

# EUROHOLD BULGARIA AD



## ANNUAL CONSOLIDATED REPORT 2019



**The Annual consolidated report of Eurohold Bulgaria AD for 2019 contains an Audited Consolidated Financial Statement under the Accounting Act, an Independent Auditor's Report, a Consolidated Activity Report, providing commentary and analysis of the consolidated financial statements and other essential information about the Company's financial position and results for 2019, as well as a Corporate Governance Declaration and Non-financial Declaration**

**The Annual Consolidated report of Eurohold Bulgaria AD has been prepared based on Chapter Seven of the Accounting Act.**

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**Translation:**

**This Annual 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 will be authoritative.**

**Unless the context otherwise requires, Eurohold, Holding, Company means Eurohold Bulgaria AD, and Group or Eurohold Group means Eurohold Bulgaria AD and its subsidiaries and associates.**



➤ **A**  
**INDEPENDENT AUDITOR'S REPORT**

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

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

**Qualified 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 2019 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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, except for the effects of the matter, described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, 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 Qualified Opinion**

As disclosed in Note 31 "Investments associates and other investments" to the Consolidated Financial Statements as of 31 December 2019, the Group through the subsidiary "Euroins Insurance Group" AD holds 48.61% in the Russian insurance company "Russian Insurance Company Euroins" and presents in Note 3 "Revenue from insurance business", to the consolidated financial statements as of 31 December 2019, share of profit on investments in associates accounted for using the equity method in the amount of BGN 4 535 thousand. The investment is classified as an investment in an associate and is reported in the consolidated financial statements of the subsidiary – "Euroins Insurance Group" AD as of 31 December 2019 using the equity method. For the purposes of the consolidated financial statements of "Eurohold Bulgaria" AD, as of 31 December 2019, the investment in the "Russian insurance company Euroins" was valued using the share of the fair value of the associated company's equity, which value is determined on the basis of an appraisal by an independent appraiser. As a result, the Group has increased the value of the investment in associates as of 31 December 2019 by an additional BGN 5 526 thousand, and this difference is reported in other comprehensive income in the consolidated financial statements as of 31 December 2019. Respectively, "Eurohold Bulgaria" AD has reported the investment in the associate – "Russian Insurance Company Euroins" for 2019 at fair value through other comprehensive income, but not using the equity method, which is in violation of the requirements of IAS 28 "Investments in associates and joint ventures" and the Group's adopted accounting policies.

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' International Code of

Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements of Bulgarian Independent Financial Audit Act 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 qualified opinion.

**Emphasis of Matter**

We draw attention to Note 51 “Events after the end of the reporting period” and Note 2.24.5 “Other risks - Covid-19 (Coronavirus)” to the consolidated financial statements, which discloses a material non-adjusting event related to the spread of the COVID-19 pandemic. The disruption of normal economic activity in the Republic of Bulgaria as a result of COVID-19 may adversely affect the Group's operations. Information on the nature of the potential effects and an estimate of their financial and economic effects is disclosed in Note 2.24.5 “Other risks - Covid-19 (Coronavirus)” to the consolidated financial statements.

We draw attention to Note 2.1 “Basis for preparation of the consolidated financial statements” to the consolidated financial statements, which discloses that the equity of the Group is less than the registered capital of the Parent Company by BGN 6,828 thousand. The net asset value of the Group is lower than the amount of the subscribed capital and the shareholders must take steps to overcome the disturbed ratio of own and registered capital.

Our opinion is not modified in respect of this matter.

**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. In addition to the matter, described in the “Basis for Qualified Opinion” section above, we have determined the matters described below as key audit matters to be communicated in our auditor's report.

Key audit matter	How this key audit matter was addressed in our audit
<p><b>1. Assessment of the adequacy and sufficiency of insurance reserves</b></p> <p><b>Insurance reserves as of 31 December 2019: BGN 767 683 thousand (31 December 2018: BGN 676 346 thousand)</b></p> <p><b>Note 2.9, Note 2.14.1, Note 43 to the consolidated financial statements</b></p> <p>Group insurance reserves amount to 58% from the total liabilities and subordinated debts as of 31 December 2019 (57% as of 31 December 2018), and include Unearned premium reserve (UPR),</p>	<p>In this area, our audit procedures, include:</p> <ul style="list-style-type: none"> <li>We have included our specialist actuary who is involved in the implementation of audit procedures in this area.</li> <li>Our approach has been focused on more complex models or those models where there are more significant judgments in determining the assumptions used in the calculation of insurance reserves, or for the purposes of the test of adequacy of insurance reserves.</li> </ul>

Key audit matter	How this key audit matter was addressed in our audit
<p>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 2019 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, engaged by the Group. Therefore we determine this matter as key audit matter.</p>	<ul style="list-style-type: none"> <li>We gained understanding and evaluated the design and operational effectiveness of selected key controls in terms of actuarial methodology, the reliability of the data used in the actuarial valuations, and the assumptions and management processes used by management that relate to the valuation of non-life insurance reserves.</li> </ul> <p>With regard to the issues set out above, our procedures essentially included the following:</p> <ul style="list-style-type: none"> <li>We tested the completeness and accuracy of the claims data that the Group's actuaries used in the valuation of reserves.</li> <li>We included our specialist actuary for independent testing of management's estimates regarding the reservations of the methodology used and assumptions against recognized actuarial practices and standards in the industry.</li> <li>We performed an independent calculation of the expected development of claims in respect of selected product lines, focusing in particular on the largest and most uncertain general insurance reserves, and assessing the adequacy of the reserve for unexpired risks and the reserve for incurred but unclaimed claims, including an estimate based on the future development of the provision for future payments.</li> <li>We checked the reliability of the insurance reserve adequacy test performed by the management, which is a basic test confirming that the reserves are sufficient to cover future payments. The data used in the model were reconciled with the accounting registers.</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><b>Goodwill as at 31 December 2019: BGN 190 397 thousand (31 December 2018: BGN 190 458 thousand)</b></p> <p><b>Notes 2.18 и 34 to consolidated financial statements</b></p> <p>Management performs a recoverability test of goodwill (the so-called impairment test) at least once a year or, if necessary, in the presence of an event that is an indication of potential loss, with the help of independent external evaluators engaged by the Group. The carrying amount of goodwill disclosed in the consolidated financial statements is reviewed separately at the company level.</p> <p>The goodwill test is complex, involves an in-depth analysis of a number of uncertainties and assumptions about estimates, and is based on the Group's assumptions and judgments. In particular, these assumptions and estimates include the expected future cash flows of individual countries (taking into account the development of future premiums, projected combined ratios and financial income), which are based mainly on past experience, as well as management's assessment of expected market environment. Other factors are the expected long-term growth rate, as well as the basic region-specific capital expenditures and the capital rate of the countries in which the group operates.</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, include:</p> <ul style="list-style-type: none"> <li>• Review of the main assessment and assumptions, calculations and results from the impairment's test carried out by the Group's management, prepared with the help of independent external appraisers;</li> <li>• Assessment of the competence, independence and objectivity of the external appraisers, hired by the Group;</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, 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, which we have obtained prior the date of our auditor's report.

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.

As described in the "Basis for Qualified Opinion" section, the Group has committed material misstatement in connection with the measurement of the carrying amount of investments in associates as at 31 December 2019. We reached the conclusion that the other information contains material misstatement due to the effects of this material misstatement on the financial performance and accompanying disclosures about this object included in the other information.

### **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, over which we expressed qualified opinion in the "Report on the Audit of the Consolidated Financial Statements" section above.
- 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 2019 by the general meeting of shareholders held on 30 June 2019 for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended 31 December 2019 represents third 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:**

Prof. Stoyan Stoyanov

14 July 2020

A handwritten signature in blue ink is written over a blue circular stamp. The stamp contains the text: 'ОДИТОРСКО ДРУЖЕСТВО' (Audit Firm) at the top, 'София' (Sofia) in the center, 'Reg. № 017' below it, and 'ЕИЧ Ел Би България ООД' (EIB Bulgaria OOD) at the bottom.



**B**  
**CONSOLIDATED FINANCIAL STATEMENT**

**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	2019	2018 Restated*
<b>Revenue from operating activities</b>			
Revenue from insurance business	3	1 323 840	987 201
Revenue from car sales and after sales	5	244 757	223 332
Revenue from leasing business	6	25 301	25 180
Revenue from asset management and brokerage	8	4 521	4 322
Revenue from the activities of the parent company	10	2 390	23 125
		<b>1 600 809</b>	<b>1 263 160</b>
<b>Expenses of operating activities</b>			
Expenses of insurance business	4	(1 257 871)	(931 949)*
Cost of cars and spare parts sold		(211 190)	(194 093)
Expenses of leasing business	7	(8 751)	(9 259)
Expenses of asset management and brokerage	9	(3 178)	(2 539)
Expenses of the activities of the parent company	11	(1 164)	(576)
		<b>(1 482 154)</b>	<b>(1 138 416)*</b>
<b>Gross Operating Profit</b>			
		<b>118 655</b>	<b>124 744*</b>
Other income/(expenses), net	12	(1 080)	155
Other operating expenses	13	(74 642)	(79 147)*
(Accrued)/recovered impairment loss on financial assets, net	14	(1 630)	913
<b>EBITDA</b>			
		<b>41 303</b>	<b>46 665*</b>
Financial expenses	15	(19 908)	(23 182)
Financial income	16	112	166
Foreign exchange gains/(losses), net	17	(303)	619
<b>EBTDA</b>			
		<b>21 204</b>	<b>24 268*</b>
Depreciation and amortization	18	(20 451)	(10 541)
<b>EBT</b>			
		<b>753</b>	<b>13 727</b>
Tax expenses	19	(1 683)	(2 639)*
<b>Net profit for the year</b>			
		<b>(930)</b>	<b>11 088*</b>
Net profit, attributable to:			
Equity holders of the parent		(2 885)	9 105*
Non-controlling interests		1 955	1 983*
<b>Earnings per share, BGN</b>			
	44.3	<b>(0.015)</b>	<b>0.047*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50. The Group has initially applied IFRS 16 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/

25.6.2020

Audit firm  
HLB Bulgaria OOD

These annual consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD on 25 June 2020. The notes from pages 23 to 101 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>	Note	2019	2018 Restated*
<b>Net profit for the year</b>	45	<b>(930)</b>	<b>11 088*</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		(8)	50*
Exchange differences on translating foreign operations		1 158	1 421*
		<b>1 150</b>	<b>1 471*</b>
<i>Other comprehensive income not to be reclassified subsequently to profit or loss:</i>			
Revaluation of associates	31	5 526	-
		<b>5 526</b>	<b>-</b>
<b>Total other comprehensive income for the year, net of tax</b>		<b>6 676</b>	<b>1 471*</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>5 746</b>	<b>12 559*</b>
Total comprehensive income, attributable to:			
Equity holders of the parent		3 454	10 482*
Non-controlling interests		2 292	2 077*
		<b>5 746</b>	<b>12 559*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50.

Prepared by:

  
 /Ivan Hristov/

Signed on behalf of BoD:




Procurotor:

/Asen Minchev/                      /Hristo Stoev/

25.6.2020

 Audit firm  
 HLB Bulgaria OOD


These annual consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD on 25 June 2020. The notes from pages 23 to 101 are an integral part of the annual consolidated financial statements.

**Eurohold Bulgaria AD**  
**Consolidated statement of financial position**  
**as of 31.12.2019**

<i>In thousand BGN</i>	Note	31.12.2019	31.12.2018 Restated*
<b>ASSETS</b>			
Cash and cash equivalents	20	91 690	49 540
Fixed-term Deposits at banks	21	15 787	20 157
Reinsurers' share in technical reserves	22.1	463 829	408 377
Insurance receivables	22.2	127 796	99 448
Trade receivables	23	47 151	37 518
Other receivables	24	51 765	37 586*
Machinery, plant and equipment	25, 25.3-7	53 150	51 467
Intangible assets	27	3 546	3 274
Inventory	28	42 168	60 622
Financial assets	29	261 899	291 196*
Deferred tax assets	30	13 061	13 083*
Land and buildings	25, 25.1-2	53 906	15 043
Investment property	26	15 703	20 209
Investments in associates and other investments	31	18 113	10 042*
Other financial investments	32	5 650	2 403
Non-current receivables	33	54 199	79 826
Goodwill	34	190 397	190 458
<b>TOTAL ASSETS</b>		<b>1 509 810</b>	<b>1 390 249*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50. The Group has initially applied IFRS 16 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/
 

25.6.2020

 Audit firm  
 HLB Bulgaria OOD


These annual consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD on 25 June 2020. The notes from pages 23 to 101 are an integral part of the annual consolidated financial statements.



**Eurohold Bulgaria AD**  
**Consolidated statement of financial position**  
**as of 31.12.2019 (continued)**

<i>In thousand BGN</i>	Notes	31.12.2019	31.12.2018 Restated*
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	44.1	197 526	197 526
Treasury shares	44.1	(1 353)	(77)
Share Premium	44.2	49 568	49 568
General reserves		7 641	7 641
Revaluation and other reserves		(52 943)	(57 616)*
Retained earnings/(losses)		(40 279)	(46 036)*
Profit for the year	45	(2 885)	9 105*
<b>Equity attributable to equity holders of the parent</b>		<b>157 275</b>	<b>160 111*</b>
Non-controlling interests	46	33 423	40 464*
<b>Total equity</b>		<b>190 698</b>	<b>200 575*</b>
<b>Subordinated debts</b>	35	<b>19 558</b>	<b>19 558</b>
<b>LIABILITIES</b>			
Bank and non-bank loans	36	140 735	142 167
Obligations on bond issues	37	157 664	157 564
Non-current liabilities	38	23 242	24 745
Current liabilities	39	43 891	37 328*
Trade and other payables	40	139 749	108 308
Payables to reinsurers	41	26 193	23 265
Deferred tax liabilities	42	397	393*
		<b>531 871</b>	<b>493 770*</b>
<b>Insurance reserves</b>	43	767 683	676 346
		<b>767 683</b>	<b>676 346</b>
<b>Total liabilities and subordinated debts</b>		<b>1 319 112</b>	<b>1 189 674*</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 509 810</b>	<b>1 390 249*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50. The Group has initially applied IFRS 16 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Prepared by:

/Ivan Hristov/

25.6.2020

Audit firm  
HLB Bulgaria OOD

Signed on behalf of BoD:

/Asen Minchev/

Procurator:

/Hristo Stoev/



These annual consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD on 25 June 2020. The notes from pages 23 to 101 are an integral part of the annual consolidated financial statements.

**Eurohold Bulgaria AD**  
**Consolidated statement of cash flows**  
**For 2019**

<i>In thousand BGN</i>	Note	2019	2018 Restated*
<b>Operating activities</b>			
<b>Profit for the year before tax:</b>		<b>753</b>	<b>13 727*</b>
Adjustments for:			
Depreciation and amortization	18	20 451	10 541
Foreign exchange gain/(loss)		304	(948)
Dividend income		(88)	(90)
Change in insurance reserves		36 197	33 262
Increase in impairment loss		4 706	6 055
Revaluation of investments		(8 661)	(475)
Profit from the purchase of investments in subsidiaries		-	742
Profit from the sale of investments		(10 015)	(33 029)
Profit from transfer of property, plant and equipment		-	(397)
Net investment income (interest income and expenses)		7 129	12 894
Other non-cash adjustments		(7 449)	5 318
<b>Operating profit before change in working capital</b>		<b>43 327</b>	<b>47 600*</b>
Change in trade and other receivables		(53 637)	(10 726)*
Change in inventory		18 454	(1 497)
Change in trade and other payables and other adjustments		20 241	(37 377)*
<b>Cash generated from operating activities</b>		<b>28 385</b>	<b>(2 000)</b>
Interest (paid)/received		(4 380)	3 356
Income tax paid		(467)	(379)
<b>Net cash flows from operating activities</b>		<b>23 538</b>	<b>977</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(3 670)	(5 076)
Proceeds from the disposal of property, plant and equipment		20 651	3 311
Loans granted		(61 371)	(43 662)
Repayment of loans, including financial leases		67 814	75 794
Interest received on loans granted		3 531	1 882
Purchase of investments		(136 890)	(136 210)
Sale of investments		169 845	104 540
Dividends received		4 816	4 222
Effect of exchange rate changes		(318)	164
Other proceeds/(payments) from investing activities, net		1 550	(2 437)
<b>Net cash flows from investing activities</b>		<b>65 958</b>	<b>2 528</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 30.

Prepared by:

/Ivan Hristov/

25.6.2020

Audit firm  
HLB Bulgaria OOD

Signed on behalf of BoD:

/Asen Minchev/

Procurator:

/Hristo Stoev/



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

<i>In thousand BGN</i>	Note	2019	2018 Restated*
<b>Financing activities</b>			
Proceeds from loans		54 028	116 188
Repayment of loans		(55 381)	(73 505)
Repayment of financial leases		(26 032)	(22 495)
Payment of interest, charges, commissions on investment loans		(16 122)	(20 554)
Dividends paid		(3 276)	(2 827)
Other proceeds/(payments) from financing activities, net		(563)	3 283
<b>Net cash flows from financing activities</b>		<b>(47 346)</b>	<b>90</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year	20	49 540	45 945
<b>Cash and cash equivalents at the end of the year</b>	<b>20</b>	<b>91 690</b>	<b>49 540</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50.

Prepared by:

/Ivan Hristov/

25.6.2020

Signed on behalf of BoD:

/Asen Minchev/

Procurator:

/Hristo Stoev/

Audit firm

HLB Bulgaria OOD



## 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
<b>Balance as at 31 December 2017</b>	<b>197 449</b>	<b>49 568</b>	<b>7 641</b>	<b>(57 203)</b>	<b>(26 952)</b>	<b>170 503</b>	<b>43 606</b>	<b>214 109</b>
Adjustment upon initial application of IFRS 9	-	-	-	-	(11 584)	(11 584)	85	(11 499)
Adjustment upon initial application of IFRS 15	-	-	-	-	(2 102)	(2 102)	-	(2 102)
Effect of correction of errors (Note 50)	-	-	-	-	(896)*	(896)*	(68)*	(964)*
<b>Balance as at 1 January 2018</b>	<b>197 449</b>	<b>49 568</b>	<b>7 641</b>	<b>(57 203)</b>	<b>(41 534)*</b>	<b>155 921*</b>	<b>43 623*</b>	<b>199 544*</b>
Dividends	-	-	-	-	(1 800)	(1 800)	(1 127)	(2 927)
Change in non-controlling interest due to transactions without change of control	-	-	-	(1 790)*	(2 702)*	(4 492)*	(4 109)*	(8 601)*
Profit for the Year	-	-	-	-	9 105*	9 105*	1 983*	11 088*
<b>Other comprehensive income:</b>								
Revaluation reserve from recalculations in the foreign currency presentation	-	-	-	1 331*	-	1 331*	90*	1 421*
Change in the fair value of available-for-sale financial assets	-	-	-	46*	-	46*	4*	50*
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 377*</b>	<b>-</b>	<b>1 337*</b>	<b>94*</b>	<b>1 471*</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 377*</b>	<b>9 105*</b>	<b>10 482*</b>	<b>2 077*</b>	<b>12 559*</b>
<b>Balance as at 31 December 2018</b>	<b>197 449</b>	<b>49 568</b>	<b>7 641</b>	<b>(57 616)*</b>	<b>(36 931)*</b>	<b>160 111*</b>	<b>40 464*</b>	<b>200 575*</b>
Adjustment upon initial application of IFRS 16 (Note 2.26,b)	-	-	-	-	(1 245)	(1 245)	(82)	(1 327)
Effect of correction of errors	-	-	-	-	(74)	(74)	-	(74)
<b>Balance as at 1 January 2019</b>	<b>197 449</b>	<b>49 568</b>	<b>7 641</b>	<b>(57 616)*</b>	<b>(38 250)</b>	<b>158 792</b>	<b>40 382</b>	<b>199 174</b>
Repurchased own shares	(1 276)	-	-	-	-	(1 276)	-	(1 276)
Dividends	-	-	-	-	(2 469)	(2 469)	(859)	(3 328)
Change in non-controlling interest due to transactions without change of control	-	-	-	(1 666)	440	(1 226)	(8 392)	(9 618)
Profit for the Year	-	-	-	-	(2 885)	(2 885)	1 955	(930)
<b>Other comprehensive income:</b>								
Revaluation reserve from recalculations in the foreign currency presentation	-	-	-	1 130	-	1 130	28	1 158
Changes in the fair value of financial assets through other comprehensive income	-	-	-	(8)	-	(8)	-	(8)
Changes in the fair value of associates	-	-	-	5 217	-	5 217	309	5 526
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 339</b>	<b>-</b>	<b>6 339</b>	<b>337</b>	<b>6 676</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 339</b>	<b>(2 885)</b>	<b>3 454</b>	<b>2 292</b>	<b>5 746</b>
<b>Balance as at 31 December 2019</b>	<b>196 173</b>	<b>49 568</b>	<b>7 641</b>	<b>(52 943)</b>	<b>(43 164)</b>	<b>157 275</b>	<b>33 423</b>	<b>190 698</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50. The Group has initially applied IFRS 16 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Prepared by:

Signed on behalf of BoD:

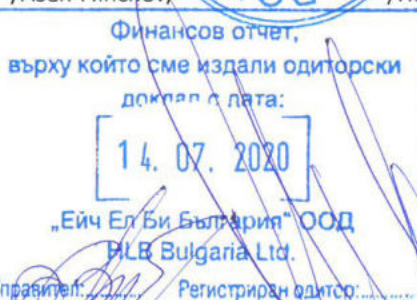
Procurement:

/Ivan Hristov/

/Asen Minchev/

/Hristo Stoev/

25.6.2020

Audit firm  
HLB Bulgaria OOD

These annual consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD on 25 June 2020. The notes from pages 23 to 101 are an integral part of the annual consolidated financial statements.

## Consolidated statement of profit or loss by Business Segments For 2019

In thousand BGN		2019	2019	2019	2019	2019	2019	2019
Note	Consolidated	Insurance business	Automotive	Leasing business	Asset management and brokerage	Parent company	Elimination	
<b>Revenue from operating activities</b>								
	Revenue from insurance business	1 323 840	1 325 145	-	-	-	-	(1 305)
	Revenue from car sales and after sales	244 757	-	253 376	-	-	-	(8 619)
	Revenue from leasing business	25 301	-	-	27 434	-	-	(2 133)
	Revenue from asset management and brokerage	4 521	-	-	-	5 375	-	(854)
	Revenue from the activities of the parent company	2 390	-	-	-	-	7 858	(5 468)
		<b>1 600 809</b>	<b>1 325 145</b>	<b>253 376</b>	<b>27 434</b>	<b>5 372</b>	<b>7 858</b>	<b>(18 379)</b>
<b>Expenses of operating activities</b>								
	Expenses of insurance business	(1 257 871)	(1 266 644)	-	-	-	-	8 773
	Cost of cars and spare parts sold	(211 190)	-	(211 203)	-	-	-	13
	Expenses of leasing business	(8 751)	-	-	(9 025)	-	-	274
	Expenses of asset management and brokerage	(3 178)	-	-	-	(3 179)	-	1
	Expenses of the activities of the parent company	(1 164)	-	-	-	-	(1 187)	23
		<b>(1 482 154)</b>	<b>(1 266 644)</b>	<b>(211 203)</b>	<b>(9 025)</b>	<b>(3 176)</b>	<b>(1 187)</b>	<b>9 084</b>
<b>Gross profit</b>								
		<b>118 655</b>	<b>58 501</b>	<b>42 173</b>	<b>18 409</b>	<b>2 196</b>	<b>6 671</b>	<b>(9 295)</b>
	Other income/(expenses), net	(1 080)	-	14	(1 621)	173	-	354
	Other operating expenses	(74 642)	(32 811)	(26 749)	(9 804)	(1 560)	(5 366)	1 648
	(Accrued)/recovered impairment loss on financial assets, net	(1 630)	(1 081)	(54)	(588)	24	69	-
	<b>EBITDA</b>	<b>41 303</b>	<b>24 609</b>	<b>15 384</b>	<b>6 396</b>	<b>833</b>	<b>1 374</b>	<b>(7 293)</b>
	Financial expenses	(19 908)	(3 515)	(3 551)	(55)	(41)	(14 994)	2 248
	Financial income	112	-	489	-	-	-	(377)
	Foreign exchange gains/(losses), net	(303)	-	-	-	-	(303)	-
	<b>EBTDA</b>	<b>21 204</b>	<b>21 094</b>	<b>12 322</b>	<b>6 341</b>	<b>792</b>	<b>(13 923)</b>	<b>(5 422)</b>
	Depreciation and amortization	(20 451)	(7 165)	(6 729)	(6 090)	(191)	(708)	432
	<b>EBT</b>	<b>753</b>	<b>13 929</b>	<b>5 593</b>	<b>251</b>	<b>601</b>	<b>(14 631)</b>	<b>(4 990)</b>
	Tax expenses	(1 683)	(1 317)	(310)	(35)	(21)	-	-
	<b>Net profit for the year</b>	<b>(930)</b>	<b>12 612</b>	<b>5 283</b>	<b>216</b>	<b>580</b>	<b>(14 631)</b>	<b>(4 990)</b>

## Consolidated statement of profit or loss by Business Segments For 2018

In thousand BGN		2018*	2018*	2018	2018*	2018	2018	2018
Note	Consolidated	Restated	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	987 201	988 994	-	-	-	-	(1 793)
	Revenue from car sales and after sales	223 332	-	234 318	-	-	-	(10 986)
	Revenue from leasing business	25 180	-	-	27 081	-	-	(1 901)
	Revenue from asset management and brokerage	4 322	-	-	-	5 071	-	(749)
	Revenue from the activities of the parent company	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	(931 949)*	(940 449)*	-	-	-	-	8 500
	Cost of cars and spare parts sold	(194 093)	-	(194 312)	-	-	-	219
	Expenses of leasing business	(9 259)	-	-	(12 339)	-	-	3 080
	Expenses of asset management and brokerage	(2 539)	-	-	-	(2 541)	-	2
	Expenses of the activities of the parent company	(576)	-	-	-	-	(661)	85
		<b>(1 138 416)*</b>	<b>(940 449)*</b>	<b>(194 312)</b>	<b>(12 339)</b>	<b>(2 541)</b>	<b>(661)</b>	<b>11 886</b>
<b>Gross profit</b>								
		<b>124 744*</b>	<b>48 545*</b>	<b>40 006</b>	<b>14 742</b>	<b>2 530</b>	<b>23 346</b>	<b>(4 425)</b>
	Other income/(expenses), net	155	-	105	-	50	-	-
	Other operating expenses	(79 147)*	(36 881)*	(30 543)	(9 651)*	(1 645)	(3 004)	2 577
	(Accrued) / recovered impairment loss on financial assets, net	913	(621)	29	1 431	21	(13)	66
	<b>EBITDA</b>	<b>46 665*</b>	<b>11 043*</b>	<b>9 597</b>	<b>6 522*</b>	<b>956</b>	<b>20 329</b>	<b>(1 782)</b>
	Financial expenses	(23 182)	(2 416)	(3 299)	-	-	(19 278)	1 811
	Financial income	166	-	381	-	-	-	(215)
	Foreign exchange gains/(losses), net	619	-	(17)	-	-	636	-
	<b>EBTDA</b>	<b>24 268*</b>	<b>8 627*</b>	<b>6 662</b>	<b>6 522*</b>	<b>956</b>	<b>1 687</b>	<b>(186)</b>
	Depreciation and amortization	(10 541)	(2 243)	(2 821)	(5 392)	(58)	(27)	-
	<b>EBT</b>	<b>13 737*</b>	<b>6 384*</b>	<b>3 841</b>	<b>1 130*</b>	<b>898</b>	<b>1 660</b>	<b>(186)</b>
	Tax expenses	(2 639)*	(2 130)*	(403)	(42)	(64)	-	-
	<b>Net profit for the year</b>	<b>11 088*</b>	<b>4 254*</b>	<b>3 438</b>	<b>1 088*</b>	<b>834</b>	<b>1 660</b>	<b>(186)</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50.

**C**  
**NOTES TO THE FINANCIAL STATEMENTS**

## Notes to the Annual Consolidated Financial Statement for 2019

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 31.12.2019:

#### Supervisory board:

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

#### Management board:

Kiril Ivanov Boshov - Chairman, Executive Member;  
Asen Mintchev Mintchev – Executive Member;  
Velislav Milkov Hristov – Member;  
Assen Emanouilov Assenov – Member;  
Dimitar Kirilov Dimitrov – Member – terminated in December 2019;  
Razvan Stefan Lefter – Member.

As at 31.12.2019, 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 31.12.2019, the Audit Committee of the Parent Company comprises the following members:  
Ivan Georgiev Mankov – Chairman;  
Dimitar Stoyanov Dimitrov – Member;  
Rositsa Mihaylova Pencheva – Member.

## 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 31.12.2019	% of participation in the share capital 31.12.2018
<b>Euroins Insurance Group AD (EIG AD) *</b>	<b>94.41%</b>	<b>91.84%</b>
<b>Indirect participation through EIG AD:</b>		
Insurance Company Euroins AD, Bulgaria	98.28%	98.27%
Euroins Insurance AD, Romania	98.51%	98.51%
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	92.62%	98.36%
Euroins Ukraine AD, Ukraine, through European Travel Insurance AD, Ukraine	5.74%	
Euroins Claims OOD, Greece	100.00%	66.00%
Euroins Georgia AD, Georgia	50.04%	50.04%
European Travel Insurance AD, Ukraine	99.99%	99.99%

\*direct participation

#### Automobile Sector

Company	% of participation in the share capital 31.12.2019	% of participation in the share capital 31.12.2018
<b>Avto Union AD (AU AD)*</b>	<b>99.99%</b>	<b>99.99%</b>
<b>Indirect participation through AU AD:</b>		
Avto Union Service 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	100.00%	99.84%
Auto Italy EAD, Bulgaria	100.00%	100.00%
Auto Italy – Sofia EOOD, Bulgaria, through Auto Italy EAD (established on 16.01.2019)	100.00%	-
Bulvaria Varna EOOD, Bulgaria	100.00%	100.00%
Bulvaria Holding EAD, Bulgaria(related party till 31.12.2019)	100.00%	100.00%
Bulvaria Sofia EAD, Bulgaria	100.00%	100.00%
Star Motors EOOD, Bulgaria	100.00%	100.00%
Star Motors DOOEL, Northern Macedonia through Star Motors EOOD	100.00%	-
Star Motors SH.P.K., Kosovo through Star Motors EOOD	100.00%	100.00%
Motohub OOD, Bulgaria	51.00%	51.00%
Motobul EAD, Bulgaria	100.00%	100.00%
Benzin Finance EAD, Bulgaria through Motobul EAD	100.00%	100.00%
Bopar Pro S.R.L., Romania through Motobul EAD	99.00%	99.00%

\*direct participation



## Finance Sector

<b>Company</b>	<b>% of participation in the share capital 31.12.2019</b>	<b>% of participation in the share capital 31.12.2018</b>
<b>Euro-Finance AD, Bulgaria*</b>	<b>99.99%</b>	<b>99.99%</b>

\*direct participation

<b>Company</b>	<b>% of participation in the share capital 31.12.2019</b>	<b>% of participation in the share capital 31.12.2018</b>
<b>Eurolease Group EAD*</b>	<b>90.01%</b>	<b>100.00%</b>
<b>Indirect participation through Eurolease Group EAD:</b>		
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	20.45%	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

## Energy sector

<b>Company</b>	<b>% of participation in the share capital 31.12.2019</b>	<b>% of participation in the share capital 31.12.2018</b>
<b>Eastern European Electric Company II B.V., The Netherlands</b>	<b>100.00%</b>	<b>-</b>
<b>Indirect participation through Eastern European Electric Company II B.V. (established on 25.07.2019)</b>		
Eastern European Electric Company II B.V., The Netherlands (established on 26.07.2019)	100.00%	-

\* direct participation

Currently, the energy sector companies are not active.

## 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 the International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board and are adopted by the Commission of the European Union. For the purposes of paragraph 1, point 8 of the Supplementary Provisions of the Accounting Act, applicable in Bulgaria, the term "IFRS adopted by the EU" means International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and the Council.

The consolidated financial statements are prepared in Bulgarian leva (BGN), which is the functional currency of the Group. All amounts are presented in thousands of BGN (thousand BGN) (including comparative information for 2018), unless otherwise stated.

The consolidated financial statements have been prepared in accordance with the going concern principle.

As of December 31, 2019, the equity of the Group is less than the registered capital of the Parent Company by BGN 6 828 thousand. The net asset value of the Group is lower than the amount of the subscribed capital and the shareholders should take steps to overcome the disturbed ratio.

As at the date of preparation of these consolidated financial statements, management has assessed the Group's ability to continue as a going concern based on available information about

the foreseeable future. Following the review of the Group's operations, management expects that the Group has sufficient financial resources to continue its operational activities in the near future and continues to apply the going concern principle in preparing the consolidated financial statements.

## 2.2 Changes in accounting policies and disclosures

### 2.2.1 New Standards, Explanations and Amendments in effect since January 1, 2019

The Group applies the following new standards, amendments and interpretations to IFRSs, developed and published by the International Accounting Standards Board, which have an effect on the Group's financial statement and are binding for the annual period beginning on or after 1 January 2019:

- **IFRS 16 „Leases“**

IFRS 16 “Leases” replaces IAS 17 “Leasing” with three interpretations (IFRIC Interpretation 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease) and introduces significant changes in the reporting of leases, especially by lessees.

Under IAS 17, lessees were required to make a distinction between a finance lease (on Statement of financial position) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a ‘right-of-use-asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

In accordance with IFRS 16 the contract represents or contains elements of a Lease if, under this agreement, the right to control the use of an asset for a specified period of time is transferred against remuneration.

The new standard has been adopted through a modified retrospective approach. According to this method on the date of the cumulative effect of its application is recognized at the date of initial application in the opening balance of equity (Retained earnings from previous years). No comparative information is recalculated. The Group has adopted IFRS 16 Leasing retroactively as of 1 January 2019 but has not recalculated comparative data for the reporting period 2018 as permitted by the specific transitional provisions in the standard. The reclassifications and adjustments resulting from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 25.2 *Leases*.

Following the adoption of IFRS 16, the Group recognizes lease obligations in relation to leases that were previously classified as 'operating leases' in accordance with the principles of IAS 17 Leases. These liabilities are measured at the present value of the remaining lease payments discounted at the differential interest rate as of 1 January 2019.

For contracts concluded at the date of initial application, the Group has chosen to apply IFRS 16 to contracts that were previously designated as leases under IAS 17 Leases and IFRIC Interpretation 4 Determining whether an Agreement Leases and Does Not Apply standard with respect to contracts that have not previously been designated as leasing elements under IAS 17 and IFRIC Interpretation 4.

The Group has chosen not to include initial direct costs in measuring an operating lease asset existing at the date of initial application of IFRS 16, which is 1 January 2019.

The Group has used its assessment of whether the leases are encumbered under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, immediately before the date of initial application of IFRS 16 as an alternative to conducting an impairment review.

In the transition, for a lease previously recognized as an operating lease with a residual term of less than 12 months, as well as for the leases of low value assets, the Group applied exemptions not to recognize eligible assets. use, and to account for lease costs on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases under IAS 17, the carrying amount of the right of use asset and liability at the date of initial application is the carrying amount of the leased asset and liability measured immediately before that date in accordance with IAS 17. For these leases, the Group reports right-of-use asset and the lease liability under IFRS 16 from the date of initial application.

The Group has been used subsequent valuation to determine the lease term if the contract contains options for extension or termination.

The accounting for lessors has not changed.

Note 2.28 *Changes in significant accounting policies* summarize the effect of the adoption of IFRS 16 on 1 January 2019.

The Group has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2019 but do not have a significant impact on the Group's financial results or position:

- **IFRS 9 "Financial Instruments" (amended), Prepayment features with negative compensation**, effective from 1 January 2019, adopted by the EU;
- **IAS 28 "Investments in associates and joint ventures" (amended) Long-term interests in associates and joint ventures** effective from 1 January 2019, adopted by the EU;
- **IAS 19 "Employee benefits" (amended) Plan amendment, curtailment or settlement** - effective from 1 January 2019, adopted by the EU;
- **IFRIC 23 "Uncertainty over income tax treatments"** effective from 1 January 2019, adopted by the EU.
- **Annual Improvements to IFRSs 2015-2017** effective from 1 January 2019, adopted by the EU.

These amendments include minor changes to:

- **IFRS 3 "Business combinations"** – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- **IFRS 11 "Joint arrangements"** – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- **IAS 12 "Income taxes"** – a company accounts for all income tax consequences of dividend payments in the same way.
- **IAS 23 "Borrowing costs"** – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

At the date of approval of the consolidated financial statement, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2019 and have not been adopted early by the Group. No significant impact on the Group's financial statements is expected. Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

The changes are related to the following standards:

- **Amendments to IFRS 3 "Business combinations"** (Issued: 22 October 2018), effective from 1 January 2020.
- **Amendments to IAS 1 and IAS 8: Determination of materiality** (issued October 31, 2018), effective 1 January 2020.
- **Interest Rate Benchmark Reform** (Amendments to IFRS 9, IAS 39 and IFRS 7), effective from 1 January 2020

Standards, amendments and interpretations not yet adopted by the EU:

- **IFRS 14 "Deferred Tariff Differences"** (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).
- **Sale or contribution of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28** (issued on 11 September 2014 and effective for annual periods beginning on or after fixed date by IASB).
- **IFRS 17 "Insurance Contracts"** (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- **Definition of a business - Amendments to IFRS 3** (issued on 22 October and effective for acquisitions from the beginning of the annual reporting period beginning on or after 1 January 2020).
- **Amendments to IAS 1 Presentation of Financial Statements:** Classification of current and non-current liabilities (effective for annual periods beginning on or after 1 January 2020)

### 2.3 General provisions

The most significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

The consolidated financial statements have been prepared in accordance with the principles for measuring the individual types of assets, liabilities, income and expenses, in accordance with IFRS. The measurement bases are disclosed in detail further in the accounting policy to the consolidated financial statements.

It should be noted that accounting estimates and assumptions have been used in preparing the consolidated financial statements. Although they are based on information provided to management at the date of preparation of the consolidated financial statements, the actual results may differ from the estimates and assumptions made.

### 2.4 Comparative data

The consolidated financial statements have been presented in accordance with ICC 1 "Presentation of Financial Statements". The Group agreed to present the consolidated statement of profit or loss and other comprehensive income in a single statement.

The consolidated statement of financial position presents two comparative periods when the Group:

- a) apply accounting policies retrospectively;
- b) retrospectively recalculates items in the consolidated financial statements; or
- c) reclassifies items in the consolidated financial statements.

and this has a material effect on the information in the consolidated statement of financial position at the beginning of the prior period.

More information on the change in accounting policy / reclassifications is presented in [Note 50](#).

## 2.5 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).

## 2.6 Investments in associates

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

Investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is reported in the consolidated statement of financial position at cost, plus changes in the Group's share of the net assets of the associate after the acquisition. Goodwill related to the associate is included in the carrying amount of the investment and is not depreciated. The consolidated income statement and other comprehensive income shall reflect the proportion of the results of operations of the associate.

## 2.7 Functional and reporting currency

Transactions in foreign currency are reported in the functional currency of the respective company by the Group at the official exchange rate as of the date of the transaction (announced fixing of the Bulgarian National Bank). Foreign exchange gains and losses arising from the settlement of these transactions and the revaluation of foreign currency positions at the end of the reporting period are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the transactions (not revalued). Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate at the date that the fair value was determined.

The functional currency of the individual companies of the Group has not changed during the reporting period.

Upon consolidation, all assets and liabilities are translated into Bulgarian levs at the closing rate as of the date of the consolidated financial statements. Income and expenses are translated into the presentation currency of the Group at the average exchange rate for the reporting period. Foreign exchange differences lead to an increase or decrease in other comprehensive income and are recognized in the allowance for translation into equity. Upon disposal of a net investment in a foreign operation, the accumulated foreign exchange differences from restatements recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on sale. Goodwill and adjustments related to the determination of fair values at the acquisition date are treated as assets and liabilities of the foreign enterprise and are translated into BGN at the closing rate.

## 2.8 Significant judgments of management in applying accounting policies

The significant judgments of management in applying the Group's accounting policies, which have the most significant impact on the consolidated financial statements, are described below. The main sources of uncertainty in the use of accounting estimates are described in [Note 2.9](#).

### 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.

Based on this approach, the Group's management has decided not to recognize deferred tax assets in the annual consolidated financial statements for 2019 as follows:

**Leasing**

- The tax loss as of 31.12.2019 in the amount of BGN 387 thousand (as of 31.12.2018 - BGN 561 thousand).

**Parent-Company**

- The tax loss as of December 31, 2019 in the amount of BGN 1 812 thousand (as of December 31, 2018 - BGN 1 756 thousand);
- Weak capitalization under Art. 43a as of 31.12.2019 in the amount of BGN 1 434 thousand;
- Impairment of receivables as of 31.12.2019 in the amount of BGN 5 thousand (as of 31.12.2018 - BGN 12 thousand);
- Accumulating unused (compensable) leave as of 31.12.2019 in the amount of BGN 2 thousand (as of 31.12.2018 - BGN 1 thousand).

**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 2.10 Revenues

**2.9 Uncertainty of accounting estimates**

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

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

Information about the significant assumptions, estimates and assumptions that have the most significant impact on the recognition and measurement of assets, liabilities, income and expenses is presented below.

**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 approach with regards to reserving is in line with commonly accepted actuarial practices and targets unified approach to assessing the reserve for incurred and not reported claims for Motor Third Party Liability (MTPL) in all companies in the Group. The methodology applies chain ladder method, which is based on the aggregated amount of paid claims for a period of not less than 3 years. The amount of the provision for claims incurred but not claimed is calculated on the basis of the expected final loss taking into account the expectations for the development of the claims during the respective year of occurrence.

#### **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 effective time of contracts in the subsequent periods the Group will cede to the reinsurers the respective percentage of its premiums and claims for Motor third party liability insurance. When the reinsurance contracts expire or are terminated the reinsurers' share in the technical reserves will be released or transferred to other reinsurer. The terms of these contracts are indefinite and, by their nature, the contracts are with indefinite period of validity. Due to the contingencies related to the future development of contracts and the cash flows the Group's management considers that the adopted accounting policy is appropriate.

As at December 31, 2019, the insurance companies of the Group are also parties to disproportionate reinsurance contracts (so-called excess or sickle contracts), which aim to reimburse the Company for losses incurred in respect of single events (or risks), whose total compensation exceeds a threshold defined in the contracts. Due to the availability of sufficient historical information, the Group's management assesses the probability that part of the current technical provisions may arise as a result of such future events and with respect to its more significant lines of business assesses the part of its technical reserves that can be transferred. of reinsurers in addition to the existing cession of risk under their proportional reinsurance contracts.

#### **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. In determining net realizable value, management takes into account the most reliable information available at the date of the estimate. During this review as of 31.12.2019 The Group has recognized an impairment of its inventories in the amount of BGN 45 thousand.

#### **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 31.12.2019 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*. In 2019, the Group reported a loss from impairment of goodwill in the amount of BGN 61 thousand (2018: BGN 0).

### Impairment of loans and receivables and net investment in finance leases

#### ○ 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.

### 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.

## 2.10 Revenues

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.

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.

<b>Type of product / service</b>	<b>Nature and timing of fulfillment of performance obligations, including essential payment arrangements</b>	<b>Recognition of income under IFRS 15</b>
Car sales	<p>Performance obligations satisfied at a certain point.</p> <p>Customers receive control when:</p> <p>1 / the client has a legal right of ownership;</p> <p>2 / The Group has transferred the physical possession of the asset;</p> <p>3 / the client carries significant risks and benefits from the asset;</p> <p>4 / The Group has an existing payment entitlement.</p> <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>
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>

<b>Type of product / service</b>	<b>Nature and timing of fulfillment of performance obligations, including essential payment arrangements</b>	<b>Recognition of income under IFRS 15</b>
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.
Extended warranties	Separate obligation to implement. They are deferred if the Group is the principal of the extended guarantees.  It is analyzed whether the Group is a principal or an agent.	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 Vesrsicherung AG (whichever is the principal).

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.

○ **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 determined that in 2019 there are no obligations under contracts related to the repurchase 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.

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.

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	IFRS 16	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.

Income	IFRS / IAS - Applicable to Recognition of Revenue (Income)	Recognition approach
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.

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.

### 2.11 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.

### 2.12 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.

### 2.13 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.

### 2.14 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

**Energy:**

- Establishment, participation, management and control of energy companies. At present, companies in this segment are not operating.

**2.14.1 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.

**Transfer-premium reserve**

The transfer-premium 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. Transfer-premium reserve 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. Transfer-premium reserve 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.

**2.14.2 Leasing activity - The Group as a lessor**

The accounting policies of the Company under IFRS 16 have not changed since the comparative period.

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

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

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

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

**2.14.2.1 Financial leasing****Recognition and assessment**

At the commencement date, the lessor recognizes the assets held under a finance lease in its statement of financial position and presents them as a claim equal to the net investment in the lease. The net investment in the lease is the sum of the following items, discounted by the interest rate set in the lease:

- a) lease payments received from the lessor under a finance lease; and
- b) any unsecured residual value accrued to the lessor.

The initial direct costs, other than those incurred by the lessor, are included in the initial estimate of the net investment in the lease and reduce the amount of recognised income over the the entire term of the lease agreement.

The commencement of the lease agreement is the date from which the lessee may exercise the right to use the leased asset. This is also the date on which the Group initially recognises the claim on the lease.

The underlying asset is derecognised and any difference is recognised immediately in the statement of comprehensive income as a gain/loss on the sale of the asset.

**Subsequent valuation**

The lessor reduces the net investment in the lease for payments received. It deducts lease payments during the reporting period from the gross investment in the lease to reduce both principal and unrealized finance income. Variable lease payments that are not included in the measurement of the net investment in the lease are recognised in the income statement and other comprehensive income when received.

**Derecognition and impairment**

The lessor applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

**Amendments to the lease agreement**

The lessor shall report the amendment to a finance lease as a separate lease if:

- a) the amendment increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) the remuneration under the leasing contract is increased by an amount commensurate with the independent price for the increase in the scope and possible adjustments of this price to reflect the circumstances of the specific contract.

An amendment to a finance lease that is not accounted for as a separate lease is accounted for by the lessor as follows:

- a) for a contract that would have been classified as an operating lease if the amendment was effective on the date of introduction, the lessor:
  - i) accounts for the amendment to the lease as a new lease from the effective date of the amendment; and
  - ii) measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the amendment to the lease;
- b) Otherwise, the lessee applies the requirements of IFRS 9.

**Receivables on financial lease**

The leasing activity of the Group involves rent of vehicles, industrial equipment, real estate and others, mainly on finance lease agreements. The finance lease agreement is an agreement under which the lessor gives to the lessee the right of use of a particular asset for an agreed term against reward. Lease agreement is recorded as finance when the contract transfers to the lessee all substantial risks and benefits associated with the ownership of the asset.

Typical indicators considered by the Group for determining if all significant risks and benefits have been transferred include: the present value of minimal lease payments compared to the fair value of the leased asset at the beginning of the leasing agreement; the term of the leasing agreement in comparison with the economic life of the leased asset; as well as whether the lessee will acquire the right of ownership over the leased asset at the end of the financial lease agreement. All other leasing agreements, which do not transfer substantially all risks and benefits of ownership of the asset, are classified as operating leases.

**Minimum Lease Payments**

Minimum lease payments are the payments that the lessee will or may be required to make during the term of the leasing contract. From the Group's point of view, minimum lease payments also include the residual value of the asset guaranteed by a third party, not related to the Group, provided that such party is financially able to fulfill its commitments to the guarantee or to the contract for redemption. In the minimum lease payments, the Group also includes the cost of exercising possible option, which the lessee has for the purchase of the asset, and at the beginning of the lease agreement it is to a large extent certain that the option will be exercised. Minimum lease payments do not include conditional rents, as well as costs of services and taxes to be paid by the Group and subsequently re-invoiced to the lessee.

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

A distinction is made between the beginning of the lease agreement and the beginning of the term of the lease agreement. Beginning of the lease agreement is the earlier of the two dates – of the lease agreement or of the commitment of the parties to the main conditions of the lease agreement. As at this date: the lease agreement is classified as a financial lease agreement or an operating lease agreement; and in the case of finance lease the amounts to be recognised at the beginning of the term of the lease agreement are determined. The commencement of the lease agreement is the date from which the lessee may exercise the right to use the leased asset. This is also the date on which the Group initially recognises the claim on the lease.

**Initial and Subsequent Evaluation**

Initially, the Group recognizes a receivable on financial lease equal to its net investment, including present value of minimal lease payments and each residual value of the Group that is not secured. The current value is calculated by discounting minimum lease payments due by the inherent to the lease agreement interest rate. Initial direct costs are included in the calculation of the claim under financial lease. During the term of the lease agreement the Group accrues financial income (income from interest on financial lease) on the net investment. Received lease payments are treated as a

reduction of net investment (repayment of principal) and recognition of financial income in a manner to ensure a constant rate of return on the net investment. Consequently, the net investment in finance lease agreements is presented net, after deduction of individual and portfolio provisions for uncollectability.

#### **2.14.2.2 Operating leasing**

##### **Recognition and assessment**

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

The lessor adds the initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes it as an expense over the lease term on the same basis as the lease income. The underlying asset subject to operating leases is amortized with the lessor's usual amortization policy for such assets. The depreciation of such an asset is recognised as an expense on the lease term on the same basis as the lease income.

##### **Amendments to the lease agreement**

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

##### **Presentation**

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

##### **Impairment losses on financial leasing receivables**

Finance lease receivables presented in the balance sheet as a net investment in finance leases are reviewed for impairment based on the Company's policy. The amounts for impairment losses on lease receivables that the Company allocates for specific exposures are calculated based on the most reliable estimate of the Management for the present value of the expected cash flows. In estimating these cash flows, management makes assumptions about the debtor's financial condition and the net realizable value of available collateral. Each impaired financial asset is considered for its content, after which the Management of the Company approves the assessment of the collection of cash flows from the financial asset.

#### **2.14.3 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 the investment intermediary, 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 the investment intermediary 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.

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;
- 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.

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.

## 2.15 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 2019 is 10% (2018: 10%).

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

Country	Tax rate	
	2019	2018
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 31.12.2019 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%

## 2.16 Non-current assets

### 2.16.1 Property, plant and equipment, right-of-use

#### 2.16.1.1 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.

#### **2.16.1.2 Right-of-use assets**

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

#### **2.16.2 Goodwill**

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and recognized separately. See [Note 2.5](#) for information on the initial determination of goodwill. For the purposes of the impairment test, goodwill is allocated to each cash-generating unit of the Group (or group of cash-generating units) that is expected to benefit from the business combination, whether or not other assets or liabilities of the acquired company is allocated to these units. Goodwill is measured at cost less accumulated impairment losses. See [Note 2.9](#) for information on impairment tests.

When a cash-generating unit is written off, the relevant portion of goodwill is included in determining the gain or loss on write-off.

#### **2.16.3 Intangible assets**

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

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

Subsequent expenditures in respect of other intangible assets after their initial recognition are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred unless due to them the asset can generate more than originally intended future economic benefits and these expenditures can be reliably measured and assigned to the asset. If these conditions are met, the amount of the expenditures made is added to the cost of the asset.

A materiality threshold of BGN 700 is applied, below which the acquired assets, despite having the characteristics of a fixed asset, are reported as a current expense at the time of their acquisition.

The carrying amount of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not exceed their recoverable amount.

The gain or loss on disposal of the the intangible asset is determined as the difference between the disposal proceeds, and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income in line "Other operating income / costs", net.

#### **2.16.4 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.



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
Software	2
Intangible assets	5-7
Rights of use	over the shorter of the asset's life and the lease term on a straight-line basis

### 2.17 Investment property

The Group accounts for investment property held for rental income and / or for capital increases using the fair value model.

Investment property is initially measured at cost, including the purchase price and any costs that are directly attributable to the investment property, such as legal fees, property transfer taxes and other transaction costs.

Investment properties are revalued on an annual basis and are included in the consolidated statement of financial position at their market values. They are determined by independent appraisers with professional qualifications and significant professional experience depending on the nature and location of the investment properties, based on evidence of market conditions.

Any gain or loss on a change in the fair value or sale of an investment property is recognized immediately in profit or loss and presented in the consolidated statement of profit or loss and other comprehensive income.

### 2.18 Impairment tests on goodwill, other intangible assets and property, plant and equipment

In calculating the amount of impairment, the Group defines the smallest identifiable group of assets for which separate cash flows (unit generating cash flows) can be determined. As a result, some of the assets are subject to an impairment test on an individual basis and others on a cash-generating unit basis. Goodwill refers to the cash-generating units that are likely to benefit from the business combination and which represent the lowest level in the Group at which management monitors goodwill.

Cash-generating units to which goodwill is attributed are tested for impairment at least annually. All other separate assets or cash-generating units are tested for impairment when events or changes in circumstances indicate that their carrying amount can not be restored.

An impairment loss is the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. To determine the value in use, the Group's management calculates the expected future cash flows for each cash-generating unit and determines the appropriate discount factor in order to calculate the present value of those cash flows. The data used in the impairment testing are based on the last approved budget of the Group, adjusted if necessary to eliminate the effect of future reorganizations and significant asset improvements. The discount factors are determined for each individual cash-generating unit and reflect their respective risk profile, assessed by the Group's management.

Impairment losses on a cash-generating unit are allocated to the reduction of the carrying amount first of the goodwill attributable to that unit and then to the other assets of the unit in proportion to their carrying amount. With the exception of goodwill for all of the Group's assets, management subsequently assesses whether there is any indication that an impairment loss recognized in prior years may no longer exist or be reduced. An impairment loss recognized in a prior period is reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

## **2.19 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 evaluate 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 benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net liability for defined benefit plans is calculated by forecasting the amount of future benefits that employees have earned in return for their services in the current and prior periods, and this income is discounted to determine its present value.

A defined contribution plan is a post-employment benefit plan under which the Group pays contributions to another person and has no legal or constructive obligation to pay additional amounts thereafter. The Government of Bulgaria is responsible for providing pensions under defined contribution plans.

Expenses on the Group's commitment to pay installments under 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.

## **2.20 Financial assets and liabilities**

### **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.

##### **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.

Upon disposal of equity instruments in this category, any value reported in the revaluation reserve of the instruments is reclassified to retained earnings.

Upon release from debt instruments in this category, any amount reported in the revaluation reserve of the instruments is reclassified to profit or loss for the period.

In relation with the events that occurred in 2020 in connection with Covid 19 (Coronavirus), which, as disclosed in *Note 51. Events after the end of the reporting period*, the Group, following the general requirements and recommendation of European financial regulators, performed an assessment of potential effect of the pandemic on its financial instruments and in particular on the application of the concept of Significant Increase in the Credit Risk (SICR) and on the Expected Credit Loss model.

The Group does not treat the events related to Covid 19 (Coronavirus) as an adjusting event in these Consolidated Financial Statements, but provides additional qualitative information about the potential future effect on the financial instruments reported in accordance with IFRS 9. Detailed information about the valuation of the Group is presented in *Note 2.24.5 Other risks Covid-19 (Coronavirus)* below.

**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**

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.

#### **Impairment of financial assets**

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

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

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

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

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

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

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

- **Net investment in financial leasing**

In determining the impairment of financial lease receivables, the Group is based on a three-step approach, which aims to reflect the deterioration of the credit quality of the financial instrument. At each reporting date after initial recognition, the Group assesses at which stage the financial asset that is subject to impairment testing relates. The stage determines the relevant impairment requirements. The Group uses a 5-point system to determine the credit rating of each transaction, and the criteria of the system used consider both the leasing asset, transaction parameters (down payment, term, residual value) and the financial condition of the individual client.

- **Cash**

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

- **Receivables on loans**

The Group has receivables from loans granted, which are categorized according to whether the borrower has a rating and depending on whether the receivables from such loans are overdue.

- **Trade and other receivables, contracted assets**

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

- **Judicial and adjudicated receivables**

The Group's judicial and adjudicated receivables are categorized in Group 3, respectively as such they are individually considered by the management and each such receivable is assigned an individual impairment percentage.

## 2.21 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.

## 2.22 Provisions, contingent liabilities and contingent assets

Provisions are recognized when it is probable that current liabilities resulting from a past event will result in an outflow of resources from the Group and a reliable estimate of the amount of the liability can be made. The timing or amount of cash outflow may be uncertain.

