9 Interests

Interest income and expense are recognized in the consolidated statement of profit or loss and other comprehensive income using the effective interest method. The effective interest rate is the one that accurately discounts the expected future cash payments and proceeds over the life of the financial asset or liability to the carrying amount of the asset or liability. The effective interest rate is determined at the initial recognition of the financial asset or liability and is not subsequently adjusted.

The calculation of the effective interest rate includes all commissions received or paid, transaction costs, as well as discounts or premiums that are an integral part of the effective interest rate.

Transaction costs are intrinsic costs directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the consolidated statement of profit or loss and other comprehensive income includes: interest recognized on an effective interest rate basis on financial assets and liabilities measured at amortized cost.

Unprofitable financial income represents the difference between the gross and net investment in the lease, the gross investment in the lease being the amount of the minimum lease payments and the unguaranteed residual value accrued to the lessor. Interest income from lease transactions (financial income) is allocated over the term of the lease and is recognized on a constant periodic rate of return on the lessor's net investment.

### 2.10 Fees and commissions

Fees and commissions income and expense that are an integral part of the effective interest rate for a financial asset or liability are included in the calculation of the effective interest rate.

Other fee and commission income, including fees for logistics services, insurance and other intermediation, are recognized through the performance of the related services.

Other charges for fees and commissions related mainly to banking services are recognized on receipt of the related services.

### **2.11 Segment Reporting**

An operating segment is a component of the Group that engages in revenue-generating activities and costs, including income and expense, that relate to transactions with each other of the Group's other components.

For management purposes, the Group is organized into business units based on the products and services they provide and includes the following reportable segments:

**Insurance:**

- Insurance Services

**Financial services:**

- Lease services
- Investment Intermediation

**Car sales:**

- Sale of new cars
- Auto services
- Rental services

#### **2.11.1 Insurance business**

##### **Recognition and measurement of insurance contracts**

###### **Non-life insurance premiums**

Non-life insurance premiums are booked on an annual basis.

Gross gross premiums written for non-life insurance are the premiums under the direct insurance or co-insurance contracts that were concluded during the year, although the premiums may be wholly or partly related to a later accounting period. Premiums are reported gross of commissions paid by intermediaries.

The portion of the insurance premiums written, including unexpired insurance contracts, is recognized as income. Subscribed insurance premiums are recognized at the date of the insurance contract.

Premiums paid to reinsurers are recognized as an expense in accordance with reinsurance services received.

###### **Health insurance premiums**

Subscribed health insurance premiums are recognized as income on the basis of the annual premium payable by insured persons for the premium period beginning in the financial year or the one-time premium payable for the entire coverage period for annual health insurance contracts concluded during the financial year.

Gross written health insurance premiums are not recognized when future cash receipts are not certain. The recorded health insurance premiums are shown gross of commissions due to agents.

###### **Life insurance premiums**

Subscribed life insurance premiums are recognized as income on the basis of the annual premium payable by the insured persons for the premium period commencing in the financial year or the one-time premium payable over the entire policy coverage period concluded during the financial year.

Gross written premiums are not recognized when future cash receipts are uncertain. Subscribed premiums are shown gross of commissions due to agents.

**The unearned premium reserve**

The carry-over reserve consists of the portion of gross written insurance / health insurance premiums that is calculated to be earned in the next or further financial periods. The carry-over provision includes accrued and recognized insurance premiums during the reporting period less the premiums written to reinsurers that are to be recognized in the next financial year or subsequent financial periods. The reserve is calculated separately for each insurance / health insurance contract using a proportional daily basis method. The carry-over provision is calculated as net of commission to intermediaries, advertising and other acquisition costs.

**Reserve for unexpired risks**

The reserve is formed to cover risks for the time between the end of the reporting period and the expiry date of the relevant insurance / health insurance contract in order to cover the payments and expenses expected to exceed the prepaid reserve.

**Compensations arising from general insurance and health insurance and pending damages**

Compensations incurred in respect of non-life insurance and health insurance include benefits and processing costs payable during the financial year together with the amendment to the pending loss reserve.

Management is of the opinion that the gross prudential reserve and the relevant share of the reinsurers' reserves are fairly presented on the basis of the information available to them at the date of the consolidated financial statements, the final obligation will change as a result of subsequent information and events and may require material adjustment of the amount initially charged. Corrections to the pending loss reserve established in previous years are recognized in the consolidated financial statements for the period in which the adjustments are made and disclosed separately if they are material. The methods to be used and the estimates to be made when calculating the reserve are reviewed on a regular basis.

**Reinsurance**

In its normal course of business, the insurance companies in the Group assign a risk to reinsurers in order to reduce their potential net losses through risk diversification. Reinsurance does not cancel the direct liability of the company concerned to the insured.

Reinsurance assets include the balances due from reinsurance companies for ceded insurance liabilities. Recovery values from reinsurers are valued in a similar way as for outstanding claims reserves or terminated claims related to reinsured policies.

Premiums and losses relating to these reinsurance contracts are treated as income and expense in the same way as would be considered if reinsurance was a direct business, taking into account the classification of reinsurance business products.

Coupled (or accepted) premiums and reimbursed benefits (or paid damages) are reported in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position as gross amounts.

Contracts where substantial insurance risk is transferred are accounted for as insurance contracts. Recoverable amounts are recognized in the same year as the corresponding loss.

Premiums on long-term reinsurance contracts are accounted for in parallel with the period of validity of related insurance policies, using similar assumptions as those for accounting for the relevant policies.

The recoverable amount of receivables under reinsurance contracts is reviewed for impairment at each date of the consolidated statement of financial position. Such assets are valued if objective evidence exists as a

result of an event occurring after its initial recognition.

**Deferred acquisition costs**

Deferred acquisition costs represent the amount of the acquisition cost deducted in the calculation of the carry-over provision reserve. They are defined as the portion of the acquisition cost under the end-of-period contracts as a percentage of the insurance technical plan and relating to the time between the end of the reporting period and the expiry date of the insurance / health insurance contract. Current acquisition costs are recognized as an expense during the reporting period.

**Acquisition costs**

Costs of commissions include accrued commissions to intermediaries, costs of participating in the result that are charged to the insured / health insured persons at a low loss rate. Indirect acquisition costs include advertising costs and costs arising from the conclusion or renewal of insurance / health insurance contracts.

**2.11.2 Leasing activity**

The leasing activity of the Group is related to leasing of transport equipment, industrial equipment, real estate, etc., under contracts for financial and operational leasing.

A finance lease contract is an arrangement under which the lessor grants the lessee the right to use a particular asset for an agreed term for remuneration. Leases are accounted for as finance when the lessor transfers to the lessee all significant risks and rewards incidental to the ownership of the asset.

Typical indicators that the Group considers to determine whether all material risks and rewards are transferred include: the present value of the minimum lease payments as compared to the beginning of the lease; the term of the lease relative to the economic life of the leased asset; and whether the lessee will acquire ownership of the leased asset at the end of the lease term. All other leasing contracts that do not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases.

**Minimum lease payments**

Minimum lease payments are those payments that the lessee will make or may be required to make during the lease term. From the point of view of the Group, the minimum lease payments also include the residual value of the asset guaranteed by a third party not party to the Group, provided that that party is financially capable of meeting its commitment under the guarantee or redemption agreement. In the minimum lease payments, the Group also includes the cost of exercising any option that the lessee holds to purchase the asset, and at the beginning of the lease it is highly certain that the option will be exercised.

Minimum lease payments do not include contingent rentals, as well as service and tax charges that are paid by the Group and subsequently re-invoiced to the lessee.

**Beginning of the lease contract and beginning of the lease term**

A distinction is made between the start of the lease and the commencement of the lease term. Start of the lease is the earlier of the two dates - the lease agreement or the engagement of the parties to the basic terms of the lease. At that date: the lease is classified as a finance or operating lease; and in the case of a finance lease, the amounts to be recognized at the start of the lease term are determined. The start of the lease term is the date from which the lessee can exercise the right to use the leased asset. This is also the date on which the Group initially recognized the lease receivable.

**Initial and post evaluation**

Initially, the Group recognizes a lease receivable equal to its net investment that includes the present value of the minimum lease payments and any unguaranteed residual value for the Group. The present value is calculated by discounting the minimum lease payments payable with the interest rate inherent in the lease.

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Initial direct costs are included in the calculation of the finance lease receivable. During the term of the lease, the Group charges financial income (interest income under finance leases) to the net investment.

**Receivables under finance leases**

Lease payments received are treated as a reduction in the net investment (repayment of principal) and recognition of financial income in a way that ensures a constant rate of return on the net investment. Subsequently, net investment in finance lease contracts is net, net of individual and portfolio provisions for uncollectability.

**2.11.3 Financial intermediation activity**

Financial Intermediation is related to transactions with financial instruments. They are classified as financial assets as part of an investment portfolio or as part of a trading portfolio.

Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not have a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted for transaction costs that are reported as current expenses.

**Financial assets at fair value through profit or loss**

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

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

This category classifies the securities from the trading portfolio and the equity instruments of the investment portfolio of the firm.

According to the Risk Management Rules of EURO-FINANCE AD, subsequent valuation of financial instruments from the trading book is made on a daily basis, at easily accessible closing prices from an independent source such as stock prices or prices from market information systems, quotes from independent brokers with good reputation. In the market valuation, the more conservative of the Buy and Sell rates is used unless EURO-FINANCE AD is significant to the market participant for the respective financial instrument and can close its position at an average market price.

When market valuation is not possible, the company uses a model to evaluate its positions and portfolios.

A subsequent valuation of its assets in the trading book under the following procedures:

/ 1 / For Bulgarian and foreign shares and rights admitted to trading on a regulated securities market in the Republic of Bulgaria as well as Bulgarian shares and rights admitted for trading on a regulated market in Member States:

a/ at the last price of a transaction concluded with them, announced in the stock exchange bulletin, if the volume of the transactions concluded with them for the day is not less than 0.02 per cent of the volume of the respective issue or reaches the estimated volume.

b/ If a price can not be determined under (a) - the arithmetic mean of the highest bid price or short selling respectively of the orders that are valid at the time of closing the regulated market on the estimated day, and the last price of a transaction concluded with the relevant securities for the same day.



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c/ In the event that for the valuation day there are no deals with securities of the respective issue, the average of the highest bid or short selling offer respectively, valid at the moment of closing the regulated market for the assessed day, and the weighted average price of the last prices of the transactions concluded with the relevant securities and the traded volumes within the last 30-day period.

d/ If it is not possible to apply the valuation methods in a-c as well as for the non-traded shares, the post evaluation shall be based on the net book value of the assets.

/ 2 / For units of collective investment undertakings not traded on a regulated market, including in cases of temporary suspension of redemption:

a/ at the last announced redemption price.

b/ at the last designated and announced issue value per unit, less the amount of the unit-redemption and redemption costs provided for under the fund rules, in cases where the collective investment scheme has not reached the minimum amount of the net asset value.

/3/ for derivative financial instruments - in the order indicated in / 1 /, and in case of impossibility to apply this method of valuation - by an appropriate model for valuation of derivative financial instruments.

/4/ for Bulgarian and foreign bonds, as well as government securities issued pursuant to BNB Ordinance No. 5 - by the method of discounted future net cash flows with a discount factor consisting of a risk-free rate and a risk premium.

/5/ for foreign securities admitted for trading on internationally recognized and liquid regulated securities markets abroad:

a) at the last price of a transaction concluded with them on the relevant market on the day of valuation;

b) if it is not possible to apply the valuation method under "a", the valuation shall be made at the "buy" or "sell" price, upon closing of the market on the day of the valuation announced in the electronic securities price information system;

c) if it is impossible to apply the assessment method under letter b) the valuation shall be made at the last price of a transaction concluded with them within the last 30-day period;

/6/ In cases where there is no trading on a regulated market in working days for the country, the valuation valid for the day of the last trading session shall be accepted. In the subsequent assessment of bonds under the first sentence, the accrued interest for the respective days shall also be reported.

Price sources are regulated securities markets - the Bulgarian Stock Exchange and foreign regulated markets where the relevant securities are traded.

Quotation sources can be recognized by world news agencies such as REUTERS, BLOOMBERG, and so on.

**Derivatives**

Derivatives are off-balance sheet financial instruments the value of which is determined on the basis of interest rates, exchange rates or other market prices. Derivatives are an effective tool for managing market risk and limiting exposure to a counterparty.

The most commonly used derivatives are:

- foreign exchange swap;
- interest rate swap;
- floors and ceilings;
- forward foreign exchange and interest rate contracts;
- futures;
- options.

All derivative financial instruments used for hedging are initially recognized at fair value and subsequently measured at fair value in the statement of financial position.

For derivatives, the same procedures for controlling market and credit risk apply as for other financial instruments. They aggregate with other exposures to monitor the total exposure to a counterparty and are managed within the limits approved for the counterparty.

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Derivatives are held for trading purposes as well as hedging instruments used to manage interest rate and currency risk. Derivatives held for trading are measured at fair value and gains and losses are reported in the consolidated statement of profit or loss and other comprehensive income as a result of trading transactions.

**2.12 Taxes**
**Income tax**

Current tax comprises the amount of tax to be paid on the expected taxable profit for the period based on the effective tax rate applicable at the date of preparation of the consolidated statement of financial position and any adjustments to past tax payable.

Current taxes on profits of Bulgarian companies in the Group are determined in accordance with the requirements of Bulgarian tax legislation - the Corporate Income Tax Act. The nominal tax rate for Bulgaria in 2018 is 10% (2017: 10%).

Subsidiaries abroad are taxed according to the requirements of the relevant tax laws by country at the following tax rates:

Country	Tax rate	
	2018	2017
Romania	16%	16%
Northern Macedonia	10%	10%
Ukraine	18%	18%
Georgia	15%	15%
Greece	29%	29%

**Deferred tax**

Deferred tax is calculated by applying the balance sheet method to all temporary differences between the carrying amount of the financial statements and the amounts for tax purposes.

Deferred tax is calculated on the basis of the tax rate that is expected to be incurred when the asset is realized or the liability is settled. The effect on deferred tax on change in tax rates is recognized in the consolidated statement of profit or loss and other comprehensive income except when it relates to amounts previously accrued or accounted for directly in equity.

A deferred tax asset is recognized only to the extent that it is probable that future profits will be available against which unused tax losses or tax credit can be utilized. Deferred tax assets are reduced in line with the decrease in probability of tax benefits.

As at 31.12.2018 the deferred taxes on the profits of the Group companies are assessed at a rate valid for 2019, which for the Bulgarian companies is 10% and for the subsidiaries abroad is as follows:

Country	Tax rate for 2019
Romania	16%
Northern Macedonia	10%
Ukraine	18%
Georgia	15%
Greece	29%

## 2.13. Non-current assets

### 2.13.1 Property, plant and equipment

Fixed tangible assets are measured at cost less the amount of accrued amortization and any impairment losses.

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

#### Initial acquisition

Initial valuation of tangible fixed assets is carried out:

At acquisition cost, which includes: the purchase price (including customs duties and non-recoverable taxes), all direct costs of bringing an asset into working condition in accordance with its intended purpose - for assets acquired from external sources;

At fair value: for those received as a result of a free transaction;

Under assessment: accepted by the court, and all direct costs of bringing an asset into working condition in accordance with its purpose - for assets received as an in-kind contribution.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are included in the acquisition cost (cost) of that asset. All other borrowing costs are reported as current in profit or loss for the period.

#### Subsequent assessment

The Group's approach to subsequent balance sheet valuation of property, plant and equipment is the cost model under IAS 16, the historical cost of acquisition, less accumulated depreciation and accumulated impairment losses.

#### Subsequent costs

Subsequent repair and maintenance costs are recognized in the consolidated statement of profit or loss and other comprehensive income at the time they are performed unless there is clear evidence that their performance will result in increased economic benefits from the use of the asset. Then these costs are capitalized at the asset's carrying amount.

#### Gains and losses on sale

In the case of a sale of tangible fixed assets, the difference between the carrying amount and the sale price of the asset is recognized as a gain or loss in the consolidated statement of profit or loss and other comprehensive income.

Write-off of tangible fixed assets on the balance sheet is at the time of sale or when the asset is definitively disposed of and after the write-off is not expected to have any other economic benefits.

#### Depreciation methods

The Group applies a straight-line depreciation method. Depreciation of assets begins in the month following the month of acquisition. The land and assets under construction are not depreciated. Useful life by group of assets is consistent with: physical wear and tear, specifics of the equipment, future intentions for use, and the assumed obsolescence.

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The defined useful life by group of assets is as follows:

<b>Asset group</b>	<b>Useful life in years</b>
Buildings	25-46
Machinery and equipment	3-10
Vehicles	4-6
Business inventory	3-19
Computers	2-5

**Impairment**

The carrying amounts of tangible fixed assets are reviewed for impairment when there are events or changes in circumstances that indicate that the carrying amount may be permanently different from their recoverable amount. If there are such indicators that the estimated recoverable amount is lower than their carrying amount, the latter is adjusted to the recoverable amount of the assets.

Impairment losses are recognized as an expense in the consolidated statement of profit or loss and other comprehensive income in the year of their occurrence.

**2.13.2 Intangible assets**

Intangible assets are presented in the consolidated financial statements at cost less accumulated amortization and any impairment losses.

The Group applies a straight-line method of amortization of intangible assets over a useful life of 5-7 years.

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

**2.13.3 Investment property**

Investment property is such property that is held for rent or capital gains, or both, but not for sale in the ordinary course of business of the Group, or for the use of services or administrative needs.

Investment property is measured on the basis of the present fair value with any change reflected as a gain or loss.

**2.14 Pension and other payables to employees and social legislation staff**

The employment and social security relations with the employees of the Group are based on the provisions of the Labor Code and the provisions of the current insurance legislation for the companies operating in Bulgaria, the Romanian Code - for the companies in Romania, the labor legislation for the companies in Ukraine, of labor law for companies in Northern Macedonia.

**Short-term employee benefits**

Liabilities for short-term employee benefits are measured on an undiscounted basis and are recognized as an expense when the related service is provided. Liabilities are recognized for the amount expected to be paid on a short-term cash bonus or profit-sharing plan if the Group has a legal or constructive obligation to pay that amount as a result of past service provided by an employee and the liability may be evaluated reliably.

The Group recognizes as an obligation the undiscounted amount of estimated expense paid annual leave expected to be paid to employees in exchange for their work for the past reporting period.

**Defined contribution plans**

A defined contribution plan is a post-employment benefit plan whereby the Group pays contributions to another person and has no legal or constructive obligation to pay additional amounts afterwards. The Government of Bulgaria is responsible for providing pensions under defined contribution plans. Expenses on the Group's commitment to transfer contributions to defined contribution plans are recognized in profit or loss on an ongoing basis.

**Termination benefits**

Termination benefits are recognized as an expense when the Group has committed itself clearly, without any real possibility of withdrawal, with a formal detailed plan either to terminate a business relationship before the normal retirement date or to provide termination benefits as a result of a proposal, made to encourage voluntary departure.

Termination benefits for voluntary departure are recognized as an expense if the Group has made a formal offer for voluntary termination, and it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are due more than 12 months after the end of the reporting period, they are discounted to their present value.

**2.15 Financial assets****2.15.1 Investments in non-current financial assets**

Undertakings in which the Group holds between 20% and 50% of the voting rights and may have significant influence but not exercise control functions are considered as associates.

Investments in associates are accounted for using the equity method. Under the equity method, an investment in an associate is recognized in the consolidated statement of financial position at cost plus any changes in the Group's share of the associate's net assets after the acquisition. The goodwill associated with the associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of profit or loss reflects the share of the associate's operating results. The share of the profit is displayed on the face of the report.

**2.15.2 Investments in financial instruments****Accounting policy applicable until 31 December 2017**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, such as loans and receivables, held-to-maturity investments, available-for-sale financial assets or derivatives designated as hedging instruments in an effective hedge when this is appropriate. The Group determines the classification of its financial instruments upon initial recognition.

The Group's financial assets include cash and short-term deposits, trade and other receivables, quoted and unlisted financial instruments and derivatives of financial instruments.

**Cash and cash equivalents**

Cash includes cash, current accounts and short-term deposits in banks with an original maturity of up to 3 months.

**Term deposits at banks**

Deposits with banks are receivables from banks on invested free cash resources in the form of time deposits with an original maturity of over 3 months. Deposits are measured and presented in the consolidated statement of financial position at amortized cost.

## C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018

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

Financial assets measured at fair value through profit or loss include financial assets held for trading and those that are initially recognized as financial assets at fair value. Financial assets that are usually acquired with intent to be sold in the near future are classified as held for trading.

### **Investments held to maturity**

Held-to-maturity investments are financial assets that are not derivatives and have fixed or determinable payments and fixed maturity and which the Group has a positive intent and ability to hold to maturity.

These investments are initially recognized at cost, which represents the cost of the consideration paid to acquire the investment. All transaction costs that are directly related to the acquisition are also included in the acquisition cost. After an initial assessment, held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses on held-to-maturity investments are recognized in the consolidated statement of profit or loss and other comprehensive income when the investment is derecognised or impaired.

### **Loans and other receivables**

Borrowings and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These financial assets are initially recognized at cost, which is the fair value paid for the acquisition of the financial assets. All transaction costs that are directly related to the acquisition are also included in the acquisition cost. After initial assessment, loans and receivables are measured at amortized cost using the effective interest method. Gains or losses on loans and receivables are recognized in the consolidated statement of profit or loss and other comprehensive income when derecognised or impaired, as well as through the amortization process.

### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as such and are not classified in any of the above three categories.

These investments are initially measured at fair value. After initial recognition, available-for-sale financial assets are measured at fair value. Unrealized gains or losses on fair value are reported in a separate component of the other comprehensive income until financial assets are derecognised or impaired. Upon write-off or impairment, cumulative gains or losses previously recognized in equity are recognized in the consolidated statement of profit or loss and other comprehensive income.

### **Derivative financial instruments**

Derivative financial instruments are classified as held for trading unless they are effective hedging instruments. All derivatives are accounted for as assets when the fair values are positive and as liabilities when the fair values are negative.

### **Accounting policy applicable from 1 January 2018**

#### **• Recognition and derecognition**

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

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

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

#### • Classification and initial measurement of financial assets

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

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

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

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

- the business model of the Financial Assets Management Group;
- the characteristics of the contractual cash flows of the financial asset.

All income and expenses relating to financial assets recognized in profit or loss are included in financial expenses, financial income or other financial items, except for impairment of trade receivables, which is presented in line with other expenses in the consolidated statement of profit or loss and other comprehensive income.

#### • Subsequent valuation of financial assets

##### **Debt instruments at amortized cost**

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

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

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

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

Financial assets for which a business model "held for contractual cash flows" or a business model "held for collection and sale" is not applicable, as well as financial assets whose contractual cash flows are not only principal and interest payments are reported at fair value through profit or loss. All derivative financial instruments are reported in this category except for those that are designated and effective as hedging instruments and for which hedge accounting requirements apply (see below).

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

**Financial assets at fair value through other comprehensive Income**

The Group recognizes financial assets at fair value in other comprehensive Income if the assets meet the following conditions:

- The Group manages assets within a business model that aims to hold the financial assets to collect contractual cash flows and sell them; and
- According to the contractual terms of the financial asset at specific dates, cash flows arise, which are only principal payments and interest on the outstanding amount of the principal.

Financial assets at fair value through other comprehensive Income include:

- Equity securities that are not held for trading and which the Group irrevocably has chosen at initial recognition to recognize in this category.
- Debt securities where the contractual cash flows are only principal and interest and the Group's business model is aimed at both the collection of contractual cash flows and the sale of financial assets.

With the exemption from equity Instruments of this category, any value recognized in the revaluation reserve of the Instruments is reclassified to retained earnings.

In the case of debt-reliefs in this category, any value recorded in the revaluation reserve of the Instruments is reclassified to profit or loss for the period.

**• Classification and measurement of financial liabilities**

The financial liabilities of the Group include borrowings, liabilities under finance leases, trade and other financial liabilities.

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

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

All interest-related expenses and, if applicable, changes in the fair value of the Instrument that are recognized in profit or loss are included in financial expenses or financial Income.

**• Derivative financial Instruments and hedge accounting**

The Group applies prospectively the new hedge reporting requirements in IFRS 9. All hedging relationships that are hedging relationships under IAS 39 at 31 December 2017 meet the IFRS 9 hedge accounting criteria as of 1 January 2018 and are therefore hedged considered as continuing hedging relationships.

Derivative financial Instruments are measured at fair value through profit or loss except for derivatives designated as hedging Instruments for cash flow hedges that require specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic link between the hedged item and the hedging Instrument;
- the effect of credit risk is not an essential part of the changes in value that result from this economic relationship;
- the hedging relationship's hedge ratio is the same as the one resulting from the amount of the hedged item that the Group actually hedges and the amount of the hedging Instrument that the Group actually uses to hedge this amount of hedged items.



All derivative financial instruments used for hedge accounting are initially recognized at fair value and are reported at fair value in the consolidated statement of financial position.

To the extent that hedging is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included in the hedge of the cash flow in equity. Any inefficiency in the hedging relationship is recognized immediately in profit or loss.

At the moment when the hedged item affects profit or loss, the gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as a reclassification adjustment to other comprehensive income. However, if a non-financial asset or liability is recognized as a result of the hedged transaction, gains or losses previously recognized in other comprehensive income are included in the initial measurement of the hedged item.

If the forecast transaction is no longer expected to occur, any related gain or loss recognized in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to be effective, hedge accounting is discontinued and the related gain or loss is recognized as a reserve in equity until the estimated transaction.

### **2.16 Inventory**

Materials and goods are valued at shipping cost. Their value is the sum of all purchase costs and other costs incurred in delivering them to their current location and status.

The write-off of materials and commodities upon their consumption is based on a specific or weighted average value depending on the segments.

The net realizable value of the inventories is stated at the sale price, less the completion costs and costs incurred to realize the sale and is determined with respect to marketing, obsolescence and development at expected sales prices.

When the inventory value of inventories is higher than the net realizable value, it is reduced to the net realizable value. The decrease is recorded as other current expenses.

### **2.17 Provisions for liabilities**

Liabilities provisions include expected costs associated with guarantees, restructuring, etc.

### **2.18 Equity**

The share capital of the Parent Company is presented at its nominal value according to the court decisions for its registration.

Equity that does not belong to the economic group (non-controlling interest) is part of the net assets, including the net result for the year of the subsidiaries, attributable to interests not directly or indirectly held by the Parent Company.

### **2.19 Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to shareholders, holders of ordinary shares by the weighted average number of ordinary shares outstanding for the period.

The weighted average number of shares is the number of ordinary shares outstanding at beginning of period, adjusted by the number of repurchased ordinary shares issued during the period multiplied by the average time factor. This factor expresses the number of days the specific shares were held in relation to the total number of days during the period.

In capitalization, bonus issue or split, the number of ordinary shares that are outstanding at the date of this event is adjusted to reflect the proportional change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the submitted the earliest period. Reduced earnings per share are not calculated as there are no dilutive potential issued shares.

## 2.20 Liabilities

Financial liabilities are recognized over the period of the loan by the amount of receipts received, the principal, less the transaction costs. In subsequent periods, financial liabilities are measured at amortized cost equal to the capitalized value when applying the effective interest method. In the consolidated statement of profit or loss and other comprehensive income, loan costs are recognized over the period of the loan.

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

Income for future periods recognized as liabilities includes payments received in respect of earnings for subsequent years.

## 2.21 Financial Risk Management

### Factors that determine the financial risk

In carrying out its activities, the Group companies are exposed to a variety of financial risks: market risk (including currency risk, changes in the fair value of financial instruments under the influence of market interest rates and price risk), credit risk, liquidity risk and risk of change of future cash flows as a result of changes in market interest rates.

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

### 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 reflected in the consolidated statement of profit or loss and other comprehensive income. These exposures comprise the Group's cash assets that are not denominated in the currency used in the financial statements of resident companies.

In cases where the local currency is exposed to significant currency risk, its management is achieved through investments in Euro denominated assets.

### Interest rate risk

The Group is exposed to interest rate risk in relation to the bank and trade credits used as part of the borrowings are variable interest rate agreed as basic interest (EURIBOR / LIBOR), increased by a certain margin. Variable interest rate loans are denominated in euro. Interest rates are listed in the relevant appendices.

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**

**Credit risk**

The credit risk of the Group is mainly related to trade and financial receivables.

Amounts presented in the consolidated statement of financial position are on a net basis and exclude provisions for uncollectible receivables assessed as such by management on the basis of past experience and current economic conditions.

**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 Eurohold Bulgaria AD by maturity period based on the remaining period from the date of the consolidated statement of financial position to the date of the liability's realization based on the agreed undiscounted payments:

**Consolidated liabilities by residual term**

<b>As at 31.12.2018</b> <b>BGN'000</b>	<b>Up to 1</b> <b>month</b>	<b>1-3</b> <b>months</b>	<b>3-12</b> <b>months</b>	<b>1-5</b> <b>years</b>	<b>Over 5</b> <b>years</b>	<b>Without</b> <b>maturity</b>	<b>Total</b>
Subordinated debt instruments	-	-	-	19 558	-	-	19 558
Loans from banks and non-bank financial institutions	6 583	5 097	35 610	87 445	7 432	-	142 167
Obligations on bond loans	1 749	111	8 480	138 424	8 800	-	157 564
Non-current liabilities	-	-	-	24 724	21	-	24 745
Current obligations	4 182	1 171	29 122	648	-	207	35 330
Trade and other obligations	15 134	20 255	72 744	156	-	19	108 308
Obligations on reinsurance operations	-	-	23 265	-	-	-	23 265
Deferred tax liabilities	-	-	-	396	-	-	396
Insurance reserves	-	-	631 156	36 351	8 839	-	676 346
<b>Total</b>	<b>27 648</b>	<b>26 634</b>	<b>800 377</b>	<b>307 702</b>	<b>25 092</b>	<b>226</b>	<b>1 187 679</b>
<b>As at 31.12.2017</b> <b>BGN'000</b>	<b>Up to 1</b> <b>month</b>	<b>1-3</b> <b>months</b>	<b>3-12</b> <b>months</b>	<b>1-5</b> <b>years</b>	<b>Over 5</b> <b>years</b>	<b>Without</b> <b>maturity</b>	<b>Total</b>
Subordinated debt instruments	-	-	-	26 058	-	-	26 058
Loans from banks and non-bank financial institutions	209	905	24 322	73 809	-	-	99 245
Obligations on bond loans	-	-	947	149 321	489	-	150 757
Non-current liabilities	-	-	-	26 383	29	-	26 412
Current obligations	1 894	1 622	25 746	-	-	-	29 262
Trade and other obligations	25 359	22 339	54 210	284	-	-	102 192
Obligations on reinsurance operations	-	-	81 863	-	-	-	81 863
Deferred tax liabilities	-	-	-	284	-	-	284
Insurance reserves	-	-	557 312	30 704	8 216	-	596 232
<b>Total</b>	<b>27 784</b>	<b>24 866</b>	<b>744 400</b>	<b>306 843</b>	<b>8 734</b>	<b>-</b>	<b>1 112 305</b>

## 2.22 Determination of fair values

Fair value is the price that would have been obtained on the sale of an asset or paid on the transfer of an obligation in a typical transaction between market participants at the valuation date.

Fair value measurement implies that the transaction for the sale of the asset or the transfer of the liability is carried out:

- the underlying market for that asset or liability;
- or
- in the absence of a major market - the most profitable market for that asset or liability.

The main or most advantageous market should be available to the Group.

In measuring the fair value of a non-financial asset, the ability of a market participant to generate economic benefits by using the asset to maximize its value or by selling it to another market participant that will use it in such a way is taken into account. The Group uses cost-appropriate valuation methods, for which there is sufficient available fair value measurement data, using as much as possible the relevant observable hypotheses and minimizing the use of non-observable ones.

All assets or liabilities that are measured at fair value or disclosed in the consolidated financial statements are categorized according to a fair value hierarchy described as follows and based on the lowest rank of observable assumptions that are significant for the fair value measurement as a whole:

- Level 1 - Adjusted (unadjusted) active market prices for identical assets or liabilities to which the Group may have access at the measurement date;
- Level 2 - Valuation techniques for which observable lower rank hypotheses that are relevant for fair value measurement are directly or indirectly observable;
- Level 3 - Valuation techniques for which observable lower case scenarios that are relevant for fair value measurement are unobservable.

External valuers have been used to measure the fair value of significant assets such as goodwill and investment property.

## 2.23 Cash and cash equivalents

The consolidated cash flow statement shows the Group's cash flows for operating, investing and financing activities during the year, changes in cash and cash equivalents for the year, cash and cash equivalents at beginning and end of the year.

Operating cash flows are calculated as a result for the year, adjusted for non-monetary operating positions, changes in net working capital and corporate tax.

Cash flows from investing activities include payments in connection with the purchase and sale of fixed assets and cash flows associated with the purchase and sale of businesses and activities. Purchase and sale of other securities that are not cash and cash equivalents are also included in investing activities.

Cash flows from financing activities include changes in the size or composition of share capital and related costs, borrowing and repayment of interest-bearing loans, purchase and sale of own shares and payment of dividends.

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**

<b>3. Revenue from insurance business</b>	2018	2017
	<i>BGN'000</i>	<i>BGN'000</i>
Gross premiums written from insurance	642 716	644 804
Received recoveries from reinsurers	182 826	160 347
Positive change in the gross provision for unearned premiums and unexpired risk reserve	7 147	72
Positive change in reinsurers' share in unearned premium reserve	21 181	29 057
Change in the reinsurers' share in other reserves	21 871	41 476
Positive change in other technical reserves	13	27
Recourse income	12 415	10 862
Fees and commissions income	52 444	68 399
Investment income	26 349	39 921
Income from purchase of investments in subsidiaries	742	-
Other revenue	19 497	10 061
	<b>987 201</b>	<b>1 005 026</b>

<b>4. Expenses of insurance business</b>	2018	2017
	<i>BGN'000</i>	<i>BGN'000</i> <i>Restated*</i>
Paid claims, claims handling and prevention expenses	(396 549)	(346 831)
Change in the gross provision for unearned premiums and unexpired risk reserve	(25 639)	(47 211)
Change in other technical reserves	(49 028)	(47 451)
Change in the reinsurers' share in the other reserves	(632)	-
Premiums ceded to reinsurers	(262 894)	(288 745)
Acquisition expenses	(150 279)	(137 194)
Investment expenses	(16 024)	(17 611)
Goodwill write-off	-	(186)
Other expenses	(27 379)	(34 026)
	<b>(928 424)</b>	<b>(919 255)</b>

<b>5. Revenue from car sales and after sales</b>	2018	2017
	<i>BGN'000</i>	<i>BGN'000</i>
Revenue from sale of cars and spare parts	209 985	197 308
Revenue from after sales and rent-a-car services	5 805	6 947
Gains from sales of financial assets and instruments	7 542	-
	<b>223 332</b>	<b>204 255</b>

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**6. Revenue from leasing business**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Revenue from services	20 017	20 815
Interest Income	4 970	4 489
Gains from sale of financial assets and Instruments	110	-
Foreign exchange gains	3	12
Other financial revenue	80	58
	<b>25 180</b>	<b>25 374</b>

**7. Expenses of leasing business**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Interest expenses	(3 798)	(3 558)
Losses from sales of financial assets and Instruments	(286)	-
Foreign exchange losses	(24)	(84)
Other expenses	(180)	(683)
	<b>(4 288)</b>	<b>(4 325)</b>

**8. Revenue from asset management and brokerage**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Interest Income	640	478
Dividend Income	90	101
Gains from sale of financial assets and financial Instruments	2 634	2 692
Foreign exchange gains, net	329	-
Other revenue	629	611
	<b>4 322</b>	<b>3 882</b>

**9. Expenses of asset management and brokerage**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Interest expenses	(30)	(23)
Losses from sales of financial assets and financial Instruments	(2 318)	(2 393)
Foreign exchange losses, net	-	(194)
Other expenses	(191)	(139)
	<b>(2 539)</b>	<b>(2 749)</b>

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
<b>10. Revenue from the activities of the parent company</b>		
Gains from sale of financial assets and financial Instruments	21 652	1 325
Interest revenue	1 111	853
Other revenue	362	1
	<b>23 125</b>	<b>2 179</b>
<b>11. Expenses of the activities of the parent company</b>		
Losses from sales of financial assets and financial Instruments	(576)	(859)
	<b>(576)</b>	<b>(859)</b>
<b>12. Other income/(expenses), net</b>		
Other income/(expenses), net	(4 816)	(6 037)
	<b>(4 816)</b>	<b>(6 037)</b>
<b>12.1. Other expenses</b>		
Automotive business	(13)	-
Leasing business	(4 971)	(6 101)
	<b>(4 984)</b>	<b>(6 101)</b>
<b>12.2. Other Income</b>		
Automotive business	118	40
Asset management and brokerage	50	24
	<b>168</b>	<b>64</b>
<b>13. Other operating expenses</b>		
Expenses on materials	(4 353)	(2 956)
Expenses on hired services	(30 921)	(26 721)
Employee benefits expenses	(33 171)	(28 502)
Other expenses	(10 083)	(9 710)
	<b>(78 528)</b>	<b>(67 889)</b>

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**13.1 Expenses on materials by segments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Insurance business	(499)	(476)
Automotive business	(3 527)	(2 179)
Leasing business	(298)	(252)
Asset management and brokerage	(23)	(40)
Parent company	(6)	(9)
	<b>(4 353)</b>	<b>(2 956)</b>

**13.2 Expenses on hired services by segments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Insurance business	(14 169)	(11 316)
Automotive business	(9 317)	(9 091)
Leasing business	(4 419)	(4 103)
Asset management and brokerage	(682)	(875)
Parent company	(2 334)	(1 336)
	<b>(30 921)</b>	<b>(26 721)</b>

Services provided by the registered auditors for an independent financial audit of the Group's 2018 financial statements amounted to BGN 778 thousand. Other services provided to Group companies by the registered auditors during the period amounted to BGN 205 thousand and related to the review of the balance sheets of the insurance companies in the Group. (2017: independent financial audit: BGN 742 thousand, other services: BGN 628 thousand related to the review of the balance sheets of the insurance companies in the Group).

**13.3 Employee benefits expenses by segments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Insurance business	(14 722)	(12 696)
Automotive business	(14 677)	(12 507)
Leasing business	(2 644)	(2 241)
Asset management and brokerage	(684)	(689)
Parent company	(444)	(369)
	<b>(33 171)</b>	<b>(28 502)</b>

**13.4 Other expenses by segments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Insurance business	(7 002)	(6 542)
Automotive business	(2 218)	(2 375)
Leasing business	(448)	(270)
Asset management and brokerage	(200)	(365)
Parent company	(215)	(158)
	<b>(10 083)</b>	<b>(9 710)</b>



**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**14. (Accrued) / recovered impairment loss on financial assets, net**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
(Accrued) impairment loss on financial assets	(1 097)	-
Recoverable impairment loss on financial assets	2 010	-
	<b>913</b>	-

**14.1 (Accrued) impairment loss on financial Assets by segments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Insurance business	(659)	-
Automotive business	(91)	-
Leasing business	(313)	-
Parent company	(34)	-
	<b>(1 097)</b>	-

**14.2 Recovered Impairment loss on financial assets by segments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Insurance business	76	-
Automotive business	168	-
Leasing business	1 744	-
Asset management and brokerage	21	-
Parent company	1	-
	<b>2 010</b>	-

**15. Financial expenses**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Interest expenses	(22 436)	(21 430)
Other financial expenses	(746)	(577)
	<b>(23 182)</b>	<b>(22 007)</b>

**15.1 Interest expenses by segments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Insurance business	(2 244)	(2 539)
Automotive business	(1 809)	(1 617)
Parent company	(18 383)	(17 274)
	<b>(22 436)</b>	<b>(21 430)</b>

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**15.2 Other financial expenses by segments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Automotive business	(724)	(487)
Parent company	(22)	(90)
	<b>(746)</b>	<b>(577)</b>

**16. Financial income**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Interest revenue	166	368
	<b>166</b>	<b>368</b>

**16.1 Financial income by segments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Automotive business	166	368
	<b>166</b>	<b>368</b>

**17. Foreign exchange gains/(losses), net**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Automotive business	(17)	-
Parent company	636	(1 173)
	<b>619</b>	<b>(1 173)</b>

**18. Depreciation and amortization by segments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Insurance business	(2 243)	(1 380)
Automotive business	(2 821)	(2 506)
Leasing business	(5 392)	(4 161)
Asset management and brokerage	(58)	(56)
Parent company	(27)	(7)
	<b>(10 541)</b>	<b>(8 110)</b>

**19. Tax expenses**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Income tax expense	(825)	(2 283)
Deferred tax	(172)	27
	<b>(997)</b>	<b>(2 256)</b>

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**19.1 Tax expenses by segments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Insurance business	(488)	(1 880)
Automotive business	(403)	(343)
Leasing business	(42)	(16)
Asset management and brokerage	(64)	(17)
	<b>(997)</b>	<b>(2 256)</b>

**20. Cash and cash equivalents**

	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i>
Cash on hand	1 569	1 637
Deposits up to 3 months	46 660	43 511
Restricted cash	596	490
Cash equivalents	844	307
<i>Impairment</i>	(129)	-
	<b>49 540</b>	<b>45 945</b>

**21. Time deposits at banks by segments**

	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i>
Insurance business	20 197	11 171
<i>Impairment</i>	(40)	-
	<b>20 157</b>	<b>11 171</b>

**22.1 Reinsurers' share in technical reserves**

	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i>
Unearned premium reserve	139 095	117 578
Claims reserves, Incl.:	265 621	240 509
<i>Reserves for Incurred, but not reported claims</i>	102 066	102 594
<i>Reserves for reported, but not settled claims</i>	163 555	137 915
Other technical reserves	3 661	3 160
	<b>408 377</b>	<b>361 247</b>

**22.2 Receivables from insurance business**

	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i>
Receivables from direct insurance	70 298	69 720
Receivables from reinsurers or cedants	18 514	7 545
Receivables from recourse/subrogation	10 636	10 676
	<b>99 448</b>	<b>87 941</b>

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**23. Trade receivables**

	31.12.2018	31.12.2017
	<i>BGN'000</i>	<i>BGN'000</i>
Trade receivables	15 830	19 398
<i>Impairment</i>	<i>(935)</i>	-
Financial lease receivables	21 383	23 101
Advances paid	1 259	614
<i>Impairment</i>	<i>(20)</i>	-
Other	1	284
	<b>37 518</b>	<b>43 397</b>

**23.1. Trade receivables by segments**

	31.12.2018	31.12.2017
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	870	1 905
Automotive business	11 718	13 500
<i>Impairment</i>	<i>(881)</i>	-
Leasing business	3 148	3 986
<i>Impairment</i>	<i>(49)</i>	-
Asset management and brokerage	13	2
Parent company	76	5
	<b>14 895</b>	<b>19 398</b>

**24. Other receivables**

	31.12.2018	31.12.2017
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	19 525	16 547
<i>Impairment</i>	<i>(577)</i>	-
Automotive business	3 395	3 688
<i>Impairment</i>	<i>(166)</i>	-
Leasing business	2 713	758
<i>Impairment</i>	<i>(111)</i>	-
Parent company	10 284	1 637
<i>Impairment</i>	<i>(98)</i>	-
Prepaid expenses	2 078	2 868
Receivables under court procedures	2 275	3 311
<i>Impairment</i>	<i>(1 347)</i>	-
Tax receivables	1 293	2 013
<i>Impairment</i>	<i>(2)</i>	-
	<b>39 262</b>	<b>30 822</b>

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**24.1. Tax receivables by segments**

	31.12.2018	31.12.2017
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	138	137
Automotive business	931	223
Impairment	(2)	-
Leasing business	208	1 643
Parent company	16	10
	<b>1 291</b>	<b>2 013</b>

**25. Property, plant and equipment**

	Land plots	Buildings	Machinery and equipment	Vehicles	Furniture and fittings	Assets under construction	Other	Total
	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
<b>Cost</b>								
At 1 January 2017	5 486	13 470	7 926	43 744	5 805	4 717	1 713	82 861
Additions	37	4 297	1 255	28 056	1 441	490	2 188	37 764
Disposals	(33)	(95)	(123)	(15 922)	(63)	(4 178)	(2 147)	(22 561)
At 31 December 2017	5 490	17 672	9 058	55 878	7 183	1 029	1 754	98 064
At 1 January 2018	5 490	17 672	9 058	55 878	7 183	1 029	1 754	98 064
Acquisition of a subsidiary	-	912	168	68	35	17	-	1 200
Additions	-	161	784	26 238	1 341	229	168	28 921
Disposals	(386)	-	(766)	(19 622)	(650)	(346)	-	(21 770)
Other changes	50	448	-	-	(16)	-	-	482
Transfer to Investment properties	-	(5 931)	-	-	-	-	-	(5 931)
At 31 December 2018	5 154	13 262	9 244	62 562	7 893	929	1 922	100 966
<b>Depreciation</b>								
At 1 January 2017	-	2 749	6 401	17 768	4 147	5	1 069	32 139
Depreciation for the period	-	335	672	6 134	365	-	100	7 606
Disposals	-	(12)	(77)	(6 265)	(45)	-	(2)	(6 401)
At 31 December 2017	-	3 072	6 996	17 637	4 467	5	1 167	33 344
At 1 January 2018	-	3 072	6 996	17 637	4 467	5	1 167	33 344
Depreciation for the period	-	433	783	8 160	527	-	105	10 008
Disposals	-	(64)	(772)	(7 317)	(674)	-	(1)	(8 828)
Other changes	-	(68)	-	-	-	-	-	(68)
At 31 December 2018	-	3 373	7 007	18 480	4 320	5	1 271	34 456
<b>Net book value:</b>								
At 1 January 2017	5 486	10 721	1 525	25 976	1 658	4 712	644	50 722
At 1 January 2018	5 490	14 600	2 062	38 241	2 716	1 024	587	64 720
At 31 December 2018	5 154	9 889	2 237	44 082	3 573	924	651	60 510

The Group has pledged the following property, machines and facilities as collateral for its liabilities:

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- mortgage on land and buildings in Sofia, Lyulin district to provide a target credit line for bank guarantees and a revolving loan from Unicredit Bulbank AD amounting to EUR 7.25 million;
- mortgage on land and buildings in Varna, "Janos Hunyadi" Str., For securing a target credit line for bank guarantees and revolving loan from Unicredit Bulbank AD amounting to EUR 7.25 million;
- mortgage on land in Pleven, for securing a working loan of Raiffeisenbank (Bulgaria) EAD amounting to EUR 160 thousand;
- mortgage on land in Sofia, Tsarigradsko shosse Blvd for securing an investment loan granted by Raiffeisenbank (Bulgaria) EAD amounting to EUR 3.2 million;
- mortgage on land in Sofia, "Druzha 1", for securing a contract for the issuance of bank guarantees concluded with "Municipal Bank" AD, with a total limit of EUR 1,000 thousand;
- mortgage on land in Burgas, Kurt Tepe area, for securing a contract for the issuance of bank guarantees and revolving bank loan with a total limit of EUR 1,240 thousand.

**25.1. Land and buildings by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	5 170	9 918
Automotive business	9 873	10 172
	<b>15 043</b>	<b>20 090</b>

**25.2. Machinery and equipment by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	787	385
Automotive business	1 404	1 632
Leasing business	46	45
	<b>2 237</b>	<b>2 062</b>

**25.3. Vehicles by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	5 145	2 199
Automotive business	10 991	10 692
Leasing business	27 826	25 281
Asset management and brokerage	40	55
Parent company	80	14
	<b>44 082</b>	<b>38 241</b>

**25.4. Furniture and fittings and other assets by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	1 151	214
Automotive business	2 935	3 033
Leasing business	126	38
Asset management and brokerage	10	16
Parent company	2	2
	<b>4 224</b>	<b>3 303</b>

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**25.5. Assets under construction by segments**

	31.12.2018 BGN'000	31.12.2017 BGN'000
Insurance business	228	224
Automotive business	696	800
	<b>924</b>	<b>1 024</b>

**26. Investment property**

	31.12.2018 BGN'000	31.12.2017 BGN'000
<b>Net book value at 1 January</b>	<b>12 698</b>	<b>13 215</b>
Acquired upon purchase of subsidiaries	1 170	-
Acquired	294	68
Revaluation / (Impairment)	116	(130)
Transfer from buildings	5 931	-
Other amendments	-	(455)
<b>Net book value as at the period end</b>	<b>20 209</b>	<b>12 698</b>

**27. Intangible assets**

	Software BGN'000	Licenses BGN'000	Other BGN'000	Total BGN'000
<b>Cost</b>				
<b>At 1 January 2017</b>	<b>6 095</b>	<b>155</b>	<b>1 483</b>	<b>7 733</b>
Additions	1 037	-	150	1 187
Disposals	(388)	(40)	(21)	(449)
<b>At 31 December 2017</b>	<b>6 744</b>	<b>115</b>	<b>1 612</b>	<b>8 471</b>
<b>At 1 January 2018</b>	<b>6 744</b>	<b>115</b>	<b>1 612</b>	<b>8 471</b>
Acquisition of a subsidiary	409	-	15	424
Additions	1 106	-	151	1 257
Disposals	(52)	(1)	(147)	(200)
Other changes	61	-	-	61
<b>At 31 December 2018</b>	<b>8 268</b>	<b>114</b>	<b>1 631</b>	<b>10 013</b>

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**27. Intangible assets(continued)**

<b>Amortization</b>				
<b>At 1 January 2017</b>	<b>5 076</b>	<b>154</b>	<b>764</b>	<b>5 994</b>
Amortization for the period	412	-	92	504
Disposals	(184)	(40)	(1)	(225)
<b>At 31 December 2017</b>	<b>5 304</b>	<b>114</b>	<b>855</b>	<b>6 273</b>
<b>At 1 January 2018</b>	<b>5 304</b>	<b>114</b>	<b>855</b>	<b>6 273</b>
Amortization for the period	431	-	102	533
Disposals	(45)	-	(22)	(67)
<b>At 31 December 2018</b>	<b>5 690</b>	<b>114</b>	<b>935</b>	<b>6 739</b>
<b>Net book value:</b>				
<b>At 1 January 2017</b>	<b>1 019</b>	<b>1</b>	<b>719</b>	<b>1 739</b>
<b>At 1 January 2018</b>	<b>1 440</b>	<b>1</b>	<b>757</b>	<b>2 198</b>
<b>At 31 December 2018</b>	<b>2 578</b>	<b>-</b>	<b>696</b>	<b>3 274</b>

**28. Inventories by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	373	248
Automotive business	57 492	53 249
Leasing business	2 757	5 628
	<b>60 622</b>	<b>59 125</b>

**29. Financial assets by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
<b>Government bonds measured at FVTPL, Incl.:</b>	<b>138 688</b>	-
<i>Insurance business</i>	138 291	-
<i>Asset management and brokerage</i>	397	-
<b>Government bonds measured at OCI, Incl.:</b>	<b>1 156</b>	-
<i>Insurance business</i>	1 156	-
<b>Total government bonds</b>	<b>139 844</b>	-
<b>Corporate bonds measured at FVTPL, Incl.:</b>	<b>59 778</b>	-
<i>Insurance business</i>	59 192	-
<i>Asset management and brokerage</i>	585	-
<b>Total corporate bonds</b>	<b>59 777</b>	-
<b>Capital investments measured at FVTPL, Incl.:</b>	<b>82 250</b>	-
<i>Insurance business</i>	80 640	-
<i>Leasing</i>	158	-
<i>Asset management and brokerage</i>	1 452	-
<b>Total capital investments</b>	<b>82 250</b>	-



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**29. Financial assets by segments(continued)**

<b>Other financial assets</b> measured at amortised cost, incl.:	8 297	-
<i>Insurance business</i>	282	-
<i>Asset management and brokerage</i>	8 015	-
<i>Impairment</i>	(145)	-
<b>Total other financial assets</b>	<b>8 152</b>	-
<b>Financial assets held for trading, incl.:</b>	-	305 715
<i>Insurance business, incl.:</i>	-	294 500
<i>Government bonds</i>	-	133 742
<i>Asset management and brokerage</i>	-	11 215
<b>Total financial assets held for trading</b>	-	<b>305 715</b>
<b>Available for sale financial assets, incl.:</b>	-	15 638
<i>Insurance business, incl.:</i>	-	15 638
<i>Government bonds</i>	-	4 680
<b>Total available for sale financial assets</b>	-	<b>15 638</b>
<b>Other financial assets, incl.:</b>	-	5 700
<i>Insurance business</i>	-	5 700
<b>Total other financial assets</b>	-	<b>5 700</b>
	<b>290 023</b>	<b>327 053</b>

**30. Deferred tax assets**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	14 154	12 618
Automotive business	421	469
Leasing business	101	97
	<b>14 676</b>	<b>13 184</b>

**31. Investments associates and other investments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	6 070	-
Asset management and brokerage	6 628	4 724
	<b>12 698</b>	<b>4 724</b>

In 2017 Insurance business acquired the 14,144% of the capital of the Russian Insurance company EuroIns IC. After participating in a procedure for increasing the capital of the company in 2018, the participation was increased to 32.20% and as at 31.12.2018 the investment amounting to BGN 6,070 thousand was classified as an investment in an associate. As at 31 December 2018, the investment is presented at cost and not using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", as the intention of the Group's management is to acquire control of the company in 2019. At the date of approval of the consolidated financial statement for 2018 the participation of the insurance subsidiary EuroIns Insurance Group AD was increased to 48.61%.

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**32. Other financial investments by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	2 403	2 382
Parent company	9	9
<i>Impairment</i>	(9)	-
	<b>2 403</b>	<b>2 391</b>

**33. Non-current receivables**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Finance lease receivables	53 738	29 491
Parent company	-	9 779
Subsidiaries	26 089	30 715
<i>Impairment</i>	(1)	-
	<b>79 826</b>	<b>69 985</b>

**34. Goodwill**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
EuroIns Insurance Group AD	165 123	164 478
Motobul EAD	12 538	12 538
Buivarla Varna EOOD	5 591	5 591
Daru Car OOD	1 461	1 461
Eurolease Group EAD	1 312	1 312
Eurolease Rent-a-Car EOOD	1 803	1 803
Sofia Motors EOOD	10	10
Euro-Finance AD	2 620	2 620
	<b>190 458</b>	<b>189 813</b>

In 2018, the Insurance business acquired "IC EuroIns Georgia" AD. The acquisition cost amounted to BGN 3 227 thousand and the value of each group of acquired assets, liabilities and contingent liabilities recognized at the acquisition date is as follows:

BGN'000	At the acquisition date
Consideration transferred	3 227
Fair value of identifiable net assets	(2 582)
<b>Goodwill</b>	<b>645</b>

The management of the Group has made the necessary procedures for carrying out a test for impairment of recognized goodwill on the acquisition of subsidiaries, for which purpose external valuers have been employed and are operated according to generally accepted international valuation standards. The test assumes that each individual company is acting as a 'cash-generating entity'. As a basis for cash flow projections (before tax), financial budgets, as well as other medium- and long-term plans and intentions for the development and restructuring of the Group's activities are used. The recoverable amount of each cash-generating unit is determined on a "value in use" basis. The key assumptions used in the calculations are

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specifically set for each reputable company treated as a separate cash-generating unit and according to its specific business, business environment and risks. The test result shows that the recoverable amount of goodwill exceeds the carrying amount and there is no indication of impairment of that goodwill.

**35. Subordinated debts by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance and health insurance - issued	19 558	19 558
Insurance and health insurance - other	-	6 500
	<b>19 558</b>	<b>26 058</b>

The subordinate debt of the insurance business is in the form of a bond loan, dated December 18, 2014. The bond loan is issued in the form of 100 materialized, subordinated, unsecured as of the emission date bonds with nominal value of EUR 100 thousand each. The loan has contracted amount of EUR 10,000 thousand (BGN 19,958 thousand) and maturity date 18.12.2021. The interest rate consists of floating and fixed interest component – 13% plus 3M Euribor, due at the end of each quarter.

Under the terms of the bond loan there is a clause the interest rate to be reduced to 9.75% plus Euribor if a guarantee by Eurohold Bulgaria AD is issued. Such guarantee was issued on March 18, 2015, which reduced the interest rate.

**36. Bank and non-bank loans by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	17	-
Automotive business	19 045	17 382
Leasing business	78 303	47 768
Parent company	44 802	34 095
	<b>142 167</b>	<b>99 245</b>

**36.1. Bank and non-bank loans by segments – long term**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Automotive business, Incl.:	2 272	4 918
<i>Bank loans</i>	2 272	4 918
Leasing business, Incl.:	57 056	46 404
<i>Bank loans</i>	57 056	46 404
Parent company, Incl.:	35 549	21 123
<i>Bank loans</i>	35 549	21 123
	<b>94 877</b>	<b>72 445</b>

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**36.2. Bank and non-bank loans by segments – short term**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business, Incl.:	17	-
<i>Bank loans</i>	17	-
Automotive business, Incl.:	16 773	12 464
<i>Bank loans</i>	16 070	12 222
<i>Loans from non-bank financial institutions</i>	703	242
Leasing business, Incl.:	21 247	1 364
<i>Bank loans</i>	21 247	1 364
Parent company, Incl.:	9 253	12 972
<i>Bank loans</i>	9 253	5 940
<i>Loans from non-bank financial institutions</i>	-	7 032
	<b>47 290</b>	<b>26 800</b>

**37. Bond obligations by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Automotive business	13 634	4 769
Leasing business	20 380	20 863
Parent company	123 550	125 125
	<b>157 564</b>	<b>150 757</b>

**Issued bonds as at 31.12.2018**

	Coupon	Original currency	Maturity	Nominal, in thousand
<b>Automotive Business</b>				
Corporate bonds	4.50%	BGN	12.2022	6 800
Corporate bonds	3.85%	BGN	06.2028	8 800
<b>Leasing business</b>				
Corporate bonds	7.00%	EUR	11.2019	6 000
Corporate bonds	3.75%	EUR	07.2023	1 250
Corporate bonds	5.00%	BGN	02.2020	6 000
Corporate bonds	3m.EurIbor + 3.95%	EUR	07.2021	5 800
<b>Parent company</b>				
EMTN Programme	6.50%	EUR	12.2022	70 000
EMTN Programme	8.00%	PLN	12.2021	45 000

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**Issued bonds as at 31.12.2017**

	Cupon	Original currency	Maturity	Nominal, in thousand
<b>Automotive Business</b>				
Corporate bonds	4.50%	BGN	12.2022	6 800
<b>Leasing business</b>				
Corporate bonds	7.00%	EUR	11.2019	6 000
Corporate bonds	3.75%	EUR	07.2023	1 250
Corporate bonds	5.00%	BGN	02.2020	6 000
Corporate bonds	3m.Euribor + 3.95%	EUR	07.2021	5 800
<b>Parent company</b>				
EMTN Programme	6.50%	EUR	12.2022	70 000
EMTN Programme	8.00%	PLN	12.2021	45 000

**37.1 Bond obligations – long term, by segments**

	31.12.2018 BGN'000	31.12.2017 BGN'000
Automotive business	12 746	4 769
Leasing business	11 654	20 863
Parent company	122 824	124 178
	<b>147 224</b>	<b>149 810</b>

**37.2 Bond obligations – short term, by segments**

	31.12.2018 BGN'000	31.12.2017 BGN'000
Automotive business	888	-
Leasing business	8 726	-
Parent company	726	947
	<b>10 340</b>	<b>947</b>

**38. Non-current liabilities**

	31.12.2018 BGN'000	31.12.2017 BGN'000
Other non-current liabilities	5 972	10 198
Finance lease liabilities	18 773	16 210
Deferred revenue	-	4
	<b>24 745</b>	<b>26 412</b>

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**38.1. Other non-current liabilities by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	7	11
Automotive business	5 131	9 336
Leasing business	828	811
Parent company	6	40
	<b>5 972</b>	<b>10 198</b>

**38.2. Finance lease liabilities – non-current, by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Automotive business	11 069	7 166
Leasing business	7 704	9 044
	<b>18 773</b>	<b>16 210</b>

**39. Current liabilities**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Payables to employees	3 979	3 304
Social-security liabilities	1 912	1 619
Tax liabilities	6 063	5 707
Other current liabilities	12 145	9 792
Finance lease liabilities	7 317	8 124
Deferred revenue	687	270
Provisions	3 227	446
	<b>35 330</b>	<b>29 262</b>

**39.1. Payables to employees by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	2 699	2 357
Automotive business	1 007	721
Leasing business	233	187
Parent company	40	39
	<b>3 979</b>	<b>3 304</b>

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**39.2. Social-security liabilities by segments**

	31.12.2018 BGN'000	31.12.2017 BGN'000
Insurance business	1 339	1 325
Automotive business	422	209
Leasing business	145	75
Parent company	6	10
	<b>1 912</b>	<b>1 619</b>

**39.3. Tax liabilities by segments**

	31.12.2018 BGN'000	31.12.2017 BGN'000
Insurance business	2 574	2 644
Automotive business	2 564	2 351
Leasing business	557	394
Asset management and brokerage	75	46
Parent company	293	272
	<b>6 063</b>	<b>5 707</b>

**39.4. Other current liabilities by segments**

	31.12.2018 BGN'000	31.12.2017 BGN'000
Insurance business	7 883	6 322
Automotive business	2 507	2 084
Leasing business	1 269	795
Asset management and brokerage	158	293
Parent company	328	298
	<b>12 145</b>	<b>9 792</b>

**39.5. Finance lease liabilities – current, by segments**

	31.12.2018 BGN'000	31.12.2017 BGN'000
Automotive business	3 706	4 449
Leasing business	3 611	3 675
	<b>7 317</b>	<b>8 124</b>

**39.6. Deferred revenue – current, by segments**

	31.12.2018 BGN'000	31.12.2017 BGN'000
Insurance business	103	-
Automotive business	584	270
	<b>687</b>	<b>270</b>

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**40. Trade and other payables by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	6 275	7 380
Automotive business	57 291	51 080
Leasing business	2 542	3 852
Asset management and brokerage	31	6
Parent company	42 169	39 874
	<b>108 308</b>	<b>102 192</b>

**41. Payables to reinsurers**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	23 265	81 863
	<b>23 265</b>	<b>81 863</b>

**42. Deferred tax liabilities by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Insurance business	223	104
Automotive business	79	120
Leasing business	94	60
	<b>396</b>	<b>284</b>

**43. Insurance reserves**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
		<i>Restated*</i>
Unearned premium reserve, gross amount	218 027	187 985
<i>Reinsurers' share in unearned premium reserve</i>	<i>(139 095)</i>	<i>(117 578)</i>
Unexpired risks reserve, gross amount	147	7 288
<i>Reinsurers' share in unexpired risks reserve</i>	<i>-</i>	<i>-</i>
Reserve for incurred but not reported claims, gross amount	171 780	165 038
<i>Reinsurers' share in reserve for incurred but not reported claims</i>	<i>(102 066)</i>	<i>(102 594)</i>
Reserve for reported but not settled claims, gross amount	275 507	231 840
<i>Reinsurers' share in reserve for reported but unsettled claims</i>	<i>(163 555)</i>	<i>(137 915)</i>
Other technical reserve	10 885	4 081
<i>Reinsurers' share in other technical reserves</i>	<i>(3 661)</i>	<i>(3 160)</i>
	<b>676 346</b>	<b>596 232</b>



C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018

#### 44. Share capital and share premium

##### 44.1 Share capital

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Issued shares	197 526	197 526
Treasury shares	(77)	(77)
<b>Share capital</b>	<b>197 449</b>	<b>197 449</b>
<b>Number of shares</b>	<b>197 525 600</b>	<b>197 525 600</b>

As at December 31, 2018, 77 387 shares of Eurohold Bulgaria AD are held by companies in Eurohold Group (31 December 2017 – 77 387 shares).

The share capital at 31 December 2018 is distributed as follows:

Share holders	%	Number of shares	Par value
Starcom Holding AD	52.88%	104 448 874	104 448 874
KJK Fund II Sicav-Sif Balkan Discovery	14.23%	28 116 873	28 116 873
Other companies	30.54%	60 320 875	60 320 875
Other Individuals	2.35%	4 638 978	4 638 978
<b>Total</b>	<b>100.00%</b>	<b>197 525 600</b>	<b>197 525 600</b>

The shares held by members of the Supervisory and Management Board as at 31 December 2018 were 78 400 shares (as of 31.12.2017 – 79 400 shares).

##### 44.2 Share premium

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Share premium	49 568	49 568
	<b>49 568</b>	<b>49 568</b>

##### 44.3 Earnings per share

Net earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year. The calculation is based on the consolidated statement of Eurohold Bulgaria AD.

##### Earnings per share

	31.12.2018	31.12.2017*
		Restated
Average shares, (number)	194 640 005	145 484 851
Net Profit attributable to equity holders of the Parent (thousand BGN)	14 385	18 103
<b>Earnings per share, BGN</b>	<b>0,074</b>	<b>0,124</b>

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**45. Net profit for the year**

	31.12.2018 BGN'000	31.12.2017 BGN'000 <i>Restated*</i>
Current result attributable to the shareholders	14 385	18 103
Current result attributable to the non-controlling interest	2 489	6 232
	<b>16 874</b>	<b>24 335</b>

**45.1. Net profit for the year by segments**

	31.12.2018 BGN'000	31.12.2017 BGN'000 <i>Restated*</i>
Insurance business	9 910	41 601
Automotive business	3 438	258
Leasing business	1 218	112
Asset management and brokerage	834	209
Parent company	1 660	(17 306)
Pfprofit/(Loss) attributable to the non-controlling interest	(2 489)	(6 232)
Intercompany eliminations of dividends and other	(186)	(539)
	<b>14 385</b>	<b>18 103</b>

**46. Non-controlling interests**

	31.12.2018 BGN'000	31.12.2017 BGN'000 <i>Restated*</i>
Non-controlling interest attributable to profit	2 489	6 232
Non-controlling interest attributable to equity	36 203	37 374
	<b>38 692</b>	<b>43 606</b>

As at 31.12.2018 and 31.12.2017, the Group does not have any significant non-controlling participations.

**47. Changes in liabilities arising from financing activities**

BGN'000	Note	1 January 2018	Changes from financing cash flows		Non-cash adjustments		31 December 2018	
			Proceeds	Payments	Effect of changes in foreign exchange rates	Other changes		
Share capital	44.1	197 449	-	-	-	-	197 449	
Share premium	44.2	49 568	-	-	-	-	49 568	
Retained earnings		(40 638)	-	(1 700)	-	(2 443)	(44 781)	
Subordinated debts	35	26 058	-	(1 838)	-	(4 662)	19 558	
Bank and non-bank loans	36	99 245	80 734	(45 644)	-	7 832	142 167	
Bond obligations	37	150 757	35 454	(24 323)	(673)	(3 651)	157 564	
		<b>Total:</b>	<b>482 439</b>	<b>116 188</b>	<b>(73 505)</b>	<b>(673)</b>	<b>(2 924)</b>	<b>821 925</b>

#### 48. Contingent liabilities and engagements

##### *Litigations*

As at 31.12.2018 Eurohold Group companies are not a party to significant litigations.

##### *Warranties and provided guarantees*

By virtue of a decision of the Board of Directors, Avto Union AD entered into a debt under a bond loan with ISIN BG2100006092, issued by Asterion Bulgaria AD, being jointly responsible for its execution. The nominal amount of the issued debt amounted to EUR 7 500 000. On 11.04.2014 the General Meeting of Bondholders was held at which it was decided to extend the maturity of the bond issue of Asterion Bulgaria AD to 14.04.2019, and the interest rate was changed to 6.25%.

Avto Union AD is a co-debtor under a contract for bank credit of Asterion Bulgaria AD from First Investment Bank AD. Asterion Bulgaria AD has not used a limit under this contract, which as at 31.12.2018, amounts to EUR 2 million and is used to issue bank guarantees for the subsidiaries of Avto Union AD.

#### 49. Transactions and balances with related parties

The Group's related parties are as follows:

Starcom Holding AD - major shareholder

First Investment Bank AD, Moscow - a subsidiary of Starcom Holding AD.

As at 31 December 2018, the Group has the following related party transactions:

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Loan claims from Starcom Holding AD	33	314
Repo transaction receivables from Starcom Holding AD	239	1 752
Other receivables from Starcom Holding AD	285	1
Liabilities on loans to Starcom Holding AD	942	2 753
Other liabilities to Starcom Holding AD	20 752	98
Investments in debt instruments of Starcom Holding AD	11 651	13 077
Dividend payables	101	34
Revenue from commissions - Starcom Holding AD	87	1
Interest income - Starcom Holding AD	807	466
Interest expense - Starcom Holding AD	169	988

The composition of key management personnel is disclosed in Note 1. The remuneration and other short-term earnings of key management personnel for the year 2018 are current and amount to BGN 2 156 928 and include current remuneration (2017: BGN 1 869 040).

#### 50. Correction of errors and reclassifications

##### **Correction of errors**

In 2018 in the subsidiary IC Euroins AD a technical error was found in the calculations of the Reserve for claims but not repaid in the financial statements for 2016 and 2017 years. As a result, the costs associated with the Reserve for claims but not paid and the corresponding obligations have been underestimated. The error was corrected by recalculating each of the entities affected in the financial statements for the previous reporting periods.

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**

Since the adjustment does not have a material effect on the information in the consolidated statement of financial position at the beginning of the previous period, the Group does not present two comparative periods in the consolidated statement of financial position.

The tables below summarize the impact on the consolidated financial statements of the Group:

**Consolidated statement of financial position**

BGN'000 1 January 2017	Impact of correction of error		
	Before restatement	Adjustments	Restated
<b>Total assets</b>	<b>1 134 514</b>	<b>-</b>	<b>1 134 514</b>
Insurance reserves	580 820	317	581 137
Subordinated debt instruments	77 253	-	77 253
Other liabilities	361 182	-	361 182
<b>Total liabilities</b>	<b>1 019 255</b>	<b>317</b>	<b>1 019 572</b>
Retained earnings / (uncovered loss)	(36 185)	(257)	(36 442)
Other	115 299	-	115 299
Non-controlling participation	36 145	(60)	36 085
<b>Total equity</b>	<b>115 259</b>	<b>(317)</b>	<b>114 942</b>

BGN'000

31 December 2017	Before restatement	Adjustments	Restated
<b>Total assets</b>	<b>1 326 414</b>	<b>-</b>	<b>1 326 414</b>
Insurance reserves	595 835	397	596 232
Subordinated debt instruments	26 058	-	26 058
Other liabilities	490 015	-	490 015
<b>Total liabilities</b>	<b>1 111 908</b>	<b>397</b>	<b>1 112 305</b>
Retained earnings / (uncovered loss)	(26 651)	(301)	(26 952)
Other	197 455	-	197 455
Non-controlling participation	43 702	(96)	43 606
<b>Total equity</b>	<b>214 506</b>	<b>(397)</b>	<b>214 109</b>

**Consolidated statement of profit or loss and other comprehensive income**

BGN'000

For the year ended December 31, 2017

	Impact of correction of error		
	Before restatement	Adjustments	Restated
Insurance costs	(919 175)	(80)	(919 255)
Gross profit	131 519	(80)	131 439
Profit before interest, depreciation and taxes	57 593	(80)	57 513
Profit before depreciation and taxes	34 781	(80)	34 701
Profit before tax	26 671	(80)	26 591
Net profit for the period	24 415	(80)	24 335
Distributed as follows:			
The owners of the parent company	18 174	(71)	18 103
Non-controlling interests	6 241	(9)	6 232

The error does not have a material impact on earnings per share as well as on the operating, investing or financing cash flows of the Group for the year ended 31 December 2017.

**C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018**
**Reclassifications**
**Consolidated statement of financial position  
BGN'000**

<b>31 December 2017</b>	<b>Before Reclassification</b>	<b>Reclassification</b>	<b>After Reclassification</b>
Trade receivables	27 474	15 923	43 397
Non-current receivables	85 908	(15 923)	69 985
<b>Total assets</b>	<b>1 326 414</b>	<b>-</b>	<b>1 326 414</b>
Non-current liabilities	30 087	(3 675)	26 412
Current liabilities	25 587	3 675	29 262
<b>Total liabilities</b>	<b>490 015</b>	<b>-</b>	<b>490 015</b>

**51. Events after the end of the reporting period**

Between the date of the annual consolidated financial statements and the date of its approval for publication, the following disclosure events have occurred:

**Insurance business**

On 22, 24 and 29 January 2019 and 5 February 2019 contributions were made for the increase of the capital of EuroInns Insurance Group AD in the total amount of BGN 3 950 000. They were registered in the Commercial Register on February 21, 2019, thus the registered capital contributed to February 21, 2019 amounts to BGN 502 395 791. EIG AD has used part of the paid-up capital for EuroInns Russia's capital increase, respectively BGN 1 091 thousand, and EuroInns Greece, respectively BGN 489 thousand.

On March 4, 2019, the Board of Directors of EuroInns Insurance Group AD decided to acquire 93.12% of the registered capital of Ergo Insurance Company, a private joint-stock company, ERGO, Belarus.

On March 4, 2019, the Board of Directors of EuroInns Insurance Group AD decided to acquire 100.00% of the registered capital of Ergo Insurance Company, Czech Republic.

On March 4, 2019, the Board of Directors of EuroInns Insurance Group AD decided on the acquisition of 99.9785% of the registered capital of ERGO Assurari SA, Romania.

On March 4, 2019, the Board of Directors of EuroInns Insurance Group AD decided to acquire 99.9924% of the registered capital of ERGO Avesari De Viada SA, Romania.

**Automotive business**

On March 22, 2019 Milen Asenov Hristov was entered in the Commercial Register as Procurator of the subsidiary Auto Italia EAD.

On 11.02.2019, an increase of the capital of BenzIn Finance EAD was registered in the Commercial Register by BGN 550 thousand - from BGN 500 thousand to BGN 1 050 thousand.

By a memorandum of the BD of the subsidiary Auto Italia EAD dated 23.11.2018 it was decided to set up a subsidiary of Auto Italia EAD, namely Auto Italia-Sofia EOOD. The intention of the management is to divide

## C - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018

the import and divestment activities of the FIAT, Maserati and Alfa Romeo brands - the newly established company will be a dealer for Sofia, and Auto Italia EAD remains the only importer for the brands in Bulgaria.

### Leasing business

On 02.01.2019 in the Commercial Register a change was registered in the Board of Directors of Eurolease Group EAD as follows - Boyana Vassileva Kantardzhieva, in the place of Ani Dimitrova Bachvarova, is the Chairman of the Company's Board of Directors.

On 09.04.2019 in the Commercial Register was registered an increase of the capital of the subsidiary Eurolease Rent A Car EOOD with BGN 400 thousand to BGN 1 335 thousand. The capital of the Company is fully paid up. The increase of the capital is reflected by entering in the Commercial Register on 09.04.2019.

Since the beginning of 2019, the subsidiaries Amigo Leasing EAD and Autoplaza EAD have registered new branches as follows:

#### Amigo Leasing EAD:

- Vellko Tarnovo Branch, with headquarters and address of management: Vellko Tarnovo, 4, Pop Hariton Str., Ent. 1, floor 1.

#### Autoplaza EAD:

- Burgas Branch, with headquarters and management address: 10, General Skobelev Street, fl. 1;
- Varna Branch, with headquarters and address of management: Varna, Odessos Street, 45, Alexander Dyakovich Str., Ent. A.

### Parent-company

• At the date of these financial statements, Eurohold Bulgaria is in the process of increasing the share capital. At a meeting of the Management Board of Eurohold Bulgaria AD dated 15 March 2019, a decision was taken to increase the Company's capital through the public offering of 79,010,240 new, registered, dematerialized, preferred shares, without voting rights, with an issue value of BGN 1.95 to share. A General Meeting of Shareholders of Eurohold Bulgaria AD is convened, which will be held on 22.04.2019 with the agenda adopting a decision for increase of the capital of the company from 197,525,600 (one hundred and ninety-seven million five hundred and twenty-five thousand and six hundred) to BGN 276 535 840 (two hundred and seventy-six million five hundred thirty five thousand eight hundred and forty) by issuing a new issue of new class shares, namely preferred shares under the conditions of public offering under the Law of Public Offering of Securities. The intentions of the managing board of Eurohold Bulgaria AD are, upon successful registration of the new issue, that the raised funds be used in two directions - supply objectives, namely:

- Objective 1. Reducing the long-term indebtedness of the Issuer to the amount of BGN 40 000 000
- Objective 2. Expansion of the Issuer in insurance and other business segments up to BGN 114 050 000, including the support of the subsidiary EuroIns Insurance Group AD by the addition of a part of the subscribed but not paid-up capital of the company will be used to implement its investment strategy to expand its presence in Central and Southeast Europe as well as to invest the Issuer in new regulated business segments of development

• On 1 April 2019 Eurohold Bulgaria AD made an individual offer for the acquisition of CEZ Group's assets in Bulgaria. The intention to acquire CEZ Group's assets in Bulgaria is part of the long-term strategy of the holding to enter new regulated business segments that offer great opportunities for growth.

The Management Board of Eurohold Bulgaria AD is not aware of other significant events occurring after the reporting period.

**D –**

# **Consolidated Activity Report**

**This Activity Report has been prepared in accordance with the provisions of article 100n, para. 7 and 8 of the Public Offering of Securities Act (POSA), art. 247 of the Commercial Act and art. 41 and 44 and 45 of the Accountancy Act and art. 32, paragraph 1, Item 2 of Ordinance No. 2 dated 17.09.2003 for the prospects at public offering and access to trade on a regulated securities market and for disclosure of information by public companies and other issuers of securities.**

**The Annual Consolidated Activity Report of Eurohold Bulgaria AD includes a commentary and an analysis of the financial statements and other substantial information regarding the financial position and the results achieved from the operations of the parent company and its subsidiaries. The Consolidated Report also includes consolidated non-financial information. The report reflects the state and prospects for the Group's development and the main risks it faces.**

**D1. KEY CONSOLIDATED INDICATORS 2018**

Eurohold Bulgaria AD reports consolidated profit for the year 2018, growth of the Group's revenues and assets as well as a stable financial position.

	<b>2018</b>	<b>2017</b>
<b>NET PROFIT</b>	<b>16.9 BGN mln</b> -31%	<b>24.3 BGN mln</b> +139%
<b>REVENUES</b>	<b>1 263 BGN mln</b> +2%	<b>1 241 BGN mln</b> +18%
<b>EBITDA</b>	<b>50.8 BGN mln</b> -12%	<b>57.5 BGN mln</b> +65%
<b>ASSETS</b>	<b>1 395 BGN mln</b> +5%	<b>1 326 BGN mln</b> +17%
<b>LIABILITIES</b>	<b>1 188 BGN mln</b> +7%	<b>1 112 BGN mln.</b> +9%
<b>TOTAL EQUITY</b>	<b>207 BGN mln</b> +3%	<b>214 BGN mln</b> +86.1%



**D - CONSOLIDATED ACTIVITY REPORT**
**KEY CONSOLIDATED INDICATORS - CONTINUED**
**KEY INDICATORS BY INDIVIDUAL BUSINESS LINES. DATA ARE BASED ON AUDITED CONSOLIDATED FINANCIAL STATEMENTS AT SUB-HOLDING LEVEL FOR 2018 AND 2017**

Consolidated data	Currency	Change 2018-2017 In %	2018	Change 2017-2016 In %	2017
<b>Insurance</b>					
Written premiums	000' BGN	-0.3%	643 283	22.3%	645 471
Net earned premiums	000' BGN	6.6%	380 389	20.6%	356 726
Net income	000' BGN	5.8%	483 062	10.3%	456 694
Claims net of reinsurance occurred	000' BGN	26%	(230 845)	8.8%	(182 693)
Acquisition expenses	000' BGN	10%	(150 483)	7.2%	(137 340)
Administrative expenses	000' BGN	25%	(38 635)	44.1%	(30 942)
Net result	000' BGN	-76%	9 910	365%	41 601
Financial assets	000' BGN	-7%	329 803	53.6%	355 338
Total Assets	000' BGN	5%	1 131 163	16.1%	1 079 955
Equity	000' BGN	9%	382 863	30.8%	352 794
Insurance reserves	000' BGN	13%	676 659	16.8%	596 664
<b>Light motor vehicles</b>					
Revenue from sale	000' BGN	5.8%	226 776	21%	214 285
EBITDA	000' BGN	70.6%	9 492	42.2%	5 565
Net result	000' BGN	1232.6%	3 438	130.6%	258
Inventory (motor vehicles in stock)	000' BGN	8.0%	57 492	49%	53 249
Total assets	000' BGN	3.7%	141 503	15.4%	136 395
Equity	000' BGN	-42.6%	10 683	-4.9%	18 603
Non-current liabilities	000' BGN	3.2%	38 976	25.3%	37 764
Current liabilities	000' BGN	14.7%	88 012	16.4%	76 699
<b>Leasing</b>					
Operating Income	000' BGN	24.1%	21 075	21.7%	16 979
Net result	000' BGN	987.5%	1 218	123.3%	112
Leasing Portfolio	000' BGN	38.3%	78 225	12.3%	56 581
Total assets	000' BGN	19.5%	137 585	17.5%	115 171
Equity	000' BGN	-22.0%	12 662	0.8%	16 234
Non-current liabilities	000' BGN	14.5%	78 594	23.1%	68 657
Current liabilities	000' BGN	53.6%	46 508	2.4%	30 280
<b>Data Investment Intermediation and Asset Management -</b>					
Revenue from financial services	000' BGN	41.5%	13 016	-18.8%	9 197
Net result	000' BGN	299.0%	834	-21.1%	209
Current assets	000' BGN	34.8%	27 575	24.9%	20 460
Total assets	000' BGN	26.1%	34 360	46.3%	27 256
Equity	000' BGN	2.1%	22 757	40.6%	22 297
Non-current liabilities	000' BGN	-22.5%	31	-23.1%	40
Current liabilities	000' BGN	137.9%	11 572	81.5%	4 864

## **D2. SIGNIFICANT EVENTS FOR THE EUROHOLD GROUP**

2018 was filled with many important events for the development of the current activity of Eurohold Bulgaria AD (the Company, Holding) and the future strategic plans of the company. Below is presented information about the most important of them, affecting the financial results and the state of Eurohold Bulgaria AD. Events are arranged in chronological order rather than according to their significance

### **2018**

#### **1. FUNDING**

At the end of May 2018 Eurohold Bulgaria has signed a loan agreement with International Investment Bank. The loan amounts to EUR mln 10, with a repayment term of 18 March 2025 and an annual interest rate of 6% + Euribor.

#### **2. EUROHOLD AGREED FOR THE ACQUISITION OF THE RESIDUAL MINORITY SHARE IN THE CAPITAL OF EUROINS INSURANCE GROUP**

In June 2018 Eurohold Bulgaria has agreed with the South Eastern Europe Fund LP (SEEF), managed by the Greek investment company Global Finance, to acquire the residual minority shareholding of 10.64% of its subsidiary insurance holding company Euroins Insurance Group AD (EIG).

#### **3. DIVIDENDS PAID**

Eurohold Bulgaria AD distributed a net profit amounting to BGN 1 800 000 (BGN one million eight hundred thousand) as a gross dividend among the shareholders. The gross dividend per share is BGN 0.009.

#### **4. INCREASE IN THE CAPITAL OF EUROINS INSURANCE GROUP**

The capital of Euroins Insurance Group has been increased from BGN 483 445 791 to BGN 543 445 791 by the issuance of a new 60 000 000 ordinary, registered, available, non-preferred shares with a nominal and issue value of BGN 1 (one) each, with the right to 1 (one) vote at the general meeting of shareholders. All shares are subscribed by the majority shareholder Eurohold Bulgaria AD.

#### **5. FITCH RATINGS CONFIRMS THE ISSUED CREDIT RATING OF EUROINS ROMANIA AND EUROHOLD BULGARIA**

The International Credit Rating Agency Fitch Ratings has confirmed:

- Long-Term Issuer Default Rating – IDR) "B" of Eurohold Bulgaria AD ". The outlook for the rating was assessed as stable.
- the credit rating B'/'RR4' of the program for medium-term Eurobonds (EMTN Programme) issued by EuroHold, amounting to EUR 200 mln., and of the EUR 70 million medium-term Eurobonds (EMTN Programme) issued under the programme.
- the Insurer Financial Strength Rating - IFSR "BB-"
- has awarded a rating "BB-" to Euroins Bulgaria. The outlook for the rating was assessed as stable.

#### **6. EUROINS INSURANCE GROUP ACQUIRED AN INSURANCE COMPANY IN UKRAINE**

In July, the financial regulator in Ukraine allowed Euroins Insurance Group AD to acquire from the German ERG the Ukrainian company ERV, specializing in travel insurance. The deal was realized in April this year. The shares were transferred to the October 1, 2018.

#### **7. EUROINS INSURANCE GROUP ACQUIRED THE GEORGIAN INSURER IC GROUP**

In September Euroins Insurance Group AD acquired one of the leading insurers in Georgia - IC Group. IC Group has been operating since 2005 and is one of the leading insurance companies in Georgia, offering almost all products on the market. The company is one of the largest in the country in the field of health insurance. The transaction was finalized on 23.10.2018.

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### **D3. A BRIEF OVERVIEW OF 2018**

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#### **TO ALL INTERESTED PARTIES**

#### **What we do for the development of Eurohold Bulgaria AD**

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*With the results achieved Eurohold Bulgaria AD turned into a leading independent business group with a diversified portfolio, operating in the CEE/SEE/CIS region, and the largest publicly-listed holding company in Bulgaria by revenue. For the last 20 years Eurohold has completed 16 successful acquisitions of companies in different business segments in Central and Eastern Europe, mostly in transactions with leading corporations in Europe. Today Eurohold's subsidiaries operate in the field of insurance, leasing, car sales, asset management and investment services in 12 European countries. The company is listed on the Bulgarian Stock Exchange (BSE) and the Warsaw Stock Exchange (WSE). The group has a successful track record on the capital market, having completed four capital increases up to the moment and raising one of the largest volumes of funds raised on the BSE - at the amount of BGN 165 000 000. The holding has over 2.5 million clients.*

*As of 2018, Eurohold's consolidated revenues amounted to BGN 1.3 billion, its EBITDA reached BGN 50.8 million and its consolidated assets totalled BGN 1.4 billion. The holding company has maintained a highly liquid position, enhanced its capital position and reduced its cost of capital thus preserving its profitability. Eurohold turned to be one of the few companies in the whole CEE/SEE that launched an EMTN programme for issuing notes on the international capital markets.*

*Eurohold's key asset - EuroIns Insurance Group AD (EIG), is one of the largest independent insurance groups in the CEE/SEE/CIS region, operating in 12 European markets, including own subsidiaries in Bulgaria, Romania, North Macedonia, Ukraine, Georgia, Belarussia and the Czech Republic. EIG is also operating in Greece and Russia, and has niche operations in Spain, Poland and Italy. EIG has maintained a sound investment portfolio and solvency position. The group has achieved coverage of its SCR that is well above the current regulatory requirement, maintaining high capital buffer. EIG is and will remain focused on expanding its presence in the CEE/SEE/CIS markets both*

*organically and through appropriate acquisitions, striving to diversify its product portfolio and distribution channels, and implementing the best practices in its operations across its network.*

*Taking into account its ability to identify promising transactions, negotiate best prices and generate maximum value from its acquisitions that contributed to the rapid growth of the holding in the past years, Eurohold will consider the opportunity to enter new regulated business segments with high sustainable growth potential and divest part of its non-insurance operations in order to increase the focus of the group towards the business lines that generate superior value for the shareholders.*

[www.eurohold.bg](http://www.eurohold.bg)

[www.eig.bg](http://www.eig.bg)

**on behalf of the Supervisory Board and the Management Board**

**of Eurohold Bulgaria AD**

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*"Eurohold has focused its long-term strategy on entering new regulated markets that offer great opportunities for sustainable growth. At the beginning of April 2019, we made the first step towards its realization. We have enough own funds to fund large deals in this sector and we have the support of leading Western European banks to provide additional funding for this purpose. At the same time, we look at the possibility of selling some of our assets outside of the insurance business in order to focus on the segments with the greatest potential."*

**Assen Christov - Chairman of the Supervisory Board of Eurohold Bulgaria AD**



*"By the achievements in 2018 Eurohold consolidated its earnings from the previous year, when it significantly improved its operational and financial performance. Our business has grown steadily, we have reported record revenues for the second consecutive year and have maintained our position as the largest public holding company in Bulgaria. Our insurance sub-holding continued to build on its successful acquisitions. By the acquisitions made during the year, Euroins Insurance Group proved to be a preferred partner for large companies that emerged from Southeastern Europe. Over the last five years, our insurance group has been able to derive maximum value from these deals and achieve the necessary synergy that has contributed to our growth."*

**Kiril Boshov - Chairman of the Management Board of Eurohold Bulgaria AD:**

## D4. VISION, BUSINESS PROFILE, MISSION, GOALS



Our **VISION** is a reflection of our **BUSINESS PROFILE**, **MISSION**, and **GOALS**



### **BUSINESS PROFILE**

**Eurohold Bulgaria** is one of the leading public companies, whose shares are traded on the Bulgarian Stock Exchange and the Warsaw Stock Exchange / Giełda Papierów Wartościowych w Warszawie (Warsaw Stock Exchange). *The investment portfolio of the Holding includes subsidiaries operating in four areas - financial services (investment intermediation and investment banking), motor vehicle sales, leasing and insurance. Mutually complementary activities provide significant opportunities for a rapid growth of the market shares of the companies in the holding structure, cost optimization, enhancing competitiveness and, as a result, increasing Eurohold's profits.*



### **MISSION**

**Eurohold's mission** is to maintain high financial stability and provide adequate return to its shareholders; to support the growth of its subsidiaries; to stimulate innovation and increase customer satisfaction; to ensure the required conditions for a continuous improvement in the synergy between its subsidiaries; to maintain high confidence in its relations with its customers, employees and shareholders.



### **GOALS**

**The main goals of Eurohold are:** *To satisfy the needs of its customers by means of offering innovative and competitive products and services, to expand the markets in which it operates and to increase the market shares of each of its subsidiaries; to increase the amount of sales in combination with high profitability, to preserve the positive reputation of the company. Achieving the goals will lead to sustainable growth in earnings and profits.*

## OUR PROFILE

### EUROHOLD BULGARIA IS

- **Is one of the largest independent financial groups in the region of central and south-eastern Europe.**
- **with main scope of activity - Investment and financial activity related to the creation, acquisition and management of participations and financing of related enterprises. Eurohold is a non-banking financial holding company that benefits from synergies between services and parties**
- **through its subsidiaries, focused on the business sectors - Insurance, leasing, car sales, investment brokerage and asset management.**

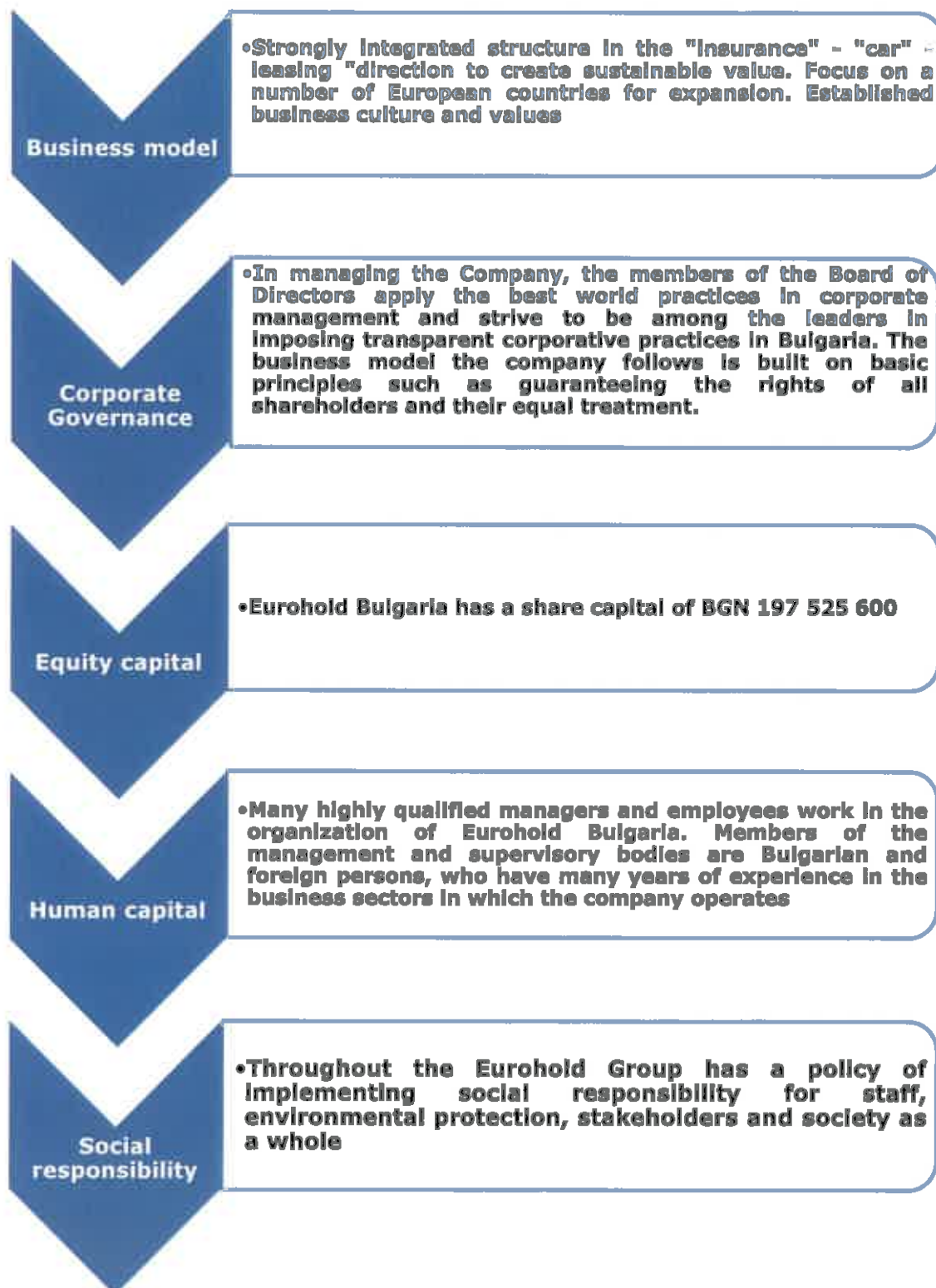
### THE EUROHOLD GROUP IS

- **The Eurohold Group is a fast-growing holding company that extends both organically and through acquisitions.**
- **successfully integrated through mutually complementary activities supports the creation of sustainable and cost-effective sales channels and leads to significant financial and operational strategies being implemented.**

## POSITIONING OF THE EUROHOLD GROUP



## D5. KEY FACTORS FOR GROWTH OF THE EUROHOLD GROUP





## D6. INFORMATION ABOUT THE COMPANY

### I. HISTORY BUSINESS INFORMATION

Eurohold Bulgaria AD (EUROHOLD BULGARIA S.A.) is a holding company, incorporated on 12 December 2006 in the Republic of Bulgaria, which operates in compliance with the Bulgarian legislation.

#### Seat and management address

The seat and the registered address of Eurohold Bulgaria AD is the following: Republic of Bulgaria, 1592 Sofia, 43 Hristofor Kolumb Blvd. where is located the head office of the Company. This is also the official mailing address of the Company.

<b>Business address:</b>	<b>city of Sofia, 1592, 43, Hristofor Kolumb Blvd.</b>
<b>Phone number</b>	<b>02/ 9651 653</b>
<b>E-mail</b>	<b>investors@eurohold.bg; office@eurohold.bg</b>
<b>Website</b>	<b>www.eurohold.bg</b>

#### Scope of business activity

The scope of business activities of the Company includes acquisition, management, assessment and sale of shares in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, assessment and sale of patents, concession of licenses for patent use to companies in which the company holds a share; funding companies, in which the company holds a share.

#### Registration

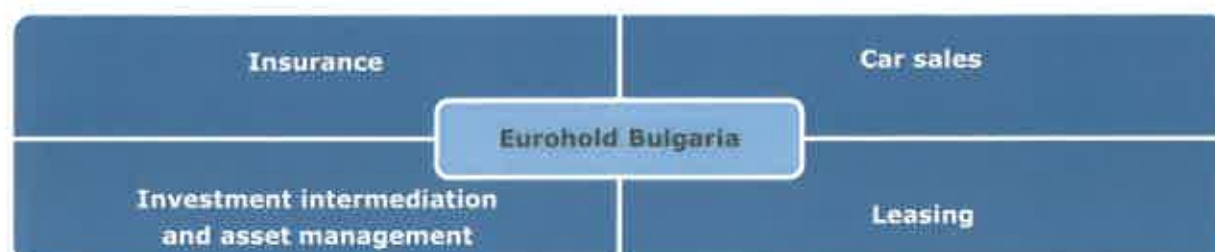
On 10.03.2008 Eurohold Bulgaria AD was re-registered in the Commercial Registry of the Registry Agency, according to the requirements of the Commercial Registry Act with a unique identification code (UIC) 175187337.

Since the registration of EUROHOLD BULGARIA AD as a business entity up until now there has been no change in the name of the Company, as well as in the subject of business. The Eurohold has no registered branches in the country and abroad.

At its incorporation, Eurohold Bulgaria AD owned a number of subsidiaries, which operated in the insurance, leasing, real estate and tourist property management, industry, etc.

In 2010 the company restructured its investments by designating non-strategic the companies operating in the field of real estate, management of tourism and the industry, as a result of which they are sold.

The Management of Eurohold Bulgaria AD focuses its efforts on the management and development of the companies operating in the field of insurance, leasing, automobiles, as well as investment intermediation and asset management. In order to optimize costs and achieve high synergy between its subsidiaries, Eurohold sets up sub-holding structures operating in the insurance, leasing, car sales and investment brokerage and asset management sectors.



## II. MANAGEMENT BODIES CONTROL AUTHORITIES

As of 31.12.2018 Eurohold Bulgaria AD has a two-tier management system: a Management Board which consists of six natural persons, and a Supervisory Board – consisting of six natural persons. The company also has a procurator.