A present obligation arises from the existence of a legal or constructive obligation as a result of past events, such as guarantees, legal disputes or burdensome contracts. Restructuring provisions are recognized only if a detailed formal restructuring plan has been developed and implemented or management has announced the main points of the restructuring plan to those who would be affected. Provisions for future operating losses are not recognized.

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

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

In cases where it is considered that an outflow of economic resources is unlikely to occur as a result of a current liability, a liability is not recognized unless it is a business combination (see Note 2.5). In a business combination, contingent liabilities are recognized when the cost of acquisition is allocated to the assets and liabilities acquired in the business combination. Contingent liabilities should be subsequently measured at the higher of the comparable provision described above and the amount initially recognized less accumulated depreciation.

Possible inflows of economic benefits that do not yet meet the criteria for recognition of an asset are considered contingent assets. They are described in conjunction with the contingent liabilities of the Group in *Note 28*. Contingent liabilities and commitments.

## **2.23 Equity and earnings per share**

### **2.23.1 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.

### **2.23.2 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.

## **2.24 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.

### 2.24.1 Currency risk

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

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

The Group has no significant investments in countries other than the countries in which it operates - Bulgaria, Romania, Macedonia, Ukraine and Georgia. In cases where the local currency is exposed to significant currency risk, its management is achieved by investing in assets denominated in Euro.

The distribution of significant financial assets and liabilities exposed to currency risk by currencies as of December 31, 2019 is as follows:

<b>As at 31 December 2019</b>						
<i>BGN'000</i>	<b>BGN</b>	<b>Euro</b>	<b>Northern Macedonian denars</b>	<b>Romanian lei</b>	<b>Other currenc ies</b>	<b>TOTAL</b>
Cash and cash equivalents	9 872	69 478	1 276	2 528	8 536	91 690
Time deposits in banks	4 272	1 176	7 253	-	3 086	15 787
Receivables from financial leasing	18 068	50 549	8 406	-	-	77 023
Government securities at fair value through profit or loss	-	60 430	-	214	-	60 644
Government securities carried at amortized cost	-	-	1 606	-	5 970	7 576
Corporate bonds at fair value through profit or loss	11 105	31 681	-	-	20 738	63 524
Open-end investment funds	8 496	267	3 788	-	-	12 551
Equity investments at fair value through profit or loss	63 202	11 972	1 039	3 746	191	80 150
Other financial assets	21 206	3 846	28	1 092	11 282	37 454
Direct insurance receivables	29 541	15 742	7 859	23 483	13 973	90 598
Reinsurance receivables	-	11 007	-	-	-	11 007
Receivables by recourse	5 228	-	-	20 029	934	26 191
<b>Total</b>	<b>170 990</b>	<b>256 148</b>	<b>31 255</b>	<b>51 092</b>	<b>64 710</b>	<b>574 195</b>
Subordinated debt instruments	-	19 558	-	-	-	19 558
Loans from banks and non-bank financial institutions	30 106	102 728	7 765	-	136	140 735
Bond liabilities	19 653	116 678	-	-	21 333	157 664
<b>Total</b>	<b>49 759</b>	<b>238 964</b>	<b>7 765</b>	<b>-</b>	<b>21 469</b>	<b>317 957</b>



The distribution of significant financial assets and liabilities exposed to currency risk by currencies as of December 31, 2018 is as follows:

<b>As at 31 December 2018</b>			<b>Northern</b>		<b>Other</b>	
<i>BGN'000</i>	<b>BGN</b>	<b>Euro</b>	<b>Macedonian</b>	<b>Romanian</b>	<b>currenc</b>	<b>TOTAL</b>
			<b>denars</b>	<b>lei</b>	<b>ies</b>	
Cash and cash equivalents	11 789	25 539	4 410	3 841	3 961	49 540
Time deposits in banks	3 140	1 024	7 131	8 136	726	20 157
Receivables from financial leasing	18 037	50 206	6 878	-	-	75 121
Government securities at fair value through profit or loss	-	134 654	-	195	-	134 849
Government securities carried at amortized cost	-	1 286	1 608	-	2 101	4 995
Corporate bonds at fair value through profit or loss	20 267	18 917	-	-	20 593	59 777
Open-end investment funds	7 812	542	3 778	-	-	12 132
Equity investments at fair value through profit or loss	68 791	382	782	54	109	70 118
Other financial assets	7 870	1 173	-	282	-	9 325
Direct insurance receivables	40 212	-	6 137	20 560	3 389	70 298
Reinsurance receivables	-	18 514	-	-	-	18 514
Receivables by recourse	4 993	-	-	5 182	461	10 636
<b>Total</b>	<b>182 911</b>	<b>252 237</b>	<b>30 724</b>	<b>38 250</b>	<b>31 340</b>	<b>535 462</b>
Subordinated debt instruments	-	19 558	-	-	-	19 558
Loans from banks and non-bank financial institutions	25 642	109 980	6 545	-	-	142 167
Bond liabilities	19 331	117 194	-	-	21 039	157 564
<b>Total</b>	<b>44 973</b>	<b>246 732</b>	<b>6 545</b>	<b>-</b>	<b>21 039</b>	<b>319 289</b>

### 2.24.2 Interest rate risk

The Group is exposed to the risk of changes in market interest rates, mainly with respect to its short-term and long-term financial liabilities with variable (floating) interest rates. The Group's policy is to manage interest expenses by using financial instruments with both fixed and floating interest rates. The interest rates on the majority of the Group's loans to banking institutions are based on one-month and / or quarterly and / or six-month EURIBOR, which at the time of preparing this report has stable levels - 0%. The companies in the Group pay a fixed margin to it between 2% and 6.0%. Therefore, the risk of interest rate changes is negligible (*Notes 35, 36 and 37*).

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

The distribution of financial assets according to their sensitivity to interest rate risk as of December 31, 2019 is as follows:

**As at 31 December 2019**

<b>BGN'000</b>	<b>Variable interest rate</b>	<b>Fixed interest rate</b>	<b>Interest- free</b>	<b>Total</b>
Cash and cash equivalents	-	66 627	25 063	91 690
Time deposits in banks	-	15 787	-	15 787
Receivables from financial leasing	57 951	16 045	3 027	77 023
Government securities at fair value through profit or loss	-	60 644	-	60 644
Government securities carried at amortized cost	-	7 576	-	7 576
Corporate bonds at fair value through profit or loss	374	61 978	1 172	63 524
Open-end investment funds	-	-	12 551	12 551
Equity investments at fair value through profit or loss	-	-	80 150	80 150
Other financial assets	-	35 796	1 658	37 454
<b>Total</b>	<b>58 325</b>	<b>264 453</b>	<b>123 621</b>	<b>446 399</b>

The distribution of financial assets according to their sensitivity to interest rate risk as of December 31, 2018 is as follows:

**As at 31 December 2018**

<b>BGN'000</b>	<b>Variable interest rate</b>	<b>Fixed interest rate</b>	<b>Interest- free</b>	<b>Total</b>
Cash and cash equivalents	-	35 941	13 599	49 540
Time deposits in banks	-	20 157	-	20 157
Receivables from financial leasing	61 575	10 429	3 117	75 121
Government securities at fair value through profit or loss	-	134 849	-	134 849
Government securities carried at amortized cost	-	4 995	-	4 995
Corporate bonds at fair value through profit or loss	290	59 487	-	59 777
Open-end investment funds	-	-	12 132	12 132
Equity investments at fair value through profit or loss	-	-	70 298	70 298
Other financial assets	-	9 046	279	9 325
<b>Total</b>	<b>61 865</b>	<b>274 904</b>	<b>99 414</b>	<b>436 194</b>

### 2.24.3 Credit risk

The Group's credit risk is mainly related to trade and financial receivables.

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

The Group holds assets in a trading portfolio in order to manage credit risk. Credit risk is the risk that one party to a financial instrument will incur a financial loss for the other party to it by failing to meet an obligation. The Group has implemented policies and procedures to mitigate the exposure of the credit risk group.

The Group's investment policy requires strict application of the diversification rules on exposure limits for each type of instrument and for an individual counterparty, set out in the insurance legislation of each country. The Group does not conduct derivative transactions.

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

Type of investment and rating BGN'000	As at 31.12.2019	Insurance business 31.12.2019	Leasing 31.12.2019	Asset management and brokerage 31.12.2019	As at 31.12.2018	Insurance business 31.12.2018	Leasing 31.12.2018	Asset management and brokerage 31.12.2018
Government securities								
Rating AA	37 069	37 069	-	-	20 460	20 460	-	-
Rating A	5 000	5 000	-	-	40 448	40 448	-	-
Rating BBB	10 237	10 023	-	214	73 739	73 544	-	195
Rating BB	1 606	1 606	-	-	2 059	2 059	-	-
Rating B	5 970	5 970	-	-	2 936	2 936	-	-
Rating AAA	8 338	8 130	-	208	202	-	-	202
Bonds								
Rating BBB	13 994	12 317	596	1 081	4 155	4 062	-	93
Rating BB	535	535	-	-	1 024	1 024	-	-
Rating B	12 336	12 336	-	-	390	390	-	-
Rating AAA	16 707	16 707	-	-	-	-	-	-
Rating AA	20 548	20 438	-	110	54 208	53 716	-	492
Shares								
Rating Aa3	-	-	-	-	4 705	4 705	-	-
Rating BBB	45 770	45 770	-	-	27 358	27 358	-	-
Rating BB	1 561	1 561	-	-	668	668	-	-
Rating B	-	-	-	-	999	999	-	-
Rating Baa3	-	-	-	-	1 347	1 347	-	-
No rating	44 774	43 148	-	1 626	47 173	45 563	158	1 452
<b>Total</b>	<b>224 445</b>	<b>220 610</b>	<b>596</b>	<b>3 239</b>	<b>281 871</b>	<b>279 279</b>	<b>158</b>	<b>2 434</b>

The Group has exposures to government debt as follows:

Portfolio as at 31.12.2019 BGN'000	Ukraine	Germany	EU	Belgium	Italy	Romania	France	Spain	North Macedonia	Total
Reported at fair value	-	8 338	12 492	8 105	10 023	214	16 472	5 000	-	60 644
Reported at amortized cost	5 970	-	-	-	-	-	-	-	1 606	7 576
<b>Total</b>	<b>5 970</b>	<b>8 338</b>	<b>12 492</b>	<b>8 105</b>	<b>10 023</b>	<b>214</b>	<b>16 472</b>	<b>5 000</b>	<b>1 606</b>	<b>68 220</b>

Portfolio as at 31.12.2018 BGN'000	Ukraine	Germany	EU	Czech Republic	Italy	Portugal	France	Spain	North Macedonia	Total
Reported at fair value	-	202	568	783	46 814	35 657	41 843	8 982	-	134 849
Reported at amortized cost	3 387	-	-	-	-	-	-	-	1 608	4 995
<b>Total</b>	<b>3 387</b>	<b>202</b>	<b>568</b>	<b>783</b>	<b>46 814</b>	<b>35 657</b>	<b>41 843</b>	<b>8 982</b>	<b>1 608</b>	<b>139 844</b>

### 2.24.4 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 31.12.2019</b> <b>BGN'000</b>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Without maturity	Total
Subordinated debt instruments	-	-	-	19 558	-	-	<b>19 558</b>
Loans from banks and non-bank financial institutions	9 820	5 077	32 391	78 614	14 833	-	<b>140 735</b>
Obligations on bond loans	1 613	-	8 535	139 516	8 000	-	<b>157 664</b>
Non-current liabilities	-	-	-	23 242	-	-	<b>23 242</b>
Current obligations	3 082	2 344	38 465	-	-	-	<b>43 891</b>
Trade and other obligations	26 786	25 052	53 635	24 367	9 909	-	<b>139 749</b>
Obligations on reinsurance operations	-	-	26 193	-	-	-	<b>26 193</b>
Deferred tax liabilities	-	-	-	397	-	-	<b>397</b>
Insurance reserves	-	-	668 525	86 285	12 873	-	<b>767 683</b>
<b>Total</b>	<b>41 301</b>	<b>32 473</b>	<b>827 744</b>	<b>372 698</b>	<b>45 615</b>	<b>-</b>	<b>1 319 112</b>

<b>As at 31.12.2018</b> <b>BGN'000</b>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Without maturity	Total
Subordinated debt instruments	-	-	-	19 558	-	-	<b>19 558</b>
Loans from banks and non-bank financial institutions	6 583	5 097	35 610	87 445	7 432	-	<b>142 167</b>
Obligations on bond loans	1 749	111	8 480	138 424	8 800	-	<b>157 564</b>
Non-current liabilities	-	-	-	24 724	21	-	<b>24 745</b>
Current obligations	4 182	1 171	31 120	648	-	207	<b>37 328</b>
Trade and other obligations	15 134	20 255	72 744	156	-	19	<b>108 308</b>
Obligations on reinsurance operations	-	-	23 265	-	-	-	<b>23 265</b>
Deferred tax liabilities	-	-	-	393	-	-	<b>393</b>
Insurance reserves	-	-	631 156	36 351	8 839	-	<b>676 346</b>
<b>Total</b>	<b>27 648</b>	<b>26 634</b>	<b>802 375</b>	<b>307 699</b>	<b>25 092</b>	<b>226</b>	<b>1 189 674</b>

### 2.24.5 Other risks Covid-19 (Coronavirus)

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

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

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

As it is disclosed in Note 51. *Events after the end of the reporting period*, the Management does not consider the pandemic situation to be an adjusting event in accordance with IAS 10.

#### **Development of Covid-19 Pandemic (Coronavirus)**

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

Similar measures have been introduced in other countries where the Group operates, such as Greece (March 11, 2020), Romania (March 21, 2020), Ukraine (March 14, 2020) and Northern Macedonia (March 18, 2020).

As a result of the measures imposed by the governments, a significant part of the economic activity in the countries was suspended, also a significant part of the international trade was slow down.

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

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

#### **Effect on economic growth**

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

	Historical data			Forecast			
	2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	Average 2021-24 (before Covid-19)	2021 (Covid-19)
Economic GDP growth	3.5%	3.1%	3.4%	3.2%	(4.0)%	2.8%	6.0%

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

	Historical data			Forecast			
	2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	Average 2021-24 (before Covid-19)	2021 (Covid-19)
Economic GDP growth	1.9%	2.5%	1.9%	1.4%	(7.5)%	1.3%	4.7%

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

	Historical data			Forecast			
	2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	Average 2021-24 (before Covid-19)	2021 (Covid-19)
Romania	7.1%	4.4%	4.1%	3.5%	(5.0)%	3.0%	3.9%
North Macedonia	1.1%	2.7%	3.6%	3.4%	(4.0)%	3.5%	7.0%
Ukraine	2.5%	3.3%	3.2%	3.0%	(7.7)%	3.3%	3.6%
Georgia	4,8%	4,8%	5,1%	4.8%	(4,0)%	5.2%	3,0%
Russian Federation	1.8%	2.5%	1.3%	1.9%	(5.5)%	1.8%	3.5%
Greece	1,5%	1,9%	1,9%	2.2%	(10,0)%	0.9%	5,1%
Poland	4,9%	5,1%	4,1%	3.1%	(4,6)%	2.5%	4,2%
Italy	1,7%	0,8%	0,3%	0.5%	(9,1)%	0.6%	4,8%
Spain	2,9%	2,4%	2,0%	1.8%	(8,0)%	1.6%	4,3%
United Kingdom	1,9%	1,3%	1,4%	1.4%	(6,5)%	1.5%	4,0%

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

#### Effect on credit ratings

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

	Before Covid-19		After Covid-19	
	Rating	Forecast	Rating	Forecast
Bulgaria	BBB	Positive	BBB	Stable
Eurohold Bulgaria AD	B	Negative	B	Negative

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

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

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

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

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

The Group (as a part of the Eurohold Bulgaria Group) applies IFRS 9 from January 01, 2018, although The Insurance business had the right to postpone its application until January 1, 2022 (joint application with IFRS 17).

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

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

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

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

With regard to the model (including the full and simplified one) for calculating the expected credit losses, the Management considers that due to the lack of stable data, it is still not possible to make a change in the general model. However, the Management recognizes the possible short-term risks to the overall economic development of the countries in which the Group operates, and that in some markets the expected reduction in Gross Domestic Product could be significant, but also takes into account the general expectations for a rapid recovery in the period 2021-2022 and the expectations of a return to average projected growth levels before Covid-19 (Coronavirus) and therefore has not made a change in its IFRS 9 model at the time of issuing this consolidated financial statement.

## 2.25 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.

## 2.26 Cash flows

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.

## 2.27 Leasing

### Accounting policy applied until 31.12.2018

Until 31 December 2018 leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the



liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

### Accounting policy applied from 01.01.2019

#### The Group as a lessee

As of January 1, 2019, the Group assesses whether the contract represents or contains elements of a Lease if, under this agreement, the right to control the use of an asset for a specified period of time is transferred for consideration. If it is established that the lease agreement recognizes the Group as an asset with a right of use and a corresponding obligation at the date on which the leasing asset is available for use.

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

Leasing assets and liabilities are initially measured at present value.

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

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

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

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

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

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

#### Applicable Rates at Eurohold Bulgaria AD:

	Buildings - Bulgaria	Buildings - Romania	Buildings - UK	Buildings - Greece	Buildings- Georgia	Buildings – Northern Macedonia	Vehicles - Bulgaria	Vehicles – Northern Macedonia
Incremental borrowing rate	4,05 %	4,54 %	1,31 %	4,54 %	7,03 %	5,81%	5,34 %	6,17 %

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

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

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

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

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

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

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

#### **The Group as a lessor**

Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance. (*Note 2.11.2.2 Operating leasing*).

### **2.28 Changes in significant accounting policies**

The Group adopts IFRS 16 by applying a modified retrospective approach on 01.01.2019. According to this method on the date of the cumulative effect of its application is recognized at the date of initial application in the opening balance sheet and no comparative information is recalculated.

#### **a) Practical expedients applied**

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease contract.

The Group has decided not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and *Interpretation 4 Determining whether an Arrangement contains a Lease*.

**b) Initial application effect of IFRS 16**

<b>BGN'000</b>	<b>1 January 2019</b>
Right-of-use assets – Land plots ( <i>Notes 2.28(i); 25</i> )	165
Right-of-use assets – Buildings ( <i>Notes 2.28(i); 25</i> )	28 960
Right-of-use assets – Vehicles ( <i>Notes 2.28(i); 25</i> )	32
Lease liabilities	30 484
- Current ( <i>Note 2.28 (c)</i> )	6 890
- Non-current ( <i>Notes 2.28 (c)</i> )	23 594
Retained earnings / uncovered (loss) adjustment	(1 327)

The effect of IFRS 16 on profit or loss for the period - see *Note 2.28 (e)*.  
 Details of accounting policies under IFRS 16 and IAS 17 - see *Notes 2.14.2; 2.27*.

**c) Measurement of lease liabilities**

<b>BGN'000</b>	<b>1 January 2019</b>
Future operating lease commitments disclosed as at 31.12.2018	14 193
Discounted using the lessee's incremental borrowing rate of at the date of initial application	30 484
Finance lease liabilities recognized as at 31.12.2018 ( <i>Notes 38.2 and 39.5</i> )	26 090
- low-value leases not recognized as a liability	-
- short-term leases not recognized as a liability	-
- adjustments as a result of a different treatment of extension and termination options	-
<b>Lease liabilities as at 01.01.2019</b>	<b>56 574</b>
- Current lease liabilities( <i>Notes 2.28(b); 39.5</i> )	14 202
- Non-current lease liabilities( <i>Notes 2.28(b); 38.2</i> )	42 372

**d) Amounts recognised in the statement of financial position**

The Company has elected to present the right-of-use assets in a single line item with similar own assets, but provides detailed information on own and leased assets in the notes to the financial statements.

	31.12.2019 BGN'000	01.01.2019 BGN'000
<b>Property, plant and equipment</b>		
o Right-of-use assets – Land plots ( <i>Notes 2.28(i); 25</i> )	125	165
o Right-of-use assets – Buildings ( <i>Notes 2.28(i); 25</i> )	39 937	28 960
o Right-of-use assets – Vehicles ( <i>Notes 2.28(i); 25</i> )	32	32
	<b>40 094</b>	<b>29 157</b>
<b>Lease liabilities</b>		
- Current ( <i>Notes 2.28 (b); 40.2</i> )	7 844	6 890
- Non-current ( <i>Notes 2.28(b); 40.2</i> )	33 855	23 594
	<b>41 699</b>	<b>30 484</b>

Additions right-of-use assets in 2019 - 33 250 BGN'000 (*Notes 2.28(i); 25*)  
 Disposed right-of-use assets in 2019 - 14 972 BGN'000 (*Notes 2.28(i); 25*)

**e) Amounts recognised in the statement of profit or loss/ statement of profit or loss and other comprehensive income**

	31.12.2019 BGN'000	31.12.2018 BGN'000
Income from sublease of right-of-use assets under operative lease agreement – incl. in Other income (Notes 2.28 (h); 10)	<b>333</b>	<b>238</b>
Rent expenses – incl.in Hired services expenses (Notes 13; 13.2)	<b>1 535</b>	<b>8 572</b>
Depreciation of Right-of-use assets	<b>7 945</b>	-
• Land plots (Notes 2.28(i); 25)	40	-
• Buildings (Notes 2.28(i); 25)	7 886	-
• Vehicles (Notes 2.28(i); 25)	19	-
Interest expenses – incl. in Financial expenses (Note 15)	<b>1 455</b>	-

**f) The total cash flow for leasing in 2019 is as follows:**

The total cash outflow for leases in 2019 – BGN 4 412 thousand  
The total cash inflow from operating leases in 2019 – BGN 302 thousand

**g) Measurement of right-of-use assets**

The related right-of-use assets (buildings) are valued on 01.01.2019 by the modified retrospective approach, the cumulative effect of the change being reflected in the equity. Assets under finance lease are recognized in the statement of financial position as at 31 December 2018

**h) The Group as lessor**

The Parent - company subleases part of leased property (Note 12). As an interim lessor, it should classify any lease as finance or operating, based on the transfer of risks and rewards to the property. The Parent - company does not have any leasing contracts classified as finance leases. Based on preserve the risks and rewards on the lessor, the Parent - company has no changes in the reporting of the operating lease income.

Lease income for 2019 amounting to BGN 333 thousand (2018: BGN 238 thousand) is included in the consolidated statement of profit or loss and other comprehensive income in the line 'Other income' – Note 10. Direct operating expenses in the amount of BGN 315 thousand are reported in the line ' Other operating expenses ' / ' External service expenses ' – Notes 13, 13.2 (2018: BGN 677 thousand). Contingent rents are not recognized.

Leases are irrevocable for a period of 2 years from the beginning of the lease. The future minimum lease payments are presented as follows:

	Minimum lease income, BGN'000			Total
	Up to 1 year	Up 1 till 5 years	Over 5 years	
As of 31 December, 2019	506	590	-	<b>1 096</b>
As of 31 December, 2018	463	1 146	-	<b>1 608</b>

## i) Property, plant and equipment - right-of-use(RoU)

	RoU – land plots	RoU – Buildings	RoU – Vehicles	RoU – Total
	BGN'000	BGN'000	BGN'000	BGN'000
<b>Cost:</b>				
<b>At 31 December 2018</b>	-	-	-	-
Additions on 1 January 2019, incl.:	165	28 960	32	29 157
<i>Insurance business</i>	-	18 091	32	18 123
<i>Automotive business</i>	91	7 467	-	7 558
<i>Leasing business</i>	74	839	-	913
<i>Asset management and brokerage</i>	-	369	-	369
<i>Parent company</i>	-	2 194	-	2 194
Additions 2.1.2019 – 31.12.2019, incl.:	4	33 227	19	33 250
<i>Insurance business</i>	-	17 831	19	17 850
<i>Automotive business</i>	-	11 021	-	11 021
<i>Leasing business</i>	4	1 462	-	1 466
<i>Asset management and brokerage</i>	-	1 154	-	1 154
<i>Parent company</i>	-	1 759	-	1 759
Disposals, incl:	-	(14 972)	-	(14 972)
<i>Insurance business</i>	-	(10 243)	-	(10 243)
<i>Automotive business</i>	-	(2 960)	-	(2 960)
<i>Leasing business</i>	-	(584)	-	(584)
<i>Asset management and brokerage</i>	-	(369)	-	(369)
<i>Parent company</i>	-	(816)	-	(816)
Other changes, incl.:	-	(173)	-	(173)
<i>Insurance business</i>	-	(173)	-	(173)
<b>At 31 December 2019</b>	<b>169</b>	<b>47 042</b>	<b>51</b>	<b>47 262</b>
<b>Depreciation</b>				
<b>At 1 January 2019</b>	-	-	-	-
Accrued depreciation ( <i>Note 18</i> ), incl.:	40	7 886	19	7 945
<i>Insurance business</i>	-	4 310	19	4 329
<i>Automotive business</i>	23	2 525	-	2 548
<i>Leasing business</i>	17	270	-	287
<i>Asset management and brokerage</i>	-	119	-	119
<i>Parent company</i>	-	662	-	662
Depreciation - written off, incl.:	-	(766)	-	(766)
<i>Insurance business</i>	-	(62)	-	(62)
<i>Automotive business</i>	-	(466)	-	(466)
<i>Leasing business</i>	-	(63)	-	(63)
<i>Asset management and brokerage</i>	-	(51)	-	(51)
<i>Parent company</i>	-	(124)	-	(124)
Other changes, incl.:	-	(18)	-	(18)
<i>Insurance business</i>	-	(18)	-	(18)
<b>At 31 December 2019</b>	<b>40</b>	<b>7 102</b>	<b>19</b>	<b>7 161</b>
<b>Carrying amount</b>				
<b>At 31 December 2018</b>	-	-	-	-
<b>Additions on 1 January 2019</b>	<b>165</b>	<b>28 960</b>	<b>32</b>	<b>29 157</b>
<b>At 31 December 2019</b>	<b>129</b>	<b>39 940</b>	<b>32</b>	<b>40 101</b>

**3. Revenue from insurance business**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Gross premiums written from insurance	847 458	642 716
Received recoveries from reinsurers	238 329	182 826
Positive change in the gross provision for unearned premiums and unexpired risk reserve	-	7 147
Positive change in reinsurers' share in unearned premium reserve	28 136	21 181
Change in the reinsurers' share in other reserves	37 598	21 871
Positive change in other technical reserves	3 213	13
Recourse income	23 162	12 415
Fees and commissions income	105 339	52 444
Investment income	30 614	26 349
Income from purchase of investments in subsidiaries	-	742
Share of profit on investments in associates accounted for using the equity method	4 535	-
Other revenue	5 456	19 497
	<b>1 323 840</b>	<b>987 201</b>

The share of the profit on investments in associates, accounted for using the equity method, amounting to BGN 4 535 thousand (2018: BGN 0 thousand) reflects the change in the participation of Euroins Insurance Group in the net assets of the associated Russian company.

**4. Expenses of insurance business**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i> <i>(Restated)</i>
Paid claims, claims handling and prevention expenses	(503 831)	(396 549)
Change in the gross provision for unearned premiums and unexpired risk reserve	(37 532)	(25 639)
Change in other technical reserves	(67 062)	(49 028)
Change in the reinsurers' share in the other reserves	(3 900)	(632)
Premiums ceded to reinsurers	(382 722)	(262 894)
Acquisition expenses	(198 667)	(150 279)
Investment expenses	(11 805)	(18 680)*
Other expenses	(52 352)	(28 248)*
	<b>(1 257 871)</b>	<b>(931 949)*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

**5. Revenue from car sales and after sales**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Revenue from sale of cars and spare parts	235 672	209 985
Revenue from after sales and rent-a-car services	3 852	5 805
Gains from sales of financial assets and instruments	5 233*	7 542
	<b>244 757</b>	<b>223 332</b>

\*On 31.10.2019 the Board of Directors of Avto Union AD made a decision to sell one of its subsidiaries, namely - Bulvaria Holding EAD, signing a Preliminary contract with the potential buyer. Following the fulfilment of the conditions stipulated in the preliminary contract on 19.12.2019, Avto Union AD transfers the shares to the new owner. On December 31, 2019, the Transfer of all shares from the capital of Bulvaria Holding EAD to VI Properties EOOD was entered in the Commercial Register. The Group sold a 100% shareholding in its subsidiary Bulvaria Holding EAD for cash in the amount of BGN 5 670 thousand, thereby reducing its controlling interest from 100% to 0%.

**6. Revenue from leasing business**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Revenue from services	18 589	20 017
Interest income	6 360	4 970
Gains from sale of financial assets and instruments	245	110
Foreign exchange gains	4	3
Other financial revenue	103	80
	<b>25 301</b>	<b>25 180</b>

**7. Expenses of leasing business**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Interest expenses	(4 367)	(3 798)
Book value of goods sold	(3 821)	(4 971)
Losses from sales of financial assets and instruments	(220)	(286)
Foreign exchange losses	(76)	(24)
Other expenses	(267)	(180)
	<b>(8 751)</b>	<b>(9 259)</b>

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

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Interest income	443	640
Dividend income	88	90
Gains from sale of financial assets and financial instruments	3 315	2 634
Foreign exchange gains, net	-	329
Other revenue	675	629
	<b>4 521</b>	<b>4 322</b>

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

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Interest expenses	(83)	(30)
Losses from sales of financial assets and financial instruments	(2 549)	(2 318)
Foreign exchange losses, net	(3)	-
Other expenses	(543)	(191)
	<b>(3 178)</b>	<b>(2 539)</b>

**10. Revenue from the activities of the parent company**

	2019 BGN'000	2018 BGN'000
Gains from sale of financial assets and financial instruments	1 072	21 652
Interest revenue	576	1 111
Other revenue, incl.:	742	362
<i>Lease income (Notes 2.28(e, i))</i>	196	238
<i>Lease income from related parties-Hanson Asset Management Ltd. (Notes 2.28(e, i))</i>	137	-
	<b>2 390</b>	<b>23 125</b>

**11. Expenses of the activities of the parent company**

	2019 BGN'000	2018 BGN'000
Losses from sales of financial assets and financial instruments	(1 164)	(576)
	<b>(1 164)</b>	<b>(576)</b>

**12. Other income/(expenses), net**

	2019 BGN'000	2018 BGN'000
Other income/(expenses), net	(1 080)	155
	<b>(1 080)</b>	<b>155</b>

**12.1 Other expenses**

	2019 BGN'000	2018 BGN'000
Automotive business	-	(13)
Leasing business	(1 267)	-
	<b>(1 267)</b>	<b>(13)</b>

**12.2 Other income**

	2019 BGN'000	2018 BGN'000
Automotive business	14	118
Asset management and brokerage	173	50
	<b>187</b>	<b>168</b>

**13. Other operating expenses**

	2019 BGN'000	2018 BGN'000 (Restated)
Expenses on materials	(2 762)	(4 353)
Expenses on hired services	(26 269)	(31 051)*
Employee benefits expenses	(38 102)	(33 171)
Other expenses	(7 509)	(10 572)*
	<b>(74 642)</b>	<b>(79 147)*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50.



**13.1 Expenses on materials by segments**

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Insurance business	(477)	(499)
Automotive business	(1 966)	(3 527)
Leasing business	(288)	(298)
Asset management and brokerage	(27)	(23)
Parent company	(4)	(6)
	<b>(2 762)</b>	<b>(4 353)</b>

**13.2 Expenses on hired services by segments**

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i> <i>(Restated)</i>
Insurance business	(8 364)	(14 169)
Automotive business	(8 123)	(9 317)
Leasing business	(4 785)	(4 549)*
Asset management and brokerage	(502)	(682)
Parent company	(4 495)	(2 334)
	<b>(26 269)</b>	<b>(31 051)*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

Services provided by the registered auditors for an independent financial audit of the Group's 2019 financial statements amounted to BGN 812 thousand. Other services provided to Group companies by the registered auditors during the period amounted to BGN 170 thousand and related to the review of the balance sheets of the insurance companies in the Group and tax services provided by a company from the Mazars network amounting to BGN 6 thousand. (2018: independent financial audit: BGN 778 thousand, other services: BGN 205 thousand related to the review of the balance sheets of the insurance companies in the Group).

**13.3 Employee benefits expenses by segments**

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Insurance business	(18 978)	(14 722)
Automotive business	(14 505)	(14 677)
Leasing business	(3 241)	(2 644)
Asset management and brokerage	(793)	(684)
Parent company	(585)	(444)
	<b>(38 102)</b>	<b>(33 171)</b>

### 13.4 Other expenses by segments

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i> (Restated)
Insurance business	(4 992)	(7 491)*
Automotive business	(1 670)	(2 218)
Leasing business	(354)	(448)
Asset management and brokerage	(219)	(200)
Parent company	(274)	(215)
	<b>(7 509)</b>	<b>(10 572)*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

### 14. (Accrued) / recovered impairment loss on financial assets, net

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
(Accrued) impairment loss on financial assets	(2 132)	(1 097)
Recoverable impairment loss on financial assets	502	2 010
	<b>(1 630)</b>	<b>913</b>

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

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Insurance business	(1 129)	(659)
Automotive business	(282)	(91)
Leasing business	(664)	(313)
Asset management and brokerage	(41)	-
Parent company	(16)	(34)
	<b>(2 132)</b>	<b>(1 097)</b>

#### 14.2 Recovered impairment loss on financial assets by segments

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Insurance business	48	76
Automotive business	228	168
Leasing business	76	1 744
Asset management and brokerage	65	21
Parent company	85	1
	<b>502</b>	<b>2 010</b>

**15. Financial expenses**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Interest expenses	(17 546)	(22 436)
Interest expenses - right-of-use assets	(1 455)	-
Other financial expenses	(907)	(746)
	<b>(19 908)</b>	<b>(23 182)</b>

**15.1 Interest expenses by segments**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	(2 617)	(2 244)
Automotive business	(1 914)	(1 809)
Parent company	(13 015)	(18 383)
	<b>(17 546)</b>	<b>(22 436)</b>

**15.2 Interest expenses RoU by segments**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	(820)	-
Automotive business	(474)	-
Leasing business	(55)	-
Asset management and brokerage	(34)	-
Parent company	(72)	-
	<b>(1 455)</b>	-

**15.3 Other financial expenses by segments**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Automotive business	(678)	(724)
Parent company	(229)	(22)
	<b>(907)</b>	<b>(746)</b>

**16. Financial income**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Interest revenue	112	166
	<b>112</b>	<b>166</b>

**16.1 Financial income by segments**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Automotive business	112	166
	<b>112</b>	<b>166</b>

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

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Automotive business	-	(17)
Parent company	(303)	636
	<b>(303)</b>	<b>619</b>

**18. Depreciation and amortization by segments**

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Insurance business, incl.:	(7 115)	(2 243)
<i>Right-of-Use(RoU)</i>	(4 329)	-
Automotive business	(6 396)	(2 821)
<i>Right-of-Use(RoU)</i>	(2 548)	-
Leasing business	(6 090)	(5 392)
<i>Right-of-Use(RoU)</i>	(287)	-
Asset management and brokerage	(142)	(58)
<i>Right-of-Use(RoU)</i>	(119)	-
Parent company	(708)	(27)
<i>Right-of-Use(RoU)</i>	(662)	-
	<b>(20 451)</b>	<b>(10 541)</b>

**19. Tax expenses**

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i> <i>(Restated)</i>
Income tax expense	(1 691)	(825)
Deferred tax	8	(1 814)*
	<b>(1 683)</b>	<b>(2 639)*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

**19.1 Tax expenses by segments**

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i> <i>(Restated)</i>
Insurance business	(1 317)	(2 130)*
Automotive business	(310)	(403)
Leasing business	(35)	(42)
Asset management and brokerage	(21)	(64)
	<b>(1 683)</b>	<b>(2 639)*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

Deferred income tax balances belong to the following balance sheet items:

BGN'000	Total 31.12.2019	Insurance business 31.12.2019	Automotive business 31.12.2019	Leasing business 31.12.2019	Total 31.12.2018	Insurance business 31.12.2018	Automotive business 31.12.2018	Leasing business 31.12.2018
<b>Assets</b>								
Property, plant and equipment	1	1	-	-	-	-	-	-
Unused leave	103	75	15	13	110	77	27	6
Impairment of goods	146		68	78	136	-	59	77
Regulation of thin capitalization - interest rates	132	-	63	69	57	-	48	9
Loss	12 210	12,185	(8)	33	12 438	12 441	(28)	25
Right of use assets	46	-	45	1	5	-	5	-
Other provisions	423	98	313	12	337	43	310	(16)
<b>Net tax assets/(liabilities)</b>	<b>13 061</b>	<b>12 359</b>	<b>496</b>	<b>206</b>	<b>13 083</b>	<b>12 561</b>	<b>421</b>	<b>101</b>

BGN'000	Total 31.12.2019	Insurance business 31.12.2019	Automotive business 31.12.2019	Leasing business 31.12.2019	Total 31.12.2018	Insurance business 31.12.2018	Automotive business 31.12.2018	Leasing business 31.12.2018
<b>Liabilities</b>								
Property, plant and equipment	59	59	-	-	269	269	-	-
Provisions for unused leave	(12)	-	(12)	-	2	-	6	(4)
Regulation of thin capitalization	35	-	35	-	(41)	-	-	(41)
Depreciation	315	-	170	145	163	-	73	90
<b>Net tax assets/(liabilities)</b>	<b>397</b>	<b>59</b>	<b>193</b>	<b>145</b>	<b>393</b>	<b>269</b>	<b>79</b>	<b>45</b>

## 20. Cash and cash equivalents

	31.12.2019 BGN'000	31.12.2018 BGN'000
Cash on hand	4 710	1 569
Deposits up to 3 months	86 187	46 660
Restricted cash	649	596
Cash equivalents	336	844
<i>Impairment</i>	(192)	(129)
	<b>91 690</b>	<b>49 540</b>

## 21. Fixed-term Deposits at banks by segments

	31.12.2019 BGN'000	31.12.2018 BGN'000
Insurance business	15 807	20 197
<i>Impairment</i>	(20)	(40)
	<b>15 787</b>	<b>20 157</b>

### 22.1 Reinsurers' share in technical reserves

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Transfer-premium reserve	165 184	139 095
Claims reserves, incl.:	294 753	265 621
<i>Reserves for incurred, but not reported claims</i>	97 685	102 066
<i>Reserves for reported, but not settled claims</i>	197 068	163 555
Other technical reserves	3 892	3 661
	<b>463 829</b>	<b>408 377</b>

### 22.2 Receivables from insurance business

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Receivables from direct insurance	90 598	70 298
Receivables from reinsurers or cedants	11 007	18 514
Receivables from recourse/subrogation	26 191	10 636
	<b>127 796</b>	<b>99 448</b>

### 23. Trade receivables

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Trade receivables	19 707	15 830
<i>Impairment</i>	(838)	(935)
Financial lease receivables	25 127	21 383
Advances paid	3 046	1 259
<i>Impairment</i>	-	(20)
Other	110	1
<i>Impairment</i>	(1)	-
	<b>47 151</b>	<b>37 518</b>

#### 23.1 Trade receivables by segments

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business	577	870
Automotive business	15 715	11 718
<i>Impairment</i>	(713)	(881)
Leasing business	3 084	3 148
<i>Impairment</i>	(114)	(49)
Asset management and brokerage	252	13
<i>Impairment</i>	(9)	-
Parent company	88	81
<i>Impairment</i>	(11)	(5)
	<b>18 869</b>	<b>14 895</b>

**24. Other receivables**

	31.12.2019 BGN'000	31.12.2018 BGN'000 (Restated)
Insurance business	45 037	21 553*
<i>Impairment</i>	(4 706)	(3 778)*
Automotive business	4 182	3 395
<i>Impairment</i>	(65)	(166)
Leasing business	1 502	2 713
<i>Impairment</i>	-	(111)
Asset management and brokerage	14	-
Parent company	1 148	10 284
<i>Impairment</i>	(23)	(98)
Prepaid expenses	2 519	1 575*
Receivables under court procedures	2 253	2 275
<i>Impairment</i>	(1 571)	(1 347)
Tax receivables	1 475	1 293
<i>Impairment</i>	-	(2)
	<b>51 765</b>	<b>37 586*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

**24.1 Tax receivables by segments**

	31.12.2019 BGN'000	31.12.2018 BGN'000
Insurance business	203	138
Automotive business	709	931
<i>Impairment</i>	-	(2)
Leasing business	301	208
Parent company	262	16
	<b>1 475</b>	<b>1 291</b>

## 25. Property, plant and equipment

	Land plots	Land plots RoU	Buildings	Buildings RoU	Machinery and equipment	Vehicles	Vehicles RoU	Furniture and fittings	Assets under construction	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Cost</b>											
<b>At 31 December 2017</b>	<b>5 490</b>	-	<b>18 761*</b>	-	<b>9 189*</b>	<b>53 828*</b>	-	<b>7 310*</b>	<b>1 029</b>	<b>1 525*</b>	<b>97 132*</b>
Acquisition of a subsidiary	-	-	917*	-	590*	131*	-	300*	-*	740	<b>2 678*</b>
Additions	-	-	160*	-	785*	26 233*	-	1 341*	229	2 313	<b>31 061*</b>
Disposals	(386)	-	-	-	(647)*	(19 622)*	-	(638)*	(557)*	(1 922)	<b>(23 772)*</b>
Other changes	50	-	1 032*	-	10*	18*	-	2*	-	(1)	<b>1 111*</b>
Transfer to investment properties	-	-	(5 931)	-	-	-	-	-	-	-	<b>(5 931)</b>
<b>At 31 December 2018</b>	<b>5 154</b>	-	<b>14 939*</b>	-	<b>9 927*</b>	<b>60 588*</b>	-	<b>8 315*</b>	<b>701*</b>	<b>2 655*</b>	<b>102 279*</b>
Acquisition on 1 January 2019	-	165	-	28 960	-	-	32	-	-	-	<b>29 157</b>
Additions	-	4	377	33 227	2 082	19 529	19	1 165	107	140	<b>56 650</b>
Disposals	(82)	-	(1 572)	(14 972)	(589)	(14 455)	-	(1 181)	(78)	(33)	<b>(32 962)</b>
Other changes	98	-	1 041	(173)	35	26	-	2	-	374	<b>1 403</b>
Disposal of a subsidiary**	-	-	(1 064)	-	(884)	(164)	-	(619)	(4)	(1)	<b>(2 736)</b>
<b>At 31 December 2019</b>	<b>5 170</b>	<b>169</b>	<b>13 721</b>	<b>47 042</b>	<b>10 571</b>	<b>65 524</b>	<b>51</b>	<b>7 682</b>	<b>726</b>	<b>3 135</b>	<b>153 791</b>
<b>Depreciation</b>											
<b>At 31 December 2017</b>	-	-	<b>4 161*</b>	-	<b>7 129*</b>	<b>15 388*</b>	-	<b>4 584*</b>	<b>5</b>	<b>1 145*</b>	<b>32 412*</b>
Depreciation for the period	-	-	432*	-	783*	8 161*	-	527	-	105*	<b>10 008</b>
Acquisition of a subsidiary	-	-	72*	-	424*	65*	-	266*	-	723*	<b>1 550*</b>
Disposals	-	-	(150)*	-	(645)*	(7 301)*	-	(640)*	-	(1)*	<b>(8 737)*</b>
Other changes	-	-	535*	-	(1)*	6*	-	(1)*	-	(3)*	<b>536*</b>
<b>At 31 December 2018</b>	-	-	<b>5 050*</b>	-	<b>7 690*</b>	<b>16 319*</b>	-	<b>4 736*</b>	<b>5</b>	<b>1 969*</b>	<b>35 769*</b>
Depreciation for the period	-	40	489	7 886	839	9 685	19	672	-	169	<b>19 799</b>
Disposals	-	-	(106)	(766)	(432)	(5 586)	-	(122)	-	(18)	<b>(7 030)</b>
Other changes	-	-	360	(18)	-	15	-	4	-	69	<b>430</b>
Disposal of a subsidiary**	-	-	(739)	-	(864)	(79)	-	(550)	-	(1)	<b>(2 233)</b>
<b>At 31 December 2018</b>	-	<b>40</b>	<b>5 054</b>	<b>7 102</b>	<b>7 233</b>	<b>20 354</b>	<b>19</b>	<b>4 740</b>	<b>5</b>	<b>2 188</b>	<b>46 735</b>
<b>Net book value:</b>											
<b>At 31 December 2017</b>	<b>5 490</b>	-	<b>14 600</b>	-	<b>2 060</b>	<b>38 440</b>	-	<b>2 716</b>	<b>1 024</b>	<b>380</b>	<b>64 917</b>
<b>At 31 December 2018</b>	<b>5 154</b>	-	<b>9 889</b>	-	<b>2 237</b>	<b>44 269*</b>	-	<b>3 579*</b>	<b>696*</b>	<b>686*</b>	<b>66 510</b>
<b>At 31 December 2019</b>	<b>5 170</b>	<b>129</b>	<b>8 667</b>	<b>39 940</b>	<b>3 338</b>	<b>45 170</b>	<b>32</b>	<b>2 942</b>	<b>721</b>	<b>947</b>	<b>107 056</b>

\* Adjustment in presentation – Insurance business

\*\* Disposals of a subsidiary – Automotive business



The Group pledged the following own real estate as collateral for its liabilities as of December 31, 2019:

- First ranking registered mortgage on land and buildings in town of Varna, Janos Hunyadi for securing a line of credit guarantee for bank guarantees and revolving credit granted to the companies in the Avto Union Group amounting to EUR 5.6 million as of 31.12.2019;
- Second ranking registered mortgage on land and buildings in town of Varna, Janos Hunyadi for securing a line of credit guarantee for bank guarantees and revolving credit granted to the companies in the Avto Union Group amounting to EUR 4.0 million as of 31.12.2019;
- mortgage on land in town of Pleven, for securing a working loan granted to Motobul EAD amounting to EUR 66 thousand as of December 31, 2019;
- mortgage on land in town of Sofia, Tsarigradsko Shosse Blvd. for securing an investment loan granted to EA Properties EOOD amounting to EUR 1.9 million as of 31.12.2019.

The Group has pledged tangible fixed assets (machinery and equipment), owned by Daru Car EAD and Avto Union Service EOOD, to provide a credit line for bank guarantees extended to the Group's subsidiaries amounting to EUR 1 million as of December 31, 2019. On 06.01.2020 the Group's relations with the creditor bank under the contract were terminated and the pledges and collateral under it were released.

### 25.1 Land and buildings by segments

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business	4 927	5 170
Automotive business	8 910	9 873
	<b>13 837</b>	<b>15 043</b>

### 25.2 Land and buildings by segments - RoU

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business	21 276	-
Automotive business	13 537	-
Leasing business	1 571	-
Asset management and brokerage	1 086	-
Parent company	2 599	-
	<b>40 069</b>	<b>-</b>

### 25.3 Machinery and equipment by segments

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business	2 083	787
Automotive business	1 215	1 404
Leasing business	40	46
	<b>3 338</b>	<b>2 237</b>

### 25.4 Vehicles by segments

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business	4 566	5 332*
Automotive business	14 297	10 991
Leasing business	26 120	27 826
Asset management and brokerage	-	40
Parent company	187	80
	<b>45 170</b>	<b>44 269*</b>

\* Adjustment in presentation – Insurance business (Note 25)

**25.5 Vehicles by segments - RoU**

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business	32	-
	<b>32</b>	<b>-</b>

**25.6 Furniture and fittings and other assets by segments**

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business	893	1 192*
Automotive business	2 824	2 935
Leasing business	130	126
Asset management and brokerage	35	10
Parent company	7	2
	<b>3 889</b>	<b>4 265*</b>

\* Adjustment in presentation – Insurance business(*Note 25*)

**25.7 Assets under construction by segments**

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business	-	-*
Automotive business	721	696
	<b>721</b>	<b>696*</b>

\* Adjustment in presentation – Insurance business(*Note 25*)

**26. Investment property**

	31.12.2019	31.12.2018
	BGN'000	BGN'000
<b>Net book value at 1 January</b>	<b>20 209</b>	<b>12 698</b>
Acquired upon purchase of subsidiaries	-	1 170
Additions	121	294
Disposals	(849)	
Revaluation / (Impairment)	(354)	116
Transfer from buildings	-	5 931
Disposal of a subsidiary**	(3 424)	-
<b>Net book value as at the period end</b>	<b>15 703</b>	<b>20 209</b>

\*\* Disposals of a subsidiary – Automotive business

**27. Intangible assets**

	Software	Licenses	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000
<b>Cost</b>				
<b>At 31 December 2017</b>	<b>6 722*</b>	<b>115</b>	<b>1 896*</b>	<b>8 733*</b>
Acquisition of a subsidiary	558*	-	32*	<b>590*</b>
Additions	1 106	-	159*	<b>1 265*</b>
Disposals	(52)	(1)	(147)	<b>(200)</b>
Other changes	39*	-	-	<b>39*</b>
<b>At 31 December 2018</b>	<b>8 373*</b>	<b>114</b>	<b>1 940*</b>	<b>10 427*</b>
Acquisition of a subsidiary	1,058	5	155	<b>1 218</b>
Additions	(340)	-	(268)	<b>(608)</b>
Disposals	252	-	3	<b>255</b>
Other changes	(96)	-	(38)	<b>(134)</b>
Disposal of a subsidiary**	<b>9 247</b>	<b>119</b>	<b>1 792</b>	<b>11 158</b>
<b>At 31 December 2019</b>				
<b>Amortization</b>				
<b>At 01 January 2018</b>	<b>5 644*</b>	<b>114</b>	<b>776*</b>	<b>6 534*</b>
Amortization for the period	432*	-	101*	<b>533</b>
Acquisition of a subsidiary	129*	-	26*	<b>155*</b>
Disposals	(46)*	-	(22)	<b>(68)*</b>
Other changes	-	-	(1)*	<b>(1)*</b>
<b>At 31 December 2018</b>	<b>6 159*</b>	<b>114</b>	<b>880*</b>	<b>7 153*</b>
<b>At 1 January 2018</b>				
Depreciation for the period	568	-	84	<b>652</b>
Disposals	(20)	-	(30)	<b>(50)</b>
Other changes	(12)	-	3	<b>(9)</b>
Disposal of a subsidiary**	(96)	-	(38)	<b>(134)</b>
<b>At 31 December 2019</b>	<b>6 599</b>	<b>114</b>	<b>899</b>	<b>7 612</b>
<b>Net book value:</b>				
<b>At 31 December 2017</b>	<b>1 078*</b>	<b>1</b>	<b>1 120*</b>	<b>2 199*</b>
<b>At 31 December 2018</b>	<b>2 214*</b>	<b>-</b>	<b>1 060*</b>	<b>3 274</b>
<b>At 31 December 2019</b>	<b>2 648</b>	<b>5</b>	<b>893</b>	<b>3 546</b>

\* Adjustment in presentation – Insurance business

\*\* Disposals of a subsidiary – Automotive business

**28. Inventories by segments**

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business	447	373
Automotive business	38 531	57 492
Leasing business	3 190	2 757
	<b>42 168</b>	<b>60 622</b>

## 29. Financial assets by segments

	31.12.2019 BGN'000	31.12.2018 BGN'000 (Restated)
<b>Government bonds</b> measured at FVTPL, incl.:	60 222	138 688
<i>Insurance business</i>	60 222	138 291
<i>Asset management and brokerage</i>	-	397
<b>Government bonds</b> measured at OCI, incl.:	7 576	1 156
<i>Insurance business</i>	7 576	1 156
<b>Total government bonds</b>	<b>67 798</b>	<b>139 844</b>
<b>Corporate bonds</b> measured at FVTPL, incl.:	63 946	59 777
<i>Insurance business</i>	62 333	59 192
<i>Asset management and brokerage</i>	1 613	585
<b>Total corporate bonds</b>	<b>63 946</b>	<b>59 777</b>
<b>Capital investments</b> measured at FVTPL, incl.:	92 701	82 250
<i>Insurance business</i>	90 479	80 640
<i>Leasing</i>	596	158
<i>Asset management and brokerage</i>	1 626	1 452
<b>Total capital investments</b>	<b>92 701</b>	<b>82 250</b>
<b>Other financial assets</b> measured at amortised cost, incl.:	37 527	9 470*
<i>Insurance business</i>	30 349	1 455*
<i>Asset management and brokerage</i>	7 178	8 015
<i>Impairment</i>	(73)	(145)
<b>Total other financial assets</b>	<b>37 454</b>	<b>9 325*</b>
	<b>261 899</b>	<b>291 196*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50.

## 30. Deferred tax assets

	31.12.2019 BGN'000	31.12.2018 BGN'000 (Restated)
Insurance business	12 359	12 561*
Automotive business	496	421
Leasing business	206	101
	<b>13 061</b>	<b>13 083*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50.

## 31. Investments associates and other investments

	31.12.2019 BGN'000	31.12.2018 BGN'000 (Restated)
Insurance business	13 474	3 414*
Asset management and brokerage	4 639	6 628
	<b>18 113</b>	<b>10 042*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50.

The investment in the associate in Russia was reported by the Insurance Business on December 31, 2019 using the equity method, using the latest available financial statements. For the purposes of the consolidated report of Eurohold Group, an investment is presented using the share of the fair value of the company's equity, which value is determined on the basis of an appraisal by an independent appraiser. The difference in the amount of BGN 5 525 thousand. is reported in other comprehensive income for the period.

### 32. Other financial investments by segments

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business	5 369	2 403
Asset management and brokerage	281	
Parent company	9	9
<i>Impairment</i>	<i>(9)</i>	<i>(9)</i>
	<b>5 650</b>	<b>2 403</b>

### 33. Non-current receivables

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Finance lease receivables	51 896	53 738
Subsidiaries	2 326	26 089
<i>Impairment</i>	<i>(23)</i>	<i>(1)</i>
	<b>54 199</b>	<b>79 826</b>

### 34. Goodwill

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Euroins Insurance Group AD	165 123	165 123
Motobul EAD	12 538	12 538
Bulvaria Varna EOOD	5 591	5 591
Daru Car OOD	1 400	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>190 397</b>	<b>190 458</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 specifically set for each reputable company treated as a separate cash-generating unit and according to its specific business, business environment and risks. The results of the test at Daru Car EAD indicate that the carrying amount of cash flow generating units exceeds its recoverable amount, as a result of which the goodwill recognised by the business combination of this company amounted to BGN 61 thousand.