Supervisory Board	Management Board	Procuracy
<ul style="list-style-type: none"> <li>• <b>Assen Milkov Hriatov</b> Chairman</li> <li>• <b>Dimitar Stoyanov Dimitrov</b> Deputy Chairman</li> <li>• <b>Kustaa Lauri Ayma</b> Independent member</li> <li>• <b>Radi Georgiev Georgiev</b> Member</li> <li>• <b>Lyubomir Stoev</b> Independent member</li> <li>• <b>Luise Gabrielle Roman</b> Member</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Kiril Ivanov Boshov</b> Chairman</li> <li>• <b>Asen Minchev Minchev</b> Executive member</li> <li>• <b>Dimitar Kirilov Dimitrov</b> Member</li> <li>• <b>Velislav Milkov Hristov</b> Member</li> <li>• <b>Asen Emanuilov Asenov</b> Member</li> <li>• <b>Razvan Stefan Lefter</b> Independent member</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Hristo Lyubomirov Stoev</b> Procurator</li> </ul>

*Detailed information on the qualifications, professional experience and other significant participations of the members of the Supervisory and Management Board and Procurator of the Company can be found in the section D14 ADDITIONAL INFORMATION, LEGAL REQUIREMENTS FOR THE COMPANY on page 174*

On 29.10.2018 a new member of the Supervisory Board of the Company was elected at an extraordinary general meeting of the shareholders, namely Luis Gabriel Roman, a US citizen.

Eurohold Bulgaria AD is represented by Chairman of the Management Board Kiril Ivanov Boshov and Executive Member of the MB Asen Minchev Minchev.

From 01.03.2016 the Company is represented only together by an executive member of the management board and the procurator of the Company Hristo Lyubomirov Stoev.

The Supervisory and Management Boards of Eurohold Bulgaria AD, in accordance with the Company's Articles of Association, are elected with a term of office of five years. In the event that the contracts of the members of the Management and the Supervisory Board are not terminated explicitly before the expiration of their term of office, they shall automatically be deemed to be renewed for a further five-year term.

The members of the Management and Supervisory Boards are appointed under a management and control contract. The ongoing contracts of the members of the Management Board and the Supervisory Board shall have effect until the termination of the implementation of the position.

The management agreements concluded with Eurohold Holding AD or with one of its subsidiaries do not provide for compensations or remunerations which the persons would receive upon their early termination.

The activity of the Company does not depend on the individual professional experience or qualifications of other employees.

As of May 2009, an audit committee has been created in the company. This Audit Committee is in line with Art. 107 of the Independent Financial Audit Act (IFAA) (prom. SG Issue No. 95 of 29.11.2016). At the General Meeting of Shareholders held on 30.06.2017 in accordance with Art. 107 of the Independent Financial Audit Act (IFAA) (prom. SG Issue No. 95 of 29.11.2016) a new Audit Committee has been elected for a term of service of three years.

**D – CONSOLIDATED ACTIVITY REPORT**

In accordance with Art. 107 of the Independent Financial Audit Act (IFAA), the Audit Committee of Eurohold Bulgaria AD has adopted Operating Rules which regulate the activity of the Audit Committee. The operating rules define the functions, rights and obligations of the Audit Committee on financial audit and internal control as well as its relationship with the registered auditor and the management bodies of the Company and are described in detail in the Declaration on Corporate Governance.

The objective of the Audit Committee is to support the management of the Company in fulfilling its obligations for the integrity of the unconsolidated and consolidated financial statements, assessing the effectiveness of the internal financial control systems and monitoring the effectiveness and objectivity of internal and external auditors.

**Members of the Audit Committee**

Audit Committee
• <b>Ivan Georgiev Mankov</b> - Independent Member and Chairman of the Audit Committee
• <b>Dimitar Stoyanov Dimitrov</b> - Member of the Audit Committee
• <b>Rositsa Mihaylova Pancheva</b> - an independent member of the Audit Committee

**III. SHARE CAPITAL CAPITAL STRUCTURE**
**Share capital**

Upon its incorporation, the Company was registered with an initial capital amounting to 50,002,586 BGN, divided into 50,002,586 ordinary registered non-preferred dematerialized shares, each with the right to one vote in the General Meeting of the Shareholders, right to a dividend and right to a liquidation quota, with a nominal value to 1 BGN per share. Since the incorporation of the Eurohold Bulgaria AD, up until now, there have been several increases of the Company capital by cash contributions; and as of the date of this report, the share capital of the Company amounts to BGN 197,525 600, divided into 197,525,600 number of shares, each with the right to one vote, right to a dividend and right to a liquidation quota, with a nominal value to 1 BGN per share.

All shares issued by the Company are in circulation, are from the same class and are fully paid in. The entire capital of the Company is paid in cash and the capital is not increased by in-kind contributions and no shares are issued that do not constitute capital.

The competent body in relation to making decisions on the increase of the Company capital is the General Meeting of the Shareholders.

All issued shares of Eurohold Bulgaria AD are listed for trading on the Main Market of Bulgarian Stock Exchange, Share Segment Standard, with stock index - 4EH and on the Warsaw Stock Exchange (Poland) with stock index EHG.

The accumulated funds from all realized increases of Eurohold Bulgaria AD of the capital were used to support, develop and expand the subsidiaries and to reduce the long-term indebtedness of the parent company.

**Information on share capital increases by years is presented in the table below:**

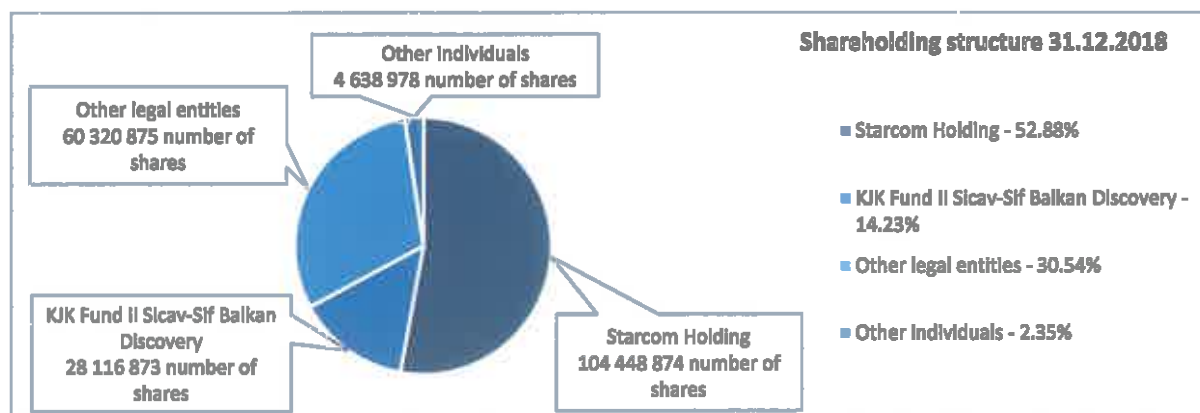


Eurohold Bulgaria AD, as a public company, increases its share capital by issuing a new issue of shares under the conditions of an initial public offering of securities under the Public Offering of Securities Act.

### Capital Structure

As of 31.12.2018, there are two legal entities that hold nominally over 5 % of the voting shares.

There are no individuals – shareholders, who hold directly more than 5 % of the voting shares.



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**D – CONSOLIDATED ACTIVITY REPORT**

The majority shareholder of Eurohold Bulgaria AD is Starcom Holding AD. The majority shareholder does not have different voting rights. The company's seat and the registered address is town of Etropole, 191 Ruskli Blvd.

As of the date of this report, Starcom Holding AD controls the voting rights of 52.88% of the issued shares (54.20% as of 31.12.2017). Starcom Holding AD is the only entity which directly controls Eurohold Bulgaria AD.

The Chairman of the Supervisory Board of Eurohold Bulgaria AD, Assen Hristov, indirectly controls the Company. Assen Hristov is a majority shareholder and directly owns 51 % of the shares of Starcom Holding AD. In this manner, Assen Hristov controls directly the majority shareholder and indirectly Eurohold Bulgaria AD.

KJK Fund II Sicav-Sif Balkan Discovery controls the voting rights of 14.23% of the issued shares (12.46% as of 31.12.2017). KJK Fund II Sicav-Sif Balkan Discovery has no different voting rights.

Eurohold Bulgaria AD has not entered into arrangements with other parties, nor is aware of such arrangements which may result in a future change of the control over the Company.

In accordance with the provisions of Art. 114 of the POSA, any transaction between the Issuer, on the one hand, and an interested party within the meaning of Art. 114, para. 7 of the Public Offering of Securities Act (as an interested party is also considered a shareholder holding directly or indirectly 25 and more than 25 per cent of the votes in the general meeting of shareholders or, respectively, related to such shareholder), on the other hand, subject to the approval of the General Meeting of the Issuer in the event that as a result of this transaction, the Company acquires, transfers, receives or provides for use or as collateral in any form assets totaling more than 2% of the lower value of the assets according to the last two prepared balance sheets of at least one of which has been audited, and which have been disclosed to the public under Art. 100 of the POSA. The interested persons can not exercise their voting rights in the cases of transactions under the preceding sentence, in the determination of the quorum for taking a decision all the votes cast at the general meeting shall be taken into consideration and the votes cast shall not be included in the decision of the majority to take a decision of the interested parties.

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**D7. MAIN SCOPE OF ACTIVITY BUSINESS OPERATIONS****Main Scope of Activity**

Eurohold Bulgaria AD is a holding company carrying out financial and investment activity related to the acquisition, sale and management of participations and financing of related companies.

Eurohold manages and supports the business group's business through its strategy, risk, financing of associated enterprises, control, communication, legal advice, human resources, information systems and technologies and other functions.

The organizational structure of Eurohold is organized on three levels. Each of the three levels has its own specific functions, tasks and goals.

In order to optimize management, business processes and constant costs, Eurohold has created four subsidiaries - sub-holding structures in business lines.

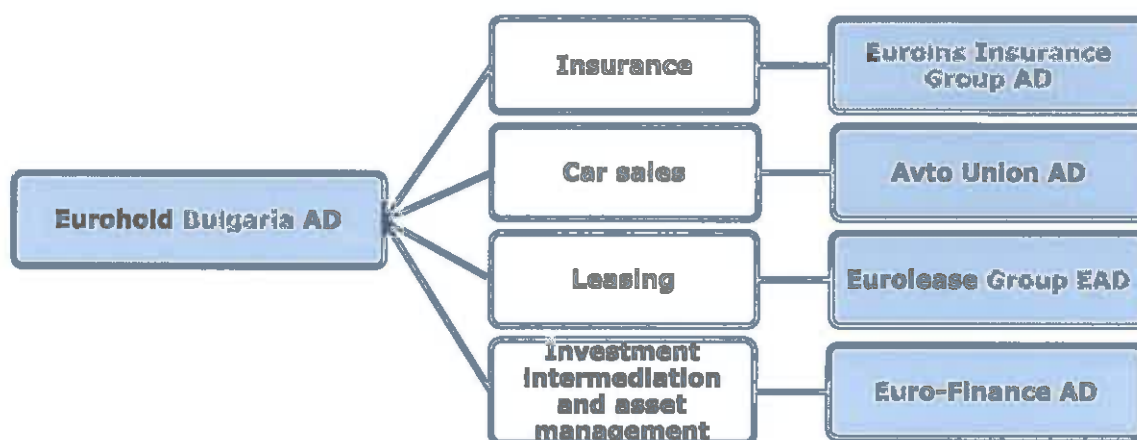
Business lines are organized by type of business and market segments, namely: insurance, car sales, leasing and financial services (investment intermediation and Asset Management).

Operating companies are grouped into the relevant sub-holding depending on the market on which they operate.



**Business lines and sub-holding Groups (subsidiaries):**

The subsidiaries represent holding structures, combining the Investments of Eurohold Bulgaria AD in the following sectors: Insurance, Car sales, Leasing and Financial Intermediation and asset management.



**Information about subsidiaries companies**

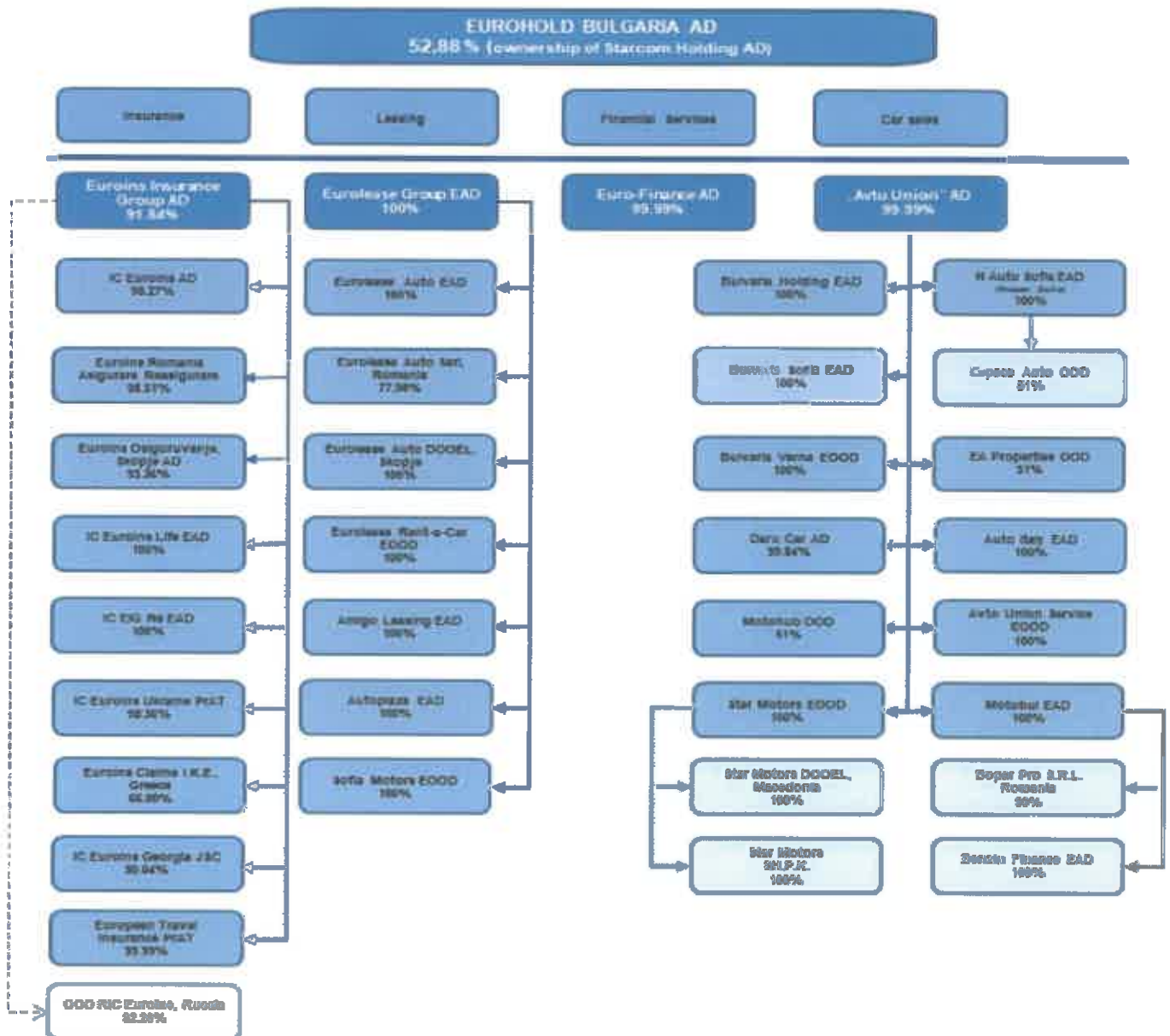
Subsidiaries companies of Eurohold Bulgaria AD	Country of registration	Main activity	% of participation in the primary capital as of 31.12.2018.
<b>EUROINS INSURANCE GROUP AD</b>	Bulgaria	Acquisition, management, assessment and sale of Interest In Bulgarian and foreign companies; The company active develops its business in Bulgaria, Romania, Northern Macedonia, Georgia, Ukraine and Russia	Eurohold Bulgaria - 91.84%
<b>EUROLEASE GROUP EAD</b>	BULGARIA	Participations management, financial leasing The company develops its business in Bulgaria, Romania, Northern Macedonia	Eurohold Bulgaria - 100%
<b>AVTO UNION AD</b>	Bulgaria	Import, sale and service of motor vehicles	Eurohold Bulgaria - 99.99%
<b>EURO-FINANCE AD</b>	Bulgaria	Providing and carrying out investment services and activities in Bulgaria and abroad	Eurohold Bulgaria - 99.99% Insurance Company Euroins AD - 0.01%

**D – CONSOLIDATED ACTIVITY REPORT**

Eurohold Bulgaria is a holding company and together with its subsidiaries form an economic group. At the same time Eurohold Bulgaria AD is part of the Group of its majority shareholder, Starcom Holding AD.

At the date of preparation of this report, the most significant investment of Starcom Holding AD is Eurohold Bulgaria AD. At the end of 2018 Starcom Holding has acquired a shareholding from the capital of First Investment Bank AD (formerly named Alma Bank AD), a banking institution registered in the Russian Federation. The deal was approved by the Central Bank of the Russian Federation on 29.11.2018.

**The structure of the Eurohold economic group as of 31.12.2018**



**Please note that for the period from January 1, 2019 to the date of preparation of this report, the following changes occurred in the structure above:**

- In February 2019 Euroins Insurances Group AD acquired 34% of the share capital of EUROINS CLAIMS I.K.E, Greece, as a result of which, to date, it is the sole owner of the aforementioned company's capital.
- On 28 March 2019 Euroins Insurances Group AD has dealt with part of the shares held by it in the capital of a private joint-stock company Euroins Ukraine Insurance Company amounting to 5.74% as a result of which the participation of Euroins Insurance Group AD in a private joint-stock company Insurance company Euroins Ukraine is at the rate of 92.62%.
- In connection with a contract signed on 22.06.2018 between Eurohold Bulgaria AD and Basildon Holding S.A.R.L. for the acquisition of the residual minority interest in Euroins Insurance Group AD for a total amount of 10.64% for the period from the beginning of 2019 until the date of the Report, Eurohold Bulgaria AD acquired 8 390 299 shares of the capital of Euroins Insurance Group AD, as a result of which the participation in the capital of the subsidiary was increased to 93.38%.
- As of 01.02.2019 the participation of Euroins Insurance Group in the capital of Russian Insurance Company Euroins was increased to 48.61%.

Eurohold Bulgaria through its subsidiaries is positioned in the region of Central and Southeastern Europe.

- > The main markets of which the Group operates are **Bulgaria, Romania, Northern Macedonia, Ukraine, Georgia and Greece;**
- > **Italy, Spain, Poland** - Insurance services offered on principle - free provision of services;
- > **Russia** – at the end of 2017 Euroins Insurance Group acquired a minority share of 14% in a Russian Insurance company. *To date, the participation in the company continues to be associated, despite the increased participation in the capital of the Russian company.*

**Regional representation of the Eurohold Group's market positions, indicated by business lines**



**Insurance market:**

- ◆ Non-life Insurance - Bulgaria;
- ◆ Non-life Insurance - Romania;
- ◆ Non-life Insurance - Northern Macedonia;
- ◆ Non-life Insurance - Ukraine;
- ◆ Non-life Insurance - Georgia;
- ◆ Non-life Insurance - Russia;
- ◆ Insurance - Bulgaria;
- ◆ Reinsurance - Bulgaria;
- ◆ Travel Insurance - Georgia.





**Automobile market:**

- ↑ Sale of motor vehicles, mopeds, spare parts, servicing and lubricating oils - **Bulgaria**;
- ◆ Sale of motor vehicles, service activity - **Northern Macedonia**.



**Leasing market:**

- ◆ Financial Leasing of new motor vehicles - **Bulgaria**;
- ◆ Operational Leasing of motor vehicles - **Bulgaria**;
- ◆ Leasing of new motor vehicles - **Northern Macedonia**;
- ◆ Sale and leasing of used motor vehicles - **Bulgaria**.



**Investment intermediation and Asset Management:**

- ◆ Investment Intermediation and Asset Management - **Bulgaria**;
- ◆ Investment Intermediation - **Germany**, through Euro-Finance as a member of the Stock Exchange in Frankfurt – Deutsche Börse Xetra.

The complementary activities of Eurohold Group companies, respectively Insurance, leasing and motor vehicle sales, allow the creation of integration synergies and the cross-selling of bundled services and products.

Integration synergies contribute to cost optimization across the three business lines and increased competitiveness, which in turn leads to increased profitability at all levels of the Eurohold Group.



**Integration synergies and cross-selling to offer bundled services and products**

One of the unique competitive advantages of the Group, which predetermines the solid future of the Issuer and the companies of its economic group, is characterized by the advantages of integration

synergies and cross-selling of Eurohold's three main business - Insurance, leasing and motor vehicle sales.

The Group can offer its customers a unique mix of related batch purchase products at very attractive prices and flexible conditions. The natural connection between the businesses of the Eurohold Group companies and their strong integration results in unique competitive advantages over the other market participants and a constantly growing loyal customer base.

Over the years, Eurohold Bulgaria has become more and more successful in integrating and optimizing its operations and complementing businesses. The holding and its companies with their clear and integrated business model are in a position to take full advantage of the strong growth prospects characterizing the region and the sectors in which the Group operates.

**Group strategy**

**Business strategy of Eurohold Group**

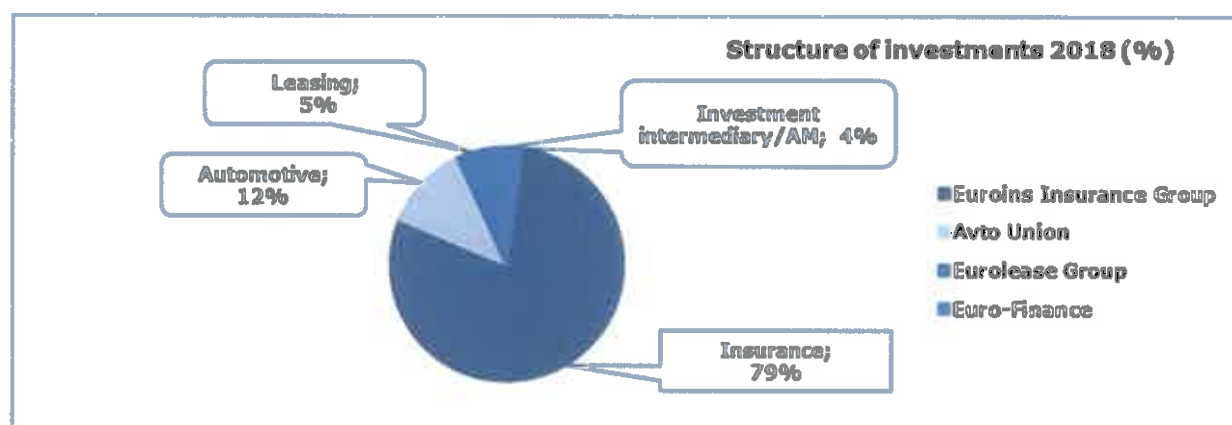
- Developing and maintaining leadership positions in the Central and Southeast European region in insurance, leasing, car sales;
- Focusing on organic growth, complemented by the acquisition of companies that meet Eurohold's established criteria;
- Promoting synergies and cross-selling across business segments by centralizing and optimizing operational, marketing and business processes;
- Maintaining rigorous risk control and ensuring profitability and sound financial standing of each company within the Eurohold Group
- Promoting customer satisfaction and diverse customer base by offering innovative and competitive products;
- Optimizing profitability by increasing sales volume, combined with optimizing inventory management;
- Recruiting and retaining highly qualified managers and employees by delivering career opportunities and competitive pay based on results;
- Establish common goals within each business segment to negotiate better terms from suppliers, advertisements, and participate in public procurement

## **D8. CAPITAL INVESTMENTS**

Since its Incorporation, Eurohold Bulgaria has made many capital Investments in its subsidiaries. As of 31.12.2018, the total value of Eurohold Bulgaria 's Investments in subsidiaries amounted to BGN 567 465 thousand, namely:

- Euroins Insurance Group (Insurance) - Investments amounting to BGN 448 677 thousand
- Avto Union (Motor vehicles) - Investments amounting to BGN 66 775 thousand
- Eurolease Group (Leasing) - Investments amounting to BGN 27 368 thousand
- Euro-Finance (Investment Intermediation and Asset Management) - Investments amounting to BGN 24 645 thousand.

### **Structure of Investments in Subsidiaries at the end of 2018:**



Eurohold's subsidiaries have also invested considerable funds in the development of their operating companies. Since 2008 until the end of 2018 the total capital investments made by Eurohold Bulgaria and the companies of the economic group amount to BGN 973 802 thousand, respectively:

- Investments made by Eurohold Bulgaria at the amount of BGN 396 477 thousand.
- Investments made by subsidiaries amounting to BGN 577 325 thousand

Over the last three reporting years, the Eurohold Group has carried out total equity Investments amounting to:

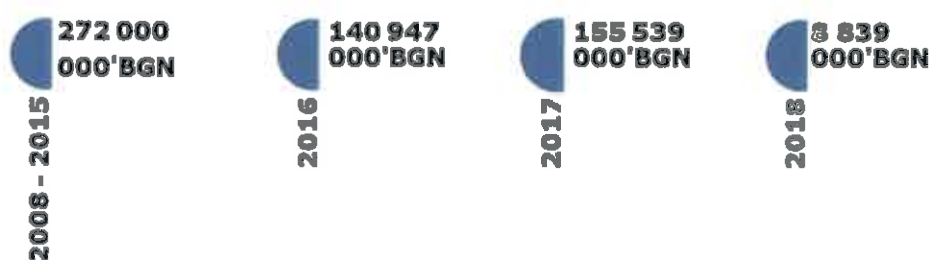
- ◆ for 2016 - BGN 246 914 thousand;
- ◆ for 2017 - BGN 209 539 thousand;
- ◆ for 2018 - BGN 36 784 thousand;

All Investments made by Eurohold Bulgaria and its subsidiaries have been realized with the purpose of capital support of the companies, expansion of the activity through new acquisitions and increase of the market positions of the companies.

The following tables present a summary schedule for capital investment over the period 2008-2018, as well as detailed information on the investments made in the last reporting year.

**Information on the amount of capital Investments made by Eurohold Bulgaria and the sub-holding structures.**

**Investments of Eurohold Bulgaria AD**

**Investments of subsidiaries**

**Capital investments made by Eurohold Bulgaria and the subsidiaries for 2018**

Investment description	Number of shares	Capital expenses (BGN)	Method of financing	Investor
<b>Capital Investments of Eurohold Bulgaria in 2018</b>				
Euroins Insurance Group AD Capital Increase	16 963 169	16 963 169	Own funds	Eurohold Bulgaria AD
Euroins Insurance Group AD, Purchased shares from Basilidon Holding	12 305 771	10 981 985	Own funds	Eurohold Bulgaria AD
<b>Total</b>		<b>27 945 154</b>		
<b>Investments in subsidiaries in 2018</b>				
Auto Italia AD Capital Increase	8 000 000	8 000 000	Own funds	Avto Union AD
Bulvaria Sofia EAD Incorporation	129,000	129,000	Own funds	Avto Union AD
Amigo Leasing EAD Capital Increase	200,000	200,000	Own funds	Eurolease Group EAD
Sofia Motors EOOD Capital Increase	300,000	300,000	Own funds	Eurolease Group EAD
Eurolease Rent a car EOOD Capital Increase	210,000	210,000	Own funds	Eurolease Group EAD
<b>Total</b>		<b>8 839 000</b>		

## D9. RESULTS FROM THE ACTIVITY

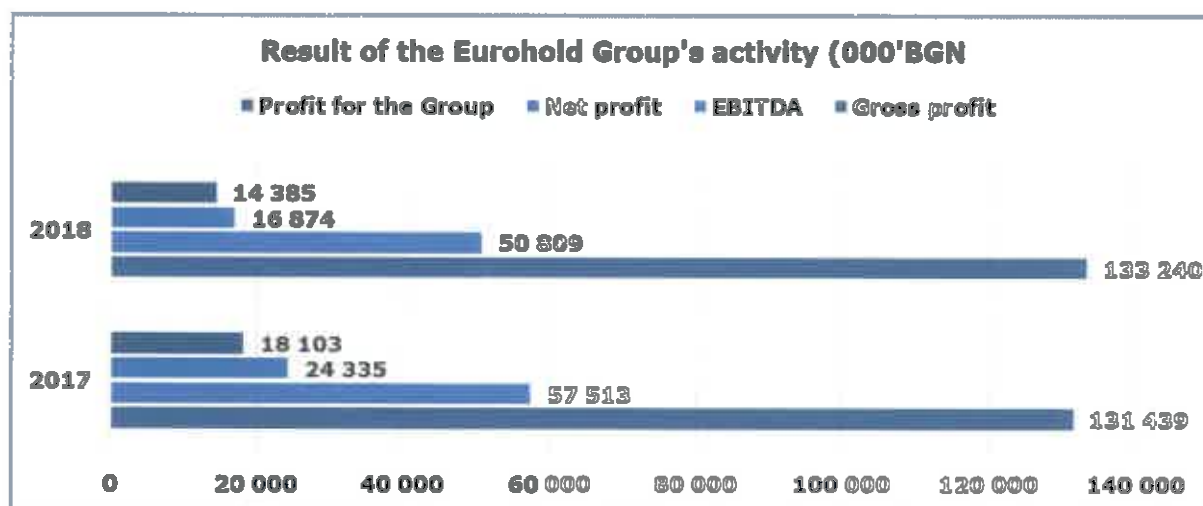
**IN THIS SECTION ARE PRESENTED THE RESULTS OF THE ACTIVITY OF EUROHOLD GROUP BY MAJOR KEY INDICATORS FOR 2018 AND COMPARATIVE PERIOD IN 2017**

**The data are based on the audited annual consolidated financial statements of Eurohold Bulgaria AD for 2018 prepared in accordance with the applicable International Financial Reporting Standards.**

After the strong result of 2017, Eurohold Bulgaria AD again reports an extremely successful year. Financial year 2018 was filled with a number of important events for the overall development of all business lines of the Eurohold Group, with all participants generating a steady growth in earnings and profits.

### Consolidated financial result

The Eurohold Group reports a high net consolidated profit of BGN 16 874 thousand for the year 2018 after the record profit of 2017 in the amount of BGN 24 335 thousand. The net profit attributable to the owners of the parent company amounted to BGN 14 385 thousand, while for the comparable period amounted to BGN 18 103 thousand.



Consolidated Gross Profit of the Eurohold Group as at 31 December 2018 increased by 1.4% reaching BGN 133 240 thousand. However, the consolidated EBITDA recorded a decrease of 11.7% to BGN 50 809 thousand.

The factors that affect the gross profit is the increased operating expenses due to the Group's growing business, such as: material expenses by 47.3%, external service costs by 15.7%, wages by 16.4% and other expenses by 3.8%. The analysis of other operating costs shows that they are almost entirely influenced by the automotive sector, which generates substantial growth in sales and insurance, in connection with a growing business and new acquisitions in 2018.

Substantial impact on the generated net profit is also attributed to the accrued depreciation amounting to BGN 10 541 thousand, which is increased by 30% compared to the value in 2017. The segment breakdown of depreciation shows that with the highest growth of 62.5% marked insurance division due to consolidation of a new business at the end of the year, as well as the leasing division, which accounted for a 30% increase in accrued depreciation in line with the lease portfolio growth of 38.3%.

### Revenues

Revenues on a consolidated basis are formed from the activities of the subsidiaries and the main activity of the Parent Company, which are related to acquisition and management of interests and financing of subsidiaries.

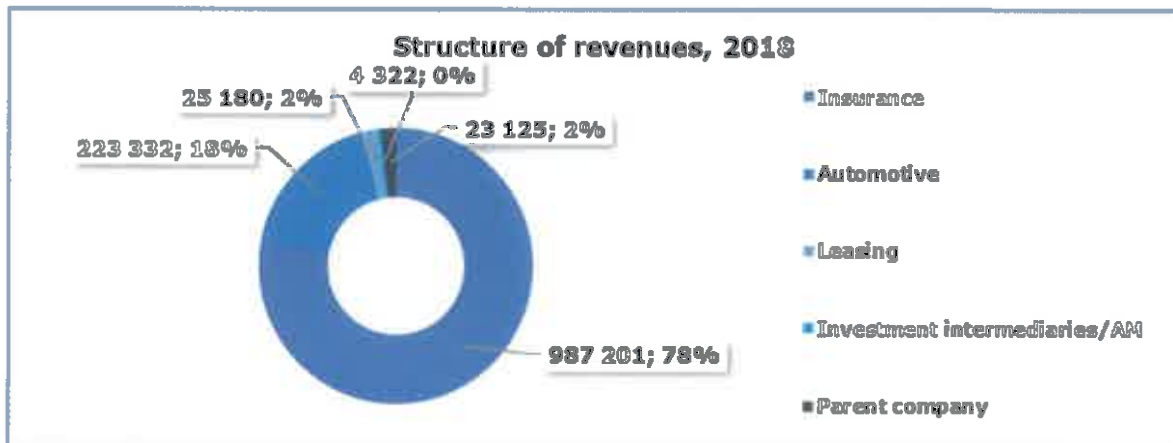
The total revenue for the year 2018 at the consolidated level amounted to BGN 1.263 billion, which marked an increase of 2% compared to the realized consolidated revenues for 2017 when they were in the amount of BGN 1.241 billion.

In 2017 the main contribution to the significant growth of consolidated revenues was generated by the activities of insurance sub-holding, while in the current 2018 the revenues growth was mainly due to the increased sales volume in automotive segment, represented by Avto Union. Car sales are growing at a two-digit pace, with operating revenues of the company rising by +9% compared to the previous year reaching BGN 223 332 thousand, boosted by strong economic growth and a good environment. The asset management business concentrated in Euro-Finance AD also contributes positively, as revenue from this segment increased by + 11.3% on an annual basis to BGN 4 322 thousand.

Revenues from insurance activity slightly decreased by 2% to BGN 987 201 thousand vs. 2017, but this data does not include the proceeds from the growing insurance business of the group in Russia, the results of which will be consolidated in 2019. In addition, Eurohold's consolidated report for 2018 reflects only quarterly results of newly acquired insurance companies in Georgia and Ukraine. Eurohold's insurance and automotive business generates the bulk of revenues at group level, namely 96% of all revenues in 2018.

Leasing activity on a consolidated basis shows a slight, non-substantial decline in its operating income from -0.76% in 2018, which amounted to BGN 25 180 thousand.

**Structure of revenues for 2018**



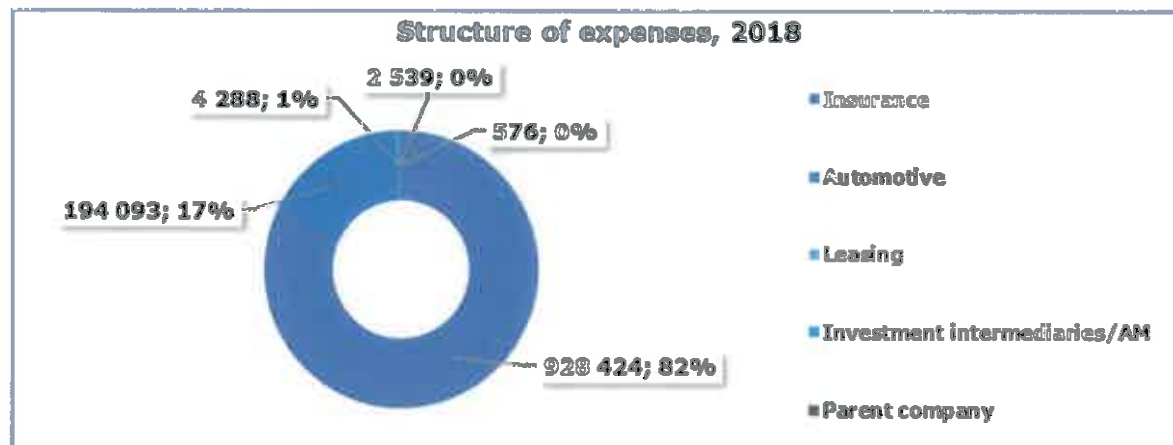
In the structure of earnings from core business, the insurance business accounts for 78% of total revenue, followed by 18% of the automotive segment. In 2018, the insurance business surrendered 3% of the revenue share compared to 2017 when it accounted for 81% of the Group's total revenues.

**Expenses**

The expenses of the Group's core business increase relative to business growth. For the year 2018 total expenses amounted to BGN 1.130 billion, compared to BGN 1.109 billion, marking an increase of BGN 20 643 thousand. The main generator of this growth is the reported value of the cars sold by companies in Avto Union. For 2018, they amounted to BGN 194 093 thousand, while for the previous reporting period they amounted to BGN 182 089 thousand or an increase of BGN 12 004 thousand. The expenses of the insurance business increased slightly by 1% against the reported revenues.

### Structure of expenses

Structure of the expenses is identical to the revenue distribution and the flow is also directly dependent on the type and size of the businesses concerned.



### FINANCIAL POSITION ON A CONSOLIDATED BASIS

#### Assets

Consolidated assets of the Eurohold group at 31 December 2018 increased by 5.2% reaching BGN 1.395 billion compared to BGN 1.326 billion at 31.12.2017.

The most significant change in consolidated assets is recorded in cash and deposits, receivables, reinsurers' share of technical provisions, as well as in the value of plant and equipment and investments in associates and other enterprises.

At the end of the reporting period, the Eurohold Group had free cash and deposits with banks at the amount of BGN 69 697 thousand, compared to the end of 2017, when they amounting to BGN 57 116 thousand, with an increase in cash funds of 22%.

Receivables increased by BGN 23 909 thousand for the reporting period to BGN 256 054 thousand, current receivables amounted to BGN 176 228 thousand, represented an increase of BGN 14 068 thousand, while non-current receivables amounted to BGN 79 826 thousand, increasing by BGN 9 841 thousand.

The share of reinsurers in the technical reserves of insurance companies of Euroins Insurance Group at the end of the current year grew by BGN 47 130 thousand reaching BGN 408 377 thousand.

The marked increase of BGN 6 837 thousand in the value of the balance sheet item of machinery and equipment by the end of 2018, from BGN 51 467 thousand, is due to the reported increase in the group's own vehicles. In the period under review, vehicles were acquired mainly from leasing and automobile companies totaling BGN 26 238 thousand, at the same time written off for BGN 19 622 thousand or the net change of transport for the period was BGN 6 616 thousand.

The financial assets as at 31 December 2018 held by the companies in the Eurohold Group amounted to BGN 290 023 thousand, accounting for a decrease of BGN 37 030 thousand compared to the end of 2017.

Investments in associates and other enterprises increased their value to BGN 12 698 thousand as the increase of BGN 7 974 thousand was due to the acquisition by Euroins Insurance Group in 2018 of a new participation in the Russian insurance company.

#### Assets structure

The most significant positions in the structure of the consolidated assets are as follows:

- ◆ Share of reinsurers in technical provisions - 29.3% by 2018 compared to 27.2% by 2017;

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- ◆ Receivables - 18% by 2018 compared to 17.5% by 2017;
- ◆ Financial assets - 20.8% by 2018 compared to 24.7% by 2017;
- ◆ Goodwill - 13.6% by 2018 compared to 14.3% by 2017;
- ◆ Cash and deposits - 5% by 2018 compared to 4.3% by 2017
- ◆ Inventories (mainly cars in stock) - 4.3% by 2018 compared to 4.5% by 2017
- ◆ Machinery, equipment and supplies - 3.7% by 2018 compared to 3.4% by 2017

Eurohold Bulgaria AD, including the subsidiaries, do not have assets that are reported off-balance-sheet.

There are no environmental issues in the Group's operations that could have an impact on the use of the assets.

### Equity and liabilities

The equity of the Group is formed by share capital, reserves, accumulated profits and non-controlling interest. Reserves are divided into premium reserves, general reserves, reserve of ex-post assessments and specialized reserves.

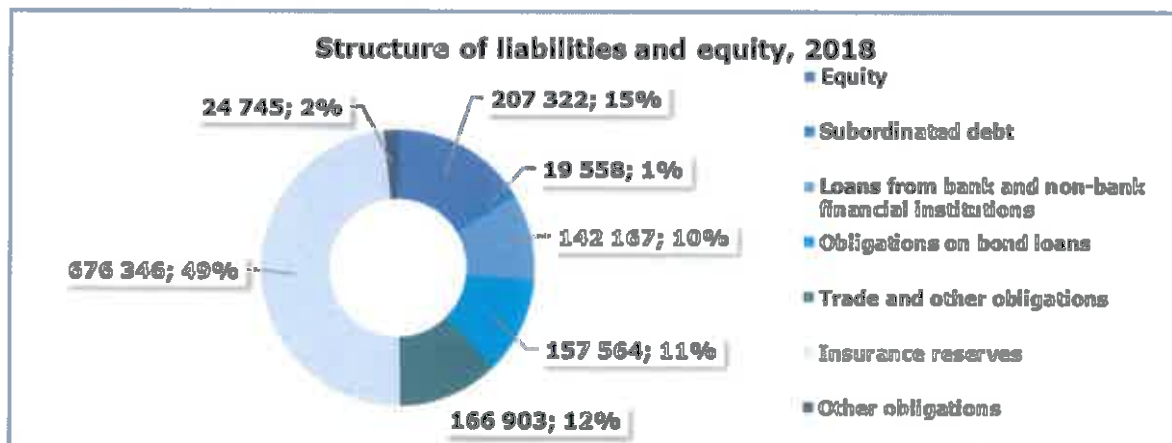
The capital structure of Eurohold Bulgaria AD is stable. The amount of equity as of 31.12.2018 is 14.9% of the total carrying amount, which ensures the necessary stability of the Company.

As of 31.12.2018, the equity belonging to the owners of the parent company amounts to BGN 168 630 thousand and represents 12.1% of the total balance sheet total.

As of 31.12.2017, the equity capital belonging to the owners of the parent company amounted to BGN 170 503 thousand and represented 12.9% of the total balance sheet total. Total equity amounts to BGN 214 109 thousand and represents 16.1% of the total balance sheet total.

#### Structure of liabilities and equity

Eurohold's liabilities amount to BGN 1.188 billion and represent 85.1% of the balance sheet total. In 2018 the companies subject to consolidation increased their liabilities by 6.8% (BGN 75 374 thousand).



The insurance subholding managed to reduce by BGN 6 500 thousand its subordinated debt instruments from BGN 26 058 thousand at the end of 2017 to BGN 19 558 thousand as of 31<sup>st</sup> of December 2018.

The Eurohold Group attracts loan capital according to the need of borrowed funds to finance working and investment needs depending on the business they operate in, as well as on the expansion of the insurance division.

The highest indebtedness of the subsidiaries has the leasing and the automotive sector.



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Typical of a leasing business is to finance through borrowed funds. The amount of these borrowed funds is determined by the expansion of the business.

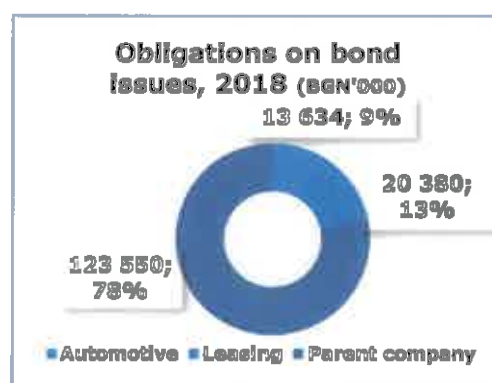
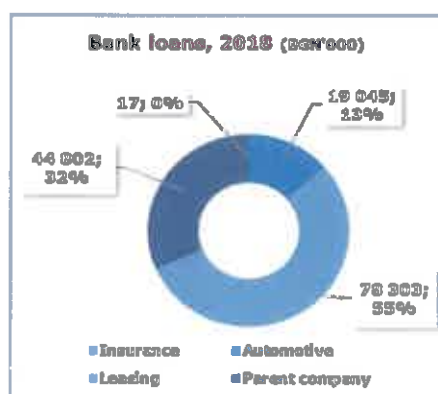
The Automotive group financed its operations with borrowed funds from bank loans for working capital and issued bond loans for payment to the dealers of ordered cars and spare parts for the service activities, large corporate transactions, public procurement, test cars, and for the development of new projects. Apart from that, the automotive sub-holding uses external financing for the construction and repair of showrooms and service centers.

The parent company (Eurohold Bulgaria) finances its activity in support of the subsidiaries in order to improve their capital adequacy, need of working capital and in the most part to realize the expansion of the insurance sector.

The Group increased by BGN 49 729 thousand its liabilities (current and non-current) on loans to banks and non-bank financial institutions, as well as on issued bond loans with a total amount of BGN 299 731 thousand at the end of 2018.

**Increase in loans by direction:**

- ◆ Automotive direction: bank loans + BGN 1 663 thousand, bond loans + BGN 7 977 thousand. In 2018 the subsidiary of Avto Union AD, Motobul EAD, issued a bond loan amounting to BGN 8 800 thousand for the purpose of business development and new projects.
- ◆ Leasing direction: bank loans + BGN 30 535 thousand, bond loans - BGN 9 209 thousand. The increase in liabilities to banks is mainly due to the growth of bank financing received by Eurolease Auto according to the growth of the leasing portfolio. As of 31.12.2018, the net investment in financial leasing of Eurolease Auto increased by 38.25% compared to the previous year 2017. The decrease of the debenture loans is in relation to principal repaid according to the repayment schedules.
- ◆ Parent company: bank loans + BGN 10 707 thousand, bond loans BGN - 1 354 thousand. In 2018 Eurohold Bulgaria AD received a new tranche of a loan from an International Investment Bank amounting to EUR 10 million (BGN 19.6 million).



In the current 2019 and next 2020, revolving loans granted for working capital of subsidiaries mature. The Company believes that all working loans will be redeemed or revolved on time. Eurohold Bulgaria AD repaid the two bank loans received from International Investment Bank, according to a repayment schedule, and to date has no delay in the payment of interest and principal payments.

All bond issues issued by the Group are admitted to trading on the regulated market of Bulgarian Stock Exchange AD (with the exception of one issue issued by Eurolease Auto EAD). The bond issues were issued by Eurolease Group EAD, EuroLease Auto EAD, Avto Union AD and Motobul EAD. As at the date of the consolidated Activity Report, all issues are serviced under the terms of the bond loans, as there are no outstanding obligations on interest and principal payments.

At the end of 2016, Eurohold Bulgaria AD launched a Euro Medium Term Note Program, Eurohold Bulgaria successfully issued a first tranche of EUR 57 million under the EMTN program at an interest

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rate of 8% for five year period. The base prospectus for the EMTN program has been approved by the Central Bank of Ireland. In this way Eurohold Bulgaria can register future debt issues within the framework of the Irish Stock Exchange program. The approved EMTN program is not essentially fundraising, it only creates the appropriate infrastructure for that purpose. The program allows Eurohold Bulgaria, where necessary, sources of funds to meet investment commitments to attract part financing, in selected periods of the Company and in a favorable market environment.

On November 30, 2017, Eurohold successfully launched a second tranche of Eurobonds. The new issue of € 70 million has a fixed annual coupon of 6.5% and a maturity of 5 years. Much of the funding was used to fully repay the first tranche of the EMTN Program, disbursed at the end of 2016. The repaid principal amounts to EUR 47 million and a fixed coupon of 8%. The remaining amount of Eurobonds raised through a second tranche is used to develop the Company's business.

Eurohold Bulgaria AD has developed a system for internal liquidity management within the Group, with the parent company granting and receiving loans to its subsidiaries for working capital.

A substantial part of the Group's liabilities occupy the technical reserves of insurance companies. They form 56.9% of the liability amount. Their value at the end of 2018 is BGN 676 346 thousand, while by the end of 2017 the technical reserves amounted to BGN 596 232 thousand.

**Cash flows**

The Consolidated Statement of Cash Flows is made up of sections and items in which cash flows are accounted for by the business from which they came from and are aggregated in operating, investing and financing activities.

<b>Consolidated cash flows</b>	Currency	2018	2017
Net cash flows from operating activities	000' BGN	977	27 720
Net cash flows from investing activities	000' BGN	2 528	(94 367)
Net cash flows from financing activities	000' BGN	90	11 644
Net increase / (decrease) in cash and cash equivalents	000' BGN	3 595	(55 003)
Cash and cash equivalents at the beginning of the year	000' BGN	45 945	100 948
Cash and cash equivalents at the end of the year	000' BGN	49 540	45 945

During the periods considered, the Group companies generate sufficient and positive cash flow to carry out their normal operations. The cash funds of the Eurohold group at the end of 2018 amounted to BGN 49 540 thousand, increasing by 7.8% compared to the previous reporting period.

**Financial indicators on a consolidated basis**

Indicators	Currency	2018	Change 2018-2017 in %	2017
<b>Income Statement</b>				
1. Accounting profit / loss (excluding discontinued operations and before tax)	000' BGN	17 871	-33%	26 591
2. Net Profit / Loss (after taxes) belonging to the Group	000' BGN	14 385	-21%	18 103
3. Revenue	000' BGN	1 263 160	2%	1 240 716
<b>Statement of Financial Position as at 31 December</b>				
4. Equity, incl. and minority participation	000' BGN	207 322	-3%	214 109
5. Liabilities, incl. Subordinated liabilities	000' BGN	1 187 679	7%	1 112 305
6. Assets	000' BGN	1 395 001	5%	1 326 414
<b>Share information</b>				
Share capital (issued)	000' BGN	197 526	0%	197 526

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Average number of shares	number	194 640 005	25%	145 484 851
Net profit / loss per share	BGN	0,074	-40%	0,124
<b>Ratios</b>				
Financial autonomy ratio (4/5)		0,17	-9%	0,19
Debt factor (5/4)		5,73	10%	5,20
Gross profitability of revenues (1/3)		1,41%	34%	2,14%
Net profitability of revenues (2/3)		1,14%	22%	1,46%
Gross profitability of equity (1/4)		8,62%	31%	12,42%
Net profitability of equity (2/4)		6,94%	18%	8,46%
Gross profitability of liabilities (1/5)		1,50%	37%	2,39%
Net profitability of liabilities (2/5)		1,21%	26%	1,63%
Gross profitability of assets (1/6)		1,28%	36%	2,00%
Net profitability of assets (2/6)		1,03%	24%	1,36%

## D10. OVERVIEW OF THE ACTIVITY OF SUBSIDIARY SUB-HOLDING STRUCTURES

### I. EUROINS INSURANCE GROUP AD - BUSINESS OVERVIEW. RESULTS FROM THE ACTIVITY

#### *Business overview.*

Euroins Insurance Group AD is a holding company that focuses on the Group's investment in the insurance sector. It is one of the largest private insurance groups.

As a leading Bulgarian insurance group, Euroins Insurance Group continues to develop its operations in Central and South Eastern Europe, mainly in Bulgaria, Romania, Northern Macedonia, Ukraine, Georgia, Russia and Greece through its subsidiaries.

Euroins Insurance Group is the only independent insurer among the largest players in the region, which provides Group companies with more flexibility and local focus.

The Insurance Group offers a full range of insurance products in the field of general, health and life insurance.

The long-term strategic goal of Euroins Insurance Group is to achieve a diversified, profitable and sustainable market share in the Central and South Eastern Europe, as well as expanding the portfolio of the insurance business by offering a complete range of insurance products - general insurance, life insurance and health insurance.

Since its inception, the Group has been continuously expanding its operations by acquiring majority packages in insurance companies. The Group's total insurance companies have more than 250 regional offices and more than 4 million customers at the end of the period, with operations in Greece, Italy, Spain and Poland (through the Euroins AD subsidiary) under the Freedom to provide services directive within the European Union.

As at 31.12.2018, Euroins Insurance Group AD has a direct controlling interest in ten subsidiaries:

#### Regional presence. Market presentation on business operations.

Structure	Country	Company	Type of activity
Insurance line: Euroins Insurance Group	Bulgaria	• IC Euroins AD	Non-life
		• IC EIG Re EAD	Reinsurance
		• IC Euroins Life EAD	Life Insurance
	Romania	• Euroins Romania Asigurare Reasigurare S.A.	Non-life
	North Macedonia	• Euroins Osiguruvanje AD, Skopje	Non-life
	Ukraine	• IC Euroins Ukraine PrAT	Non-life
		• European Travel Insurance PrAT, Ukraine	Non-life - specialized in travel Insurances
	Georgia	• IC Euroins Georgia JSC	Non-life
	Russia	• OOO RIC Euroins	Non-life

**Greece**
**Euroins Claims I.K.E.**
*administration services for the  
liquidation process of the Euroins  
Insurance Claims Branch Greece*

### Expansion of the Insurance group

The efforts and investments made over the last few years in the insurance field ensure geographic expansion and stabilization of the market positions of the operating companies in the group.

#### ➤ **Expansion 2018:**

- ◆ In 2017, the Insurance subholding acquired 14.144% of the share capital of a Russian insurance company. Following participation in a procedure for the capital increase of Euroins Russia, in 2018, the stake in the company was increased to 32.20%. As of the date of this report, a Russian insurance company is named "RZD Euroins" OOD and as of 01.02.2019 the participation of the Insurance subholding was increased to 48.61%;
- ◆ On 1<sup>st</sup> of October, 2018, Euroins Insurance Group acquired 99.999% of the share capital of the Insurance Company Euroins Ukraine PrAT, Ukraine;
- ◆ On 23<sup>rd</sup> of October, 2018, Euroins Insurance Group acquired 50.00002% of the capital of IC Group Insurance Group Georgia (now called Insurance Company Euroins Georgia AD). As of 31 December 2018, the stake in the Georgian company was increased to 50,037% after the capital increase of the Company made at the end of the year.

#### ➤ **Upcoming acquisitions 2019:**

- ◆ At the date of this report, Euroins Insurance Group has an agreement for acquisition of four insurance companies during the year 2019 in three European countries - Romania and the Czech Republic - specialized in life and non-life insurance, as well as one non-life insurance company in Belarus. The transaction is expected to be finalized after approval by the relevant regulatory authorities.

Through its merger and acquisition activities, the Group EIG benefits from:

- ◆ New clients;
- ◆ High-quality management and workforce;
- ◆ Valuable relationship with the management teams of the acquired companies;
- ◆ New distribution channels.

In addition, the company has built a strong internal integration team that will have a great value in future acquisitions.

The efforts and investments made over the last few years in the insurance field ensure the stabilization of the market positions of the operating companies in the group, which follow a marketing policy aimed at developing and offering innovative and diverse products and services. In order to offer flexible service and satisfy the needs of the clients from the appropriate insurance services, different product ranges and combined insurances have been developed.

## Results from operations for 2018

**CONSOLIDATED RESULTS 2018**

<p><b><u>Net profit</u></b>  <b>BGN 9.9 mln</b>  <b>-76,2% vs. 2017</b></p>
<p><b><u>Net premiums earned</u></b>  <b>BGN 381.3 mln</b>  <b>+13.1 vs. 2017</b></p>
<p><b><u>Net income</u></b>  <b>BGN 483.1 mln</b>  <b>+5.8% vs. 2017</b></p>
<p><b><u>Total operating expenses</u></b>  <b>BGN 473.0 mln</b>  <b>+14.35 vs. 2017</b></p>
<p><b><u>Assets</u></b>  <b>BGN 1.131 bln</b>  <b>+4.7% vs. 2017</b></p>
<p><b><u>Liabilities</u></b>  <b>BGN 728.7 mln</b>  <b>+3.9% vs. 2017</b></p>
<p><b><u>Total equity</u></b>  <b>BGN 382.9 mln</b>  <b>+8.5% vs. 2017</b></p>

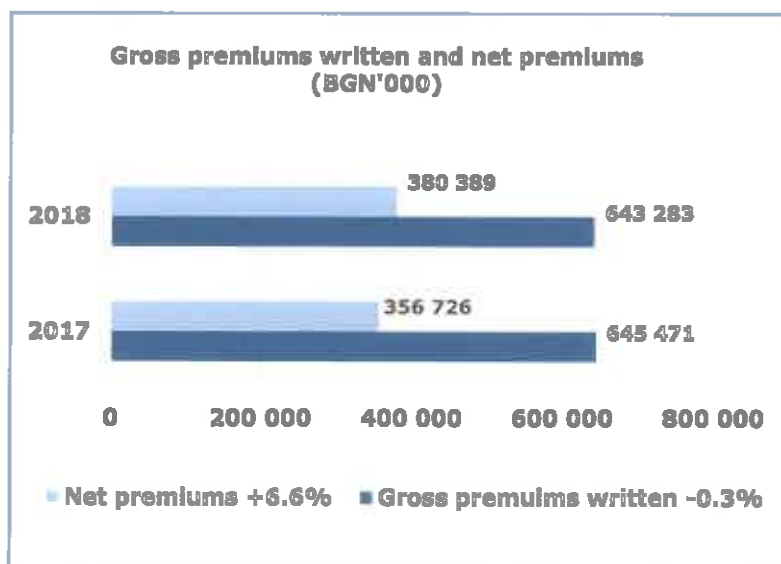
EuroIns Insurance Group and in 2018 continued to strengthen its position in the markets it operates on, as well as confirming its performance in 2017.

It is important to note that the data from the consolidated financial statement for 2018 does not include the proceeds of the Group's expanding insurance business in Russia due to the ownership of associated participation as of 31.12.2018. Also, the consolidated report of the Insurance sub-holding for 2018 reflects only the results for the fourth quarter of newly acquired insurance companies in Georgia and Ukraine (IC EuroIns Georgia JSC and European Travel Insurance PrAT, Ukraine).

Despite the reported net earnings growth, EuroIns Insurance Group reported a net consolidated profit margin of 76.2%, down from BGN 41 601 thousand in 2017 to BGN 9 910 thousand in 2018. This decrease is mainly due to the increased expenses of the Group and, in particular, the higher accrued net reinsurance claims of BGN 48 152 thousand.

Consolidated net premiums earned continue to grow in 2018, rising by 13.1% to BGN 383 078 thousand. This is due to the growth in net premiums written by the Insurance group, which grew by 6.6% from BGN 356 726 thousand in 2017 to an amount of BGN 380 389 thousand for the reporting period.

The gross premiums written in 2018 remained relatively small, accounting for a minor decrease of 0.3% to BGN 643 283 thousand.



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The main part of the gross premiums written for the Group comes from EuroIns Romania, EuroIns Bulgaria, EuroIns North Macedonia and EuroIns Ukraine accounted for 66.1%, 26.9%, 3.3% and 2.5% of the total premium income of the Group respectively, or nearly 99% of the total subscribed business.

The reason for not to see premium income growth in 2018 is the market situation in Romania, which leads to a decrease in business. At the same time, EuroIns Bulgaria is growing by over 20%, EuroIns North Macedonia - by nearly 18%, EuroIns Ukraine - by 69%, EuroIns Life - by nearly 15%.

<b>Gross premiums written by type of insurance</b>	Currency	Share 2018 %	2018	Share 2017 %	2017
Casco Motor Insurance	BGN'000	6.24%	40 136	6.56%	42 346
MTPL and Green card	BGN'000	79.53%	511 600	80.30%	518 354
Property Insurance	BGN'000	3.63%	23 324	3.90%	25 152
Agriculture Insurance	BGN'000	0.44%	2 819	0.57%	3 685
Accident and illness	BGN'000	3.54%	22 793	0.72%	4 625
Cargo	BGN'000	2.06%	13 269	1.86%	12 010
Liabilities	BGN'000	1.36%	8 728	3.70%	23 881
Other	BGN'000	3.20%	20 614	2.39%	15 418
<b>Total gross premiums written</b>	<b>BGN'000</b>	<b>100%</b>	<b>643 283</b>	<b>100%</b>	<b>645 471</b>

The company generated consolidated net income of BGN 483 062 thousand, which increased by 5.8%. The main factor influencing the lower growth of the net revenues is the total decrease of 26.3% in the fees and commissions income (BGN 52 444 thousand) and financial income (BGN 27 810 thousand), at the same time other operating revenues increased by 115.3% and amounted to BGN 19 730 thousand.

Operating expenses increase with the growth rate of business to BGN 473 014 thousand compared to BGN 413 673 thousand in 2017. The most significant growth of all expenses is observed in the claims, net of reinsurance, which reach BGN 230 845 thousand, while in 2017 they amounted to BGN 182 693 thousand. This is due to a 14.8% increase in the claims paid in the current year, including the costs of processing and claiming damages.

Consolidated assets increased by 4.7% to BGN 51 208 thousand and reached BGN 1.131 billion. The increase in assets was mainly due to the increased receivables from insurance transactions, which increased by 14.2% (from BGN 123 660 thousand reached BGN 141 207 thousand at the end of 2018), as well as the increase of the share of the reinsurers in the insurance reserves by BGN 47 130 thousand (amount of BGN 408 377 thousand as at 31.12.2018). The funds also increase as their amount is 40 736 thousand compared to BGN 36 683 thousand for the comparable period. Only financial assets recorded a decrease for the reporting period, their value amounted to BGN 329 803 thousand, while by 2017 they amounted to BGN 361 247 thousand.

Consolidated liabilities reported growth of 3.9% to BGN 728 742 thousand, of which the most significant impact was the insurance reserves, which at the end of 2018 amounted to BGN 676 659 thousand after an increase in their value by nearly BGN 79 995 thousand (13.4%).

EuroIns Insurance Group ends the year 2018 with equity capital owned by the parent company amounting to BGN 379 108 thousand, represented a growth of 8.4%. The total equity, including non-controlling interest, amounts to BGN 382 863 thousand. The Group has a subscribed and paid-in share capital of BGN 498 446 thousand.

As at the date of this consolidated activity report, EuroIns Insurance Group is in the process of increasing its shareholding capital with new capital of BGN 60 000 thousand, of which the paid-up capital as at 31.12.2018 amounted to BGN 15 000 thousand and the subscribed but not paid-up

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capital was BGN 45 000 thousand. All newly issued shares were subscribed by the parent company Eurohold Bulgaria AD. In February 2019, Eurohold made an additional contribution from the subscribed capital amounting to almost BGN 3 950 thousand. After the remaining contribution from the subscribed and unpaid capital amounted to BGN 41 050 thousand, Euroins Insurance Group will have equity in amount of BGN 543,445,791. The cash raised by the capital increase will be used to expand the insurance group over the strategy to expand its presence in Central and South Eastern Europe, including the acquisition of the four insurance companies in Romania, the Czech Republic and Belarus for which awaiting permission by the relevant regulatory authorities.

**Earnings per share**

Earnings per share	Currency	2018	2017
Net financial result	BGN'000	9 926	40 963
Number of shares	Number	498 445 791	461 482 622
Average number of shares	number	485 945 791	447 315 955
Net result per share	BGN'000	0,02	0,09

Euroins Insurance Group reports for 2018 earnings per share of BGN 0.020.

**Expectations 2019**

As a leading Bulgarian insurance group, Euroins Insurance Group continues to develop its operations in Central and Eastern Europe (CEE). The main objective of the holding company through its subsidiaries is to achieve a 10% market share in the Balkan region in the medium term in the Non-life Insurance sector, while also developing its activities in Central Europe (Poland, the Czech Republic), the Mediterranean, Ukraine, Russia, Georgia and Belarus.

Euroins Insurance Group plans to continue to expand its presence in the region through new acquisitions and organic. Over the past five years, the Euroins Group has been able to capitalize on these acquisitions and achieve the necessary synergy that has contributed to the growth. Every day, Euroins Insurance Group is becoming more and more innovative and customer-oriented, and this will further enhance performance and performance at a group level.

At the same time, the company will seek to diversify its product portfolio and distribution channels, as well as maintain high liquidity and capitalization of its business. At the end of 2018, the Insurance Group's Solvency Capital Requirement (SCR) coverage is 185% at the regulatory requirement of Solvency II -100%.

**PRESENTATION OF SUBSIDIARIES**

In the past 5 years, the premium income of Euroins Insurance Group has grown by an average of over 16% on an annual basis. This is also supported by successful acquisitions made by the insurance group.

Subsidiaries in Bulgaria and Greece have made a strong increase in their earnings during the year, while the largest division within the EIG Group in Romania is sticking to a more conservative sales policy over the past 12 months, and this holds the increase in premium income on a group basis level.

**IC Euroins AD Bulgaria**

Euroins Bulgaria is a dynamic company that has expanded its activities in recent years. In 2018, the Company recorded an increase of over 20% in gross written premiums, the main reason being the organic growth in direct insurance both on the territory of Bulgaria and on the territories of Greece, Italy and Spain under the Freedom to Provide Services Directive within the European Union. There



**D – CONSOLIDATED ACTIVITY REPORT**

Is continuous improvement in the quality of service in these countries, relying on an increase in the Company's partner and customer network, improved IT capabilities, market analysis and segmentation opportunities.

All main non-motor lines of business have registered growth: Health - 51%, Cargo - 16%, Credit and suretyships - 15%, Accident and Travel - 11%. MTPL has grown by 32%, Motor Hull - by 21%. The growth in motor third party liability insurance is due to the increase in their price in Bulgaria and to the increased number of customers in Greece.

During the year net earned premiums have increased by nearly 23%. Net claims incurred are up also as the reasons are the growth of the business itself and the high-quality services provided to customers and claimants.

An increase in the administrative expenses has been reported compared to the same period of 2017. Firstly, these are the expenses associated with the growth of the business. Next are the substantial final costs related to IFRS and Solvency II audits that have their impact as well. Because of the new regulatory requirement, financial statements of insurance companies must now be signed off by two audit firms. There are also the significant costs associated with the new regulatory requirements of Solvency II.

Despite this Euroins Bulgaria has reported a profit for group purposes of BGN 2,281 thousand. The factors that affect the realized profit are as follows: the growth of the business has led to growth of the net earned premiums by 25% and subsequently to increase of the premiums ceded to reinsurers. The latter combined with the improved loss ratio in MTPL has caused an increase in the income from reinsurance commissions (increase of 90%).

The improved financial condition of the company has been also confirmed by the rating agencies. In 2018, Fitch Ratings awarded Euroins Bulgaria „Insurer Financial Strength Rating“ "BB-" with a Stable outlook. Separately, the BCRA, the Credit Rating Agency, confirmed in January 2019 a long-term BBB rating claim with a long-term stable outlook.

All the circumstances above would help the management of Euroins Bulgaria to focus on the challenges in 2019, which are the introduction by way of enactment of the bonus malus system on the local MTPL insurance market and the operational start of the branch in Greece. Effectively as of February 2019, Euroins AD - a branch of Greece has already officially operated and has a license for both motor business and property insurance, as well as for Accident and Travel insurance.

**Euroins Romania Asigurare Reasigurare S.A.**

Euroins Romania is among the top five insurers on the Romanian insurance market and is among the leading non-life insurance companies in recent years. The company continues to strongly strengthen its position as a stable and fair, customer-oriented company that manages to work profitably and in full compliance with Solvency II requirements in a highly competitive environment such as the Romanian one.

In 2018, in a changed market environment, Euroins Romania chose to act conservatively without seeking for unprecedented expansion, accounting for a gross premium written of BGN 425.5 million, compared to BGN 472.9 million in 2017. The decrease is a result of the stabilization of the Romanian MTPL market after two years of significant increase of the average premium. At the same time in 2018 Euroins Romania has been conducting a policy of retaining the prices, avoiding segments with high loss ratios and not offering short-term policies with period of cover of one month and three months; a fact that ultimately has led to a slight decrease in the market share but kept the risk profile intact and guaranteed the financial stability in the next periods. Unlike the motor business the major non-motor lines of business have grown significantly: Liability - by 29%, Accident - by 13%, Property - by 6%, Cargo - by 4%.

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Net claims incurred grow as result of increase in the number of reported claims. At the same time there is a decrease in the average reported claim. In 2018 the company has invested in a network of loss survey points as well as in a total remodeling of its strategy in the claims handling process aiming to improve the customer service and to guarantee high level of customer satisfaction.

Acquisition costs have registered a slight increase of 1%, which was perfectly reasonable considering that the increase of the net earned premium amounted to 3%. Administrative expense has grown compared to 2017 as a result of the abovementioned costs related to the new regulatory requirements of Solvency II and to the investments in new risk management solutions and constant performance monitoring. At the same time there are currently several initiatives underway to optimize processes related not only to the administrative management but also to processes that are yet to benefit activities such as claims handling and internal controls.

As a result, this is another reporting period for Euroins Romania where it can be witnessed the positive effect of the re-segmentation, which the company started in 2014, and this combined with the strengthening of the reserves in 2015. At the beginning of 2018, the acquisition of the insurance portfolio of Romanian insurance company ATE Insurances was finally approved. It consists of non-Motor business only. The transaction is part of the long-term strategy of Euroins Romania to increase the share of the non-Motor business of the company.

The company ended 2018 with a profit for group purposes in amount of BGN 7 547 thousand before taxes.

In 2018 the credit rating agency Fitch Ratings confirmed the assigned a year earlier Insurer Financial Strength Rating "BB-" with a Stable Outlook.

**Euroins Osiguruvanje AD, North Macedonia**

Euroins Insured is a well-established and stable company with a diversified portfolio and stable financial performance. This year is another year in which gross premiums written are growing by 18% as the main business lines that grow are Cargo by 15%, MTPL by 6%, Property by 5%, Liability by 5%, Motor Hull by 3%. The company continues to strengthen its position in Agricultural Insurance by more than tripling its business there in comparison to 2017. There is a plan to enter the Health Insurance market as well with the positive results expected to be seen in 2019.

Because of the ongoing initiatives of the management of the company administrative costs has continued to decrease, by 8% in 2018.

The result from the above is a profit for group purposes of BGN 1 314 thousand before taxes.

**IC Euroins Life EAD**

In 2018 Euroins Life has written registering growth of nearly 15% compared to previous year.

Euroins Life has begun a review of the company's current products, while the company already offers new life assurance products including online sales solutions. These initiatives, however, are still at the beginning and their positive effect on the portfolio is yet to be seen. For this reason, the company realized a loss for group purposes amounting to BGN 412 thousand in 2018.

**IC EIG Re EAD**

The strategy of the management of Euroins Insurance Group and EIG Re is for the company to continue developing as a reinsurer. The foundations were laid down in 2017 when the first proportional and non-proportional insurance treaties were signed. There were a series of initiatives in 2018 to analyze the potential for the development of EIG Re also as a captive reinsurer optimizing the entire reinsurance program of the Group. One of the starting points of these projects was also a

## D – CONSOLIDATED ACTIVITY REPORT

possible participation of EIG Re as captive reinsurer in the optimization of the capital requirements for the Group and its subsidiaries in the light of Solvency II.

For the year 2018 EIG Re has written gross premiums of BGN 11.1 million.

The company has a profit before taxes for group purposes in the amount of BGN 319 thousand.

In addition, in December 2018, Fitch Ratings, taking into account EIG Re's expected strategic importance as a reinsurer within the Euroins Insurance Group, assigned the Insurer Financial Strength Rating "BB-" with a Stable Perspective.

### IC Euroins Ukraine PrAT

In 2018 Euroins Insurance Group increased its investment in Euroins Ukraine by BGN 1 975 thousand, as at 31 December 2018, the participation of EIG in the capital of the subsidiary was 98.363%.

As of the end of 2018 Euroins Ukraine reported a GWP of BGN 16 million, which represents a growth of 69%. Nearly 30% of the business is non-motor insurance. In addition to motor insurance, which doubled during the year, the non-motor business also grew: Property - 55%, Cargo - 48%, Accident - 35%, Liability - 16%. But due to the investments made during the period in the expansion of the distribution network and the increase in the damages due to the increased business, Euroins Ukraine reported a pre-tax loss of BGN 2,117 thousand for group purposes. Management has already taken actions as part of a common action plan aiming for significant improvements by mid-2019 through new liquidation processes, new fraud prevention measures and risk management.

### European Travel Insurance PrAT, Ukraine

European Travel Insurance is one of the top travel insurers in Ukraine and is the only one that specializes only in these insurance products by offering them both to individual and to corporate clients. The company relies on innovative products offered via extremely well-developed distribution channels.

In 2018 the company has written gross premiums of BGN 14.3 million. But as EIG will consolidate the performance only for the last quarter of 2018 the GWP that will be included in the financial statements of the Group amounts to BGN 4 million, while the profit for group purposes is BGN 385 thousand before taxation.

### IC Euroins Georgia JSC

The acquisition of Euroins Georgia is part of the strategy of Euroins Insurance Group for development in a region where markets have huge growth potential. With Georgia this is mainly due to the low insurance market penetration, positive regulatory changes and the expected introduction of compulsory third-party liability insurance both in motor and construction lines of business. The indicators showing expected growth of the Georgian economy of 5% in 2019 and 2020 will contribute additionally to the growth of the Georgian insurance market, where the Group would like to participate.

Insurance Company Euroins Georgia is specialized in Accident and Health. In 2018 these lines of business account for 45% of the insurance portfolio of the company, while the rest is split between MTPL, Motor Hull, Property, Agricultural Insurance, Cargo and Liability. Total gross premiums written in 2018 amount to BGN 7 million. But as Euroins Insurance Group will consolidate the performance of Euroins Georgia only for the last quarter of 2018 the written premiums that will be included in the financial statements of the Group are BGN 2.2 million, while the result for group purposes is a loss of 417 thousand before taxation.

### **000 RIC Euroins**

Entering the Russian Insurance market has always been in line with the development strategy of the Group in Eastern Europe. This market, as most in this region, is typified by low insurance market penetration, which in combination with expected positive regulatory changes and economic growth hints at significant growth potential.

In 2018, the company recorded gross written premiums of more than BGN 50 million, with the motor business being Casco holding only 3%. The rest of the portfolio is a quality non-motor business, namely: Responsibilities - 45%, Accident & Disease - 32%, Cargo during shipment - 16%, Property - 4%.

And as continuation of the sound performance from last year the company reports a profit of more than BGN 500 thousand after taxation.

For more information about Euroins Insurance Group and its subsidiaries, please visit the company's website [www.eig.bg](http://www.eig.bg)

## II. AVTO UNION AD - BUSINESS OVERVIEW. RESULTS FROM THE ACTIVITY

### BUSINESS REVIEW

Avto Union AD is a holding company which consolidates Eurohold Bulgaria's investments in the motor vehicle sector. Avto Union is the leading importer and dealer of cars - its portfolio includes 8 brands motor vehicles, with the largest portfolio of motor vehicle brands in Bulgaria. The strategy, supported by the automotive group for a variety of brands is supplemented by continuous improvement in the quality of complementary products and after sales service, as well as by offering new product packages which combine leasing and insurance and comply with the client's needs.

The structure of Avto Union includes companies, operating in automotive sales, warranty and after-sales service support, service, including paint and paint service, original spare parts, lubricants, fuel and accessories. Avto Union AD, through its subsidiaries, acts as an official importer and dealer of some automobile brands and is also an official distributor of lubricants and alternative spare parts in Bulgaria.

The Group of Avto Union AD has signed a distribution agreement with regard to the car brands it sells. Distribution contracts (or official representation of the brand in the country) generally give the group the right to sell the brand, develop dealer networks, carry out marketing campaigns and activities, set prices and trade conditions, and act as ambassador of the brand in the negotiated jurisdiction.

As at 31.12.2018 Avto Union AD holds direct control shareholding in 11 subsidiaries.

Structure	Country	Company	Type of activity
Automotive business - Avto Union AD	Bulgaria	• Star Motors EOOD	import and service of motor vehicles
		• N Auto Sofia EAD	import and service of motor vehicles
		• Espas Auto AD	import and service of motor vehicles
		• Bulvaria Holding EAD	import and service of motor vehicles
		• Bulvaria Sofia EAD	import and service of motor vehicles
		Bulvaria Varna EOOD	import and service of motor vehicles
		• Auto Plaza EAD	import and service of motor vehicles
		• Motobul EAD	import and sale of motor oils, card operator for the sale of fuels
		• Benzin Finance EAD	the company does not operate
		• Avto Union Service EOOD	repair and service of motor vehicles
		• Daru Car OOD	repair and service of motor vehicles
• EA Properties EOOD	construction, purchase and sale of real estate		
• Motohub EAD	import, sale and service of scooters, motorcycles and mopeds		
North Macedonia		• Star Motors DOOEL	import, sale and service of motor vehicles
		• Star Motors SH.P.K	import, sale and service of motor vehicles
Kosovo		• Star Motors SH.P.K	import, sale and service of motor vehicles
Romania		• Bopar Pro SRL	Trade of spare parts and accessories

**Regional presence. Market presentation by business operations**

The following company chart presents the automotive brands and lubricants of Avto Union subsidiaries



**Sales of New Cars**

Auto Italy - **official importer of Fiat, Fiat Professional, Maserati, Alfa Romeo** for Bulgaria

Star Motors - **official importer of Mazda** for Bulgaria

N Auto Sofia – **Nissan** dealer for Sofia and Veliko Tarnovo

Espas Auto – **Renault and Dacia** dealer for Sofia, Pazardjik, Blagoevgrad and Veliko Tarnovo

Bulvaria Sofia - **Opel** dealer In Sofia

Bulvaria Varna - **Opel** In Varna

**Sale of original spare parts, lubricants, fuels and accessories**

Motobul – **official distributor for Bulgaria of Castrol and Orlen Oil** Motobul is a **fuel card operator** through a business partnership at leading gas stations in the country.

**Showrooms and Service**

Avto Union has showrooms for individual brands throughout the country. They are built according to the manufacturers' requirements and standards. The showrooms of every importer or dealer, part of Auto Union, are tailored to the most up-to-date trends in design and functionality in automotive business. The main offices of Avto Union are located in the major cities of Bulgaria - Sofia, Pazardjik, Plovdiv, Stara Zagora, Varna, Burgas, Veliko Tarnovo, Blagoevgrad.

Avto Union's services include state-of-the-art equipment and qualified staff and offer the full range of after-sales services: general mechanical and specialist repairs, diagnostics, maintenance and maintenance of all brands of vehicles. The main task of Avto Union in terms of after-sales service is to provide quality and fast service to its customers.

Avto Union Subsidiaries benefit within the Group from:

- ◆ optimization of operating expenses of the company and to achieve better market segmentation, which in turn would improve the levels of customer service and clients' satisfaction.
- ◆ an increase in the market share of car companies;
- ◆ more efficient cash flow management;
- ◆ optimization of the structure of attracted funds of automotive companies;
- ◆ optimization of the costs for administration, management and external services;

## Business results for 2018

### CONSOLIDATED RESULTS 2018

<p><b><u>Net profit</u></b>  <b>BGN 3.4 mln</b>  <b>+1 233% from 2017</b></p>
<p><b><u>EBITDA</u></b>  <b>BGN 9.5 mln</b>  <b>+70.6% from 2017</b></p>
<p><b><u>Revenues</u></b>  <b>BGN 226.8 mln</b>  <b>+11.6% from 2017</b></p>
<p><b><u>Operating expenses</u></b>  <b>BGN 30.5 mln</b>  <b>+14.7% from 2017</b></p>
<p><b><u>Assets</u></b>  <b>BGN 141.5 mln</b>  <b>+3.7% from 2017</b></p>
<p><b><u>Liabilities</u></b>  <b>BGN 127.0 mln</b>  <b>+11.0% from 2017</b></p>
<p><b><u>Total equity</u></b>  <b>BGN 10.6 mln</b>  <b>- 42.6% from 2017</b></p>

2018 was extremely successful for the Avto Union Group, which has been working hard to expand its market position, increase revenue and generate profits, resulting in a significant increase in its core indicators.

The consolidated financial result of the Group for the period from 01.01.2018 to 31.12.2018 is a profit of BGN 3 438 thousand. (2017 - profit of BGN 258 thousand). The consolidated financial result for the owners of the parent company for the same period is a profit of BGN 1 743 thousand, which compared to 2017, when was a loss of BGN 957 thousand.

EBITDA generated by the Group (earnings before Interest, taxes, depreciation and amortization) amounted to BGN 9 492 thousand, a significant increase of 70.6% compared to the previous year 2017, after an increase of BGN 3 927 thousand.

The financial results achieved in 2018 are due entirely to the sales growth of the car group companies, with the number of car sales rising by 16.5% over the 2017 sales as a result of which the operating revenues of the Group increased by 11.6% reaching BGN 226 776 thousand.

Growth in total operating income is mainly due to revenue generated by sales amounting to BGN 210 493 thousand, which increased by 13.1% or a reported increase of BGN 24 420 thousand. At the same time, the revenues from services rendered decreased by 8.8%, their value at the end of 2018 was BGN 8 838 thousand. The other operating income retained its relative size with a growth of 0.1% and amounted to BGN 7 445 thousand.

Operating expenses for 2018 show an increase of 14.7% compared to the same period in 2017 as a result of the increase in realized revenues. Their value for the reporting period is BGN 30 543 thousand, with an increase of BGN 3 924 thousand. The biggest growth in operating expenses was recorded for personnel costs, which increased by 17.4% or BGN 2 170 thousand, as well as the cost of materials, which increased by 61.9% or BGN 1 348 thousand.

#### Motor vehicle market

For the period ending on 31.12.2018, Avto Union's sales of new light and commercial vehicles amounted to 5 732 units compared to 4 922 units sold in the same period in 2017, which represents a growth of 16.5%. According to the Union of Automobile Importers in Bulgaria, the market for new passenger cars and light commercial vehicles rose by 9.0% in 2018 compared to the same period in 2017.

In 2018, the automotive holding companies made fleet deals for a total of 1 930 motor vehicles totaling BGN 50 288 thousand, as the ratio for the previous year being 1 463 cars totaling BGN 34 million.

Total assets grew in 2018 by 3.7% or BGN 5 108 thousand.

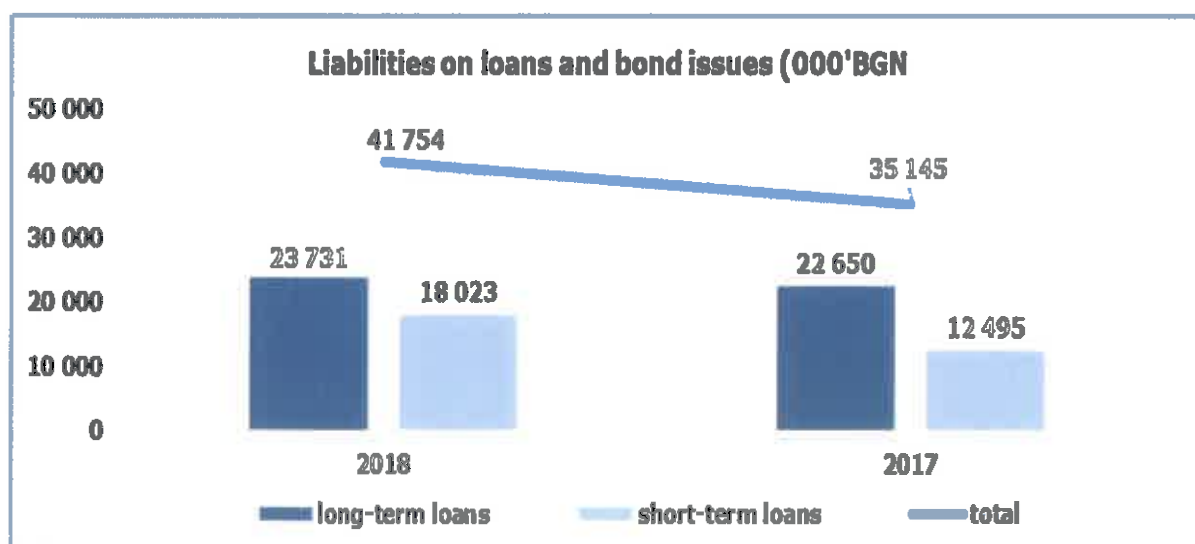
Non-current assets declined by 4.9% over the reporting period as a result of a decrease in long-term trade and other receivables and, in particular, from related parties.

At the same time, current assets have increased by 10%. This growth is due to the following changes - cash decreased by 25.6% compared to the same period of 2017, a decrease of BGN 404 thousand, inventories increased by 8% and trade and other receivables increased by 16.8% in connection with increased sales in 2018, as well as significant car deliveries at the end of the year in relation to planned sales in the first quarter of 2019.

The consolidated liabilities of the automobile subholding increased by 11% reaching BGN 126 988 thousand nearly. A more significant change is observed in current liabilities, which at the end of 2018 amounted to BGN 88 012 thousand, with an increase of 14.8%. This growth is attributable to the classification of most of the long-term borrowing liabilities and the issued bond issue in the total amount of BGN 17 870 thousand as short-term liabilities, taking a 43.2% growth in this position. By comparison, by the end of 2017 total short-term loan liabilities amounted to BGN 12 482 thousand.

Non-current assets recorded a slight increase of 3.2% to BGN 38 976 thousand. The growth in long-term liabilities is mainly due to a bond loan issued by the subsidiary Motobul EAD amounting to BGN 8 800 thousand, while the remaining long-term liabilities, including bank loans, are substantially reduced.

Typical of the activities of the Group companies - car dealers, is the financing of their activities through borrowed funds. In this connection, on a consolidated basis, Avto Union indebtedness is high. The need for borrowed funds arises from the large car purchases made by dealers, particularly in the case of fleet transactions, which has resulted in significant obligations to suppliers. Under some of the contracts, the companies have agreed to a postpayment. For information, as of 31.12.2018 the short-term commercial debt to suppliers amounted to BGN 54 436 thousand, while at the end of 2017 it amounted to BGN 48 459 thousand.





**D – CONSOLIDATED ACTIVITY REPORT**

Consolidated equity of Avto Union decreased by 42.6% in 2018 and at the end of the period amounted to BGN 10 683 thousand in connection with the application of IFRS 9 in retained earnings and IFRS 15 „Revenues from contracts with clients“, whose effect is reported in decrease in retained earnings.

**Earnings per share**

Earnings per 1 share	Currency	2018	2017
Net financial result	000' BGN	3 438	258
Number of shares	number	80 008	80 008
Average number of shares:	000' BGN	80 008	80 008
Net result per 1 share	000' BGN	42.97	3.22

Avto Union reports for 2018 earnings per share of BGN 42.97.

**Expectations for 2019**

The 9% increase in car sales in Bulgaria in 2018 is expected to be maintained in 2019, which is still mainly due to the ongoing process of renewal of the old fleets in the country. A slight slowing of growth in corporate transactions and retention of retail transactions levels, supported by a relatively stable economy, is expected. As a whole, the market for new cars in Bulgaria is not expected to have economic shocks, and it is normal for it to grow with the growth of the country's economy.

More information about the Avto Union subsidiary and its subsidiaries and the results of their activities can be found on the company's website [www.avto-union.bg](http://www.avto-union.bg).

### III. EUROLEASE GROUP EAD. BUSINESS OVERVIEW. RESULTS FROM THE BUSINESS

#### *Business review*

Leasing Sub-holding Eurolease Group is a company that brings together Eurohold's investment in the Balkan leasing sector.

The companies, part of the Eurolease Group, offer financial and operational leasing of new and used cars, trucks and buses.

The strategic objective of Eurolease Group EAD is to become one of the leading lessors in every country in which it operates. To this end, Eurolease Group EAD strives to build a strong and sustainable brand based on the provision of high quality and wide-ranging services. The goal is to increase its reputation as an innovative and flexible partner to a variety of customers and to offer new, specific products and services in cooperation with the Group's insurance and automobile companies.

#### **Regional presence. Market presentation by business operations**

<i>Structure</i>	<i>Country</i>	<i>Company</i>	<i>Type of activity</i>
<b>Leasing sector: Eurolease Group</b>	<b>Bulgaria</b>	<i>Eurolease Auto</i>	<i>Financial leasing</i>
		• <i>Amigo Leasing</i>	<i>Financial leasing</i>
		• <i>Autoplaza</i>	<i>Sales of used cars;</i>
		• <i>Eurolease Rent-a-car</i>	<i>Rental of cars</i>
		• <i>Sofia Motors</i>	<i>Renting of motor vehicles</i>
	<i>Northern Macedonia</i>	• <i>Eurolease Auto DOOEL</i>	<i>Financial leasing</i>
	<i>Romania</i>	• <i>Eurolease Auto SA</i>	<i>Financial leasing</i>

#### **The group offers**

The Group offers financial leasing, operating leases and rent-a-car services as well as the sale of buy-back used vehicles of proven origin. Car rental activities are carried out by the company Eurolease - Rent A Car, which operates under the trademarks of AVIS and BUDGET.

The leasing operations of Eurolease Group focus on the development of products offering flexible repayment plans and interest rates that are tailored to the customer's risk profile.

The long-standing experience in providing operating leases to major international and local companies as well as established niche markets for rent-a-car services provide the Group with market leadership in this sector.

The subsidiaries of Eurolease Group companies benefit within the Group from:

The ability to provide a full range of financial and operational leasing services, rent a car services and the sale of used cars to individuals and corporate clients, thus enabling Eurolease Group to reach the full spectrum of potential customers and create competitive advantages.

## Result of the activity for 2018

### CONSOLIDATED RESULTS 2018

**Net profit**

**BGN 1.2 mln**

**+986% from 2017**

**Revenues**

**BGN 21.1 mln**

**+20.2% from 2017**

**Operating expenses**

**BGN 19.8 mln**

**+13.8% from 2017**

**Assets**

**BGN 137.6 mln**

**+19.5% from 2017**

**Liabilities**

**BGN 125.1 mln**

**+26.4% from 2017**

**Total Equity**

**BGN 12.7 mln**

**- 22.8% from 2017**

The activities of EuroLease Group EAD are related to supporting the activities of its subsidiaries by providing expert advice in the field of operational management. The company provides assistance to companies in finding competitive financial resources for the performance of their business activities.

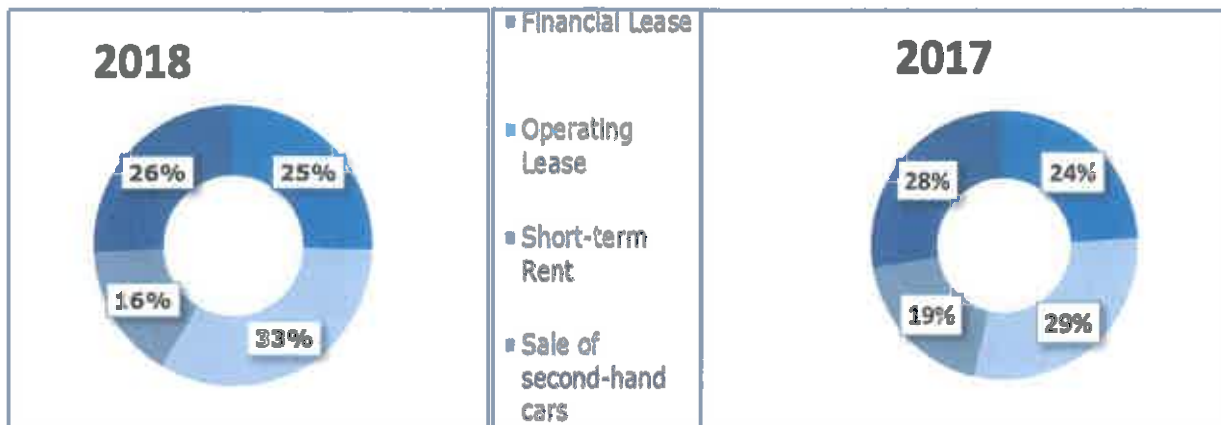
In 2018 Eurolease Group EAD continued its efforts to negotiate new credit lines for each of the Group companies, with a total amount of negotiated financing of approximately EUR 25 million, which led to the possibility of large-scale deals with corporate clients and an increase in the number of transactions with individuals.

The consolidated financial result of the leasing group recorded significant growth as of December 31, 2018, after realizing a profit of BGN 1 218 thousand. In comparison, the profit as of 31.12.2017 amounts to BGN 112 thousand. The financial result as of December 31, 2018 is allocated as follows: the Group had a profit of BGN 1 232 thousand and for the non-controlling participation a loss of BGN 14 thousand.

Consolidated revenues of the company increased by 20.2% reaching BGN 21 075 thousand in 2018. They are formed by the different business lines of the subholding, namely: revenue from financial and operating leases, short-term rental of cars and sale of used cars, the distribution of which is shown in the following graph.

The observed change in the share of business revenue is determined by the following factors:

- Financial Lease - Revenues from this line are slightly increasing as a share of the total revenues of Eurolease Group EAD, reaching BGN 5 573 thousand (growth of 13.76% on an annual basis);
- Operating leases - the increase in 2018 is due to the significant increase in the number of long-term rental cars. Operating lease income increased by more than 20% to BGN 7 267 thousand;
- Short-term rent - the amount of revenues decreased by 9.1% compared to the previous period, and the share of this business in the portfolio of Eurolease Group EAD decreased accordingly;
- Sale of second-hand cars - the share of revenues from the sale of second-hand cars remains almost unchanged. In absolute terms they amounted to BGN 5 640 thousand - also relatively unchanged compared to the end of the previous year.



The observed growth in reported expenses of 13.8% in 2018 is a natural consequence of the growth of the business, generated during the period. For the year 2018, consolidated expenses reached a level of BGN 19 815 thousand after an increase of BGN 2 403 thousand compared to 2017. The most significant change in the reporting period is observed in depreciation costs, which increased by BGN 1 231 thousand, compared to 2017 due to the increase in the volume of vehicles.

As of 31.12.2018 the Group's assets amounted to BGN 137 585 thousand compared to BGN 115 171 thousand at the end of the previous reporting period, recording an increase of 19.5%.

Consolidated net investment in finance leases increased by 38.25% to BGN 78 225 thousand compared to BGN 56 581 thousand at the end of 2017.

As of 31 December 2018, tangible fixed assets at the consolidated level amounted to BGN 28 075 thousand, marking an increase of more than 10% compared to BGN 25 436 thousand at the end of 2017. The increase was due to the increase in the number of newly acquired vehicles which the subsidiaries Eurolease Rent-a-Car EOOD and Sofia Motors EOOD have provided to their clients under the terms of a long-term lease.

At the end of the reporting period, the Group's liabilities amounted to BGN 125 102 thousand compared to BGN 98 937 thousand as at 31.12.2017.

Typical of each leasing business, including the Eurolease Group, is that the leasing activity is financed through borrowed funds. The amount of these borrowed funds is determined by the expansion of the business. This normally leads to high leverage of the leasing companies.

By the end of December 2018 there was an increase in the relative share of bank financing at the expense of a reduction in debt obligations on debt instruments. Consolidated liabilities of Eurolease Group to other financial institutions decreased by 11.04% to BGN 11 315 thousand compared to BGN 12 719 thousand as at 31 December 2017. The amount is mainly due from the Eurolease Rent A Car subsidiary to leasing companies financing its operations and reflects the increased volume of transactions under operating leases. At the same time, the liabilities to banks amounted to BGN 78 303 thousand, registering a growth of 63.9% compared to 2017 when their amount was BGN 47 768 thousand. Liabilities on debt instruments (issued bond loans) decreased by 7.9% and amounted to BGN 26 707 thousand, compared to nearly BGN 28 985 thousand as at 31.12.2017.

As of 31.12.2018, the share capital amounts to BGN 12 662 thousand compared to BGN 16 399 thousand as of 31.12.2017. The decrease in equity by 22.8% is the result of the application of IFRS 9 "Financial Instruments", accounting for its effect on retained earnings.

**Earnings per share**

Earnings per 1 share	Currency	2018	2017
Net financial result	000' BGN	1 234	153
Number of shares	number	27 241 488	27 241 488
Average number of shares:	000' BGN	27 241 488	27 241 488
Net result per 1 share	000' BGN	0.045	0.005

Eurolease Group reports for 2018 earnings per share of BGN 0.045.

**Expectations for 2019**

Following the market trends and the In-group synergy created, the Group's companies in 2018 managed to maintain positions on the market on which they operate.

With regard to the financial leasing services provided, in 2018 the market recorded an increase in the receivables under finance lease contracts, respectively the funds allocated on newly concluded leasing contracts also increased compared to the previous period. Companies operate under the conditions of declining interest rates, making leasing a more accessible and recognizable service on the market. In addition, world-wide, car production remains on an upward trend, with an average annual increase of around 3% per year over the past five years. Similar is the growth in reported sales, with registered new cars within the EU increasing by 3.3%.

The observed positive market trends have led the Management to expect growth in the results of the companies operating in this segment - Eurolease Auto EAD and Amigo Leasing EAD.

Amigo Leasing EAD started operations in April, 2018 under the trademark Amigo Leasing. The creation of the Company was conditioned by the strong demand for second-hand cars in Bulgaria, which has continued in the past year. This gives grounds for positive expectations for the development of the Company, such as the main prices for the year 2019. are connected with:

- Ensuring sufficient funding for smooth implementation of the activity;
- Increasing new business levels when taking reasonable risk levels;
- Expansion of the branch network and the offices of the company;
- Consolidation the Amigo Leasing brand as Leader of the Leasing Market for Used Assets.

Over the years, Eurolease Auto EAD has established itself as the leading non-bank leasing company on the Bulgarian market. The experience, the established connections with suppliers and the expanding customer base allow the Company to report steady growth. The management believes that the funding currently provided, the ongoing negotiations with other potential creditors, as well as the possibility of offering joint ventures with Euroins and the dealers part of the Avto Union Group will allow Eurolease Auto EAD to offer even more attractive leasing terms to customers in 2019.

The sale of second-hand cars is carried out by the Group through its subsidiary Autoplaza EAD. The management's expectations for 2019 are that the company will continue its upward development with a new increase in its credit limit to finance car purchases from Bulgaria and Europe. Thus, the company will be able to meet the needs of the constantly expanding market for used second-hand cars, which brings security to future customers. In view of these expectations, its leadership has set the following targets to be achieved in 2019:

- Increase sales of used cars;
- Deepening partnerships with auto dealers, part of the Avto Union JSC Group, in relation to the redemption of client cars;
- Promoting the new company website to attract new customers
- Partnership with YouTube Influencer Ivan Nankov regarding the AutoPlus cars reviews in the BGCarsUnited Channel;
- Complete re-branding of the company's office.

The inclusion of Sofia Motors EOOD in the leasing subsidiary Eurolease Group EAD allows the Group to offer a wider range of products and services and to efficiently use the customer base of all companies to achieve better financial results. In 2019 the management of the company planned to develop and

**D - CONSOLIDATED ACTIVITY REPORT**

update the portfolio of products offered by the Company. In view of the planned plans, the following targets for the current year are formulated:

- Development and presentation of innovative products targeting the Target Groups of the Company;
- Promoting the company through a targeted marketing campaign;
- Reach more customers by building a new, more functional website;
- Attracting competitive financial resources for the Implementation of the operational activity;
- Additional optimization of operating costs;

The company has sufficient funds to finance new deals for the first half of 2019 and has worked with partner banks to obtain a new credit limit.