**35. Subordinated debts by segments**

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business - issued	19 558	19 558
	<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**

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business	9 744	17
Automotive business	14 487	19 045
Leasing business	80 464	78 303
Parent company	36 040	44 802
	<b>140 735</b>	<b>142 167</b>

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

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance business, incl.:	9 593	-
<i>Loans from non-bank financial institutions</i>	9 593	-
Automotive business, incl.:	2 684	2 272
<i>Bank loans</i>	2 684	2 272
Leasing business, incl.:	55 451	57 056
<i>Bank loans</i>	55 451	57 056
Parent company, incl.:	25 531	35 549
<i>Bank loans</i>	25 531	35 549
	<b>93 259</b>	<b>94 877</b>

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

	31.12.2019 BGN'000	31.12.2018 BGN'000
<b>Insurance business, incl.:</b>	<b>151</b>	<b>17</b>
<i>Bank loans</i>	63	17
<i>Loans from non-bank financial institutions</i>	88	-
<b>Automotive business, incl.:</b>	<b>11 803</b>	<b>16 773</b>
<i>Bank loans</i>	11 562	16 070
<i>Loans from non-bank financial institutions</i>	241	703
<b>Leasing business, incl.:</b>	<b>25 013</b>	<b>21 247</b>
<i>Bank loans</i>	25 013	21 247
<b>Parent company, incl.:</b>	<b>10 509</b>	<b>9 253</b>
<i>Bank loans</i>	10 509	9 253
	<b>47 476</b>	<b>47 290</b>

**Information on liabilities to bank and non-banking financial institutions**

	Interest rate %	Original currency	31.12.2019 BGN'000	31.12.2018 BGN'000
<b>Insurance business</b>				
Creditor 1	6.50%	EUR	9 593	-
Creditor Bank 1	15.75-18.00%	BGN	15	17
Creditor Bank 2	10.00%	GEL	48	-
Creditor 2	10.00%	GEL	87	-
Creditor 3	3.00%	GEL	1	-
<b>Automotive business</b>				
Creditor Bank 1	1M EURIBOR + 3.5%	EUR	809	4 701
Creditor Bank 1	1M EURIBOR + 3.5%	EUR	782	809
Creditor Bank 1	1M EURIBOR + 3.5%	EUR	1 050	-
Creditor Bank 1	1M EURIBOR + 2.9%	EUR	1 467	-
Creditor Bank 1	3M EURIBOR + 3.5%	EUR	-	782
Creditor Bank 1	3M EURIBOR + 3.5%	EUR	-	1 050
Creditor Bank 1	1M EURIBOR + 3.5%	EUR	79	-
Creditor Bank 1	2.9%	EUR	-	1 467
Creditor Bank 1	3.5%	EUR	-	78
Creditor Bank 2	1M EURIBOR + 3.5%	EUR	887	-
Creditor Bank 2	1M EURIBOR + 3.5%	EUR	1 386	-
Creditor Bank 2	1M EURIBOR + 2.25%	EUR	1 602	-
Creditor Bank 2	3M EURIBOR + 3.3%	EUR	101	-
Creditor Bank 2	3M EURIBOR + 3.3%	EUR	160	-
Creditor Bank 2	1M EURIBOR + 2.0%	EUR	4 884	4 860
Creditor Bank 2	3M EURIBOR + 3.5%	EUR	-	1 785
Creditor Bank 2	3M EURIBOR + 3.5%	EUR	-	1 332
Creditor Bank 2	3,3%	EUR	-	311
Creditor Bank 2	3,3%	EUR	-	489
Creditor Bank 2	1m EURIBOR + 2.0%	EUR	-	4 860
Creditor Bank 3	3M EURIBOR + 5%	EUR	466	-

**Automotive business (continued)**

Creditor Bank 3	6%	EUR	-	466
Creditor Bank 4	5.25%	EUR	188	208
Creditor 1	1M SOFIBOR + 1.8%	EUR	520	449
Creditor 2	BDIUL + 1.80%	EUR	106	-
Creditor 3	5.00%	EUR	-	254
Creditor 4	5.39%	EUR	-	4

**Leasing business**

Creditor Bank 1	ODI + 2,3%/min 2,3% 3m. Euribor + 4.8%/ min 5%	BGN EUR	8 667 -	2 002 2
Creditor Bank 2	3m. Euribor + 2.8%	EUR	4 160	5 962
Creditor Bank 2	3m. Euribor +2.8%	EUR	742	969
Creditor Bank 2	Prime+2.72/min. 2.85%	BGN	7 286	10 560
Creditor Bank 2	Prime+2.85/min. 2.85%	BGN	616	812
Creditor Bank 2	Prime+2.63/min. 2.63%	BGN	-	685
Creditor Bank 2	3m. Sofibor+2.32%	BGN	3 614	3 844
Creditor Bank 2	3m. Sofibor+2.32%/ min. 2.32%	BGN	748	991
Creditor Bank 2	3m.Sofibor+2.85%/min.2.85 %	BGN	1 799	1 005
Creditor Bank 2	Prime+2.72%/min. 2.72%	BGN	3 258	3 902
Creditor Bank 2	Prime + 1.72%/min. 2.72%	BGN	2 434	-
Creditor Bank 2	Prime + 1.85%/min. 2.85%	BGN	274	-
Creditor Bank 3	1m.Sofibor +4.471%	BGN	-	25
Creditor Bank 3	1m.Sofibor +4.5%	BGN	-	85
Creditor Bank 3	1m.Sofibor +3.5%min. 3.5%	BGN	536	992
Creditor Bank 4	3m Euribor+2.75%/ min. 2.75%	EUR	1 990	-
Creditor Bank 4	6m.Euribor +4.75%/min4.75%	EUR	1 894	1 404
Creditor Bank 4	3m.Euribor+5.25%/min.5.25 %	EUR	3 490	2 621
Creditor Bank 5	3m.Euribor +4.75%	EUR	-	4 576
Creditor Bank 6	3m.Euribor+3.50%/min3.5%	EUR	1 778	2 674
Creditor Bank 6	3m Euribor + 3%/min 3%	BGN	495	722
Creditor Bank 6	3m Euribor + 3%/min 3%	BGN	364	-
Creditor Bank 6	3m Euribor + 2.95%/min 2.95%	EUR	987	-
Creditor Bank 7	3m.Euribor+2.5%/min 2.5%	EUR	5 818	8 327
Creditor Bank 7	3m.Euribor + 3.5%/min 3.5%	EUR	17 096	19 598
Creditor Bank 7	3m.Euribor + 2.5%/min 2.5%	EUR	1 640	-
Creditor Bank 8	6m.Sofibor +5.25% /min5.25%	EUR	3 013	-
Creditor Bank 9	5,25%	EUR	6 985	6 545
Creditor Bank 10	1m. Euribor + 4,25%	EUR	780	-

**Parent company**

Creditor Bank 1	EURIBOR + 6,0 %	EUR	36 040	44 802
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**37. Bond obligations by segments**

	31.12.2019 BGN'000	31.12.2018 BGN'000
Automotive business	14 151	13 634
Leasing business	9 900	20 380
Parent company	133 613	123 550
	<b>157 664</b>	<b>157 564</b>

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

	31.12.2019 BGN'000	31.12.2018 BGN'000
Automotive business	13 067	12 746
Leasing business	1 591	11 654
Parent company	132 858	122 824
	<b>147 516</b>	<b>147 224</b>

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

	31.12.2019 BGN'000	31.12.2018 BGN'000
Automotive business	1 084	888
Leasing business	8 309	8 726
Parent company	755	726
	<b>10 148</b>	<b>10 340</b>

**Issued bonds**

	Cupon	Original currency	Maturity	31.12.2019 Nominal <i>in thousand</i>	31.12.2018 Nominal <i>in thousand</i>
<b>Automotive Business</b>					
Corporate bonds	4.50%	BGN	12.2022	6 800	6 800
Corporate bonds	3.85%	BGN	06.2028	8 800	8 800
<b>Leasing business</b>					
Corporate bonds	7.00%	EUR	11.2019	-	6 000
Corporate bonds	3.75%	EUR	07.2023	1 250	1 250
Corporate bonds	5.00%	BGN	02.2020	6 000	6 000
Corporate bonds	3m.Euribor + 3.95%	EUR	07.2021	5 800	5 800
<b>Parent company</b>					
EMTN Programme	6.50%	EUR	12.2022	70 000	70 000
EMTN Programme	8.00%	PLN	12.2021	45 000	45 000

**38. Non-current liabilities**

	31.12.2019 BGN'000	31.12.2018 BGN'000
Other non-current liabilities	4 398	5 972
Finance lease liabilities	18 844	18 773
	<b>23 242</b>	<b>24 745</b>

**38.1 Other non-current liabilities by segments**

	31.12.2019 BGN'000	31.12.2018 BGN'000
Insurance business	5	7
Automotive business	4 263	5 131
Leasing business	115	828
Parent company	15	6
	<b>4 398</b>	<b>5 972</b>

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

	31.12.2019 BGN'000	31.12.2018 BGN'000
Automotive business	11 640	11 069
Leasing business	7 204	7 704
	<b>18 844</b>	<b>18 773</b>

**39. Current liabilities**

	31.12.2019 BGN'000	31.12.2018 BGN'000 (Restated)
Payables to employees	4 810	3 979
Social-security liabilities	3 348	1 912
Tax liabilities	9 437	6 063
Other current liabilities	17 536	14 143*
Finance lease liabilities	7 480	7 317
Deferred revenue	206	687
Provisions	1 074	3 227
	<b>43 891</b>	<b>37 328*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

**39.1 Payables to employees by segments**

	31.12.2019 BGN'000	31.12.2018 BGN'000
Insurance business	3 373	2 699
Automotive business	1 051	1 007
Leasing business	328	233
Parent company	58	40
	<b>4 810</b>	<b>3 979</b>

**39.2 Social-security liabilities by segments**

	31.12.2019 BGN'000	31.12.2018 BGN'000
Insurance business	2 813	1 339
Automotive business	389	422
Leasing business	122	145
Parent company	24	6
	<b>3 348</b>	<b>1 912</b>

**39.3 Tax liabilities by segments**

	31.12.2019 BGN'000	31.12.2018 BGN'000
Insurance business	7 553	2 574
Automotive business	1 466	2 564
Leasing business	290	557
Asset management and brokerage	55	75
Parent company	73	293
	<b>9 437</b>	<b>6 063</b>

**39.4 Other current liabilities by segments**

	31.12.2019 BGN'000	31.12.2018 BGN'000 (Restated)
Insurance business	13 874	9 881*
Automotive business	1 264	2 507
Leasing business	1 760	1 269
Asset management and brokerage	150	158
Parent company	488	328
	<b>17 536</b>	<b>14 143*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

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

	31.12.2019 BGN'000	31.12.2018 BGN'000
Automotive business	4 604	3 706
Leasing business	2 876	3 611
	<b>7 480</b>	<b>7 317</b>

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

	31.12.2019 BGN'000	31.12.2018 BGN'000
Insurance business	54	103
Automotive business	152	584
	<b>206</b>	<b>687</b>

**39.7 Provisions – by segments**

	31.12.2019 BGN'000	31.12.2018 BGN'000
Insurance business	852	2 951
Automotive business	222	276
	<b>1 074</b>	<b>3 227</b>

#### 40. Trade and other payables

##### 40.1 Trade and other payables by segments

	31.12.2019 BGN'000	31.12.2018 BGN'000
Insurance business	6 783	6 275
Automotive business	49 307	57 291
Leasing business	3 641	2 542
Asset management and brokerage	12	31
Parent company	38 307	42 169
	<b>98 050</b>	<b>108 308</b>

##### 40.2 Lease liabilities – right-of-use, by segments

	31.12.2019 BGN'000	31.12.2018 BGN'000
Insurance business, incl.:	22 331	-
<i>Short term</i>	4 263	-
<i>Long term</i>	18 068	-
Automotive business, incl.:	13 875	-
<i>Short term</i>	2 574	-
<i>Long term</i>	11 301	-
Leasing business, incl.:	1 592	-
<i>Short term</i>	244	-
<i>Long term</i>	1 348	-
Asset management and brokerage, incl.:	1 099	-
<i>Short term</i>	98	-
<i>Long term</i>	1 001	-
Parent company, incl.:	2 802	-
<i>Short term</i>	665	-
<i>Long term</i>	2 137	-
	<b>41 699</b>	<b>-</b>

#### 41. Payables to reinsurers

	31.12.2019 BGN'000	31.12.2018 BGN'000
Insurance business	26 193	23 265
	<b>26 193</b>	<b>23 265</b>

#### 42. Deferred tax liabilities by segments

	31.12.2019 BGN'000	31.12.2018 BGN'000 (Restated)
Insurance business	59	269*
Automotive business	193	79
Leasing business	145	45*
	<b>397</b>	<b>393*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

**43. Insurance reserves**

	31.12.2019 BGN'000	31.12.2018 BGN'000
Unearned premium reserve, gross amount	252 556	218 027
<i>Reinsurers' share in unearned premium reserve</i>	<i>(165 184)</i>	<i>(139 095)</i>
Unexpired risks reserve, gross amount	198	147
Reserve for incurred but not reported claims, gross amount	167 566	171 780
<i>Reinsurers' share in reserve for incurred but not reported claims</i>	<i>(97 685)</i>	<i>(102 066)</i>
Reserve for reported but not settled claims, gross amount	336 021	275 507
<i>Reinsurers' share in reserve for reported but unsettled claims</i>	<i>(197 068)</i>	<i>(163 555)</i>
Other technical reserve	6 847	6 574
<i>Reinsurers' share in other technical reserves</i>	<i>(3 892)</i>	<i>(3 661)</i>
Mathematical reserve reserve	4 495	4 311
	<b>767 683</b>	<b>676 346</b>

**44. Share capital and share premium****44.1 Share capital**

	31.12.2019	31.12.2018
Issued shares, <i>BGN'000</i>	197 526	197 526
Treasury shares, <i>BGN'000</i>	(1 353)	(77)
<b>Share capital, <i>BGN'000</i></b>	<b>196 173</b>	<b>197 449</b>
<b>Number of shares</b>	<b>197 525 600</b>	<b>197 525 600</b>

As at December 31, 2019, 1 352 567 shares of Eurohold Bulgaria AD are held by companies in Eurohold Group (31 December 2018 – 77 387 shares).

The share capital at 31 December 2019 is distributed as follows:

Share holders	%	Number of shares	Par value
Starcom Holding AD	52.92%	104 527 671	104 527 671
KJK Fund II Sicav-Sif Balkan Discovery	14.23%	28 116 873	28 116 873
Blubeard Investments Limited	10.79%	21 305 098	21 305 098
Other companies	19.85%	39 208 526	39 208 526
Other individuals	2.21%	4 367 432	4 367 432
<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 2019 were 67 800 shares (as of 31.12.2018 – 78 400 shares).

**44.2 Share premium**

	31.12.2019 BGN'000	31.12.2018 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

	31.12.2019	31.12.2018* Restated
Average shares, (number)	197 170 558	194 640 005
Net Profit attributable to equity holders of the Parent (thousand BGN)	(2 885)	9 105*
<b>Earnings per share, BGN</b>	<b>(0.015)</b>	<b>0,047*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

#### 45. Net profit for the year

	31.12.2019 BGN'000	31.12.2018 BGN'000 (Restated)
Current result attributable to the shareholders	(2 885)	9 105*
Current result attributable to the non-controlling interest	1 955	1 983*
	<b>(930)</b>	<b>11 088*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

#### 45.1 Net profit for the year by segments

	31.12.2019 BGN'000	31.12.2018 BGN'000 (Restated)
Insurance business	12 612	4 254*
Automotive business	5 283	3 438
Leasing business	216	1 088*
Asset management and brokerage	580	834
Parent company	(14 631)	1 660
Pfotit/(Loss) attributable to the non-controlling interest	(1 955)	(1 983)*
Intercompany eliminations of dividends and other	(4 990)	(186)
	<b>(2 885)</b>	<b>9 105*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

#### 46. Non-controlling interests

	31.12.2019 BGN'000	31.12.2018 BGN'000 (Restated)
Non-controlling interest attributable to profit	1 955	1 983*
Non-controlling interest attributable to equity	31 468	38 481*
	<b>33 423</b>	<b>40 464*</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in *Note 50*.

As at 31.12.2019 and 31.12.2018, the Group does not have any significant non-controlling participations.

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

BGN'000	Note	1 January 2019	Changes from financing cash flows		Non-cash adjustments		31 December 2019
			Proceeds	Payments	Effect of changes in foreign exchange rates	Other changes	
Retained earnings		<b>(36 931)*</b>	-	(2 417)	-	(931)	<b>(40 279)</b>
Subordinated debts	35	<b>19 558</b>		(1 842)		1 842	<b>19 558</b>
Bank and non-bank loans	36	<b>142 167</b>	47 895	(46 588)	75	(2 814)	<b>140 735</b>
Bond obligations	37	<b>157 564</b>	6 133	(27 405)	236	21 136	<b>157 664</b>
<b>Total:</b>		<b>282 358</b>	<b>54 028</b>	<b>(78 252)</b>	<b>311</b>	<b>19 233</b>	<b>277 678</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50.

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	
Retained earnings		<b>(41 534)*</b>	-	(1 700)	-	(2 802)*	<b>(46 036)*</b>
Subordinated debts	35	<b>26 058</b>	-	(1 838)	-	(4 662)	<b>19 558</b>
Bank and non-bank loans	36	<b>99 245</b>	80 734	(45 644)	-	7 832	<b>142 167</b>
Bond obligations	37	<b>150 757</b>	35 454	(24 323)	(673)	(3 651)	<b>157 564</b>
<b>Total:</b>		<b>234 526*</b>	<b>116 188</b>	<b>(73 505)</b>	<b>(673)</b>	<b>(3 283)*</b>	<b>273 253</b>

\* Some of the amounts disclosed in these consolidated financial statements do not correspond to the amounts in the consolidated financial statements for 2018 in connection with the correction of errors disclosed in Note 50.

#### 48. Contingent liabilities and engagements

##### Litigations

As at 31.12.2019 no significant lawsuits have been filed against the Companies of Eurohold Group.

The Parent company is a complainant against Decision No. 1169 / 24.10.2019 of the Commission On Protection of Competition, which prohibits the concentration between companies, which will be carried out by acquisition of indirect sole control by Eurohold Bulgaria AD, UIC 175187337. The case has no material interest.

The Parent company is a plaintiff in a material interest case of EUR 375 363,21. The Parent company requests a refund of the amount it has transferred. The transferred amount was completely blocked in an account at Erste Bank, Novi Sad, on the basis of a prosecutor's order and will be returned to the company after a formal ruling in the above case. A final judgment is expected within the next 1 to 3 months.

In 2019, on the basis of Order No. 3-137 of 24.04.2019 of the Deputy Chairman of the FSC, head of the Investment Activity Supervision Department, an inspection of Euro Finance AD was opened, which has not been completed as of the date of the preparation of the financial statement. The administrative sanctions and coercive administrative measures imposed in the course of the inspection are appealed by the Company before the respective competent Bulgarian court, and as of the date of preparation of the financial statement there are no undoubtedly certain administrative sanctions. For this reason, the Company cannot predict whether it will incur significant costs in connection with the contested administrative sanctions and administrative coercive measures, therefore it has not recognized provisions for court costs and payment of administrative sanctions.

### Guarantees provided - contingent liabilities

Avto Union AD is a co-debtor under a bank loan agreement of Asterion Bulgaria AD from First Investment Bank AD. Asterion Bulgaria AD has not used a limit under this agreement, which as of 31.12.2019 amounts to EUR 2 million and is used for issuing bank guarantees for the subsidiaries of Avto Union AD.

Insurers that offer compulsory motor third party liability insurance present a bank guarantee in accordance with the Statute of the National Bureau of Bulgarian Motor Insurers (NBBAZ). As of December 31, 2019 and 2018, two of the Companies in the Group (Euroins AD and EIG Re EAD) are separate ordering parties under bank guarantees, each of which in the amount of EUR 600 thousand in favor of NBBAZ, as the funds securing the bank guarantees in question are blocked on the current account of the Group companies.

### Guarantees received - contingent assets

A third party has established a real estate mortgage in Burgas District to secure a contract for the issuance of bank guarantees and a revolving bank loan for the companies of the Group with a total limit of EUR 1 240 thousand.

## 49. Transactions and balances with related parties

The Group's related parties are as follows:

- Starcom Holding AD - major shareholder in Eurohold Bulgaria AD

### Subsidiaries of Starcom Holding AD:

- First Investment Bank AD, Russia.

### Companies under control of Starcom Holding AD:

- Hanson Asset Management Ltd, United Kingdom.

As at 31 December 2019, the Group has the following related parties transactions:

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Loan claims from Starcom Holding AD	5 731	33
Repo transaction receivables from Starcom Holding AD	239	239
Other receivables from Starcom Holding AD	1 180	285
Other receivables from Hanson Asset Management Ltd	226	-
Liabilities on loans to Starcom Holding AD	6 988	942
Other liabilities to Starcom Holding AD	20 536	20 752
Investments in debt instruments of Starcom Holding AD	3 494	11 651
Dividend payables to Starcom Holding AD	101	101
Revenue from commissions - Starcom Holding AD	124	87
Lease income - Hanson Asset Management Ltd.	137	-
Interest income - Starcom Holding AD	593	807
Interest expense - Starcom Holding AD	157	169

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 2019 are current and amount to BGN 2 012 936 and include current remuneration (2018: BGN 2 156 928).

## 50. Correction of errors

a) In 2019 in the segments Insurance Business and Leasing technical errors were found in the financial statements for 2016 and 2017, which were corrected by recalculating each of the objects affected in the financial statements for the previous reporting periods.



As the adjustments in the financial statements for 2017 do not have a significant effect on the information in the consolidated Statement of Financial Position as 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 for 2017:

### 50.1 Disclosure of the effects of accounting errors and other reclassifications in the statement of financial position as of 1.1.2018

	Correction of errors		
	Before Restatement	Restatement	Restated
1 January 2018, BGN'000			
Other receivables(Leasing business)	30 822	(373)	30 449
<b>TOTAL ASSETS</b>	<b>1 326 414</b>	<b>(373)</b>	<b>1 326 041</b>
Current liabilities (Insurance business)	29 262	640	29 902
Deferred tax liabilities (Leasing business)	284	(49)	235
<b>Total liabilities and subordinated debts</b>	<b>1 112 305</b>	<b>591</b>	<b>1 112 896</b>
Retained earnings/(losses), incl.:	(45 055)	(896)	(45 951)
<i>Insurance business</i>	-	(572)	(572)
<i>Leasing business</i>	-	(324)	(324)
Non-controlling interests, incl.:	43 606	(68)	43 538
<i>Insurance business</i>	-	(68)	(68)
<b>Total equity</b>	<b>214 109</b>	<b>(964)</b>	<b>213 145</b>

**b) Reported in 2018 liabilities and expenses related to the operations of the Branch of IC Euroins AD in Greece.** In 2018, in connection with the start of operations of the branch of IC Euroins AD in Greece on the basis of the right of establishment (Freedom of Establishment) in another country of the European Union, Euroins Insurance Group AD has used services in relation to certain activities related to the opening of the Branch in Greece. Their amount was BGN 489 thousand. As a result of the performed procedures expenses for hired services for the comparable period are recalculated to BGN (14,655) thousand from BGN (14,166) thousand.

**c) Reported in 2018 liabilities and expenses related to the liquidation activity of the IC Euroins AD in Greece.** In the process of reviewing the operations of IC Euroins AD in Greece (until January 31, 2019 - operating on the basis of Freedom of Services within the European Union, and then - operating through its branch based on Freedom of Establishment) and as a result of the transfer of its liquidation activities to another company of the Group, not reported expenses were identified in the period 2018. Due to the nature of the expenses and their tax effect as a result of subsequent inspection by the tax authorities, Euroins Insurance Company AD is obliged to accrue additional moratorium interest amounting to BGN 207 thousand. . As a result of the performed procedures . As a result of the performed procedures Other operating expenses for the comparable period are recalculated to BGN (28,248) thousand from BGN (27,379) thousand and the effect recognized in the statement of profit or loss and other comprehensive income amounts to BGN 869 thousand.

As a result of the adjustments under points **b)** and **c)** the "Other liabilities" are increased for the comparable period from BGN 12,145 thousand to BGN 14,143 thousand or a total of BGN 1,998 thousand.

**d) Reporting the investment in the associate in Russia using the equity method.** The investment in the associate of Euroins Insurance Group AD in Russia was presented for the comparable period as at December 31, 2018 at cost amounting to BGN 6,070 thousand. When applying the equity method, its value should be BGN 3,414 thousand. "Other Financial Assets" are reduced by BGN 2,656 thousand and the difference is reported for the comparable period as an increase of " Investment expenses " from BGN (16,024) thousand to BGN (18,680) thousand.

**e) Deferred tax asset adjustment by Euroins Romania Insurance-Reinsurance SA.**

In 2018, the reported deferred tax asset of Euroins Romania Insurance-Reinsurance SA was increased by BGN 1,593 thousand. The adjustment leads to a decrease in "Deferred tax assets" and an increase in "Tax expense" by the same amount.

**f) The value of the "Non-controlling interest" in IC Euroins Georgia AD is recalculated from BGN 441 thousand to BGN 2,998 thousand for the comparable period as at December 31, 2018.** In 2018, after the acquisition of the controlling interest in IC Euroins Georgia AD, an initial assessment of the non-controlling interest in the subsidiary was performed. In 2019, after an internal review by the Management of the Group, an inaccuracy was identified in the assessment amounting to BGN 2,547 thousand, for which a decision was made to report as a reclassification in the comparative period, because of the limited impact due to its purely representative characteristics.

**g) Recognized insurance expense in Eurolease - Rent a Car EOOD.** In 2018 expenses for insurance by Eurolease - Rent a Car EOOD were increased by BGN 130 thousand. Their adjustment leads to a decrease in the balance sheet item "Other receivables" and an increase in "Other operating expenses / Expenses on hired services" with the same amount.

**50.2 Disclosure of the effects of accounting errors and other reclassifications in the statement of financial position as of 31.12.2018**

<b>BGN'000</b>	<i>Notes</i>	<i>Before Restatement</i>	<i>Restatement</i>	<i>Restated</i>
<b>ASSETS</b>				
Other receivables	24	39 262	(1 676)	37 586
Financial assets	29	290 023	1 173	291 196
Deferred tax assets	30	14 676	(1 593)	13 083
Investments in associates and other investments	31	12 698	(2 656)	10 042
<b>TOTAL ASSETS</b>		<b>1 395 001</b>	<b>(4 752)</b>	<b>1 390 249</b>
<b>EQUITY AND LIABILITIES</b>				
Revaluation and other reserves		(55 632)	(1 984)	(57 616)
Retained earnings/(losses)		(44 781)	(1 255)	(46 036)
Profit for the year	45	14 385	(5 280)	9 105
<b>Equity attributable to equity holders of the parent</b>		<b>168 630</b>	<b>(8 519)</b>	<b>160 111</b>
Non-controlling interests	46	38 692	1 772	40 464
<b>Total equity</b>		<b>207 322</b>	<b>(6 747)</b>	<b>200 575</b>
<b>LIABILITIES</b>				
Current liabilities	39	35 330	1 998	37 328
Deferred tax liabilities	42	396	(3)	393
		<b>491 775</b>	<b>1 995</b>	<b>493 770</b>
<b>Total liabilities and subordinated debts</b>		<b>1 187 679</b>	<b>1 995</b>	<b>1 189 674</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 395 001</b>	<b>(4 752)</b>	<b>1 390 249</b>

### 50.3 Disclosure of the effects of accounting errors and other reclassifications in the Consolidated Statement of profit or loss and other comprehensive income for 2018.

<b>BGN'000</b>	<i>Notes</i>	<i>Before Restatement</i>	<i>Restatement</i>	<i>Restated</i>
<b>Expenses of operating activities</b>				
Expenses of insurance business	4	(928 424)	(3 525)	(931 949)
		<b>(1 129 920)</b>	<b>(3 525)</b>	<b>(1 133 445)</b>
<b>Gross Operating Profit</b>				
Other operating expenses	13	(78 528)	(619)	(79 147)
<b>EBITDA</b>		<b>50 809</b>	<b>(4 144)</b>	<b>46 665</b>
<b>EBTDA</b>		<b>28 412</b>	<b>(4 144)</b>	<b>24 268</b>
<b>EBT</b>		<b>17 871</b>	<b>(4 144)</b>	<b>13 727</b>
Tax expenses	19	(997)	(1 642)	(2 639)
<b>Net profit for the year</b>		<b>16 874</b>	<b>(5 786)</b>	<b>11 088</b>
Net profit, attributable to:				
Equity holders of the parent		14 385	(5 280)	9 105
Non-controlling interests		2 489	(506)	1 983
Net loss from change in the fair value of financial assets through other comprehensive income				
		(7)	57	50
		<b>(7)</b>	<b>57</b>	<b>50</b>
Exchange differences on translating foreign operations				
		138	1 283	1 421
		<b>138</b>	<b>1 283</b>	<b>1 421</b>
<b>Other comprehensive income for the year, net of tax</b>				
		<b>131</b>	<b>1 340</b>	<b>1 471</b>
<b>Total comprehensive income for the year, net of tax</b>				
		<b>17 005</b>	<b>(4 446)</b>	<b>12 559</b>
Total comprehensive income, attributable to:				
Equity holders of the parent		14 494	(4 012)	10 482
Non-controlling interests		2 511	(434)	2 077

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 2018.

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

### COVID - 19

At the end of 2019, news from China about COVID-19 (Coronavirus) first appeared, when a limited number of unknown virus cases were reported to the World Health Organization. During the first few months of 2020, the virus spread worldwide and its negative effects gained momentum. On 11.03.2020, after cases of new coronavirus strains were reported in 114 countries, the World Health Organization (WHO) announced the COVID-19 epidemic for a pandemic. On 13.03.2020, at the request of the government, the National Assembly declared a state of emergency in Bulgaria because of the coronavirus.

The Management considers this as a non-adjusting event after the reporting period because it believes that it will not call into question the Group's ability to continue as a going concern.

The Group takes all necessary measures in order to preserve the health of workers and to minimize the impact of the crisis at this stage of its occurrence. The actions are in accordance with the instructions of the National Operational Headquarters and strictly comply with the instructions of all national institutions.

The Management is closely monitoring the situation and looking for ways to reduce its impact on the Group, but a fall in the prices of shares on the global stock exchanges could affect the fair value of the Group's investments if the negative trend continues. Management will continue to monitor the potential impact and will take all possible steps to mitigate the potential effects.

### Insurance business

- On January 21, 2020, as a part of the restructuring plan of the Capital Structure of IC Euroins Insurance AD, approved by the Financial Supervision Commission, an increase of the share capital of IC Euroins AD by BGN 8,700 thousand was registered in the Bulgarian Commercial Register. The increase was a result of repayment of the existing subordinated debt amounting to BGN 8,500 thousand on January 13, 2020. Thus, the share capital of IC Euroins AD is amounting to BGN 40,970,000 distributed in 40,970,000 shares, as Euroins Insurance Group AD owns 40,410,171 shares, which is approximately 98.63% of the capital.
- On February 27, 2020, an increase of the capital of IC Euroins Life EAD was registered, which was part of the plan for restructuring the capital structure of IC Euroins Life EAD, approved by the Financial Supervision Commission with a Decision dated December 23, 2019. On January 3, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of IC Euroins Life EAD by BGN 1,250,000, while IC Euroins Life EAD should fully repay the subordinated debt in the same amount. On February 18, 2020, IC Euroins Life EAD paid its debt in full. After the transaction, the share capital of the subsidiary amounts to BGN 11,375,070 distributed in 1,137,507 shares with a par value of BGN 10 each.
- On February 28, 2020, an increase of the share capital of IC EIG Re EAD was registered, which was part of the plan for restructuring the capital structure of IC EIG Re EAD, approved by the Financial Supervision Commission with a Decision dated December 23, 2019. On January 15, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the share capital of IC EIG Re EAD by BGN 600 thousand, while IC EIG Re EAD should fully repay the subordinated debt in the same amount. On February 19, 2020, IC EIG Re EAD paid its debt in full. After the transaction, the share capital of the subsidiary amounts to BGN 19,112,000 divided into 19,112,000 shares with a par value of BGN 1 each.
- On February 12, 2020, the Guarantee Fund of the Republic of Romania (Fondul de Garantare a Asiguraților) appointed a temporary administrator of the subsidiary of Euroins Insurance Group AD - Euroins Romania - Insurance - Reinsurance SA. - for a limited period of time until the approval of the new Board of Directors by the financial regulator in Romania (Autoritatea de Supraveghere Financiară). The role of the administrator is to monitor the current process and operations in the subsidiary until the approval of the new Board of Directors. At the General Meeting of Shareholders of the Company, held on March 16, 2020, the composition of the managing body of the Company was changed, as Kiril Ivanov Boshov - Chairman, Jeroen van Leeuwen - member and Coleta Michaela Cirita - member were elected as members. On March 26, 2020 the new members were approved by the Romanian regulatory body and the temporary administration was terminated.
- On April 29, 2020, Euroins Insurance Group AD acquired 93.12% of the shares of ERGO Belarus. The Company specializes in non-life insurance and is the third largest private insurer in Belarus, operating in a sector still dominated by state-owned companies.
- On January 28, 2020, IC Euroins AD sold its investment property at a sale price of BGN 5,960 thousand. The price was paid in full in two installments on January 13, 2020 and January 28, 2020. As at December 31, 2019 the book value of the property is BGN 5,823 thousand.

- On February 14, 2020 a second installment amounting to EUR 5 million is received under a loan agreement with AMC IV ALPHA BV concluded on March 13, 2019 with a limit of EUR 10 million, an interest rate of 6.5% and a repayment period ending on March 31, 2025.

#### **Leasing business**

- On 05.02.2020 Eurolease Group AD issued a corporate bond with ISIN code of the issue BG2100001200, amounting to BGN 6,000 thousand, maturing on 05.2025 and a fixed annual interest rate of 4.00%, payable every six months period. The principal is payable once (bullet repayment) at maturity, together with the last interest payment. The bond loan was issued to refinance the first issue of corporate bonds with ISIN BG2100001150.

#### **Asset management and brokerage**

- At the General Meeting of Shareholders of Euro-Finance AD on 12.08.2019 a decision was made to reduce the capital of the investment intermediary from BGN 40,000,000 to BGN 14,100,002, by invalidating the obligation of the shareholder Eurohold Bulgaria AD, as the BGN 6,500,000 paid by him during the last capital increase will be transferred to the Reserve Fund. With its decision of 16.01.2020, the Financial Supervision Commission gave permission for capital reduction and the necessary documents were submitted to the Registry Agency. On 24.01.2020 the reduction of the capital of Euro-Finance AD was entered in the Commercial Register and on the same date was reflected in the registers of the company.

There are no other events after the reporting period that would require additional disclosure or adjustments in the consolidated financial statements of Eurohold Bulgaria AD as of 31.12.2019.



**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. EUROHOLD BULGARIA – CORPORATE OVERVIEW

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### **EUROHOLD BULGARIA IS:**

- *One of the biggest independent financial group in the region of Central and Southeastern Europe;*
- *With main activity - investment and financing activity related to the creation, acquisition and management of participations and financing of affiliated enterprises;*
- *Non-bank financial holding company that takes advantage of the synergies between the services offered and the stakeholders;*
- *Focused, through its subsidiaries in the business sectors - insurance, leasing, car sales, investment intermediation and asset management;*
- *A public joint-stock company under the provisions of POSA. The company's shares are registered for trade on the Main market of the Bulgarian Stock Exchange Sofia, stock index 4EH. The company's shares are registered for trade on 15 December 2011 also on the Warsaw Stock Exchange (WSE) with stock index EHG.*



## ▪ D2. KEY CONSOLIDATED RATIOS 2019

Eurohold Bulgaria AD reports a consolidated loss for 2019, growth of the Group's revenues and assets, as well as a stable financial position.

	<b>2019</b>	<b>2018</b>
<b>NET PROFIT/LOSS</b>	<b>(0.9) MLN. BGN</b> <b>(108)%</b>	<b>11.1 MLN. BGN</b> <b>(54)%</b>
<b>INCOME</b>	<b>1 601 MLN. BGN</b> <b>+ 27%</b>	<b>1 263 MLN. BGN</b> <b>+ 2%</b>
<b>EBITDA</b>	<b>118.7 MLN. BGN</b> <b>(5)%</b>	<b>124.7 MLN. BGN</b> <b>(5)%</b>
<b>ASSETS</b>	<b>1 510 MLN. BGN</b> <b>+ 9%</b>	<b>1 390 MLN. BGN</b> <b>+ 5%</b>
<b>LIABILITIES</b>	<b>1 319 MLN. BGN</b> <b>+ 12%</b>	<b>1 190 MLN. BGN</b> <b>+ 7%</b>
<b>EQUITY</b>	<b>157.3 MLN. BGN</b> <b>(5)%</b>	<b>160.2 MLN. BGN</b> <b>(6)%</b>

## KEY CONSOLIDATED INDICATORS - CONTINUED

KEY INDICATORS BY INDIVIDUAL BUSINESS LINES DATA ARE BASED ON AUDITED CONSOLIDATED FINANCIAL STATEMENTS AT SUB-HOLDING LEVEL FOR 2019 and 2018

Consolidated data Insurance	Currency	Change 2019-2018 in %	2019	Change 2019-2018 in %	2018
Written premiums	000'BGN	+ 32%	<b>847 716</b>	0%	643 283
Net earned premiums	000'BGN	+ 22%	<b>464 994</b>	+ 7%	380 389
Net income	000'BGN	+ 25%	<b>601 775</b>	+ 6%	483 062
Claims net of reinsurance occurred	000'BGN	+ 19%	<b>(274 182)</b>	+ 26%	(230 845)
Acquisition expenses	000'BGN	+ 32%	<b>(198 940)</b>	+ 10%	(150 483)
Administrative expenses	000'BGN	+ 2%	<b>(39 976)</b>	+ 26%	(39 124)
Net result	000'BGN	+ 196%	<b>12 612</b>	- 90%	4 254
Financial Assets	000'BGN	- 1%	<b>323 813</b>	- 8%	328 320
Total Assets	000'BGN	+ 13%	<b>1 274 774</b>	+ 4%	1 126 914
Insurance reserves	000'BGN	+ 14%	<b>768 308</b>	+ 13%	676 659
Equity	000'BGN	+ 3%	<b>382 945</b>	+ 5%	370 326

Consolidated data Light motor vehicles	Currency	Change 2019-2018 in %	2019	Change 2019-2018 in %	2018
Revenue from sale	000'BGN	+ 6%	<b>233 044</b>	+ 2%	219 331
EBITDA	000'BGN	+ 30%	<b>8 641</b>	+ 20%	6 671
Net result	000'BGN	+ 54%	<b>5 283</b>	+ 12%	3 438
Inventory (motor vehicles in stock)	000'BGN	- 33%	<b>38 531</b>	+ 8%	57 492
Total Assets	000'BGN	+ 2%	<b>144 008</b>	+ 4%	141 503
Equity	000'BGN	+ 33%	<b>14 201</b>	- 43%	10 683
Non-current liabilities	000'BGN	+ 26%	<b>49 298</b>	+ 23%	38 976
Current liabilities	000'BGN	- 13%	<b>76 197</b>	+ 15%	88 012

Consolidated data Leasing	Currency	Change 2019-2018 in %	2019	Change 2018-2017 in %	2018
Operating income	000'BGN	+ 96%	<b>2 775</b>	+ 43%	1 415
Net result	000'BGN	- 80%	<b>216</b>	+ 871%	1 088
Leasing portfolio	000'BGN	+ 1%	<b>79 362</b>	+ 40%	78 225
Total assets	000'BGN	- 9%	<b>124 717</b>	+ 19%	137 082
Equity	000'BGN	+ 2%	<b>12 407</b>	- 26%	12 208
Total liabilities	000'BGN	- 10%	<b>112 496</b>	+ 26%	125 053

Data Investment intermediation and Asset Management	Currency	Change 2019-2018 in %	2019	Change 2018-2017 in %	2018
Net result from financial operations	000'BGN	- 14%	<b>2 352</b>	+ 16%	2 601
Net result	000'BGN	- 30%	<b>580</b>	+ 229%	834
Total assets	000'BGN	+ 16%	<b>39 757</b>	+ 26%	34 360
Equity	000'BGN	- 1%	<b>22 634</b>	+ 2%	22 757
Total liabilities	000'BGN	+ 48%	<b>17 123</b>	+ 234%	11 603



*EuroHold Bulgaria  
Issuer Default Rating "B"*



*Euroins Romania  
Insurer Financial Strength Rating "BB-"*



*Euroins Bulgaria  
Insurer Financial Strength Rating "BB-"*



*EIG Re  
Insurer Financial Strength Rating "BB-"*

### ▪ **D3. A BRIEF OVERVIEW OF 2019**

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#### *TO ALL STAKEHOLDERS*

*Statement by Assen Christov*

*Chairman of the Supervisory Board of Eurohold Bulgaria AD*

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Dear Shareholders, Ladies and Gentlemen,

Last year was one of the most successful in the history of our company. In 2019 we managed to maintain sustainable growth in the main business areas of the Holding as we did in the last 3 years. We achieved record revenues amounted to BGN 1.6 billion, we further improved our operating profitability and expanded successfully our insurance business in the CEE/SEE/CIS region.

We are moving more and more confidently towards our goal to become one of the leading independent business groups in the region. For the past 21 years we have successfully finalised 30 acquisitions in the CEE/SEE/CIS countries, mainly in the insurance sector. We are a preferred partner of large companies in the EU that sell their business in the region. Successful deals in our insurance business, management and integration of newly acquired companies contribute significantly to the growth of our business. At the moment, through our subsidiaries we provide services to more than 3 million customers, and we have over 2 700 employees in the Holding's structures.

When we started our business, it was impossible for many people to imagine our current achievements. But we managed to prove that the mission is possible with the incredible efforts of all our employees, managers and partners. Our unique approach is never setting barriers to achieve our objectives, so we confidently pursue our main goal all the time.

Along with the growth of business and regional expansion, we have built good financial stability, which gives us calmness and confidence that we will cope successfully with the current crisis. Even in the coronavirus crisis we do not step aside of our goals – to follow our strategy and to expand our activity, finalising already prepared deals in the region. We have also created the necessary conditions to improve the synergies between the subsidiaries in the group, to introduce the best management practices in the various markets, to derive economies of scale and to keep the high level of trust with our customers and employees.

We continue to work on our development strategy, which includes both acquisitions in our existing markets and new ones with appropriate opportunities. Our long-term strategy is focused on entering new regulated markets that offer good value for the shareholders and opportunities for sustainable growth. Our goal is to expand into other regulated businesses that generate value.

Our financial results over the past years proved that we are able to acquire, integrate and successfully manage new businesses in new markets. There is no reason to stop doing that. As always, on the way to achieving our goals we will rely on the efforts and professional attitude of all our employees and managers, over 8000 shareholders and numerous partners.

*Assen Christov,*

*Chairman of the Supervisory Board of Eurohold Bulgaria AD*

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*TO ALL STAKEHOLDERS*

*Statement by Kiril Boshov*

*Chairman of the Management Board of Eurohold Bulgaria AD*

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Dear Shareholders, Ladies and Gentlemen,

The results achieved in 2019 confirm the positive trend in our development and the stable growth in the recent years. The growth of our insurance business is significant and it contributes the most to the growth of the Holding and continues to expand its position in the CEE/SEE/CIS region. The consolidated premium income of Euroins Insurance Group (EIG), that concentrates all subsidiaries of the Holding, increased 32% on the year to BGN 848 million. The consolidated pre-tax profit more than doubled to BGN 21.6 million.

In the insurance business we consistently follow our long-term strategy for developing EIG as one of the leading independent groups in the region - a goal we set in 2007 when listing the holding on the Bulgarian Stock Exchange (BSE).

In fact, if we look back to the past 20 years, we can see that our insurance subholding developed rapidly and achieved rarely seen growth for a company based in Sofia. To illustrate the scale of that growth, I would like to remind that in 2003 Euroins was a relatively small local insurer with offices in several Bulgarian cities. The capital amounted to BGN 5 million, the asset value was BGN 15 million and the gross premium income was about BGN 23 million. At the end of 2019 Euroins is a large insurance group operating in 11 CEE/SEE/CIS countries with great potential for growth. We have leading positions in Romania and Bulgaria - our capital is about BGN 400 million, our assets exceed BGN 1.1 billion and the gross premium income steadily is approaching BGN 1 billion. Currently EIG has more than 3 million customers.

The strong growth of our insurance business is largely due to the experience, abilities and skills of our management teams. We are very successful in identifying deals with a great potential, negotiating the best prices and maximizing the value of the acquisitions we are making. We integrate successfully the newly acquired companies in the structure of the Holding and transferring best practices from the other divisions of the company. The expansion we have undertaken in the CEE/SEE/CIS markets in the recent years is already driving results and contributing positively to the Holding's growth. This also applies to Russia, Ukraine, Georgia and Belarus. We acquired recently ERGO Belarus, so we expect markets in the region to form 15% of EIG's total revenues and 20% of the group's net financial result.

Euroins Romania - the largest company within EIG's structure - increased its gross premium income by 25% up to BGN 530 million. It is the third largest insurer on the Romanian market. Euroins Bulgaria posted a 41% increase in gross premium income on an annual basis to BGN 243 million – it includes the contribution of the operations in Greece and Poland where Euroins Bulgaria operates under the freedom of establishment and providing services.

Along with the strong growth of the business, our insurance group maintains its financial stability by managing a stable investment portfolio, high liquidity and high capital buffer. The coverage of the EIG's Solvency Capital Requirement (SCR) goes beyond regulatory requirements. This provides us with stability and predictability in a recession as a result of the coronavirus pandemic.

The crisis caused by the COVID-19 pandemic gives us new challenges and seriously affects activities of our customers. We believe that in addition to shareholders' returns we should create value for all stakeholders, so we try to support them and maintain the established high-level trust between us. In Bulgaria, for example, we are the only one company to offer an insurance product that guarantees the vouchers for postponed trips issued by Bulgarian tour operators at a time when they were forced to temporarily suspend their activities at 100%. In this way, we have given a clear signal that Euroins is a reliable and stable partner.

At the same time, the coronavirus epidemic has allowed us to take advantage of the opportunities for business digitalisation and the development of digital channels for sales and customer services. For the current year we have a 5-fold increase in our budget for digital development. A quarter of Euroins customers in Romania have already used our mobile application and receive services entirely online without coming into our offices. We are currently in the final stage of development of our digital platform in Bulgaria.

Development of the insurance business in the direction of insurtech is inevitable. As well as the fact that Euroins Insurance Group AD will continue to focus on expanding its positions in the CEE/SEE/CIS region, both through organic growth and through appropriate acquisitions. We will aim to diversify our product portfolio and distribution channels with priority to the development of digital ones.

The integration of the newly acquired companies in the insurance holding requires a good knowledge of the national market specifics and conditions for doing business, and introduction of the best management practices. We have proven that we can handle where others could not or would stumble. Our goal is to continue to do so in the future.

*Kiril Boshov*

*Chairman of the Management Board of Eurohold Bulgaria AD*

## ▪ **D4. SIGNIFICANT EVENTS FOR EUROHOLD BULGARIA IN 2019**

2019 was filled with many important events for the development of the current activity of Eurohold Bulgaria AD, as well as for the future strategic plans of the company and for the Eurohold Group.

Below is a brief summary of major events in 2019 that affect the financial performance and condition of the entire group, including comments on the Group's interim financial results.

(The information is arranged in chronological order, but not to its significance. The full text of each event or comment can be found on the company's website [www.eurohold.bg](http://www.eurohold.bg), News section)

### **1 January – 31 December 2019**

<b>1 January 2019</b>	Euroins Insurance Group (EIG) increased its stake in the capital of Russian Insurance Company Euroins to 48.61%, by increasing the capital by RUB 121 500 000, which is fully subscribed by the EIG.
<b>7 March 2019</b>	Eurohold has announced the signing of agreements with German company ERGO to acquire companies in the Czech Republic, Romania and Belarus. The EIG will acquire three ERGO divisions in Romania and the Czech Republic, specialized in life and non-life insurance, as well as one non-life insurance company in Belarus. The transaction will be finalized after approval by the relevant regulatory authorities.
<b>1 April 2019</b>	Eurohold submitted an individual offer to acquire CEZ Group's assets in Bulgaria. Eurohold will participate individually in the procedure and will finance the transaction with its own funds and with the support of leading Western European banks. The intention to acquire CEZ Group's assets in Bulgaria is part of the Holding's long-term strategy for entering new regulated business segments that offer great growth opportunities.
<b>17 April 2019</b>	Eurohold obtained exclusivity for the acquisition of CEZ Group's assets in Bulgaria.
<b>22 April 2019</b>	Eurohold Bulgaria has launched a procedure of capital increase through the public offering of 80 million new shares, through the issuance of preferred shares. If all offered shares are successfully subscribed, the company's capital will reach BGN 277 million. New preferred shares will not give voting rights in the general meeting of shareholders, but will guarantee their holders a dividend each year. All the proceeds from the new public offering will be fully utilized for the planned expansion of the company into new regulated business segments, offering great opportunities for sustainable growth. Euro-Finance AD, one of the largest investment intermediaries in Bulgaria, has been selected as a Manager of the issuance.
<b>20 June 2019</b>	Eurohold has signed a contract to acquire the CEZ Group's business in Bulgaria. Eurohold has also signed a term with two global investment banks with extensive experience in securing financing for such transactions to secure the necessary loan capital. Eurohold has announced that it has also formed an advisory board of experts with solid international experience in the electricity distribution business, which will advise the company on the process of integrating CEZ Bulgaria's activities into the holding's structure. Additionally, Eurohold has secured that CEZ Bulgaria's current senior management, including the chief executive officer, will remain in the company in order to ensure a smooth transition period. The deal needs approval from the Bulgarian authorities - the Competition Commission and the Energy and Water Regulatory Commission.



<b>30 June 2019</b>	<p>At a General Meeting of shareholders of Eurohold Bulgaria AD, a decision was made to distribute the dividend under the following conditions for payment of the dividend:</p> <ul style="list-style-type: none"> <li>• Nominal value per share – BGN 1.00</li> <li>• Total amount of dividend – BGN 2 469 070</li> <li>• Gross dividend per share – BGN 0.0125</li> <li>• Net dividend per share – BGN 0.011875</li> <li>• Initial date for dividend payment – 27.08.2019</li> <li>• Initial date for dividend payment – 27.08.2019</li> </ul>
<b>1 July 2019</b>	<p>Fitch Ratings has placed Eurohold Bulgaria AD's, Insurance Company Euroins AD's, Euroins Romania Asigurare Reasigurare S.A.'s, and Insurance Company EIG Re AD's Ratings on Rating Watch Negative (RWN).</p> <p>The RWN follows the announcement that Eurohold plans to acquire the Bulgarian assets of the Czech power utility company CEZ a.s. (CEZ assets) for EUR 335 million (BGN 655 million). The RWN reflects the Fitch's view that the proposed transaction for CEZ assets in Bulgaria can increase the financial risk because of the expected higher debt levels in the company's financial structure, as well as such risks associated with the merger and management.</p> <p>Full list of FITCH ratings of Eurohold's companies:</p> <ul style="list-style-type: none"> <li>• Insurance Company Euroins AD - BB-</li> <li>• Euroins Romania Asigurare Reasigurare S.A. - BB-</li> <li>• Insurance Company EIG Re AD - BB-</li> <li>• Eurohold Bulgaria AD – B</li> <li>• Eurohold Bulgaria AD – debt rating - B/RR4</li> </ul>
<b>19 July 2019</b>	<p>The energy advisory board called by Eurohold Bulgaria AD with reference to the deal for the acquisition of CEZ Group's business in Bulgaria started its activity officially as they held a working meeting with the management of the holding company. The energy board formed by Eurohold consists of three experts with solid international experience in the energy business and the distribution of electricity - Garry Levesley (over 40-year experience in the energy sector on a global level), Dan Catalin Stancu (30-year experience in the energy sector in Romania) and Georgi Mikov (28-year experience in the energy sector in Bulgaria). The three experts will support the company on the acquisition process of CEZ Group's business in Bulgaria and will oversee the integration of CEZ assets into the structure of the Bulgarian holding. The board will also elaborate a strategy for the development of the energy company that will be set up within Eurohold and will consolidate the operations of CEZ's subsidiaries in Bulgaria. The Eurohold's Advisory Board is expected to reach 5 people and the other two names will become clear at a later stage.</p>
<b>3 October 2019</b>	<p>The Competition Protection Commission (CPC) has announced that it has opened proceedings in connection with the acquisition of subsidiaries of the Czech energy company CEZ Group in Bulgaria by Eurohold Bulgaria AD.</p>
<b>9 October 2019</b>	<p>At a press conference held Eurohold Bulgaria has committed to manage responsibly CEZ Group's companies in Bulgaria and aims at developing Eastern European Electric Company into a regional utility services provider after the completion of the deal with the Czech company. This is part of the holding's strategy for the development of the energy business of the group.</p> <p>Eastern European Electric B.V. (EEE) is 100% owned by Eurohold and will consolidate the energy business of the holding. Bulgaria-based holding company's strategy for EEE is developed by its energy board that includes experts with solid international experience - Gary Levesly, Dan Catalin Stancu and Georgi Mikov. The energy board supports the integration of the acquired CEZ Group's companies and will merge into part of the supervisory board of the companies within the group of EEE after the transaction is finalized.</p>
<b>15 October 2019</b>	<p>With reference to the decision of the Commission for Protection of Competition (CPC) to launch an in-depth probe into the acquisition of CEZ Group's companies in Bulgaria, Eurohold Bulgaria filed additional documents with the antitrust regulator. The documents provide evidence about the applied regulatory requirements and provisions in the insurance and energy market, the restrictive provisions of Solvency II directive and the restrictive legal framework that regulates public companies as well as the rules that concern the control of the transactions between related parties.</p> <p>Eurohold provided additional information about: the geographical extent of the researched markets in which the holding and its Bulgaria-based insurance subsidiaries (ZD Euroins AD and EIG Re EAD) operate; the products the insurers offer; the gross written premiums accumulated by them and the share of the insurance premiums in the</p>

	<p>holding's total revenue, the market shares of the insurers in the different insurance segments and others.</p>
<b>24 October 2019</b>	<p>The commission for the protection of competition prohibited concentration. In connection with the ban on concentration by the Commission for Protection of Competition (CPC) in the transaction for acquisition of the business of CEZ Group in Bulgaria, Eurohold Bulgaria AD has stated that as a public company with a large number of international and institutional investors, Eurohold will wait decision of the Company's Supervisory Board on further steps in the transaction and on the development of its investment strategy in the energy sector.</p>
<b>12 November 2019</b>	<p>Eurohold continues its strategy for development in the energy sector in Southeast Europe and will protect the interests of its more than 9,000 shareholders following the decision of the Competition Commission (CPC) to ban the deal with CEZ Group, following its responsibility to them and fulfilling its obligations.</p> <p>Eurohold has already filed an appeal in the Sofia Administrative Court. The Czech energy group has also taken administrative measures against the decision of Bulgaria's competition authority.</p> <p>Eurohold continues to implement its strategy, announced in October, for developing a leading regional utility company within the holding following the model of Euroins Insurance Group (EIG), one of the leading insurance groups in Southeast Europe (SEE). The company keeps its interest in the acquisitions of companies in the energy sector as it sees potential for diversification of its portfolio.</p>
<b>25 November 2019</b>	<p>FITCH Ratings confirmed the credit rating of Eurohold after review. The confirmed rating is based on Eurohold Bulgaria's stated intention to continue its efforts to acquire the assets of CEZ Group in Bulgaria. The company retains a negative outlook, which is mainly due to the fact that during the first period of the acquisition of CEZ's assets in Bulgaria, Eurohold will have less opportunities to distribute dividends. Nevertheless, the rating agency points out that the acquisition of CEZ's assets in Bulgaria is positive for Eurohold and leads to high stability and predictability of profits. In this regard, the transaction has a positive impact on the Group's credit profile in the medium and long term.</p>

## ▪ D5. KEY FACTORS FOR THE EUROHOLD GROUP'S GROWTH



### **BUSINESS MODEL**

Highly integrated structure by business lines "Insurance" - Automotives - Leasing" to create sustainable value. A focus on a number of European countries for business enlargement. Business culture and values built.

### **CORPORATE GOVERNANCE**

In the management of the company, the members of the Management Board apply the best corporate governance practices in the world and strive to be among the leading in the implementation of transparent corporate practices in Bulgaria. The business model that the company follows is based on fundamental principles such as guaranteeing the rights of all shareholders and equality.

### **SHARE CAPITAL**

The share capital of Eurohold Bulgaria AD is in amount of BGN 197 525 600.

### **HUMAN CAPITAL**

Highly qualified managers and employees work in the structures of Eurohold Bulgaria. The members of the management and supervisory bodies are Bulgarian and foreign persons with many years of experience in the business sectors in which the company operates.

### **SOCIAL RESPONSIBILITY**

Throughout the Eurohold Group there are policies in place to apply social responsibility to staff, to the environment, stakeholders and society at large.

## ▪ D6. EUROHOLD – CORPORATE OVERVIEW

*Everybody has a story, we have a vision*



### BUSINESS PROFILE

***Eurohold Bulgaria is one of the leading public companies***, whose shares are traded on the Bulgarian Stock Exchange - Sofia and the Warsaw Stock Exchange / Giełda Papierów Wartościowych w Warszawie. 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 GROUP IS:

- *A fast-growing holding company that expands both organically and through acquisitions;*
- *Successfully integrated through complementary activities and the creation of sustainable and cost-effective sales channels, leading to significant financial and operational synergies;*
- *Presence in many countries in Europe;*
- *A leader in the markets in which it operates*

**!** *The main asset in the Eurohold Group is the Euroins Insurance Group - an insurer from Central and Eastern Europe with leading positions in Romania and Bulgaria. Active operations in 9 markets in the CEE and SEE regions.*

**Auto Union, investment in the automotive sector** - *a leading car dealer in Bulgaria and operating in 2 markets in the Balkans.*

**Eurolease Group, leasing group** - *leasing services, used car and rental car sales operating in Bulgaria and North Macedonia.*

**Euro-Finance** - *Investment Intermediation and Asset Management - Market Leader of the Bulgarian Stock Exchange, Member of Deutsche Börse Group. Almost 20 years of experience.*

**The Eurohold Group continues its over 20 years of development to achieve its primary goal - to create long-term value for its stakeholders and to follow its global vision.**

**REGIONAL PRESENCE OF EUROHOLD GROUP**



Based in Bulgaria, the Eurohold Group also operates in Romania, North Macedonia, Ukraine, Russia, Georgia, Greece and other EU markets such as Spain, Italy and Poland.

**OUR GROUP STRATEGY is based on the following principles:**

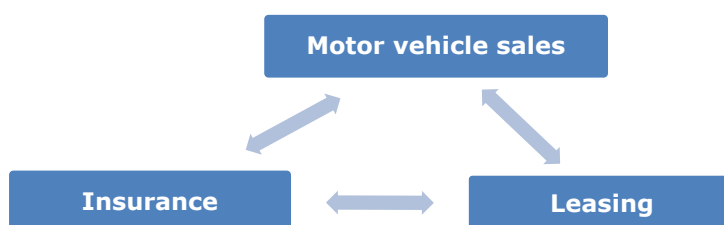
- *Developing and maintaining leading positions in the SEE region in the insurance, leasing and car business;*
- *Focusing on organic growth, complemented by the acquisition of businesses that meet Eurohold's criteria;*
- *Promoting synergies, referrals and cross sales across all business segments by centralizing and optimizing operations, marketing and business processes;*
- *Focus on risk management, guaranteed profitability and sound financial standing of each company within the Eurohold Group;*
- *Creating and retaining highly qualified executives and employees by providing career development and compensation opportunities based on competitive results;*
- *Setting common goals in each business segment to negotiate better terms for suppliers, advertising and participation in public auctions.*

### ***Integration synergies and cross-selling to offer package services and products***

Eurohold Bulgaria AD is an integrated holding company focused on insurance, leasing, motor vehicle sales and service, as well as investment asset management. One of the Group's unique competitive advantages, which predetermines the solid future of the company and its economic group companies, is characterized by the benefits of integration synergies and cross-selling of Eurohold's three core businesses - insurance, leasing and motor vehicle sales.

The complementary activities of the Eurohold Group companies enable the creation of integration synergies and cross-selling for the provision of bundled services and products.

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



The Eurohold 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 CORPORATE RESPONSIBILITY AND SUSTAINABILITY**

For the Eurohold Group, corporate sustainability means the ability to live up to the expectations of all our stakeholders and fulfill our obligations, not only today but also in the future.

Eurohold Bulgaria AD has been imposed a group policy on social responsibility in the holding structure to which all companies in its economic group adhere. The group is convinced of the importance and benefits of corporate responsibility, which is associated with protecting people, their well-being, protecting the environment and influencing society.

Continuous efforts to improve the economic environment by encouraging responsible behavior on the part of our employees, holding an open dialogue with stakeholders and enhancing the positive impact of Eurohold Group companies on society are the core of corporate corporate responsibility.

All companies in the holding structure support the implementation of the principles of corporate social responsibility and sustainability in their activities. Corporate responsibility and sustainability is achieved through the following actions:

- Stakeholder dialogue through actions and initiatives that identify problems and promote appropriate solutions;
- Improve corporate governance to ensure transparency throughout the organization. We value proactivity and innovation as a valuable resource for ensuring group competitiveness;
- Environmental concern for climate change and contribution to sustainable growth. The rational management of the resources we are provided with is an important benchmark for our environmental concern;
- Caring for employees as a valuable resource and basis for achieving Eurohold's goals. The Group strives to provide excellent working conditions and encourage active internal communication. Social benefits are part of a motivational program that seeks to ensure people's care and recognition. Their safety and satisfaction are of great importance to us;
- Strict compliance with legislation, policies, internal rules and procedures.

***Eurohold Bulgaria AD does not directly carry out any activities related to sustainable development and customer relations. This activity is developed by its subsidiaries and is aimed at developing unique products built on the basis of synergies and complementary proposals from sub-holding structures to adequately meet the growing needs of its customers, stakeholders and society at large.***

***Eurohold Bulgaria AD prepares a report on corporate responsibility and sustainability on a consolidated basis.***

***More about our corporate responsibility and sustainability in Section F. Consolidated non-financial declaration***

## ▪ **D7. INFORMATION ABOUT THE COMPANY**

### **EUROHOLD BULGARIA BEGINS ITS HISTORY MORE THAN 20 YEARS AGO**

#### ✓ **2006 - INCORPORATION. SUCCESSOR OF TWO BIG HOLDING GROUPS**

EUROHOLD BULGARIA S.A. is a holding company incorporated on 12 December 2006 in the Republic of Bulgaria through the merger of the public company Eurohold AD (1996) and the holding company Starcom Holding AD (1995).

The merger reinforces the position of the newly established holding company Eurohold Bulgaria AD as one of the largest groups in Bulgaria with significant potential for future development, significant own capital and financial resources.

#### ✓ **2007-2010 - CHOICE OF BUSINESS MODEL AND CONCEPTION**

When it was established Eurohold Bulgaria has a number of subsidiaries operating in the fields of insurance, leasing, real estate and tourist property management, industry and more. In 2010, the Company's management decided to restructure its investments identifying strategic investments in companies operating in the fields of insurance, leasing, automobiles, as well as investment intermediation and asset management.

In order to optimize costs and achieve high synergies between its strategic subsidiaries, a decision was made to set up sub-holding structures operating in the insurance, leasing, car sales, investment and asset management sectors.

#### ✓ **NOWADAYS - EXPANSION AND LEADER IN EUROPE**

The largest public holding company in Bulgaria and one of the leading independent business groups in Southeast Europe (SEE).

Over the last 20 years, the Holding has made 16 successful acquisitions of companies from different sectors in Central and Eastern Europe in transactions with leading European corporations in its sectors. Eurohold through Euroins Insurance Group AD (EIG) operates in 10 European countries and owns subsidiaries in Bulgaria, Romania, North Macedonia, Ukraine, Georgia and Russia. The EIG is active in Greece and conducts niche operations in Spain, Poland and Italy.

Well known brand all over the world.

## Registration

Eurohold Bulgaria AD is entered in the Commercial Registry of the Registry Agency with a unique identification code (UIC) 175187337. The company operates in accordance with the Bulgarian legislation and it is not limited by a specific term or other preclusive condition.

## Headquarters and management address

The headquarters and the registered address of Eurohold Bulgaria AD is the following: Republic of Bulgaria, Sofia 1592, 43 Hristofor Kolumb blvd. where is located the head office of the Company.

### Official business and mailing address of Eurohold

<b>Business adres</b>	<b>43 Christopher Columbus Blvd.</b>
<b>Telephone</b>	<b>+359 2/ 9651 653</b>
<b>Fax</b>	<b>+359 2/ 9651 652</b>
<b>E-mail</b>	<b>investors@eurohold.bg; office@eurohold.bg</b>
<b>Web site</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.

### The main scope of activity of Eurohold Bulgaria AD

As a holding company is a financial activity related to the acquisition, sale and management of holdings and financing of affiliated companies.

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. The scope of activity of the Company has not been changed.

For the period of its existence, Eurohold Bulgaria AD has not directly incurred research and development expenditure. No such activity was carried out in the companies of its economic group.

The Company can participate in Bulgarian and foreign companies and organizations, regardless of their scope of business activity, under the conditions stipulated in the legislation and in the Company Statutes.

Eurohold Bulgaria AD has no registered branches in the country and abroad.

Upon its establishment, Eurohold Bulgaria has a number of subsidiaries that operate in the field of insurance, leasing, real estate and tourism management, industry and others.

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

The management of Eurohold Bulgaria AD focuses its efforts on management and development of 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 has established sub-holding structures operating in the insurance sector, leasing sector, car sales, as well as investment intermediation and asset management.



Up to now, the company has not carried out any transfer or pledge of the enterprise (only a pledge of subsidiaries), has not acquired or disposed of assets of significant value beyond the ordinary course of business.

The company has no information about a claim filed for bankruptcy against him or his subsidiaries.

For the period of its existence Eurohold Bulgaria AD has not directly incurred expenses for research or development. Similar activities have not performed in the companies of its economic group.

## ▪ **D8. MANAGEMENT BODIES. CONTROL AUTHORITIES**

### **MANAGEMENT BODIES**

The management bodies of the company are: the General Meeting of Shareholders, the Supervisory Board and the Management Board. The company also has a Procurator.

#### **General Meeting of Shareholders**

The General Meeting of Shareholders is the highest governing body of the company. Through it, the shareholders exercise their powers to manage the company.

The General Meeting of Shareholders consists of all voting shareholders. They participate in the meetings of the General Assembly in person or through an authorized representative.

The members of the Management Board and the Supervisory Board take part in the work of the General Meeting without the right to vote, unless they are shareholders.

The competence of the General Meeting of Shareholders is regulated in the CA and Art. 20 of the Articles of Association of the Company.

#### **Supervisory Board, Management Board, Procurator**

Eurohold Bulgaria AD has a two-tier management system, namely:

- Supervisory Board, consisting of six individuals
- Management Board, composed of five individuals
- The company has a Procurator.

As of 31<sup>st</sup> of December 2019 the members of Supervisory Board and Management Board are as follows:

Supervisory Board	Management Board	Procuracy
<ul style="list-style-type: none"> <li>• <b>Asсен Milkov Chistov</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>Luise Gabrielle Roman</b> Member</li> <li>• <b>Lubomir Stoev</b> Independent 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>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 "ADDITIONAL INFORMATION, LEGAL REQUIREMENTS FOR THE COMPANY"*

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

Since of March 1, 2016 the company should be represented only together by an executive member of the Managing Board and the procurator of the company Hristo Lyubomirov Stoev.

On October 29, 2018, at an extraordinary general meeting of shareholders, a new member of the Supervisory Board of the Company was elected, namely Luis Gabriel Roman, a US citizen.

The Supervisory and Management Board of Eurohold Bulgaria AD, according to the Articles of Association of the Company are elected for a term of five years. In case the contracts of the members of the Management and Supervisory Boards are not explicitly terminated before the expiration of the term of office, they shall be considered automatically renewed with a new five-year term.

The members of the Management and Supervisory Boards are appointed under a management and control contract. The current contracts of the members of the Management and Supervisory Boards are valid until the termination of the position.

None of the management contracts concluded with Eurohold Bulgaria AD or its subsidiary provides for compensation or indemnities that 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.

## COMMITTEES

As of May 2009, an audit committee has been created in the company.

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.

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

- **Ivan Georgiev Mankov - Independent Member and Chairman of the Audit Committee**
- **Dimitar Stoyanov Dimitrov - Member of the Audit Committee**
- **Rositsa Mihaylova Pencheva - an independent member of the Audit Committee**

## ▪ **D9. SHARE CAPITAL. CAPITAL STRUCTURE**

### **Share capital**

EUROHOLD BULGARIA AD was established with a capital in amount of BGN 50 002 586, divided into 50 002 586 ordinary, registered, non-privileged, dematerialized shares with one voting right at the General Meeting of the Shareholders, with dividend rights and liquidation quota, with a nominal value of BGN 1 each one. Since the Company's establishment several capital increases by cash contributions have been performed.

As of the date of this report, the share capital of the Eurohold Bulgaria AD amounts to BGN 197 525 600, divided into 197 525 600 ordinary registered non-preferred dematerialized 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 shares of Eurohold Bulgaria AD are listed for trading on the Main Market of Bulgarian Stock Exchange - Sofia, Share Segment Standard, with stock index - 4EH and on the Warsaw Stock Exchange (Poland) with stock index EHG.

As at 31 December 2019 and as at the date of preparation of this activity report, the Company hasn't bought back and does not possess its own shares.

At the end of 2019, 1 352 567 shares of the capital of Eurohold Bulgaria are owned by subsidiaries (As of 31.12.2018 - 77 387 shares). All shares issued by Eurohold Bulgaria AD provide voting rights to their owners during the General Meeting of the Shareholders.

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

For the period since the incorporation of Eurohold Bulgaria AD until the date of the report, the company has successfully completed five subsequent increases in its share capital.

Eurohold Bulgaria Ad as a public company has made its capital increases under the conditions of public offering of shares through new shares issuance under the terms of initial public offering of securities in accordance with Public Offering of Securities Act.

All share capital increases were made under the conditions of public offering of shares of the same type and class as the initially registered issue of shares with a nominal value of BGN 1.00 (one) each.

The accumulated funds from all realized increases of Eurohold Bulgaria AD of the capital including the two completed increases during the reporting period were used to support the subsidiaries and to reduce the long-term indebtedness of the Company.

The chart below shows the history of all capital increases since the incorporation of the company to date:

<b>BGN 50 002 586</b>	
<b>December 12,2006</b>	<b>foundation capital</b>
↓	
<b>BGN 62 497 636</b>	
<b>June 2007</b>	<b>+ 12 495 050 new shares issued through public offering</b>
↓	
<b>BGN 108 643 712</b>	
<b>May 2011</b>	<b>+ 46 146 076 new shares issued through public offering</b>
↓	
<b>BGN 127 345 000</b>	
<b>November 2011</b>	<b>+ 18 701 288 new shares issued through public offering</b>
↓	
<b>BGN 161 345 000</b>	
<b>February 2017</b>	<b>+ 34 000 000 new shares issued through public offering</b>
↓	
<b>BGN 197 525 600</b>	
<b>December 2017</b>	<b>+36 180 600 new shares issued through public offering</b>

At the date of the current activity report, all issued shares of the company were admitted to trading on a regulated market of BSE-Sofia and Warsaw Stock Exchange (WSE) Poland.

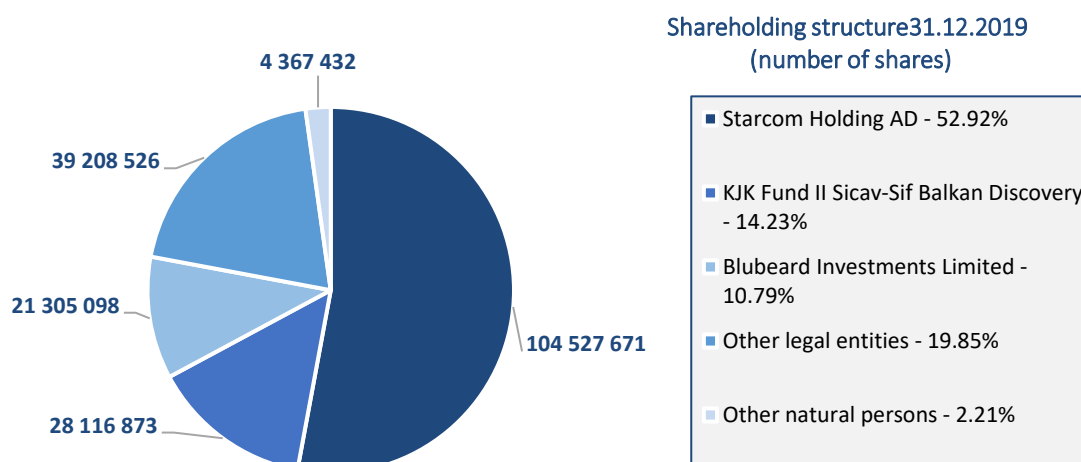
In 2019 no increase of the Company's share capital was made. On April 22, 2019, at a meeting of the General Meeting of Shareholders of Eurohold Bulgaria AD, a decision was taken to launch a procedure for raising the capital by public offering of 80 million new shares, through the issuance of preferred shares. If all the offered shares were successfully subscribed, the company's capital could have been reach BGN 277 million. The funds raised from this new public offering had to be fully utilized for the company's planned expansion into new regulated business segments, offering great opportunities for sustainable growth. The procedure for raising the capital has been terminated by the Company due to the finding that the investor interest is directed mainly to ordinary shares and not to preferred shares, as decided by the GMS.



## Capital structure

As of 31.12.2019 r. and at the date of the current activity there are three legal entities that hold nominally over 5 % of the voting shares.

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



The majority shareholder of Eurohold Bulgaria AD is Starcom Holding AD, owned as of 31.12.2019 controlling stake of 52.92% of Eurohold's capital. Starcom Holding AD is a holding company incorporated in the Republic of Bulgaria, which operates in accordance with the Bulgarian legislation.

KJK FUND II SICAV-SIF BALKAN DISCOVERY is the second major shareholder in Eurohold Bulgaria AD, who holds a qualifying holding in the capital of the Company. As of the end of 2019 KJK FUND II SICAV-SIF BALKAN DISCOVERY holds 14.23% of the Eurohold's issued shares.

Blubeard Investment Limited, British Isles, have a direct holding of 10.79% of voting shares in the General Meeting of Eurohold.

### Information about the majority shareholder

The majority shareholder Starcom Holding AD is a company registered in the Commercial Register by the Registry Agency of the Republic of Bulgaria with UIC 121610851, with its seat and registered office: 191, Ruski Blvd., Etropole 2180. The registered capital of the company is BGN 66 900 000, divided into 669 000 ordinary, registered, available shares with a nominal value of BGN 100 each. The scope of activity of Starcom Holding AD is acquisition, management, evaluation and sale of interests in Bulgarian and foreign companies, acquisition, evaluation and sale of patents, transfer of licenses for use of patents to companies in which the company participates, financing of companies, in which the company participates. Starcom Holding AD has a one-tier management system - Board of Directors consisting of three persons - Assen Milkov Christov - Executive Director, Kiril Ivanov Boshov - Chairman of the Board of Directors and Velislav Milkov Hristov - Member of the Board of Directors. Starcom Holding AD is represented by the CEO Assen Christov.

The majority shareholder does not have different voting rights.

The majority shareholder in Starkom Holding AD is Assen Milkov Christov - Bulgarian citizen, with a business address in Sofia 1592, Christopher Columbus Blvd. 43. Assen Christov holds 51% of the voting shares of Starcom Holding AD. In this sense, Assen Milkov Christov exercises control within the meaning of § 1, item 14, b. "A" from the Preliminary and Final Provisions (POS) of the POSA on the majority shareholder Starkom Holding AD and through it on Eurohold Bulgaria.

Apart from the above mentioned persons, no other natural or legal persons are known to Eurohold Bulgaria AD to own directly or indirectly in the hypotheses of Art. 145 and subsequent of POSA a holding in the amount of 5 or more per cent of the voting shares in the General Meeting of the Company.

According to the requirements and within the meaning of the Law on Measures against Money Laundering (LMML), in its account in the Commercial Register, Eurohold Bulgaria AD has announced the following real owners - individuals: Assen Milkov Christov and Kiril Ivanov Boshov, each of them as a person, who directly or indirectly owns a sufficient percentage of the shares, shares or voting rights, including by holding bearer shares, pursuant to §2, para. 1, item 1 of the additional provisions of the LMML.

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.

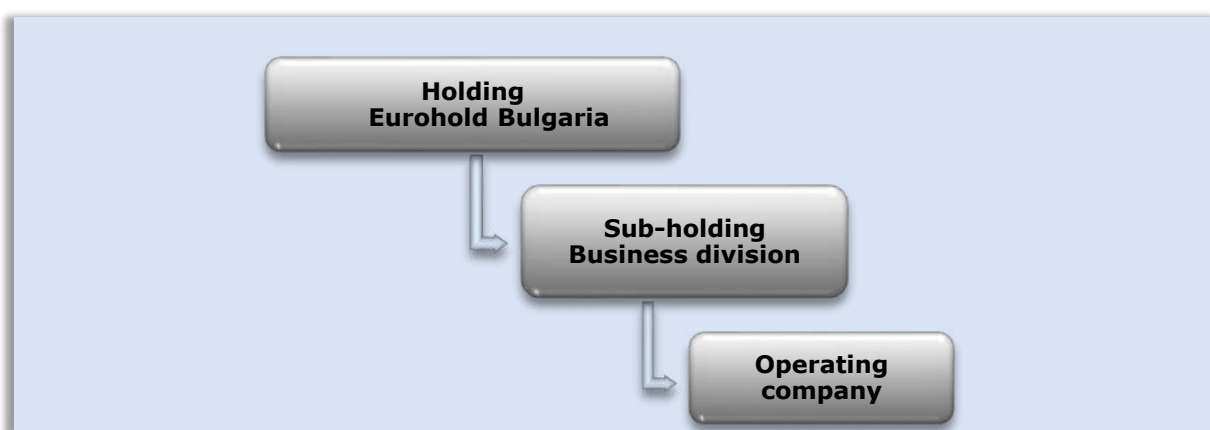
## ▪ **D10. MAIN SCOPE OF ACTIVITY. BUSINESS OPERATIONS**

### **Main scope of activity**

Eurohold Bulgaria AD is a holding company carrying out mainly financial 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 re-sources, 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 fixed costs, Eurohold has established four subsidiaries - sub-holding structures by 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 in the relevant sub-holding, depending on the market in which they operate.

In 2019, Eurohold Bulgaria established an energy holding sub-holding. At present, the companies of the Energy Division have no operations, which is why it is not covered in this report.

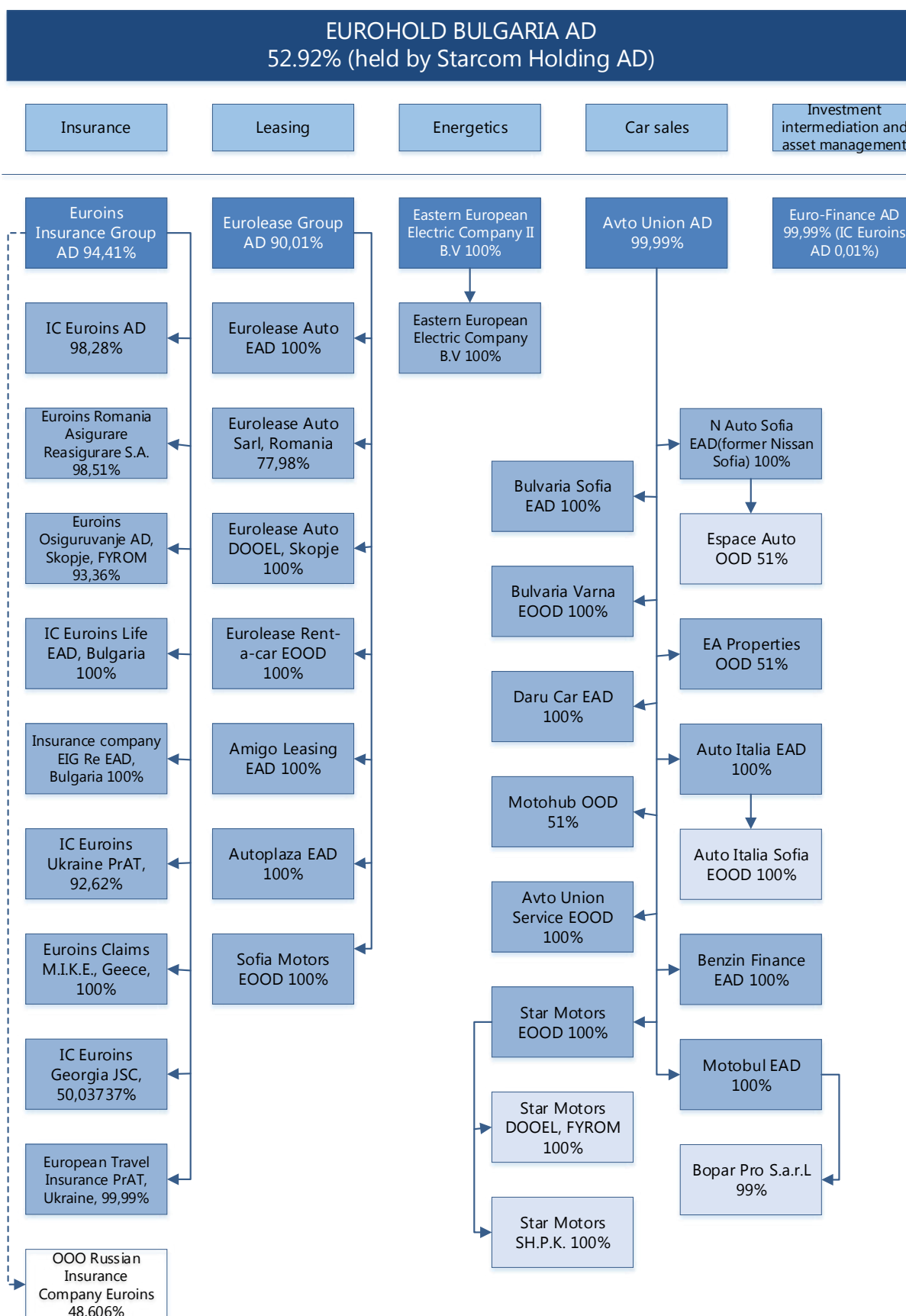
### **Economic group**

Eurohold Bulgaria is a holding company and together with its subsidiaries (sub-holding's structures and their subsidiaries) form an economic group.

Eurohold Bulgaria AD is part of the Group of its majority shareholder, Starcom Holding AD. At the date of this report, the most significant investment of Starcom Holding AD is Eurohold Bulgaria AD. As of 31.12.2019, Starcom Holding held 67.104% stake in the authorized capital of First Investment Bank AD, Russia (formerly Alma Bank AD). The main activity of the Bank is to conduct commercial banking operations on the territory of the Russian Federation. The Bank has no branches and representative offices. There are no subsidiaries and affiliates. The company is registered with a headquarters in Moscow.

At the end of the reporting year 2019, Starcom Holding AD holds a majority share representing 82.23% of the capital of Hanson Asset Management Limited. Hanson Asset Management is an independent investment company with headquarters in London. Registered in England & Wales, the company is authorized and supervised by Financial Conduct Authority.

The structure of the Eurohold economic group as of 31.12.2019, together with all companies within it, is presented on the diagram below:



**It should be borne in mind that for the period from 1 January 2020 to the date of this report, the following changes have taken place in the economic structure shown above:**

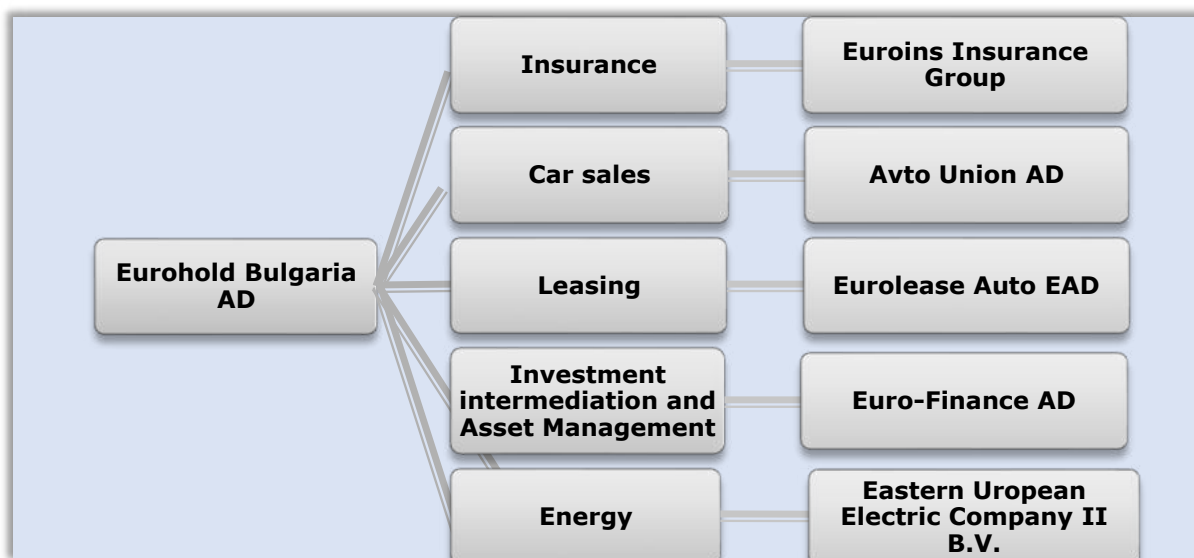
- ◆ On April 29, 2020, Euroins Insurance Group AD acquired 93.12% of the shares of ERGO Belarus. The company specializes in non-life insurance and is the third largest private insurer in Belarus, operating in a sector still dominated by state-owned companies.
- ◆ In 2018 Eurohold Bulgaria AD signed an agreement for acquisition of the remaining minority share in the amount of 10.64% of its subsidiary insurance holding - Euroins Insurance Group AD. The company agreed to buy shares in the South Eastern Europe Fund L.P. (SEEF), managed by the Greek investment company Global Finance. After the finalization of the transaction, Eurohold will own 100% of the capital of Euroins Insurance Group AD.

For the period from the beginning of 2020 to the date of this Report (at the beginning of June), Eurohold Bulgaria AD has acquired another 1,118,707 shares of the capital of Euroins Insurance Group AD. As a result of the acquisition, the participation in the capital of the subsidiary insurance subholding was increased to 95.13%, with which the total shares held by Eurohold Bulgaria amount to 516,981,636 shares.

- ◆ On January 21, 2020, as part of the restructuring plan of the Capital structure of Euroins Insurance Company AD, approved by the Financial Supervision Commission, an increase in the capital of Euroins Insurance Company AD by BGN 8,700 thousand was entered in the Commercial Register as part of the increase is a result of repayment of the existing subordinated term debt in the amount of BGN 8,500 thousand on January 13, 2020. Thus, the share capital of Euroins Insurance Company AD is already in the amount of BGN 40,970,000, distributed in 40,970,000 number of shares, as Euroins Insurance Group AD owns 40,410,171 shares, which is approximately 98.63% of the capital.
- ◆ On February 27, 2020, an increase in the capital of IC Euroins Life EAD was registered, which is part of the plan for restructuring the capital structure of IC Euroins Life EAD, approved by the Financial Supervision Commission with a Decision. 1327-Ж3 dated 23.12.2019. On January 3, 2020 the Board of Directors of Euroins Insurance Group AD decided to increase the capital of IC Euroins Life EAD by BGN 1,250 thousand, while IC Euroins Life EAD should fully repay the subordinated term debt in the same amount. On February 18, 2020, IC Euroins Life EAD paid off its debt in full. After the operation, the capital of the subsidiary now amounts to BGN 11,375,070, distributed in 1,137,507 shares with a par value of BGN 10 each.
- ◆ On February 28, 2020, an increase in the capital of IC EIG Re EAD was registered, which is part of the plan for restructuring the capital structure of IC EIG Re EAD, approved by the Financial Supervision Commission with a Decision. 1326-O3 dated 23.12.2019. On January 15, 2020 the Board of Directors of Euroins Insurance Group AD decided to increase the capital of ZD EIG Re EAD by BGN 600 thousand, while IC EIG Re EAD should fully repay the subordinated term debt in the same amount. On February 19, 2020, IC EIG Re EAD paid its debt in full. After the operation, the capital of the subsidiary now amounts to BGN 19,112,000, divided into 19,112,000 shares with a par value of BGN 1 each.

## Organizational business structure of Eurohold Bulgaria AD

The subsidiaries are holding structures uniting the investments of Eurohold Bulgaria in the sectors - Insurance, Car Sales, Leasing, Investment Intermediation and Asset Management. From the middle of 2019, the Energy sector was established in order to invest in the energy sector.



*The Energy division is without activity as of the date of this report, therefore it will not be considered from the point of view of business unit, results and development of the activity.*

### Information about subsidiaries

Subsidiaries of Eurohold Bulgaria AD	Country of registration	Main activity	% of participation in the primary capital as of 31.12.2019 r.
<b>EUROINS INSURANCE GROUP AD</b>	Bulgaria	Acquisition, management, assessment and sale of interest in Bulgarian and foreign companies; The holding company develops its business in Bulgaria, Romania, North Macedonia, Georgia, Ukraine and Russia, Spain, Italy and Poland	Eurohold Bulgaria – 94.41%
<b>EUROLEASE GROUP AD</b>	BULGARIA	Participations management, financial leasing The holding company develops its business (through its subsidiaries) in Bulgaria, Romania and North Macedonia	Eurohold Bulgaria – 90.01%
<b>AVTO UNION AD</b>	Bulgaria	Participations management in automotive companies The holding company develops its business (through its subsidiaries) in Bulgaria mainly	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% IC Euroins Bulgaria – 0.01%
<b>EASTERN EUROPEAN ELECTRIC COMPANY II B.V.</b>	The Netherlands	Holding company set up to consolidate investments in the energy sector (currently not operating)	Eurohold Bulgaria – 100%

### **Eurohold Group positioning countries. Main markets of the Group**

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

#### **The main markets in which the Group operates are:**

- *Bulgaria;*
- *Romania;*
- *North Macedonia;*
- *Ukraine;*
- *Georgia;*
- *Greece;*
- *Russia* (associated participation). At the end of 2017, Euroins Insurance Group acquired a minority stake of 14% in Russian Insurance Company (Russia). As of December 31, 2019, the percentage share in the company's capital has increased to 48,606%;

The insurance group offers insurance services on the principle of free provision of services in the following markets:

- *Italy;*
- *Spain;*
- *Poland.*

*Since 2020, the Group also operates on the market in Belarus.*

#### **Types of services and activities offered by operating companies**

<b>Insurance</b>	<b>Sale of motor vehicles</b>	<b>Leasing</b>	<b>Investment intermediation and Asset management</b>
<ul style="list-style-type: none"> <li>▣ <b>Non-life insurance</b></li> <li>▣ <b>Health insurance</b></li> <li>▣ <b>Life insurance</b></li> <li>▣ <b>Travel insurance</b></li> </ul>	<ul style="list-style-type: none"> <li>▣ <b>Sale of new motor vehicles</b></li> <li>▣ <b>Auto services</b></li> <li>▣ <b>Spare parts sale</b></li> <li>▣ <b>Lubricants import and sale</b></li> <li>▣ <b>Card operator of fuel</b></li> </ul>	<ul style="list-style-type: none"> <li>▣ <b>Financial leasing</b></li> <li>▣ <b>Operating leasing</b></li> <li>▣ <b>Rent-a-acar</b></li> <li>▣ <b>Sale of used motor vehicles</b></li> </ul>	<ul style="list-style-type: none"> <li>▣ <b>Investment intermediation</b></li> <li>▣ <b>Investment banking</b></li> <li>▣ <b>Asset Management</b></li> </ul>

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



### Insurance market:

- ◆ Insurance - **Bulgaria**;
- ◆ Insurance - **Romania**;
- ◆ Insurance - **North Macedonia**;
- ◆ Insurance - **Ukraine**;
- ◆ Insurance - **Georgia**;
- ◆ Voluntary health insurance - **Bulgaria**;
- ◆ Life Insurance - **Bulgaria**.
- ◆ Travel Insurance - **Ukraine**.



### Leasing market:

- ◆ Leasing of motor vehicles - **Bulgaria**;
- ◆ Leasing of new motor vehicles - **North Macedonia**.



### Automobile market:

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



### 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;
- ◆ Euro-Finance owns 9.98% of the bank Varengold - **Germany**.



## ▪ **D11. CAPITAL INVESTMENTS**

Since its incorporation, Eurohold Bulgaria has made many capital investments in its subsidiaries. As of 31.12.2019, the total value of Eurohold Bulgaria 's investments in subsidiaries amounted to BGN 581.007 million.

### **Investments by business lines:**

- Euroins Insurance Group (Insurance) - investments amounting to BGN 464.952 million
- Avto Union (Motor vehicles) - investments amounting to BGN 66.775 million
- Eurolease Group (Leasing) – investments amounting to BGN 24.635 million
- Euro-Finance (Investment Intermediation and Asset Management) - investments amounting to BGN 24.645 million.

In 2019, Eurohold only made investments in the insurance business, namely:

- Contribution to the subscribed but not paid-in capital from the capital increase of Euroins Insurance Group AD in the amount of BGN 3.95 million.
- Minority share purchase: In 2018, Eurohold Bulgaria AD signed an agreement to acquire the residual minority stake in the amount of 10.64% of its subsidiary insurance holding - Euroins Insurance Group AD. The company has agreed to buy shares from the South Eastern Europe Fund L.P. (SEEF), managed by the Greek investment company Global Finance. Upon completion of the transaction, Eurohold will own 100% of the capital of Euroins Insurance Group AD. The investments made in 2019 in the purchase of the agreed share amount to BGN 12.325 million.

The subsidiaries of Eurohold Bulgaria are also significant investments in the development of their operating companies. Since 2008 until the end of 2019 the total capital investments made by Eurohold Bulgaria and the companies of its economic group amount to BGN 993.549 mln., respectively:

- Investments made by Eurohold Bulgaria at the amount of BGN 412.752 million;
- Investments made by subsidiaries amounting to BGN 580.797 million.

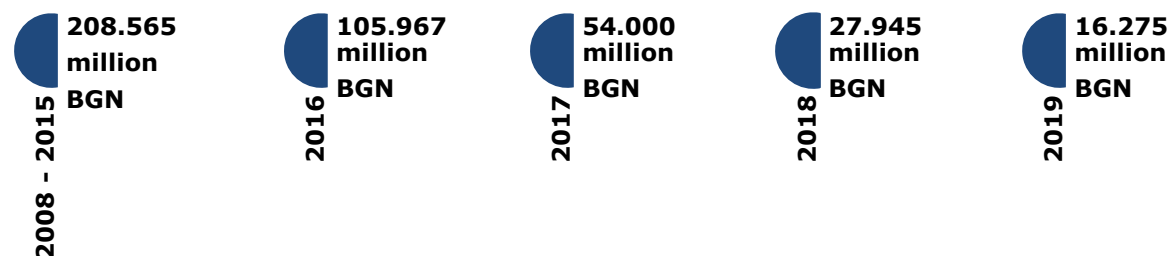
Over the last four reporting years, the Eurohold Group has carried out total equity investments amounting to BGN 512.983 million, as follows:

- ◆ for 2016 - BGN 246.914 million;
- ◆ for 2017 - BGN 209.539 million;
- ◆ for 2018 - BGN 36.784 million;
- ◆ for 2019 – BGN 19.746 million.

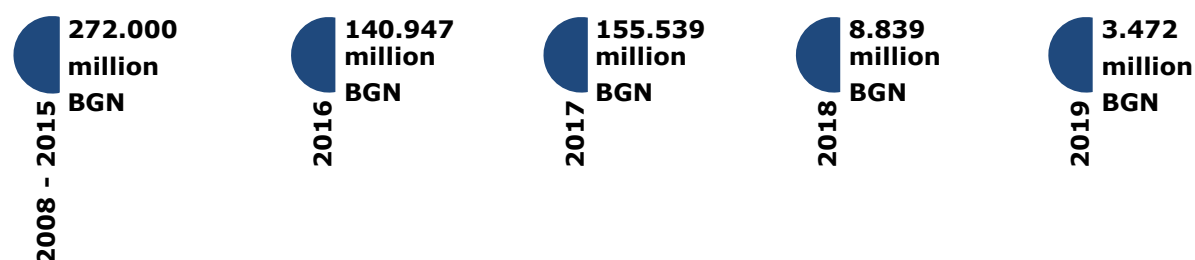
All investments made by Eurohold Bulgaria and its subsidiaries have been realized with the purpose of capital support of the companies, expansion of the activity through new acquisitions and increase of the market positions of the companies.

The following tables present a summary schedule for capital investment over the period 2008-2019 as well as detailed information on the investments made in the last four years.

#### Investments of Eurohold Bulgaria



#### Investments of subsidiaries



#### Capital investments made by Eurohold Bulgaria and the subsidiaries during the period 2018 -2019:

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 Basildon Holding	12 305 771	10 981 985	Own funds	Eurohold Bulgaria AD
<b>Total</b>		<b>27 945 154</b>		
<b>Investments of subsidiaries in 2018</b>				
Auto Italia AD Capital Increase	8 000 000	8 000 000	Own funds	Avto Union AD
Bulvaria Sofia EAD Company 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>		

Investment description	Number of shares	Capital expenses (BGN)	Method of financing	Investor
<i>Capital investments of Eurohold Bulgaria in 2019</i>				
Euroins Insurance Group AD Capital increase		3 950 000	Own funds	Eurohold Bulgaria AD
Euroins Insurance Group AD purchased shares from Basildon Holding	13 983 831	12 324 528	Own funds	Eurohold Bulgaria AD
<b>Total</b>		<b>16 274 528</b>		
<i>Investments of subsidiaries in 2019</i>				
Daru Car EAD Acquisition of participation	20	9 900	Own funds	Avto Union AD
Benzin Finance EAD Acquisition of participation	105 000	1 082 917	Own funds	Avto Union AD
Auto Italia OOD Company incorporation		100	Own funds	Auto Italia EAD
IC Euroins AD Acquisition of participation	2 666	3 466	Own funds	EIG AD
Euroins Claims - Greece Acquisition of participation	1 700	1 173 498	Own funds	EIG AD
IC Euroins Ukraine Contribution to additional capital		801 890	Own funds	EIG AD
Евролиз Рент а кар ЕООД Capital increase	400 000	400 000	Own funds	Eurolease Group AD
<b>Total</b>		<b>3 471 771</b>		

In addition to the investments made during the reporting period, a decrease was made in the investments in the leasing business and a decrease in the capital of Euro-Finance AD, which decrease does not correct the investments made by Eurohold Bulgaria in the capital of a subsidiary:

- ◆ Sale of 9.99% of the capital of Eurolease Group AD: In 2019 Eurohold sells a minority stake representing 9.99% of the capital of Eurolease Group EAD. The realized profit from the sale amounted to BGN 4.53 million.
- ◆ Capital decrease of Euro-Finance AD at the end of 2019: The General Assembly of the shareholders of Euro-Finance AD held on 12.08.2019 took a decision on decreasing the capital of the investment intermediary from BGN 40 000 000 (forty million) to BGN 14 100 002 (fourteen million one hundred thousand and two) through cancellation of 25 899 998 ordinary registered dematerialized shares, each of them giving the right to 1 (one) vote at the General Assembly of the shareholders, the right to a dividend and a liquidating dividend, the par value of each share being BGN 1.00, after their being acquired by the company on the grounds of Art. 187a, para. 1, item 1 of the Commercial Law.

The purpose of the decrease is as follows: The amount of the registered capital of Euro-Finance AD has been determined disproportionately to the regulatory requirements for an investment intermediary, even if the latter holds a full licence. Overcapitalization and low profitability of capital are present. In order to overcome these circumstances, which are negative ones for the company, it is economically expedient to have the capital of EURO-FINANCE AD decreased in compliance with the requirements of Art. 11, paras 1 and 2 of the Law on Markets in Financial Instruments.

According to the decision of the General Assembly of the shareholders (GAS), on the grounds of Art. 73a of the Commercial Law, the liability of the shareholder Eurohold Bulgaria AD ensuing from the latest increase in the capital of Euro-Finance AD under a decision of the GAS dated 03.08.2017 concerning the residual contribution of BGN 19 399 998 is remitted, and the contributions of BGN 6 500 000 paid by Eurohold Bulgaria AD in connection with the said increase shall form part of the Reserve Fund of Euro-Finance AD. EUROINS AD Insurance Company preserves the 2 new shares it has acquired from the increase in the capital of Euro-Finance AD, this decision being taken at the GAS dated 03.08.2017, the said shares being fully paid and not bringing about a change in the percentage of interest held by EUROHOLD BULGARIA AD in the capital of Euro-Finance AD.

It is through its Decision No. 44-IP dated 16.01.2020 that the Financial Supervision Commission approved the decrease in the capital of Euro-Finance AD. The said Decision was entered in the Commercial Register and the Register of Non-profit Legal Entities on 24.01.2020.

## • D12. CONSOLIDATED RESULTS FROM OPERATIONS

*In this section are presented the results of the activity of Eurohold Group by major key indicators for 2019 and comparative 2018*

*The data are based on the audited annual consolidated financial statements of Eurohold Bulgaria AD for 2019 prepared in accordance with the applicable International Financial Reporting Standards.*

### **BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENT FOR 2019**

The consolidated financial statements of Eurohold Bulgaria AD are prepared in compliance with the International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (IFRS adopted by the EU). For the purposes of paragraph 1, point 8 of the Supplementary Provisions of the Accounting Act, applicable in Bulgaria, the term "IFRS adopted by the EU" means International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and the Council. The Group has complied with all standards and interpretations that are applicable to its operations as of the date of preparation of these annual consolidated financial statements.

The consolidated financial statements are prepared in Bulgarian leva (BGN), which is the functional currency of the Company. All amounts are presented in thousands of BGN (thousand BGN) (including comparative information for 2018), unless otherwise stated.

The Group applies new standards, amendments and interpretations to IFRSs, developed and published by the International Accounting Standards Board, which have an effect on the Group's financial statement and are binding for the annual period beginning on or after 1 January 2019, described in detail in item 2.2 Changes in accounting policies and disclosures in the Notes to the interim consolidated Financial Statements for 2019.

The Group initially applied IFRS 16 on 1 January 2019 using a modified retrospective approach. Under this approach, the cumulative effect of the application is recognized on the date of initial application in the opening balance of equity (Retained earnings from previous years) and no comparative information is recalculated for 2018. This change is required by the new leasing reporting rules in force from 01.01.2019.

Practically appropriate measures applied

In applying IFRS 16 for the first time, the Group uses the following requirements permitted by the standard:

- the application of a single discount rate to a leasing portfolio with relatively similar characteristics;
- relying on previous assessments of whether the lease is difficult as an alternative to performance - review of impairment. As of January 1, 2019, there are no such contracts;
- reporting of operating lease with a remaining term of less than 12 months as of 01.01.2019. as a short-term lease;
- exclusion of the initial direct costs for valuation of the asset with the right of use as of the date of their initial use;
- use of previous assessments in determining the lease term, when the contract contains options for extension or termination of the lease.

The Group has also chosen not to reassess whether a contract is or contains a lease at the date of initial application. For contracts entered into before the date of implementation of IFRS 16, the Company relies on its assessment made in applying IAS 17 and Interpretation 4 Determining whether the Agreement contains a Lease.

## RESULTS ANALYSIS

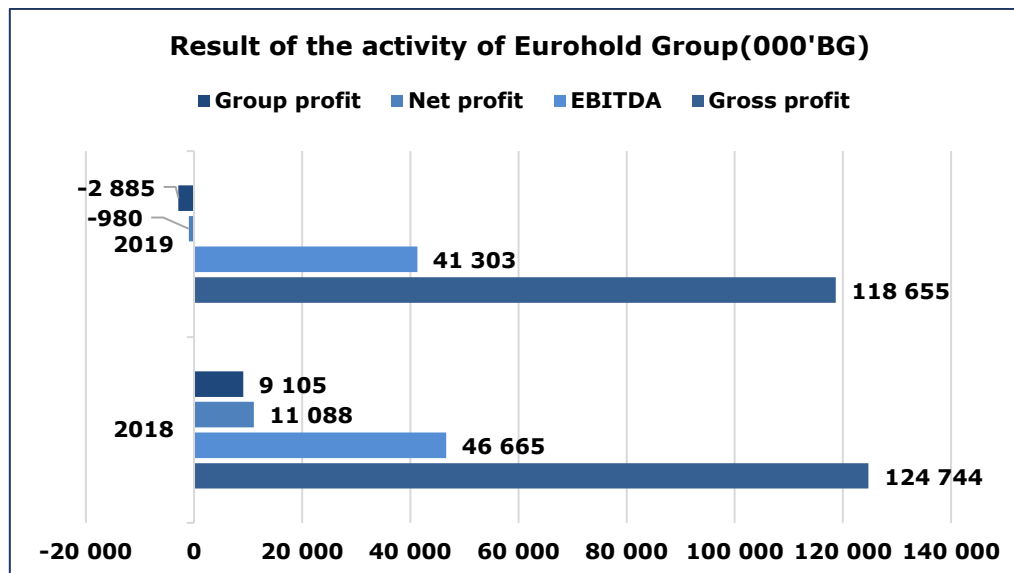
Eurohold Bulgaria AD reports an extremely successful year. In fiscal 2019, record revenues of BGN 1.6 billion were reported, representing an increase of 27%. The results achieved by the Group improved the operating profitability and confirmed the positive trend in the development of the subsidiaries.

Постигнатият ръст на приходите на консолидирано ниво се дължат на реализираните за периода ръстове на всички компании от групата Еврохолд като с най-добро представяне е застрахователното направление Евроинс Иншурънс Груп, което отчита нарастване с 34% на общите приходи от застраховане (след вътрешно-групови елиминации), в т.ч. и на записаните бруто премии от застраховане с 32%.

*Pay attention! An adjustment was made to the previous reporting period in connection with detected technical errors described in detail in Note 50 to the Notes to the annual consolidated financial statements for 2019. The errors were corrected by recalculating each of the objects affected in the financial statements for the previous reporting periods. Due to the insignificant effect on the information, the Group has not presented two comparative periods in the consolidated statement of financial position.*

### Consolidated financial result

The Eurohold Group reports for 2019 a high net consolidated operating result of BGN 119 million. The achieved operating result is close to that in the comparable reporting period - 2018, reporting a slight decrease of 5%. However, the net financial result for the reporting year is a loss of BGN 1 million, of which the loss to the owners of the parent company is a loss of BGN (3) million, and for the non-controlling interest a profit of BGN 2 million. For comparison, in 2018 the group realized a profit of BGN 11 million, of which the profit related to the owners of the parent company is a profit of BGN 9 million, and for the non-controlling interest - a profit of BGN 2 million.



The factors influencing the group gross profit are mainly due to the following fact: The parent company reports a significant decrease in its revenues on a non-consolidated basis compared to those realized in the previous reporting period - BGN 2 million for 2019 and BGN 23 million for 2018. But this is within the normal range of Eurohold's activity, due to the fact that the company does not carry out independent and regular commercial activity. The revenues realized by Eurohold Bulgaria are not comparable and are mainly due to management and financing activities of related companies. In this sense, in different reporting periods, large fluctuations in the amount of generated revenues may occur, such as in the sale of long-term investments and/or financial assets, as is the case in 2018.

Despite the realized by BGN 21 million less revenue from the parent company, the Group managed to relatively maintain the result achieved in 2018 and to report a decrease of only BGN 6 million in gross profit and only BGN 3 million. of the profit before depreciation and taxes, amounting to BGN 21 million for 2019. However, this result is insufficient for the realization of a positive financial result after reporting BGN 20 million depreciation and tax expenses of BGN 2 million. For comparison, in 2018 the consolidated depreciation amounts to BGN 10 million. The increase in the amount of depreciation by BGN 10 million is mainly due to the effect of additional accrued BGN 8 million depreciation of assets with the right of use in application of IFRS 16.

The segment distribution of depreciation shows that the largest increase of 217% is in the insurance sector, whose depreciation for 2019 amounts to BGN 7 million compared to BGN 2 million for 2018.

### Revenues

Revenues on a consolidated basis are formed by the activities of the subsidiaries and the main activity of the Parent Company related to the acquisition and management of participations and financing of subsidiaries.

The total revenues for 2019 at the consolidated level amount to BGN 1.6 billion, which marks an increase of 27% compared to the realized consolidated revenues for 2018, when they amounted to BGN 1.3 billion.

In the segment presentation of operating revenues, the largest increase of 34% was recorded by the insurance division, which generated revenues for 2019 amounting to BGN 1.3 billion, of which the gross written premiums recorded at the consolidated level (Eurohold Group) amounted to BGN 0.8 billion compared to BGN 0.6 billion for 2018, as the growth on this indicator is 32%.

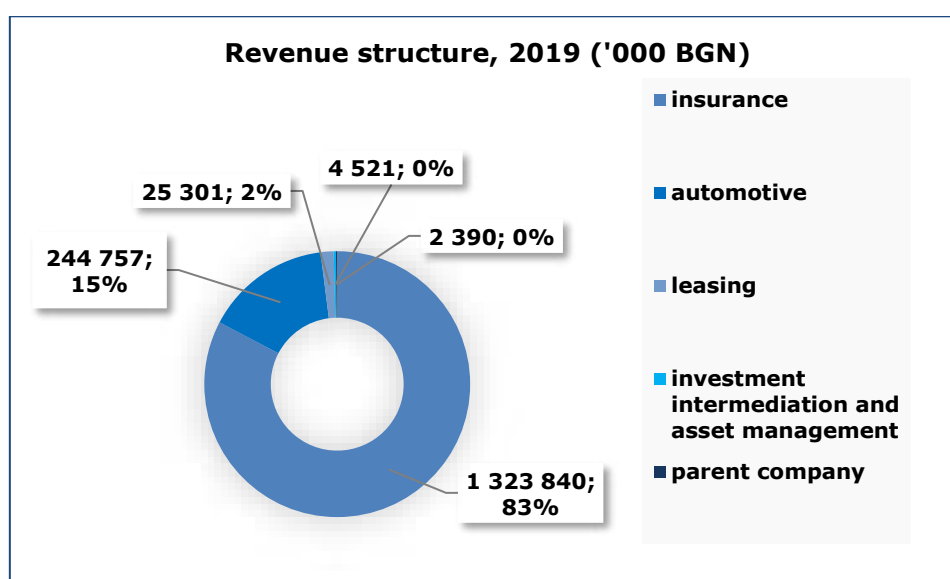
The automobile group increases by BGN 21 million the revenues from its operating activity, which is an increase for 2019 of 10%.

In the leasing activity there are no significant deviations from the previous period, maintaining its group revenues of BGN 25 million.

The activity of investment banking increased by 5% after reporting revenues of BGN 4.5 million.

Only in the parent company there is a significant decrease in operating revenues, noting a decrease of BGN 21 million.

### Revenue structure for 2019



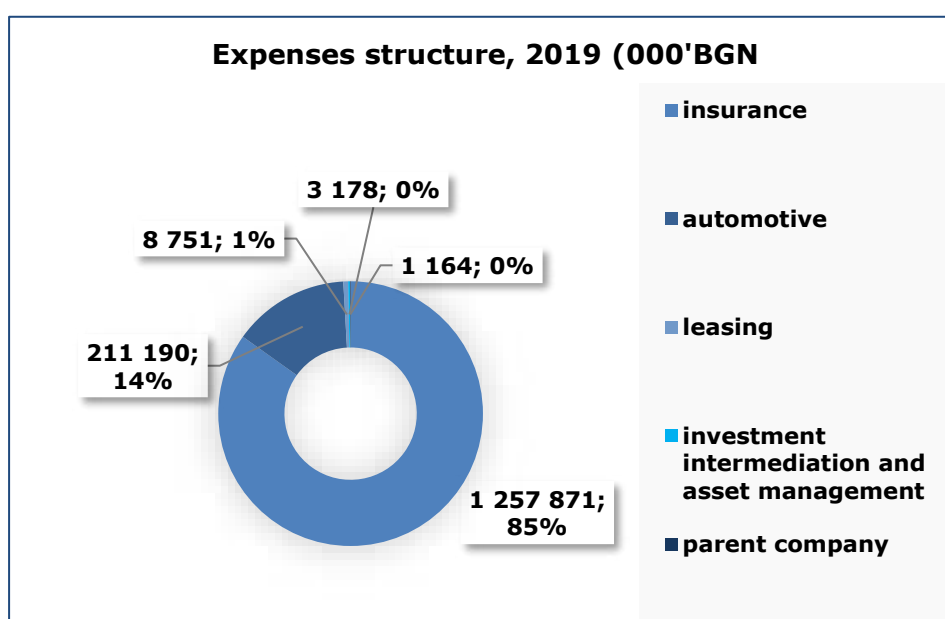
In the structure of revenues from main activity, the insurance business occupies a share of 83% in total revenues, followed by the automotive sector with 15%. In 2019, the insurance business increased its share by 5% in total revenues compared to 2018, when it accounted for 78% of the Group's total revenues.

### Expenses

The expenses for the main activity of the Group increase compared to the growth of the business. In 2019, the total costs amounted to BGN 1.5 billion compared to BGN 1.1 billion in 2018, an increase of BGN 0.3 billion. The main generator of this growth are the costs of the insurance segment by 35% or in value terms of BGN 0.3 billion.

### Expenses structure

The expenses structure is identical to the distribution of revenues and is also directly dependent on the type and size of the respective businesses. The analysis shows that 85% of operating costs are borne by the insurance business and 14% by the automotive business.



### Financial expenses

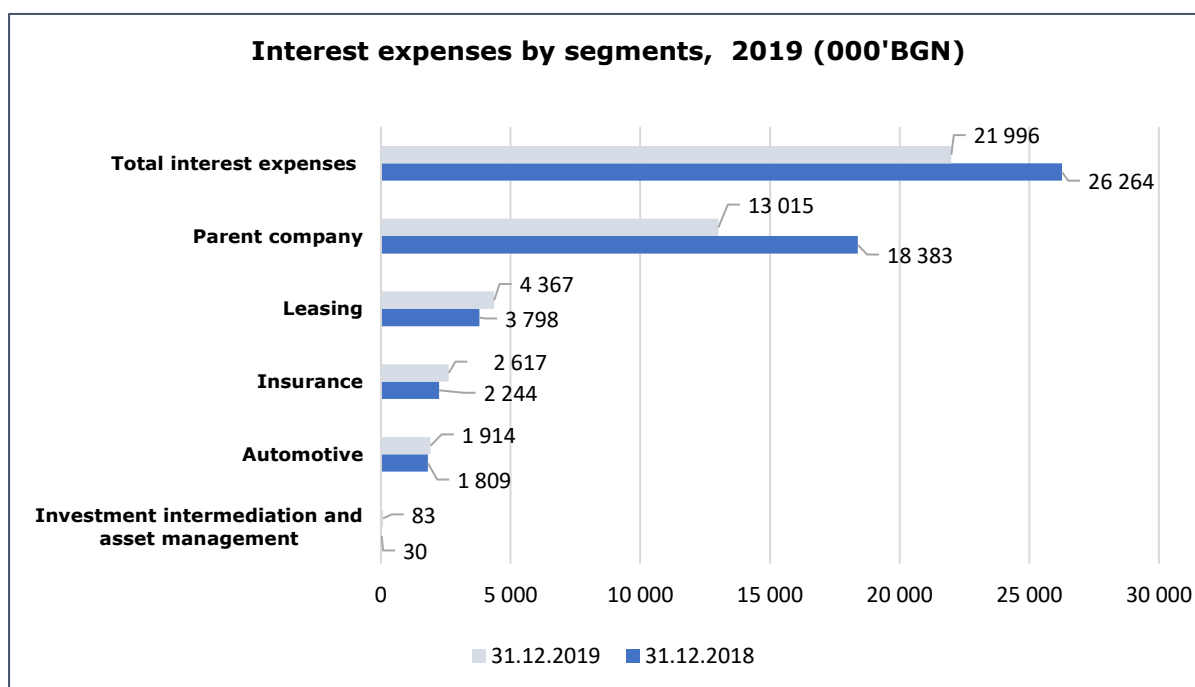
Financial expenses include: financial expenses and the net effect of changes in exchange rates. A new indicator related to the category of financial expenses for 2019 is - interest expenses on assets with the right to use.