Operational leasing and rent-a-car services are carried out by the subsidiary Eurolease - Rent A Car EOOD. The latter operates under the trademarks of AVIS and BUDGET. In the segment in which the Company operates, there is a tendency to increase competition in the market and the emergence of many local companies and emerging international brands. In this regard, the Company plans the following measures to maintain its position:

- A slight decrease of the indicator "cost per day" to maintain competitiveness;
- Increase in rental duration during the high summer season;
- Increase by 10% of the cars in the short-term fleet and preservation of the tendency for its renovation;
- - A renewed marketing strategy related to the appointment of a marketing specialist and the promotion of both brands at national and global level;
- Replacing existing websites with the modern digital platforms offered globally by the Avis Budget Group;
- The introduction of a digital signature when renting out short-term rental cars (platform Scrive);
- Introducing a Customer Feedback platform and the associated customer satisfaction enhancement;
- Negotiating new long-term partnerships with foreign and local companies;
- Attracting new customers from key countries for the Bulgarian market: Great Britain, Israel, USA, Germany, Russia, France, Spain;

More information about Eurolease Group Subsidiaries and its subsidiaries can be found on the company's [www.euroleasegroup.com](http://www.euroleasegroup.com).

## IV. EURO-FINANCE AD BUSINESS OVERVIEW. RESULTS FROM THE BUSINESS

### *Business review*

Euro-Finance is the largest Investment Intermediary in Bulgaria in terms of share capital. The company has a 24-year history and has a full license from the Financial Supervision Commission to provide financial and investment services within the European Union and third countries.

The company is a well-known name on the Bulgarian financial market, serving the investment and financial needs of individual, corporate and institutional investors. The Investment Intermediary offers a wide range of investment products - equity trading, fixed income instruments, derivatives, FOREX deals, contracts for differences (CFDs), RePo deals and more. The company maintains long-standing relationships with a number of international financial institutions. EURO-FINANCE AD is the first Bulgarian licensed Investment Intermediary, a full member of the stock exchange in Frankfurt and is the only non-banking financial Intermediary.

The Company does not have any investments in subsidiaries.

#### **Regional presence. Market presentation by business operations**

<i>Structure</i>	<i>Country</i>	<i>Company</i>	<i>Business activity</i>
<b>Investment intermediation and Asset Management - EURO-FINANCE AD</b>	Bulgaria	EURO-FINANCE AD	Provision and performance of investment banking, asset management, custodian and consulting services

Euro-Finance AD is regulated by the Financial Supervision Commission on European Legislation, and the company is a member of a number of institutions, exchanges, associations and organizations.

As a licensed Investment Intermediary in a country of the European Union (EU), Euro-Finance AD fully complies with the regulations and requirements related to transactions with financial instruments within the EU under the MIFID II Directive.

At present, about 70 Investment Intermediaries operate on the Bulgarian market, 36 of which are banks and the other 47 are non-bank financial institutions. The main advantages of Euro-Finance AD are related to its license and the possibility to offer the full range of financial services throughout the European Union as well as to its long-standing experience on the local market and its highly qualified staff.

The company's business meets the highest standards in the field of financial and investment services.

The company offers direct access to the Bulgarian Stock Exchange through its EFOCS platform as well as the Deutsche Börse Xetra Stock Exchange in Frankfurt.

#### **Euro-Finance offers the following types of services:**

- ◆ Trade in over 260 instruments including currency trading (Forex), gold, silver, oil, stocks, indexes.
- ◆ Direct access to financial instruments listed on the Deutsche Börse Xetra;
- ◆ M & A, investment consulting services as an internal consultant and a third party consultant.
- ◆ Member of the Deutsche Börse Group, with a 20-year history of successfully completed local and cross-border deals.

As an investment intermediary Euro-Finance AD offers its clients activities such as brokerage services, asset management, investment banking, merger and acquisition consulting, and other investment services for corporate and institutional clients.

#### **Investment brokerage**

Euro-Finance AD offers management services for financial assets, mainly for individual and institutional investors based in Bulgaria. The company offers three types of individual investment portfolios (conservative, balanced and aggressive).

### **Investment banking**

Euro-Finance AD has a well-developed internal and external infrastructure in order to offer complete solutions and investment services to institutional clients. On behalf of the institutional clients Euro-Finance AD carries out the following investment services:

- ◆ management and placement (public offering) of shares and derivative securities;
- ◆ management, takeover and offering (public / private offering) of debt and equity instruments;
- ◆ creation of the auctions market for the purchase of securities;
- ◆ assistance in preparing prospectuses for public offering of securities on the local market;
- ◆ market research; and
- ◆ consultancy services, including company rating, restructuring, mergers and acquisitions, financial analysis, debt analysis, capital structure, investment projects and credit counseling.

### **Custody services**

Euro-Finance JSC acts as a local and global custodian of securities by offering custody services to pension insurance companies, investment schemes, fund managers, insurance companies and other institutional investors. Euro-Finance is a member of Central Depository AD, Sofia. Internationally, the long-term cooperation of Euro-Finance with leading foreign deposit banks enables customers to take advantage of the whole range of depository and custodian services for securities registered on foreign markets.

The company provides the following custody services:

- ◆ Storing and keeping a register of dematerialized securities and government securities in a local or foreign depository institution;
- ◆ Transactions in financial instruments by client order;
- ◆ Storing cash;
- ◆ Make payments on behalf of and on behalf of the client;
- ◆ Receiving current income on financial instruments held on behalf of clients (dividends, coupon payments, etc.);
- ◆ Distribution of dividends in the form of shares, splitting, increase in the capital of a company through rights or through the distribution of additional shares, etc.



## Result of the activity for 2018

### CONSOLIDATED RESULTS 2018

**Net profit**  
**BGN 0.8 mln.**  
+299% from 2017

**Net Revenues**  
**BGN 2.6 mln.**  
+15.1% from 2017

**Administrative expenses**  
**BGN 19.8 mln.**  
+13.8% from 2017

**Assets**  
**BGN 34.4 mln.**  
+26.1% from 2017

**Liabilities**  
**BGN 11.6 mln.**  
+134% from 2017

**Total Equity**  
**BGN 22.6 mln.**  
+2.1% from 2017

In 2018 EURO-FINANCE AD maintained its leading position on the Bulgarian capital market and managed to climb from the 3rd to the 2nd place on the BSE turnover, realizing 1/5 of the total turnover of the stock exchange.

The company's efforts in 2018 focused on the development and promotion of the service segment, and in particular transactions with foreign financial instruments. In this connection, the EFOCS own e-commerce platform was upgraded and upgraded.

The realized outcome of EURO-FINANCE for 2018 is a profit of BGN 834 thousand. For comparison, for 2017, the company reported a net profit of BGN 209 thousand.

In 2018 EURO-FINANCE AD realized net income from operating activities (net result of financial operations) amounting to BGN 2 601 thousand, which increased by 15.14% compared to 2017 when they amounted to BGN 2 259 thousand.

Intermediate business accounts for the largest share of revenue over both periods, with a decrease of 28.5% in 2018. This is due to the decrease of 31.76% in the total transactions concluded on the Bulgarian Stock Exchange for 2018, as a result of which turnover on the stock exchange has decreased by 22%.

The following table provides information on the structure of the company's net income generated by the principal activity as an investment intermediary.

Net income	Currency	Change 2018-2017 %	2018	2017
Net result of intermediary activity	000' BGN	-28.5%	1 031	1 442
Net result of operations with financial assets and instruments	000' BGN	-104%	-12	299
Net result of exchange rate changes	000' BGN	269.6%	329	-194
Income from shareholding	000' BGN	-9.9%	91	101
Net interest income	000' BGN	28.4%	759	591
Other financial income	000' BGN	n/a	353	-
Revenue from investment banking activities	000' BGN	n/a	50	-
<b>Total net operating income</b>	<b>000' BGN</b>	<b>-1.8%</b>	<b>2 601</b>	<b>2 259</b>

The company has managed to reduce the administrative expenses related to the current servicing of the company by BGN 330 thousand.

Administrative expenses	Currency	Change 2018-2017 in %	2018	2017
<b>Total administrative costs of the action</b>	<b>000' BGN</b>	<b>-16.2%</b>	<b>1 703</b>	<b>2 033</b>

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The company's assets increased significantly by 26.1% to BGN 34 360 thousand, compared to BGN 27 256 thousand at the end of 2017.

The table below shows the structure of the investments of EURO-FINANCE AD as of 31.12.2018, in accordance with the risk management policy followed.

Own assets	Currency	2018	Share of equity in %
Tangible and Intangible assets	000' BGN	67	0.29%
Own funds	000' BGN	3 680	16.17%
Equity securities (shares, securities, etc.)	000' BGN	6 353	27.92%
Debt securities (bonds and treasury bills issued by governments and financial institutions)	000' BGN	401	1.76%
Debt securities of other issuers	000' BGN	2 443	10.74%
Repo transaction receivables	000' BGN	8 018	35.23%
Other receivables	000' BGN	2 094	9.20%
<b>Total own assets</b>	<b>000' BGN</b>	<b>2 601</b>	<b>101.31%</b>

In accordance with the provisions of Ordinance No. 50 of the Financial Supervision Commission on Capital Adequacy and Liquidity of Investment Intermediaries and Regulation (EU) №575/2013, EURO-FINANCE AD has adopted and applies Rules for Risk Assessment and Management, Procedures for Adjustment of Valuations or Reserves and Disclosure Rules. The objectives and policy of the Investment Intermediary in relation to risk management were initially formulated by a decision of the Board of Directors dated 30 May 2007, according to which the company follows a moderate-conservative risk management policy, aiming at stable and consistent growth in time of profits and protection of the value of equity.

The liabilities of the company amounted to BGN 11 603 thousand compared to BGN 4 959 thousand in the previous reporting period. The company has almost entirely current liabilities of a commercial nature. In view of the nature of the company's operations, its liabilities are almost entirely liabilities to customers, which at the end of 2018 amount to BGN 11 304 thousand compared to BGN 4 573 thousand by the end of 2017. The only long-term liabilities of EURO-FINANCE are related to a financial leasing of a car amounting to BGN 31 thousand, whereas the amount due at the end of 2017 was BGN 40 thousand.

As at 31 December 2018, the company's equity amounted to BGN 22 757 thousand, of which share capital BGN 20 600 thousand, reserves BGN 1 488 thousand and retained earnings BGN 669 thousand. For comparison, the equity of the company for the comparable period was 22 297 thousand.

### Earnings per share

Earnings per 1 share	Currency	2018	2017
Net financial result	000' BGN	834	209
Number of shares	number	40 000 000	40 000 000
Average number of shares:	000' BGN	20 600 000	16 593 000
<b>Net result per 1 share</b>	<b>000' BGN</b>	<b>0.0405</b>	<b>0.0126</b>

EURO-FINANCE reported for 2018 earnings per share of BGN 0.0405.

### Expectations for 2019

The company's expectations for the prospects for the Bulgarian capital market in 2019 are that it will be directly dependent on the performance of the Bulgarian economy and the successful implementation of the measures set out in the Strategy for Development of the Bulgarian Capital Market.

In an operational plan, the activity of Euro-Finance AD will be aimed at finding the optimum balance between the risk and the liquidity of the investments. The efforts of the management team of EURO-FINANCE AD will be focused in the following directions:

- ◆ By the middle of 2019, it is planned to complete the process of designing and releasing its fully redesigned corporate site. The overall concept of the company's new website is related to optimization and improvement of UX design, expansion of the presence of EURO-FINANCE AD in the Internet space and reaching a wider range of potential clients, optimization of the content of the page and information about the products and services of the Investment Intermediary;

**D – CONSOLIDATED ACTIVITY REPORT**

- ◆ Launch a project to develop a mobile version and app for Android and IOS on the EFOCS e-commerce platform. The expectations are after the completion of the project, which will take from 1 to 2 years in advance, significantly increase the share of EURO-FINANCE AD in servicing individual clients in the field of financial services on the local market.
- ◆ In 2019 EURO-FINANCE AD plans to expand the range of services it offers to its individual and institutional clients in partnership with the world-leading online broker Interactive Brokers.
- ◆ The process of improving and developing the Eurosyst financial and accounting system will continue along with the software developer.
- ◆ The management team of EURO-FINANCE PLC plans to focus efforts on attracting new institutional clients through targeted marketing campaigns, meetings with large institutional investors and participation in the BSE's campaign to finance small and medium-sized enterprises by listing the stock exchange.
- ◆ Despite the extremely restrictive measures of the European Securities and Markets Authority (ESMA) regarding the possibilities of offering contracts for the difference between individual (non-professional) investors whose duration is indefinite and difficult to predict, EURO-FINANCE AD will continue to offer markets the service "Trade in contracts for currency, indices, stocks, and commodity contracts across the Meta trader platform" by improving trading conditions, expanding the range of financial instruments to meet needs and the interests of customers, providing daily market comments and analysis, conducting webinars and generating premium content on the company website.

More information about Euro-Finance AD can be found on the company's website [www.eurofinance.bg](http://www.eurofinance.bg)

## **D11. CURRENT TRENDS AND THE LIKE FUTURE DEVELOPMENT OF THE EUROHOLD GROUP**

Eurohold Bulgaria AD is a company entirely focused on its core business lines.

***Trends in business development are determined by large and flexible opportunities for offering joint products that deliver unique benefits***

One of the main advantages of "Eurohold Bulgaria" AD, most strongly represented on the Bulgarian market, is the close cooperation between its main directions, generating a growing and stable source of revenue. As a consequence of integrating the three business lines - Insurance, car sales and leasing, Eurohold Bulgaria aims to realize significant synergy. The Group has exceptional opportunities to increase the market shares of its subsidiaries by introducing new, cross-linked value-added products rather than by lowering product prices, as is the strategy of major competitors. Offering joint products and combining sales points leads to an all-in-one offering - car, insurance, leasing. Cross-product offering among insurance, leasing and car dealers' customers reduces total advertising and marketing costs. The mutually complementary activities provide higher opportunities for a rapid increase in market shares. The internal model of work is based on the idea that each business strand will achieve independent financial profitability and cost optimization and serve as a source of business for other industries.

### **INSURANCE**

The main objective of Euroins Insurance Group AD is to expand the market share in key regions of presence, including Bulgaria, Romania, Northern Macedonia and Russia, maintaining a high capital buffer of the solvency position. In this regard, the company has built a strong internal integration team, which will have great value in future acquisitions.

The operating companies of Euroins Insurance Group follow a marketing policy aimed at developing and offering innovative and diverse products and services. In order to offer flexible service and satisfy the needs of the clients from the appropriate insurance services, different product ranges and combined insurances have been developed.

The market share of the majority of the non-life insurance companies in the Group is also growing. IC Euroins AD reports 8.3% market share as of 31.12.2018, compared to 8.2% in 2017. Euroins Osguryavane AD, Northern Macedonia, as of 31.12.2018, has a market share of 8.2% at 7.6% as at 31.12.2017. PLC Euro Insurance Ukraine and PLC European Tourist Insurance reported a market share of 0.6% and 0.5% respectively by 30.09.2018 compared to 0.4% for both companies by the end of 2017. Euroins Romania Insurance-Reinsurance SA reported a market share of 12.5% at 31.12.2018 compared to 14.1% at the end of 2017. As of 30.09.2018, Euroins Georgia AD has a market share of about 2% at 2.5% as at 31.12.2017.

As a result of the re-licensing of health insurance companies in Bulgaria as insurance companies in 2013, many of them were merged into life insurance companies and others started to record a non-life insurance business. In 2017 "Euroins - Health Insurance" ZEAD was merged into "EIG EE" EAD. Upon completion of this procedure, IC EIG Re AD will have all non-life insurance licenses in addition to its reinsurance license.

According to preliminary data as at 31.12.2018, the gross premium income in the life insurance market in Bulgaria amounted to BGN 444.5 million. The market share of Euroins Life AD as of 31.12.2018 is 0.4%.

It is expected for the companies from the group of Euroins Insurance Group AD to increase their market share in the General Insurance sector in 2019. As a result of the acquisitions made in 2018, the Group plans to expand the insurance business by increasing its presence, both on the markets it currently operates and in new markets.

### **Key growth drivers influencing development trends**

- ◆ Effective use of capital - optimizing reinsurance, providing adequate reserves;
- ◆ Insurance risk management - rigorous insurer pricing, pricing and product design, tailored to risk;
- ◆ Optimizing asset performance through balanced quality, diversification, liquidity and return, matching assets and liabilities;
- ◆ Effective processing and management of insurance claims;

- ◆ Using an integrated management information system;
- ◆ Optimizing Business Processes;
- ◆ Developing innovative products tailored to the needs of the target segments;
- ◆ Identifying valuable segments of customers, competitive pricing;
- ◆ Managing distribution channels through continuous tracking of results, effective motivation schemes, employee training;
- ◆ Effective advertising with which to build the image of an interesting brand;
- ◆ Establishing long-term partnerships - cooperation with leasing and auto-leasing companies, banking institutions.

## LEASING AND RENT-A-CAR

Market trends in finance leases are to increase interest in this type of product, as evidenced by data released by the BNB at the end of December 2018, showing a 12% increase in newly-generated business compared to the same period last year. The companies operate under the conditions of decreasing interest rates, which enables the Company to offer more attractive products to its consumers. Leasing is becoming an increasingly accessible and recognizable service on the market.

The favorable development of the leasing business also contributes to: the lower cost of financial resources for end-users; the decrease of non-performing receivables in the Company's portfolio of leasing (4.4% on annual basis); the positive development of the labor market in the country (the number of unemployed persons decreases in all age groups), the growth of the average monthly gross wages of about 7% on an annual basis.

The Macedonian market is relatively small and underdeveloped. At present, banks still offer credit for the purchase of a car, which limits the business opportunity for leasing companies. However, the general trend is for banks to stop offering such products, turning leasing companies into major players in financing car purchases. The banking sector in the country as a whole is underdeveloped and offers room for significant growth in the coming years. The leasing market is expected to develop in parallel with the banking sector, which offers excellent growth opportunities.

The newly established Eurolease Group EAD, financial leasing company Amigo Leasing EAD, whose main activity is providing financial leasing of used cars to individuals, opens another market niche for the Group, which will help to improve the consolidated financial results.

Eurolease - Rent A Car EOOD operates under the trademarks of AVIS and BUDGET. The long-standing experience of providing operating leases to major international and local companies as well as established niche markets for car rental services put the Group among market leaders.

The company "Sofia Motors" EOOD offers operational leasing services to small and medium enterprises and individuals. In this way, Eurolease Group EAD manages to cover the full range of potential clients of the operational leasing and rent-a-car services and to create competitive advantages.

The sale of second-hand cars is carried out by the Issuer through its subsidiary "Autoplaza" EAD. The company has succeeded in establishing itself as a recognizable supplier of used cars of proven origin. The management's expectations are for the company to continue its upward development taking advantage of the increased demand for second-hand vehicles between 5 and 10 years of age and the comprehensive service that Autoplaza EAD manages to offer its customers.

### Key growth drivers influencing development trends

Future growth of Eurolease Auto EAD is based on the following factors:

- ◆ Achieving great synergies with other subsidiaries of Eurohold Bulgaria AD;
- ◆ Offering comprehensive services;
- ◆ Flexibility in products to meet customer needs and expectations;
- ◆ Fast and high quality service.

## SALE OF MOTOR VEHICLES

No economic turmoil is expected in the new car market in Bulgaria, with the expectation to grow with the growth of the country's economy plus several single points.

Avto Union AD predicts the preservation of its market share as a result of the excellent opportunities for developing the existing customer base by physical and legal persons and increasing the corporate clients.

Expectations for the future development of the automotive market in Bulgaria are based on an increase in the rate of recovery of the local economy and an increase in the growth of new car sales in the country. On the other hand, the obsolete fleet is a prerequisite for increase in the sales to corporate customers, for which it is not profitable to maintain an outdated fleet.

### Key growth drivers influencing development trends

- ◆ Diversified product portfolio - with a wide range of brands (8 brands) Avto Union AD covers all segments of the Bulgarian automotive market by offering adequate solutions to both corporate and individual customers; brand diversification also protects the group from a force majeure situation that would affect certain brands;
- ◆ Joint products - synergic links with the insurance company Euroins AD and EuroLease Auto EAD allow Avto Union AD to offer its customers exclusive and unique package product (eg Casco 4x4, Mazda Cash Leasing, etc.);
- ◆ Optimized Group Costs - Built-in budgets to optimize marketing costs, surveys, ad group placements / airtime, and more.

## INVESTMENT INTERMEDIATE

In 2018 Bulgaria's economy continued to grow faster than the average for the European Union (EU) countries, ranking among the "bests" of CEE with 3.8% growth on an annual basis. This trend continued in the first quarter of 2019. The main components of GDP growth remain the increased domestic consumption, driven by positive labor market trends and higher wages, foreign direct investment and the accelerated absorption of European funds.

One of the main risks in the short term is directly related to the alarming trends in the growth rate of global trade or, in particular, the lack of growth. The growth rate of world trade collapsed by more than 5% in early 2018, to 0% at the end of the year. Against the backdrop of the expected escalation of trade conflicts, a possible contraction in global trade will further contribute to the slowdown in the global economy.

2018 was not particularly good for the capital market in the country. Investors' moods turned 180° - after the growth of 2017, which was accompanied by two-digit growth of transactions and turnover of Bulgarian Bonds AD (BSE), the leading capital indices in the country managed to finish the year at levels close to those of 2016. The impact of MIFID II - the new pan-European legal framework regulating financial instrument markets - which came into force at the beginning of the year and further bureaucratized and expensive to provide financial services within the EU, can also be added to the overall negative market sentiment. Despite the challenge, EURO-FINANCE AD managed to maintain its leading position on the Bulgarian capital market and managed to climb from the 3rd to the 2nd place on the turnover of "Bulgarian Stock Exchange" AD, realizing 1/5 of the total the turnover of the organized market.

As in 2018 as well as in 2019 the activity of EURO-FINANCE AD is aimed at finding the optimal balance between the risk and the liquidity of the investments.

### Key growth drivers influencing development trends

- ◆ Full license to offer the full range of financial products available on European financial markets;
- ◆ 25 years of experience in financial markets;
- ◆ Highly qualified management and operating staff - brokers and investment consultants licensed by FSC, Bulgarian Stock Exchange AD and the Frankfurt Stock Exchange (FSE);
- ◆ Access to all major international securities markets;
- ◆ The only Bulgarian financial institution member of the FSE;
- ◆ Use of modern software systems;

- High capitalization as a guarantee in times of economic downturns.

Eurohold Bulgaria AD as a holding company whose activity is directed at investments in companies and their management does not carry out independent business activity. Such activity develops the operating companies of the economic group.

In this respect, the development trends of Eurohold Bulgaria's activities are directly and mainly related to the development trends of the companies from the holding group.

## **D12. CONSOLIDATED NON - FINANCIAL DECLARATION**

### **ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT OF THE EUROHOLD GROUP FOR 2018**

**Eurohold Bulgaria as one of the largest independent financial groups in the region of Central and Southeastern Europe puts corporate social responsibility and sustainable development at the heart of its activity.**

**Eurohold Bulgaria selects an integrated approach of reporting non-financial information along with the financial one to better articulate the relationship between the group's activities in the area of social responsibility and sustainable development, financial activity, holding business strategy, process management and results from them.**

#### **1. OUR COMMITMENT AND SUSTAINABILITY APPROACH**

The Eurohold Group is a reliable partner and sustainable integrated structure. Eurohold has its own internal policies, standards and practices for sustainable business growth, ethics, collegiality and good faith, which are accepted by companies throughout the economic group.

The understanding of Eurohold's corporate governance for sustainable development is a fundamental principle underpinned by the structure and corporate values of the holding.

The Eurohold Group has a unified model of process management as an organizational structure built on sub-holding levels depending on the specific business requirements, regulations and regulations.

Eurohold's commitment is to create responsible social behavior towards company employees and customers, to the needs of society and environmental care.

The economic group offers services in the field of insurance, car sales, leasing, as well as investment intermediation and asset management. Customers are both private individuals and small and medium corporate entities and corporations. Consumers rely on our experience, knowledge, abilities and flexibility to offer them solutions that meet the most up-to-date demands of society.

The Eurohold brand is a recognizable brand for innovation, creating unique integrated products and loyalty to customers, suppliers, employees and all stakeholders both in Bulgaria and in all countries where the Group has a presence.

In 2018, the companies in the group not only remained stable on the market but also increased their market share, which speaks for the trust of consumers and business partners.

The steady trend of the growth of Eurohold Group's market positions is the consequence of our strategy of putting customer needs at the center of everything we do.

**The business strategy and core values** of the whole group in the area of sustainable development are based on the understanding of creating shared value aimed at:

- **The business**
- **Management and employees**
- **Protection of the environment**
- **The interests and needs of customers and society as a whole**



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## 2. OUR MISSION, VISION AND VALUES IN SUSTAINABLE DEVELOPMENT

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The Eurohold Group operates in the field of services, which favors the creation of a uniform standard aimed at steady development in all companies.

**OUR GROUP MISSION** is to offer complex, quality and fast service to our customers. We strive to be a constantly growing group to be the market leader in the services it offers. That is why we are dedicated to the continuous development of our products and services according to the needs of our customers and society as a whole. The Group strategically aims to offer such solutions in its product portfolio that provide customers with security and stability in their everyday business and operations.

**OUR GROUP VISION** is to be a responsible, flexible and transparent partner. We guarantee our customers quality service and quick response to their individual needs. Building a long-term and lasting relationship with clients, partners and employees is a key concern for us. We have developed clear policies and practices to ensure sustainable business practices.

**OUR VALUES** The success of the GROUP is based on a firm commitment to our core values. All activity and relationship with partners is based on the five values that distinguish the group and help us to preserve the trust of our clients, as well as being among the leaders in the business sectors in which we operate, namely:

- ◆ Integrity;
- ◆ Reliability;
- ◆ Liability;
- ◆ Correctness;
- ◆ Job satisfaction and team spirit

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## 3. Diversity Policy

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Eurohold Bulgaria has not adopted a policy of diversity of the members of the Supervisory and Management Boards, as well as of the Board of Directors of the companies of the economic group of Eurohold.

However, the Eurohold Group adheres to the principles of:

- ◆ equality,
- ◆ Impartiality,
- ◆ avoiding any form of discrimination; and
- ◆ provides the same opportunities,

by seeking to achieve a gender balance in management and supervisory bodies.

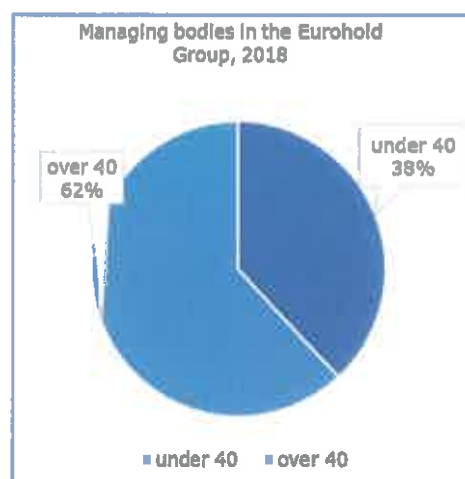
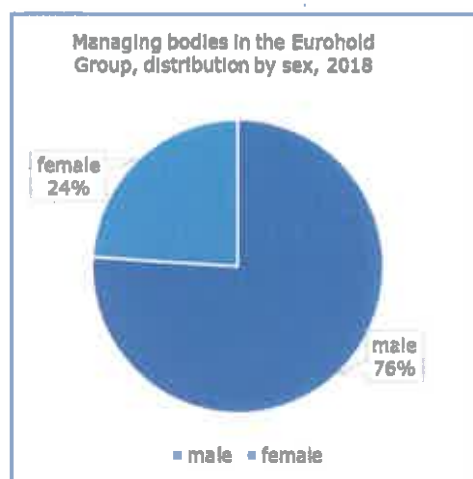
The leading factors in choosing a new member of the Managing and Supervisory Board must ensure that it possesses appropriate qualifications, experience and knowledge of the specifics, regulations and requirements of the sector in which the company operates and meet the conditions under the Articles of Association of the Company.

These principles also apply to the Supervisory and Management Boards and the Board of Directors of the Group's subsidiaries and operating companies.

### **Distribution of governing bodies by sex and age**

To date, 89 individuals have been elected to the companies of the Eurohold Group for members of the Supervisory and Management Boards, Directors' Councils and Managers, of whom 68 are men and 21 are female. By age distribution, members with experience and professional qualifications over

40 years predominate.



## 4. MANAGEMENT SYSTEM

The management system is specific to each sub-holding and is built in accordance with the nature, scale and complexity of the risks associated with the operation in applying the principles of legality, expediency and effectiveness.

The management system is adequate, built in accordance with the regulatory requirements for each direction, and the following summary can be valid for all Eurohold Group companies.

- ◆ There is an adequate and transparent organizational structure in line with the normative requirements for the particular business;
- ◆ Responsibilities are clearly and appropriately allocated;
- ◆ An effective information delivery system is in place;
- ◆ The management system meets the requirements of the guidelines for the management system of the European Insurance and Occupational Pensions Authority (EIOPA) - valid for insurance companies EuroIns Insurance Group (valid for the insurance field);
- ◆ The management system is periodically reviewed;
- ◆ Eurohold Bulgaria as a public company has adopted, adheres to and is guided by internationally accepted and applied principles of corporate governance. The holding has imposed these principles on the entire economic structure. The subsidiaries and the operating companies understand and share the principles of good corporate governance by pursuing policies to achieve optimal relationships between the Company's practices and its internal regulations.

The management system of each company in the economic structure of Eurohold is the main responsibility of its governing bodies. The necessary internal organizational structure is provided to ensure that all processes, as well as the services and products provided by the companies, are in compliance with the applicable regulations.

The Management Board is the competent authority that monitors the adequacy of a management system and takes the necessary measures in case of identified weaknesses or inefficiencies of system elements.

**At a Group level, the following policies and internal by-laws have been developed and implemented:**

### A. Ethical Code of Conduct for Group Employees

Its aim is to develop and validate the standards of professional ethics. The document reflects the principles of honesty, honesty and good faith in the Group as guiding ideas and basic principles as well as the highest requirements regarding the personal and professional ethics of employees. The Code also addresses the issue of the ban on accepting and offering unlawful payments and benefits.

The management of Eurohold Bulgaria and all companies in the holding structure respect the national anti-corruption legislation and in no way stimulate, support or encourage corruption schemes and practices. Ethical group standards are applied by all companies and in each country where the group is involved.

**B. A policy to prevent conflicts of interest and to ensure fidelity**

It sets out the criteria for disclosure of potential sources of conflict of interest and the principles to prevent conflicts of interest in Group companies as well as the procedure for detecting conflicts of interest and ensuring the confidence of policy-makers in the particular the company.

**C. Information security policy**

The information security policy has the following main objectives:

- ◆ Ensuring confidentiality of information by applying approved access restrictions and disclosure;
- ◆ Ensuring continuity of business processes and preserving integrity, accessibility of information during its storage and processing;
- ◆ Minimize information security risks;
- ◆ Providing the necessary resources to maintain the Information Security Management System (ISMS) and to continually improve and improve its effectiveness;
- ◆ Achieving accountability of information by introducing access control and rights to information resources;
- ◆ Informing employees about their responsibilities and obligations with regard to information security.

**D. Instruction on the conditions and ways of collecting, processing, storing and protection of personal data**

This instruction sets out the conditions and ways of collecting, processing, storing and protecting the personal data of employees and customers of the entire Group.

All companies organize and take measures to protect personal data from accidental or unlawful destruction, unauthorized access, alteration or dissemination, and other unlawful forms of processing. The measures taken are consistent with the state of the art technological achievements and the risks associated with the nature of the data to be protected.

The instruction aims to regulate the maintenance, maintenance and protection of registers storing personal data to the employees and customers of the Eurohold Group companies which are the administrators of personal data within the meaning of Art. 3, para. 1 of the Personal Data Protection Act (LPPD) and are entered in the register of the personal data controllers to CPDP.

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## 5. OUR PRODUCTS AND SERVICES

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The Eurohold Group operates on the basis of an inherent and synergistic approach, offering through its subsidiaries sub-holding structures products and services in the fields of insurance, vehicle sales, leasing, investment intermediation and asset management.

Subsidiaries' operating companies offer all types of products and services that are specific to the particular market. In this sense, the Eurohold Group can offer a full range of solutions for private clients, small and medium legal entities and corporate clients.



The complementary activities of Eurohold Group companies, respectively Insurance, leasing and motor vehicle sales, allow the creation of integration synergies and the cross-selling of bundled services and products.

Integration synergies provide an opportunity to optimize spending across the three strands and increase their competitiveness, which in turn leads to increased profitability at all levels of the Eurohold Group.

## 6. DETERMINATION OF KEY GROUPS OF INTERESTED PARTIES

To respond to emerging changes, technological innovation and innovation and ever-widening digitization, we identify key stakeholders and actively interact with them.

The stakeholders are both external to the Company and domestic, namely:

- ◆ Investors,
- ◆ employees,
- ◆ customers,
- ◆ providers,
- ◆ brokers and agents,
- ◆ creditors,
- ◆ other counterparties,
- ◆ local community and
- ◆ other interested parties.

An analysis of stakeholder expectations is an important process for Group Managers. To respond adequately to this challenge, our ability to adapt, to identify the risks and the opportunities that matter to our key stakeholders depend on success in our business.

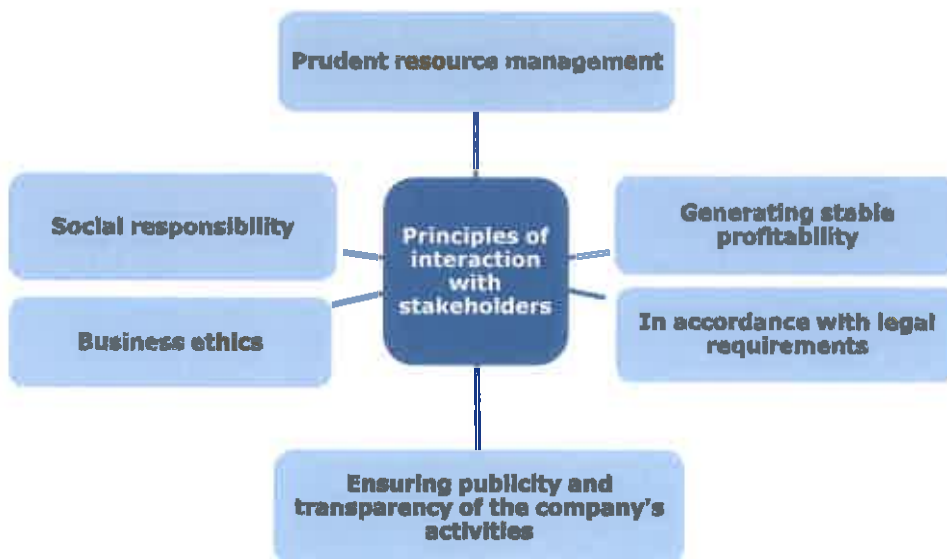
## 7. CREATING VALUE

### What we do to create value

The process of value creation passes through three stages, namely:

- ◆ First of all, we analyze and define our key themes, which helps us to focus our efforts on areas where the greatest value can be created;
- ◆ Secondly, we define interaction with stakeholders on priority key themes;
- ◆ The third stage of the creation of the task is to identify the risk factors that influence the creation of value, as well as to take management decisions to deal with them.

Group policy towards stakeholders is built on principles that are respected by all companies across the Eurohold economic group.



### How do we create value

As a highly integrated structure, Eurohold creates value through its business model by using different types of capital that transforms, through business activities and interactions to obtain products and services that create value for the organization and stakeholders.

### Business model

The business model built in the Eurohold Group is based mainly on synergies and relationships between sub-holding structures, through which companies create new innovative, competitive and combined products and services, continuously monitoring consumer behavior to meet all the needs of stakeholders. The aim is to offer products of different price ranges, as this is most pronounced in the automotive undercarriage, which offers low, medium and high-end cars both in terms of price and equipment.

The Group can offer customers one-stop-shop for car sales, leasing and insurance, saving them time and providing them advantageous, attractive and innovative conditions on the basis of combined products.

The group uses the highest technology by developing online platforms available on the companies' websites to provide customer care, meet their needs and save time. Thus, customers are given the

opportunity to choose and configure the level of vehicle equipment and the terms of its purchase, leasing and insurance package, depending on the combinations offered.

**What we achieve**

We increase our operating revenues by reducing administrative costs, striving to maintain operational efficiency and improve processes and return on investment. We build the necessary support and development by investing in our employees, developing technology and implementing innovative business processes. Creating value is based on good business relationships. In everything we do, we are committed to the responsibilities and responsibilities that the Group has taken to all stakeholders, which includes responsible action everywhere, following our core values, mission and vision.

## TYPES OF CAPITAL

<b>Financial capital</b>	<ul style="list-style-type: none"> <li>•Our group financial capital is a combination of equity capital, cash flows generated by the core business, external financing from capital markets and financial institutions</li> </ul>
<b>Production capital</b>	<ul style="list-style-type: none"> <li>•The Group offers services and products for which the material technical base for providing the points of sale is extremely important, as well as the highest level of information and technical equipment</li> </ul>
<b>Human resources</b>	<ul style="list-style-type: none"> <li>•The success of Eurohold, as well as the whole group, depends on the diligence and professionalism of its employees. Therefore, the group continues to invest in the professional and personal development of its employees. We strive to encourage our employees to engage in activities that will allow them to fully realize their potential and fulfill their professional ambitions</li> </ul>
<b>Intellectual capital</b>	<ul style="list-style-type: none"> <li>•Our corporate procedures, management and organizational experience, skills and modeling, technology, acquisition systems and intellectual property serve us to develop the best solutions for customers to deliver innovative and combined products and services</li> </ul>
<b>Social capital</b>	<ul style="list-style-type: none"> <li>•We build and maintain collaborative relationships with our key stakeholders by investing in strategic partnerships, supporting community programs, supporting various causes and sporting events, and building trust with suppliers. Customer relationships are at the core of our business and we strive to exceed their expectations</li> </ul>
<b>Natural capital</b>	<ul style="list-style-type: none"> <li>•Group business is not considered to be intensive using natural resources. However, Eurohold and its subsidiaries have introduced practices for environmental protection and reduction of electricity, water, gas and paper costs</li> </ul>

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## 9. BUSINESS ENVIRONMENT

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Understanding the business environment in which a company operates is key to its business development. Keeping track of market trends, risk assessment and development opportunities help us to respond adequately to the challenges and create value for key stakeholders.

We perfectly know the business environment in which we operate. Our companies have many years of experience in the sectors in which they operate. They rank among the top three and top eight in market share in the country of registration. In all countries where the Group has a market share, the market is very developed and innovative. Group companies are among the leaders in the development of new products and online platforms.

On the basis of the joint products developed between the three insurance, automotive and leasing sub-industries, a high level of operational cost savings, advertising and marketing costs, personnel costs and others is achieved, which in turn leads to the possibility of providing more favorable conditions consumers and customers.

### Regulated Business Environment

It can be said that the activities of the Eurohold Group are highly regulated, with almost all companies in the Group being supervised or reporting to the local financial regulator in the consolidated accounts of the sub-holding company whose assets fall and hence in the consolidated accounts of Eurohold Bulgaria AD.

- ◆ Eurohold Bulgaria AD as a public company within the meaning of the Public Offering of Securities Act, whose shares are registered for trading on the main market of "BSE" AD with stock exchange code 4EN and Warsaw Stock Exchange (WSE) - Poland with EHG is a supervised person of the Financial Supervision Commission.
- ◆ The insurance companies of EuroIns Insurance Group are supervised by the financial regulator of the respective country of registration, in compliance with all laws and regulations, regulations and regulations concerning the insurance activity in the respective country.
- ◆ The Automotive Sub-Holding Avto Union and its subsidiary Motobul EAD are accountable to the Financial Supervision Commission on a regular basis on the basis of unconsolidated and consolidated financial statements and activity reports and all other accompanying statements and documents in their capacity as issuer of debt securities whose emissions are admitted to trading on a regulated market, observing the requirements of the Public Offering of Securities Act. Operating car companies report to the regional dealer about sales and operating results.
- ◆ The operating companies in Bulgaria of the Leasing Sub-Holding EuroLease Group, offering finance leases, as non-bank financial institutions are BNB supervised entities. Eurolease Group and Eurolease Auto are also accountable to the Financial Supervision Commission on a regular basis on the basis of unconsolidated and consolidated financial statements and business reports and all other accompanying statements and documents in their capacity as issuers of debt securities that are admitted to trading on a regulated market, observing the requirements of POSA.
- ◆ The Investment Intermediary Euro-Finance is a supervised person of the Financial Supervision Commission as a regulator exercising control over the activity of the investment intermediaries in Bulgaria.



## BUSINESS ENVIRONMENT OF THE INSURANCE SECTOR

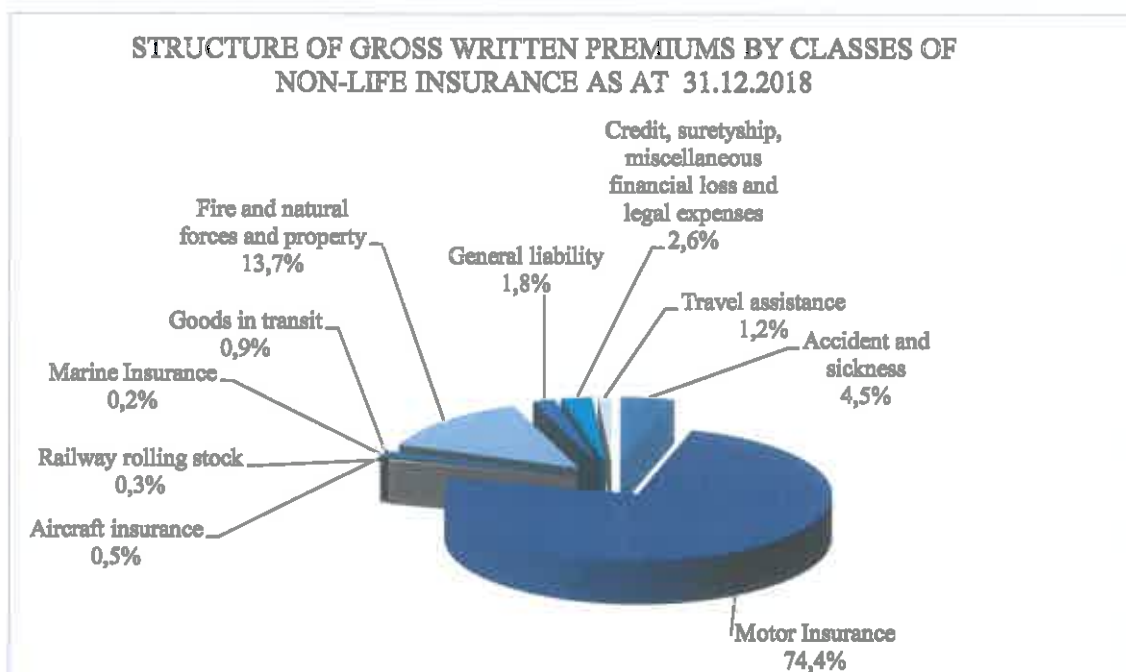
### Non-life Insurance market in Bulgaria

The non-life insurance sector is one of the sectors in the economy, which is developing very dynamically and has been characterized in the last few years by several specifics:

- ◆ Trend in revenue growth on gross premiums written;
- ◆ High degree of market concentration;
- ◆ Entering new market participants;
- ◆ Consolidation of the market through acquisitions and acquisitions;
- ◆ Concentration of insurance portfolios;
- ◆ Distribution channels are dominated by insurance brokers;
- ◆ Enhanced role of regulator.

The structure of the portfolio of the Bulgarian non-life insurance market is characterized by a typical predominance in the years of motor insurance, which as of 31.12.2018 represents 74.4% of the total premium income. In the field of motor insurance, traditionally prevailing in the insurance market is Motor Third party liability insurances (MTPL), with 44.9% market share, compared to the share of Casco insurance with a market share of 29.5%.

The chart shows the structure of the non-life insurance market by classes of insurance as of 31.12.2018, according to data from the Financial Supervision Commission:



### Life Insurance Market in Bulgaria

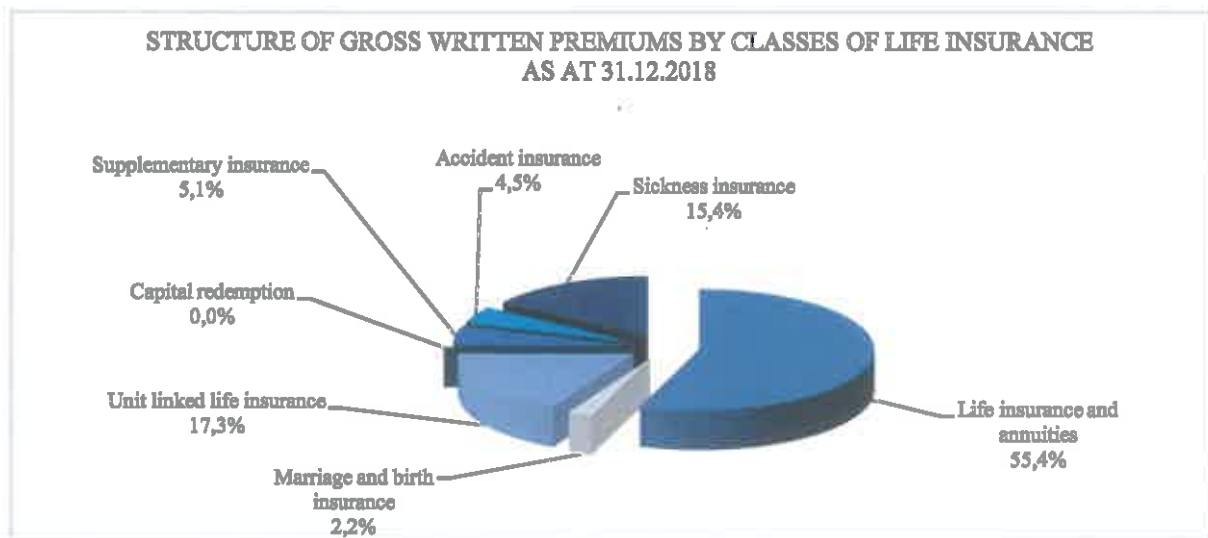
As of 31.12.2018 Euroins Life operates only on the territory of the Republic of Bulgaria.

The Company offers and concludes insurance contracts for the following types of insurance and for the following insurance risks:

**D – CONSOLIDATED ACTIVITY REPORT**

- ◆ Life and rent Insurance;
- ◆ Marriage and child Insurance;
- ◆ Life Insurance related to an Investment fund;
- ◆ Additional Insurance.

The chart shows the structure of the life insurance market by classes of Insurance as of 31.12.2018, according to data from the Financial Supervision Commission.



### Non-Life Insurance Market In Romania

The Non-Life Insurance market In Romania reached EUR 1.73 billion In 2018, which is nearly 3% more than In the previous year.

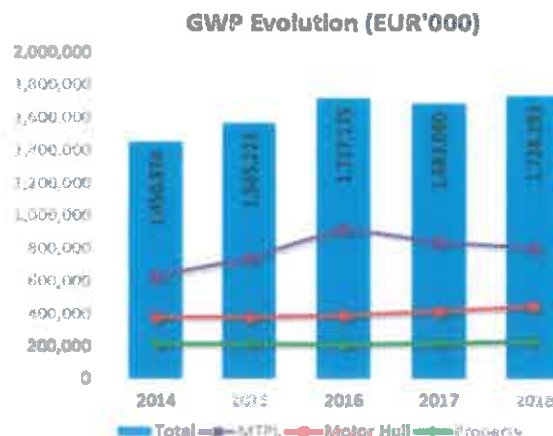
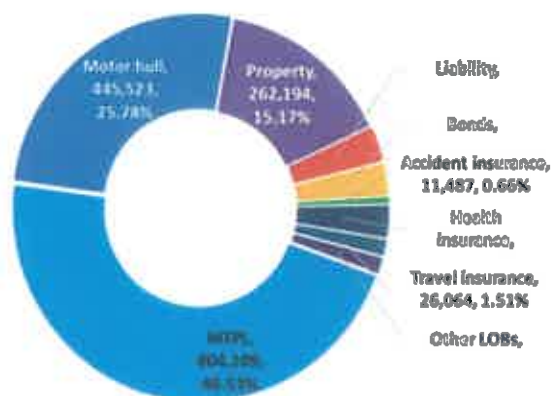
The total Insurance market has Increased In size, reaching EUR 2.1 billion.

The Insurance market In Romania Is characterized by a medium to high degree of concentration. In 2018, some 89% of the total gross written premiums were achieved by 10 Insurance companies out of the 29.

As of end-December 2018, 29 Insurance companies regulated by ASF were active In the Insurance market, out of which 16 offered only non-life Insurance, 7 offered only life Insurance and 6 had composite activity.

The largest share of the non-life Insurance market Is held by Motor Third Party Liability Insurances - 46.53% of the market, Motor Hull - 25.78% and Property - 15.17%.

The charts below show the share of each business line In the overall portfolio of the non-life Insurance market In 2018 and market developments over the past 5 years (In EUR):



Source: Financial Supervisory Authority

### Insurance Market in Northern Macedonia

According to statistics compiled by the Macedonian Insurance Supervision Agency, the Macedonian Insurance market consists of 11 non-life insurance companies and four life insurance companies.