For 2019, the total amount of financial expenses is BGN 20 million, reporting a decrease of 14% versus the previous comparative period, when they amounted to BGN 23 million.

- The amount of interest expenses includes the respective expenses of the insurance and automobile sectors, as well as of the parent company. For the period from January 1 to December 31, 2019, the amount of reported interest expenses amounts to BGN 18 million and a decrease of BGN 5 million has been noted.

- The reported for the period interest expenses of the leasing sector and of investment banking represent an operating expense, due to the nature of their activity, in connection with which they are referred to the operating expenses of these segments. For more detailed information, the chart below presents data on changes in interest expenses, including the leasing segment and investment banking.





As of December 31, 2019, the Eurohold Group has managed to significantly reduce its interest expenses by BGN 4 million (representing a decrease of 16%) and has been reduced from BGN 26 million to BGN 22 million.

As can be seen from the chart above, the largest interest expense is generated by the parent company in connection with the attraction of interest-bearing loans in order to carry out the expansion of the Group, incl. new acquisitions of companies from the subsidiary insurance sub-holding in the region of Central and Eastern Europe. During the twelve months of 2019, the parent company has reduced its interest expenses by 29% (representing a decrease of BGN 5 million), which is mainly due to the reduction of the company's interest-bearing liabilities and negotiating better interest rates. conditions.

The automotive group uses attracted capital for working capital. The amount of these attracted funds is determined by the growth of the automotive business, transactions with corporate clients, stocks - cars and spare parts, etc. For the reporting period the automotive group has increased its interest expense slightly by BGN 0.1 million.

The leasing business is accompanied by high levels of interest expenses due to the specifics of borrowed capital financing. For the reporting period the leasing activity reports BGN 4 million interest expenses, realizing a growth of 15%. This change is due to new attracted resources and business growth.

The insurance activity does not require borrowing of borrowed funds, therefore the interest expenses reported by this division represent a loan resource of the parent company of the insurance group - Euroins Insurance Group. For the period of 2019 the interest expenses reported by the insurance sub-holding amount to BGN 3 million with an increase of BGN 0.3 million compared to the comparable period.

Interest expenses reported in the direction of investment intermediation are not caused by borrowed capital, they represent interest from intermediary activity and trading in securities and financial instruments, in this sense they are extremely small and insignificant at group level.

- Interest expenses on assets with right of use. During the reporting period, in connection with the application of IFRS 16, the Group reported interest expenses on assets with the right of use in the amount of BGN 1.4 million, of which BGN 0.8 million to insurance companies and BGN 0.5 million to the automobile companies, the remaining BGN 0.1 million are distributed between the leasing division, the investment intermediary and the parent company.
- The other financial expenses amount to BGN 0.9 million compared to BGN 0.7 million for 2018 and are generated by the automotive business (BGN 678 thousand) and the parent company (BGN 229 thousand)

## **FINANCIAL CONDITION ON A CONSOLIDATED BASIS**

### **Assets**

As of the end of 2019, the companies of the Eurohold Group have achieved an increase in consolidated assets by 9%, which at the end of the reporting period amounted to BGN 1.5 billion compared to BGN 1.4 billion as of 31.12.2018.

The most significant change in the consolidated assets is observed in the following balance sheet items: cash, cash equivalents and time deposits, receivables, reinsurers' shares in technical reserves, financial assets, inventories, and in the land and buildings position.

- At the end of the reporting period, the Eurohold Group had free cash and deposits with banks amounting to BGN 107 million, an increase of BGN 37 million, representing an increase of 53%. For comparison, at the end of 2018 cash and deposits with banks amounted to BGN 70 million.
- The total amount of receivables increased by BGN 27 million for the reporting period compared to the end of 2018, reaching BGN 281 million, of which current receivables amounting to BGN 227 million. Receivables have the largest share of current receivables on insurance operations, which amount to BGN 128 million as of the reporting period compared to BGN 99 million as of December 31, 2018. Non-current receivables amount to BGN 54 million, noting a decrease of BGN 25.6 million. financial leasing in the amount of BGN 52 million at the end of the current reporting period, while at the end of 2018 their amount was BGN 54 million.
- The share of reinsurers in the technical reserves of the insurance companies of Euroins Insurance Group at the end of the current period increased by BGN 55 million, reaching BGN 464 million, an increase of 14%.
- The financial assets as of December 31, 2019, owned by the companies of the Eurohold Group, reported a decrease of BGN 29 million compared to the end of 2018 and their book value at the end of the current period is equal to BGN 262 million.
- The inventories of the companies participating in the consolidation amount to BGN 42 million and for the current reporting period they reduce their amount by BGN 18 million, for comparison at the end of 2018 their value was BGN 61 million. Inventories belong mainly to the automotive direction - BGN 39 million at the end of 2019 and BGN 57 million as of 31.12.2018 and represent available cars in stock and in showrooms for sale.
- Position „Land and buildings“ - In the annual consolidated financial statements as of 31.12.2019 the group has presented its own real estate and assets with the right to use the leased property in one position, giving detailed information about own and leased assets in the appendices to the financial statements. The disclosed real estates under the heading "land and buildings" are as follows:

- lands and terrains - total amount at the end of the reporting period BGN 5 million, representing almost entirely own of the group;
- buildings and structures - total amount of BGN 49 million, of which BGN 9 million owned by the group and BGN 40 million acquired (leased) assets - buildings and structures with the right of use

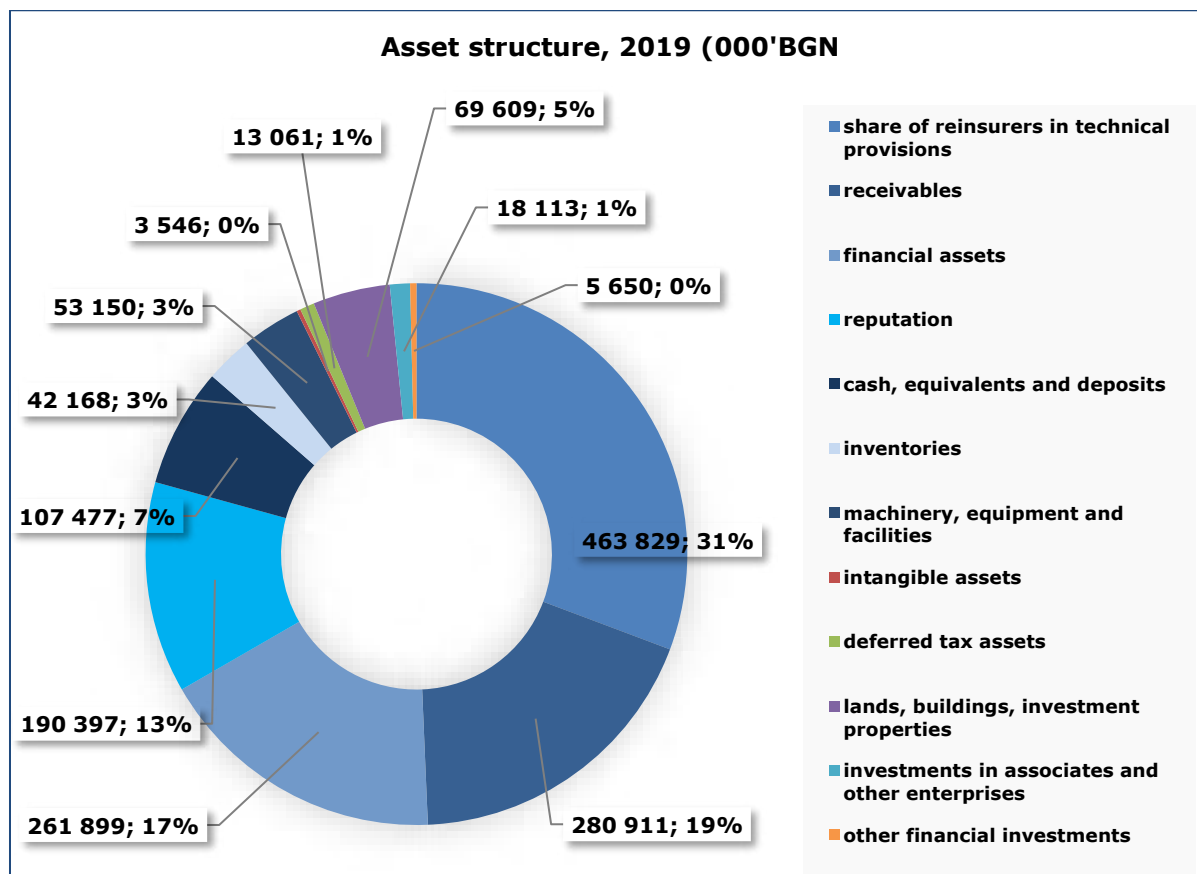
Part of the consolidated assets is Investments in associates and other companies. Their amount at the end of the reporting period amounted to BGN 18 million with an increase of BGN 8 million. Investments in associates are owned by Euroins Insurance Group (BGN 13 million) representing the amount of the insurance sub-holding's share in the capital of the Russian Federation. insurance company. The remaining part of BGN 5 million belongs to the investment intermediary Euro-Finance AD and represents the amount of its minority stake in the capital of a German bank.

**Asset structure**

The most significant place in the structure of consolidated assets is occupied by the following balance sheet items:

- Share of reinsurers in technical reserves - 31%;
- Receivables - 19%;
- Financial assets - 17%;
- Reputation - 13%;
- Cash and deposits - 7%;
- Lands, buildings, investment properties - 5%;
- Inventories - 3%;
- Machinery, facilities and equipment - 3%;

Other assets such as deferred tax assets, investments in associates and other enterprises, other financial investments intangible assets do not occupy a significant part of the Group's assets and their total share is 2%



Eurohold Bulgaria AD, including its subsidiaries, does not have assets that are reported off-balance sheet.

There are no environmental issues in the Group's operations that could affect the use of the assets.

### Equity and liabilities

The equity belonging to the owners of the parent company amounts to BGN 157 million, reporting a decrease of BGN 3 million compared to December 31, 2018.

The equity belonging to the non-controlling interest for the reporting period amounts to BGN 33 million. For comparison, at the end of 2018 the capital of the non-controlling interest amounts to BGN 40 million.

The total equity on a consolidated basis amounts to BGN 191 million, while as of the previous reporting period it amounts to BGN 201 million.

The consolidated liabilities of the Eurohold Group reached BGN 1.3 billion as of 31 December 2019, increasing by 11% compared to the comparable period, when their value amounted to BGN 1.2 billion. The consolidated liabilities of the group are characterized in the following items: Subordinated debt instruments, loans to banking and non-banking institutions and debenture loans, non-current liabilities, current liabilities, trade and other liabilities, reinsurance liabilities and insurance reserves.

- In support of equity, the Group has subordinated debt instruments in the amount of BGN 19.6 million, which remain the same as at the end of 2018 without change. The subordinated debt is to the insurance business in the form of a debenture loan issued on December 18, 2014 and maturing on December 18, 2021.
- The majority of liabilities are liabilities on loans to banks and non-bank financial institutions and bond loans. As of the reporting period, the total amount of borrowings amounts to BGN 298 million after a decrease of BGN 2 million compared to December 31, 2018, when they amounted to BGN 300 million. The non-current part of these liabilities amount to BGN 241 million while at the end of 2018 their amount was BGN 242 million. Respectively, the current part of the loan liabilities amounts to BGN 57 million compared to BGN 58 million at the end of 2018. r.

### Change in liabilities on loans from banks and non-banking institutions and bond issues

	%	31.12.2019	31.12.2018
<b>Liabilities on loans from banks and non-banking institutions, and bond issues:</b>	<i>Change</i>	<i>000'BGN</i>	<i>000'BGN</i>
<b>To banks and non-bank financial institutions, including:</b>			
- non-current liabilities	- 1%	<b>140 735</b>	<b>142 167</b>
- current liabilities	- 2%	93 259	94 877
	0%	47 476	47 290
<b>On bond loans, including:</b>	0%	<b>157 664</b>	<b>157 564</b>
- non-current liabilities	0%	147 516	147 224
- current liabilities	- 2%	10 148	10 340
<b>Total borrowings, including:</b>	0%	<b>298 399</b>	<b>299 731</b>
- total non-current liabilities	- 1%	240 775	242 101
- total current liabilities	0%	57 624	57 630

The Eurohold Group attracts attracted capital according to the needs of the companies for attracted funds for financing working capital and investment needs depending on the business in which they work, as well as for the further expansion of the insurance business.

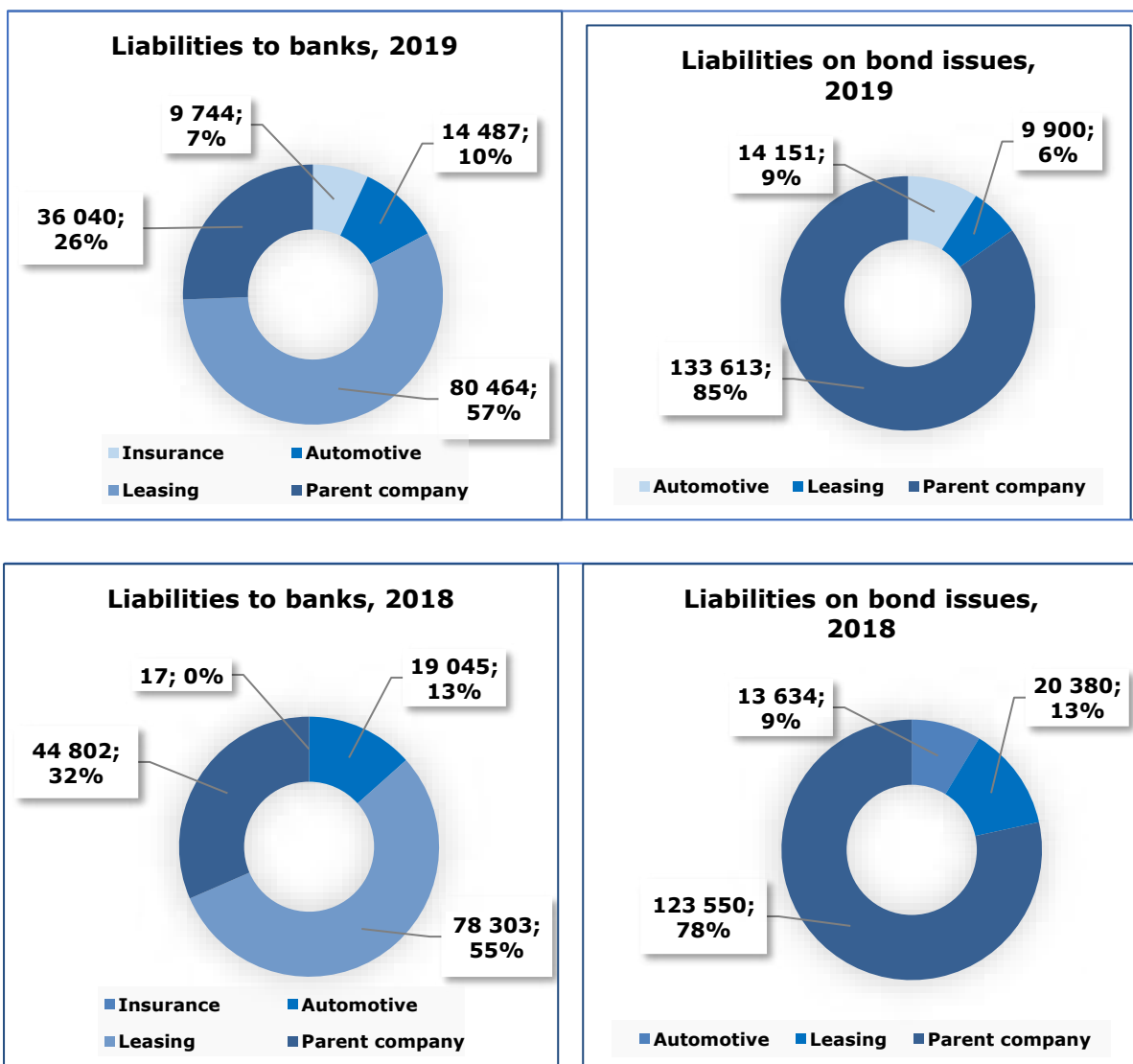
The leasing and automotive divisions have the highest indebtedness of the subsidiaries.

It is typical for the leasing business to be financed through attracted funds. The amount of these attracted funds is determined by the growth of the business.

The automotive group finances its activity with attracted funds from bank loans for working capital and issued bond loans for payment to dealers of ordered cars and spare parts for service activities, large corporate transactions, public procurement, test cars, as well as for development of new projects. Apart from that, the automobile sub-holding uses external financing for the construction and repair of showrooms and service centers.

The parent company (Eurohold Bulgaria) finances its activities to support the subsidiaries in order to improve their capital adequacy, the need for working capital financing and, for the most part, for the expansion of the insurance business.

**Comparative analysis of liabilities on loans from banks and non-banking institutions and bond loans by sectors for 2019 and 2018**



- the position of non-current liabilities is disclosed in the group other non-current liabilities and financial leasing liabilities. At the end of 2019, the value of non-current liabilities amounted to BGN 23 million, decreasing by BGN 1.5 million compared to their amount by 2018. Non-current liabilities under financial leases relate to the automotive and leasing business and amount to of a total of BGN 19 million, as they were at the end of the comparable period. The other non-current liabilities amount to BGN 4 million, they decreased during the reporting period by nearly BGN 2 million and come almost entirely from the automotive division.
- Consolidated current liabilities increased by 18%, increasing from BGN 37 million to BGN 44 million. This item includes the Group's liabilities to personnel and insurance companies, tax and other current liabilities, current financial leasing liabilities, revenues for future periods and provisions. The increase in current liabilities is mainly due to the insurance business due to the consolidation of insurance companies acquired at the end of 2018 in Georgia and Ukraine.
- Trade and other payables amount to BGN 140 million compared to BGN 108 million as of 2018. The increase of BGN 32 million is due to the following items and amendments:
  - Reduction of the amount of trade and other liabilities by BGN 10 million from BGN 108 million at the end of 2018 to BGN 98 million for the current period.
  - Coverage for the first time of obligations under leasing contracts - rights of use (application of IFRS 16 with effective date January 1, 2019) in the amount of BGN 42 million.

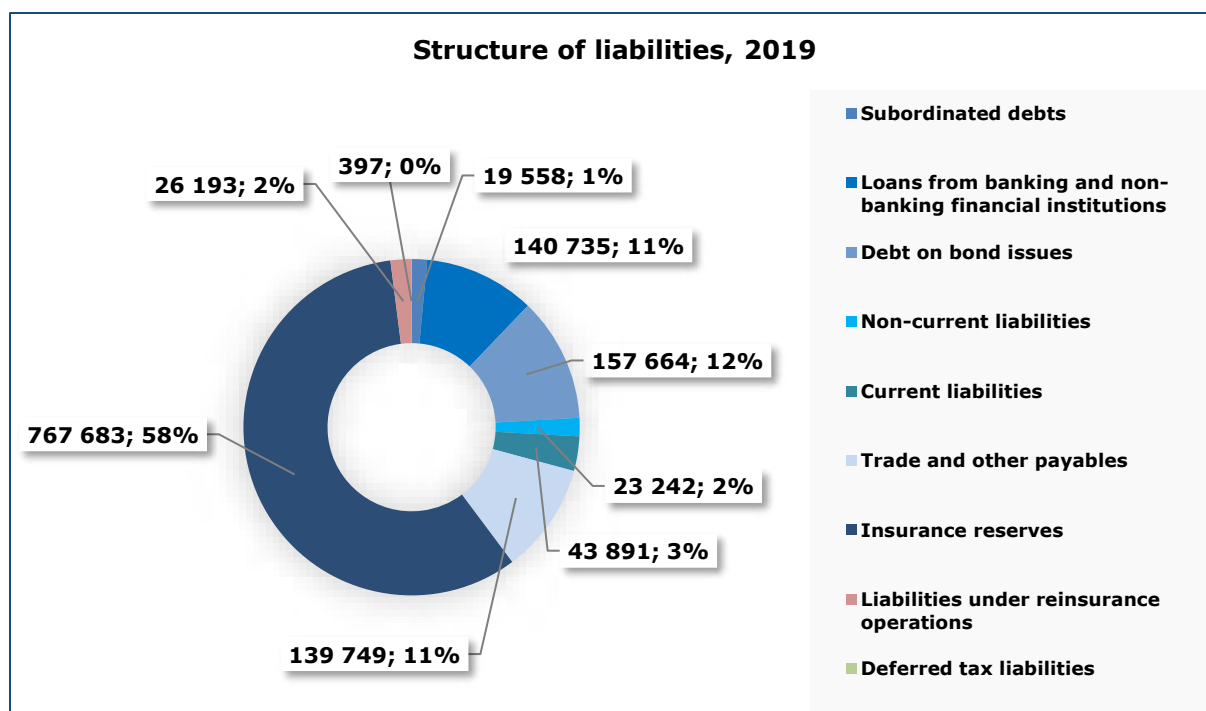
**The table below presents summary information on the total liabilities of the group under leasing contracts - rights of use, including non-current and current:**

Obligations of the group on leasing contracts - rights of use:	%	31.12.2019	31.12.2018
	<i>Change</i>	<i>000'BGN</i>	<i>000'BGN</i>
<b>Total liabilities on leasing contracts - rights of use, including:</b>	<b>n/a</b>	<b>33 855</b>	-
- <i>non-current liabilities</i>	n/a	34 545	-
- <i>current liabilities</i>	n/a	7 844	-

- In connection with the growth of the insurance business, liabilities under reinsurance operations increased by 13%, from BGN 23 million to BGN 26 million by the end of 2019.
- The amount of the set aside insurance reserves as of 31.12.2019 is BGN 768 million, as for the current reporting period they increase by BGN 91 million compared to the end of 2018. The amount of set aside insurance reserves also includes the share of reinsurers in set aside insurance reserves (presented in the assets of the consolidated statement of financial position), which amounts to BGN 464 million at the end of 2019 and BGN 408 million to the comparable period.

### Structure of liabilities

The liabilities of the Eurohold Group as of 31 December 2019 amount to BGN 1.319 billion and represent 87.4% of the balance sheet total. In 2019, the companies subject to consolidation increased their liabilities by 11% (BGN 129 million).



All bond loans issued by the Group are admitted to trading on the regulated market of the Bulgarian Stock Exchange AD (except for one issue issued by Eurolease Group AD, for which it is to be admitted to trading). The bond issues were issued by the companies Eurolease Group AD, Eurolease Auto EAD, Auto Union AD and Motobul EAD and the parent company. As of the date of the Consolidated Activity Report, all issues are serviced in accordance with the terms of the debenture loans and there are no outstanding liabilities for interest and principal payments.

### Bond issue issued by Eurohold Bulgaria AD

#### - EMTN Programme

In December 2016, Eurohold Bulgaria successfully issued medium-term Eurobonds (EMTN Program) with a maximum amount of all issues of EUR 200 million. The bonds are listed on the Irish Stock Exchange. The current issue issued in December 2017 amounts to EUR 70 million with an interest rate coupon of 6.5% and a maturity of 5 years.

Bond loan liabilities are stated at amortized cost, net of repurchased own bonds, which are subsequently measured at fair value based on information from Bloomberg and other sources, reflecting the effect on profit or loss for the period. As of December 31, 2019, the Company owns 10,500 shares. the repurchased own bonds from EMTN Program in EUR with ISIN XS1731768302, as of 31.12.2018 - 13,418 pcs. from the EMTN Program in EUR. The repurchased own bonds (10,500 pieces) are given as collateral in connection with a concluded repo transaction with closing date 10.2020. The obligation for the repurchased own bonds from Starcom Holding AD (10,500 pieces) is not settled as of 31.12.2019. and 31.12.2018.

Information on the terms of both bonds is publicly available on the Irish Stock Exchange website, Debt section.

### Cash flows

The Consolidated Statement of Cash Flows is composed of sections and articles in which cash flows are reflected according to the activity from which they originated, as they are combined in operational, investment and financial activities.

Consolidated Cash Flows		2019	2018
Net cash flows from operating activities	000'BGN	23 538	977
Net cash flows from investment activities	000'BGN	65 958	2 528
Net cash flows from financial activities	000'BGN	(47 346)	90
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>000'BGN</b>	<b>42 150</b>	<b>3 595</b>
Cash and cash equivalents at the beginning of the year	000'BGN	49 540	45 945
<b>Cash and cash equivalents at the end of the year</b>	<b>000'BGN</b>	<b>91 690</b>	<b>49 540</b>

During the considered periods the companies of the Group generate sufficient and positive cash flow for the normal course of their operating activities.

The cash holdings of the Eurohold Group at the end of 2019 amounted to BGN 91,690 thousand, reporting a significant increase.

### Capital resources

The debt and equity ratios show how the group is financed.

As of 31 December 2019, the share of equity in the consolidated assets of Eurohold Bulgaria AD is 12.63%, while at the end of 2018 this ratio was 14.43% or at the end of the current reporting period a decrease of 1.8% was reported.

The debt ratio and financial autonomy ratio represented the coverage of borrowed funds with equity and vice versa.

The debt ratio for 2018 is 5.93, while for 2019 it is 6.92, marking an increase of 0.99 points. This is due to the increased insurance reserves, which are part of the short-term liabilities of the group.

The financial autonomy ratio as of 31.12.2018 is 0.14, and at the end of 2019 it is 0.17, which shows that the Eurohold Group reports a slight decrease in this indicator by 0.03 points. The following table shows selected financial indicators from the consolidated financial statements of Eurohold Bulgaria for 2019 and the comparative period of 2018.



**Financial indicators on a consolidated basis**

INDICATORS		2019	Change	2018
<b>Income Statement</b>				
1. Accounting profit / loss (excluding discontinued operations and before tax)	000' BGN	753	-95%	13 727
2. Net Profit / Loss (after taxes) belonging to the Group	000' BGN	(2 885)	-132%	9 105
3. Revenue	000' BGN	1 600 809	27%	1 263 160
<b>Statement of Financial Position as at 31 December</b>				
4. Equity, incl. and minority participation	000' BGN	190 698	-5%	200 575
5. Liabilities, incl. Subordinated liabilities	000' BGN	1 319 112	11%	1 189 674
6. Assets	000' BGN	1 509 810	9%	1 390 249
<b>Share information</b>				
Share capital (issued)	000' BGN	197 526	0%	197 526
Number of shares	thousand	197 526	0%	197 526
Net profit / loss per share	BGN	(0,015)	-132%	0,047
<b>Ratios</b>				
Financial autonomy ratio (4/5)		0,14	-14%	0,17
Debt factor (5/4)		6,92	17%	5,93
Gross profitability of revenues (1/3)	%	0,05%	-96%	1,09%
Net profitability of revenues (2/3)	%	(0,18%)	-125%	0,72%
Gross profitability of equity (1/4)	%	0,39%	-94%	6,84%
Net profitability of equity (2/4)	%	(1,51%)	-133%	4,54%
Gross profitability of liabilities (1/5)	%	0,06%	-95%	1,15%
Net profitability of liabilities (2/5)	%	(0,22%)	-129%	0,77%
Gross profitability of assets (1/6)	%	0,05%	-95%	0,99%
Net profitability of assets (2/6)	%	(0,19%)	-129%	0,65%

## ▪ **D13. OVERVIEW OF THE ACTIVITY OF SUBSIDIARY SUB-HOLDING STRUCTURES**

### **13.1. 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, North Macedonia, Ukraine, Georgia, Russia and Greece through its subsidiaries.

Euroins Insurance Group is focused on expanding its presence in the CEE / SEE / CIS market. The company selects new target countries based on the stage of development and the potential of the local insurance sector (especially non-life insurance - the main business of the EIG) and the ability to observe organic growth.

The strategy for entering a country is based on risks, levels of regulation and proximity to key markets.

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 establishment, 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 3 million customers at the end of the period, with operations in Italy, Spain and Poland under the Freedom to provide services directive within the European Union.

As at 31.12.2019, Euroins Insurance Group AD has a direct controlling interest in nine subsidiaries and one associate (Russian insurance company Euroins), presented below in the following table:

### Regional presence. Market presentation on business operations

Structure	Country	Company	Type of activity
<b>Insurance line: Euroins Insurance Group</b>	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.

Information about the expansion of the insurance group for the considered historical period:

#### ➤ 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";
- ◆ 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>th</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.

#### ➤ Expansion 2019:

- ◆ Euroins Insurance Group (EIG) increased its participation in the capital of the Russian Insurance Company Euroins to 48.61%, representing 244,002,300 shares, after on 01.02.2019 an increase in the capital of the Russian state was entered in the unified state register of legal entities of Russia. The increase amounts to 121,500,000 rubles, which is recorded entirely by the EIG.
- ◆ In March 2019, Euroins Insurance Group signed an agreement to acquire four insurance companies in three European countries - Romania, the Czech Republic and Belarus. The companies that will be acquired are subsidiaries of the German ERGO, one of the leading insurance groups in Europe and part of Munich Re, which is among the largest reinsurers in the world. Euroins Insurance Group will acquire three ERGO subsidiaries in Romania

and the Czech Republic, specializing in life and non-life insurance, as well as one non-life insurance company in Belarus. The transaction will be finalized after approval by the relevant regulatory authorities. As of December 31, 2019, the transaction is in the process of regulatory approval.

➤ **As of the date of this activity report**

On April 29, 2020, Euroins Insurance Group AD acquired 93.12% of the shares of ERGO Belarus. The company specializes in non-life insurance and is the third largest private insurer in Belarus, operating in a sector still dominated by state-owned companies.

**Advantages of Euroins Insurance Group AD**

Through its mergers and acquisitions, the EIG Group benefits from:

- ◆ New clients;
- ◆ High quality management and workforce;
- ◆ Valuable relations with the management teams of the acquired companies;
- ◆ New distribution channels.

In addition, Euroins Insurance Group has built a strong internal integration team that will be of great value in future acquisitions.

Due to the diverse nature of Eurohold's business operations, Euroins Insurance Group benefits from synergies between the companies within the Group.

The efforts and investments made in the last few years in the field of insurance 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 meet the needs of customers for appropriate insurance services, various product ranges and combined insurances have been developed.

The ability of Euroins Insurance Group to identify growth-enhanced transactions, negotiate the best prices and generate added value from its acquisitions has contributed to the rapid growth of the insurance group over the last 5 years.

More information about Euroins Insurance Group and its subsidiaries can be found on the website of the insurance sub-holding [www.eig.bg](http://www.eig.bg).

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**Results from operations for 2019**

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**CONSOLIDATED RESULTS OF EUROINS INSURANCE GROUP 2019**

The gross written premium of Euroins Insurance Group AD on a consolidated basis in 2019 is BGN 847.7 million compared to BGN 643.3 million for 2018. The gross written premium by Companies: Euroins Bulgaria grew by 41%, Euroins Romania by 25%, Euroins Macedonia - by 21%, Euroins Ukraine - by 7%, Euroins Life - by 30%.

The main part of the gross written premium of the Group is realized by Euroins Romania and Euroins Bulgaria, which form respectively 63% and 29% of the total premiums of the Group, or nearly 91% of the total recorded business.

The total consolidated assets of the Company at the end of 2019 are BGN 1.275 million compared to BGN 1.127 million at the end of 2018. Insurance reserves on a consolidated basis, as an element of the Group's liabilities, have increased from BGN 677 million at the end of 2018 to BGN 768 million for 2019.

In addition to growth in terms of recorded business, the Group also registered a positive financial result in the amount of BGN 12.6 million profit after taxes. For comparison, in 2018 (recalculated) EIG reported a profit of BGN 4.2 million. The presence of profit at the consolidated level, as well as the good results of Euroins Bulgaria, Euroins Macedonia and Chad European Tourism Insurance are due to the very good technical result, which only confirms the correct subscription policy of the Group companies. As of December 31, 2019, Euroins Romania significantly increases its insurance reserves. This puts the Company in a very good starting position for 2020.

### Rating

In 2018, Fitch Ratings confirmed the ratings of Eurohold Bulgaria and Euroins Romania in 2017, namely the Long-Term Default Rating "B" of Eurohold Bulgaria with a Stable outlook and the Insurer Financial Strength Rating "BB-" with a Stable outlook for Euroins Romania. As part of the same process, Fitch Ratings, taking into account the fact that Euroins Romania and Euroins Bulgaria are the most significant components of Eurohold Bulgaria, awarded Euroins Bulgaria Insurer Financial Strength Rating "BB-" with a stable outlook. In addition, in December 2018 the same rating was assigned to EIG Re, reflecting the expected strategic importance of EIG Re as an internal reinsurer for Euroins Insurance Group.

### Solvency II

The good performance of the Group in 2019, as well as the strong capital position are confirmed by the indicators calculated in accordance with the requirements of Solvency II, namely:

Total eligible own funds to cover the Solvency Capital Requirement (SCR) in 000'BGN	250,245
Total eligible own funds to cover the Minimum Capital Requirement (MCR) in 000'BGN	225,178
Solvency Capital Requirement (SCR) ) in 000'BGN	148,637
Minimum Capital Requirement (MCR) ) in 000'BGN	65,733
Coverage of the Solvency Capital Requirement (SCR)	168%
Coverage of the Minimum Capital Requirement (MCR)	343%

\* The calculations are made on the basis of preliminary unaudited data provided to the Financial Supervision Commission according to the Quarterly Reporting on Solvency II for the 4th quarter of 2019.

### Investments made in subsidiaries that occurred after the end of the reporting period

- ◆ On January 21, 2020, as part of the restructuring plan of the capital structure of IC Euroins AD, approved by the Financial Supervision Commission, an increase in the capital of IC Euroins AD by BGN 8,700 thousand was entered in the Commercial Register as part of the increase is a result of repayment of the existing subordinated term debt in the amount of BGN 8,500 thousand on January 13, 2020. Thus, the share capital of IC Euroins AD already amounts to BGN 40,970,000, distributed in 40,970,000 shares, as Euroins Insurance Group AD owns 40,410,171 shares, which is approximately 98.63% of the share capital.
- ◆ On February 27, 2020, an increase in the capital of Euroins Life EAD was registered, which is part of the plan for restructuring the capital structure of Euroins Life EAD, approved by the Financial Supervision Commission with a Decision 1327-Ж3 dated 23.12.2019. On January 3, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of Euroins Life EAD by BGN 1,250,000, while Euroins Life EAD should fully repay the subordinated term debt in the same amount. On February 18, 2020, Euroins Life Insurance EAD fully paid its debt. After the operation, the capital of the subsidiary now amounts to BGN 11,375,070, distributed in 1,137,507 shares with a par value of BGN 10 each.
- ◆ On February 28, 2020, an increase in the capital of IC EIG Re EAD was registered, which is part of the plan for restructuring the capital structure of IC EIG Re EAD, approved by the Financial Supervision Commission with a Decision 1326-OZ from 23.12.2019. On January 15, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of IC EIG Re EAD by BGN 600 thousand, while IC EIG Re EAD should fully repay the

subordinated term debt in the same amount. On February 19, 2020, EIG Re EAD paid its debt in full. After the operation, the capital of the subsidiary now amounts to BGN 19,112,000, divided into 19,112,000 shares with a par value of BGN 1 each.

### **Possible future development of the Group**

As a leading Bulgarian insurance group, EIG continues to operate in Central and Eastern Europe. The main objective of the EIG, through its subsidiaries, is to achieve a 10% market share in the medium term for the Balkan region in the General Insurance sector, while at the same time operating in Central Europe (Poland, Czech Republic), the Mediterranean, Ukraine, Russia and Georgia.

More information about Euroins Insurance Group and its subsidiaries can be found on the website of the insurance subholding [www.eig.bg](http://www.eig.bg).

## 13.2. AVTO UNION AD - BUSINESS OVERVIEW. RESULTS FROM THE ACTIVITY

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### *Business overview*

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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 31.12.2019 Avto Union AD holds direct control shareholding in 16 subsidiaries.

## Regional presence. Market performance by business operations

<b>Structure</b>	<b>Country</b>	<b>Company</b>	<b>Type of activity</b>
<b>Automotive business - Avto Union AD</b>	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 Italia EAD	import and service of motor vehicles
		• Auto Italia Sofia EOOD	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	

The portfolio of Avto Union AD, which is the largest in number of brands in Bulgaria, according to statistics published by the Bulgarian Association of Automobile Manufacturers (AAP), includes eight brands of cars and four brands of scooters, lubricants, fuels and additional cars services.

**The following company chart presents the automotive brands and lubricants of Avto Union subsidiaries**





### Sales of New Cars

Avto Union AD is a holding company uniting the investments of Eurohold Bulgaria AD in the automotive sector. The automobile companies in the structure of Avto Union AD are focused on the following business areas of the automotive business:

- ◆ **Auto Italy EAD** - official importer of Fiat, Fiat Professional, Maserati, Alfa Romeo for Bulgaria;
- ◆ **Bulvaria Sofia EAD** - (formerly Sofia Auto Bulvaria OOD) - Opel dealer for the region of Sofia and the region;
- ◆ **Bulvaria Sofia EOOD** – Opel dealer for Varna and the region;
- ◆ **Star Motors** - official importer of Mazda for Bulgaria;
  - Star Motors DOOEL (a subsidiary of Star Motors EOOD) - official representative of Mazda for Macedonia;
- ◆ **Motobul EAD** – official distributor for Bulgaria of Castrol and Orlen Oil;
  - Benzin Finance EAD (a subsidiary of Motobul EAD) - as of December 31, 2019 the company does not operate;
- ◆ **N Auto EAD** (formerly Nissan Sofia EAD) - one of the largest Nissan dealers in Bulgaria, operates in the regions of Sofia and Veliko Tarnovo;
  - Espace Auto OOD (a subsidiary of N Auto Sofia EAD) - the largest dealer of Renault and Dacia in Bulgaria, operates in the regions of Sofia, Pazardzhik, Veliko Tarnovo, Plovdiv and Blagoevgrad;
- ◆ **EA Properties OOD** - purchase and sale of real estate, development, public works and construction, rental, consulting and management services;
- ◆ **Daru Car EAD** – authorized BMW service for Bulgaria;
- ◆ **Avto Union Service EOOD** – performing car service activity;
- ◆ **Motobul OOD** – import, purchase and sale and service of scooters, motorcycles and mopeds with the brands Lambretta, Malaguti, Brixton и KSR Moto.

### **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.

#### **Advantages of Avto Union AD**

The competitiveness of the Group is determined by the high level of service and the strong synergy between the various activities in Eurohold Bulgaria (insurance, leasing and car sales), which aims to achieve greater productivity and profitability of subsidiaries. All companies in Avto Union work in close cooperation with the other main business areas of Eurohold Bulgaria - insurance and leasing, thus able to offer comprehensive services to their customers and to achieve lasting growth in sales and significant improvement of financial performance.

Each company in the Group is certified according to the international quality management standards ISO 9001: 2008, and apart from that it is responsible for meeting the requirements of manufacturers/dealers of individual brands for equipment condition, staff qualification and way of work. Trainings for mechanics and car dealers are held regularly.

The companies in the Group have the following rights:

- ◆ Authorized dealer rights for Bulgaria of Mazda, Fiat, Alfa Romeo and Maserati;
- ◆ Authorized dealer rights for Bulgaria of Renault, Nissan, Opel and Dacia. The Avto Union Group is the largest national distributor of Renault, Dacia and Nissan cars.

The main competitors of Avto Union AD have a different business model, in which only one or several interconnected car brands are offered. The most significant competitors with such a business model are Toyota Balkans AD (Toyota and Lexus), Moto Pfohe AD (Ford, Volvo, Jaguar and Land Rover) and Porsche Bulgaria (Volkswagen, Audi and Seat).

The company maintains its position as a dealer with the widest volume of offered car brands (8) on the Bulgarian market.

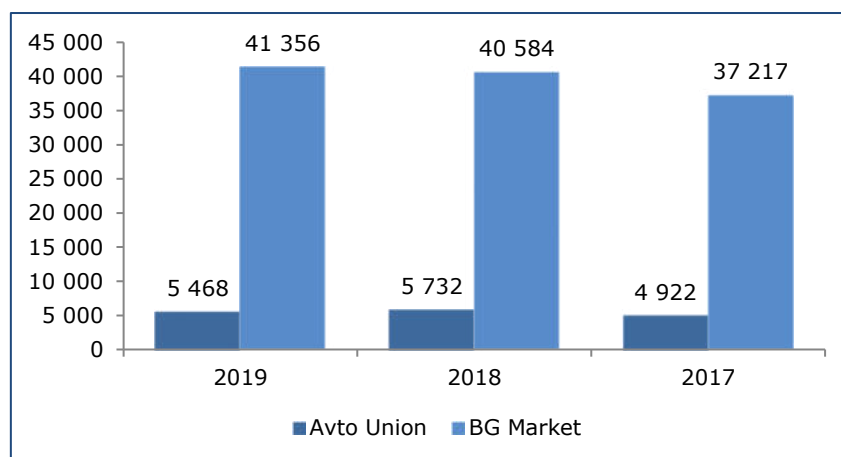
## Results from operations for 2019

### CONSOLIDATED RESULTS OF AVTO UNION 2019

The consolidated financial result of the automotive group for the period from 01.01.2019 to 31.12.2019 is a profit of BGN 5,283 thousand (2018 - profit of BGN 3,438 thousand). The consolidated financial result for the owners of Avto Union AD for the same period is a profit of BGN 3,989 thousand, and for comparison during the same period of 2018 it was a profit of BGN 1,743 thousand.

The number of cars sold for the whole of 2019 decreased by 4.6% compared to the same period of 2018, which is a decrease of 264 units. (2019: 5,468 units, 2018: 5,732 units). This fact should not be considered worrying, as the Group has sold fewer, but on the other hand more expensive (i.e. generating more revenue) cars, which contributes to an increase in the total revenue of the Auto Union Group. Revenues from sales of cars, spare parts, oils and fuels increased by 6.6% or BGN 13.9 million, while those from sales of services decreased by 1.9% or BGN 166 thousand. Total Revenues from contracts with customers increased by 6.3%, which represents an increase in absolute terms equal to BGN 13.7 million.

### Comparative information on the realized revenues from the activity of Avto Union Group



### Sales of new cars of Avto Union for 2019 compared to those on the Bulgarian market, units - comparison for the last 3 years

**Source:** The Association of Automobile Manufacturers and Their Authorized Representatives in Bulgaria (AAP)

Operating expenses for 2019 almost remain the same compared to the same period in 2018, recording a slight increase of 0.3%. All types of operating expenses, with the exception of depreciation, decreased compared to the same period last year, as a result of the policy actively implemented by the management to optimize costs in the companies of the entire automotive holding. Depreciation costs at first glance show a huge increase of 140% compared to the same period in 2018, but it is important to note that this is due to the new IFRS 16 Leasing, applied by the entire Group as of 01.01.2019 (for changes due to the newly applied policy in the Group, see note 2.2.1.1)

With the implementation of the new IFRS 16, during the period under review Avto Union Group reports depreciation of assets with the right of use leased property and buildings under operating leases in the amount of BGN 2,881 thousand. In this regard, the depreciation costs of the company increase from BGN 2,821 thousand for 2018 to BGN 6,729 thousand for 2019. The rest of the increase in depreciation costs between 2019 and 2018 (i.e. not taking into account the effect of the application of IFRS 16), is due to increased depreciation rate in some of the companies, as well as a larger depreciated fleet in companies with significantly increased Rent-a-Car business volume, such as Espace Auto OOD.

With the exception of depreciation (see above), there is a decrease in all other groups of operating expenses as follows:

- ◆ Reduction in Expenses for materials which decreased by 44.3% or BGN 1,561 thousand;
- ◆ Reduction in Other expenses, which decreased by 24.7% or BGN 548 thousand;
- ◆ Reduction in Personnel Expenses, which decreased by 1.2% or BGN 172 thousand;
- ◆ A large decrease of 14.9% or BGN 1,513 thousand is also observed in the Expenses for services, as the main reason for this is due to the newly introduced IFRS 16 Leasing, applied by the whole Group as of 01.01.2019.

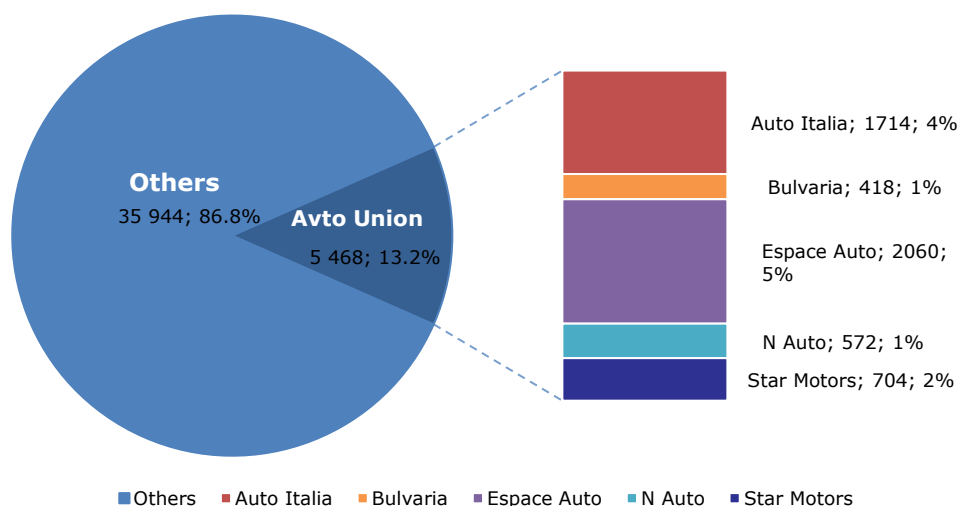
An increase compared to the same period of the previous year is observed in financial expenses (growth of 6.6% or BGN 221 thousand), as the main reason for this is due to the newly introduced IFRS 16 Leasing. During the reporting period with the application of IFRS 16, the Group of Avto Union AD reports interest expenses on used assets with the right of use leased property and buildings under the terms of operating lease in the amount of BGN 599 thousand. At the same time, interest expenses of the Group actually increase by only BGN 221 thousand - from BGN 2,543 thousand for 2018 to BGN 2 881 thousand for 2019 (i.e. not taking into account the effect of the application of the new IFRS 16 we would observe a decrease in this pen costs).

Financial revenues almost maintained their levels from the same period for 2018, recording a slight increase of 0.6%, or BGN 3 thousand.

## Sales

For the period ending on 31.12.2019 the sales of new personal cars and light commercial vehicles realized by Avto Union - the automobile holding in the group of Eurohold Bulgaria, amounted to 5 468 units, compared to 5 732 units sold in the year 2018, which represents a decline of 4.6%. According to the Union of Automobile Importers in Bulgaria, for the year 2019 the new car market increased by 1.9% compared to 2018.

During the reporting period Opel registered a growth of 10.6% for Sofia and retained its level for Varna. Espace Auto OOD registered sales decline for both of its brands compared to 2018 – by 25.4% for Renault and by 20.5% for Dacia. In N Auto EAD, there was a growth in sales by 1% for Nissan cars. Auto Italia EAD increased its sales of Fiat by 22.2%, but decreased sales of Alfa Romeo by 12%. In the Maserati car brand, Auto Italia AD recorded a decline by 43.5%. Star Motors marks a 5% growth in sales of new Mazda cars compared to the previous year.



### **Number of cars sold and market share of car companies in the group of Avto Union for 2019**

**Source:** The Association of Automobile Manufacturers and Their Authorized Representatives in Bulgaria (AAP)

Avto Union Group	Sales		%
	2019	2018	Change
January – December (YTD)	5 468	5 732	-4.6%
By quarter:			
Q1 (January-March)	1 015	1 282	-20.8%
Q2 (April-June)	1 638	1 895	-13.6%
Q3 (July-September)	1 592	1 298	22.7%
Q4 (October-December)	1 223	1 257	-2.7%

**Number of cars sold in 2019 and their change compared to 2018, by quarters, to companies in the Avto Union group**

More information about the sub-holding Avto Union and its subsidiaries can be found on the website of the car sub-holding [www.avto-union.bg](http://www.avto-union.bg).

### 13.3. EUROLEASE GROUP EAD. BUSINESS OVERVIEW. RESULTS FROM THE OPERATIONS

#### *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 Group also offers rent-a-car services, as well as the sale of repurchased used cars with proven origin. The rent-a-car activity is performed by the Company Eurolease - Rent A Car, which operates under the trademarks of AVIS and BUDGET.

One of the activities of the leasing group is related to the sale of cars returned from leasing, rent-a-car and "buy-back" (through the company Autoplaza EAD). In order to offer a wider range of cars such as brands and level of equipment, experts from the Company select cars and participate in international tenders from established suppliers. In the last year, Autoplaza has established its name as a preferred customer and loyal partner in tender procedures.

Eurolease Group's leasing operations focus on developing products that offer flexible repayment plans and interest rates that are tailored to the client's risk profile.

The long-term experience in providing operating lease to large international and local companies, as well as the established market niches for the provision of car rental services rank the Group among the market leaders.

#### **Regional presence. Market presentation by business operations**

<b>Structure</b>	<b>Country</b>	<b>Company</b>	<b>Type of activity</b>
<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>
	<b>Northern Macedonia</b>	• <i>Eurolease Auto DOOEL</i>	<i>Financial leasing</i>
	<b>Romania</b>	• <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.

**The subsidiaries of Eurolease Group have the opportunity to present a full range of:**

- ◆ Financial leasing;
- ◆ Operational leasing;
- ◆ Rent a car;
- ◆ Sale of used cars to individuals and legal entities and corporate clients.

The strategic goal of Eurolease Group EAD is to become one of the leading lessors in each 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 comprehensive 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 insurance and automotive companies of the Group.

Over the years, Eurolease Auto EAD has established itself as a leading non-bank leasing company on the Bulgarian market. Experience, established relationships with suppliers and an expanding customer base allow the Company to report stable growth. The management believes that the secured financing at the moment, the ongoing negotiations with other potential creditors, as well as the possibility to offer joint products with Euroins and the dealers part of the Avto Union Group, will allow Eurolease Auto EAD to offer even more attractive leasing conditions. its customers in 2020.

The sales activities of used cars are performed by the Group through its subsidiary Autoplaza EAD. The expectations of the management for 2020 are for the company to continue its upward development through a new increase in its credit limit, which will finance the purchase of cars from Bulgaria and Europe. Thus, the company will be able to meet the needs of the ever-growing market for tested used cars, which brings security to future customers. In view of these expectations, the management has set the following goals to be achieved in 2020:

- ◆ Increasing sales of used cars;
- ◆ Deepening the partnerships with car dealers' part of the group of Avto Union AD, in terms of repurchase of customer cars;
- ◆ Promotion of the new website of the company in order to attract new customers;
- ◆ Autoplaza car reviews on the BGCarsUnited YouTube channel;
- ◆ Complete rebranding of the company's office.

The inclusion of Sofia Motors EOOD in the leasing sub-holding Eurolease Group EAD allows the Group to offer a wider range of products and services and to use effectively the customer bases of all companies for the realization of better financial results. The management of the company has planned in the short term development and renewal of the company's portfolio. In view of the set plans, the following goals have been formulated for the current year:

- ◆ Development and presentation of innovative products aimed at the target groups of the Company;
- ◆ Promotion of the company through a targeted marketing campaign;
- ◆ Reaching a larger number of customers by building a new more functional website;
- ◆ Attracting competitive financial resources for carrying out the operational activity;
- ◆ Further optimization of operating costs.

The company has sufficient resources to finance new transactions for the first half of 2020, as well as the company is working with partner banks to obtain a new credit limit.

Operating leasing and rent-a-car services are also provided 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 newly established international brands.

In this regard, the Company plans the following measures to maintain its position:

- ◆ Slight decrease in the indicator "Price per day" in order to maintain competitiveness;
- ◆ Increasing the duration of rents during the high summer season;
- ◆ Increase by 10% of the cars in the short-term fleet and maintaining the trend for its renewal;
- ◆ Renewed marketing strategy related to the appointment of a marketing specialist and the promotion of both brands at national and global level;
- ◆ The replacement of existing websites with modern digital platforms offered globally by the Avis Budget Group;
- ◆ The introduction of a digital signature when renting short-term cars (Scrive platform);
- ◆ Introduction of a customer feedback platform and the related increase in customer satisfaction;
- ◆ Negotiating new long-term partnerships with foreign and local companies;
- ◆ Attracting new customers from the key countries for the Bulgarian market: Great Britain, Israel, USA, Germany, Russia, France, Spain.

More information about Eurolease Group and its subsidiaries can be found on the company's website [www.euroleasegroup.com](http://www.euroleasegroup.com).



### Results from operations for 2019

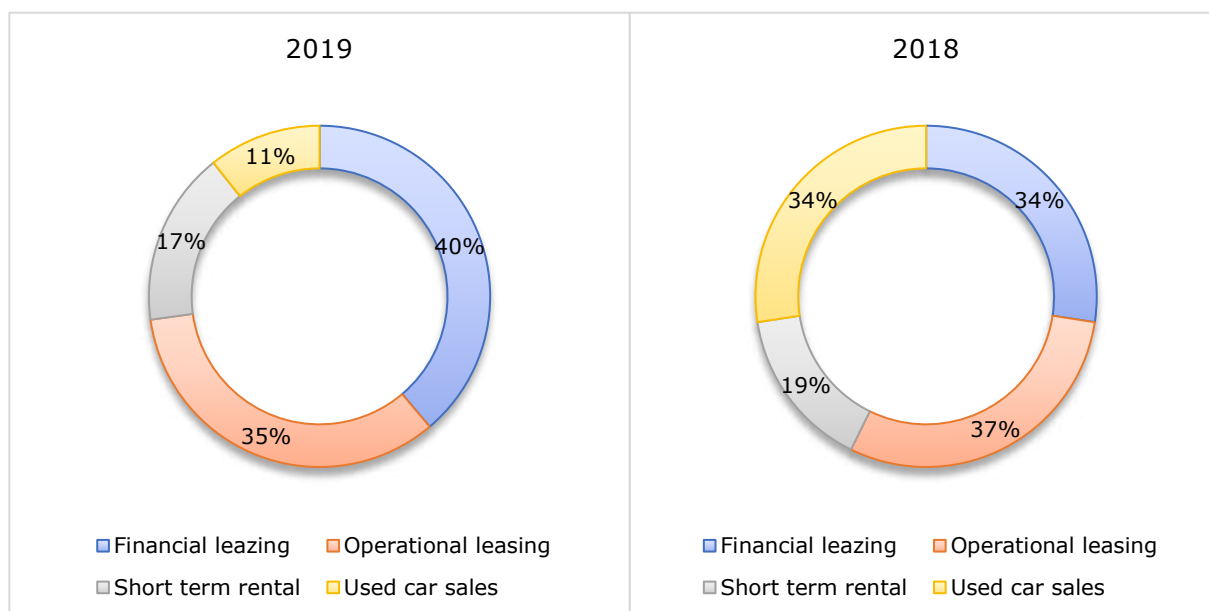
#### CONSOLIDATED RESULTS OF EUROLEASE GROUP AD 2019

The activity of Eurolease Group AD (Parent Company) is related to supporting the activities of its subsidiaries by providing expert advice in the field of operational management. The parent company assists the companies in finding competitive financial resources to carry out their business activities.

In 2019, Eurolease Group AD focused its efforts on negotiating new credit lines for each of the companies part of the Group, as the total amount of the agreed financing is approximately EUR 19 million.

The financial result for 2019 is a profit of BGN 216 thousand compared to a profit of BGN 1,088 thousand for the previous reporting period - 2018. The financial result for 2019 is distributed as follows: for The Group reported a profit of BGN 227 thousand, and for the non-controlling interest - a loss of BGN 11 thousand.