The non-life insurance market is growing by 9.4% in 2018 compared to 2017, according to statistics published by the Macedonian Insurance Supervision Agency.

### Ukrainian Insurance Market

The non-life insurance market in Ukraine focuses mainly on motor insurance, with compulsory Third Party Liability Insurance and Casco insurance.

At the date of this report, the Ukrainian Insurance Regulator only published data until the third quarter of 2018.

The non-life insurance market in Ukraine is growing by 9.4% in the nine months of 2018 compared to the same period last year. During this period, it focused mainly on motor insurance, with compulsory Third Party Liability insurance (including Green Card) and Casco insurance covering 29.3% of the market in the nine months of 2018, compared to 26.2% in the same period in 2017. Separately, compulsory Third Party Liability insurance (including Green Card) and Casco account for 14% and 15.3% of the market.

### Business environment automotive sector

Avto Union unites companies that are importers and dealers of new cars (cars, trucks, motorcycles and industrial machines); service centers; Official Importer of Castrol and Olean Oil lubricants, wholesale and retail fuel.

### Bulgarian Automotive Market

In 2018, 40 584 new cars were sold in Bulgaria. Compared to previous year this represents a growth by 9%.

In the last two years there has been a strong growth in the sales of new cars in Bulgaria, and this trend is valid for the Avto Union Group.

Avto Union's sales are up 21.1% in 2018, which is above average growth for the Bulgarian market by 12 percentage points.

**D - CONSOLIDATED ACTIVITY REPORT**



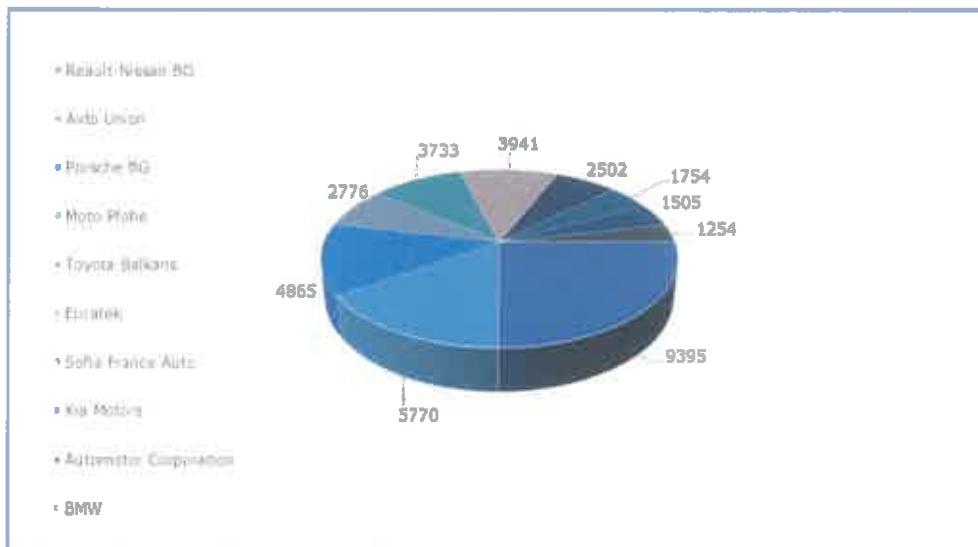
**Market Share of Avto Union**

In the last few years, we have seen a steady trend of rebuilding new car sales.

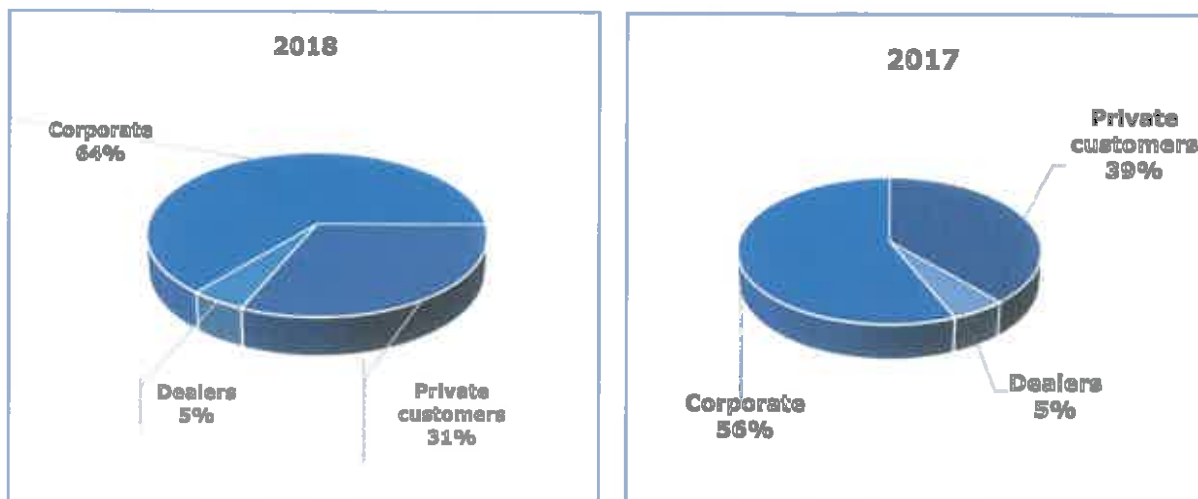
The Issue of the levels of harmful emissions emitted by cars is being discussed more and more, in this respect, incentives for electric and hybrid cars have begun in Bulgaria.

Major markets in Western Europe recorded a decline in sales of new diesel cars at the expense of gasoline and electric vehicles. This trend is expected to affect the market in Bulgaria in the coming years.

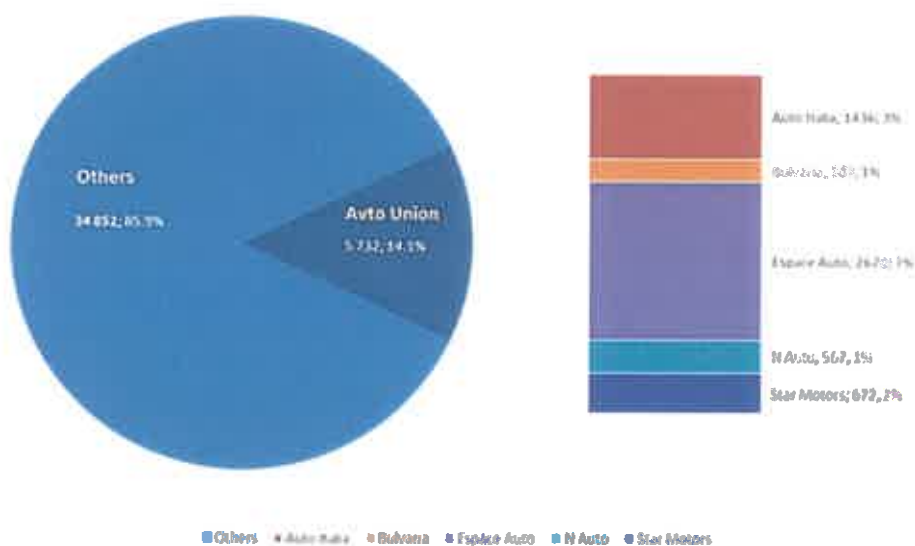
In 2018, Avto Union is the second-largest by market share of new cars sold - 14%, according to the data of Union of Importers of Automobiles in Bulgaria.



Distribution of car sales by type of insurance shows an increase in corporate sales of 8%, at the expense of declining demand from private customers.



In 2018, the largest market share of Avto Union's companies was Espace Auto with sales of 2 670 vehicles Renault and Dacia.



## Business environment of the leasing sector

### Leasing Market in Bulgaria

#### Financial leasing

On the territory of Bulgaria, this market is highly competitive and by 31.12.2018 there are 47 actively operating companies that offer the financial leasing service. The receivables of leasing companies under financial and operating leases at the end of December 2018 amounted to BGN 4.038 billion (3.7% of GDP) at BGN 3.605 billion (3.6% of GDP) at the end of December 2017. At the end of the fourth quarter of 2018 they grew by 12% (BGN 432.9 million) on an annual basis, and by the end of September 2018 by 2.2% (BGN 88.1 million).

In the last three years, the market has been characterized by declining interest rates and increased price competition among its participants. Leasing companies that are part of banking groups are

dominating. Other major players are companies that are part of automotive dealers' structures (captive leasing) and Independent leasing companies.

***The key factors influencing the leasing market in the automotive segment are:***

- ◆ Volume of sales generated by dealers new and used cars;
- ◆ Cost of the proposed financing to the final customer;
- ◆ Creating sustainable partnerships with suppliers and developing joint leasing products;
- ◆ Quality of the service provided, as well as additional services that create added value for the client

The finance lease market is highly sensitive to the volume of car sales and the cost of financing.

A strong competitive environment creates risky preconditions for changing the financing criteria of leasing companies. This in turn would also increase the likelihood of a change in the amount of overdue or non-performing receivables.

**Operational Leasing and Rent-a-Car Services**

According to unofficial data, the market currently maintains around 15 000 vehicles under operating leases and 3 000 cars serving car rental services. Although many of the world's brands are on the market, it has not yet reached its full potential and offers mainly basic products such as short and long-term car rental.

The main users of the rent-a-car service in Bulgaria are foreign persons visiting the country for tourism or business purposes. Since, over the last few years, operating leases have gained popularity among individuals and small companies, most of the clients of this service remain large companies, often affiliates of international companies.

***The key factors influencing the operating lease and rent-a-car services market:***

- ◆ Number of foreign tourists visiting the country;
- ◆ Easy end-user access to car rental offers;
- ◆ The need to renew the fleet of users of operating leases;
- ◆ Final price of the service provided;
- ◆ Quality of service.

The operating lease and rent-a-car market is mainly influenced by the number of potential customers that companies can attract. Contrary to the financial leasing market, that of operating leases and car rentals is not so strongly influenced by price. Consumers are willing to pay a higher price in order to get a high-quality service.

Rental services are also influenced by developments in the technology sector. Over the last few years, the number of bookings made on mobile devices has increased significantly.

**Sale of second-hand motor vehicles**

Globally, the automotive market is one of the main economic indicators for the development of a particular country. The reason for this is that mobility of people and goods is very important for the economy. Bulgaria is one of the first places in Europe by number of registered cars, compared to the population - about 3 million cars. However, statistics show that just over 45% of all registered cars are over 20 and only 7% are under 5 years of age. According to the Ministry of the Interior, the number of registered cars in the country is over 220 thousand in one year - between 10-15% of them are factory new, making the number of sales on used cars market about 200 thousand annually.

The mix of used second-hand cars consists of those used by operating leases, new Imports (mainly from Germany and Italy), cars of Individuals or legal entities, and others. The most popular are middle class cars with an average age of more than 10 years. The market is characterized by many small entrants. Customers of used cars are diverse in their gender, age, social background, etc. As the most serious risks in the selection and purchase of second-hand cars, the quality of the car and its service history are highlighted.

**Key factors affecting sales of second-hand cars:**

- ◆ Need to renew vehicles over 20 years of age;
- ◆ Availability of information about the origin and service history of the offered cars;
- ◆ The balance between price and the technical condition that the supplier provides.

The second-hand car market is most sensitive to the latter because purchasing a second-hand car is dictated by the user's desire to maximize benefit at a reasonable price.

The companies in the Eurolease Group structure are active participants in the markets in which they operate. In order to be adequate to current trends and to serve their customers, companies continuously monitor market signals that indicate both development opportunities and likely threats.

In terms of technological development, a leasing group strives to follow the market trends, and in this respect, in 2018, new and online platforms have been upgraded and / or built to update the group's vision and message while being easy to use on mobile devices.

**BUSINESS ENVIRONMENT EURO-FINANCE**

**Bulgarian Capital Market**

Euro-Finance as an Investment Intermediary operates on the capital market in Bulgaria. The company offers direct access to the Bulgarian Stock Exchange via its EFOCS platform as well as the Deutsche Börse Xetra Stock Exchange in Frankfurt.

Along with banks, EU capital markets cover several thousand small and medium-sized investment firms that provide advice to their clients, help companies capitalize on capital markets, asset management and market liquidity, thereby facilitating investment across the EU.

The Bulgarian capital market is still small, but to date it has developed and is already mature. In recent years, legislation has changed several times and is currently in line with European directives. From January 3, 2018, a new legal framework in the field of markets for financial instruments MIFID II enters into force in Bulgaria, which will be implemented within the European Union (EU).

The number of transactions on a regulated market in 2018 decreased by nearly 32% to 54,341 compared to the previous 2017. For the year 2018 the realized turnover of BSE was BGN 550 040 936 marking a decrease of 32% compared to 2017.

As of the date of this report, there are 70 active investment intermediaries on the Bulgarian market, including 23 banks and 47 non-financial institutions. According to the statistics published by the Bulgarian Stock Exchange, Euro-Finance AD ranks second in terms of turnover on BSE in 2018.

## **10. CORPORATE RESPONSIBILITY AND SUSTAINABILITY**

Eurohold Bulgaria AD has imposed a group policy on social responsibility in the holding structure, to which all companies in its economic group adhere.

Continuous efforts to improve the economic environment through open dialogue with stakeholders and the active contribution of companies from the Eurohold economic group to society are the core of group corporate responsibility. The group is convinced of the importance and benefits of corporate responsibility that is related to protecting people, their well-being, and protecting the environment.

All companies in the holding structure support the implementation of CSR principles in their activities, realizing that their long-term development depends to a large extent on it. Corporate Responsibility is accomplished 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 to ensure group competitiveness;
- ◆ Environmental care aimed at climate change and contributing to sustainable growth.
- ◆ Prudent handling of the resources we provide is an important measure of our environmental concern.
- ◆ Employee care as a valuable resource and basis for achieving Eurohold's goals.
- ◆ The group strives to provide excellent working conditions, stimulate active internal communication.
- ◆ Social benefits are part of the motivation program that we are trying to provide for the care and recognition of people.
- ◆ Their safety and satisfaction are of great importance to us.
- ◆ Strict compliance with legislation along with the implementation of standards, policies, internal rules and procedures.

### **MEASURING PROGRESS ON CORPORATE RESPONSIBILITY AND SUSTAINABILITY. OBJECTIVES AND OUTCOMES IN THE AREA OF SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT**

#### **A. PRODUCTS AND SERVICES**

Eurohold Bulgaria AD does not carry out direct activity related to sustainable development and customer relationships. This activity is developed by subsidiaries and is geared towards developing new products to meet all the needs and needs of consumers and customers of products and services provided by companies. Eurohold has organized its business in this way by creating the opportunity to develop unique products built on synergic links and complementary suggestions from sub-holding structures to respond adequately to the growing needs of its customers.

#### ***WE OFFER PRODUCTS AND SERVICES DIRECTED TO OUR CUSTOMERS***

##### ***Caring for the clients of the insurance, automobile and leasing sub-holdings.***

The operating companies of EuroIns Insurance Group AD, Avto Union AD and Eurolease Group EAD follow a marketing policy aimed at developing and offering innovative and diverse products and services. Companies continuously monitor the insurance, leasing and car needs of all potential customer groups.

In order to offer flexible service and meet the needs of customers through appropriate insurance, leasing and car sales schemes, they develop different product ranges and combined services complementing their product portfolio. With the business model set up, the Group can offer customers one-stop-shop for car sales, leasing and insurance, saving them time and giving them advantageous, attractive and innovative conditions on the basis of combined products.



Each of the companies in the structure of Eurohold has an independent branch network, through which it performs its activity, in order to ensure higher quality of service and ensure maximum customer satisfaction, the products of each of the companies are also available in the representative offices of the others.

All three companies have made efforts and developed online platforms available on the company's websites to cater for customers, meet their needs and save time, and choose and configure the level of vehicle equipment and the terms of its purchase, leasing and insurance, depending on the combination options.

The main actions of the Group are flexibility, loyalty to clients and partners, fast and quality service, realization of ideas for new products and services. This ensures a high level of service and professionalism in the offered services - from assistance to vehicle selection by the Avto Union companies, by negotiating the leasing conditions of the Eurolease Group operating companies according to the client's needs, to the choice of a profitable insurance package offered by the subsidiaries of Euroins Insurance Group companies.

#### ***With care for the clients of Euro-Finance AD***

The investment intermediary Euro-Finance has a full license, issued by FSC, authorized to operate on the territory of the EU and third countries. The company's business meets the highest standards in the field of financial and investment services.

The company offers direct access to the Bulgarian Stock Exchange through its EFOCS platform as well as the Deutsche Börse Xetra Stock Exchange in Frankfurt.

Euro-Finance developed EFOCS (online platform), direct trading software on the Bulgarian Stock Exchange and the Deutsche Börse Group. Through this platform, investors can simultaneously trade in different markets and to monitor the status of their assets in real time.

For its clients, Euro-Finance developed and launched EF MetaTrader 5 which became a popular platform for real trading. EF MetaTrader 5 Client Terminal offers customers a variety of trading options with a wide range of features. Through the platform for international markets EF MetaTrader 5 Euro-Finance offers trade with over 260 instruments. By gaining access to a wide range of markets and trading tools, as well as to the latest generation of professional platforms, customers have everything they need to successfully realize their investment goals. Customers have the ability to trade in the aforementioned financial instruments on terms of trade valid for the interbank market. The system has platforms adapted for mobile phones and tablets running iOS and Android OS.

In its over 20 years of history, the company's top priority is the application of best practices and principles in the sector, as well as the professional attitude towards the client.

### ***B. EMPLOYEES***

Business success of Eurohold and the whole group depends on the diligence, motivation, engagement and professionalism of its employees, knowledge, skills and ambition to develop.

Employees are the face of any company. Therefore, the group continues to invest in the professional and personal development of its employees, striving to retain and attract quality and team-oriented staff.

Principles relating to the selection, training, evaluation and remuneration of staff to whom the principles are retained are developed and adopted:

- ◆ Selection of job applicants based on their personal qualities, knowledge, experience and competence, based on a careful assessment of their knowledge and qualifications;
- ◆ Ensuring equal opportunities for training and career development for all employees;
- ◆ Creating a work environment that evaluates, recognizes and rewards efforts and achievements.

**D – CONSOLIDATED ACTIVITY REPORT**

The entire Eurohold group applies a non-discriminatory policy that seeks to provide a working environment where there is no bullying, extortion or discrimination (especially ethnicity, gender, religion, membership of national minorities, trade unions, etc.).

At the end of 2018, Eurohold Bulgaria's team included a total of 2 651 employees, compared to 2 508 as of 31.12.2017, showing that the Group's staff increased by 5.7%.

**Employee Structure**

Staff	Total number	female	%female	male	% male
<b>2018</b>	2,651	1,459	55,0%	1,192	45,0%
<b>2017</b>	2,169	1,047	48,3%	1,122	51,7%

The application of the principle of gender equality can be seen in the group structure of the staff. The distribution of staff by gender (women and men) is almost proportional, with men dominating over women in 2017 by 3.4%, whereas by the end of 2018 this percentage has favored women who exceed the number of men by 10%.

**Employed in business lines**

The tables below show the breakdown of staff by business groups in 2018 and 2017. The largest number of employees were employed in the insurance field Euroins Insurance Group, followed by Avto Union and Eurolease Group.

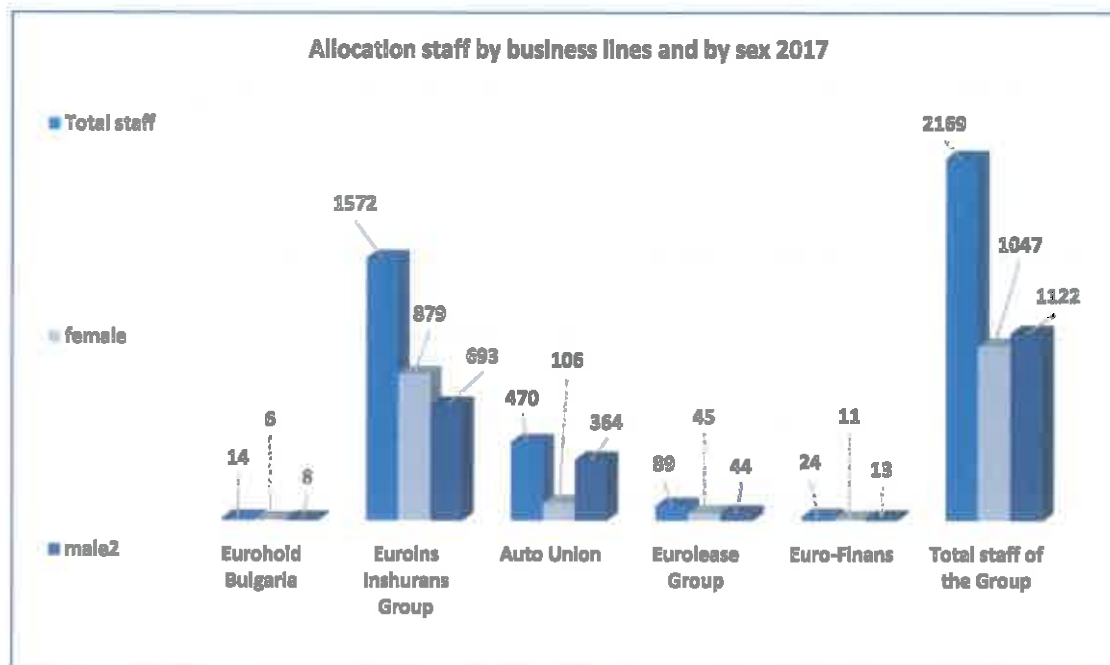
The distribution of staff by gender is dependent on the sector in which the company operates.

In the company's insurance division, women dominated over men – by 62.7% at the end of 2018, compared to 58.5% as of the end of 2017.

In the company's automotive division, men dominated - 77.3% of all Avto Union employees in 2018 remaining almost unchanged from 2017 when men were 77.2% of all automotive staff.

In the other business lines of the Eurohold Group, the distribution of women to men is almost proportional.





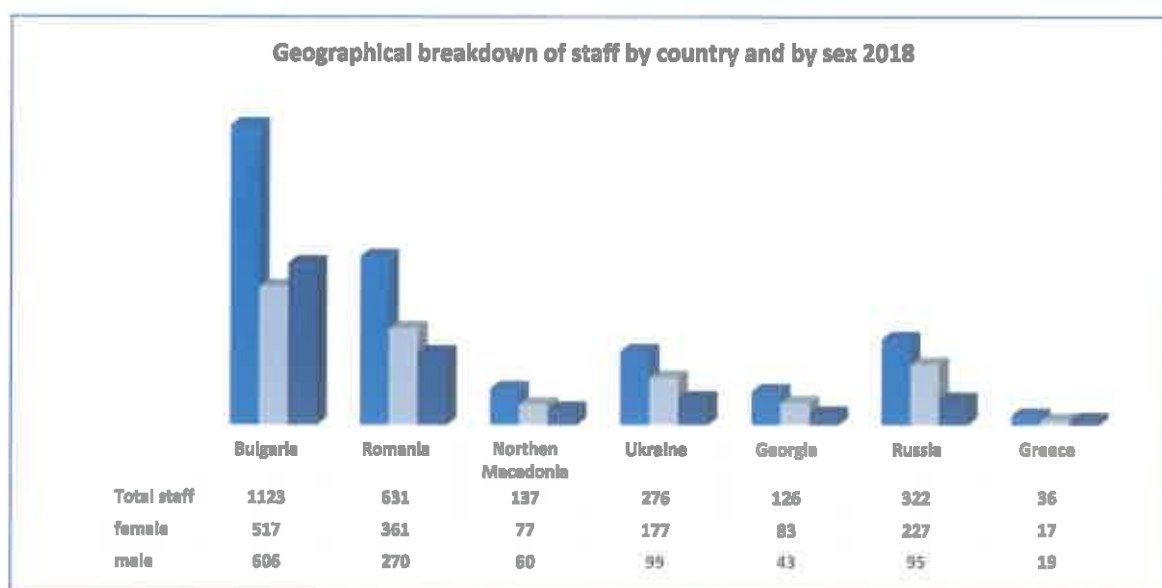
### Geographic distribution

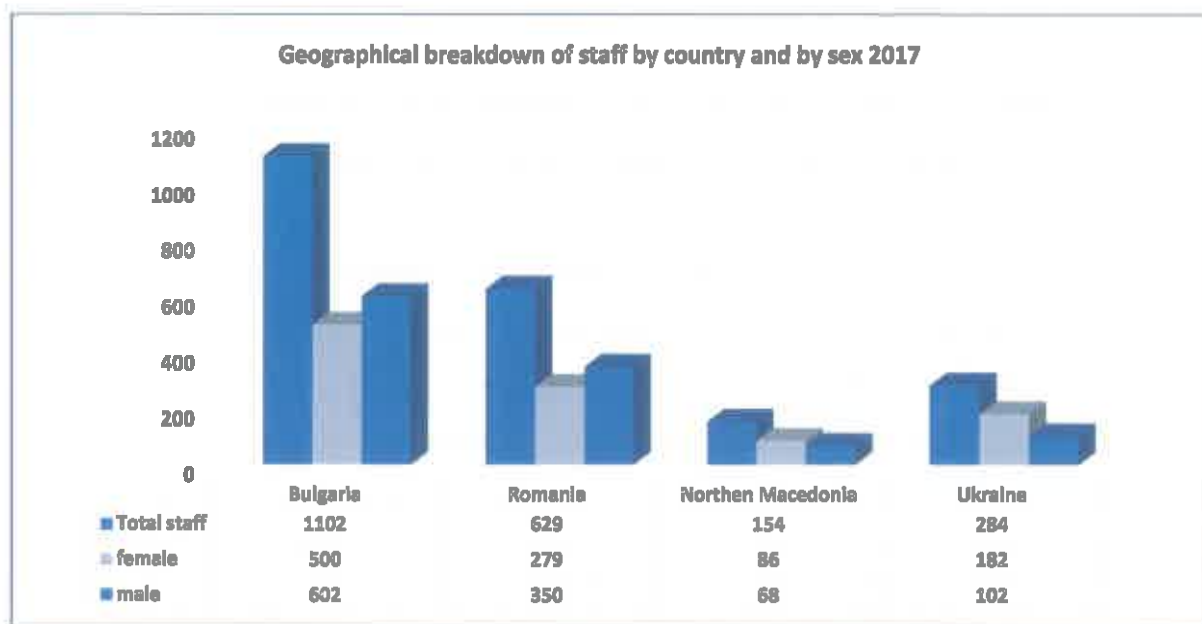
In Bulgaria 1 135 people work or 42.8% of the Group employees. Of these, women are 46.1% and men - 53.9%.

Of Eurohold's investment abroad, Romania is the country with the most number of staff employed. Employees in Romania are 631, of whom 57.2% are women and 42.8% are men.

The staff in Ukraine has 276 people, of whom 64.1% women and 35.9% men.

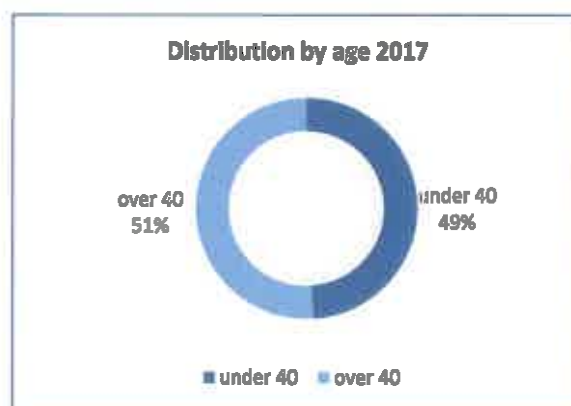
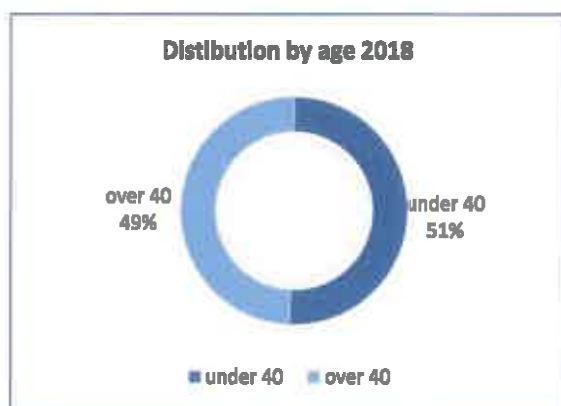
125 people were recruited in Northern Macedonia, 56.8% of whom were women and 43.2% men.





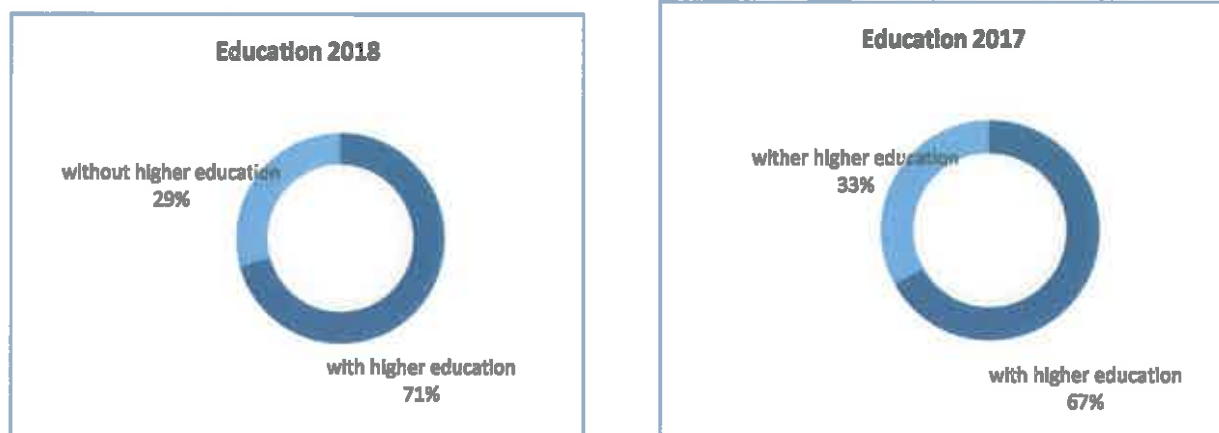
**Distribution by age and acquired level of education**

**Graph 1: Distribution of staff by age**



In 2017, employees aged under 40 represent up to 49% (1 060 employees) of the Group's staff. For 2018, change occurred as hired younger people to 40 years represent 51% of the staff employed in the Group.

Eurohold Bulgaria strives to keep its loyal and experienced employees aged over 40, but at the same time looks for young people to train them and have a succession.

**D - CONSOLIDATED ACTIVITY REPORT**


In 2018, the number of employees with higher education increased by 16% from 67% in 2017 to 71% of the Group's staff, with highly qualified employees being employed during the reporting period.

An important prerequisite for achieving the business goals and prosperity of the company is the availability of a sufficient number of qualified staff, motivated, stable and loyal.

In this connection, it is not the easy task of recruiting new employees, especially for narrowly specialized and / or key positions that have encountered many difficulties in 2017 and 2018.

Recently there has been a shortage of human capital and companies are finding it harder to find the necessary staff - both quantitatively and qualitatively - with the necessary knowledge and skills.

That is why emphasis should also be put on the efforts to maintain good staff, especially managerial and highly specialized expert positions, which have already acquired and proved high professional qualifications, enrolled in the team and in the general company policy and culture.

The turnover is an indicator of the level of staff satisfaction, which is formed by several components:

- ◆ Nature of work, proper organization and reasonable volume;
- ◆ Atmosphere in the team and the company, assuming superior / subordinate;
- ◆ Salary, adequate to the functions and competitive with the labor market;
- ◆ Additional benefits and incentives;
- ◆ Growth in the hierarchy and upgrading skills;
- ◆ Meetings and conversations to make them feel relevant and to know their problems, aspirations and intentions in time.

To eliminate the risk of "head hunting", it is necessary to provide optimal conditions for the above components.

Solving the problem of turnover can not be achieved through single actions or short-term initiatives, but with the implementation of an overall mechanism (program) to preserve employees, especially key ones. The process of finding a replacement requires a lot of time and money and is not sure whether it will end with success.

### Career development

The Eurohold Group is guided by the belief that attracting, evaluating and integrating new employees is the starting point for a long-term, mutually beneficial partnership. That is why the Group focuses on the utilization and development of the talents of talented young people who have shown their vigor and professionalism.

The recruitment procedure focuses on the objectivity, personal merits and qualities of the candidates, and is based on previously developed criteria that meet the vision and values of the Group.

### Training

Eurohold management and its subsidiaries believe that they need to continuously invest in employee development and, in this connection, plan to conduct various training programs in the short run, with the help of which employees enrich and update their knowledge. Most often due to the nature of the business, such trainings are carried out in the insurance and automotive sectors. Trainings are accessible to all employees regardless of their position and allow employees to be continuously prepared on all matters directly related to their work. The training courses according to the topic are internally organized by the organization or externally organized by different professional organizations.

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**External trainings**
**Number of internal trainings**

On average, for one year, there are two external trainings, where necessary and more.

The topic is selected by a team responsible for staff training according to the current questions.

**Number of attending staff.**

More than 90% of the staff of the particular company are present in external trainings with a common theme.

External trainings with more specific themes are attended by all employees who are directly interested in the training.

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**Internal trainings**
**Number of internal trainings**

Internal trainings in each of the companies are held at a different frequency, depending on their activity and necessity, for example when introducing a new product, new procedures and rules, change in organization, etc.

Average internal training takes place between 4 and 6 per year.

**Number of attending staff.**

The internal trainings are attended by all interested employees.

**Developing the potential of employees**

The Eurohold Group strives to encourage our employees to engage in activities that will allow them to fully realize their potential and fulfill their professional ambitions. It also emphasizes the development of qualities that allow employees to grow throughout the organization.

When searching for a position for a particular position, the opportunities for offering the position of internal staff are reviewed first, and then, if no choice is made, external personnel are sought.

**Internal communication**

Governing bodies of an economic structure are aware that internal communication is an important condition for effective work in each company. The holding and the companies strive to create good internal communication between the departments, employees and management that will contribute to the general and social goals of the company. Three main forms of communication are encouraged: Vertical - Up, Vertical - Down, and Horizontal. Vertical-up communication aims to reveal the views and problems of employees to the management, vertical - down the leadership to inform employees about the vision, goals and plans of the company, horizontal communication takes place between employees by encouraging the exchange of information.

The organization of the management system ensures direct reporting of the key functions as well as the right of access to the information resource and all employees of the persons performing key control functions.

At this time, communication is through emails to interested employees, and group mails are used when it comes to all staff.

The Eurohold structure has an archive system with employee access levels. In this way, every interested employee gets the necessary information.

### **Remuneration, social benefits and other motivating factors**

Една от основните цели на Групата е да One of the Group's main goals is to retain high-quality employees, so we strive to apply an adequate and timely assessment.

The Group uses working tools to identify employees' expectations regarding the factors that motivate them.

- ◆ Besides the good remuneration for the employees, it is of great importance the approval of the work they get from their managers. Companies are trying to keep employees feeling that they are important and belong to a common purpose community.
- ◆ At all levels, continuous improvement is being done to improve working conditions, which also includes the opportunities for social contacts, the employer's understanding of personal engagements and problems.
- ◆ Companies provide additional social benefits to their employees, some being common to all companies, others are specific to one of the companies at the discretion of the management.

The social benefits received by employees are in the form of:

- ◆ vouchers for food worth BGN 60;
- ◆ additional health insurance;
- ◆ discounts on the use of products and services offered by companies in the Group;
- ◆ discount at the gourmet restaurant at the headquarters for food payment;
- ◆ organized annual prophylactic examinations in specialized medical centers;
- ◆ organizing during the summer vacation months of a summer daycare room for the employees' children;
- ◆ and others.

Social benefits are an important tool for motivating employees with whom the company supports its employees and their families.

- ◆ **Healthy and safe environment.** Healthy and safe working conditions are a priority of the Company. Investing in quality equipment, constantly improving dynamic office culture, healthy and safe work environment. All companies have concluded contracts with specialized foreign companies, which carry out inspections and give instructions according to the Health and Safety at Work Act (HSWA).

The group strives to provide the best and safer working conditions. To achieve this, companies comply with all legal provisions relating to the protection of the health and safety of employees by maintaining procedures and policies for that purpose. The manuals encourage employees in proactive attitudes about protecting safety and maintaining a healthy work environment.

### **Measuring parameters**

Important statistics that the Group companies maintain and observe about employees.

- ◆ In 2018 at the Group level there are no employees dismissed due to corruption or other abuses.
- ◆ There are no accidents at work.
- ◆ No complaints have been received on labor law matters.

### **C. SUPPLIERS**

The companies in the Eurohold structure carry out business operations with many and diverse suppliers. The procedures for selecting partners that the Group applies are guided by its core principles of fairness, transparency and, of course, objective evaluation criteria such as price, quality, regular supplies, previous experience, etc.

Companies are admitted and adhered to Rules for Assessment, Conclusion, Registration, Storage and Control of Contracts. These rules define the terms and conditions for the conclusion, the way of registration, storage, control over the performance and evaluation of outsourcing service contracts for their qualification as contracts for the transfer of activities in order to comply with and implement "Policy for the transfer of activities to external contractors."

The procedures for selection and evaluation of suppliers are carried out with full transparency and objective criteria - price, quality, regular deliveries, previous experience, etc., observing and observing local and European regulations on transfer of business.

When selecting suppliers, priority is given to those who respect the environmental and social responsibility principles adopted by the Group.

### **D. PROTECTION OF THE ENVIRONMENT**

Eurohold considers its support for policies related to environmental protection and development as part of the Group's important activities. The pursuit is through various practices in this direction and to contribute daily, monthly and annually to the improvement of the world and the nature in which we live. All employees of the Company know and engage in various activities in this area and have the opportunity to offer new initiatives.

With regard to environmental policies, the Company has developed different systems to support them. Different practices related to environmental protection are applied daily to the Group companies, such as:

- ◆ Saving paper used in the office using copiers that identify each employee and collect statistical information about the paper and toner it consumes;
- ◆ On each floor in the business building of Eurohold, where the central offices of all companies are located, are containers for separate collection of paper;
- ◆ The group offers its customers the opportunity to refuse to issue a paper invoice. Even the leasing group committed this campaign to launching the project "The mouse will return the booklet", with the idea that the reduced cost of issuing invoices be returned to society in the form of children's books;
- ◆ Promoting the use of electronic means of communication in day-to-day operations of the Company and minimizing paper documents;
- ◆ Eurolease Auto has developed a "My Leasing" client module through which end-users can see all the leased contract documents at any time;
- ◆ The Eurohold business building is equipped with drinking water purification machines, which significantly reduce the consumption of plastic bottles with water;
- ◆ Use of biodegradable materials in automotive companies;
- ◆ Avto Union companies have signed contracts with specialized companies for the recycling of packaging and used engine oils.;
- ◆ In order to minimize the waste of resources and reduce electricity consumption, Eurohold maintains regular maintenance and regularly prevents all of its heating, ventilation and air conditioning systems in the business building, and for better and more professional management has concluded contract on all maintenance activities of the building stock with a specialized company in the field of investment property management.

As companies operating in the field of services, the greatest attention is paid to reducing the use of paper and its separate collection.



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**D - CONSOLIDATED ACTIVITY REPORT**

With these practices, the Group supports the negative effects of deforestation, which in turn leads to the extinction of various plant and animal species, erosion and soil destruction, drop in groundwater levels, atmospheric pollution with substances produced in paper production.

For Eurohold and its subsidiaries and companies, the conservation of natural resources is important, therefore encourages employees to reduce paper waste. For this purpose, in the short term, the idea is to introduce fully separate waste collection and to introduce rules for their regulation.

The Holding undertakes to continuously monitor, evaluate and optimize its environmental performance and strictly comply with all local, national and international legislation requirements.

**E. ABOUT THE SOCIETY**

The Eurohold Group is strongly convinced that the growth and long-term sustainability of the business are strongly linked to the overall well-being and development of the community in which it operates. The Corporate Social Responsibility and Sustainability Strategy reflects our mission, vision and values.

All companies in the Group support various public causes. The most active in the corporate responsibility area are the insurance companies. They demonstrate actively their dedication and responsible behavior in favor of the end customer, employees, partners and the society as a whole. The companies continue their long-term projects and initiate new initiatives, with which to improve the wellbeing of the society and the future of the country.

The companies actively participate in local and international initiatives, connected to the improvement of the financial culture, increased security on road, sports events and activities for a healthier lifestyle, and more.

**Detailed information on all the group's insurance companies' and other companies' initiatives is contained on their web pages.**

## D13. DESCRIPTION OF THE MAIN RISKS

This section describes the specific risk factors affecting the activity of Eurohold Bulgaria AD. When any of the risks arise, even in part or in combination with other risk factors or circumstances, this may have a significant negative effect on the Group's operations, results of operations or financial position. Additional risks and other uncertainties that are currently not known or deemed to be immaterial at the date of the Consolidated Activity Report may also have a significant adverse effect on the operations of Eurohold Bulgaria AD, the results of operations or the financial position.

**Future results from the operation of Eurohold Bulgaria may differ materially from historical results as a consequence of the occurrence of the described risks or a number of other risk factors**

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*The risk can be both a threat to the financial health of the Company and an opportunity to achieve a competitive advantage. The risk is an unwanted deviation of the results of an event from the initial expectations.*

The risks are divided into two main groups - **non-systematic** (diversifiable) and **systematic** (non-diversifiable).

Types of risks	Risk description
<b>Systematic risks</b>	
<b>Influence of the international environment External factors that may have an adverse effect on the economic growth of the countries in which the Group operates.</b>	The Group's strategy focuses on maintaining its position as a leader in the CEE / SEE region for insurance, incl. life insurance and health insurance; leasing; sale of new cars, and car service; sale of used cars and rental of cars; financial services and investment intermediation. The implementation of Eurohold Bulgaria AD depends on a number of factors that are beyond the control of the Group, including, in particular, the market conditions, the overall business environment, the regulatory environment and the activities of its main competitors in the business. preserving its leadership position in the CEE / SEE region in terms of the services and products it offers may significantly reduce its attractiveness to existing and potential clients, reduce its credit rating as well as its retailing subsidiaries and to reduce revenue or increase costs. The Eurohold Group operates operations in Bulgaria, Romania, Macedonia, Ukraine, Greece, Spain, Italy, Poland, Russia and Georgia, and therefore its overall financial position and the results of its operations are affected by the economic, legal and political conditions in these countries.
<b>Macroeconomic risk</b>	Macroeconomic risk is the risk of shocks that may affect economic growth, population incomes, demand and supply, profits, and so on. These shocks include global economic and business conditions, fluctuations in national currencies, political events, changes in legislation and regulatory requirements, national government priorities, The macroeconomic situation and global economic growth are central to the Group's development, including the state policies of the countries concerned, in particular the regulations and decisions taken by the respective central banks influencing monetary and interest rate policy, rates, taxes, GDP, inflation, budget deficit and external debt, unemployment rate and income structure. Macroeconomic risks include: the political one; the credit risk of the state; inflation, currency and interest rate risk; the risks associated with high levels of unemployment, emerging markets and regulatory changes.
<b>Political risk</b>	The political risk reflects the influence of the political processes in the country on the economic and investment process and in particular on the return on investments. The degree of political risk is determined by the likelihood of adverse developments in government-led long-term economic policies, which may have a negative impact on investment decisions. Other factors related to this risk are the possible legislative changes and changes in the tax system concerning the economic and investment climate in the country. The Republic of Bulgaria is a country with political and institutional stability based on contemporary constitutional principles such as a multiparty parliamentary system, free elections, ethnic tolerance and a clear system of separation of powers. Bulgaria is a member of NATO and since 1 January 2007 is a member of the European Union (EU). The desire for European integration, the presence of a

	<p>dominant political formation, the pursuit of strict fiscal discipline and adherence to moderate deficits, create predictability and minimize political risk.</p> <p>In the long run, a sharp deterioration of the political environment is not expected, as there is a political and public consensus on the factors supporting long-term economic stability and a sound macroeconomic framework.</p> <p>No changes are expected in the tax policy that has been pursued so far on the taxation of natural and legal persons' income, including in relation to their capital market transactions, as it is essential to attract foreign investment.</p>
<b>Credit risk of the country</b>	<p>The credit risk is the possibility for deterioration of the international credit ratings of given country. The country's low credit ratings may lead to higher interest rates, heavier financing conditions for economic subjects, including the Issuer.</p> <p>On March 22, 2019, the rating agency Fitch Ratings raised the prospect of Bulgaria's credit rating as positive. The agency raised Bulgaria's BBB long-term credit rating in foreign and domestic currencies and confirmed Bulgaria's BBB + rating as well as the short-term credit rating in foreign and local currency F2. Improving the outlook to a positive one reflects Fitch Ratings' assessment that the indicators for the development of the Bulgarian foreign sector have improved significantly. The prolonged period of continuous decline of the foreign debt to GDP ratio and the positive current account trends led to a better performance of Bulgaria's external finances compared to the countries with the BBB rating. Compared to other countries with a similar rating, the country's public finances have a positive impact on raising rating ratings. Government debt to GDP will continue to decline below that of the "BBB" rating countries.</p> <p>On 30.11.2018, S &amp; P Global Ratings rated the prospect of Bulgaria's credit rating as stable. At the same time, the agency raised the long-term and short-term credit ratings in foreign and local currency "BBB- / A-3". The increased outlook for Bulgaria's credit rating reflects the expectations of S &amp; P Global Ratings that fiscal and external indicators will continue to improve and that the authorities will take further steps to strengthen the financial sector where the level of non-performing loans remains high. The Agency notes that in 2018 the economic recovery of the country will continue with the growing contribution of domestic demand to net exports. Improvements are reflected in the labor market, thus increasing disposable income and private consumption. Public investment funded through European funds will also be an important factor for economic recovery. At the same time, Bulgaria continues to experience structural constraints from demographic challenges. Net emigration, especially in the skilled labor force and the aging population, poses challenges to economic policy and social cohesion.</p> <p>Source: <a href="http://www.mlnfin.bg">www.mlnfin.bg</a></p> <p>Taking a consistent and long-term economic policy in Bulgaria would be a good reason for the potential increase in the country's credit rating, which in turn would have a beneficial impact on the Group's economic group in terms of financing opportunities for the Group. In the event of a decrease in Bulgaria's credit rating due to unstable management of the country, it may have a negative impact on the Issuer and on the cost of financing, unless its borrowing agreements do not have fixed interest rates.</p>
<b>Inflation risk</b>	<p>Inflation risk is linked to the likelihood that inflation will affect real return on investment. The current issue of shares is issued in BGN and inflation in the country can influence the value of the investments over time.</p> <p>The main risks associated with the inflation forecast refer to the dynamics of international prices and the rate of economic growth in Bulgaria. International commodity prices may rise more significantly as a result of political crises or increased demand. The limited supply of certain agricultural commodities, especially of cereals, internationally, in connection with adverse climatic events, may further cause higher inflation in the country. With the recovery of domestic demand, higher relative consumer prices of services are expected compared to food and non-food goods. According to the Ministry of Finance forecast for the macroeconomic indicators by 2020, the growth rate of the economy is expected to slow down gradually and the projected average growth for the period 2017-2020 to be 2.0%.</p> <p>Inflation may affect the Group's cost because some of its liabilities are interest-bearing. Their service is related to the current interest rates, which also reflect the inflation rates in the country. That is why the maintenance of low inflation levels in the country is considered as a significant factor for the activity of Eurohold Bulgaria AD.</p> <p>At present and in general, the currency board mechanism ensures that inflation in the country will remain under control and will not have an adverse effect on the country's economy, and in particular on the Group's operations.</p>
<b>Currency Risk</b>	<p>This risk is related to the possibility of impairment of the local currency. For Bulgaria, in particular, there is a risk of early withdrawal of currency board conditions at a fixed exchange rate of the national currency. Given the policy adopted by the government and the BNB, the expectations are for the currency board to be maintained until the country's entry into the Eurozone.</p>