The consolidated revenues of the Group are formed by the various business lines of the sub-holding, namely: revenues from financial and operating leasing, short-term car rental and sale of used cars.



The realized revenues by types of activities in the group for 2019 are as follows:

- ◆ **Financial leasing** - Revenues from this area increased as a share of the total revenues of Eurolease Group EAD, reaching BGN 8,392 thousand (growth of 31.45% on an annual basis);
- ◆ **Operating lease** - the amount of revenues from operating lease for 2019 is BGN 6,989;
- ◆ **Short-term rent** - the amount of revenues marked a slight decrease by 1.51% compared to the previous period, respectively the share of this business in the portfolio of Eurolease Group EAD decreased;
- ◆ **Sale of used cars** - the relative share of revenues from the sale of used cars remains almost unchanged. In absolute value they amount to BGN 2,273 thousand.

An increase of 6.46% is also observed in the operating expenses, which amount to BGN 15,473 thousand for 2019 compared to BGN 14,534 thousand for the same period of 2018.

As at 31 December 2019 the assets of the Group amount to BGN 124,717 thousand compared to BGN 137,082 thousand at the end of the previous reporting period.

The consolidated net investment in financial leasing increased by 1.45% to BGN 79,362 thousand compared to BGN 78,225 thousand at the end of 2018.

As of December 31, 2019, the tangible fixed assets at the consolidated level amount to BGN 27,946 thousand, compared to the amount of BGN 28,075 thousand as of December 31, 2018.

As of 31.12.2019 the equity capital amounts to BGN 12,407 thousand and as of 31.12.2018 it amounted to BGN 12,208 thousand.

At the end of the reporting period the liabilities of the Group amount to BGN 112,496 thousand compared to BGN 125,053 thousand as of 31.12.2018.

Liabilities to other financial institutions increased to BGN 11,672 thousand compared to BGN 11,315 thousand as of December 31, 2018. The amount is mainly due from the subsidiary Eurolease Rent A Car to leasing companies financing its activities.

Liabilities to banks as of December 31, 2019 amount to BGN 80,464 thousand, compared to BGN 78,303 thousand a year earlier.

As of December 31, 2019, the liabilities under debt instruments amount to BGN 12,089 thousand compared to BGN 26,707 thousand as of December 31, 2018.

More information about the Eurolease Group sub-holding and its subsidiaries can be found on the company's website [www.euroleasegroup.com](http://www.euroleasegroup.com).

### 13.4. EURO-FINANCE AD. BUSINESS OVERVIEW. RESULTS FROM THE OPERATIONS

#### *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**

<b>Structure</b>	<b>Country</b>	<b>Company</b>	<b>Business activity</b>
<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 associations.

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:**

- ◆ 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.

### Results from operations 2019

EURO-FINANCE AD has preserved its leading position on the Bulgarian capital market, realizing almost  $\frac{1}{5}$  of the total turnover on the Bulgarian Stock Exchange (BSE). However, it moved one position down, taking the 3<sup>rd</sup> place in the rank list of intermediaries as regards the turnover realized on the Exchange. The table below shows the changes in the basic indicators.

Business activity	2019	2018	2017
Accepted orders for purchase/sale of financial instruments within the country*	↑ 3,129	2,884	4,681
incl. submitted through EFOCS	↑ 1,961	1,658	3,261
Executed orders	↑ 1,641	1,596	2,356
Transactions in financial instruments contracted within the country**	↑ 2,421	2,295	4,458
incl. in a trading venue	↑ 2,207	2,001	4,090
outside of a trading venue	↓ 214	294	368
<b>Total turnover in BGN</b>	<b>↓ 180,348,967</b>	<b>645,292,626</b>	<b>1,150,775,433</b>

\* does not include the orders under repo transactions (only financial instruments with ISIN BG\*)

\*\* executed transactions (excluding repo transactions) (including transactions in financial instruments with settlement in the country)

The leading indexes of the Bulgarian Stock Exchange (BSE) marked a slump of over 3% for the year, which was in sharp contrast with the tendencies on the international capital markets. Ways are still sought to revive the trade on the BSE through various encouraging measures and incentives. In this aspect, great hopes are laid on BEAM – the market for growth of small and medium-sized enterprises – which was approved as early as the end of 2018, but was actually started in 2019. This is a special market organized by the BSE, which provides the small and medium-sized businesses with the opportunity to get financed through the Exchange and to raise capital on more favourable terms in comparison with the regulated market.

Data about trading on the BSE-Sofia	2019	2018	2017
Number of contracted transactions	↓ 44,167	54,341	79,629
Turnover in BGN	↓ 333,573,998	550,040,936	705,850,935
Capitalization in BGN	↑ 27,904,536,796	26,765,345,283	23,620,968,144
SOFIX	↓ 568,14	594,46	677,45
BGBX 40	↓ 111,83	115,91	132,00
BG TR30	↑ 516,28	496,14	555,98
BG REIT	↑ 130,03	121,07	116,10

Source: BSE

The country's capital market did not succeed in making use of the good performance of Bulgarian economy, running against the problems of the stock market in our country, namely: illiquid market resulting from the absence of a sufficient number of attractive companies that might attract investors, and the lack of interest in the stock market on the part of companies-issuers because of the market's illiquidity and the absence of interest on the part of large investors. The successful implementation of the measures laid down in the Strategy for development of Bulgarian capital market and the interest in the BEAM market of the BSE will be critical to the prospects for the Bulgarian capital market in the short run.

During the previous year EURO-FINANCE AD continued making efforts to develop the service segment oriented to transactions in foreign financial instruments, emphasizing on the renewal of its e-trade platform EFOCS.

The main index on the Frankfurt Stock Exchange – DAX – showed a growth of over 26% compared to the levels of the beginning of the year 2019. The table below presents summarized information about the company's business activity related to transactions on Deutsche Boerse in Frankfurt am Main.

Business activity	2019	2018	2017
Accepted orders for purchase/sale of financial instruments on the Deutsche Boerse	↑ 2,245	1,649	1,328
incl. those submitted through EFOCS	↑ 1,643	984	669
Executed orders	↑ 1,279	1,175	1,008
Transactions contracted	↑ 1,399	↑ 1,250	1,100
<b>Total turnover in BGN</b>	<b>↓ 12,872,781</b>	<b>↑ 19,306,304</b>	<b>3,430,613</b>

The table below presents summarized information about the BGN turnover of transactions in shares and bonds contracted in the year 2019 within the country and abroad.

Business activity	2019	2018	2017
Total BGN turnover of transactions in shares and bonds contracted within the country and abroad	↓ 374,756,075	676,585,046	1,159,646,221

\* does not include the turnover under repo transactions contracted during the year

The new 2020 will be another challenge for financial market participants against the background of the over-regulated environment and the complex political and economic situation in the global aspect. In operational terms, the activity of EURO-FINANCE AD will traditionally be focused on finding the optimal balance between the risk taken and the liquidity of investments.

The previous year – 2019 – can be defined as beneficial for the company. Our forecasts on the development of incomes and the change in their structure have been justified.

In the year 2019 EURO-FINANCE AD realized net incomes from core operations in the amount of BGN 2 352 thousand. Those expenses for the reported period which were related to the day-to-day operations of the company amounted to BGN 1 751 thousand. The profit before taxation was BGN 601 thousand. The table below presents the basic net income of the company which was connected with its main activity as an investment intermediary for the preceding four years, in thousand BGN.

Revenues	2019	2018	2017	2016
Interest and similar revenue	462	759	591	431
Revenues from operations involving financial assets and instruments	766	(12)	299	(260)
Fees and commission from transactions in financial instruments	1 052	1 031	1 442	1 459
Other financial revenues (restatement of assets according to IFRS 9)	(304)	353	-	-
<b>Total:</b>	<b>1 976</b>	<b>2 131</b>	<b>2 332</b>	<b>1 630</b>

The net income from interest decreased by 39% compared to the previous year. The revenue from fees and commission has preserved its previous year's amount, while the result of operations with trade portfolio financial assets increased by BGN 778 thousand compared to the year 2018.

The table below shows the structure of investments of EURO-FINANCE AD as at 31.12.2019, in accordance with the implemented risk management policy.

Company's own assets	2019	
	Book value in thousand BGN	Share in Company's equity in %
Tangible and intangible fixed assets	1 225	5.41
Company's own funds	3 785	16.72
Equity securities (shares, rights, and the like)	6 342	28.02
Debt securities (bonds and treasury bills issued by governments and financial institutions)	426	1.88
Debt securities of other issuers	4 904	21.67
Receivables under repo transactions	7 091	31.33
Other receivables	282	1.25
<b>Total:</b>	<b>24 055</b>	<b>106.28</b>

Part of the investments in equity and debt securities amounting to BGN 6 465 thousand shown in the table above are reported in the investment portfolio of the company (see Note No. 4 to the financial statements).

As at 31.12.2019 the company's equity is BGN 22 634 thousand, BGN 20 600 thousand of which is the registered capital, BGN 1 488 thousand are the reserves and BGN 546 thousand is the undistributed profit.

In compliance with the provisions of Ordinance No. 50 of the Financial Supervision Commission (FSC) on the capital adequacy and liquidity of investment intermediaries and Regulation (EU) No. 575/2013, EURO-FINANCE AD has adopted and applies the Rules on Risk Assessment and Management, Procedures for Adjustment of Valuations or Reserves and Rules on Disclosure of Information. The objectives and the policy of the investment intermediary in connection with risk management were initially formulated through a decision of the Board of Directors dated 30 May 2007, according to which the company pursues a moderately conservative policy on risk management, which is aimed at a stable and consistent increase in profit and protection of the value of the company's equity over time.

More information about EURO-FINANCE AD can be found on the company's website [www.eurofinance.bg](http://www.eurofinance.bg)

## ▪ **D14. CURRENT TRENDS AND THE LIKE FUTURE DEVELOPMENT OF EUROHOLD**

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### **Trends in activity**

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.

Eurohold Bulgaria is fully focused on developing and supporting its core business lines - insurance, cars, leasing and finance, as well as expanding them by increasing their market shares and / or by acquiring new companies from Central and South-east Europe, operating in the business sectors of the holding. In this respect, the development trends of Eurohold Bulgaria's activities are directly and fundamentally related to the development trends of the companies of the holding's economic group.

### **Trends for development of the Eurohold Group**

The Eurohold Group has significant growth potential based on the following types of growth factors:

- Integration synergies and development of cross-selling for bundled services;
- Organic opportunities and growth-enhancing opportunities;
- Fundamental, market and macroeconomic.

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

#### ***Joint products – advantages***

One of the main advantages of the Eurohold Group is the close cooperation between its main strands, 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 offering "All Under One Roof" - passenger cars, insurance, leasing. The cross-product offering among insurance, leasing and auto-dealer customers reduces the total cost of developing new products, advertising, and marketing. 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 divisions.

#### ***Organic opportunities and growth enhancing opportunities***

The Eurohold Group has historically grown on the basis of phased organic growth and the acquisitions of existing companies in the region. In the last 3 years, the Group has successfully acquired and integrated several companies, thus expanding its geographic reach and diversification.

Eurohold Bulgaria also targets several acquisition opportunities that make sense in the overall development strategy of the Eurohold Group.

Supported by the internally successful integrated organization, the Group expects to expand organically its regional market share in all sectors and countries in which it operates, as a result of the unique product mix offered.



### **Fundamental market and macroeconomic trends**

The current and planned geographic scope of Eurohold Bulgaria includes the region of Central and Southeastern Europe. Currently, the Company actively operates in Bulgaria, Romania, North Macedonia, Ukraine, Greece and Russia. Eurohold is also present on the markets in Italy, Spain and Poland, where he offers insurance services on the principle of freedom to provide services.

With a consumer base of more than 100 million users, the Southeast Europe region is a highly attractive development market. Fundamentally, the region is still underdeveloped, significantly lagging behind the economies, sectors and consumers of Western Europe. Real household income in this region is significantly lower, where consumption remains low. However, the trend is to gradually increase incomes in these regions.

The accession of Bulgaria to the EU is a positive attitude among foreign investors. Their increased confidence in the country is also conditioned by the achievement of macroeconomic stability, maintaining long-term growth of GDP, low inflation, confidence in the country's monetary system.

### **Goals and strategies related to development trends**

The objectives, which management of the Eurohold Bulgaria AD has set mid-term are focused on the three subholdings - insurance, leasing and automotive, as well as in managing the Group's cash through the investment intermediary Euro-Finance.

#### **A. Main current goals:**

- To satisfy the needs of its customers by means of offering innovative and competitive products and services;
- To increase the amount of sales in combination with high profitability;
- To ensure the required conditions for a continuous improvement in the synergy between its subsidiaries;
- To expand the markets of operation and to increase the market shares of each of its subsidiaries;
- To recruit highly qualified management and employees;
- To provide better opportunities for professional development and growth for each employee within the Group.

#### **B. Main strategic goals are:**

- Stable increase of market shares in all sectors and markets the Group operates in;
- To continue expansion strategy in the region;
- To achieve a loyal and diverse client base.

To achieve these strategic goals, the Company has developed current objectives and development policies. They are focused mainly on the improvement of the integration, profitability and financial position of the Group:

- Real consolidation of the companies on sub-holding structure level under a common management;
- Establishment of common positions on sub-holding level with regard to negotiating better delivery conditions, advertising and participation in public procurements, which significantly affects the reduction of costs for these segments;
- Realization of synergies from the centralization and optimization of operations, marketing and all other business processes in the structure of the Group;
- Cost optimization for maintaining goods in stock;
- Fixed costs optimization;
- Optimization of inventory level, etc.;
- Consolidation of all sources of funding in order to minimize administration costs;
- Opening of new locations – showrooms and car repairs stations;
- Optimization of the staff and equipment engaged in the car repairs activity;
- Implementation of better warranty conditions for the cars sold;

- Ensuring funding for the leasing subholding;
- Implementation of a system for additional incentives for the insurance agents of Insurance Company Euroins AD who refer customers to the car dealers and leasing companies;
- Changing the insurance portfolio towards reduction of the car insurance share and decrease of acquisition costs;
- Achievement of a stable market share by the insurance companies on all markets;
- Continuing the conservative policy of the insurance companies in maintaining the investment portfolio;
- Development and realization of new competitive products under the main business segments – insurance, automotive and leasing

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***

## **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.

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 2020. 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 favourable 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 labour 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 (for example: Toyota's 'global crisis' in 2009/2010, announced after the date of the report (early 2020) as a worldwide pandemic of a new coronavirus - COVID 19);
- ◆ Avto Union AD retains, as a main competitive advantage, the affiliation of individual traders (by brand) to a holding company, which allows for more efficient implementation of activities, through unified management, unification of technical service, generally agreed deliveries, exchange of staff and management experience;
- ◆ Each company in the Group is certified according to the international quality management standards ISO 9001: 2008, and apart from that it is responsible for meeting the requirements of manufacturers / dealers of individual brands for equipment condition, staff qualification and way of work. Trainings for mechanics and car dealers are held regularly;
- ◆ 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 INTERMEDIATION**

In 2019 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 2019. 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.

As in 2019 as well as in 2020 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.

The development trends of Eurohold Bulgaria's activities are directly and mainly related to the development trends of the companies from the holding group.

## ▪ **D15. DESCRIPTION OF THE MAIN RISKS**

This section describes the specific risk factors influencing the activity of Eurohold Bulgaria SA. In the event of any of the risks occurring, even in part or in combination with other risk factors or circumstances, this may have a material adverse effect on the Group's operations, results of operations or financial condition. Additional risks and other uncertain events that are not currently known or are considered insignificant as of the date of the Consolidated Activity Report may also have a significant adverse effect on the operations of Eurohold Bulgaria SA, the results of operations or financial condition.

The future results of the activity of Eurohold Bulgaria may differ significantly from past results as a result of the occurrence of the described risks, or many 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 undesirable deviation of the results of an event from the initial expectations.*

*The most general definition of risk is that it represents an undesirable deviation of the results of an event from the initial expectations.*

*The risks are divided into two main groups:*

- **systematic** (non-diversified). Systematic risks are those that operate outside the company and / or the industry and that may affect the activities and condition of the Company. These risks are related to the state of the macroeconomic environment, political stability and processes, regional development and others. The impact of systemic risks can be limited by collecting and analyzing current information on the macro-environment, as well as by using forecasts from independent sources on the state of the system as a whole.

- **unsystematic** (diversifiable). These are the risks that are part of the overall investment risk, specific to the company and the industry. Unsystematic risks can be divided into two types: **sectoral risk**, concerning the uncertainty in the development of the industry as a whole, and **general company risk**, arising from the specifics of the activity of the particular company.

*The consistency in the presentation of the risk factors reflects the management's view on their specific significance at present for the Company's activities.*

Types of risks	Risk description
<b>1. Systematic risks</b>	
<b>Influence of the international environment. External factors that may adversely affect the economic growth of the countries in which the Group operates.</b>	<p>The Group's strategy focuses on maintaining its position as a leader in the CEE / SEE region in insurance, incl. general, life 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 the strategy of Eurohold Bulgaria SA depends on a number of factors that are beyond the control of the Group, including, in particular, market conditions, the general business environment, the regulatory environment and the activities of its main competitors in business. Any failure of the Group to maintain its leading position in the CEE / SEE region in terms of the services and products it offers can significantly reduce its attractiveness to existing and potential customers, reduce its credit rating as well as the ratings of its subsidiaries, and led to a decrease in revenue or an increase in costs. The Eurohold Group operates in Bulgaria, Romania, Macedonia, Ukraine, Greece, Spain, Italy, Poland, Russia and Georgia and respectively its overall financial position and the results of its operations are affected by the economic, legal and political conditions in these countries.</p>
<b>Macroeconomic risk</b>	<p>Macroeconomic risk is the risk of shocks that can affect economic growth, household incomes, supply and demand, profits and more. These shocks include global economic and business conditions, fluctuations in national currencies, political developments, changes in legislation and regulatory requirements, the priorities of national governments, and more. The macroeconomic situation and economic growth worldwide are essential for the development of the Group, including the government policies of the respective countries and in particular the regulations and decisions taken by the respective Central Banks, which influence the monetary and interest rate policy, the foreign exchange policies. exchange rates, taxes, GDP, inflation, budget deficit and external debt, unemployment rate and income structure. Macroeconomic risks include: political risks; the credit risk of the state; inflation, currency and interest rate risk; the risks associated with high unemployment levels, emerging markets and regulatory changes.</p>
<b>Risk of force majeure</b>	<p>Force majeure - these are the risks of all unforeseen events such as natural, political and other natural disasters: floods, earthquakes, civil disobedience, collisions, strikes, pandemics and other unforeseen events. Force majeure circumstances can also be errors and accidents on the material base of mechanical nature, due to human or non-systemic error.</p> <p>The occurrence of such events may have a direct and immediate impact on all activities related to the activities performed by the company (group) by disrupting its normal activities and have an immediate effect on its financial condition.</p> <p>Force majeure may also have a strong impact on the overall macroeconomic and international environment. An example of such a risk is the new coronavirus COVID-2019 (Covid-19), announced by the world health organization Pandemic, which developed at the end of 2019 and quickly spread around the world as Europe was severely affected.</p> <p>A number of countries have taken drastic measures to control the coronavirus infection, including Bulgaria.</p> <p>The Republic of Bulgaria has declared a state of emergency on the territory of the country, as such has been declared in a number of countries in Europe and around the world. Strict anti-epidemic measures and restrictions have been introduced in the country, aimed at limiting social contacts and the spread of the virus.</p> <p>The pandemic has an adverse effect on economic activity in the country and the world, stock markets, tourism, transport, the automotive industry and many other industries.</p> <p>The disruption of normal economic activity in the Republic of Bulgaria as a result of Covid-19 may adversely affect the operations of Eurohold Group companies, and in particular the decline in share prices on global stock exchanges could affect the fair value of the Group's investments, if the negative trend persists.</p> <p>Timely and flexible measures have been taken throughout the group to address the global force majeure circumstance. An analysis and assessment of the unforeseen situation has been carried out - see below in "<i>Risk Management and Minimization Mechanisms</i>".</p> <p>Due to the dynamic situation and the new measures taken by the governments of the countries concerned to deal with the epidemic, as of the date of this report, Eurohold is not in a position to make long-term assessments of the impact of the pandemic, its development and financial his condition. Overall, the current crisis raises significant uncertainties about future processes in the global macroeconomy in 2020 and beyond.</p>

<b>Political risk</b>	<p>Political risk reflects the impact of political processes in the country on the economic and investment process and in particular on the return on investment. The degree of political risk is determined by the probability of changes in the unfavorable direction of the long-term economic policy pursued by the government, which may have a negative impact on investment decisions. Other factors related to this risk are possible legislative changes and changes in the tax system concerning the economic and investment climate in the country.</p> <p>The Republic of Bulgaria is a country with political and institutional stability, based on modern 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 has been a member of the European Union (EU) since January 1, 2007. The desire for European integration, the presence of a dominant political formation, the pursuit of strict fiscal discipline and the adherence to a moderate deficit create predictability and minimize political risk.</p> <p>In the long run, no sharp deterioration of the political situation is expected, as there is a political and public consensus on the factors that maintain long-term economic stability and a stable macroeconomic framework.</p> <p>No changes are expected with regard to the current tax policy on the taxation of income of individuals and legal entities, including in connection with their transactions on the capital market, as it is essential for attracting foreign investment.</p>
<b>Credit risk of the state</b>	<p>Credit risk is the probability that a country's international credit ratings will deteriorate. The low credit ratings of the country may lead to higher interest rates, more difficult financing conditions for economic entities, including the Group.</p> <p>On April 24, 2020, the rating agency Fitch Ratings confirmed the outlook on Bulgaria's credit rating as stable. The Agency strengthened the long-term credit rating of Bulgaria "BBB" in foreign and local currency and confirmed the ceiling for the country's rating "BBB", as well as the short-term credit rating in foreign and local currency "F2". Confirming the outlook as positive reflects Fitch Ratings' assessment that Bulgaria's external sector development indicators have improved significantly. The long period of constant decline in the external debt-to-GDP ratio and the positive trends in the current account have led to a better performance of Bulgaria's external finances. Compared to other countries with similar ratings, the country's public finance indicators have a positive effect on the confirmation of the rating assessment. Government debt to GDP will continue to decline below that of BBB countries.</p> <p>Source: <a href="http://www.minfin.bg">www.minfin.bg</a></p> <p>On 29.05.2020 the international rating agency S&amp;P Global Ratings confirmed the long-term and short-term credit rating of Bulgaria in foreign and local currency 'BBB / A-2' and revised the outlook from positive to stable.</p> <p>The revision reflects expectations for a significant deterioration in growth in Bulgaria, as well as in other countries, in 2020, as a result of the introduction of measures to control the Covid-19 pandemic. The rating agency reports an increase in macroeconomic and fiscal risks, but given that in recent years the country's macroeconomic imbalances have shrunk significantly, analysts expect that the Bulgarian economy will recover in 2021.</p> <p>According to S&amp;P Global Ratings, Bulgaria is entering the current recession with a strong external position, after years of current account surplus. Government debt is low and the country has reported budget surpluses over the past four years. According to the rating agency, the response of the policy to overcome the consequences of the pandemic will not jeopardize the stability of public finances, stating that the currency board regime in the country promotes prudent fiscal policy. Analysts from S&amp;P Global Ratings also note that Bulgaria is making steady progress towards joining VM II and the banking union. Limitations to the rating are the institutional environment and the low GDP per capita, compared to other European countries.</p> <p>Among the main factors that could lead to an upgrade are a return to the previous growth trajectory, without the accumulation of large macroeconomic imbalances, as well as an improvement in external balances, exceeding the expectations of the agency. Accordingly, among the factors that would lead to a downgrade are the emergence of external, macroeconomic or fiscal imbalances.</p> <p>Source: <a href="http://www.minfin.bg">www.minfin.bg</a></p> <p>The undertaking of a consistent and long-term economic policy in Bulgaria would be a valid reason for the potential increase of the country's credit rating, which in turn would have a favorable impact on the Eurohold Economic Group, expressed in the financing opportunities of the Group. In the event of a downgrade of Bulgaria's credit rating due to unstable governance of the country, it may have a</p>



	negative impact on the Group and the cost of financing, unless its loan agreements are not with fixed interest rates.
<b>Inflation risk</b>	<p>Inflation risk is associated with the likelihood that inflation will affect the real return on investment. The current issue of shares is issued in BGN and inflation in the country may affect the value of investments over time.</p> <p>The main risks associated with the inflation forecast relate 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 rising demand. The limited supply of some agricultural goods, and especially 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.</p> <p>With the recovery of domestic demand, higher relative consumer prices of services are expected compared to food and non-food goods. Over the last three years, the inflation rate, measured by the consumer price index, has been growing on an annual basis from 2.1% to 2.8% in 2018 compared to 2017, and in 2019 it increased to 3.8%. According to the forecast of the Ministry of Finance, the growth rate of the country's economy is expected to slow down slightly to 3.3% for the period 2020-2022.</p> <p>As far as the Bulgarian government maintains its course towards the accession of our country to the Eurozone, in the foreseeable future the inflation rate is not expected to exceed 2-3% per year. Thus, at present the mechanism of the currency board provides guarantees that inflation in the country will remain under control and will not have an adverse impact on the economy of the country, and in particular on the activities of the Company.</p> <p>Inflation may affect the Group's expenses as part of its liabilities are interest bearing. Their service is related to the current interest rates, which also reflect the inflation levels in the country. Therefore, the maintenance of low inflation levels in the country is considered a significant factor for the activity of Eurohold Bulgaria SA.</p> <p>At present, and in general, the currency board mechanism provides guarantees that inflation in the country will remain under control and will not adversely affect the country's economy, and in particular the Group's activities.</p>
<b>Currency risk</b>	<p>This risk is related to the possibility of depreciation of the local currency. For Bulgaria in particular, this is a risk of premature abandonment of the terms of the Currency Board at a fixed exchange rate of the national currency. Given the policy adopted by the government and the BNB, the expectations are to keep the Currency Board until the country's accession to the Eurozone.</p> <p>Any significant depreciation of the lev can have a significant adverse effect on the economic entities in the country, including the Group. Risk also exists when the income and expenses of an 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 of raw materials and products, is particularly pronounced.</p> <p>Changes in the various exchange rates did not have a material impact on the Group's operations until controlling interests were acquired in Romania, Macedonia and Ukraine. The financial results of these companies are presented in the local currency, respectively - Romanian Leu (RON), Macedonian Denar (MKD), Ukrainian Hryvnia (UAH) and Georgian GEL (GEL), whose exchange rate is determined almost freely on the local foreign exchange market. The consolidated revenues of Eurohold Bulgaria SA will be exposed to currency risk depending on the movement of these currencies against the euro.</p>
<b>Interest rate risk</b>	<p>The interest rate risk is related to the possibility for unfavourable change of the prevailing interest rates in the country. Its influence is expressed in the possibility of the net incomes of the companies to decrease due to the increase of the interest rates at which the Issuer finances its activity. Interest rate risk is included in the category of macroeconomic risks due to the fact that the main prerequisite for a change in interest rates is the emergence of instability in the financial system as a whole. This risk can be managed through the balanced use of different sources of financial resources. A typical example of this risk is the global economic crisis caused by liquidity problems of large mortgage institutions in the United States and Europe. As a result of the crisis, interest rates on credit risk have been rethought and increased globally. The effect of this crisis has had a tangible effect in Eastern Europe and the Balkans, expressed in the restriction of free access to credit.</p> <p>The increase in interest rates, other things being equal, would affect the price of the financial resources used by the Group in the implementation of various business projects. It may also affect</p>

	<p>the amount of the Group's expenses, as not a small part of its liabilities are interest bearing and their servicing is related to the current interest rates.</p>
<p><b>Risk of high unemployment rates</b></p>	<p>In market economies, unemployment is recognized as a social risk due to work. As a socially assessed risk, unemployment is subject to compulsory social insurance and compensation under certain conditions. The overall activity of the formation and implementation of the state policy on social insurance of unemployment, as well as the promotion and support of the unemployed in finding and starting work and / or other type of economic activity, gives the content of the process of managing this social risk.</p> <p>High levels of unemployment can seriously jeopardize the economic growth in the country, which in turn can lead to shrinking consumption and reducing revenues generated by businesses in the country, including revenues generated by the Holding and its subsidiaries.</p> <p>The unemployment rate in Bulgaria continues to decline steadily as a result of the achieved economic growth. In 2019, the unemployment rate was 4.2% and decreased by 1.0 percentage points compared to 2018. The employment rate for the population aged 20-64 is 75.0% and is 2.6 percentage points higher than in 2018.</p> <p>In the first quarter of 2020 the unemployment rate in Bulgaria decreased compared to the previous quarter. According to the latest published NSI data, the unemployment rate in the country for the first quarter of 2020. is 4.6% or 0.4% percentage points lower compared to the first quarter of 2019. The number of people without jobs in 2020 is equal to 148.9 thousand people. During the same period, the unemployment rate was 4.9 percentage points for men and 4.6 percentage points for women. Of all unemployed persons, 11.2% have higher education, 49.7% - with secondary education, and 39.1% - with primary or lower education. Unemployment rates by level of education are 1.7% for higher education, 4% for secondary education and 14.1% for primary and lower education, respectively.</p> <p>Source: <a href="http://www.nsi.bg">www.nsi.bg</a></p> <p>As of the date of this report, there are no official data on the unemployment rate in the country for the period after the end of the first quarter of 2020 until the date of this consolidated activity report. It is expected that in connection with the global pandemic with COVID-19, and the number of changes in economic activity, work organization, employment, as well as the discontinued operation of a number of businesses after the state of emergency in the country, there will be growth in the current unemployment rate. In this regard, a number of governments, including the Bulgarian one, have introduced plans and measures to support businesses and citizens to overcome the consequences of the economic and social crisis resulting from the pandemic. At the same time, at the moment there is no complete picture of what is happening at the micro and macro level, what is the scope and scale of the effects of the crisis and, respectively, of the anti-crisis measures taken.</p>
<p><b>Risks associated with regulatory changes</b></p>	<p>The consolidated results of Eurohold may be affected by changes in regulations. The Eurohold Group operates in a highly regulated environment in various European countries. The possibility of more radical changes in the regulatory framework, in the interpretation or practice of law enforcement, as well as in discrepancies in the legislation and regulations in Bulgaria and in the countries where the Group operates, may have an adverse effect on its activities as a whole. results, as well as the financial condition of Eurohold.</p>
<p><b>2. Unsystematic risks</b></p>	
<p><b>Risks related to the activity and structure of Eurohold Bulgaria AD</b></p>	<p>Eurohold Bulgaria SA is a holding company and the possible deterioration of the operating results, financial condition and prospects for development of its subsidiaries may have a negative effect on the results of operations and financial condition of the Company.</p> <p>Insofar as Eurohold's activity is related to the management of assets of other companies, it cannot be assigned to a separate sector of the national economy and is exposed to the industry risks of the subsidiaries. The companies of the Eurohold Bulgaria group operate in the following sectors: insurance, leasing, car sales and investment intermediation.</p> <p>The main risk related to the activity of Eurohold Bulgaria SA is the possibility to reduce the sales revenues of the companies in which it participates and to receive dividends. In this regard, this may have an impact on the Group's revenue growth as well as on the change in profitability.</p> <p>Deteriorating results of one or more subsidiaries could lead to deteriorating results on a consolidated basis. This, in turn, is related to the share price of the Company, as the market price of the shares takes into account the business potential and assets of the economic group as a whole.</p>

<b>Risks related to the development strategy of Eurohold Bulgaria AD</b>	<p>Eurohold's future profits and economic value depend on the strategy chosen by the top management team of the Company and its subsidiaries. Choosing the wrong strategy can lead to significant losses.</p> <p>Eurohold Bulgaria SA strives to manage the risk of strategic errors by continuous monitoring of the various stages in the implementation of its market strategy and its results. This is crucial in order to be able to react 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 can also have a significant negative effect on the Group's operations, operational results and financial condition.</p>
<b>Risks related to the management of Eurohold Bulgaria AD</b>	<p>The risks associated with the management of the Eurohold Group are the following:</p> <ul style="list-style-type: none"> <li>◆ making wrong decisions for the current management of investments and liquidity of the Group, both by the senior management and the operational employees of the companies of the Group;</li> <li>◆ the inability of the management to start the implementation of planned projects or lack of appropriate guidance for 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 inability to hire staff with the necessary qualities;</li> <li>◆ risk of excessive increase in management and administration costs, leading to a decrease in the overall profitability of the Group.</li> </ul>
<b>Risks related to attracting and retaining qualified personnel</b>	<p>Given the problems observed in recent years in the education system in Bulgaria and as a consequence - insufficient quality staff, many sectors of the national economy are experiencing a shortage of qualified staff. The demographic crisis in the country - an aging population and low birth rate - 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 SA is significantly dependent on the contribution of a number of persons, members of the management and control bodies, managers of senior and middle management level of the parent company and subsidiaries of the main business areas. It is uncertain that these key employees will continue to work at Eurohold in the future. The success of the Company will also be related to its ability to retain and motivate these individuals. The inability of the Company to maintain sufficiently experienced and qualified personnel for managerial, operational and technical positions may have an adverse effect on the activities of the economic group as a whole, its operating results, as well as its financial condition.</p>
<b>Risks related to future acquisitions and their integration into the structure</b>	<p>At present, the economic group of Eurohold Bulgaria SA develops its operations mainly in Bulgaria and other countries such as Romania, Macedonia and Ukraine, through acquisitions of companies and assets. The strategy for Eurohold's expansion is for these acquisitions to continue in the future. The Group intends to implement a strategy of identifying and acquiring businesses, companies and assets with a view to expanding its activities. The risk for Eurohold lies in the uncertainty as to whether it will be able to identify suitable acquisitions and investment opportunities in the future. On the other hand, there is uncertainty regarding the assessment of the profitability of future acquisitions of assets 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 the results of the economic group as a whole, unforeseen events, as well as obligations and difficulties in integrating the activities.</p>
<b>Financial risk</b>	<p>The financial risk represents the additional uncertainty regarding the investor for the receipt of income in the cases when the Group uses borrowed or borrowed funds. This additional financial uncertainty complements the business risk. When part of the funds with which the Group finances its activities are in the form of loans or debt securities, the payments for these funds represent a fixed obligation.</p>
<b>Liquidity risk</b>	<p>The liquidity risk is related to the possibility for Eurohold Bulgaria SA not to repay its obligations in the agreed amount and / or in time, when they become due. The presence of good financial indicators for profitability and capitalization of a company are not a guarantee for a smooth meeting of current payments. Liquidity risk may also arise in the event of late payments by customers.</p> <p>Eurohold Bulgaria SA strives to minimize this risk through optimal cash flow management in the group itself. The Group applies an approach that provides the necessary liquidity resources to meet the incurred liabilities under normal or extraordinary conditions, without realizing unacceptable losses or damaging the reputation of individual companies and the economic group as a whole.</p> <p>Eurohold's management policy is aimed at raising financial resources from the market in the form of mainly issuing equity securities (shares) and debt instruments (bonds) to invest in its subsidiaries in the form of loans or capital increases.</p>
<b>Market risk</b>	<p>Market risk is the risk of a decrease in the value of an investment affected by current market conditions. Market risk can be defined as due to macroeconomic factors and includes units such as</p>

	interest rate risk, currency risk and risk of changing inflation levels. For Eurohold Bulgaria SA the market risk is related to the possibility to reduce the price of the traded financial instruments.
<b>Credit risk</b>	This is the risk arising from the Group's inability to meet its borrowing obligations. It is related to untimely, partial or complete non-fulfillment of the obligations for payment of interest and principal on its borrowed funds. Credit risk also represents the risk that a counterparty will default on its obligation to the Group. In this regard, the strict financial policy and control systems established by the management of Eurohold Bulgaria SA 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 activities.
<b>Risk of concentration</b>	There is a risk of concentration, which is the possibility that the Group may incur a loss due to the concentration of financial resources in the business sector or related parties. This risk is expressed in the possibility that the invested funds will not return in full due to the recession in the business in which it is invested.
<b>Currency risk</b>	Eurohold Bulgaria SA operates mainly in several countries Bulgaria, Romania, Macedonia and Ukraine, Georgia, Greece and each of the countries, except Bulgaria, has 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 pegged to the euro. A sharp change in the macro-framework of any of the countries where Eurohold is active may have a negative effect on its consolidated results. Ultimately, however, the Group reports its consolidated financial results in Bulgaria, in Bulgarian levs, which in turn are pegged through a fixed exchange rate to the euro, which also changes its value against other global currencies, but is significantly less exposed to drastic fluctuations.
<b>Interest rate risk</b>	The increase in interest rates, other things being equal, would affect the price of the financial resources used by the Group in the implementation of various business projects. It may also affect the amount of the Group's expenses, as not a small part of its liabilities are interest bearing and their servicing is related to the current interest rates.
<b>Risk associated with investing in securities</b>	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 company offering the securities. Minimizing this risk also depends on the level of diversification of the securities portfolio held by investors. A negative fact for the shareholders in case of liquidation of a company is that they are among the last persons entitled to a share of the residual assets. In this list in the first place are lenders, including bondholders in the presence of a bond issued. A negative effect may also occur due to the cyclical nature of the market, especially in cases where the shares have retained a high value for a relatively long time and as a rule a collapse in prices is expected, which is not subject to adjustment by issuers. Eurohold Bulgaria SA makes every possible effort for the efficient and effective financial management of its subsidiaries in order to maintain the current or increase the price of its shares, which are traded on the regulated markets of the BSE and the Warsaw Stock Exchange. These efforts are related to, but not limited to, hiring and motivating a highly qualified management team and organizing regular meetings to evaluate and monitor key employees and their performance. It can be concluded that the higher risk of investing in stocks leads to a higher possible return, which is one of the basic rules in the economy.
<b>Risks related to the holding structure of Eurohold</b>	<p>As far as the activity of Eurohold Bulgaria AD is related to asset management of other companies, it cannot be referred to a separate sector of the national economy and is exposed to the industry risks of the subsidiaries. The impact of individual risks is proportional to the share of the respective industry in the structure of Eurohold's long-term investment portfolio.</p> <p>Eurohold's main activities are carried out through its subsidiaries, which means that its financial results are directly related to the financial results and development of the subsidiaries. Poor performance of one or more subsidiaries could lead to a deterioration in the results on a consolidated basis. This, in turn, is related to the share price of Eurohold, which may change as a result of investors' expectations for the prospects of the Company.</p> <p>The presence of companies in the portfolio, whose net sales revenues are formed from products sold to other subsidiaries, puts the efficiency of their activities in direct dependence on the level of profitability of customers - related parties, which may negatively affect the profitability of the whole group.</p>
<b>Risk of possible transactions between the companies in the Group, the</b>	Relationships with related parties arise under contracts for temporary financial assistance of subsidiaries and in connection with transactions related to the ordinary business activities of the subsidiaries.

<p><b>conditions of which differ from the market ones, as well as from dependence on the activity of the subsidiaries</b></p>	<p>The risk of possible transactions between the companies in the Group under conditions that differ from the market ones is expressed in taking the risk of achieving low profitability from provided intra-group financing. Another risk that can be taken is that in the implementation of intra-group trade transactions not enough revenue is realized, and hence a good profit for the company. At the consolidated level, this may have a negative effect on the profitability of the whole group.</p> <p>Within the Group, transactions are constantly made between the Parent Company and the subsidiaries and between the subsidiaries themselves, arising from the nature of their core business. All related party transactions are conducted under conditions that do not differ from normal market prices and in accordance with IAS 24 Related Party Disclosures.</p>
<p><b>RISK MANAGEMENT AND MINIMIZATION MECHANISMS</b></p>	
	<p>The elements outlining the framework for managing the individual risks are directly related to specific procedures for timely prevention and resolution of possible difficulties in the activities of Eurohold Bulgaria SA. They include ongoing analysis in the following areas:</p> <ul style="list-style-type: none"> <li>• market share, pricing policy, conducting market research and market development research and market share;</li> <li>• active management of investments in various sectors of the industry;</li> <li>• overall policy for the management of the Group's assets and liabilities in order to optimize the structure, quality and return of its assets;</li> <li>• optimizing the structure of borrowed funds in order to provide liquidity and reduce the financial costs of the Group;</li> <li>• effective cash flow management;</li> <li>• optimization of costs for administration, management and external services;</li> <li>• human resource Management.</li> </ul> <p><b>The occurrence of unforeseen events, the incorrect assessment of current trends, as well as many other micro- and macroeconomic factors may affect the judgment of the management team of the Group.</b></p> <p>The only way to overcome this risk is to work with professionals with many years of experience, as well as maintaining this team as complete and up-to-date information base for the development and market trends in these areas.</p>
<p><b>Assessment and Analysis in the management of unforeseen events pandemic events (Covid-19)</b></p>	<p>In connection with the pandemic wave of Covid-19 (Coronavirus), which gained global dimensions in late February and early March 2020 and led to a significant reduction in financial activity worldwide, the Group analyzed on the basis of currently available data the potential effect on their financial condition and in particular on the models used, according to IFRS 9.</p> <p><b>This disclosure complies with the requirements of IFRS 7 and IFRS 9, as well as the recommendations of the European Securities and Markets Authority (ESMA).</b></p> <p>As of the date of preparation of these Consolidated Annual Financial Statements, economic activity has not yet fully recovered and sufficient statistical information is not yet available, both on the real effect on the Bulgarian and world economy and on available significant forecast data for their recovery in the coming years. months.</p> <p>As disclosed in section <b>D15 Other information "Events after the end of the reporting period"</b>, the Management does not consider the pandemic situation to be a corrective event in accordance with IAS 10.</p> <p><b>Development of the Covid-19 Pandemic (Coronavirus)</b></p> <p>By a decision of the National Assembly of the Republic of Bulgaria of 13 March 2020, a state of emergency was imposed, which expired on 13 May 2020. Similar measures were taken by all Member States of the European Union, as well as by the main trading partners (outside the European Union). of the Republic of Bulgaria.</p> <p>Similar measures have been introduced in other countries where the Group operates, such as Greece (11 March 2020), Romania (21 March 2020), Ukraine (14 March 2020), Northern Macedonia (18 March 2020). As a result of the measures imposed by the governments, a significant part of the economic activity in the individual countries was suspended, and in addition, a significant part of the international trade was hindered.</p> <p>Despite the subsequent repeal of the measures, the international financial institutions and the international credit agencies expect a significant economic effect in the short term, and the overall levels of economic growth are expected to recover in 2021-2022.</p>

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

#### Effect on economic growth

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

	Historical data			Forecast			
	2017	2018	2019	2020 (formerly Covid-19)	2020 (Covid-19)	Average 2021-24 (formerly Covid-19)	2021 (Covid-19)
Economic GDP growth	3.5%	3.1%	3.4%	3.2%	(4.0)%	2.8%	6.0%

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

	Historical data			Forecast			
	2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	Average 2021-24 (before Covid-19)	2021 (Covid-19)
Economic GDP growth	1.9%	2.5%	1.9%	1.4%	(7.5)%	1.3%	4.7%

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

	Historical data			Forecast			
	2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	Average 2021-24 (before Covid-19)	2021 (Covid-19)
Republic of Romania	7.1%	4.4%	4.1%	3.5%	(5.0)%	3.0%	3.9%
Republic of Northern Macedonia	1.1%	2.7%	3.6%	3.4%	(4.0)%	3.5%	7.0%
Republic of Ukraine	2.5%	3.3%	3.2%	3.0%	(7.7)%	3.3%	3.6%
Republic of Georgia	4,8%	4,8%	5,1%	4.8%	(4,0)%	5.2%	3,0%
The Russian Federation	1.8%	2.5%	1.3%	1.9%	(5.5)%	1.8%	3.5%
Republic of Greece	1,5%	1,9%	1,9%	2.2%	(10,0)%	0.9%	5,1%
Republic of Poland	4,9%	5,1%	4,1%	3.1%	(4,6)%	2.5%	4,2%
Republic of Italy	1,7%	0,8%	0,3%	0.5%	(9,1)%	0.6%	4,8%
Kingdom of Spain	2,9%	2,4%	2,0%	1.8%	(8,0)%	1.6%	4,3%
Kingdom of Great Britain	1,9%	1,3%	1,4%	1.4%	(6,5)%	1.5%	4,0%

As can be seen from the above data, the Management takes into account the possible short-term risks to the general economic development of the main countries in which it operates, and in some

markets the expected reduction in gross domestic product would be significant, but also 2021-2022 with expectations of a return to average predicted growth levels before Covid-19 (Coronavirus).

#### Effect on credit ratings

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

	Before Covid-19		After Covid-19	
	Rating	Perspective	Rating	Perspective
Republic of Bulgaria	BBB	Positive	BBB	Stable
Eurohold Bulgaria SA	B	Negative	B	Negative

The following is information on the change in the credit rating (including perspective) assigned by Fitch to the countries in which the Group has operations:

	Before Covid-19		After Covid-19	
	Rating	Perspective	Rating	Perspective
Republic of Romania	BBB	Stable	BBB	Negative
Republic of Northern Macedonia	BB+	Stable	BB+	Negative
Republic of Ukraine	B	Positive	B	Stable
Republic of Georgia	BB	Stable	BB	Negative
The Russian Federation	BBB	Stable	BBB	Stable
Republic of Greece	BB	Stable	BB	Stable
Republic of Poland	A-	Stable	A-	Stable
Republic of Italy	BBB	Negative	BBB-	Stable
Kingdom of Spain	A-	Stable	A-	Stable
Kingdom of Great Britain	AA	Negative	AA-	Negative

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

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

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

The Group applies IFRS 9 from 1 January 2018, although the Insurance Business was entitled to defer its application until 1 January 2022 (joint application with IFRS 17).

The Group's management has analysed the expected effect on the overall model of IFRS 9, the results of which are presented in detail below. It should be noted that the focus of the analysis in question was on:

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

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

- o The measures taken by the Government of the Republic of Bulgaria, the governments of the countries in which the Group operates, including with regard to the applied private and public moratoriums, which currently do not lead to additional indications of significantly deteriorated credit quality of Counterparties. Management continues to monitor closely for long-term indications of deterioration, with total temporary potential counterparty liquidity problems caused directly by Covid-19 (Coronavirus) not being considered indications of credit deterioration;
- o At present, despite the overall downgrading and limited cases of credit rating deterioration, the Management believes that before a significant period of time elapses during which symptoms of deterioration in the overall credit quality of both investments and in the general environment

in which the Group operates, it cannot perform a sufficiently robust and reliable assessment of the effect that Covid-19 (Coronavirus) may have.

With regard to the model (including the complete and simplified one) for calculating the expected credit losses, the Management Board considers that due to the lack of stable data it is still not possible to make a change in the general model. However, the Guide recognizes the possible short-term risks to the overall economic development of the main countries in which the Group operates, and in some markets the expected reduction in Gross Domestic Product would be significant, but also takes into account the general expectations for a rapid recovery in 2021-2022. with expectations of a return to average projected growth levels before Covid-19 (Coronavirus), and therefore has not made a change in its IFRS 9 model at the time of issuing this consolidated report.

Following a risk study, including an allocation and a risk study for employees of the Group companies, the Management of Eurohold issued an instruction requiring all companies to introduce mandatory measures to prevent the spread of COVID-19, such as:

- Establishment of a Crisis Staff;
- Periodic briefing of employees;
- Review the plan for continuation of the activity, risk assessment and prepare a specific plan for action and crisis management in connection with the complicated virological situation of COVID-19 and risk minimization;
- Regular risk measurement and management;
- Organization, control and monitoring of the work process - teams, schedules, including ensuring the work regime "home office";
- Introduction of the necessary protection measures at the Company's presence points, including sending disinfection instructions at the workplace, as well as measures / work plan in case of information about an employee in contact with a coronavirus patient and specific actions in such a situation.
- others.

The introduced instruction was approved as a term document - until the time of the declared emergency COVID-19 situation in the respective jurisdiction, after which its implementation acquires a recommendatory character at the assessment of the situation at the local level.

All companies in the Group performed analysis, evaluated and reported on:

- Risks regarding the interruption of the systems in connection with the complicated virologic situation from COVID - 19 and the situation in the respective country;
- Risk of interruption of systems, procedures, the risk of essential data and functions;
- Risk of performing the main activity of the company;
- Risks related to investment and liquidity management;
- Risks related to human resources

No high or increasing risk is identified in the Group, in view of the measures taken immediately by the respective company.

The management of the Group requires and engages the management at group level for the organization regarding:

- monitoring the quality information and periodic reporting to the Manual on individual topics related to measures and impact of COVID-19, including the implementation of the instructions of Eurohold Bulgaria - for all companies in the group;
- tracking the quantitative information related to the capital requirements for risk management - for all companies in the group;
- monitoring the dynamics of harmfulness and potential impact over time - specifically with insurers;
- tracking and analysis of revenues generated during the emergency, as well as customer behavior.

The management of Eurohold recognizes that the subsidiaries have adequately and timely taken the necessary measures in the so declared extraordinary circumstances caused by the complicated virological situation, including full formalization of the processes, which ensures adequate and transparent organization with clear and appropriate separation. of responsibilities and an effective system ensuring the transmission of information and reducing the risk of interruption of activity in any of the elements - interruption of systems, procedures, the risk of essential data and functions, as well as the performance of the main activity specific to each company from the Eurohold group.



## ▪ **D16. OTHER IMPORTANT INFORMATION ON THE COMPANY'S ACTIVITIES**

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### **DIVIDEND POLICY**

The Company's policy regarding the distribution of dividends is in accordance with the requirements of the current legislation in the country and the Statute of Eurohold Bulgaria AD, which does not contain any restrictions on the distribution of dividends with respect to any of the shareholders. The profit distribution of the company is regulated in the Articles of Association of the Company.

Eurohold Bulgaria maintains a dividend distribution policy, dividing dividends from the Company's profits from 2015 to 2019 as follows:

- ✓ In year 2015 was distributed a dividend of BGN 582 714;
- ✓ In year 2016 was distributed a dividend of BGN 365 680;
- ✓ In year 2017 was distributed a dividend of BGN 1 613 450;
- ✓ In year 2018 was distributed a dividend of BGN 1 800 000;
- ✓ In year 2019 was distributed a dividend of BGN 2 469 070.

In accordance with the principles of the Corporate Governance Policy, a balanced and accurate policy between the benefits for the shareholders and the company is adhered to when deciding on the distribution of dividends.

### **DIVERSITY POLICY**

Eurohold Bulgaria does not have a policy of diversity regarding the members of the Supervisory and Management Boards, as well as the Boards of Directors of the companies in the Eurohold economic group.

However, the Eurohold Group adheres to the principles of:

- ▶ equality,
- ▶ impartiality,
- ▶ avoidance of any form of discrimination; and
- ▶ provides equal opportunities,

striving for a gender balance in the management and supervisory bodies.

The leading factors in the election of a new member of the Management and Supervisory Boards must ensure that they have the appropriate qualifications, experience and knowledge of the specifics, regulations and requirements of the sector in which the Company operates and that they meet the conditions in accordance with the Articles of Association of the Company.

These principles also apply to the Supervisory and Management Boards and the Boards of Directors of the Group's subsidiaries.

## LEGAL FRAMEWORK

The company operates in compliance with the Bulgarian and European regulatory legislation, the main normative acts that govern its activity are as follows:

<b>Regulatory legislation such as:</b>	<p>Commercial act;</p> <hr/> <p>International Financial Reporting Standards (IFRS);</p> <hr/> <p>Public offering of securities act (POSA);</p> <hr/> <p>Law on the financial supervision commission;</p> <hr/> <p>Law on measures against market abuse with financial instruments;</p> <hr/> <p>Law for personal data protection;</p> <hr/> <p>Measures against money laundering act.</p>
<b>Sub-statutory legislation such as:</b>	<p>Ordinance no. 2 of September 17, 2003 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information by the public companies (title amended - sg, issue 63 of 12.08.2016);</p> <hr/> <p>Ordinance no. 39 of 21 November 2007 on disclosure of a holding in a public company;</p> <hr/> <p>Ordinance on the minimum contents of the letter of attorney granting rights to represent a shareholder at a general meeting of a company, which shares are subject to a public offering.</p>
<b>Regulations such as:</b>	<p>Regulation (EU) no 596/2014 of the European parliament and of the council of 16 April 2014 on market abuse (Market Abuse Regulation);</p> <hr/> <p>Regulation (EU) 2016/679 of the European parliament and of the council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing directive 95/46/EC (general data protection regulation);</p> <hr/> <p>And others</p>

## ▪ **D17. ADDITIONAL INFORMATION LEGALLY REQUIRED**

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**This section contains additional information in accordance with the requirements of the Commercial Law and Annex №10 of Ordinance №2 of the FSC and which information has not been disclosed in this report**

### **I. INFORMATION REQUIRED UNDER THE COMMERCIAL ACT**

#### **I.1 Number and nominal value of the acquired and transferred during the year own shares, the part of the capital they represent, as well as price for the acquisition or the transfer**

In 2019 the Company has not bought back or transferred any of its own shares, there-fore at the end of the period the Company does not have any own shares

#### **I.2 Pledge of enterprise**

Up until now, the Company has not trans-ferred or pledged its enterprise, has not acquired and has not disposed of assets of significant value outside the Company's usual course of business.

#### **I.3 Information about the insolvency proceedings**

The Company is not aware of any claims filed for initiating an insolvency procedure against it or against any of its subsidiaries.

#### **I.4 Number and nominal value of the own shares held and the proportion of the capital they represent**

As of December 31, 2019 and at the date of preparation of this activity report, the Company does not own any own shares.

As of 31 December 2019, 1 352 567 shares of Eurohold Bulgaria AD were held by companies in the Eurohold Group (as of 31 December, 2018 - 77 387 shares).

#### **I.5 Information on the amount of the remuneration of each of the members of the management and control authorities for the reporting financial year, paid by Eurohold Bulgaria and its subsidiaries**

In 2019 the members of the management and supervisory bodies received the following gross remuneration from Eurohold Bulgaria and its subsidiaries as follows:

Remuneration received from the members of the SB and the MB for 2019	from Eurohold Bulgaria AD	from subsidiaries	TOTAL
<b>Supervisory Board</b>	<b>163 492</b>	<b>727 320</b>	<b>890 812</b>
Assen Hristov	14 640	536 080	550 720
Dimitar Dimitrov	7 200	132 340	139 540
Radi Georgiev	No remuneration for 2019	58 900	58 900
Kustaa Äimä	No remuneration for 2019	No remuneration for 2019	No remuneration for 2019
Lyubomir Stoev	93 880	No remuneration for 2019	93 880
Luise Gabrielle Roman	47 772	No remuneration for 2019	47 772
<b>Management Board</b>	<b>128 114</b>	<b>980 690</b>	<b>1 108 804</b>
Kiril Boshov	24 000	611 810	635 810
Asen Minchev	80 640	57 600	138 240
Dimitar K. Dimitrov	11 474	35 109	46 583
Velislav Hristov	No remuneration for 2019	112 300	112 300
Asen Asenov	12 000	163 871	175 871
Razvan Lefter	No remuneration for 2019	No remuneration for 2019	No remuneration for 2019
<b>Procurator</b>	<b>13 320</b>	<b>-</b>	<b>13 320</b>
Hristo Stoev	13 320	No remuneration for 2019	13 320

Source: Eurohold Bulgaria AD

\* Louise Gabrielle Roman was elected as a member of the Supervisory Board of the Extraordinary General Meeting of Shareholders held on 27.11.2018. On 22.04.2019, at an extraordinary General Meeting of Shareholders, a decision was made to set a monthly remuneration of \$ 3,000, which comes into force from the date of the decision.

Kustaa Lauri Äimä and Razvan Lefter have no agreement with the Company for monthly remuneration for their work as Members of the Supervisory Board and the Management Board, which is why it has not been voted by the GMS and has not been paid in during the reviewed historical periods in any form.

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 Board and the Supervisory Board, as well as to the Procurator of the company.

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.

Eurohold Bulgaria has an adopted remuneration policy for the members of the Supervisory Board and the Management Board. This policy sets out the basic rules for determining the remuneration of persons holding positions as members of the supervisory and management boards of a public company in connection with the exercise of their powers in the exercise of management and supervisory functions in the Company. The remuneration policy was developed on the basis of the requirements in the Law on Public Offering of Securities and Regulation No. 48 of the Financial Supervision Commission of 20 March 2013 on the requirements for remuneration with a view to creating a transparent and fair internal framework for the formation of remuneration of the members of the Supervisory Board and the Management Board of Eurohold Bulgaria AD. No remuneration committee was set up at the date of preparation of the Company's report.

The members of the Management and Supervisory Boards and the procurator were not paid remuneration and / or benefits in kind during that period.

Eurohold Bulgaria, as well as its subsidiaries, do not allocate amounts for the payment of pensions, retirement benefits or other similar benefits to the members of the Management and Supervisory Boards. The members of the Management and Supervisory Boards are appointed under a management and control contract. The current contracts of the members of the management and supervisory bodies with the Company shall be effective until termination of the position.

#### I.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:

Member of SB and MB	Number of shares
<b>Supervisory Board</b>	<b>200</b>
Assen Hristov	Does not hold
Dimitar Dimitrov	200
Radi Georgiev	Does not hold
Kustaa Äimä	Does not hold
Lyubomir Stoev	Does not hold
Luise Gabrielle Roman	Does not hold
<b>Management Board</b>	<b>67 600</b>
Kiril Boshov	Does not hold
Asen Minchev	Does not hold
Velislav Hristov	200
Asen Asenov	67 400
Razvan Lefter	Does not hold
<b>Procurator</b>	<b>-</b>
Hristo Stoev	Does not hold

Source: Eurohold Bulgaria AD

#### I.7 Rights of the members of the boards to acquire shares and bonds of the Company

As of the date of drafting of this document, there are no agreements or other arrangements with the employees of Eurohold Bulgaria AD, regarding their participation in the Company capital.

The members of the Management Board 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 31.12.2019 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.

#### I.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

Eurohold Bulgaria AD has a two-tier governance system - the Management Board, composed by five natural persons and the Supervisory Board, composed by six natural persons.

The Management Board of the company is composed of the following members: Kiril Ivanov Boshov, Asen Minchev, Velislav Milkov Hristov, Asen Emanuilov Assenov and Razvan Stefan Lefter. At the date of the activity report, the membership relationship with Dimitar Kirilov Dimitrov was terminated by law.

The Supervisory Board of the company is composed of the following members: Asen Milkov Hristov, Dimitar Stoyanov Dimitrov, Radi Georgiev, Kustaa Lauri Äimä, Lyubomir Stoev and Luise Gabrielle Roman.

The Procurator of Eurohold Bulgaria AD is Hristo Lyubomirov Stoev.

The company is represented only together by an executive member of the Managing Board and the Procurator of the company.

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>	<b>Asen Milkov Christov</b>
<b>Title</b>	<b>Chairman of the Supervisory Board</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>◆ 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>◆ Avto Union AD - Chairman of the Board of Directors until 26.10.2018, 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> <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> </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>Asen 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>Asen 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>As of the date of this report one administrative penalty (fine) for not implementing an internal procedure in a company within Eurohold Bulgaria AD group is imposed to the person and five administrative penalties (fine) are imposed to the person based on art. 221, para 1, point 4 of Public Offering of Securities Act. The administrative decrees imposing five administrative penalties based on art. 221, para 1, point 4 of Public Offering of Securities Act are subject to court appeal and are not entered into force.</p> <p>During the last 5 years no coercive administrative measures 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>
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<b>Name</b>	<b>Dimitar Stoyanov Dimitrov</b>
<b>Title</b>	<b>Deputy Chairman of the Supervisory Board</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>◆ 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>Current:</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>Previous:</p> <ul style="list-style-type: none"> <li>◆ Alcommerce EOOD – Manager until 25.01.2018, as at the date of this activity report the person is not a Manager;</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>◆ Smartnet EAD – Executive Director until 03.11.2015, as at the date of this activity report the person is not an Executive 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>	<ul style="list-style-type: none"> <li>◆ Far Consult OOD – in liquidation – Manager and partner.</li> </ul> <p>As at the date of the report, the company is undergoing liquidation proceedings. As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or other liquidation proceedings 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 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.</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>Kustaa Lauri Äimä</b>
<b>Title</b>	<b>Independent member of the Supervisory Board</b>
<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.

<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>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ KJK Management S.A. Chairman of the Board</li> <li>◆ KJK Fund II Sicav-Sif, Director Chairman of the Board</li> <li>◆ KJK Capital Oy CEO, member of the board</li> <li>◆ KJK Fund III Management S.a.r.l Member of the management board</li> <li>◆ KJK Investments S.a.r.l Member of the management board</li> <li>◆ As Baltika Member of the Supervisory Board</li> <li>◆ Elan d.o.o. Chairman of the board</li> <li>◆ AS PR Foods Chairman of the Supervisory Board</li> <li>◆ AS Saaremere Kala Member of the Supervisory Board</li> <li>◆ Eurohold Bulgaria AD Member of the Supervisory Board</li> <li>◆ Baltik Vairas Member of the board</li> <li>◆ Tahe Outdoors Oü Chairman of the supervisory board</li> <li>◆ KJK Sports S.a.r.l Member of the board</li> <li>◆ KJK Investicije 2 d.o.o. Member of the board</li> <li>◆ KJK Investicije 4 d.o.o. Member of the board</li> <li>◆ KJK Investicije 5 d.o.o. Member of the board</li> <li>◆ KJK Investicije 7 d.o.o. Member of the board</li> <li>◆ KJK Investicije 8 d.o.o. Member of the board</li> <li>◆ Kaima Capital Oy Chairman of the Board and CEO</li> <li>◆ Kaima Capital Eesti Oü Member of the board</li> <li>◆ Aurejärvi Varainhoito Oy Member of the board</li> <li>◆ UAB D Investiciu Valdymas Member of the board</li> <li>◆ Amber Trust SCA Director</li> <li>◆ Amber Trust II SCA Director</li> <li>◆ Amber Trust Management S.A. Member of the management board</li> <li>◆ Amber Trust II Management S.A. Member of the management board</li> <li>◆ AS Toode Member of the Supervisory Board</li> <li>◆ Managetrade Oü Member of the Supervisory Board</li> <li>◆ AB Baltic Mill Member of the board</li> <li>◆ UAB Malsena Plius Member of the board</li> <li>◆ JSC Rigas Dzirnavniesks Chairman of the Supervisory Board</li> <li>◆ Bostads AB Blåklinten Member of the board</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>◆ KJK Bulgaria Holding OOD– Manager until 11.10.2018, as at the date of this activity report the person is not a Manager;</li> <li>◆ AAS Baltijas Apdrosijamasnams – Director until 09.04.2018, as at the date of this activity report the person is not a Director;</li> <li>◆ KJK Investicije d.o.o. Member of the Board of Directors until September 2019, as at the date of this activity report the person is not a member of the Board of Directors;</li> <li>◆ KJK Investicije 3 d.o.o. - Member of the Board of Directors until August 2019, as at the date of this activity report the person is not a member of the Board of Directors;</li> <li>◆ KJK Investicije 6 d.o.o. - Member of the Board of Directors until October 2018, as at the date of this activity report the person is not a member of the Board of Directors;</li> <li>◆ AS Tallink Group – member of the management board until September 2019, as at the date of this activity report the person is not a member of the management board;</li> <li>◆ Oy Tallink Silja AB – member of the management board until May 2019, as at the date of this activity report the person is not a member of the management board;</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> <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>◆ Salva Kindlistuse AS – Director until 07.02.2019, as at the date of this activity report the person is not a Director.</li> </ul>
<p><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>	<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><b>Relevant professional experience</b></p>	<p>In 1997, Mr. Äimä 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 Äimä 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 Kaima Capital Eesti Oy, a company specialized in investment advisory and private investment services; since March 2009 he is the executive director and owner of Kaima Capital Oy, which conducts activities in the field of private investments and management consulting. Since 2010, Mr. Äimä 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>
<p><b>Coercive administrative measures and penalties</b></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</p>



	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>Radi Georgiev Georgiev</b>
<b>Title</b>	<b>Member of the Supervisory Board</b>
<b>Business address</b>	Sofia, 84, Aleksandar Stamboliyski 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 – 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, 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>	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>	<b>Lubomir Stoev</b>
<b>Title</b>	<b>Independent member of the Supervisory Board</b>
<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 Generali 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).
<b>Name</b>	<b>Louise Gabrielle Roman</b>
<b>Title</b>	<b>Member of the Supervisory Board</b>
<b>Business address</b>	<b>Box 522, Midland Park, NJ 07432, United States of America</b>
<b>Details of the activities performed outside of the Company, which are of importance to the Company</b>	As of the date of preparation of this activity report, there are no activities performed outside of the company by the Member of the Supervisory Board, which are of importance to the Issuer, except the activity performed by the member as 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>	Current: <ul style="list-style-type: none"> <li>◆ Minerva Global Consulting LLC – sole owner</li> </ul> Previous: <ul style="list-style-type: none"> <li>◆ Dewey&amp; Le Boeuf –Partner until April 2012, as at the date of the Prospectus the person is not a Partner</li> <li>◆ Dechert LLP – Partner until June 2018, as at the date of the Prospectus 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 of the date of preparation of this activity report, there is no information about insolvency, receivership or liquidation, with which the person in her capacity of a member of a management or supervisory body was connected in the last 5 years.
<b>Relevant professional experience</b>	Mrs. Roman holds a bachelor's of arts degree from Bowdoin College (United States; 1982), with a dual major in Government & Legal Studies and Mathematics, and a juris doctorate degree from Harvard Law School (United States; 1985). 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.
<b>Coercive administrative measures and penalties</b>	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to her activity; she has not been convicted of fraud; in her capacity of a responsible person she has not participated directly or through related parties in any insolvency procedures or receivership; she has not been deprived by a court of any right to participate in the administrative, management or supervisory bodies of an issuer or to perform positions in the management or performance of an issuer's business; and she has not been officially criminalized and sanctioned by law and regulators, including certain 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>	Current: <ul style="list-style-type: none"> <li>◆ Alcommerce EOOD – Sole owner of the capital and Manager</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>

<b>or supervisory bodies or partner in the last 5 years</b>	<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>
<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>◆ Armada Capital AD – Member of the Board of Directors until 28.02.2020, as at the date of this activity report the person is not a member of the Board of Directors and the company is dissolved by force of voluntary liquidation.</li> </ul> <p>As at the date of preparation of this activity report, there is no information about any bankruptcies, receiverships or other liquidation proceedings 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>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 Mobikom – 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>
<b>Coercive administrative measures and penalties</b>	<p>As of the date of this report one administrative penalty (fine) for not implementing an internal procedure in a company within Eurohold Bulgaria AD group is imposed to the person and five administrative penalties (fine) are imposed to the person based on art. 221, para 1, point 4 of Public Offering of Securities Act. The administrative decrees imposing five administrative penalties based on art. 221, para 1, point 4 of Public Offering of Securities Act are subject to court appeal and are not entered into force.</p> <p>During the last 5 years no coercive administrative measures 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>Asen Minchev Minchev</b>
<b>Title</b>	<b>Executive Member of the Management Board</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>◆ Auto Italia EAD – Member of the Board of Directors;</li> <li>◆ Star Motors EOOD - 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>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>◆ Bulvaria Holding EAD (currently VI Lyulin EAD)– Member of the Board of Directors until 27.01.2020, as at the date of this activity report the person is not a member of the Board of Directors;</li> <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>
<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>	Asen Minchev holds a Master's degree in Accounting and Control from the University of National and World Economy. 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.
<b>Coercive administrative measures and penalties</b>	As of the date of this report three administrative penalties (fine) are imposed to the person based on art. 221, para 1, point 4 of Public Offering of Securities Act. The administrative decrees imposing the said administrative penalties are subject to court appeal and are not entered into force. During the last 5 years no coercive administrative measures 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>Velislav Milkov Christov</b>
<b>Title</b>	<b>Member of the Management Board</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>◆ 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>
<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> <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>Previous:</p> <ul style="list-style-type: none"> <li>◆ VH Property Management OOD – Sole owner of the capital until 16.05.2013 r., , 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>
<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>◆ 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 voluntary 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>
<b>Relevant professional experience</b>	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.
<b>Coercive administrative measures and penalties</b>	As of the date of this report three administrative penalties (fine) are imposed to the person based on art. 221, para 1, point 4 of Public Offering of Securities Act. The administrative decrees imposing the said administrative penalties are subject to court appeal and are not entered into force. During the last 5 years no coercive administrative measures 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>Assen Emanouilov Assenov</b>
<b>Title</b>	<b>Member of the Management Board</b>
<b>Business address</b>	Sofia, 43, Christopher Columbus Blvd.
<b>Details of the activities performed outside of the</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> </ul>

<b>Company, which are of importance to the Company</b>	<ul style="list-style-type: none"> <li>◆ Autoplaza EAD – Deputy Chairman of the Board of Directors;</li> <li>◆ Avto Union Service EOOD – Manager;</li> <li>◆ Bulvaria Varna EOOD – Manager;</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>◆ Bulvaria 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>Current:</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>Previous:</p> <ul style="list-style-type: none"> <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> <li>◆ Bulvaria Holding EAD (currently VI Lyulin EAD)– Member of the Board of Directors until 27.01.2020, 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 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 Auto 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>As of the date of this report three administrative penalties (fine) are imposed to the person based on art. 221, para 1, point 4 of Public Offering of Securities Act. The administrative decrees imposing the said administrative penalties are subject to court appeal and are not entered into force.</p> <p>During the last 5 years no coercive administrative measures 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>Razvan Stefan Lefter</b>
<b>Title</b>	Independent member of the Supervisory Board
<b>Business address</b>	Romania, city of Bucharest, 30 Alexandru Serbanescu Str.
<b>Details of the activities performed outside of the</b>	As of the date of the report there is no data for any activity performed besides the company, which is substantial as regards the Company.

<b>Company, which are of importance to the Company</b>	
<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>Present:</p> <ul style="list-style-type: none"> <li>◆ RSL Capital Advisors SaRL, Romania - Managing partner and director;</li> <li>◆ Teraplast Bistrita SA, Romania – Member of the Board of Directors;</li> <li>◆ Sphera Franchise Group SA, Romania – Member of the Board of Directors;</li> <li>◆ Mundus Services AD, Bulgaria – Member of the Board of Directors.</li> </ul> <p>Terminated:</p> <ul style="list-style-type: none"> <li>◆ SIF Muntenia, Romania - Member of the Supervisory Board up to 26.04.2013, whereas as of the date of this report the person is not a member of the Supervisory Board;</li> <li>◆ Conpet SA, Romania - Member of the Board of Directors up to 17.05.2018, whereas as of the date of this report the person is not a member of the Board of Directors;</li> <li>◆ Cemacon SA, Romania – Member of the Board of Directors up to 08.02.2017, whereas as of the date of this 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 S.A. – Independent Member of the Board of Directors up to 20.05.2015, whereas as of the date of this report the person is not a member of the Board of Directors. Company's special administrator has not held any legal responsibility against Mr. Razvan Lefter, which was an independent director at the date of the insolvency. As of the date of this report the company is in process of reorganization.</li> </ul> <p>As of the date of this activity report, there is no other information about insolvency, receivership or liquidation, with which the person in his capacity of a member of a management body was connected in the last 5 years.</p>
<b>Relevant professional experience</b>	<p>Mr.Lefter graduated the Academy of Economic Sciences, Bucharest, specialized in banking and stock exchanges (2003)and has earned the CFA designation (2008). He specialized as an analyst in ING Bank Global HQ(September 2004 - May 2005), Manager International Customer Relations in ING Bank, Romania (May 2005-December 2006), trade in securities and equity research in EFG Securities, Romania (January 2007 - November 2011), trade in securities in Swiss Capital, Romania (November 2011 - June 2014). Since June 2014 - Managing Partner in RSL Capital Advisors, Romania.</p>
<b>Coercive administrative measures and penalties</b>	<p>As of the date of this report three administrative penalties (fine) are imposed to the person based on art. 221, para 1, point 4 of Public Offering of Securities Act. The administrative decrees imposing the said administrative penalties are subject to court appeal and are not entered into force.</p> <p>Over the past five years the person has not been imposed coercive administrative measures in relation to its activities; he has not been convicted of fraud; as a liable person he has not been involved, directly or by related parties in bankruptcy or receivership; he has not been deprived by a court of the right to participate in administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer; he has not been officially publicly incriminated and has not been penalized by legal and regulatory authorities, including designated professional authorities.</p>

## PROCURATOR

<b>Name</b>	<b>Hristo Lyubomirov Stoev</b>
<b>Title</b>	<b>Procurator</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>	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> <li>◆ Intelektnova OOD – Manager and partner.</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 experience</b>	<b>professional</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 Gorubso 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 measures and penalties</b>	<b>administrative</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).

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

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

None of the management contracts concluded with Eurohold Bulgaria AD or its subsidiary provide for any compensation that the persons would receive upon their early termination.

	<b>Date of contract for management / control</b>	<b>Until date</b>
<b>SUPERVISORY BOARD</b>		
<b>Assen Christov</b>	27.11.2006	Until termination
<b>Dimitar Stoyanov Dimitrov</b>	27.11.2006	Until termination
<b>Radi Georgiev</b>	17.04.2015	Until termination
<b>Kustaa Äimä</b>	27.07.2017	Until termination
<b>Luise Gabrielle Roman</b>	27.11.2018	Until termination
<b>Lyubomir Stoev</b>	27.07.2017	Until termination
<b>MANAGEMENT BOARD</b>		
<b>Kiril Boshov</b>	27.11.2006	Until termination
<b>Asen Minchev</b>	27.11.2006	Until termination
<b>Asen Asenov</b>	31.08.2009	Until termination
<b>Velislav Hristov</b>	22.10.2012	Until termination
<b>Dimitar Kirilov Dimitrov</b>	01.07.2012	Terminated by law
<b>Razvan Lefter</b>	22.08.2017	Until termination

### **I.9 Contracts, signed in 2019 with the members of the MB and the SB or related parties, not typical for the usual activity of the company or significantly deviating from the market conditions**

No agreements that fall outside of the usual scope of the business activity of the company or deviate significantly from the market conditions have been signed with the company by the members of the Management Board and Supervisory Board or related to them parties.

### **I.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.

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 held by the members of the management and supervisory bodies of the company and their disposal.

#### **I.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, automotive and leasing.

Through the insurance subsidiary (Euroins Insurance Group AD), in 2020, it will continue to support the insurance companies in the Group in order to increase their overall capital base and risk sustainability.

The positioning of the leasing sub holding 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 motor vehicle as well as in insurance segments.

The working capital financing of the motor vehicle sub-holding 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.

#### **I.12 Number of employees**

In 2019, 5 (five) new employees were hired at Eurohold Bulgaria AD in connection with the expansion of the Holding's business. No employees hired on temporary contracts. As of December 31, 2019, Eurohold Bulgaria AD has 15 employees under a contract of employment.

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

### II.1. Information given in terms of value and quantity in respect of the main categories of goods, products and / or services provided, indicating their share in the sales revenue of the issuer, as a whole, and changes occurring during the financial year

As a holding company, the main activity of Eurohold Bulgaria AD is the acquisition, management, valuation and sale of holdings in Bulgarian and foreign companies, as well as the financing of subsidiaries.

The company does not carry out independent trade and manufacturing activities. The revenue of Eurohold Bulgaria AD is formed by financing activities related to the creation and management of participations and financing of affiliated companies.

Detailed information, expressed in value and quantity, on the main categories of products and services is shown in this report in [section D12 Consolidated results from operations](#), as well as in [section D13 OVERVIEW OF THE ACTIVITY OF SUBSIDIARY SUB-HOLDING STRUCTURES](#).

Realized consolidated sales revenues by segments for 2019 and the comparable period of 2018, as follows:

<b><i>In thousand BGN</i></b>	2019	2018 Restated
<b>Revenue from operating activities</b>		
Revenue from insurance business	1 323 840	987 201
Revenue from car sales and after sales	244 757	223 332
Revenue from leasing business	25 301	25 180
Revenue from asset management and brokerage	4 521	4 322
Revenue from the activities of the parent company	2 390	23 125
	<b>1 600 809</b>	<b>1 263 160</b>

<b>Revenue from insurance business</b>	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Gross premiums written from insurance	847 458	642 716
Received recoveries from reinsurers	238 329	182 826
Positive change in the gross provision for unearned premiums and unexpired risk reserve	-	7 147
Positive change in reinsurers' share in unearned premium reserve	28 136	21 181
Change in the reinsurers' share in other reserves	37 598	21 871
Positive change in other technical reserves	3 213	13
Recourse income	23 162	12 415
Fees and commissions income	105 339	52 444
Investment income	30 614	26 349
Income from purchase of investments in subsidiaries	-	742
Share of profit on investments in associates accounted for using the equity method	4 535	-
Other revenue	5 456	19 497
	<b>1 323 840</b>	<b>987 201</b>

**Revenue from car sales and after sales**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Revenue from sale of cars and spare parts	235 672	209 985
Revenue from after sales and rent-a-car services	3 852	5 805
Gains from sales of financial assets and instruments	5 233	7 542
	<b>244 757</b>	<b>223 332</b>

**Revenue from leasing business**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Revenue from services	18 589	20 017
Interest income	6 360	4 970
Gains from sale of financial assets and instruments	245	110
Foreign exchange gains	4	3
Other financial revenue	103	80
	<b>25 301</b>	<b>25 180</b>

**Revenue from asset management and brokerage**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Interest income	443	640
Dividend income	88	90
Gains from sale of financial assets and financial instruments	3 315	2 634
Foreign exchange gains, net	-	329
Other revenue	675	629
	<b>4 521</b>	<b>4 322</b>

**Revenue from the activities of the parent company**

	2019	2018
	<i>BGN'000</i>	<i>BGN'000</i>
Gains from sale of financial assets and financial instruments	1 072	21 652
Interest revenue	576	1 111
Other revenue, incl.:	742	362
<i>Lease income (Notes 2.28(e, i))</i>	196	238
<i>Lease income from related parties-Hanson Asset Management Ltd. (Notes 2.28(e, i))</i>	137	-
	<b>2 390</b>	<b>23 125</b>

**II.2. Information on revenue, broken down by category of activity, internal and external markets, as well as information on sources of 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 / Consumer, in the event that the relative share of any of them exceeds 10 percent of the expenses or sales revenues, information is provided for each person separately, about his share in sales or purchases and connections him with the issuer**

The revenue of Eurohold Bulgaria AD is formed by financing activities related to the creation and management of participations and financing of affiliated companies. The company does not carry out independent trading and production activities in this sense does not carry out activities on internal and external markets, such activity is carried out by the subsidiary sub-holding structures.

Detailed information on the consolidated revenues, distributed by separate categories of activities of Eurohold Bulgaria AD on a consolidated basis by segments and distribution on domestic and foreign markets, is shown in this report in section D12 Consolidated results from operations, as well as in section D13 OVERVIEW OF THE ACTIVITY OF SUBSIDIARY SUB-HOLDING STRUCTURES.

**II.3. Information on significant transactions**

During the reporting period, Eurohold Bulgaria AD did not enter into any major transactions and significant transactions for the Holding's business, except for the acquisition of a minority interest in Euroins Insurance Group AD and the sale of a minority interest in Eurolease Group, mentioned in this report, as follows:

- ◆ An increase by BGN 16.3 million on the investment in the subsidiary Euroins Insurance Group AD after:
  - ✓ a purchase of part of the residual minority interest in the subsidiary insurance holding in connection with which BGN 12.3 million was paid; and
  - ✓ made in February 2019 the last installment of BGN 3.95 million from the capital increase of Euroins Insurance Group AD.
- ◆ Reduction of the investment in the subsidiary Eurolease Group AD by BGN 2.7 million in connection with the concluded contract for sale of 9.99% of the capital of the subsidiary. As of December 31, 2019, as of the date of preparation of this report, the participation of Eurohold Bulgaria AD in Eurolease Group has been reduced to 90.01% of the capital.

During the reporting periods, the Company has entered into non-cash transactions with related parties that have no effect on the financial result. The transactions are described in the next section 2.4 below.

Regarding the transactions concluded by related parties, they are described in their non-consolidated financial statements for 2019 available on the websites of the companies of the Eurohold economic group.

**II.4. Information about transactions concluded between the Company and related parties during the reporting period, proposals for such transactions, as well as transactions that are outside its normal business or substantially deviate from the market conditions to which the issuer or its subsidiary is a party indicating the value of the transactions, the nature of the relatedness and any information necessary to assess the impact on the financial position of the issuer**

At the date of preparation of the Activity Report, there are no transactions or offers for related party transactions that are material to Eurohold or its subsidiary and are unusual in type and conditions.

Within the Holding, transactions between the Parent Company and its subsidiaries are made constantly, arising from the nature of their core business, are ongoing.

All transactions are made at fair value. Characteristic are the transactions between the holding company and its subsidiaries, in which the liquidity of individual companies is managed through

intragroup loans and an investment policy is implemented. The company lends to its subsidiaries for the purpose of turnover financing.

### Transactions and balances with related parties based on consolidated financial statements for 2019

The Group's related parties are as follows:

- Starcom Holding AD - major shareholder of Eurohold Bulgaria AD.

#### Subsidiaries of Starcom Holding AD:

- First Investment Bank AD, Russia.

#### Companies under control of Starcom Holding AD:

- Hanson Asset Management Ltd, United Kingdom.

As at 31 December 2019, the Group has the following related parties transactions:

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Loan claims from Starcom Holding AD	5 731	33
Repo transaction receivables from Starcom Holding AD	239	239
Other receivables from Starcom Holding AD	1 180	285
Other receivables from Hanson Asset Management Ltd	226	-
Liabilities on loans to Starcom Holding AD	6 988	942
Other liabilities to Starcom Holding AD	20 536	20 752
Investments in debt instruments of Starcom Holding AD	3 494	11 651
Dividend payables to Starcom Holding AD	101	101
Revenue from commissions - Starcom Holding AD	124	87
Lease income - Hanson Asset Management Ltd.	137	-
Interest income - Starcom Holding AD	593	807
Interest expense - Starcom Holding AD	157	169

The remuneration and other short-term earnings of key management personnel for the year 2019 are current and amount to BGN 2 012 936 and include current remuneration (2018: BGN 2 156 928).

### Transactions and balances with related parties based on non-consolidated financial statements of Eurohold Bulgaria for 2019

In connection with these transactions, as of 31.12.2019 and to the comparable period 31.12.2018, the Company incurred income and expenses from and to related parties as follows:

#### ♦ Dividend income

	2019	2018
	000'BGN	000'BGN
Euro-Finance AD	669	209
	<b>669</b>	<b>209</b>

◆ **Interest income on loans to related parties**

	2019 <i>000'BGN</i>	2018 <i>000'BGN</i>
Auto Union AD	-	340
Euro Insurance Group AD	2	92
Starcom Holding AD	-	405
Eurolease Group EAD	1	1
	<b>3</b>	<b>838</b>

Granted loans to related parties' loans were fully repaid in 2019 (Note 16.3) and have an annual interest rate in the range of 3.0% -7.5%.

◆ **Interest expense on related parties borrowings and leasing**

	2019 <i>000'BGN</i>	2018 <i>000'BGN</i>
Starcom Holding AD	154	5
Euroins Insurance Group AD	365	-
Auto Union AD	23	-
Auto Union Service EOOD	5	-
Eurolease Group EAD	-	1
EUrolease Auto EAD	850	251
<i>incl. Leasing</i>	5	2
Motobul EAD	304	19
Star Motors EOOD	14	-
	<b>1 715</b>	<b>276</b>

Borrowings from related parties loans were fully repaid in 2019 (Notes 2.23, 22 и 25.2) and have an annual interest rate in the range of 3.0% -7.5%.

◆ **Investment transaction expenses to related parties**

	2019 <i>000'BGN</i>	2018 <i>000'BGN</i>
Euro-finance AD	23	85
	<b>23</b>	<b>85</b>

◆ **Other financial expenses to related parties**

	2019 <i>000'BGN</i>	2018 <i>000'BGN</i>
Euro-Finance AD	6	17
	<b>6</b>	<b>17</b>

◆ **Services expenses from related parties**

	2019 <i>000'BGN</i>	2018 <i>000'BGN</i>
Eurolease auto EAD	7	-
Auto Italia EAD	2	-
Bulvaria Holding EAD	-	1
	<b>9</b>	<b>1</b>

◆ **Other expenses from related parties**

	2019 000'BGN	2018 000'BGN
IC Euroins AD	(1)	(2)
Motobul EAD	(5)	(3)
	<b>(6)</b>	<b>(5)</b>

◆ **Other revenue to related parties**

	2019 000'BGN	2018 000'BGN
IC Euroins AD	54	43
Star Motors EOOD	5	5
Euroins Romania	135	135
Bulvaria Varna EOOD	5	5
Auto Union Service EOOD	26	26
Daru Car AD	25	21
Auto Italia EAD	5	5
Eurolease Auto EAD	11	-
Hanson Asset Management Ltd*	137	-
	<b>403</b>	<b>240</b>

\* Rent income (*sublease of right of use assets*)

The terms of the related party transactions do not deviate from the market conditions for such transactions.

As of December 31, 2019 and the comparable period of December 31, 2018, the following receivables and liabilities from and to related parties have arisen in connection with the performed transactions for the Company as follows:

◆ **Interest on loans to related parties:**

	31.12.2019 000'BGN	31.12.2018 000'BGN
Euroins Insurance Group AD	-	743
Eurolease Group AD	2	1
	<b>2</b>	<b>744</b>
Impairment	-	(1)
	<b>2</b>	<b>743</b>

♦ **Other receivables incurred in the ordinary course of business between Eurohold Bulgaria AD and its subsidiaries:**

	31.12.2019 <i>000'BGN</i>	31.12.2018 <i>000'BGN</i>
Auto Union service EOOD	12	-
Auto Italia EAD	8	1
Bulvaria Varna EOOD	7	1
Daru car AD	46	16
IC Euroins AD	146	7
Eurolease Auto EAD	3	1
Star Motors EOOD	12	-
Autoplaza EAD	2	1
Euroins Insurance S.C.Skopje	2	2
Euro Insurance Group AD	84	-
Motobul EAD	11	10
Starcom Holding AD	-	219
Euroins Romania	-	19
Avto Union	58	-

♦ **Other receivables incurred in the ordinary course of business between Eurohold Bulgaria AD and its subsidiaries( continued):**

	31.12.2019 <i>000'BGN</i>	31.12.2018 <i>000'BGN</i>
Espace Auto OOD	2	-
Eurolease Group EAD	35	-
Hanson Asset Management Ltd	228	-
	<b>656</b>	<b>277</b>
Impairment	(7)	(2)
	<b>649</b>	<b>275</b>

♦ **Loans granted to related parties**

	31.12.2019 <i>000'BGN</i>	31.12.2018 <i>000'BGN</i>
Euroins Insurance Group AD	-	316
Eurolease Group EAD	-	76
	-	<b>392</b>
Impairment	-	(2)
	-	<b>390</b>

As of December 31, 2019, the Company has collected all related party loans granted in previous reporting periods.

♦ **Long-term liabilities to related parties**

	31.12.2019 <i>000'BGN</i>	31.12.2018 <i>000'BGN</i>
<b>Principal of loans granted</b>		
Eurolease Auto EAD – loan granted	1 400	1 662
Eurolease Auto EAD – car lease	138	55
	<b>1 538</b>	<b>1 717</b>

The loan received from Eurolease Auto AD is unsecured with maturity of 2021 and has an annual interest rate of 7.0%.

♦ **Short-term liabilities to related parties - Principal loans received**

	31.12.2019 000'BGN	31.12.2018 000'BGN
Euroins Insurance Group AD	14 131	-
Starcom Holding AD	6 740	937
Eurolease Auto EAD*	2 113	11 963
Motobul EAD	5 323	5 323
Auto Union AD	1 200	250
	<b>29 507</b>	<b>18 472</b>

\*Liabilities under receivables transfer agreements, occurred in 2018 have an annual interest rate of 7.5%.

The borrowings from related parties are of fixed maturity in 2020 and have an annual interest rate in the range of 5.0% -6%.

♦ **Other short-term liabilities**

	31.12.2019 000'BGN	31.12.2018 000'BGN
Starcom Holding AD**	20 536	20 536
IC Euroins AD	47	1
Eurolease Auto EAD	453	401
Eurolease Auto EAD - leases	38	13
IC EIG RE EAD	32	-
Motobul EAD	3	-
Avto Union AD*	871	3 370
Avto Union Services EOOD*	314	362
Star Motors EOOD*	950	950
	<b>23 244</b>	<b>37 596</b>

\*Liabilities under receivables transfer agreements, occurred in 2018 with annual inters rate of 3.0%

\*\* Liabilities on the repurchased own bonds

♦ **Non-cash related party transactions**

During the observed reporting periods, the Company has carried out the following investment and financial transactions that do not use cash or cash equivalents and were not reflected in the cash flow statement:

- ✓ In 2019, the Company sold investments in its subsidiaries, with part of the proceeds being deducted from a loan of BGN 1.4 million;
- ✓ In 2019, the Company received a not owed interest payment from Starcom Holding, connected to the repurchased own bonds against a debt of Eurohold Bulgaria AD on a loan in the amount of BGN 1.3 million;
- ✓ In 2019, the Company executed related party SWAP transactions while simultaneously issuing a new short-term commercial papers (ECPN) of EUR 14.4 million (BGN 28.2 million) and repurchasing issued ECPNs of 14.3 million EUR million (BGN 28 million);
- ✓ In 2018, the Company repaid a loan receivable from Avto Union AD against a debt of Eurohold Bulgaria AD in the amount of BGN 6.7 million.



## II.5. Information about events and indicators of unusual nature for the Issuer, which have a significant impact on its activity, and its revenues and expenses incurred; assessment of their impact on the results for the current year

During the reporting period, there were no events of an unusual nature for the Company, which have a significant impact on its activities, and the revenues and expenses it generated.

## II.6. Information on off-balance sheet transactions - nature and business purpose, indicating the financial impact of the transactions on the business, if the risk and benefits of such transactions are material to the issuer and if disclosure of this information is material for the assessment of the financial position of the issuer

Eurohold Bulgaria AD has not concluded off-balance sheet transactions.

**Guarantees provided to related parties** by Eurohold Bulgaria AD, as well as guaranteed liabilities to Eurohold Bulgaria AD from related parties. All warranties and guarantees provided are described in item II.8. down below.

## II.7. Information about the Issuer's equity holdings, 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 enterprises within the meaning of the financing methods according to the Accounting Act

Detailed information on the Issuer's holdings and its main investments in the country and abroad is presented in this report in section D8. Main scope of activity, as well as in section D9. Capital investments

## II.8. Information about the concluded by the issuer, its subsidiary or parent company in their capacity of borrowers, loan contracts specifying the terms and conditions, including the deadlines for repayment as well as information about guarantees and commitments

### Funds raised from financial institutions:

Bank	Type	Currency	Size contracted	Principal as of 31.12.2019	Principal as of 31.12.2018	Interest rate	Maturity date	Security
International Investment Bank	Loan - Principal	EUR	15,000,000 €	9,000,000 €	12,600,000 €	6.0%+ EURIB OR	12.2021	Pledge on subsidiary shares; related party guarantee
International Investment Bank	Loan - Principal	EUR	10,000,000 €	9,240,000 €	10,000,000 €	6.0%+ EURIB OR	3.2025	Pledge on subsidiary shares

The loans are provided for the purpose of financing the insurance business.

### Presentation of liabilities on borrowings from financial and non-financial institutions according to their maturity, as follows:

◆ Non-current liabilities to financial and non-financial institutions	31.12.2019	31.12.2018
	000'BGN	000'BGN
International Investment Bank	25 531	35 549
	<b>25 531</b>	<b>35 549</b>

◆ **Current liabilities to financial and non-financial institutions**

	31.12.2019	31.12.2018
	<i>000'BGN</i>	<i>000'BGN</i>
International Investment Bank	10 509	9 253
Other*	32 130	20 205
	<b>42 639</b>	<b>29 458</b>

\*As at 31.12.2019, the other loans are in the form of Euro Trading Papers (ECP), with a maturity of 03.2020-04.2020, with an annual interest rate of 2.0% and total nominal EUR 16 500 thousand. As at 31.12.2018, Euro Trading Papers (ECP) have a maturity of 03.2019-05.2019 and an annual interest rate in the range of 1.25% -4.0%. They are used in exchange transactions for maturing in 2019 Euro Trading Securities.

During 2018 the Company issued and repurchased two ECP issues with a total nominal value of EUR 15 600 thousand. At the end of 2018, both issues were terminated and deleted from the registers, resulting in a profit of BGN 14 947 thousand.

<b>Bond liabilities</b>	31.12.2019	31.12.2018
<b>Non-current bond liabilities</b>	<i>000'BGN</i>	<i>000'BGN</i>
EMTN Programme в EUR	115 175	108 530
EMTN Programme в PLN	20 593	20 302
	<b>135 768</b>	<b>128 832</b>

**Current bond liabilities**

	31.12.2019	31.12.2018
	<i>000'BGN</i>	<i>000'BGN</i>
EMTN Programme в EUR, interest	15	15
EMTN Programme в PLN, interest	740	737
	<b>755</b>	<b>752</b>

Bond loan obligations are presented at amortized cost, net of treasury bonds, which are subsequently measured at fair value based on information from Bloomberg and other sources, reflecting the effect of profit or loss for the period. As of December 31, 2019, the Company held 10,500 repurchased own bonds from the EMTN Programme in EUR, ISIN XS1731768302, as of December 31, 2018 - 13 418 bonds from the EMTN Programme in EUR. The repurchased own bonds (10,500 bonds) were given as collateral in connection with a repurchase agreement with a closing date in October, 2020. The obligation for the repurchased own bonds of Starcom Holding AD (10 500 bonds) was not settled as of 31.12.2019 and 31.12.2018.

Detailed information about the bonds issued by Eurohold Bulgaria AD is available on the website of Irish Stock Exchange, section Debt.

Guarantees provided by/to related parties

**Guarantees provided**

Avto Union AD is a co-debtor under a bank loan agreement of Asterion Bulgaria AD from First Investment Bank AD. Asterion Bulgaria AD has not used a limit under this contract, which as of 31.12.2019, amounts to EUR 2 million and is used for issuing bank guarantees for the subsidiaries of Avto Union AD.

Insurers that offer compulsory motor third party liability insurance present a bank guarantee in accordance with the Statute of the National Bureau of Bulgarian Motor Insurers (NBBAZ). As of December 31, 2019 and 2018, two of the Companies in the Group (IC Euroins AD and EIG Re EAD) are separate ordering parties under bank guarantees, each of which in the amount of EUR 600 thousand in favor of NBBAZ, as the funds securing the bank guarantees are blocked on the current account of the Group companies.

### Guarantees received

A third party has established a real estate mortgage in the Burgas region to secure a contract for the issuance of bank guarantees and a revolving bank loan for companies in the Automotive Business segment with a total limit of EUR 1,240 thousand.

**Information on the funds attracted by the subsidiaries of Eurohold Bulgaria from financial institutions are described in detail in the Notes to the consolidated financial statements of Eurohold for 2019 in Note 36 - Information on liabilities to banking and non-bank financial institutions.**

	31.12.2019	31.12.2018
	BGN'000	BGN'000
<b>Bank and non-bank loans by segments:</b>		
Insurance business	9 744	17
Automotive business	14 487	19 045
Leasing business	80 464	78 303
Parent company	36 040	44 802
	<b>140 735</b>	<b>142 167</b>

#### II.9. Information on the loan agreements concluded by the issuer, its subsidiary or parent company, as lenders, including the provision of guarantees of any kind, including related parties, with specific terms and conditions, including end-points payment deadlines and the purpose for which they were allocated

All loans granted by Eurohold Bulgaria AD, including related parties, are disclosed in detail in the Company's Audited Unconsolidated Financial Statements for 2019.

All loans granted by the subsidiaries of Eurohold Bulgaria AD, including related parties, are disclosed in detail in the Company's certified unconsolidated financial statements for 2019.

All the financial statements mentioned above can be found on the websites of the respective companies.

#### II.10. Information on the use of funds from a new issue of securities during the reporting period

No procedure for capital increase of the Company has been provided within 2018.

In 2019, Eurohold Bulgaria was in the process of increasing its share capital through the public offering of 79,010,240 new, registered, dematerialized, preferred shares, with no voting right, with an issue value of BGN 1.95 per share. The decision was made at the General Meeting of Shareholders on 22.04.2019. All the funds raised from the present public offering will be fully used for the planned expansion of the company into new regulated business segments, offering great opportunities for sustainable growth. The company's long-term investment strategy includes investment in the energy sector, namely acquisition of the CEZ's assets in Bulgaria.

The procedure for capital increase was terminated by the Company due to the finding that the investor interest was directed mainly to ordinary shares and not to preferred shares.

### **II.11. Analysis of the relationship between the achieved financial results in the financial statements for the financial year and the previously published estimates of those results**

Eurohold Bulgaria AD has not published and presented profit forecasts.

### **II.12. Analysis and evaluation of the financial resources management policy with an indication of the options for servicing the obligations, potential threats and measures that the issuer has taken or is about to take in order to eliminate them**

The main activity of Eurohold Bulgaria AD, as a holding company, is to effectively manage the monetary resources accumulated throughout the structure and allocate them accordingly, depending on the needs of the individual subsidiaries. The Company's policy in this field is that the financing should be carried out solely in the direction of "parent - subsidiaries" and not "subsidiary - subsidiary". The management of the free financial resources of the subsidiaries is carried out in accordance with regulatory requirements and in order to achieve good profitability with reasonable risk taking.

The investment program of Eurohold Bulgaria AD in 2019 was realized through own and borrowed funds.

### **II.13. Assessment of the possibilities for realization of the investment intentions, indicating the amount of available funds and reflecting the possible changes in the financing structure of this activity**

Information on this point is provided in this report in section D14 Additional information legally required I. Information under Art. 247 of the Commercial Act, under item 11.

### **II.14. Information about changes occurred during the reporting period in the basic principles of management of the issuer and its group of enterprises within the meaning of the Accounting Act**

During the reporting period, there were no changes in the basic management principles of the Company and the companies in its economic group.

### **II.15. Information on the main features of the internal control and risk management system applied by Eurohold in the process of preparing the financial statements**

Eurohold Bulgaria AD and the companies in the economic group have in place a functioning risk management and internal control system, which guarantees the effective functioning of the accounting and financial reporting systems and the disclosure of information. The internal control system is in place and functioning to identify the risks that accompany the Group's operations and to support their effective management.

The main features of the internal control system are the following:

- ◆ **Control environment:**
  - ✓ built on the basis of integrity and ethical conduct;
  - ✓ availability of experienced management with direct involvement in the Company's business processes and critical review of the activity;
  - ✓ the organizational structure is tailored to the nature of the business and provides a division of responsibilities;
  - ✓ the levels of competence are tailored to the specific positions;
  - ✓ hierarchy and clear rules, rights, obligations and levels of reporting;
  - ✓ the policy of delegation of powers and responsibilities;
  - ✓ Human resources policies and practices are addressed to the appointment of competent and trustworthy 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 Group's goals and objectives will be achieved. These are the procedures for:
  - ✓ approval and authorization in decision making (authorization);

- ✓ ex-ante control over the legality, carried out by the Executive Director immediately before signing a decision;
- ✓ complete, correct, accurate and timely accounting of all operations (information processing);
- ✓ Operational control and review of the results of the work carried out daily by the Executive Director in assigning and executing the work;
- ✓ division of duties;
- ◆ **Information and communication** - availability of effective and reliable information and communication systems ensuring the collection and dissemination of complete and reliable information, horizontal and vertical communication from and to all levels, as well as a timely reporting system.
- ◆ **Monitoring** - a system for ongoing monitoring and evaluation of controls is in place and corrective measures are taken in case of deviations.

## **II.16. Information on changes in management and supervisory bodies during the financial year**

In 2019 there were no changes in the Supervisory Board of the Company. There have been changes in the Management Board of Eurohold Bulgaria, with the membership of six becoming five as of 31.12.2019 due to termination of the membership of Dimitar Kirilov Dimitrov after he suddenly died in the middle of December 2019.

Other changes in the composition of the SB and the MB were not made in 2019.

## **II.17. Information on the remuneration, rewards and / or benefits of each of the members of the management and supervisory bodies for the financial year and its subsidiaries, whether or not included in the issuer's expenses or arising from profit sharing, including:**

- a) amounts received and non-monetary benefits;
- b) contingent or deferred remuneration that arose during the year, even if the remuneration is due at a later date;
- c) an amount due from the issuer or its subsidiaries for the payment of pensions, retirement benefits or other similar benefits.

Information on this point is provided in this report in section D17. Additional information legally required I. Information under Art. 247 of the Commercial Act, under item 5.

## **II.18. For public companies - information on the shares held by the members of the management and controlling bodies, the procurators and the senior management, including the shares held by each of them individually and as a percentage of the shares in each class, as well as the options granted to them by the issuer on its securities - the type and size of the securities on which the options are established, 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 D17. Additional information legally required I. Information under Art. 247 of the Commercial Act, under item 6.

The members of the Management and Supervisory Boards do not hold options on the issued securities of the Company.

## **II.19. Information about arrangements known to the company (including after the end of the financial year), which may result in changes in the relative share of the shares or bonds of current shareholders or bondholders in the future**

As of the reporting period and after the end of the financial year, there are no known arrangements that may result in changes in the relative shares held by the current shareholders or bondholders.

## II.20. Information on pending court, administrative or arbitration proceedings concerning the Issuer's obligations or claims amounting to at least 10 percent of its own capital; if the total value of the issuer's obligations or receivables in all the initiated proceedings exceeds 10 percent of its own capital, information about each proceeding shall be presented separately

As of December 31, 2019, there were no substantial court cases against the Company.

The company is a complainant against Decision No. 1169 / 24.10.2019 of the Commission for Protection of Competition, which prohibits the concentration between undertakings, which will be effected by the acquisition of indirect sole control by Eurohold Bulgaria AD, UIC 175187337. The case has no material interest.

The company is a plaintiff in a material interest case of EUR 375 363,21. The company is demanding a refund of the amount it has transferred. The transferred amount was completely blocked in an account at Erste Bank, Novi Sad, on the basis of a prosecutor's order and will be returned to the company after a formal ruling in the above case. A final judgment is expected within the next 1 to 3 months.

In 2019, on the basis of Order No. 3-137 of 24.04.2019 of the Deputy Chairman of the FSC, head of the Investment Activity Supervision Department, an inspection of Euro Finance AD was opened, which has not been completed as of the date of the preparation of the financial statement. The administrative sanctions and coercive administrative measures imposed in the course of the inspection are appealed by the Company before the respective competent Bulgarian court, and as of the date of preparation of the financial statement there are no undoubtedly certain administrative sanctions. For this reason, the Company cannot predict whether it will incur significant costs in connection with the contested administrative sanctions and administrative coercive measures, therefore it has not recognized provisions for court costs and payment of administrative sanctions.

## II.21. Changes in the share price of the company

All shares of Eurohold Bulgaria AD are listed for trading on the BSE Main Market, *Standard Segment*, with exchange code - **4EH**.

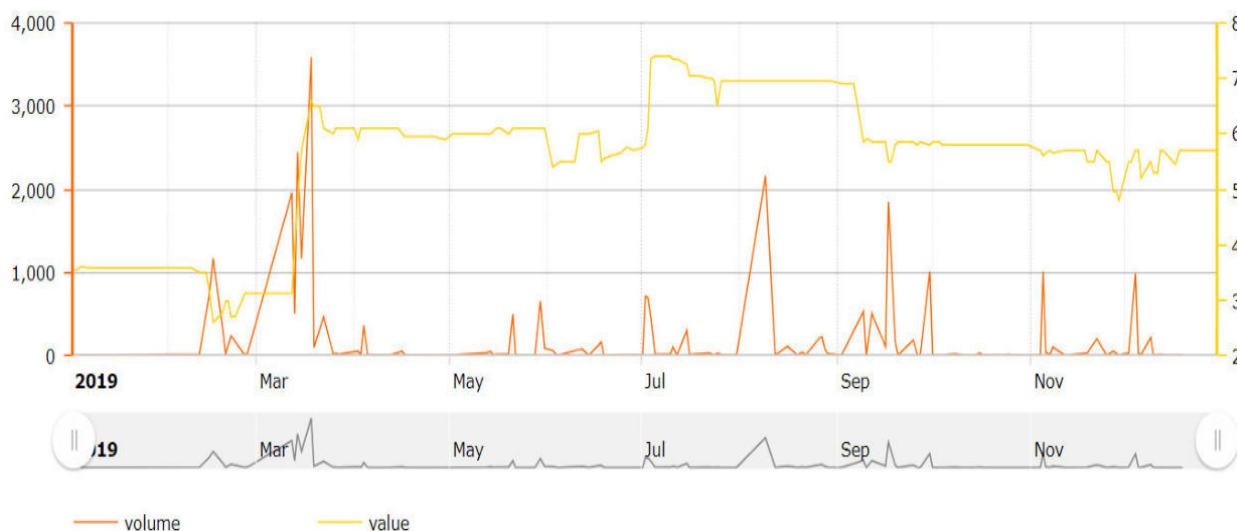
### Market price of the shares of the Company



The graph shows the price dynamics of the shares of Eurohold Bulgaria AD on BSE-Sofia for the period 02.01.2019 r. – 30.12.2019 r. (respectively the first and last stock exchange session for the reporting 2019).

- Initial price: BGN 1.550 (02.01.2019)
- Last price: BGN 1.760 (28.12.2019)
- Maximum price: BGN 2.890 (19.03.2019)
- Minimum price: BGN 1.330 (17.12.2019)
- Value change: BGN +0.21
- Relative change: +13.5%
- Average price: BGN 1.695

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 02.01.2019 – 30.12.2019

- Initial price: 1.61 BGN/3.60 PLN (04.01.2019)
- Last price: 2.54 BGN/5.70 PLN (19.12.2019)
- Maximum price: 3.30 BGN/7.40 PLN (10.07.2019)
- Minimum price: 1.16 BGN/2.60 PLN (15.02.2019)
- Value change: +0.94 BGN/+2.10 PLN
- Relative change: +58.33%
- Average price: 2.23 BGN/5.00 PLN

## CONTACT INFORMATION - INVESTOR RELATIONS DIRECTOR

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## ▪ **D18. OTHER INFORMATION**

### **IMPORTANT EVENTS, OCCURED AFTER THE DATE OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT**

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

#### **COVID – 19**

At the end of 2019, news from China about COVID-19 (Coronavirus) first appeared, when a limited number of unknown virus cases were reported to the World Health Organization. During the first few months of 2020, the virus spread worldwide and its negative effects gained momentum. On 11.03.2020, after cases of new coronavirus strains were reported in 114 countries, the World Health Organization (WHO) announced the COVID-19 epidemic for a pandemic. On 13.03.2020, at the request of the government, the National Assembly declared a state of emergency in Bulgaria because of the coronavirus.

The management considers this as a non-adjusting event after the reporting period because it believes that it will not call into question the Group's ability to continue as a going concern.

Group takes all necessary measures in order to preserve the health of workers and to minimize the impact of the crisis at this stage of its occurrence. The actions are in accordance with the instructions of the National Operational Headquarters and strictly comply with the instructions of all national institutions.

The management is closely monitoring the situation and looking for ways to reduce its impact on the Group, but a fall in the prices of shares on the global stock exchanges could affect the fair value of the Group's investments if the negative trend continues. Management will continue to monitor the potential impact and will take all possible steps to mitigate the potential effects.

#### **Insurance business**

- On January 21, 2020, as a part of the restructuring plan of the Capital Structure of IC Euroins Insurance AD, approved by the Financial Supervision Commission, an increase of the share capital of IC Euroins AD by BGN 8,700 thousand was registered in the Bulgarian Commercial Register. The increase was a result of repayment of the existing subordinated debt amounting to BGN 8,500 thousand on January 13, 2020. Thus, the share capital of IC Euroins AD is amounting to BGN 40,970,000 distributed in 40,970,000 shares, as Euroins Insurance Group AD owns 40,410,171 shares, which is approximately 98.63% of the capital.
- On February 27, 2020, an increase of the capital of IC Euroins Life EAD was registered, which was part of the plan for restructuring the capital structure of IC Euroins Life EAD, approved by the Financial Supervision Commission with a Decision dated December 23, 2019. On January 3, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of IC Euroins Life EAD by BGN 1,250,000, while IC Euroins Life EAD should fully repay the subordinated debt in the same amount. On February 18, 2020, IC Euroins Life EAD paid its debt in full. After the transaction, the share capital of the subsidiary amounts to BGN 11,375,070 distributed in 1,137,507 shares with a par value of BGN 10 each.



- On February 28, 2020, an increase of the share capital of IC EIG Re EAD was registered, which was part of the plan for restructuring the capital structure of IC EIG Re EAD, approved by the Financial Supervision Commission with a Decision dated December 23, 2019. On January 15, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the share capital of IC EIG Re EAD by BGN 600 thousand, while IC EIG Re EAD should fully repay the subordinated debt in the same amount. On February 19, 2020, IC EIG Re EAD paid its debt in full. After the transaction, the share capital of the subsidiary amounts to BGN 19,112,000 divided into 19,112,000 shares with a par value of BGN 1 each.
- On February 12, 2020, the Guarantee Fund of the Republic of Romania (Fondul de Garantare a Asiguraților) appointed a temporary administrator of the subsidiary of Euroins Insurance Group AD - Euroins Romania - Insurance - Reinsurance SA. - for a limited period of time until the approval of the new Board of Directors by the financial regulator in Romania (Autoritatea de Supraveghere Financiară). The role of the administrator is to monitor the current process and operations in the subsidiary until the approval of the new Board of Directors. At the General Meeting of Shareholders of the Company, held on March 16, 2020, the composition of the managing body of the Company was changed, as Kiril Ivanov Boshov - Chairman, Jeroen van Leeuwen - member and Coleta Michaela Cirita - member were elected as members. On March 26, 2020 the new members were approved by the Romanian regulatory body and the temporary administration was terminated.
- On April 29, 2020, Euroins Insurance Group AD acquired 93.12% of the shares of ERGO Belarus. The Company specializes in non-life insurance and is the third largest private insurer in Belarus, operating in a sector still dominated by state-owned companies.
- On January 28, 2020, IC Euroins AD sold its investment property at a sale price of BGN 5,960 thousand. The price was paid in full in two installments on January 13, 2020 and January 28, 2020. As at December 31, 2019 the book value of the property is BGN 5,823 thousand.
- On February 14, 2020 a second installment amounting to EUR 5 million is received under a loan agreement with AMC IV ALPHA BV concluded on March 13, 2019 with a limit of EUR 10 million, an interest rate of 6.5% and a repayment period ending on March 31, 2025.

### Leasing business

- On 05.02.2020 Eurolease Group AD issued a corporate bond with ISIN code of the issue BG2100001200, amounting to BGN 6,000 thousand, maturing on 05.2025 and a fixed annual interest rate of 4.00%, payable every six months period. The principal is payable once (bullet repayment) at maturity, together with the last interest payment. The bond loan was issued to refinance the first issue of corporate bonds with ISIN BG2100001150.

### Asset management and brokerage

- At the General Meeting of Shareholders of Euro-Finance AD on 12.08.2019 a decision was made to reduce the capital of the investment intermediary from BGN 40,000,000 to BGN 14,100,002, by invalidating the obligation of the shareholder Eurohold Bulgaria AD, as the BGN 6,500,000 paid by him during the last capital increase will be transferred to the Reserve Fund. With its decision of 16.01.2020, the Financial Supervision Commission gave permission

- for capital reduction and the necessary documents were submitted to the Registry Agency. On 24.01.2020 the reduction of the capital of Euro-Finance AD was entered in the Commercial Register and on the same date was reflected in the registers of the company.

There are no other events after the reporting period that require additional disclosure or adjustments in the consolidated financial statements of Eurohold Bulgaria AD as of December 31, 2019.

**Eurohold Bulgaria AD, Sofia**

25 June 2020

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## **CORPORATE GOVERNANCE DECLARATION**

***This declaration on corporate governance is based on the principles and norms of good corporate governance set by Bulgarian legislation through the provisions of the National Code of Corporate Governance, Commerce Act, the Public of Securities Act, the Accounting Act, the Law on Independent Audit and other legal and regulatory acts and internationally recognized standards***

#### **I. Information under article 100n, paragraph 8, item 1 of the Public Offering of Securities Act**

Eurohold Bulgaria AD 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 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 future the procedures and corporate governance practices introduced during the last few 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 – Sofia, and as of 15th 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 five 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 three members of the board.

The Supervisory Board consists of four natural persons and one legal entity (represented on the grounds of article 234, paragraph 1 of the Commerce Act), including a Chairman of the Supervisory Board, a Deputy Chairman of the Supervisory Board, two independent members and one 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.

In compliance with 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 unconsolidated and consolidated Financial Statements.

In view of the new developments in the Independent Financial Audit Act (IFAA), effective February 28, 2020, the Audit Committee is set to take steps to align with its new requirements for its activities.

The Audit Committee is composed of: Dimitar Dimitrov, Ivan Mankov and Rositsa Pencheva.