	<p>Any significant depreciation of the lev may have a significant adverse effect on the economic entities in the country, including the Group. Risk exists also when the revenues and costs of an economic entity are formed in different currencies. The exposure of the economic entities operating on the territory of Bulgaria to the US dollar, which is the main currency of a significant part of the world markets for raw materials and products, is particularly pronounced.</p> <p>Changes in the different exchange rates did not materially affect the Group's operations until controlling interests were acquired in the countries of Romania, Macedonia and Ukraine. The financial results of these companies are denominated in the local currency, the RON, Macedonian Denar (MKD), Ukrainian Hryvnia (UAH) and Georgian Lari (GEL), the exchange rate of which is almost freely determined in the local currency market. Consolidated revenues of Eurohold Bulgaria AD will be exposed to currency risk depending on the movement of these currencies against the euro.</p>
<b>Interest rate risk</b>	<p>Interest rate risk is related to the possibility of an unfavorable change in the prevailing interest rates in the country. Its impact is reflected in the possibility that companies' net income may decrease due to an increase in the interest rates at which the issuer finances its activities. Interest rate risk is included in the category of macroeconomic risks due to the emergence of instability in the financial system as a whole as a prerequisite for a change in interest rates. This risk can be managed through the balanced use of different sources of financial resources. A typical example of the emergence of this risk is the global economic crisis caused by the liquidity problems of major mortgage institutions in the United States and Europe. As a result of the crisis, interest rate credit risk rewards were rethought and increased globally. The effect of this crisis has a tangible effect in Eastern Europe and the Balkans, expressed in restricting free access to borrowed funds.</p> <p>Raising interest rates, on an equal basis, would have an impact on the cost of the financial resource used by the Group in the implementation of various business projects. It can also affect the size of the Group's expenses because not a small part of its liabilities are interest rate and their service is related to the current interest rates.</p>
<b>Risk of high levels of unemployment</b>	<p>In the market economy countries, unemployment is recognized as a social risk on the labor side. As a publicly assessed risk, unemployment is subject to compulsory social security and benefits under certain conditions. The overall activity on the formation and implementation of the state policy on unemployment insurance, as well as the promotion and support of the unemployed, when seeking and starting work and / or other type of economic activity, gives the content of the process of management of this social risk.</p> <p>High unemployment rates can seriously threaten the economic growth in the country, which in turn can lead to shrinking consumption and reducing the revenues generated by the economic entities in the country, including the revenues realized by the Group and its subsidiaries.</p> <p>The unemployment rate in Bulgaria continues to decline steadily as a result of the growth of the economy. According to the latest published NSI data, the unemployment rate in the country for 2018 is 5.2% or by 1.0 percentage points lower than in 2017. The number of people without work equals 173.3 thousand or a decrease in the number of unemployed by 33.6 thousand people compared to the end of 2017. During the same period, the unemployment rate decreased by 0.7 percentage points for men and 1.2 percentage points for women. Of the total number of unemployed, 101.7 thousand (58.68%) are men and 71.6 thousand (41.32%) - women. Of all unemployed, 13.62% have higher education, 49.05% - with an average and 37.33% - with basic or lower education. Unemployment rates by degree of education are respectively 2.3% for higher education, 4.5% for secondary education and 36.50% for primary and lower education.</p>
<b>Emerging Markets</b>	<p>Investors on the emerging markets, such as Bulgaria, should be aware that these markets are at greater risk than those in more developed markets. Additionally, unfavorable political or economic developments in other countries could have a significant negative impact on Bulgaria's GDP, its foreign trade and the economy as a whole. Investors should pay particular attention to assessing existing risks and must decide whether, in the presence of these risks, investing in Eurohold Bulgaria AD shares is appropriate for them.</p> <p>Investing in emerging markets is only appropriate for experienced investors who fully appreciate the significance of these risks. Investors should also keep in mind that emerging market conditions are changing rapidly and therefore the information contained in this document may become outdated relatively quickly.</p>
<b>Risks related to regulatory changes</b>	<p>Consolidated Eurohold results may be affected by regulatory changes. The Eurohold Group operates in a highly regulated environment in different European countries. The possibility of more radical changes in the regulatory framework, in the interpretation or practice of law enforcement, as well as in the divergence of legislation and regulations in Bulgaria and in the countries in which the Group operates, may have an adverse effect on its activities as a whole, results, as well as the financial position of Eurohold.</p>
<b>Risk of occurrence of force majeure</b>	<p>Force majeure are all natural disasters and other cataclysms such as sudden climatic changes, floods, earthquakes, civil disobedience, clashes, strikes, terrorist acts and hostilities, etc., which are of unpredictable nature. Force majeure circumstances may also be accidents to the mechanical facilities of a mechanical nature in which the Company is housed or to warehouse areas due to human or system error. The occurrence of such events may disrupt the Group's ordinary activities until the damage has been rectified.</p>

<b>Unsystematic risks</b>	
<b>Risks related to the activity and structure of the Eurohold Bulgaria AD</b>	<p>Eurohold Bulgaria AD is a holding company and the possible deterioration in the operating results, the financial situation and the prospects for development of its subsidiaries may have a negative effect on the results of the Company's operations and financial position.</p> <p>As long as Eurohold's activity is related to asset management of other companies, it can not be attributed to a particular sector of the national economy and is exposed to the sectoral risks of its subsidiaries. Eurohold Bulgaria's companies operate in the following sectors: insurance, leasing, automotive sales and investment intermediation.</p> <p>The main risk related to the activity of Eurohold Bulgaria AD is the ability to reduce the income from sales of the companies in which it participates in the receipt of dividends. In this regard, this may affect the Group's revenue growth as well as the change in profitability.</p> <p>The deteriorated performance of one or several subsidiaries could lead to a deterioration in results on a consolidated basis. This in turn is also related to the share price of the Company, as the market price of the shares reflects the business potential and the assets of the economic group as a whole.</p>
<b>Risks related to the activity and structure of the Eurohold Bulgaria AD</b>	<p>Future profits and economic value of Eurohold depend on the strategy chosen by the Company's senior management team and its subsidiaries. Choosing an inappropriate strategy can lead to significant losses.</p> <p>Eurohold Bulgaria AD seeks to manage the risk of strategic mistakes through continuous monitoring of the various stages in the implementation of its market strategy and its results. This is essential to be able to respond in a timely manner if a change is needed at a certain stage in the Strategic Development Plan. Untimely or inappropriate changes in the strategy may also have a significant negative effect on the Group's operations, operating results and financial position.</p>
<b>Risks related to the management of Eurohold Bulgaria AD</b>	<p>The risks associated with the management of the Eurohold Group are as follows:</p> <ul style="list-style-type: none"> <li>◦ making erroneous decisions for the ongoing management of the Group's investments and liquidity, both by the senior management and operational employees of the Group companies;</li> <li>◦ the inability of the management to start the implementation of planned projects or lack of appropriate guidance for the specific projects;</li> <li>◦ possible technical errors of the unified management information system;</li> <li>◦ possible errors of the internal control system;</li> <li>• Leaving key employees and impossibility to appoint qualified staff;</li> <li>◦ the risk of excessive management and administration costs leading to a reduction in the overall profitability of the Group.</li> </ul>
<b>Risks related to recruiting and retaining qualified staff</b>	<p>Given the problems observed in recent years in the educational system in Bulgaria and as a consequence of this - insufficiently qualified staff, many sectors of the national economy experience shortages of qualified staff. The demographic crisis in the country - an aging population and a low birth rate - also has an additional impact. As a result of these and other factors, competition between employers is very serious.</p> <p>The business of Eurohold Bulgaria AD is highly dependent on the contribution of a number of persons, members of the management and supervisory bodies, senior and middle management managers of the parent company and its subsidiaries from the main business lines. There is no certainty that these key employees will continue to work in Eurohold for the future. The success of the Company will also be relevant to its ability to retain and motivate these individuals. The Company's inability to maintain sufficient experienced and qualified staff for management, operational and technical positions may have an adverse effect on the business group's overall performance, its operating results and its financial position.</p>
<b>Risks associated with future acquisitions and their integration in the structure</b>	<p>Currently, the economic group of Eurohold Bulgaria Plc develops its operations mainly in Bulgaria and other countries such as Romania, Macedonia and Ukraine through acquisitions of companies and assets. Eurohold's growth strategy is for these acquisitions to continue in the future. The Group intends to implement a strategy for identifying and acquiring businesses, companies and assets with a view to expanding its operations. The risk for Eurohold lies in the uncertainty as to whether it will succeed and in the future identify the appropriate acquisition and investment opportunities. On the other hand, there is uncertainty as to the evaluation of the profitability of future asset acquisitions and whether they will lead to comparable results with the investments made so far. Also, acquisitions and investments are subject to a number of risks, including possible adverse effects on business performance as a whole, unforeseen events, and obligations and difficulties in integrating activities.</p>
<b>Financial risk</b>	<p>The financial risk is the additional uncertainty with regard to the investor in obtaining income when the Group uses borrowed or borrowed funds. This additional financial uncertainty complements business risk. When part of the funds with which the Group finances its activity are in the form of loans or debt securities, then payments for these funds represent a fixed obligation.</p>
<b>Liquidity Risk</b>	<p>Liquidity risk is related to the ability of Eurohold Bulgaria AD not to repay at the agreed amount and / or on time its liabilities when they become due. The availability of good financial performance for the profitability and capitalization of a company is not a guarantee for a seamless payment of current payments. Liquidity risk may also arise with late payment by customers.</p> <p>Eurohold Bulgaria AD strives to minimize this risk through optimal cash flow management within the group itself. The Group applies an approach that provides the necessary liquidity to meet the</p>

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	<p>obligations incurred under normal or extraordinary conditions without incurring unacceptable losses or undermining the reputation of individual companies and the economic group as a whole. Eurohold's management policy is geared towards raising financial resources from the market in the form of mainly issuing equity and debt instruments (bonds) to invest in its subsidiaries in the form of loans or capital increases theirs.</p>
<b>Market Risk.</b>	<p>Market risk is the risk of reducing the value of an investment influenced by current market conditions. Market risk can be determined as being due to macroeconomic factors and involves shares such as interest rate risk, currency risk and the risk of changing inflation rates. For Eurohold Bulgaria AD the market risk is related to the possibility of lowering the price of traded financial instruments.</p>
<b>Credit Risk</b>	<p>This is the risk arising from the Group's inability to meet its borrowing obligations. It is linked to an untimely, partial or complete failure to pay interest and principal on its borrowed funds. Credit risk is also the risk that a counterparty will not pay its obligation to the Group. In this regard, the strict financial policies and control systems established by the management of Eurohold Bulgaria AD act as preventive measures against the reduction of this rating and in favor of maintaining the current interest rates, on the basis of which the Group finances its activity.</p>
<b>Risk of concentration</b>	<p>There is a risk of concentration that represents the Group's ability to suffer a loss due to the concentration of financial resources in the business sector or related parties. This risk is expressed in the possibility that the invested funds will not be fully recovered due to a recession in the business invested.</p>
<b>Currency Risk</b>	<p>Eurohold Bulgaria JSC operates mainly in Bulgaria, Romania, Macedonia and Ukraine, with each country except Bulgaria having a freely convertible currency whose relative price to other currencies is determined by the free financial markets. In Bulgaria since 1997 the local currency has been fixed to the euro. A sharp change in the macro framework of any of the countries where Eurohold is active can have a negative impact on its consolidated results. In the end, however, the Group recognizes its consolidated financial results in Bulgaria in Bulgarian leva, which in turn are bound by a fixed exchange rate to the euro, which also changes its value compared to other global currencies, but to a much lesser extent is exposed to dramatic fluctuations.</p>
<b>Interest rate risk</b>	<p>Raising interest rates, on an equal basis, would have an impact on the cost of the financial resource used by the Group in the implementation of various business projects. It can also affect the size of the Group's expenses because not a small part of its liabilities are interest rate and their service is related to the current interest rates.</p>
<b>Risk related to investment in securities</b>	<p>When a natural or legal person invests in the shares of a particular company, it inevitably assumes the risk of a possible collapse in the value of those shares. To a large extent, this depends on the management models and long-term goals and plans of the offering securities company. The minimization of this risk also depends on the level of diversification of the securities portfolio held by investors. A negative fact for the shareholders when a company is liquidated is that they rank among the last persons entitled to a share of residual assets. In this list, lenders, including bondholders, are in the first place in the presence of an issued bond. A negative effect may also arise due to the cyclical nature of the market, especially when stocks have held a relatively high value for a long time and as a rule a price collapse is expected, which is not subject to correction by the issuers. Eurohold Bulgaria AD makes every possible effort for the efficient and efficient financial management of its subsidiaries in order to preserve the current or increase of the price of its shares, which are traded on the regulated markets of the BSE-Sofia and the Warsaw Stock Exchange. These efforts are related to, but not limited to, the recruitment and motivation of a highly qualified management team and the organization of regular meetings for evaluation and control of key employees and the results of their work. It can be concluded that the higher risk of investing in shares leads to higher potential return, which is also one of the main rules in the economy.</p>
<b>Risks related to the holding structure of the Issuer</b>	<p>Insofar as the activities of Eurohold Bulgaria AD are related to asset management of other companies, it can not be attributed to a separate sector of the national economy and is exposed to the sectoral risks of the subsidiaries. The impact of the individual risks is proportional to the share of the respective sector in the structure of Eurohold's long-term investment portfolio.</p> <p>Eurohold's core activities are carried out through its subsidiaries, which means that its financial results are directly related to the financial performance and the development of the subsidiaries. Poor results of one or several subsidiaries could lead to a deterioration in results on a consolidated basis. This in turn is also related to the price of Eurohold shares, which can change as a result of investors' expectations for the Company's prospects.</p> <p>The presence of companies in the portfolio whose net sales revenue is also formed by products sold to other subsidiaries puts the effectiveness of their business in direct dependence on the level of profitability of related clients that may negatively affect the profitability of the whole group.</p>
<b>Risk of possible realization of transactions between the companies in the Group,</b>	<p>Relationships with affiliates derive from contracts for temporary financial assistance to subsidiaries and on transactions related to the usual business of subsidiaries.</p> <p>The risk of possible transactions between companies in the Group under conditions that are different from market conditions is the assumption of risk to achieve a low return on provided intragroup financing. Another risk that can be assumed is that in the performance of intragroup business</p>

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<p>whose conditions differ than the market conditions, as well as risk of co-dependence from the activity of the subsidiaries.</p>	<p>transactions there will be insufficient revenue and therefore a good profit for the respective company. On a consolidated level, this may negatively affect the profitability of the entire group.</p> <p>Within the Group, transactions between the parent company and the subsidiaries and between the subsidiaries are carried out on a permanent basis, arising from the nature of their core business. All related party transactions are conducted under conditions that do not differ from the usual market prices and comply with IAS 24 „Related Party Disclosures“.</p>
<b>MANAGEMENT AND RISK MINIMIZATION MECHANISMS</b>	
	<p>The elements outlining the risk management framework are directly related to specific procedures for timely prevention and resolution of possible difficulties in the activity of Eurohold Bulgaria AD. These include ongoing analysis in the following areas:</p> <ul style="list-style-type: none"> <li>◦ market share, pricing policy, marketing research and market research and market share;</li> <li>◦ active management of investments in the different sectors of the sector;</li> <li>◦ A comprehensive policy of managing the Group's assets and liabilities in order to optimize the structure, quality and return on its assets;</li> <li>◦ optimizing the structure of attracted funds in order to ensure liquidity and reduce the Group's financial expenses;</li> <li>◦ effective cash flow management;</li> <li>◦ optimizing administration, management, and outsourcing costs;</li> <li>◦ human resource Management.</li> </ul> <p>The occurrence of unforeseen events, the incorrect assessment of current trends, as well as many other micro- and macroeconomic factors, may influence the Group's management team's judgment. The only way to overcome this risk is to work with professionals with many years of experience and to keep this team up to date with the most complete and up-to-date information base for market developments and trends in these areas.</p>

## **D14. ADDITIONAL INFORMATION LEGALLY REQUIRED REGARDING THE COMPANY**

This section contains additional information according to the requirements of the Commercial Act and Appendix 10 of Ordinance No. 2 of FSC and which information has not been disclosed in this report

### **I. INFORMATION PURSUANT TO ART. 247 OF THE COMMERCIAL ACT**

**1. Number and nominal value of equity shares acquired and transferred during the year; the capital they represent, as well as the price at which the acquisition or transfer took place**

As at 31.12.2018, 77,387 shares of Eurohold Bulgaria AD are held by the Eurohold Group companies (as of 31.12.2017 – 77,387 shares). The shares were acquired in the period 2014 - 2015 with the average acquisition price being BGN 0.961.

**2. Pledge of enterprise**

Up until now, the Company has not transferred or pledged its enterprise, has not acquired and has not disposed of assets of significant value outside the Company's usual course of business.

**3. Insolvency proceedings**

The Company is not aware of any claims filed for initiating an insolvency procedure against it or against any of its subsidiaries.

**4. Number and nominal value of own shares and the part of the capital they represent**

Eurohold Bulgaria AD does not own its own shares. The subsidiary EURO-FINANCE AD holds at the end of 2018 77 387 shares, representing 0.039% of the capital of Eurohold Bulgaria AD. The shares were acquired in the period 2014 - 2015 with the average acquisition price being 0.961 leva.

**5. Information on the amount of remuneration of each of the members of the management and of the management the control authorities for the reporting financial year, paid by Eurohold Bulgaria and its subsidiaries.**

In 2018 the members of the management and supervisory bodies received the following gross remuneration from Eurohold Bulgaria and its subsidiaries as follows:

<b>Remuneration received of the members of the SC and the MB for 2018</b>	<b>by Eurohold Bulgaria AD</b>	<b>from subsidiaries</b>	<b>TOTAL</b>
<b>Supervisory Board</b>	<b>68 779</b>	<b>847 165</b>	<b>915 944</b>
Assen Hristov			
Dimitar Dimitrov			
Radi Georgiev			
Kustaa Älmä			
Laise Roman			
Lyubomir Stoev			
<b>Management Board</b>	<b>81 600</b>	<b>1 146 664</b>	<b>1 228 264</b>
Kiril Boshov			
Asen Minchev			
Dimitar K. Dimitrov			
Velislav Hristov			
Asen Asenov			
Razvan Lefter			
<b>Procurator</b>	<b>12 720</b>	<b>-</b>	<b>12 720</b>
Hristo Stoev			



The members of the supervisory and management bodies and the procurator have not received any remunerations and/ or compensations in kind during the specified period.

Eurohold Bulgaria, as well as its subsidiaries, do not allocate amounts for the payment of pensions, retirement compensation or other similar benefits to the members of the management and supervisory bodies. The members of the Management and Supervisory Boards are appointed under a management and control contract. Current contracts of the members of the management and supervisory bodies with the Company are effective until the termination of service.

#### **6. Company shares owned by members of the Management and Supervisory Board**

As of December 31, 2018, the members of the Management and Supervisory Board and Procurator of the Company hold shares in the capital of Eurohold Bulgaria, as follows:

<b>Name</b>	<b>Number of shares</b>
<b>Supervisory Board</b>	<b>200</b>
Assen Hristov	-
Dimitar Dimitrov	200
Radl Georgiev	-
Kustaa Älmä	-
Luise Roman	-
Lyubomir Stoev	-
<b>Management Board</b>	<b>78,200</b>
Kiril Boshov	-
Asen Minchev	-
Dimitar K. Dimitrov	-
Velislav Hristov	200
Asen Asenov	78 000
Razvan Lefter	-
<b>Procurator</b>	<b>-</b>
Hristo Stoev	-

There are no options to acquire shares from the company in favor of the management bodies and procurator of the company, employees or third parties.

#### **7. Rights of the members of the boards to acquire shares and bonds of the Company**

As of the date of preparation of this document, no agreements or other arrangements have been reached with the employees of Eurohold Bulgaria for their participation in the capital of the company.

The members of the Supervisory and Management Boards and the Procurator of the company may acquire freely the shares of the capital as well as the bonds of the company on a regulated securities market in compliance with the provisions of the Law on the Application of Measures against Market Abuse with Financial Instruments and the applicable European regulation, and the Public Offering of Securities Act.

As of 31.12.2018 and at the date of this report, the members of the MB and the SB do not hold bonds issued by the company.

No options for acquisition of Company's shares have been issued in favor of the management and supervisory bodies' members, employees or third parties.

#### **8. Information about the participation of the board members in companies as unlimited liability partners, owning more than 25 per cent of the capital of another company, as well as their participation in the management of other companies or partnerships as procurators, managers or board members**

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Eurohold Bulgaria AD has a two-tier management system - the Supervisory Board and the Management Board.

As of 31.12.2018 The Supervisory Board consists of six natural persons: Asen Milkov Hristov, Dimitar Stoyanov Dimitrov, Radl Georgiev Georgiev, Kustaa Lauri Älmä, Luis Gabriel Roman and Lyubomir Hristov Stoev.

As at 31 December 2018, The Management Board of the company is composed of six individuals: Kiril Ivanov Boshov, Asen Minchev, Velislav Milkov Hristov, Asen Emanuilov Assenov, Dimitar Kirilov Dimitrov and Razvan Stefan Lefter.

On 10.02.2016 a procurator of the company Hristo Lyubomirov Stoev was registered.

Executive members of the company are Asen Minchev Minchev and Chairman of the Management Board Kiril Ivanov Boshov.

From 1 March 2016 the company is represented only together by an executive member of the management board and the procurator of the company Hristo Lyubomirov Stoev.

There are established family relationships between the members of the Management and the Supervisory Board. Asen Hristov and Velislav Hristov are relatives of second degree in collateral line (brothers).

There are established family relations between the member of the Supervisory Board Lyubomir Stoev and the procurator Hristo Stoev, among whom there is a first-degree lineage (father and son).

The activity of the company is not dependent on the individual professional experience or qualifications of other employees.

**Supervisory Board**

<b>Name</b>	Assen Milkov Hristov
<b>Title</b>	Chairman of the Supervisory Board
<b>Business address</b>	Sofia, 43, Christopher Columbus Blvd.
<b>Details of the activities performed outside of the Company, which are of importance to the Company</b>	<ul style="list-style-type: none"> <li>◊ Euroins Osiguruvanje AD, North Macedonia – Chairman of the Board of Directors;</li> <li>◊ Euroins Romania Asigurare-Reasigurare S.A. – Member of the Board of Directors;</li> <li>◊ Euroins Insurance Group AD – Chairman of the Board of Directors;</li> <li>◊ Euro-Finance AD – Chairman of the Board of Directors;</li> <li>◊ Starcom Holding AD – Executive member of the Board of Directors.</li> </ul>
<b>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◊ Alfa Euroactive EOOD – Sole owner of the capital and Manager;</li> <li>◊ Starcom Hold AD – Executive member of the Board of Directors;</li> <li>◊ Formoplast 98 AD – Chairman of the Board of Directors;</li> <li>◊ First Investment Bank JSC, Russia – Chairman of the Supervisory Board;</li> <li>◊ Hanson Asset Management Ltd., UK – Director.</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>◊ Autoplaza EAD – Member of the Board of Directors until 28.01.2013, as at the date of this activity report the person is not a member of the Board of Directors;</li> <li>◊ Corporate Advisors EOOD – Sole owner of the capital and Manager until 08.02.2013, as at the date of this activity report the person is not a Sole owner of the capital and Manager;</li> <li>◊ Eurohold Imoti EAD (currently Greenhouse Properties AD) – Chairman of the Board of Directors until 16.12.2013, as at the date of this activity report the person is not a Chairman of the Board of Directors;</li> <li>◊ Bulstar Investment AD – Chairman of the Board of Directors until 17.08.2015, as at the date of this activity report the person is not a Chairman of the Board of Directors;</li> <li>◊ Smartnet EAD – Chairman of the Board of Directors until 03.11.2015, as at the date of this activity report the person is not a Chairman of the Board of Directors;</li> <li>◊ Balkan International Basketball League OOD – Manager and a partner holding 50% of the capital until 17.11.2017, as at the date of this activity report the person is not a Manager and a partner holding 50% of the capital;</li> </ul>

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	<ul style="list-style-type: none"> <li>♦ Avto Union AD – Member of Board of Directors until 26.10.2018, as at the date of this activity report the person is not a member of the Board of Directors.</li> </ul>
<b>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, was associated with during the last 5 years</b>	<p>As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.</p>
<b>Relevant professional experience</b>	<p>Assen Christov holds a master's degree in Physics from Sofia University St. Kliment Ohridski and has specialized in the Institute for Nuclear Research in Dubno, Russia. He has completed a specialization in Management in Open University - London. Speaks Russian and English.</p> <p>Assen Christov has exercised the above-mentioned managerial positions during different periods within the last 5 years. He has held the position of Chairman of the Board of Directors of Eurobank AD between 1997 and 2000 with representative functions exercised, he was also a Chairman of the Supervisory Board of IC Euroins AD from 2000 until 2007, as well as of the investment firm Euro-Finance AD, which position he continues to hold today.</p>
<b>Coercive administrative measures and penalties</b>	<p>During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).</p>

<b>Name</b>	Dimitar Stoyanov Dimitrov
<b>Title</b>	Deputy Chairman of the Supervisory Board
<b>Business address</b>	Sofia, 43, Christopher Columbus Blvd.
<b>Details of the activities performed outside of the Company, which are of importance to the Company</b>	<ul style="list-style-type: none"> <li>♦ IC Euroins AD – Procurator</li> </ul>
<b>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</b>	<p><b>Current:</b></p> <ul style="list-style-type: none"> <li>♦ Eurologistic Technologies EOOD – Manager;</li> <li>♦ Cable Network AD – Executive Director;</li> <li>♦ Creative Software Solutions EOOD – Manager and Sole owner of the capital;</li> <li>♦ Starcom Hold AD – Member of the Board of Directors.</li> </ul> <p><b>Previous:</b></p> <ul style="list-style-type: none"> <li>♦ Educational and Sports Complex Lozenets EOOD (currently Educational and Sports Complex Lozenets EAD due to reorganization by change of the legal form) – Manager until 05.03.2014, as at the date of this activity report the person is not a Manager;</li> <li>♦ Profonika EOOD – Manager until 05.03.2014, as at the date of this activity report the person is not a Manager;</li> <li>♦ Smartnet EAD – Executive Director until 03.11.2015, as at the date of this activity report the person is not an Executive Director</li> <li>♦ Zeleni EOOD (currently Ecovera Ltd.) – Sole owner of the capital and Manager until 27.01.2017, as at the date of this activity report the person is not a Sole owner of the capital and a Manager;</li> <li>♦ Alcommerce EOOD – Manager until 25.01.2018, as at the date of this activity report the person is not a Manager.</li> </ul>
<b>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a</b>	<ul style="list-style-type: none"> <li>♦ Far Consult OOD – In liquidation – Manager and partner.</li> </ul> <p>As at the date of preparation of this activity report, the company is undergoing liquidation proceedings.</p> <p>As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the</p>

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<b>position in the senior management of a company, was associated with during the last 5 years</b>	administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.
<b>Relevant professional experience</b>	Dimitar Dimitrov holds a Master's degree in Electronics and Automatics, Technical University of Sofia. From 1998 until 2006 he was Executive Director of the holding company Starcom Holding AD. Since 2005 he is a procurator of IC Euroins AD, and from 1998 to 2005 he held the position of Director of "Information services, statistics and analyzes" Department in the same company.
<b>Coercive administrative measures and penalties</b>	During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).

<b>Name</b>	Kustaa Lauri Äimä
<b>Title</b>	Independent member of the Supervisory Board
<b>Business address</b>	Finland, Helsinki, Kalevankatu 14C, fl. 4
<b>Details of the activities performed outside of the Company, which are of importance to the Company</b>	As at the date of preparation of this activity report, there are no activities performed outside of the Company, which are of importance to the Company.
<b>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ KJK Management S.A. – Director;</li> <li>◆ KJK Investments S.a.r.L – Director;</li> <li>◆ KJK Fund SICAV-SIF – Director;</li> <li>◆ KJK Fund II SICAV-SIF – Director;</li> <li>◆ KJK Fund III Management S.a.r.L – Director;</li> <li>◆ KJK Capital Oy – Director;</li> <li>◆ KJK Investicije d.o.o. – Director;</li> <li>◆ KJK Investicije 2 d.o.o. – Director;</li> <li>◆ KJK Investicije 3 d.o.o. – Director;</li> <li>◆ KJK Investicije 4 d.o.o. – Director;</li> <li>◆ KJK Investicije 5 d.o.o. – Director;</li> <li>◆ KJK Investicije 6 d.o.o. – Director;</li> <li>◆ KJK Investicije 7 d.o.o. – Director;</li> <li>◆ Amber Trust SCA – Director;</li> <li>◆ Amber Trust II SCA – Director;</li> <li>◆ Amber Trust Management S.A. – Director;</li> <li>◆ Amber Trust II Management S.A. – Director;</li> <li>◆ As Baltika – Director;</li> <li>◆ AB Baltic Mill – Director;</li> <li>◆ Kalma Capital Oy – Sole owner of the capital and Director;</li> <li>◆ Kalma Capital Eesti OÜ – Director;</li> <li>◆ As Tallink Group – Director;</li> <li>◆ As Tallink Silja Ab – Director;</li> <li>◆ Bostads AB Biktinten – Member of the Board of Directors;</li> <li>◆ UAB D Investiciju Valdymas – Director;</li> <li>◆ UAB Malsena Plus – Director;</li> <li>◆ Managetrade OÜ – Director;</li> <li>◆ Aurejärvi Varainhoito Oy – Director;</li> <li>◆ As PR Foods – Director;</li> <li>◆ JSC Rīgas Dzirnavnieks – Director;</li> <li>◆ As Saaremere Kala – Director;</li> <li>◆ AS Toode – Director;</li> <li>◆ Leader Group 2016 AD – Member of the Board of Directors.</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>◆ AS PKL – Member of the Supervisory Board until December 2013, as at the date of this activity report the person is not a Member of the Supervisory Board;</li> <li>◆ KJK Serbian Holdings B.V. – Member of the Board of Directors until April 2017, as at the date of this activity report the person is not a member of the Board of Directors;</li> <li>◆ Kowinoplastyka Sp. z.o.o. – Member of the Supervisory Board until August 2017, as at the date of this activity report the person is not a member of the Supervisory Board;</li> </ul>

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	<ul style="list-style-type: none"> <li>◆ AAS Baltijas Apdrošībasasams – Director until 09.04.2018, as at the date of this activity report the person is not a Director;</li> <li>◆ KJK Invest Oy – Director until October 2018, as at the date of this activity report the person is not a Director;</li> <li>◆ KJK Bulgaria Holding OOD (the entity was merged into Leader Group 2016 AD) – Manager until 11.10.2018, as at the date of this activity report the person is not a Manager;</li> <li>◆ Salva Kindlistuse AS – Director until 07.02.2019, as at the date of this activity report the person is not a Director.</li> </ul>
<b>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, was associated with during the last 5 years</b>	<p>As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.</p>
<b>Relevant professional experience</b>	<p>In 1997, Mr. Älmä graduated from the University of Helsinki with a Master's degree in Economics. He started his career in 1997 as a junior economist at the Bank of Finland. From January 1998 to May 1999, he worked as a corporate financial officer at Bankers Williams De Broe Helsinki Oy; from May 1999 to August 2000 he was a fund manager at Bankers BBL Finland Oy and from August 2000 to February 2009 he held the position of a fund manager, Head for Eastern Europe unit of Danske Capital. Since April 2002 Mr Älmä is a member of the Management Board of Amber Trust Management SA, a company operating in the field of portfolio management; since December 2004 he is a member of the Management Board of Amber Trust II Management SA, a portfolio management company; since December 2009 he is an executive director and owner of Kalma Capital Eesti Oy, a company specialized in investment advisory and private investment services; since March 2009 he is the executive director and owner of Kalma Capital Oy, which conducts activities in the field of private investments and management consulting. Since 2010, Mr. Älmä is the Chairman of the Board of Directors of KJK Management SA and the General Director as well as a member of the Management Board of KJK Capital Oy – both companies operating in the field of general management and funds raising.</p>
<b>Coercive administrative measures and penalties</b>	<p>During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).</p>
<b>Name</b>	<b>Radi Georgiev Georgiev</b>
<b>Title</b>	<b>Member of the Supervisory Board</b>
<b>Business address</b>	<b>Sofia, 84, Aleksandar Stambolyski Blvd.</b>
<b>Details of the activities performed outside of the Company, which are of importance to the Company</b>	<ul style="list-style-type: none"> <li>◆ IC Euroins AD – Member of the Supervisory Board;</li> <li>◆ IC EIG Re EAD (formerly named HDI Zastrahovane AD) – Member of the Supervisory Board.</li> </ul>
<b>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ Andre Thuriot OOD – Partner holding 80% of the capital;</li> <li>◆ VH Property Management OOD – Partner holding 6.66% of the capital;</li> <li>◆ Loudspeakers-CA EOOD – Sole owner of the capital;</li> <li>◆ Corporate Advisors EOOD – Sole owner of the capital.</li> </ul>
<b>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company,</b>	<p>As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.</p>

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<b>was associated with during the last 5 years</b>	
<b>Relevant professional experience</b>	Attorney at the Sofia Bar Association (since 1996), a partner in the Law Firm "Kalaidjiev and Georgiev".
<b>Coercive administrative measures and penalties</b>	During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).

<b>Name</b>	Louise Gabrielle Roman
<b>Title</b>	Member of the Supervisory Board
<b>Business address</b>	Box 522, Midland Park, NJ 07432, United States of America
<b>Details of the activities performed outside of the Company, which are of importance to the Company</b>	As at the date of preparation of this activity report, there are no activities performed outside of the Company, which are of importance to the Company, except as a consultant at Minerva Global Consulting LLC
<b>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ Minerva Global Consulting LLC – founder.</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>◆ Dewey &amp; LeBoeuf – Partner until April 2012, as at the date of this activity report the person is not a Partner;</li> <li>◆ Dechert LLP – Partner until June 2018, as at the date of this activity report the person is not a Partner.</li> </ul>
<b>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, was associated with during the last 5 years</b>	As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.
<b>Relevant professional experience</b>	<p>Mrs. Roman holds Bachelor's degree of arts from Bowdoin College (United States; 1982), with a dual major in Government &amp; Legal Studies and Mathematics, and a juris doctorate degree from Harvard Law School (United States; 1985).</p> <p>Mrs. Roman has practiced law as a partner in a large global corporate law firm for more than 20 years advising on a full range of complex cross-border capital markets and corporate finance transactions. She is recognised as a leading lawyer and expert in several legal periodicals and international ranking publications, including <i>International Financial Law Review</i>, <i>The Legal 500 and Chambers</i>, as well as <i>The Financial Times</i>. Lead partner on several award-winning, "first-of-their-kind" transactions.</p>
<b>Coercive administrative measures and penalties</b>	During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).

<b>Name</b>	Lyubomir Stoev
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<b>Title</b>	Independent member of the Supervisory Board
<b>Business address</b>	Sofia, 10, Pop Evstati Vitoshki Str.
<b>Details of the activities performed outside of the Company, which are of importance to the Company</b>	As at the date of preparation of this activity report, there are no activities performed outside of the Company, which are of importance to the Company.
<b>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ AFG Invest GmbH – Executive Director.</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>◆ Dar Finance EOOD – Manager until 13.01.2017, as at the date of this activity report the person is not a Manager.</li> </ul>
<b>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, was associated with during the last 5 years</b>	As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.
<b>Relevant professional experience</b>	Mr. Stoev graduated from the University of Mining and Geology "St. Ivan Rilski", Sofia, qualification Engineer. In the same year, he obtained a Master's degree in Sociology and Economics at the University of Economics and Business Administration in Vienna. In October 2009, Mr. Stoev obtained qualification as Insurance and Investment advisor at the Deutsche Vermögensberatung Bank AG in cooperation with the General Group and the Chamber of Commerce in Vienna. From February 2005 to December 2007, Mr. Stoev was the Executive Director of the company Vitosha Unternehmensbeteiligung AG (part of the Uniqa Group). Since November 2010 until May 2012 he was a member of the Board of Directors of Expat Capital AD, responsible for the elaboration of business strategies and analyzes, risk assessment and investment opportunities and other. Since December 2006, Lyubomir Stoev is the Chief Executive Officer of AFG Invest GmbH, whose main activity is related to investments in commercial undertakings and real estates.
<b>Coercive administrative measures and penalties</b>	During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).

**Management Board**

<b>Name</b>	<b>Kiril Ivanov Boshov</b>
<b>Title</b>	<b>Chairman of the Management Board and Executive Member</b>
<b>Business address</b>	Sofia, 43, Christopher Columbus Blvd.
<b>Details of the activities performed outside of the Company, which are of importance to the Company</b>	<ul style="list-style-type: none"> <li>◆ Avto Union AD – Deputy Chairman of the Board of Directors;</li> <li>◆ Euroins Insurance Group AD – Executive Director;</li> <li>◆ Euroins Romania Asigurare-Reasigurare S.A.– Chairman of the Board of Directors;</li> <li>◆ Euroins Osiguruvanje AD, North Macedonia – Member of the Board of Directors;</li> <li>◆ Euro-Finance AD – Deputy Chairman of the Board of Directors;</li> <li>◆ Starcom Holding AD – Chairman of the Board of Directors.</li> </ul>
<b>Information about any other participations of the person as a member of administrative, management</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ Alcommerce EOOD – Sole owner of the capital (and Manager as of 25.01.2018)</li> <li>◆ Armada Capital AD – Member of the Board of Directors;</li> <li>◆ Capital-3000 AD – Chairman of the Board of Directors;</li> <li>◆ Eurolease Auto S.A., Romania – Member of the Board of Directors;</li> </ul>

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<p>or supervisory bodies or partner in the last 5 years</p>	<ul style="list-style-type: none"> <li>◆ Hanson Asset Management Ltd., UK – Director;</li> <li>◆ Starcom Hold AD – Chairman of the Board of Directors.</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>◆ Euroauto OOD (currently Arenta Bulgaria Ltd.) – Manager until 18.08.2015, as at the date of this activity report the person is not a Manager;</li> <li>◆ Euroins - Health Insurance EAD (the entity was merged into IC EIG Re EAD) - Chairman of the Board of Directors until 27.06.2017, as at the date of this activity report the person is not a Chairman of the Board of Directors;</li> <li>◆ N Auto Sofia EAD – Member of the Board of Directors until 10.11.2017, at the date of this activity report the person is not a Member of the Board of Directors.</li> </ul>
<p>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, was associated with during the last 5 years</p>	<p>As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.</p>
<p>Relevant professional experience</p>	<p>Kiril Boshov holds a Master's degree in Accounting and Control from the University of National and World Economy, Sofia. He speaks English and Russian.</p> <p>From 1995 to 1997 Kiril Boshov was the Chief Accountant of Mobilkom – the first mobile operator in Bulgaria, a joint venture between Bulgarian Telecommunication Company and Cable and Wireless, United Kingdom. As Deputy Chairman of the Board of Directors and a procurator he participated actively in the restructuring of the assets portfolio of Eurobank AD, representation of the bank and direct management of the active bank operations – lending and capital markets. From 2000 to 2008 Kiril Boshov was a Chairman of the Management Board of Insurance Company Euroins AD and in 2006 gives the company was awarded "Company with best corporate management" by the Association of Investors in Bulgaria. In his capacity of a Chairman of the Board of Directors of Eurolease Auto AD, he managed the fund raising activities of the Company as well as the overall management process for the conclusion of an International Funding Agreement between Eurolease Auto AD and Deutsche Bank AG – branch London amounting to EUR 200 million.</p>
<p>Coercive administrative measures and penalties</p>	<p>During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).</p>
<p><b>Name</b></p>	<p><b>Asen Minchev Minchev</b></p>
<p><b>Title</b></p>	<p><b>Executive Member of the Management Board</b></p>
<p><b>Business address</b></p>	<p>Sofia, 43, Christopher Columbus Blvd.</p>
<p>Details of the activities performed outside of the Company, which are of importance to the Company</p>	<ul style="list-style-type: none"> <li>◆ Bulgaria Holding EAD – Member of the Board of Directors;</li> <li>◆ Auto Italia EAD – Member of the Board of Directors;</li> <li>◆ Star Motors EOOD - Procurator.</li> </ul>
<p>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</p>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ Capital-3000 AD – Executive Member of the Board of Directors;</li> <li>◆ Cable Network AD – Chairman of the Board of Directors.</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>◆ Bulstar Investment AD – Deputy Chairman of the Board of Directors until 17.08.2015, as at the date of this activity report the person is not a Deputy Chairman of the Board of Directors.</li> </ul>
<p>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of</p>	<p>As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the</p>



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<p>the administrative, management or supervisory bodies or exercising a position in the senior management of a company, was associated with during the last 5 years</p>	<p>administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.</p>
<p>Relevant professional experience</p>	<p>Asen Minchev holds a Master's degree in Accounting and Control from the University of National and World Economy.</p> <p>Asen Minchev was an Executive Director of the holding company Eurohold AD for the period 1998 - 2006 until its merger with Starcom Holding AD. From 1996 to 2000 he was a member of the Management Board of IC EuroIns AD, and was also a representative of the Deputy Chairperson of the Supervisory Board of EuroIns - Health Insurance AD.</p>
<p>Coercive administrative measures and penalties</p>	<p>During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).</p>
<p><b>Name</b></p>	<p><b>Velislav Mlikov Christov</b></p>
<p><b>Title</b></p>	<p><b>Member of the Management Board</b></p>
<p><b>Business address</b></p>	<p><b>Sofia, 43, Christopher Columbus Blvd.</b></p>
<p>Details of the activities performed outside of the Company, which are of importance to the Company</p>	<ul style="list-style-type: none"> <li>◆ IC EuroIns AD – Member of the Management Board;</li> <li>◆ IC EIG Re EAD – Member of the Supervisory Board;</li> <li>◆ Starcom Holding AD – Member of the Board of Directors.</li> </ul>
<p>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</p>	<p><b>Current:</b></p> <p>As at the date of preparation of this activity report, there is no information about other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years.</p> <p><b>Previous:</b></p> <ul style="list-style-type: none"> <li>◆ VH Property Management OOD – Sole owner of the capital until 16.05.2013 г., , as at the date of this activity report the person is not a Sole owner of the capital;</li> <li>◆ Basketball Club Black Sea EAD (currently Greenhouse Properties AD) – Member of the Board of Directors until 16.12.2013, as at the date of this activity report the person is not a Member of the Board of Directors;</li> <li>◆ EuroIns Insurance Group AD – Member of the Board of Directors until 10.09.2015, as at the date of this activity report the person is not a Member of the Board of Directors.</li> </ul>
<p>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, was associated with during the last 5 years</p>	<ul style="list-style-type: none"> <li>◆ BM24.BG Ltd. – Sole owner of the capital until 17.10.2014, as at the date of this activity report the person is not a Sole owner of the capital and the company was dissolved by liquidation.</li> </ul> <p>As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.</p>
<p>Relevant professional experience</p>	<p>Velislav Christov has more than 20 years of experience as a lawyer and consultant in the field of civil, commercial, banking and insurance law, as well as over 15 years of experience in business management. His career includes a number of managerial positions as a member of the management and supervisory boards of banks, insurance companies, public and private commercial companies and the head of the legal departments of the same. Velislav Christov is at the same time a freelance lawyer and holds a Master's degree in Law from the Faculty of Law of the Sofia University.</p>

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<b>Coercive administrative measures and penalties</b>	<p>During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).</p>
<b>Name</b>	<b>Assen Emanouilov Assenov</b>
<b>Title</b>	<b>Member of the Management Board</b>
<b>Business address</b>	<b>Sofia, 43, Christopher Columbus Blvd.</b>
<b>Details of the activities performed outside of the Company, which are of importance to the Company</b>	<ul style="list-style-type: none"> <li>◆ Avto Union AD – Executive Director;</li> <li>◆ Auto Italia EAD – Executive Member of the Board of Directors;</li> <li>◆ Autoplaza EAD – Deputy Chairman of the Board of Directors;</li> <li>◆ Avto Union Service EOOD – Manager;</li> <li>◆ Bulgaria Varna EOOD – Manager;</li> <li>◆ Bulgaria Holding EAD – Chairman of the Board of Directors;</li> <li>◆ Daru Car AD – Executive Member of the Board of Directors;</li> <li>◆ Eurolease Auto EAD – Chairman of the Board of Directors;</li> <li>◆ Amigo Leasing EAD – Chairman of the Board of Directors;</li> <li>◆ Eurolease Group EAD – Chairman of the Board of Directors;</li> <li>◆ Eurolease Rent-a-Car EOOD – Manager;</li> <li>◆ Espace Auto OOD – Manager;</li> <li>◆ Motobul EAD – Member of the Board of Directors;</li> <li>◆ N Auto Sofia EAD – Chairman of the Board of Directors;</li> <li>◆ Sofia Motors EOOD – Manager;</li> <li>◆ Star Motors EOOD – Manager;</li> <li>◆ Bulgaria Sofia EAD – Executive Director;</li> <li>◆ Motohub OOD – Manager.</li> </ul>
<b>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</b>	<p><b>Current:</b></p> <ul style="list-style-type: none"> <li>◆ Motobul Express EOOD – Manager;</li> <li>◆ Eurotruck EOOD – Manager;</li> <li>◆ Izgrev 5 EOOD – Manager and Sole owner of the capital;</li> <li>◆ Benzin EOOD – Manager;</li> <li>◆ Eurolease Auto S.A., Romania – Chairman of the Board of Directors.</li> </ul> <p><b>Previous:</b></p> <ul style="list-style-type: none"> <li>◆ BG Autolease Holding B.V. (currently terminated due to merger into Eurolease Group EAD) – Manager until 31.12.2013, as at the date of this activity report the person is not a Manager;</li> <li>◆ Gransport Auto EOOD (currently terminated due to merger into Auto Italia EAD) – Manager until 23.01.2013, as at the date of this activity report the person is not a Manager;</li> <li>◆ Cargoexpress - Imotl EAD (currently terminated due to merger into Bulgaria Varna EOOD) – Chairman of the Board of Directors until 25.11.2013, as at the date of this activity report the person is not a Chairman of the Board of Directors;</li> <li>◆ Milano Motors EOOD (currently terminated due to merger into Auto Italia EAD) – Manager until 23.01.2013, as at the date of this activity report the person is not a Manager;</li> <li>◆ Avto Union Properties EOOD – Manager until 26.05.2014, as at the date of this activity report the person is not a Manager;</li> <li>◆ Eurolease Asset EAD (currently Rossgaz Asset EAD) – Chairman of the Board of Directors and Executive Director until 23.09.2014, as at the date of this activity report the person is not a Chairman of the Board of Directors;</li> <li>◆ EA Properties OOD – Manager until 20.11.2014, as at the date of this activity report the person is not a Manager;</li> <li>◆ Auto 1 Ltd. (currently Auto R Ltd.) – Manager until 08.01.2015, as at the date of this activity report the person is not a Manager.</li> </ul>
<b>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company,</b>	<p>As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.</p>

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<b>was associated with during the last 5 years</b>	
<b>Relevant professional experience</b>	<p>Assen Assenov holds a Master's degree in Accounting and Control and a Bachelor's degree in International Economics Relations from the University of National and World Economy in Sofia. Mr. Assenov has an MBA (Master of Business Administration) in International Accounting Standards and International Business from the University of Economics in Vienna.</p> <p>Assen Assenov began his professional career at Eurohold AD as an accountant. In the period 2002-2004 he was the chief accountant of Eurohold AD. Since the end of 2004, Mr. Assenov was appointed for Executive Director of Eurolease Auto EAD – the leasing company in the structure of Eurohold at that time.</p> <p>Currently, Mr. Assenov is responsible for the leasing and automotive businesses in the economic structures of Eurohold Bulgaria AD. Mr. Assenov is the Executive Director of Avto Union AD and manages the Group's leasing companies in Romania and Macedonia; in addition, he manages the car dealer companies selling Nissan, Renault, Dacia, Saab, Opel, Chevrolet, Fiat, Lancia, Alfa Romeo, Mazda, Maserati brands and Castrol and BP motor oil dealer companies (Motobul), all of which are also parts of the subsidiary sub-holding of Eurohold Bulgaria – Avto Union AD.</p>
<b>Coercive administrative measures and penalties</b>	<p>During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).</p>
<b>Name</b>	<b>Dimitar Kirilov Dimitrov</b>
<b>Title</b>	<b>Member of the Management Board</b>
<b>Business address</b>	<b>Sofia, 43, Christopher Columbus Blvd.</b>
<b>Details of the activities performed outside of the Company, which are of importance to the Company</b>	<p>As at the date of preparation of this activity report, there is no information available regarding activities performed by the Management Board member outside of the Company, which are of importance to the Company.</p>
<b>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ Andema AD – Member of the Board of Directors;</li> <li>◆ PGD OOD – Partner;</li> <li>◆ Stara Gorna 1840 EOOD – Manager and Sole owner of the capital.</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>◆ Bulgarian Development Bank AD – Member of the Supervisory Board until 01.06.2017, as at the date of this activity report the person is not a Member of the Supervisory Board.</li> </ul>
<b>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, was associated with during the last 5 years</b>	<p>As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.</p>
<b>Relevant professional experience</b>	<p>Dimitar Dimitrov graduated from the University of National and World Economy in Sofia in 1979. After graduation to 1982 he worked at the National Statistical Institute. From 1982 to 1987 he was Head of Department and Chief Expert at the Bulgarian National Bank, and from 1987 to 1993 he worked at the Construction Bank AD, consecutively occupying the positions of Director of Department, Vice President and President. From 1993 to 1995 Dimitar Dimitrov is the Executive Director of United Bulgarian Bank AD. In 1995 he was Deputy Minister of Economic Development and in 1996 was Deputy Governor of the Bulgarian National Bank. From 1995 to 1996 he was Chairman of the Board of Directors of Bankova Consolidation Company and in 1997 he was the Executive Director of Bankova Consolidation Company. Dimitar Dimitrov was a member of the Management Board of the holding company Doverie AD and part of its subsidiaries. From</p>

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	November 2001 to May 2011 he is the Executive Director and Chairman of the Board of Directors of Encouragement Bank AD, currently Bulgarian Development Bank AD.
<b>Coercive administrative measures and penalties</b>	During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).
<b>Name</b>	<b>Razvan Stefan Lefter</b>
<b>Title</b>	<b>Independent member of the Supervisory Board</b>
<b>Business address</b>	<b>Romania, Bucharest, 30, Alexandru Serbanescu Str.</b>
<b>Details of the activities performed outside of the Company, which are of importance to the Company</b>	As at the date of preparation of this activity report, there are no activities performed outside of the Company, which are of importance to the Company.
<b>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</b>	<p><b>Current:</b></p> <ul style="list-style-type: none"> <li>◆ RSL Capital Advisors Srl. – Managing Partner and Director;</li> <li>◆ KJK Caramida Srl. – Member of the Board of Directors;</li> <li>◆ Mundus Services AD – Member of the Supervisory Board;</li> <li>◆ Terapiast SA – Member of the Board of Directors;</li> <li>◆ Sphera Franchise Group SA – Member of the Board of Directors.</li> </ul> <p><b>Previous:</b></p> <ul style="list-style-type: none"> <li>◆ SIF Muntenia, Romania – Member of the Supervisory Board until 26.04.2013, as at the date of this activity report the person is not a Member of the Supervisory Board</li> <li>◆ Semakon SA – Member of the Board of Directors until 08.02.2017, as at the date of this activity report the person is not a Member of the Board of Directors;</li> <li>◆ Mundus Services AD „Мундус Сървисиз” АД (the company has change its governance system from one-tier to two-tier governance system as of 01.12.2017r.) – Member of the Board of Directors and Executive Director until 01.12.2017, as at the date of this activity report the person is not a Member of the Board of Directors and Executive Director;</li> <li>◆ Conpet SA – Member of the Board of Directors until 17.05.2018, as at the date of this activity report the person is not a Member of the Board of Directors.</li> </ul>
<b>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, was associated with during the last 5 years</b>	<ul style="list-style-type: none"> <li>◆ Condmag SA – Member of the Board of Directors until 20.07.2015, as at the date of this activity report the person is not a Member of the Board of Directors and the company is undergoing insolvency proceedings;</li> </ul> <p>As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.</p>
<b>Relevant professional experience</b>	Mr. Lefter has graduated from the Bucharest Academy of Economic Studies, Bucharest, specialized in banking and stock exchanges (2003), Certified Financial Analyst (2008), specialized as an analyst at ING Bank (September 2004 - May 2005), International Relations Manager at ING Bank - Romania (May 2005 - December 2006), trading in securities and analyzes in EFG Securities - Romania (January 2007 - November 2011), securities trading in Swiss Capital Romania (November 2011 - June 2014), since June 2014 – Managing Partner at RSL Capital Advisors, Romania.
<b>Coercive administrative measures and penalties</b>	During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).

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**PROCURATOR**

<b>Name</b>	Hristo Lyubomirov Stoev
<b>Title</b>	Procurement
<b>Business address</b>	Sofia, 43, Christopher Columbus Blvd.
<b>Details of the activities performed outside of the Company, which are of importance to the Company</b>	As at the date of preparation of this activity report, there are no activities performed outside of the Company, which are of importance to the Company.
<b>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ DB Project OOD – Manager;</li> <li>◀ Geniponika Management AD – Member of the Board of Directors.</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>◆ Logo-Company EOOD – Manager until 05.12.2011 and Sole owner of the capital until 15.03.2013, as at the date of this activity report the person is not a Manager and a Sole owner of the capital;</li> <li>◆ IT Baseline OOD – Partner until 09.05.2016, as at the date of this activity report the person is not a Partner in the company.</li> </ul>
<b>Details of any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, was associated with during the last 5 years</b>	As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or liquidations with which the person, acting in the capacity of a member of the administrative, management or supervisory bodies or exercising a position in the senior management of a company, has been associated with during the last 5 years.
<b>Relevant professional experience</b>	Mr. Stoev graduated from the University of Mining and Geology "St. Ivan Rilski", Sofia in 1973, degree in "Development of ores and mineral resources". In 1973, he began working at Gorbso Madan Mining. From 1978 to 1983 Mr. Stoev was a research associate at the Minproekt Science Department. In 1985 Mr. Stoev became the Assistant Professor at the University of Mining and Geology "St. Ivan Rilski". At present, Mr. Stoev is a professor and member of the Bulgarian Blasting Engineers Association. Hristo Stoev has a number of publications.
<b>Coercive administrative measures and penalties</b>	During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).

**9. Contracts entered into in 2018 with the members of the Management Board and the Supervisory Board or persons related to them, which go beyond the usual activity of the Company or materially depart from the market conditions**

No contracts have been concluded with the Company by the members of the MB and the SC or their affiliates who go beyond the ordinary activities of the company or significantly deviate from the market conditions.

**10. Conflict of Interests**

There is no information about any conflict of interests resulting from the fulfillment of obligations of the aforementioned persons to the Company or any other private interests they may have.

## **D – CONSOLIDATED ACTIVITY REPORT**

There are no agreements between shareholders, clients, suppliers and/or other persons, according to which the members of the Management and Supervisory bodies or other company employees have been elected/appointed.

Members of the management and supervisory bodies have provided guarantees in the amount of three salaries.

There are no restrictions on the shares and the management of the company's shares held by the members of the management and supervisory bodies.

### **11. Planned economic policy for the next year, including expected investments and human resources development, estimated income from investments and company development, as well as upcoming transactions substantial for the Company's activity**

The plans of Eurohold Bulgaria AD are related to the support of the current operating activity of the three sub-holdings - insurance, automobile and leasing.

Through the Insurance sub-holding (Euroins Insurance Group AD) in 2019, Eurohold will continue the expansion of the Group in the Central and South East Europe region. As of the date of this report, Euroins Insurance Group has agreed to acquire, in 2019, four insurance companies in three European countries, respectively in Romania and the Czech Republic, specialized in life and non-life insurance, as well as one non-life insurance company in Belarus. The deal is expected to be finalized after approval by the relevant regulatory authorities.

The positioning of the leasing subholding as a company with sufficient capital resources and high market share is substantial at the beginning of the economic recovery. The leasing business is funded mainly by bank and debenture loans. The leasing funding support will positively affect the sales of both of the automotive and insurance segments.

The working capital financing of the automotive subholding is essential for the delivery of cars under fleet contracts with large corporate clients. The automobile dealers will be supported in completing and equipping showrooms and car repair centers. Special emphasis is put on the car repair centers as a main source of revenue due to the low margins on sales of new cars in the current market situation.

### **12. Number of employees**

During the reporting period no new employees were recruited in Eurohold Bulgaria AD and no employees of temporary contracts were hired. As of Monday, December 31, 2018 Eurohold Bulgaria AD employs 10 employees on a labor contract.

At the date of preparation of the Report, the number of persons employed in all companies of the Eurohold Group is 2,651, of which 1,123 are employed in Bulgaria, 631 in Romania, 137 in North Macedonia, 276 in Ukraine, 126 in Georgia, 322 in Russia and 36 in Greece.

The parent company (Eurohold Bulgaria AD) does not employ temporary employees.

Since the establishment of Eurohold Bulgaria AD to date there have been no trade union organizations of the employees.

## **II. ADDITIONAL INFORMATION ACCORDING TO ANNEX 10 OF ORDINANCE №2 OF THE FSC**

### **1. Information given in value and quantity on the main categories of goods, products and/or services provided, indicating their share in the issuer's sales revenue as a whole and the changes occurring during the accounting year.**

As a holding company, the main activity of Eurohold Bulgaria AD is the acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies and financing of subsidiaries.

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The company does not carry out independent commercial and production activities. The revenues of Eurohold Bulgaria AD are formed from a financial activity related to the creation and management of participations and financing of affiliated enterprises.

Detailed information given in terms of value and quantity regarding the main categories of products and services is shown in this report in section D9. "Results from the Activity" as well as in section D10. „Overview of the activity of subsidiary sub-holding structures”.

**2. Information on revenue broken down by category of activity, internal and external markets, as well as information on sources for the supply of materials necessary for the production of goods or the provision of services reflecting the degree of dependence on each individual seller or buyer / user, in case the relative share of one of them exceeds 10 per cent of the costs or revenues from sales, information is provided for each person separately, for his share in the sales or purchases and the links with the issuer.**

Detailed revenue information broken down by separate categories of activities, domestic and external markets is shown in this report in Section D9. "Results from the Activity", as well as section D10. „Overview of the activity of subsidiary sub-holding structures”

**3. The company does not carry out independent business and production activity.**

During the reporting period Eurohold Bulgaria did not conclude large transactions and such transactions as essential for the Holding's activity.

The subsidiary EuroIns Insurance Group has entered into two transactions in connection with the acquisition of new companies as follows:

- In July, the financial regulator in Ukraine allowed EIG to acquire the Ukrainian travel agency ERV, a specialist in travel insurance, from the German ERG. The deal was realized in April this year. Shares transferred on October 1, 2018
- In September EIG acquired one of the leading insurers in Georgia - IC Group. IC Group has been operating since 2005 and is one of the leading insurance companies in Georgia, offering almost all products on the market. It is one of the largest in the country's health insurance. On October 23, 2018 the deal was finalized.

**4. Information on transactions entered into between the issuer and related parties during the reporting period proposals for such transactions as well as transactions that are outside its normal course or materially deviate from the market conditions on which the issuer or its subsidiary is country with an indication of the value of the transactions, the nature of the relationship and any information necessary to assess the impact on the issuer's financial position.**

As at the date of preparation of the consolidated Activity Report, there are no transactions or deals with related parties that are material to Eurohold or its subsidiary and are unusual by type and condition.

Within the holding, transactions between the parent company and the subsidiaries are carried out on a permanent basis, arising from the nature of their core business.

All transactions are made on a fair value basis. Typical are the transactions between the holding and the subsidiaries, where the intragroup loans manage the liquidity of the individual companies and conduct an investment policy. The company grants loans to its subsidiaries for working capital.

**As at 31 December 2018, the Group has the following related party transactions:**

	31.12.2018	31.12.2017
	<i>BGN'000</i>	<i>BGN'000</i>
Loan claims from Starcom Holding AD	33	314

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Repo transaction receivables from Starcom Holding AD	239	1 752
Other receivables from Starcom Holding AD	285	1
Liabilities on loans to Starcom Holding AD	942	2 753
Other liabilities to Starcom Holding AD	20 752	98
Investments in debt instruments of Starcom Holding AD	11 651	13 077
Dividend liabilities	101	34
Revenue from commissions - Starcom Holding AD	87	1
Interest income - Starcom Holding AD	807	466
Interest expense - Starcom Holding AD	169	988

**5. Information on events and indices having an unusual nature for the issuer that have a significant impact on its activities and its realized revenues and expenses; an assessment of their impact on results in the current year.**

During the reporting period no unusual events occurred for Eurohold Bulgaria and the companies in its economic group that had a significant impact on its operations and its realized revenues and expenses.

**6. Information about off-balance-sheet transactions - nature and business purpose, indication of the financial impact of transactions on the business if the risk and benefits of those transactions are material to the issuer and disclosure of such information is material to the issuer's financial condition.**

Eurohold Bulgaria and its economic group companies have no off-balance-sheet deals.

**7. Information about shareholdings of the issuer, its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate) as well as investments in equity securities outside its group of companies within the meaning of the Accountancy Act and sources / ways of financing.**

Detailed information about the issuer's shareholdings and its main investments in the country and abroad is shown in this report in section D7. "Main scope of activity. Business Operations" as well as Section D8. "Capital Investments".

**8. Information about the loan agreements, including the repayment deadlines, as well as information about the guarantees and commitments given, issued by the issuer, its subsidiary or parent company as borrowers.**
**Group liabilities to bank and non-bank financial institutions - long-term by segments**

	31.12.2018 BGN'000	31.12.2017 BGN'000
Vehicles, including:	2 272	4 918
Loans from banks	2 272	4 918
Leasing, including:	57 056	46 404
Loans from banks	57 056	46 404
Parent company, including:	35 549	21 123
Loans from banks	35 549	21 123
	<b>94 877</b>	<b>72 445</b>



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**Liabilities to bank and non-bank financial institutions - short-term by segments**

	31.12.2018 BGN'000.	31.12.2017 BGN'000
<b>Insurance business, including:</b>	<b>17</b>	<b>-</b>
<i>Loans from banks</i>	17	-
<b>Vehicles, including:</b>	<b>16 773</b>	<b>12 464</b>
<i>Loans from banks</i>	16 070	12 222
<i>Loans from non-bank financial institutions</i>	703	242
<b>Leasing, including:</b>	<b>21 247</b>	<b>1 364</b>
<i>Loans from banks</i>	21 247	1 364
<b>Parent company, including:</b>	<b>9 253</b>	<b>12 972</b>
<i>Loans from banks</i>	9 253	5 940
<i>Loans from non-bank financial institutions</i>	-	7 032
	<b>47 290</b>	<b>26 800</b>

**Liabilities on bank loans to Eurohold Bulgaria**

<b>Creditor</b>	<b>Maturity</b>	<b>In euro as at 31.12.2018</b>
International Investment Bank	12.2021	12,600,000
International Investment Bank	03.2025	10,000,000

Loans are provided for the purpose of financing the insurance business.

**Information on bond issues as of 31.12.2018**

	Cupon	Original currency	Maturity	Nominal, in thousand
<b>Automotive Business</b>				
Corporate bonds	4.50%	BGN	12.2022	6 800
Corporate bonds	3.85%	BGN	6.2028	8 800
<b>Leasing business</b>				
Corporate bonds	7.00%	EUR	11.2019	6 000
Corporate bonds	3.75%	EUR	7.2023	1 250
Corporate bonds	5.00%	BGN	2.2020	6 000
Corporate bonds	3m.Euribor + 3.95%	EUR	7.2021	5 800
<b>Parent company</b>				
EMTN Programme	6.50%	EUR	12.2022	70 000
EMTN Programme	8.00%	PLN	12.2021	45 000

**Issued bonds as at 31.12.2017**

	Cupon	Original currency	Maturity	Nominal, in thousand
<b>Automotive Business</b>				
Corporate bonds	4.50%	BGN	12.2022	6 800
<b>Leasing business</b>				
Corporate bonds	7.00%	EUR	11.2019	6 000
Corporate bonds	3.75%	EUR	7.2023	1 250
Corporate bonds	5.00%	BGN	2.2020	6 000
Corporate bonds	3m.Euribor + 3.95%	EUR	7.2021	5 800
<b>Parent company</b>				

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EMTN Programme	6.50%	EUR	12.2022	70 000
EMTN Programme	8.00%	PLN	12.2021	45 000

**Bond obligations – long term, by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Automotive business	12 746	4 769
Leasing business	11 654	20 863
Parent company	122 824	124 178
	<b>147 224</b>	<b>149 810</b>

**Bond obligations – short term, by segments**

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Automotive business	888	-
Leasing business	3 726	-
Parent company	726	947
	<b>10 340</b>	<b>947</b>

**Obligations on bond loans**

Eurohold Bulgaria is a bond issuer in the framework of its € 200 million EMTN Program, traded on the Irish Stock Exchange. As of 31.12.2018 the Company's liability for the issued Eurobonds according to the program amounted to BGN 141 542 thousand, as follows:

Eurobonds	Maturity	31.12.2018
EMTN Programme в EUR	12.2022	120 700 BGN'000
EMTN Programme в PLN	12.2021	20 842 BGN'000

**9. Information about the loan agreements, including the provision of guarantees of any kind, including related parties, with specific terms and conditions, including the terms and conditions, including the terms and conditions, including the terms and conditions, concluded by the issuer, its subsidiary or parent company as lenders the payment deadlines and the purpose for which they were granted.**

**All loans granted by Eurohold Bulgaria AD, including related parties, are disclosed in detail in the audited financial statements of the company for 2018.**

**All loans granted by the subsidiaries of Eurohold Bulgaria AD, including related parties, are disclosed in the certified unconsolidated financial statements as well as in the audited consolidated financial statements of the companies for 2018.**

**All of the embedded financial statements mentioned above can be found on the respective companies' websites.**

**10. Information on the use of funds from a new issue of securities during the reporting period.**

No increases in the Company's capital were made in 2018.

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At the date of this consolidated activity report, Eurohold Bulgaria is in the process of increasing the share capital.

At a meeting of the Management Board of Eurohold Bulgaria AD dated March 15, 2019, it was decided to increase the Company's capital by public offering of 79,010,240 new, registered, dematerialized, preferred shares, without voting rights, with an issue value of BGN 1.95 to share. The General Meeting of Shareholders of Eurohold Bulgaria AD is convened, which will be held on 22.04.2019 with the agenda adopting a decision to increase the capital of the Company from 197,525,600 (one hundred and ninety-seven million five hundred twenty five thousand six hundred) to 276 535 840 (two hundred and seventy-six million five hundred thirty five thousand and eight hundred and forty) by issuing a new issue of new class shares, namely preferred shares under the terms of a public offering under the Public Offering of Securities Act.

The intentions of the managing body of Eurohold Bulgaria AD are, upon successful enrollment of the new issue, that the raised funds be used in two directions - supply objectives, namely:

Purpose 1. Reduction of the long-term indebtedness of the Issuer up to BGN 40 000 000.

Objective 2. Expansion of the Issuer in insurance and other business segments up to BGN 114 050 000, incl. support of the subsidiary Euroins Insurance Group AD through the addition of subscribed but not paid up capital of the company, which will be used for the implementation of its investment strategy for expanding its presence in Central and Southeastern Europe as well as investments of the Issuer in new regulated business segments of development.

**11. Analysis of the ratio between the financial results achieved in the financial statement for the financial year and previously published estimates of these results.**

Eurohold Bulgaria AD and the companies of its economic structure have not published estimates for the reporting year 2018.

**12. Analysis and evaluation of the policy regarding the management of the financial resources, indicating the possibilities for servicing the obligations, the possible threats and measures that the issuer has taken or is about to take with a view to their elimination.**

The main activity of Eurohold Bulgaria AD as a holding company is to effectively manage the cash resources accumulated in the whole structure and accordingly to allocate them according to the needs of the individual subsidiaries. The company's policy in this area is to finance only the "parent subsidiaries", not the "subsidiary company - a subsidiary". The management of the free financial resources of the subsidiaries is done in accordance with the regulatory requirements and in order to achieve a good return on reasonable risk taking.

The investment program of Eurohold Bulgaria AD in 2018 is realized through own and loan funds.

**13. Assessment of the possibilities for realization of the investment intentions with indication of the amount of available funds and reflection of possible changes in the structure of financing of this activity.**

Information under this item is provided in this report in Section D14 "Additional Information, Regulatory Requirement", I. Information under Art. 247 of the Commercial Act, under item 11.

**14. Information about changes during the reporting period in the main management principles of the issuer and its group of undertakings within the meaning of the Accountancy Act.**

There has been no change in the Company's main management principles.

**15. Information about the main features of the internal control system and the risk management system applied by the issuer in the process of preparing the financial statements.**

Eurohold Bulgaria AD and the companies of the economic group have a built-in system for risk management and internal control that ensures the effective functioning of the accounting and financial reporting and disclosure systems. The internal control system is also being developed and functioning in order to identify the risks accompanying the Group's activities and to support their effective management.

The main features of the internal control system are as follows:

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- Control environment:
  - built on the basis of Integrity and ethical behavior;
  - presence of experienced management with direct participation in the business processes of the Company and critical review of the activity;
  - the organizational structure is in line with the nature of the business and ensures a division of responsibilities;
  - competence levels are tailored to specific positions;
  - hierarchy and clear rules, rights, obligations and reporting levels;
  - the policy of delegation of powers and responsibilities;
  - Human resources policies and practices address the appointment of competent and credible staff.
- Risk management - a process for identifying, evaluating and controlling potential events or situations that may adversely affect the achievement of the Company's objectives through direct involvement of the Management in the activity;
- Control activities - control activities aimed at minimizing risk and increasing the likelihood that the objectives and tasks of the Group will be achieved. These are the procedures for:
  - authorization and decision-making authorization (authorization);
  - ex-ante control of legality, executed by the Executive Director immediately before signing a decision;
  - complete, accurate, accurate and timely booking of all operations (processing of information);
  - Operational control and review of the performance of the Executive Director's day-to-day work assignment and performance.
  - division of duties;
- Information and communication - the availability of efficient and reliable information and communication systems ensuring the collection and dissemination of complete, reliable and reliable information, horizontal and vertical communication from and to all levels, as well as a timely accountability system.
- Monitoring - there is established a system for monitoring and evaluation of controls, and in the case of established deviations, remedial and corrective measures are taken.

### 16. Information on changes in management and supervisory bodies during the reporting financial year.

In 2018, the following changes took place in the Supervisory and Management Council of Eurohold Bulgaria.

#### Supervisory Board

On 29.10.2018 a new member of the Supervisory Board of the Company was elected at an extraordinary general meeting of the shareholders, namely Luis Gabriel Roman, a US citizen.

Other changes in the composition of the SC and the Management Board were not made in 2018.

### 17. Information on the amount of remuneration, rewards and / or benefits of each of the members of the management and supervisory bodies for the accounting financial year and its subsidiaries, whether they were included in the issuer's costs or derive from a distribution of profits, including:

- (a) amounts received and non-monetary remuneration;
- (b) contingent or deferred wages arising during the year, even if the remuneration is due at a later date;
- (c) an amount owed by the issuer or its subsidiaries for the payment of pensions, retirement benefits or other similar benefits.

Information under this item is provided in this report in Section D14 "Additional Information, Regulatory Requirement", I. Information under Art. 247 of the Commercial Act, under item 5.

### 18. For public companies - information about the shares of the issuer owned by the members of the management and supervisory bodies, procurators and senior management, including the shares held by each of them separately and as a percentage of the shares of each class as well as the issuer options on its securities - the type and size of the securities on which the options are set, the exercise price of the options, the purchase price, if any, and the term of the options.

Information on this point is provided in this report in Section D143 "Additional Information, Regulatory Requirement", I. Information under Art. 247 of the Commercial Act, under item 6.

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The members of the Management and Supervisory Boards do not have options on the issued securities of the Company.

### 19. Information about the arrangements known to the Company (including after the financial year), which may result in changes in the relative share of shares or bonds held by current shareholders or bondholders in the future.

At the reporting period and after the end of the financial year of the Company there are no known arrangements from which there may be changes in the relative share held by current shareholders.

### 20. Information on pending court, administrative or arbitration proceedings concerning liabilities or receivables of the issuer amounting to at least 10 percent of its equity; if the total value of the liabilities or receivables of the issuer in all initiated proceedings exceeds 10 per cent of its own capital, information shall be presented for each production separately.

The company and the group companies are not parties to pending legal, administrative or arbitration proceedings that have or may have a material effect on its financial position or its profitability. There are no decisions or a request for termination and announcement in liquidation of the Company.

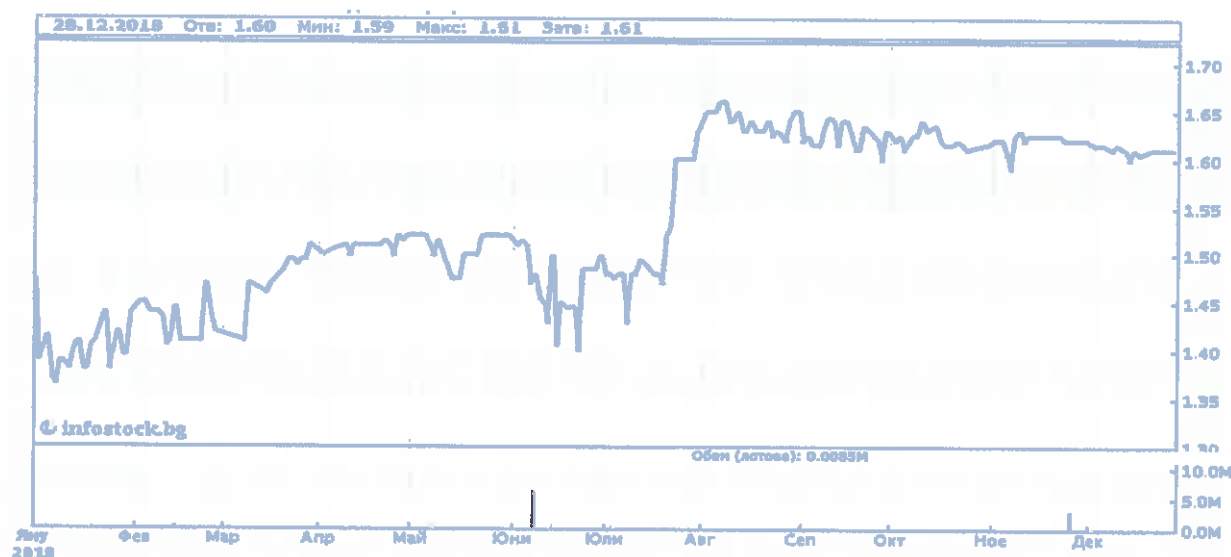
### 21. Changes in the share price of Eurohold Bulgaria AD

Changes in the share price of the company

All shares of Eurohold Bulgaria AD are listed on the Main market of the BSE-Sofia AD, Share Segment Standard, with stock Index - 4EH.

#### Market price of the shares of the Company

The graph shows the price dynamics of the shares of Eurohold Bulgaria AD on BSE-Sofia for the period 02.01.2018 – 28.12.2018 (respectively the first and last stock exchange session for the reporting 2018).



Source: [Infostock.bg](http://infostock.bg)

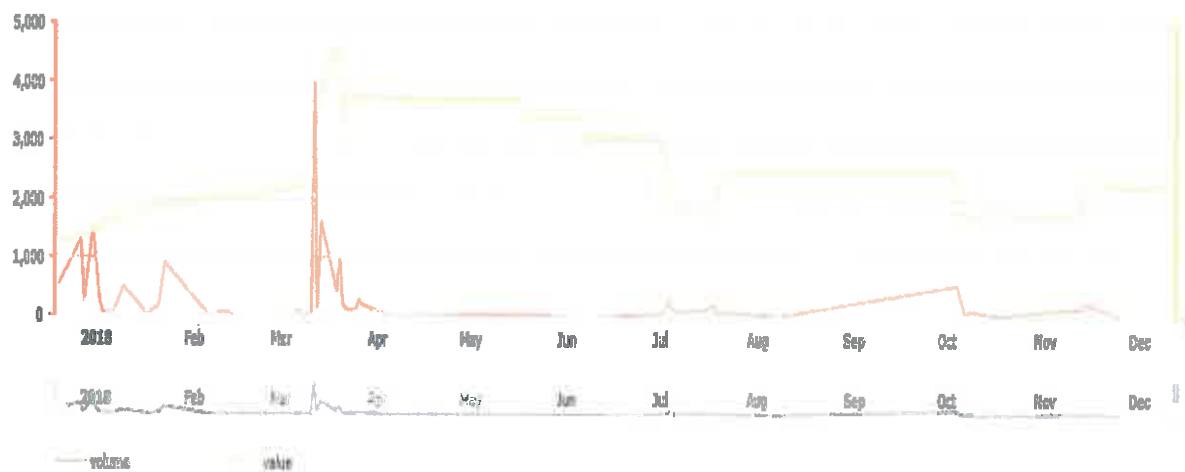
- Initial price: BGN 1.42 (02.01.2018)
- Last price: BGN 1.61 (28.12.2018)
- Maximum price: BGN 1.66 (07.08.2018)
- Minimum price: BGN 1.36 (08.01.2018)
- Value change: BGN +0.19

## D - CONSOLIDATED ACTIVITY REPORT

- Relative change: +13.4%
- Average price: BGN 1.49

After the dual listing in 2011, the shares of Eurohold Bulgaria AD have been traded on the Warsaw Stock Exchange, Main market, with stock Index – EHG.

The graph shows the price dynamics of the shares of Eurohold Bulgaria AD on the Warsaw Stock Exchange for the period 02.01.2018 – 28.12.2018



Source: WSE

- Initial price: BGN 0.90/2.08 PLN (04.01.2018)
- Last price: BGN 1.54/ 3.54 PLN (10.12.2018)
- Maximum price: BGN 3.25/7.50 PLN (03.04.2018)
- Minimum price: BGN 0.90/2.08 PLN (04.01.2018)
- Value change: BGN +0.64 /1.46 PLN
- Relative change: +70.2%
- Average price: BGN 2.08 /4.79 PLN

## D15. OTHER INFORMATION

### IMPORTANT EVENTS LISTED AFTER THE DATE OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

At the date of this consolidated activity report for the Eurohold Bulgaria Group, the following important events occurred:

#### Insurance business

- ◆ On 22, 24 and 29 January 2019 and 5 February 2019 contributions were made for the increase of the capital of Euroins Insurance Group AD in the total amount of BGN 3 950 000. They were registered in the Commercial Register on February 21, 2019, thus the registered capital contributed to February 21, 2019 amounts to BGN 502 395 791. EIG AD has used part of the paid-up capital for Euroins Russia's capital increase, respectively BGN 1 091 thousand. and Euroins Greece, respectively BGN 489 thousand.
- ◆ On 4 March 2019, the Board of Directors of Euroins Insurance Group decided to acquire the following companies:
  - ◆ 93.12% of the registered capital of the Private joint-stock company "ERGO Insurance Company", Belarus.
  - ◆ 100.00% of the registered capital of "Insurance Company ERGO" AS, Czech Republic.
  - ◆ 99.9785% of the registered capital of "ERGO Assurari" SA, Romania.
  - ◆ 99.9924% of the registered capital of "ERGO Avesari De Vlada" SA, Romania.

**Automotive business**

- ◆ On March 22, 2019 Milen Asenov Hristov was entered in the Commercial Register as Procurator of the subsidiary Auto Italia EAD.
- ◆ On 11.02.2019, an increase of the capital of BenzIn Finance EAD was registered in the Commercial Register by BGN 550 thousand - from BGN 500 thousand to BGN 1 050 thousand.
- ◆ By a memorandum of the BD of the subsidiary Auto Italia EAD dated 23.11.2018 it was decided to set up a subsidiary of Auto Italia EAD, namely Auto Italia-Sofia EOOD. The intention of the management is to divide the import and divestment activities of the FIAT, Maserati and Alfa Romeo brands - the newly established company will be a dealer for Sofia, and Auto Italia EAD remains the only importer for the brands in Bulgaria.

**Leasing business**

- ◆ On 02.01.2019 in the Commercial Register a change was registered in the Board of Directors of Eurolease Group EAD as follows - Boyana Vassileva Kantardzhieva, in the place of Ani Dimitrova Bachvarova, is the Chairman of the Company's Board of Directors.
- ◆ On 09.04.2019 in the Commercial Register was registered an increase of the capital of the subsidiary Eurolease Rent A Car EOOD with BGN 400 thousand to BGN 1 335 thousand. The capital of the Company is fully paid up. The increase of the capital is reflected by entering in the Commercial Register on 09.04.2019.
- ◆ Since the beginning of 2019, the subsidiaries Amigo Leasing EAD and Autoplaza EAD have registered new branches as follows:
  - ◆ Amigo Leasing EAD:
    - ◆ Veliko Tarnovo Branch, with headquarters and address of management: Veliko Tarnovo, 4, Pop Harton Str., Ent. 1, floor 1.
  - ◆ Autoplaza EAD:
    - Burgas Branch, with headquarters and management address: 10, General Skobelev Street, fl. 1;
    - Varna Branch, with headquarters and address of management: Varna, Odessos Street, 45, Alexander Dyakovich Str., Ent. A.

**Parent company**

- ◆ At the date of these financial statements, Eurohold Bulgaria is in the process of increasing the share capital. At a meeting of the Management Board of Eurohold Bulgaria AD dated 15 March 2019, a decision was taken to increase the Company's capital through the public offering of 79,010,240 new, registered, dematerialized, preferred shares, without voting rights, with an issue value of BGN 1.95 to share. The General Meeting of Shareholders of Eurohold Bulgaria AD is convened, which will be held on 22.04.2019 with the agenda adopting a decision for increase of the capital of the company from 197,525,600 (one hundred and ninety-seven million five hundred twenty five thousand six hundred) to 276 535 840 (two hundred and seventy-six million five hundred thirty five thousand and eight hundred and forty) by issuing a new issue of new class shares, namely preferred shares under the terms of a public offering under the Public Offering of Securities Act. The intentions of the managing body of Eurohold Bulgaria AD are, upon successful registration of the new issue, that the raised funds be used in two directions - supply objectives, namely:
  - ◆ Purpose 1. Reduction of the long-term indebtedness of the Issuer up to BGN 40 000 000
  - ◆ Objective 2. Expansion of the Issuer into insurance and other business segments amounting to BGN 114 050 000, including the support of the subsidiary EuroIns Insurance Group AD through the addition of a part of the subscribed but not paid-up capital of the company, which will be used to implement its investment strategy to expand its presence in Central and Southeast Europe, as well as investments of the Issuer in new regulated business development segments.

**D – CONSOLIDATED ACTIVITY REPORT**

- On 1 April 2019 Eurohold Bulgaria AD made an Individual offer for the acquisition of CEZ Group's assets in Bulgaria. The intention to acquire CEZ Group's assets in Bulgaria is part of the long-term strategy of the holding to enter new regulated business segments that offer great opportunities for growth.

The Management Board of Eurohold Bulgaria AD does not have any other significant or significant events that occurred after the reporting period.

**CONTACT INFORMATION - INVESTOR RELATIONS DIRECTOR**

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[investors@eurohold.bg](mailto:investors@eurohold.bg)

**Eurohold Bulgaria AD, Sofia**  
19 April 2019



**E –**

## **Corporate Governance Declaration**

**Corporate Governance Declaration for 2018  
according to Art. 100n, para 8 in relation to para. 7, Item 1 of POSA**

## Corporate governance declaration

*This corporate governance declaration is based on the good governance principles and standards defined by the Bulgarian legislation in the provisions of the National Code of Corporate Governance, the Commerce Act, the Public Offering of Securities Act, the Accountancy Act, the Independent Financial Audit Act and other laws and legal regulations and internationally recognized standards.*

### **I. Information under article 100n, paragraph 8, item 1 of the Public Offering of Securities Act**

Eurohold Bulgaria AD (the Company) has adopted and observes the National Code of Corporate Governance. Eurohold Bulgaria AD follows the recommendations of the National Code of Corporate Governance led by the best practices in the field of corporate governance. Good corporate governance is a set of relationships among the governing body of the Company, its shareholders and all stakeholders – employees, commercial partners, creditors of the company, potential future investors and the general public. If the principles of good corporate governance are not applied or there is a danger of failure to observe them, the company is obliged to disclose such information in a timely manner.

As a result of the consistent policy of the Managing Board of Eurohold Bulgaria AD in terms of the introduction, enhancement and improvement of the corporate governance, the company has established and implemented procedures that ensure the observance of all principles set out in the National Code of Good Governance. To this end, after the evaluation of the results achieved in this area, in 2011 the Managing Board adopted a resolution to affiliate the company to the National Code of Corporate Governance. By doing this, Eurohold Bulgaria AD has demonstrated its willingness to maintain and develop in the future the procedures and corporate governance practices introduced during the last five years.

The established governance system guarantees the existence and the prosperity of the company as a strong framework within which the managing bodies work in the best interest of the company in compliance with the reasonable expectations of its shareholders and all stakeholders. Detailed information about the corporate policy of Eurohold Bulgaria and the procedures for its implementation is contained in the Corporate Governance Program, the Articles of Association and the other constitutional deeds of the company.

The Managing Board of Eurohold Bulgaria AD makes best efforts to maximize the shareholders' benefit by ensuring their equal treatment, including the minority and the foreign shareholders.

The shares of Eurohold Bulgaria AD are registered for trade on the Bulgarian Stock Exchange, and as of 15<sup>th</sup> of December 2011 they are traded at the Warsaw Stock Exchange too. All current shareholders and potential investors are able to freely make transactions for purchase and sale of the company's securities. The company has entered into an agreement with the Central Depository for keeping the book of shareholders, which reflects the current position and registers the changes occurred in the ownership.

The management of Eurohold Bulgaria AD guarantees the equal treatment of all shareholders, including minority and foreign shareholders. The management is obliged to protect their rights and to facilitate the exercising of such rights within the limits allowed by the applicable legislation and the provisions of the company's constitutional deeds. The management ensures timely information to all shareholders in terms of their rights.

The strategic objectives of the corporate governance are as follows:

- Equal treatment of all shareholders, ensuring the protection of their rights;
- Improvement of the level of awareness among the shareholders and transparency;
- Achievement of transparency and publicity of the processes for provision of information by the company;
- Ensuring a mechanism for good governance of the company by its managing bodies, and
- Opportunity for efficient supervision on the governance by the shareholders and the regulatory authorities.

The well-balanced interaction among shareholders, management and stakeholders is a result of the implementation of the corporate governance principles.

The corporate governance declaration of Eurohold Bulgaria AD is subject to the "observe or explain" principle.

## **II. Information under article 100n, paragraph 8, item 2 of the Public Offering of Securities Act**

Eurohold Bulgaria AD has a two-tier management system. According to article 19 of the Articles of Association of Eurohold Bulgaria AD, the managing bodies of the company are General Meeting of Shareholders, Supervisory and Managing Board. The company also has a procurator.

The efficient interaction between the Managing and the Supervisory Board ensures high level of competence for governance of the company in the shareholders' interest, while taking in consideration the stakeholders.

The Managing board comprises six natural persons, including a Chairman of the Managing Board who is also the representative of the Company, an Executive member of the Managing Board and four members of the board.

The Supervisory Board consists of six natural persons and one legal entity, including a Chairman of the Supervisory Board, a Deputy Chairman of the Supervisory Board, two independent members and two member of the Supervisory Board.

Eurohold Bulgaria AD can be represented only by one executive member of the Managing Board and the company's procurator jointly.

The conditions for appointment and dismissal of the members of the managing and the supervisory board and of the procurator are provided for in the company's Articles of Association.

Eurohold Bulgaria has a remuneration policy developed by the supervisory board and approved by the general meeting of shareholders.

The policy for remuneration of the members of the supervisory and the managing board of Eurohold Bulgaria AD sets out the main rules for defining the remuneration of the persons who take the office of members of the supervisory and of the managing boards of the public company in relation to the performance of their powers when exercising managing and supervisory functions in the company. The remuneration of the members of the Managing and the Supervisory Board and the procurator is fixed in a management contract. Currently, the remuneration is fixed and has no variable element. The amount of the remuneration is defined depending on specific principles outlined in the remuneration policy. By resolution of the general meeting and upon achieving specific financial results, the members of the managing and the supervisory board may receive additional incentives.

In compliance with the internationally adopted principles for corporate governance and the best practices for disclosure of information, the company has a Code of Ethics developed by the Managing Board and adopted by the Supervisory Board.

The Code of Ethics is adopted and observed by the members of the Supervisory and the Managing Board and in their work they observe the generally accepted principles for honesty, governance and professional competence. Internal Rules of Ethics are developed and followed for the standards of business behavior of the managers within the holding structure and for prevention of abuse of in-house information. The observance of the Code of Ethics is aimed at the establishment of efficient and transparent corporate governance of the public and other subsidiaries within the structure of Eurohold Bulgaria AD in the interest of their shareholders.

On 26.05.2009 the General Meeting of Shareholders of Eurohold Bulgaria AD appoints an Audit Committee of the Company. It comprises three members with 3 years' term of office. By resolution of the company's general meeting, the members of the Audit Committee has been appointed for another term of office of 5 years as from 26.05.2012.

In compliance with article 40I of the Independent Financial Audit Act (IFAA), the Audit Committee reports on annual basis to the General Meeting of Shareholders upon the adoption of the Company's financial statements. The report of the Audit Committee is made and submitted to the shareholders together with all other materials relevant to the regular annual General Meeting of Shareholders of the company for adoption of the annual non-consolidated and consolidated Financial Statements.

Pursuant to the provisions of IFAA, the Audit Committee of Eurohold Bulgaria AD has the following functions:

- To inform the management and supervisory bodies of the Company about the results of the statutory audit and explain how the statutory audit has contributed to the reliability of the financial reporting and the role of the Audit Committee in the process;
- To monitor the financial reporting process and presents recommendations and suggestions to ensure its effectiveness;
- To monitor the effectiveness of the internal control system, risk management system, and internal audit activity in relation to financial reporting in the audited entity;
- To monitor the statutory audit of the annual financial statements, including its performance, taking into account the findings and conclusions of the Commission on the application of Art. Article 26 (6) of Regulation (EU) No 537/2014;
- To verify and monitors the independence of the registered auditors in accordance with the requirements of Chapters Six and Seven of the Act, as well as with Art. 6 of Regulation (EC) No 537/2014, including the appropriateness of outsourcing services to the audited entity under Art. (5) of that Regulation;
- is responsible for the selection procedure of the registered auditor and recommends his appointment, except where the audited entity has a selection board;
- To notify the Commission for Public Supervision of the Registered Auditors as well as the management and supervisory bodies of the enterprise for any given approval under Art. 64, para. 3 and Art. 66, para. 3 within 7 days from the date of the decision;
- Reports its activities to the Appointing Authority;
- Prepare and submit to the Commission for Public Supervision of Registered Auditors by 30 June an annual activity report.

The Managing Authority of Eurohold Bulgaria AD provides sufficient resources to the Audit Committee for the effective performance of its duties.

The members of the management and supervisory bodies and the employees shall be obliged to assist the audit committee in the performance of its activities, including to provide the requested information within a reasonable timeframe.

The aim of the Audit Committee is to support the Company's management while fulfilling its obligations for the integrity of the separate and consolidated financial statements, the assessment of the efficiency of the internal financial control systems and the monitoring the efficiency of the internal and external auditors.

The company observes the best practices in terms of information disclosure and each change in the information disclosure process required due to occurred specific circumstances and reasons is subject to obligatory prior approval by the company's management.

In 2018 there are no changes in the information disclosure process.

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**F - CORPORATE GOVERNANCE DECLARATION**

Every material regular or incidental information is being disclosed immediately. The company has coordinated its business with the applicable national legislation and with the European legal framework that directly applies to the national legislation.

The company's management is trying to get as close as possible to the good corporate practices and to this end it is committed to develop rules according to which the materiality of every piece of information and the necessity of its disclosure, respectively, are to be assessed.

The Company has no written rules on the organization and conducting general meetings, however the company's management strictly observes the requirements and the provisions of the applicable legislation and the Company's articles of association in terms of deadlines and content of the materials for the agenda of the General Meeting of Shareholders (GMS). The notice for GMS is made according to the legal requirements and in the greatest details possible. It contains all proposed resolutions for the purposes of making each shareholder aware thereof in advance, before its public announcement.

In their work, the members of the Managing and the Supervisory Board of Eurohold Bulgaria AD are led by the adopted rules and procedures for avoidance and disclosure of conflicts of interest in case of transactions with stakeholders, which are stipulated in the company's constitutional deeds. According to these rules and procedures, the Managing and the Supervisory Boards approve all transactions with related parties, which are implemented in a way ensuring diligent governance of the interests of the company and its shareholders.

The annual and interim statements are prepared under the supervision of the company's management, which directly monitors the accountancy and financial reporting systems. On a monthly basis, the management of Eurohold Bulgaria AD receives management reports from all subsidiary sub-holdings for the development of the companies and the achieved financial results. The Managing Board prepares an annual director's report for its work, which is adopted by the General Meeting of Shareholders.

Eurohold Bulgaria AD does not have developed written policy for social responsibility, however the company is committed and devoted to social support and care for the health of its employees.

### **III. Information under article 100n, paragraph 8, Item 3 of the Public Offering of Securities Act**

Eurohold Bulgaria AD has established and operating risk management and internal control system, which ensures efficient functioning of the accountancy and financial reporting and information disclosure systems. The internal control system is established and functions also with view of identifying the risks attributable to the Company's business and of enhancing their effective management.

The internal control and risk management are aimed at ensuring a reasonable level of surety in terms of achieving the strategic objectives of the Holding relevant to the attainment of efficacy and efficiency of the operations, reliability of the financial reports, observance and implementation of the existing legal and regulatory frameworks. The internal control and risk management are implemented by the managing and supervisory bodies and by the heads of the holding's structural division and the executive directors of the subsidiaries.

Eurohold Bulgaria AD has adopted and implements rules and procedures for effective functioning of the accountancy and financial reporting and information disclosure systems. These rules describe in details the different types of information created and disclosed by the company, the in-house document management processes, the different levels of access to the types of information among the responsible persons and the time periods for processing and management of the information flows.

The established risk management system ensures the efficient internal control upon the creation and management of all in-house documents, including financial statements and other regulated information the Company is obliged to disclose in compliance with the legal provisions.

**E - CORPORATE GOVERNANCE DECLARATION**

One of the main objectives of the Introduced Internal control and risk management system is to support the management and other stakeholders in assessing the reliability of the Company's financial statements.

The annual separate financial statements and the annual consolidated financial statements of Eurohold Bulgaria AD are subject to independent financial audit for the purposes of achieving objective external opinion about the way of their preparation and presentation. The Company prepares and maintains its accounting records in accordance with International Financial Reporting Standards.

The risk management policy is implemented in an integrated manner and in compliance with all other policies and principles regulated in the in-house deeds of Eurohold Bulgaria AD.

A detailed description of the risks that characterize the activities of Eurohold Bulgaria AD and its subsidiaries is presented in Item D13. "Description of the main risks" in this Consolidated Activity Report

**IV. Information under article 100n, paragraph 8, item 4 of the Public Offering of Securities Act**

The members of the Supervisory and the Managing Board of Eurohold Bulgaria AD submit information under article 10, paragraph 1, letters "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids:

Paragraph 1, letter "c"	Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of article 85 of Directive 2001/34/EC.	Eurohold Bulgaria AD holds significant direct or indirect shareholdings, which are described in details in part BUSINESS REVIEW, Lines of Business of the Company's Annual Report 2018
Paragraph 1, letter "d"	The holders of any securities with special control rights and a description of those rights	There are no shares that give special control rights.
Paragraph 1, letter "f"	Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities;	There are no restrictions on the voting rights of the holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities.
Paragraph 1, letter "h"	The rules governing the appointment and replacement of board members and the amendment of the articles of association	The rules governing the appointment and replacement of members of the Managing Board and the Supervisory Board and the amendment of the articles of association are set out in the constitutional deeds of Eurohold Bulgaria AD and the adopted rules of procedure of the two bodies.
Paragraph 1, letter "i"	The powers of the board members, and in particular the	The powers of the members of the Managing Board and of the Supervisory Board are provided for in

**F - CORPORATE GOVERNANCE DECLARATION**

	power to issue or buy back shares;	the articles of association of Eurohold Bulgaria AD and the adopted rules of procedure of the two bodies.
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**V. Information under article 100n, paragraph 8, Item 5 of the Public Offering of Securities Act**

Eurohold Bulgaria AD has a two-tier management system.

The Company is managed and represented by the Management Board as at the date of preparation of this Statement is as follows:

Kiril Ivanov Boshov - Chairman;

Asen Mintchev Mintchev - Executive Director;

Velislav Milkov Hristov - Member;

Assen Emanuilov Assenov - Member;

Dimitar Kirilov Dimitrov - Member;

Razvan Stefan Lefter - Member.

The Supervisory Board controls the activity of the Management Board by providing guidance to the Management Board in accordance with the established objectives and strategies of the Company and the interests of the shareholders. The Supervisory Board has the following composition:

Asen Milkov Christov - Chairman;

Dimitar Stoyanov Dimitrov - Deputy Chairman;

Louis Gabriel Roman - Member

Radi Georgiev Georgiev - Member;

Lyubomir Stoev - Independent Member;

Kustaa Lauri Ayma - Independent Member.

The Management Board and the Supervisory Board of Eurohold Bulgaria AD have adopted and apply regulations for the work of the two bodies which determine their powers and the manner of their work in order to ensure their effective activity within the two-tier system of management of the Company, providing the management and representation of the Company, according to the internal regulations, the requirements of the law and protecting the interests of the shareholders.

The General Meeting of Shareholders is a senior management body of the Company and consists of all shareholders with voting rights. The competencies of the General Meeting of Shareholders (GMS) are key decisions for the Holding's activities, such as: taking a decision to amend and supplement the Statute; transformation and termination of the Company; increase and decrease of capital; election of members of the Supervisory Board and others.

The General Meeting of Shareholders determines the remuneration of the members of the Management Board as well as other property issues / additional incentives / related to its activities. Information on the remuneration and additional incentives received by the members of the Management Board is disclosed annually in the annual report of the Company's activities.

**VI. Information under Art. 100n, para. 8, item 6 of the Public Offering of Securities Act**

Eurohold Bulgaria AD has not prepared and approved a diversity policy with regard to management and supervisory bodies, but in practice no age, gender, nationality and education are introduced in the election of the members of the governing bodies. Leading factors are qualifications, managerial skills, competence, professional experience in the given field of activity and others.

This Statement of Corporate Governance of Eurohold Bulgaria AD was compiled and signed by the Governing Council on 19 April 2019.

This corporate governance declaration of Eurohold Bulgaria AD is made and signed on 19.04.2019.



**F.**  
**Declaration of Responsible  
Persons**

**DECLARATION**  
**In accordance with article 100n, paragraph 4, Item 4 of**  
**Public Offering of Securities Act**

The undersigned,

1. Kiril Boshov – Chairman of the Management Board of Eurohold Bulgaria AD
2. Assen Minchev – Executive member of the Management Board of Eurohold Bulgaria AD
3. Hristo Stoev – Procurator of Eurohold Bulgaria AD
4. Ivan Hristov – Financial controller of Eurohold Bulgaria AD (compiler of the financial statements)

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

1. The annual consolidated financial statements for 2018, composed in accordance with the applicable accounting standards, contain true and fair information regarding the assets and liabilities, the financial standing and the profit of Eurohold Bulgaria AD;

2. The annual consolidated management report for 2018 includes a fair review of the development and performance of Eurohold Bulgaria as well as description of major risks and uncertainties facing the company.

**Declarers:**

1. Kiril Boshov

2. Assen Minchev

3. Hristo Stoev

4. Ivan Hristov