The Audit Committee of Eurohold Bulgaria AD has the following functions:

- ◆ To inform the management and supervisory bodies of the entity of 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 31 May 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 2019 there are no changes in the information disclosure process.

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 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.

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 accountancy in compliance with the International Accounting 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.

Detailed description of the risks attributable to Eurohold Bulgaria AD's business is given in the Activity Report for the year 2019.

#### **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 2019
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 power to issue or buy back shares;	The powers of the members of the Managing Board and of the Supervisory Board are provided for in the articles of association of Eurohold Bulgaria AD and the adopted rules of procedure of the two bodies.

#### **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** and as of the date of preparation of this declaration is composed of:

Kiril Ivanov Boshov – Chairman;

Asen Minchev Minchev – Executive member;

Velislav Milkov Christov – Member;

Asen Emanuilov Asenov – Member;

Razvan Stefan Lefter – Member.

**The Supervisory Board** controls the activities of the Management Board by giving guidance to the Management Board in accordance with the established goals and strategies of the company and the interests of the shareholders. The Supervisory Board is composed of:

Асен Милков Христов – Chairman;

Dimitar Stoyanov Dimitrov – Deputy chairman;

Luise Gabrielle Roman – Member;

Radi Georgiev Georgiev – Member;

Lubomir Stoev – Independent member;

Kustaa Lauri Aima – Independent member.

The Management Board and the Supervisory Board of Eurohold Bulgaria AD have adopted and apply rules for the work of the two bodies, which define the powers and the way of their work in order to ensure their effective activity within the two-tier management system of the Company providing management and representation of the company, according to the internal regulations, the requirements of the law and the protection of the interests of shareholders.

**The General Meeting of shareholders** is a supreme managing body of the company and comprises all shareholders with a voting right. The general meeting of shareholders (GMS) is competent to

adopt key resolutions for the holding's business, such as: adoption of resolution for amendment and supplement of the articles of association; transformation and dissolution of the company; increase and decrease of the capital; appointment of members of the Supervisory Board, etc.

The General Meeting of Shareholders determines the remuneration of the members of the Management Board, as well as other property issues / additional incentives / in connection with its activities. Information on the remuneration and additional incentives received from the members of the Management Board is disclosed annually in the annual activity report of the company.

#### **VI. Information under article 100n, paragraph 8, item 6 of the Public Offering of Securities Act**

Eurohold Bulgaria AD has not made and approved a policy of diversity in terms of its managing and supervisory bodies, but in practice when selecting the members of the managing bodies, no restrictions in terms of age, sex, nationality and education apply. The main factors used are fitness and propriety, managing skills, competence, professional experience in the respective field of action, etc.

This corporate governance declaration of Eurohold Bulgaria AD is made and signed on 12th of March. 2020.

➤ **F**  
**CONSOLIDATED NON-FINANCIAL  
DECLARATION**

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## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT OF THE EUROHOLD GROUP FOR 2019

**Eurohold Bulgaria, as one of the largest independent financial groups in the region of Central and Southeast Europe, puts corporate social responsibility and sustainable development at the centre of its activities.**

**This sustainability report describes how we understand and apply ours,**

- corporate sustainability;
- sustainability strategy;
- sustainable financing program;
- social responsibility;
- the policies and guidelines we follow;
- the goals we have set;
- as well as our main achievements.

This report covers the entire structure of Eurohold Bulgaria and corresponds to the scope of financial information included in the annual consolidated financial statements for 2019.

Our non-financial data were collected through a group process, which included all companies part of the economic group of Eurohold Bulgaria.

*Eurohold Bulgaria chooses an integrated approach to reporting non-financial information together with financial information, in order to more clearly present the relationship between the Group's activities in the field of social responsibility and sustainable development and financial activities, the Holding Group's business strategy, process management and the results of them.*

*We developed the content of this report, based on the European Commission's Guidelines on Disclosure of Non-Financial Information (2017 / C 215/01); European Commission Guidelines on Disclosure of Non-Financial Information: Supplement on Disclosure of Climate-Related Information (2019 / C 209/01); as well as International Integrated Reporting Council (IIRC) standards. In 2019 we started to direct our material topics to the disclosures recommended by the Working Group for Disclosure of Financial Information Related to Climate (Task force on climate-related financial disclosures) and in 2020 we will continue to work in this direction.*

**Basis for preparation of the Consolidated Non-Financial Statement**

This Consolidated Non-Financial Statement of Eurohold Bulgaria SA is in accordance with Section III. "Non-financial statement" and with Section IV. "Consolidated non-financial declaration" of the Accounting Act applicable in Bulgaria and DIRECTIVE 2014/95 / EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 October 2014.

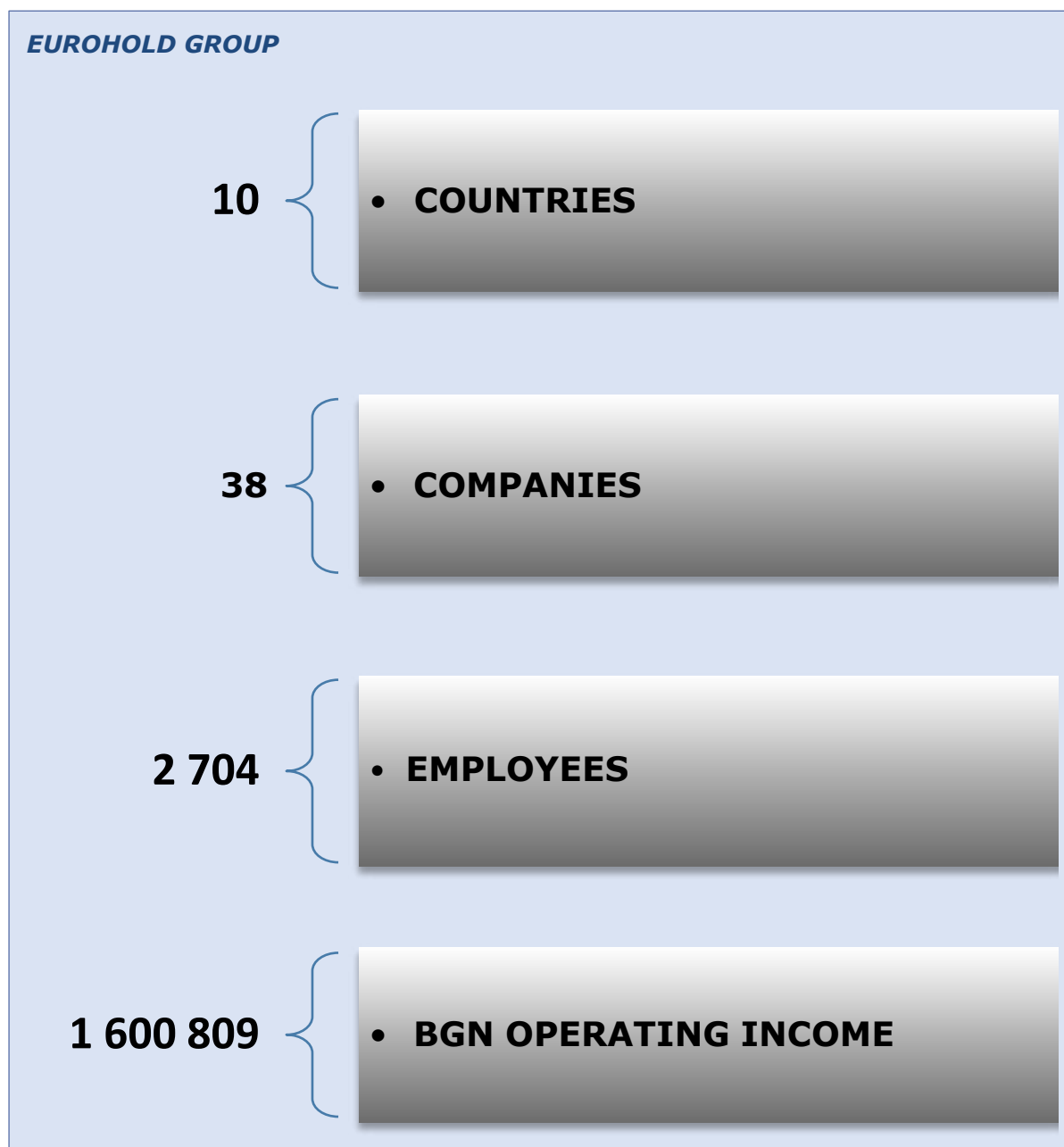
The preparation of this Consolidated Non-Financial Statement also takes into account the PUBLIC STATEMENT of the European Securities and Markets Authority (ESMA) "Common European Enforcement Priorities for the Annual Financial Statements for 2019".

In the process of disclosing non-financial information, we are guided by the following basic reporting principles, namely:

1. **materiality** - disclosure of material information that is relevant to the Eurohold Group's ability to create value;
2. **objectivity, balance and lucidity** - disclosure of all significant issues, positive and negative, in a balanced way;
3. **comprehensive but concise** - includes relevant information for understanding organizational strategy, management and implementation;
4. **strategic and future-oriented** - the Group's strategy and how it is used to create value in the short, medium and long term;
5. **Stakeholder-oriented information** - includes information on relationships with key stakeholders, how the organization understands, takes into account and responds to their needs and interests;
6. **consistent and coherent information** - consistent and coherent presentation between: the elements of the report; past, present and future; capital; financial and non-financial information; quantitative and qualitative information; internal (management) and external information; as well as between the information disclosed in the integrated report and the other reports of the group.

**1. ORGANIZATIONAL REVIEW AND EXTERNAL ENVIRONMENT**

Eurohold operates in the field of insurance, car sales, leasing and financial services - investment intermediation and asset management, the interconnection of business lines favours the creation of a single standard aimed at sustainable development in all companies.



### 1.1. FOR EUROHOLD BULGARIA

#### **Name and legal form of the Company**

Eurohold Bulgaria AD is a holding joint stock company registered in the Republic of Bulgaria with a unified identification code (UIC) 175187337, which carries out its activities in accordance with Bulgarian legislation.

In Latin, the company's name is written in English as follows: "EUROHOLD BULGARIA" SA.

#### **Headquarters and address of management**

Republic of Bulgaria, Sofia 1592, 43 Christopher Columbus Blvd., where the head office of the Company is located, [www.eurohold.bg](http://www.eurohold.bg).

#### **Activity**

##### **The statutory subject of activity of Eurohold Bulgaria AD is:**

acquisition, management, valuation and sale of participations in Bulgarian and foreign companies, acquisition, management and sale of bonds, acquisition, valuation and sale of patents, assignment of licenses for use of patents to companies in which the company participates, financing of companies, in which the company participates.

##### **The main activity of Eurohold Bulgaria AD**

as a holding company, the main activity of the company is focused on financial and investment activities related to the acquisition, sale and management of participations and financing of related companies.

#### **Public company**

Eurohold Bulgaria AD is a public joint stock company within the meaning of the POSA. The shares of the company are registered for trading on the main market of the Bulgarian Stock Exchange AD with stock exchange code 4EH. The company's shares have been admitted to trading since December 15, 2011 and on Warsaw Stock Exchange (WSE) - Poland with stock exchange code EHG.

As a public company Eurohold Bulgaria AD is subject to financial supervision by the Financial Supervision Commission, [www.fsc.bg](http://www.fsc.bg).

#### **Activities**

Eurohold Bulgaria AD is one of the largest independent financial groups in the region of Central and Southeast Europe. Eurohold Group is a fast-growing holding structure that is expanding both organically and through acquisitions.

#### **Investments**

The company has significant investments in subsidiaries and as such does not conduct regular commercial transactions.

The holding, together with its subsidiary sub-holding structures and their operating companies, forms an economic group. At the same time, Eurohold Bulgaria AD is part of the economic group of its majority shareholder Starcom Holding AD.

## 1.2. CORPORATE PROFILE

The Eurohold economic group offers products and services in four directions.



### Sub holding structures - business areas

The business lines are organized by types of activities and market segments, namely: insurance, car sales, leasing and financial services - investment intermediation and asset management.

The current business structure of Eurohold Bulgaria AD includes: four main sub-holdings and one investment intermediary company, namely:

- Euroins Insurance Group AD - specialized in insurance;
- Avto Union AD - specialized in the sale of cars;
- Eurolease Group EAD specialized in leasing;
- Euro-Finance AD - investment intermediation and asset management
- In 2019, Eurohold created another sub-holding with a focus on energy, but currently it is not operating.



**The Eurohold brand** is a recognizable brand for innovation, creation of 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.

*For more information on the structure of Eurohold and its subsidiaries and companies, see section D10. "Main area of activity" of the Consolidated Activity Report.*



## OUR COMMITMENT AND APPROACH TO SUSTAINABILITY

For Eurohold Bulgaria AD, sustainability means long-term economic success, combined with care for the environment, healthy and highly efficient working environment for employees and social commitment to society. Understanding the corporate management of Eurohold for sustainable development is a basic principle underlying the structure and corporate values of the holding. We believe that the continued success of an organization also depends on the sustainability of society's resources.

The Eurohold Group is a reliable partner and a sustainably integrated structure.

Eurohold has its own internal policies, standards and practices for sustainable business growth, for the creation of ethics, collegiality and good faith, which are accepted by companies throughout the economic group. Eurohold's commitment is aimed at creating responsible social behavior towards the company's employees and customers, the needs of society and care for the environment.

### WHAT WE DO

- **Unified model**

The Eurohold Group has imposed a unified model of process management at each subholding level depending on the specific requirements of the business, regulations and regulations.

- **We assess the impact on the environment**

We strive to continuously assess the potential impact of our business on the environment in order to reduce the negative impacts of our activities on natural resources.

- **We take care of the employees**

We care about the well-being of our employees, their needs and development and we support them in every way to become and remain committed and responsible to the environment and society.

- **We meet and engage business partners**

We are working to expand our commitment to sustainability in the supply chain, introducing and engaging our business partners to our environmental standards, social rights, human rights, the fight against bribery and corruption.

- **Dialogue with stakeholders**

We engage in dialogue with our various stakeholders - employees, customers, suppliers, shareholders, organizations and communities, in order to gain a better understanding of our operating environment, including market development and cultural dynamics.

- **We identify areas for improving the environment**

We analyse and define areas for improving the environment at all levels of the company, projects related to environmental and health issues are initiated.

### 1.3. THE SUSTAINABLE DEVELOPMENT OF THE EUROHOLD GROUP

#### *Eurohold Bulgaria, in the field of sustainable development and social responsibility*

**OUR GROUP MISSION** is to offer a comprehensive, quality and fast service to our customers. We strive to be a constantly evolving group to be a market leader in the services it offers. That is why we are dedicated to the continuous development of our products and services depending on the needs of 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 daily lives and business 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 long-term and lasting relationships with customers, partners and employees is a key concern for us. We have developed clear rules and policies to ensure sustainable business practices.

**OUR VALUES** - The success of the Group is based on a firm commitment to our core values. All activities and relationships with partners are based on the five values that distinguish the Group and help us maintain the trust of our customers, as well as to be among the leaders in the business sectors in which we operate, namely:

- ▶ Integrity;
- ▶ Reliability;
- ▶ Responsibility;
- ▶ Correctness;
- ▶ Pleasure from work and team spirit.

**THE BUSINESS STRATEGY** of the whole group in the field of sustainable development is based on the understanding of creating shared value aimed at:

- **Business**
- **Management and employees**
- **Environmental protection**
- **The interests and needs of customers and society**

**Ethics** - Eurohold Bulgaria and all companies in the group observe and apply all principles of business ethics, moral values, ethical behaviour and protection of human rights.

**The corporate culture of the Eurohold Group is:**

**Multicultural environment** - based on support for the protection of human rights - equality and equal opportunities; protection against discrimination and introduction of good practices; adherence to ethical standards and respect for and by employees.

**Flexible organization** - the ability to cope with the inclusion of new companies, changing markets, competition, as well as meeting the changing needs of employees.

**Results-oriented** - constant pursuit of improvements and innovations; clear and precise definition of the values and indicators for achieving the adopted market strategy (quality, quantity, costs, time).

**Oriented to market requirements and consumer preferences** - development of innovations and new products, service culture.

**Teamwork** - promoting teamwork, inclusive atmosphere, ability to deal with conflict situations and joint problem solving.

**Care and safety for employees** - training, motivation through additional social incentives.

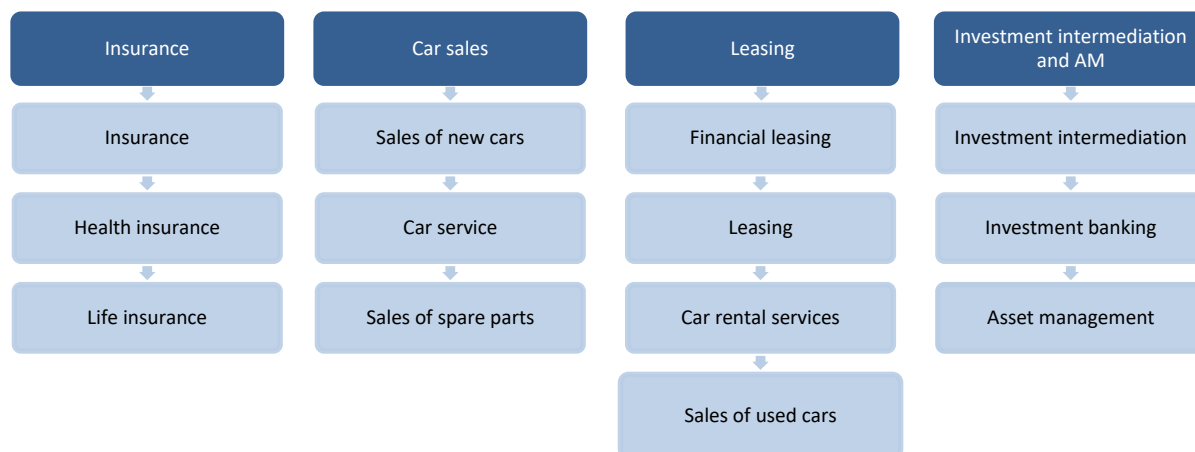
**Communication** - built an effective system of internal (vertical and horizontal) and external communications.

**Future-oriented** - our company culture is future-oriented, as evidenced by the company's motto - **Everyone has a history, we have a vision.**

**1.4. OUR PRODUCTS AND SERVICES**

The Eurohold Group operates on the basis of an integrated and synergistic approach, offering through its subsidiary sub holding structures products and services in the field of insurance, car sales, leasing, as well as investment intermediation and asset management.

The operating companies of the sub-holding structures offer all types of products and services specific to the given sector market. In this sense, the Eurohold Group can offer a full range of solutions for private clients, small and medium-sized legal entities and corporate clients.



The complementary activities of the companies of the Eurohold Group, respectively in the field of insurance, leasing and car sales allow the creation of integration synergies and cross-selling to offer package services and products.

The integration synergies create an opportunity to optimize costs in the three areas and increase their competitiveness, which in turn leads to increased profitability at all levels of the Eurohold Group. This contributes to the leadership positions of all companies in the group of markets in which they are positioned.

*More about the products and services offered by the companies part of the Eurohold economic group is available in section D10 "Main area of activity", as well as in D13 "Overview of the activity of the subsidiary sub holding structures" of the Consolidated Activity Report.*

## 1.5. *Creating value*

### What we do to create value

The Eurohold Group operates in the financial sector of the economy - insurance, leasing, investment intermediation and asset management, as well as in the field of car sales. All four areas of the group create value in a model of companies offering services.

In the process of creating value for our services, we use primary and supporting value creation activities:

#### Primary activities:

Marketing and Advertising  
Inbound management  
Operations  
Output management  
After sales service

#### Supporting activities:

Company infrastructure - electricity, water, security, offices / showrooms / services, information system, activities related to general management, planning, finance and reporting, legal security, etc.  
Human resources management - recruitment, company training (internal to the organization, external), staff development and remuneration  
Technological development - activities related to product improvement, technological equipment, computers, etc.  
Purchases - delivery of resources

The realized profit for the companies is the difference between the total value (the price of the product) and the total costs for the execution of the operations for creating the value.

The process of creating value goes through three stages:

- ◆ First of all, we analyse and identify the key topics for us (planning), which helps us to focus our efforts on such services (products), where the greatest value can be created.
- ◆ Secondly, we define the interaction with the stakeholders in relation to the priority key topics.
- ◆ The third stage of value creation is the identification of risk factors influencing value creation, as well as making management decisions to deal with them.

The main principles on which the company's value creation policy is based are:

- ◆ Sound resource management.
- ◆ Generating stable profitability.
- ◆ Ensuring publicity and transparency for the activities of the Company.
- ◆ Social responsibility to society.

### How we make value

As a highly integrated structure, the Eurohold Group creates value through its business model by using different types of capital, which it transforms through business activities and interactions, to obtain products and services that create value for the organization and stakeholders.

## What we achieve

We increase our operating revenues by reducing administrative costs, strive to maintain operational efficiency and improve processes and return on investment. We build the necessary support and development by investing in our employees, in technology development and implementation of innovative business processes. Creating value is based on good business relationships. In everything we do, we are committed to the obligations and responsibilities that the Group has assumed to all stakeholders, which includes responsible action everywhere, following our core values, mission and vision.

### 1.6. Identify key stakeholder

To respond to changes, technological innovations and the growing digitalisation, we identify key stakeholder groups and actively engage with them.

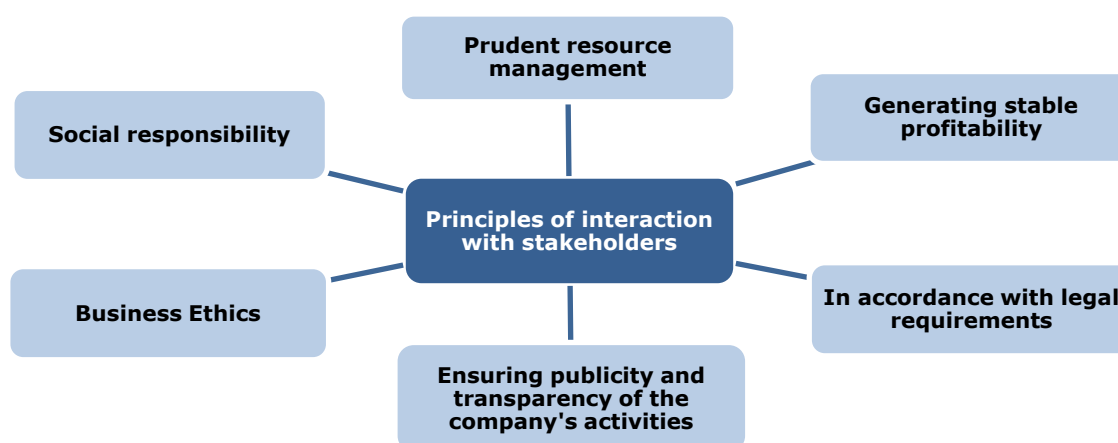
Stakeholders are both external to the company and internal, namely:

- ▶ investors,
- ▶ employees,
- ▶ customers,
- ▶ providers,
- ▶ brokers and agents,
- ▶ creditors,
- ▶ other counterparties,
- ▶ the local community and
- ▶ other stakeholders.

The analysis of the expectations of the stakeholders is an important process for the Group's managers. Successfully responding to this challenge, our ability to adapt, to identify the risks and opportunities that are important to our key stakeholders depends on the success of our business.

### Interaction with stakeholders

The group policy towards the stakeholders is based on principles that are followed by all companies part of the Eurohold economic group.



Eurohold Bulgaria SA manages and supports the business of its economic group through its strategy, risk, financing of related companies, control, communication, legal advice, human resources, information systems and technologies and other functions.

### 1.7. Types of capital

In creating value, we use all types of capital:

<b>Financial capital</b>	<ul style="list-style-type: none"><li>•Our group financial capital is a combination of share capital, cash flows generated from operating activities, 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 and technical base for securing the points of sale is extremely important, as well as the highest level of information and technical equipment.</li></ul>
<b>Human capital</b>	<ul style="list-style-type: none"><li>•The success of Eurohold and 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 activities that would allow them to reach their full potential and realize their professional ambitions.</li></ul>
<b>Intellectual capital</b>	<ul style="list-style-type: none"><li>•Our corporate procedures, management systems and organizational experience, skills and model, technologies, quality systems and intellectual property serve us to develop the best solutions for customers, to provide innovative and combined products and services.</li></ul>
<b>Social capital</b>	<ul style="list-style-type: none"><li>•We build and maintain cooperative relationships with our key stakeholders, through investments in strategic partnerships, support for municipal programs, support for various causes and sporting events, and building trust with suppliers. Customer relationships are at the heart of our business and we strive to exceed their expectations.</li></ul>
<b>Natural capital</b>	<ul style="list-style-type: none"><li>•The Group's business is not considered to be resource intensive. However, Eurohold and its subsidiaries have introduced practices to protect the environment and reduce electricity, water, gas and paper costs.</li></ul>

## 2. Management

### Governing bodies

The table below provides information on the structure of the management bodies of Eurohold Bulgaria and its subsidiaries and sub-holding structures. Detailed information on the qualification, experience and competence of the members of the Supervisory and Management Boards of Eurohold Bulgaria is available in section D17 "Additional information required by law for the company".

#### Management bodies of Eurohold Bulgaria SA and its subsidiaries

EUROHOLD BULGARIA	
Supervisory Board	Management Board
Asen Hristov - Chairman of the Supervisory Board	Kiril Boshov - Chairman of the Board and representing the company
Dimitar St. Dimitrov - Deputy Chairman of the Supervisory Board	Asen Minchev - Executive Member of the Management Board
Radi Georgiev - Member of the SVB	Velislav Hristov - Member of the Management Board
Kustaa Aima - Independent member of the SVB	Assen Assenov - Member of the Management Board
Lyubomir Stoev - Independent member of the SVB	Razvan Lefter - Independent Member of the Management Board
Louise Roman - Independent member of the SVB	<b>Procurator</b> Hristo Stoev
The company is represented only jointly by one executive member of the Management Board and the procurator of the company Hristo Stoev.	

#### INSURANCE

##### Board of Directors

Asen Hristov - Chairman of the Board of Directors

Kiril Boshov - Executive member of the Board of Directors

Dominic Victor Francois Joseph Baudouin - Deputy Chairman of the Board

Curry Juhana Mekitalo - Member of the Board

The company is represented by the Executive Member of the Board of Directors Kiril Boshov

#### AUTOMOBULES

##### Board of Directors

Asen Hristov - Chairman of the Board

Kiril Boshov - Chairman of the Board

Assen Assenov - Executive member of the Board of Directors

The company is represented by the Executive Member of the Board of Directors Asen Assenov

#### LEASING

##### Board of Directors

Ivaylo Emilov Petkov - Executive member of the Board of Directors

Assen Assenov - Chairman of the Board

Boyana Kantardzhieva - Deputy Chairman of the Board

The company is represented by the Executive Member of the Board of Directors Ivaylo Petkov

#### SUBHOLDING INVESTMENT INTERMEDIATION AND ASSET MANAGEMENT

##### Board of Directors

Kiril Boshov - Deputy Chairman of the Board

Asen Hristov - Chairman of the Board

Vasil Stefanov - Member of the Board of Directors

Milena Avramova - Executive member of the Board of Directors

Toma Kavroshilov - Executive member of the Board of Directors

Pavel Nikolov - Executive member of the Board of Directors

The company is represented jointly by two of the executive members of the Board of Directors



### 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 activity in applying the principles of legality, expediency and efficiency.

The management system is adequate, built in accordance with the regulatory requirements for each area, and the following summary can be made valid for all companies of the Eurohold Group.

- ▶ There is an adequate and transparent organizational structure, compliant with the regulatory requirements for the specific business;
- ▶ Responsibilities are clearly and appropriately allocated;
- ▶ An effective system for providing information has been built;
- ▶ The management system meets the requirements of the guidelines for the management system of the European Insurance and Occupational Pensions Authority (EIOPA) - valid for the insurance companies of Euroins Insurance Group (applies to the insurance business);
- ▶ The management system is periodically reviewed;
- ▶ Eurohold Bulgaria as a public company has adopted, observes and is guided by the internationally accepted and applied principles of corporate governance. The holding has imposed these principles on the entire economic structure. The management of the subsidiaries and operating companies understands and shares the principles of good corporate governance, pursuing a policy of achieving optimal relationships between the practices of the Company 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 accordance with the current regulations.

The Management Board (MB) is the competent body that monitors the adequacy of the management system and takes the necessary measures in case of identified weaknesses or inefficiencies of elements of the system.

### Specifics of the management system for the companies of the Insurance Subholding

Euroins Insurance Group SA / EIG / as an insurance holding company is subject to the special regulation provided in the Insurance Code (IC, in force from 01.01.2016), reproducing the European regulatory framework in insurance, transposing the provisions of Directive 2009 / 138 / EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), better known as the Solvency II regime. The regime introduces a number of changes in the structure and organization of the work of insurance companies, as well as of their "parent companies" (requirements for interaction and management at the level of insurance group). Increased requirements to the financial condition, monitoring and internal control of the solvency measurable with the prudential indicators, as well as obligations for current regulatory reporting and disclosure of information are envisaged. At the level of insurance holding there are requirements to the management and internal organization, as well as obligations for maintenance, guarantee and control in the consistent application of the management system in the insurers, part of the insurance group. The insurance holding company is also subject to regular regulatory reporting and disclosure on a consolidated basis. The annual reports are subject to confirmation by an external auditor. The performed audit is jointly performed by two independent external auditors, coordinated with the supervisory body - FSC.

The EIG management system is built in accordance with the requirements of Art. 265, para. 1 in connection with art. 76 - 79 and Art. 86 - 100 of the Insurance Code and the relevant texts in Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138 / EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance ( Solvency II) as well as the relevant guidelines of the European Authority, part of the European Supervisory Mechanism responsible for the insurance sector - the European Insurance and Occupational Pensions Authority (EIOPA). The management system of

the insurance holding is applied consistently in the companies in the Group, as control mechanisms have been introduced at group level. It corresponds to the nature, volume and complexity of the group itself and is subject to periodic review - primarily as an obligation at the individual level performed by the supervisory or management bodies of insurers, part of the Group and subsequently at the group level through the application of group policies and rules. with the assistance of the EIG compliance function. The periodic inspection of the management system shall be carried out at least once a year.

The management system in insurers, part of the Group based outside the Member States of the European Union, respectively falling outside the scope of the Solvency II regime, is applied and introduces good practices to ensure the harmonious and consistent functioning of the whole system at EIG level.

#### **The management system of the insurance group generally covers:**

- Reliability and professional management and control over the activities of the insurance group through the members of the top management, including the members of the Board of Directors, their qualification, professional experience and reliability.
- Organization and fulfilment of the obligations of the key functions - in the insurance group, 4 (four) key functions function and are organized: risk management, internal audit, compliance and actuarial function.
- System of internal acts - policies, rules and procedures approved by the competent authority, subject to periodic review and evaluation and consistent with the activities and internal organization of the processes in the EIG, as well as at the individual level of insurance companies part of the insurance group.

For the effective and consistent implementation of the management system in the insurance group, the Board of Directors of EIG is assisted by 4 key functions, performing practical tasks at group level, namely:

- Actuarial function;
- Risk management function;
- Internal audit;
- Compliance function.

The key functions, together with the audit committees, are also important in the protection of interests, the establishment of effective mechanisms and channels for providing information to individual stakeholder groups.

#### **Forms of management in the insurance group part of Eurohold Bulgaria.**

The companies in the EIG insurance group are organized with a different management structure depending on the scale, nature and complexity of their activity. All insurers, including the insurance holding company, are joint stock companies.

In a two-tier form of management, the management functions are performed by a management board, and the control functions in the company are performed by a supervisory board. In the one-tier form of management, the management and control functions are combined in one body - the Board of Directors. There is no requirement in the relevant legislation restricting the application of the one-tier form of government.

All insurers follow the basic principles of expediency in the composition of members of the administrative, management and control body to ensure appropriate qualifications, experience and knowledge. The requirements for qualification and reliability in the individual subsidiaries - insurers, is regulated at the local level, as the practices and requirements for prior approval by a regulatory body vary in different jurisdictions.

It should be noted that, according to the requirements in the different jurisdictions, the exercise of representative power is exercised in several different regimes:

- Through registered members of the management body;
- Through a person registered as a representative who is not part of the management body;
- Entirely from the management body.

Regardless of the mode of representation, all persons with representative authority in the insurance companies part of the group are subject to an assessment of qualification and reliability, which is confirmed as a last resort with the approval of the local regulatory authority. The policy of the insurance group concerning the qualification and reliability of the management is discussed in the section for good management.

### Good governance

During the periodic review of the management system, its adequacy is controlled and monitored, applying the following model:

Management system evaluation model	
Basic criteria	Additional criteria
Compliance of the management system with the regulatory requirements - completeness of the submitted internal documents	The management system meets the requirements of the EIOPA management system guidelines
Existence of an adequate and transparent organizational structure	The system is subject to periodic inspection
Clear and appropriate division of responsibilities	The management of the Company understands and shares the principles of good corporate governance, pursuing a policy of achieving optimal relationships between the practices of the Company and its internal regulations.
An effective system for providing information	The employees of the Company are familiar with, understand and share the importance of the management system

The main policies affecting the management and functioning of the insurance group are:

- Codes of good governance;
- Qualification and reliability policy;
- Conflict of interest management policies and ethical standards;
- Remuneration policy;
- Quality of the offered insurance services and social commitment;
- others

**The insurance group encourages** direct and immediate communication between management and employees, including timely reporting of events and risks that may significantly affect the activities of the company. The communication is carried out through various channels, reaching the management of the insurance holding.

### Codes of good governance

Eurohold Bulgaria SA as a public company has adopted and complies with the National Code of Corporate Governance. Eurohold Bulgaria SA adheres to the recommendations given in the National Corporate Governance Code, guided by the best practices in the field of corporate governance. In this regard, the companies from his economic group have also adopted and comply with the National Code of Corporate Governance, although most of them do not have a regulatory requirement for this.

The management of Eurohold Bulgaria SA guarantees equal treatment of all shareholders, including minority and foreign shareholders. The management is obliged to protect their rights, as well as to facilitate their exercise within the limits allowed by the current legislation and in accordance with the provisions of the articles of association of the Company. Management ensures that all shareholders are informed about their rights in a timely manner.

### The strategic goals of corporate governance are:

- ◆ equal treatment of all shareholders, guarantee and protection of their rights;
- ◆ improving the level of information security of shareholders and transparency;
- ◆ achieving transparency and publicity of the processes for providing information by the Company;
- ◆ providing a mechanism for good management of the Company by the management bodies and
- ◆ Opportunity for effective supervision of management by shareholders and regulators

As a result of applying the principles of corporate governance is a balanced interaction between shareholders, management and stakeholders.

The Corporate Governance Statement of Eurohold Bulgaria SA is subject to the "comply or explain" principle.

More on compliance with corporate governance principles is available in section F "Corporate Governance Statement".

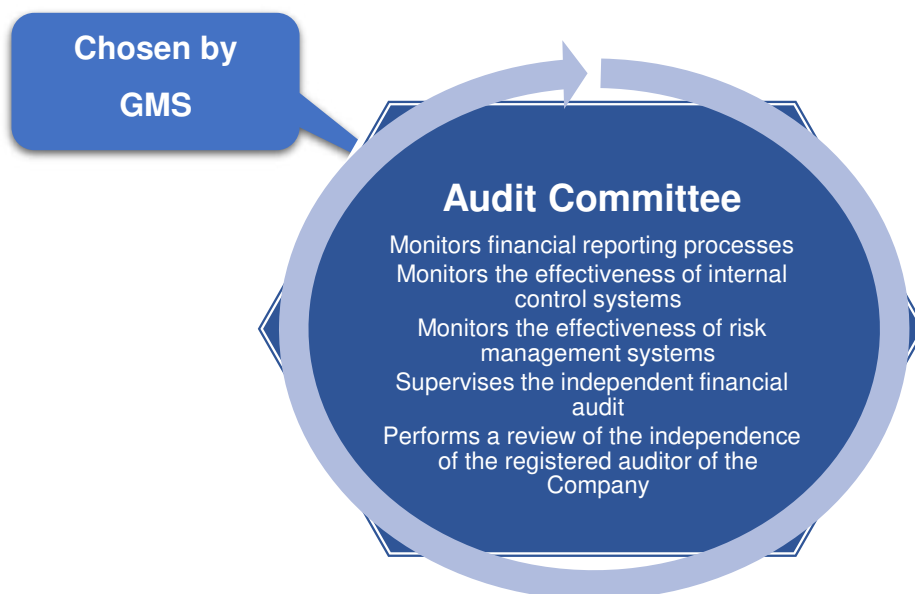
## AUDIT COMMITTEES

Eurohold Bulgaria SA; Euroins Insurance Group SA and the companies from the insurance sub holding; Eurolease Group SA and Eurolease Auto EAD, as well as Auto Union SA and Motobul EAD have established audit committees.

Characteristic of all audit committees is:

- Independent body of the Company, consisting of at least 3 members.
- The principle of providing at least one independent member is observed when appointing the members.
- The members of the Committee are elected by the GMS, which approves its status and rules.

The main functions of the Audit Committees are:



### Diversity policy

Eurohold Bulgaria has not adopted a policy regarding the diversity of the members of the Supervisory and Management Boards, as well as of the Boards of Directors of the companies from the Eurohold economic group.

However, the Eurohold Group adheres to the principles of:

- ▶ equality,
- ▶ impartiality,
- ▶ avoid any form of discrimination and
- ▶ provides equal opportunities

striving to achieve a gender balance in management and supervisory bodies.

The leading factors in electing a new member of the Management and Supervisory Bodies must ensure that they have 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.

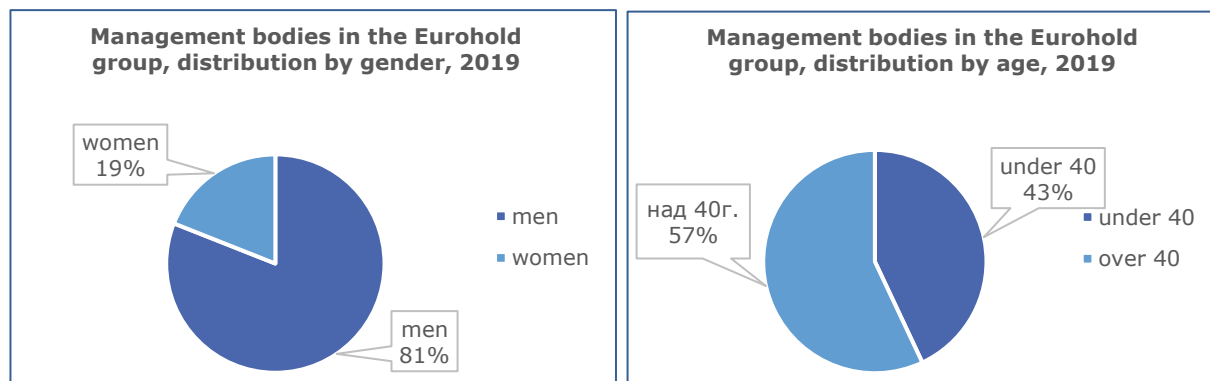
These principles also apply to the Supervisory and Management Boards and the Boards of Directors of the Group's subsidiaries and operating companies.

### Distribution of the governing bodies by gender and age

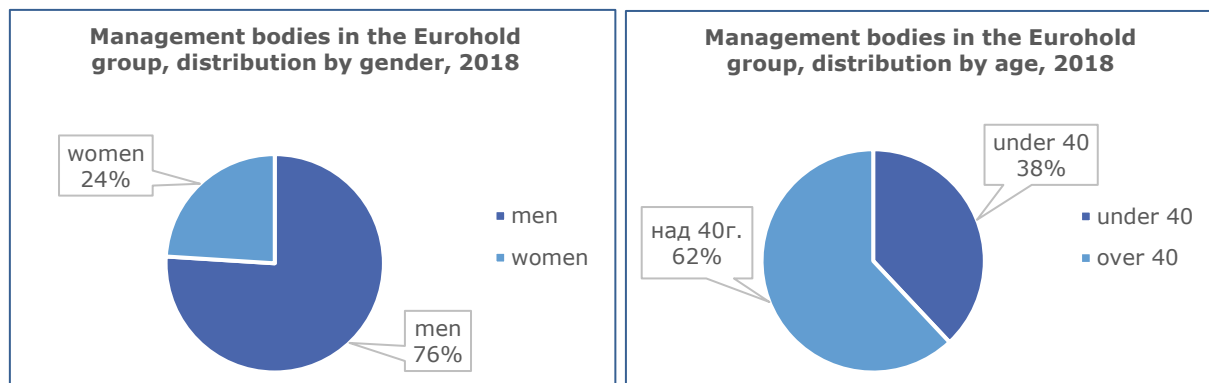
As of December 31, 2019, the companies of the Eurohold Group have elected 93 individuals as members of Supervisory and Management Boards, Boards of Directors and Managers, of which 75 are male and 18 are female. According to age distribution criteria, members with experience and professional qualification over 40 years predominate.

For comparison, as of the end of 2018, the companies of the Eurohold Group have elected 89 individuals as members of Supervisory and Management Boards, Boards of Directors and Managers, of which 68 are male and 21 are female. According to age distribution criteria, members with experience and professional qualification over 40 years predominate.

### Analysis of the members of the management bodies for 2019.



### Comparative analysis of the members of the management bodies for 2018.



### Regulatory specifics regarding the members of the Supervisory and Management Boards, as well as the Boards of Directors of the insurance sub holding companies and the investment intermediary.

Insurers in the group also do not have a formalized policy of diversity / diversity, but adhere to the principles of equality and provide equal opportunities, striving to achieve a gender balance in the management and supervisory bodies. The nominations and the election of representatives of the administrative, management and supervisory body (AMSB) must ensure that the members of the AMSB together have the appropriate qualifications, experience and knowledge at least for:

- insurance and financial markets;
- business strategy and business model;
- management system;
- financial and actuarial analyses;
- regulations and requirements.

All persons meet the conditions in accordance with the Articles of Association of the Company and the requirements of local regulations, and have sufficient professional qualifications and experience necessary to participate effectively in management.

The members of the Board of Directors of the investment intermediary Eurofinance are also subject to approval by the regulatory body, all of which meet the conditions under the company's Articles of Association and regulatory requirements, having sufficient professional qualifications and experience necessary to participate effectively in management.

## POLITICS

Eurohold Bulgaria SA and its subsidiaries have developed a huge set of policies and procedures, depending on the nature of the activity and regulatory requirements.

### Some of the policies and internal regulations developed and implemented at group level are the following:

#### ◆ Code of Ethics for the employees of the Group.

Its goal is to develop and establish standards of professional ethics. The document reflects the principles of correctness, honesty and integrity adopted in the group as guiding ideas and basic principles, as well as the highest requirements in relation to the personal and professional ethics of employees. The Code also addresses the issue of the prohibition on accepting and offering undue payments and benefits.

The managements of Eurohold Bulgaria and all companies in the holding structure respect the national legislation in the field of anti-corruption and in no way stimulate, support or encourage corruption schemes and practices. Ethical group standards are applied by all companies and in each country in which the group participates.

**◆ Policy to prevent conflicts of interest and to ensure confidentiality .**

It regulates the criteria for disclosing potential sources of conflict of interest and the principles for preventing conflicts of interest in the companies of the group, as well as the procedure for disclosing conflicts of interest and ensuring trust by policy makers in the specific the company.

**◆ Information security policy.**

Information security policy has the following main objectives:

- ▶ ensuring the confidentiality of information by applying approved restrictions on access and disclosure;
- ▶ ensuring the continuity of business processes and maintaining the integrity, accessibility of information during its storage and processing;
- ▶ minimizing information security risks;
- ▶ providing the necessary resources to maintain the information security management system (ISMS) and its continuous improvement and increase its efficiency;
- ▶ achieving accountability of information by introducing control over access and rights to information resources;
- ▶ awareness of employees about their responsibilities and obligations regarding information security.

**◆ Instruction on the conditions and methods of collection, processing, storage and protection of personal data.**

This instruction regulates the conditions and methods of collection, processing, storage and protection of personal data of employees and customers of the entire group.

All companies organize and take measures to protect personal data from accidental or illegal destruction, from unauthorized access, from alteration or dissemination, as well as from other illegal forms of processing. The measures taken are in line with current technological developments and the risks associated with the nature of the data to be protected.

The instruction aims to regulate the keeping, maintenance and protection of the registers storing personal data of the employees and customers of the companies of the Eurohold group, which are administrators of personal data within the meaning of Art. 3, para. 1 of the Personal Data Protection Act (PDPA) and are entered in the register of personal data controllers at the CPDP.

**◆ Remuneration policy**

Eurohold Bulgaria SA and Euroins Insurance Group SA, as well as the companies from the insurance group have developed and approved the Remuneration Policy approved by the respective competent authority.

The remuneration policy is designed to create a transparent and fair internal framework for the formation of remuneration of certain employees, which allows attracting, retaining and motivating employees to work to achieve the goals of the organization, in order to limit the taking of excessive risks and prudent management of the activity. The remuneration policy regulates the basic rules for determining the remuneration of persons who hold office as members of Supervisory Boards, Management Boards or the Board of Directors in connection with the exercise of their powers in the exercise of management and supervisory functions in the company; as well as to the persons holding a position as a head of a key function, within the meaning of the Insurance Code; as well as the remuneration of the persons holding managerial positions, outside the persons provided under Art. 80, para. 1 of the IC. The remuneration of the members of the Board of Directors is determined by the General Meeting of Shareholders.

At the moment the remuneration is fixed and has no variable character. The amount of remuneration is formed depending on certain principles set in the remuneration policy. By decision of the General Meeting and in case of certain financial results, the members of the councils may receive additional incentives.

**• Rules for the control and prevention of money laundering and terrorist financing**

The rules for control and prevention of money laundering and terrorist financing have been adopted in order to apply the best practices and in connection with Art. 16 of the Law on Measures against Money Laundering / LMML /, as well as Art. 9, para. 3 and 6 of the Law on Measures against the Financing of Terrorism / LFTA /. These rules establish the conditions and procedure for collecting, processing, storing and disclosing information related to the activity of control and prevention of money laundering and terrorist financing, determine precise criteria for identifying suspicious operations, transactions or counterparties and regulate the actions and responsibilities of the companies towards the clients, the transactions related to their servicing. The rules are intended to help create and implement a standard for refining and unifying the forms and content of current documentation for identifying customers and / or counterparties, collecting, storing, monitoring and reporting information on suspicious transactions and transactions throughout holding structure.



### 3. BUSINESS MODEL

Eurohold Bulgaria AD is a fast-growing holding organization developing both organically and through new acquisitions. Eurohold has investments in many subsidiaries divided into sub-holding structures from four sectors of the economy - insurance, automobiles, leasing and asset management. In 2019, Eurohold created another sub holding to operate in the energy sector, but currently this sector has no activity.

The business model built by Eurohold is based mainly on synergies and relationships between sub holding structures, through which subsidiaries create new innovative, competitive and combined products and services. A system has been created for continuous monitoring of consumer behavior and satisfaction in order to meet customer needs and expectations.

The internal model of work is based on the idea that each business direction to achieve independent financial profitability and cost optimization and to serve as a source of business for other areas.

The aspiration of the group is to offer products of different price class and this is most pronounced in the car sub holding, which offers cars of low, medium and high class both in terms of price and equipment.

The group can offer customers a one-stop-shop service for car sales, leasing and insurance, saving them time and providing them with profitable, attractive and innovative conditions based on combined products.

The group uses the highest technology by developing online platforms available on the company's websites, in order to care for customers, meet their needs, flexibility and accessibility to all our products and services. Thus, customers get the opportunity to choose and configure the level of equipment of the car and the conditions of its purchase, leasing and insurance package, depending on the set options of combinations.

The financial sector in which the group operates is most affected by the insurance sector and the asset management sector, new regulations are constantly being developed and introduced, and customer behaviour is changing rapidly.

To meet the new conditions and needs, the Group monitors the market environment in the sectors and countries in which it operates and continuously improves its business model and the way it delivers value to customers using the experience, product development and know-how of different countries. operates.

#### **Our business model gives the following opportunities to the group:**

- ***adequate risk management;***
- ***opening the market opportunities;***
- ***reduction of certain operating costs;***
- ***fast integration with newly acquired markets;***
- ***factor for innovation and modern unique products;***
- ***better consideration of social and environmental issues.***
- ***and environmental issues***

## *BUSINESS ENVIRONMENT*

Understanding the business environment in which a company operates is key to its business development. Monitoring market trends, assessing risks and development opportunities help us to adequately respond to challenges and create value for key stakeholders.

We know very well the business environment in which we work. Our companies have many years of experience in the sectors in which they operate. They rank between the top three and the top eight by market share in the respective country of registration. In all countries in which the Group has a stake, the market is very developed and innovative. The companies in the group are one of the leaders in the development of new products and online platforms.

### ***Clients, product / service development***

Eurohold Bulgaria SA does not carry out direct activities related to the development of products and services and customer relationships. This activity is developed by the subsidiaries and is aimed at developing new products to meet all the needs and requirements of consumers and customers of the products and services provided by the companies. Eurohold has organized its business in this way by creating the opportunity to develop unique products based on synergies and complementary proposals from sub holding structures to adequately meet the growing needs of its customers.

The Group's clients are both individuals and corporate individuals. Consumers rely on our experience, knowledge, skills and flexibility to offer them solutions that meet the latest requirements of society.

In 2019, the companies of the Group not only remained stable on the market, but also increased their market shares, which speaks of the trust of consumers and business partners.

The steady growth trend of the market positions of the Eurohold Group is due to our strategy to put customer needs at the centre of everything we do.

The operating companies of the group focus on excellent customer service according to their needs. A customer-oriented approach has been adopted in the organization and development of their client network in all countries in which they operate.

For the Companies of the group, each client is important and the desire of all employees to serve him well and to show that they think about him both in the short and long term stands out more and more. That is why we listen to our customers, constantly research their needs, try to anticipate both short-term and medium-term and long-term emerging needs to change our products and services and to develop and provide new offers on the market in time.

In this activity we are greatly helped by the established synergy business model of the group, in which all three sub-holdings - insurance, cars and leasing work together and create competitive and innovative products.

### **Competitive advantages of the Eurohold Group**

The companies from the economic group of the Issuer operate in a highly competitive and dynamic environment, with potential for development and opportunities for growth. In this regard, Eurohold Bulgaria SA has built a business model based mainly on synergies and relationships between sub holding structures, using different types of capital, through which companies create new innovative, competitive and combined products and services, while constantly monitoring consumer behaviour. meeting all the needs of stakeholders.

The natural connection between the businesses of the companies of the Eurohold group and their strong integration results in unique for the region competitive advantages over other market participants and in a constantly growing loyal customer base.

Over the years, Eurohold Bulgaria has become increasingly successful in integrating and optimizing its operations and complementary businesses, which provide significant opportunities for rapid growth of market shares of companies in the holding structure. The issuer and its companies with their clean 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 business strategy focused on the clients and the competitiveness of the Eurohold Group

- ◆ Maintaining a leading position in the region of Central and Southeast Europe in the field of insurance, leasing, car sales and investment intermediation and asset management;
- ◆ Promoting customer satisfaction and a diverse customer base by offering innovative and competitive products;
- ◆ Diversification of distribution channels in order to create multi-channel distribution of products, including a well-developed direct channel, as well as development of a customer service model;
- ◆ Promoting synergies and cross-selling in all business segments by centralizing and optimizing operations, marketing and business processes;
- ◆ Optimizing profitability by increasing sales volume, combined with optimizing inventory management;
- ◆ Expanding organically and through expansion of the markets in which it operates and increasing the market shares of each subsidiary;
- ◆ Retention of highly qualified managers and employees by providing opportunities for professional development and implementation of performance-based compensation schemes for key personnel;
- ◆ Establishing common goals in each business segment regarding the negotiation of better conditions for suppliers, advertising and participation in public tenders.

### Proximity to the customer

The process of improving the quality of customer service continues, thus the Group strives to generate satisfaction and trust.

The concept of customer service in order to increase customer satisfaction is concentrated in several basic principles:

- All clients who use the services of the Company are treated equally and fairly. The courtesy and kindness of the employees is stimulated.
- Open communication and providing complete information about the activities of the Company.
- Consulting with all stakeholders and promoting quality service.
- Introduction of customer feedback mechanisms and lessons learned from the comments made.

Based on the developed joint products between the three sub holdings insurance, cars and leasing, a high degree of savings in operating costs, advertising and marketing costs, staff costs, etc. is achieved, which in turn leads to the possibility of providing more profitable consumer and customer conditions.

### Regulated business environment

It can be said that the activity of the Eurohold Group is highly regulated, as almost all companies in the Group are either supervised or report to the local financial regulator through the consolidated financial statements of the sub holding company in whose assets they fall, and hence through the consolidated financial statements. of Eurohold Bulgaria SA.

- ◆ Eurohold Bulgaria SA as a public company within the meaning of LPOS, whose shares are registered for trading on the main market of BSE SA with stock exchange code 4EN and of Warsaw Stock Exchange (WSE) - Poland with stock exchange code EHG is a supervised person of the Commission for Financial Supervision.
- ◆ All subsidiaries of Euroins Insurance Group SA are subject to regulation by the regulatory authority of the respective country in which they are registered in compliance with all laws and regulations, regulations and ordinances concerning the insurance activity in the respective country. The insurance companies have a license issued by the regulatory body for carrying out insurance activity in which they specialize, respectively general insurance; life insurance; health insurance; reinsurance.

All insurance companies in the Issuer's group apply the new capital and risk management requirements applicable to Solvency II insurance and reinsurance companies.

- ◆ Sales of cars on the markets in which the Auto Union Group SA operates are not subject to licensing. The prices at which Auto Union SA sells cars depend on the agreement with the respective car manufacturer or importer. In order to carry out their activity, the car companies are dependent on the conclusion of a contract for exclusive representation or dealership..

The automobile sub holding Auto Union and its subsidiary Motobul EAD report regularly to the Financial Supervision Commission on the basis of non-consolidated and consolidated financial statements and activity reports and all other accompanying declarations and documents in their capacity as issuers of debt securities. admitted to trading on a regulated market, observing the requirements of the POSA. Operating car companies report to the regional dealer on sales and performance.

- ◆ The operating companies in Bulgaria of the leasing sub holding Eurolease Group, offering financial leasing, in their capacity as financial non-banking institutions, are subject to supervision by the Bulgarian National Bank, which is responsible for supervising compliance with the regulatory framework. Eurolease Group EAD and its Bulgarian subsidiaries Eurolease Group EAD and its subsidiaries in Bulgaria are also subject to regulation by the Consumer Protection Commission, the National Social Security Institute, the State Agency for National Security. Eurolease Group and Eurolease Auto report regularly to the Financial Supervision Commission on the basis of non-consolidated and consolidated financial statements and activity reports and all other accompanying declarations and documents in their capacity as issuers of debt securities, which issues are admitted to trading on a regulated basis. market, complying with the requirements of LPOS.

Eurolease Auto EAD Skopje is subject to supervision by the Ministry of Finance of Macedonia, as the company is licensed by the Ministry of Finance under the Leasing Act, and is obliged to submit regular reports to the National Bank of Macedonia.

- ◆ Euro-Finance AD is a licensed investment intermediary operating in accordance with the legislation of the European Union (EU). EURO-FINANCE is a supervised person of the Financial Supervision Commission, as a regulator exercising control over the activity of investment intermediaries in Bulgaria. Euro-Finance SA is licensed and regulated by the Financial Supervision Commission. He is a member of the Bulgarian Stock Exchange SA and the only Bulgarian member of the Deutsche Börse Group and is registered to perform investment intermediation activities in Germany.

The company is also licensed to operate as an investment intermediary in the UK and Romania. Euro-Finance AD is regulated by European legislation, as the company is a member of a number of institutions, exchanges, associations and unions.

As a licensed investment intermediary in an EU country, Euro-Finance SA fully complies with the regulations and requirements related to transactions in financial instruments within the EU - MiFID.

### *Business environment of Insurance direction*

The insurance sector is one of the sectors in the economy that is developing extremely dynamically and in the last few years is characterized by several specifics:

- ◆ Growth trend in revenue from recorded gross premiums;
- ◆ High degree of market concentration;
- ◆ Entry of new market participants;
- ◆ Consolidation of the market through mergers and acquisitions;
- ◆ Concentration of insurance portfolios;
- ◆ Distribution channels are dominated by insurance brokers;
- ◆ Enhanced role of the regulator.

### **Our participation in the insurance markets in which we are present**

#### **Insurance market in Bulgaria - through Euroins Insurance Company SA**

Euroins Bulgaria is a dynamic company that has been constantly expanding its activities in recent years. In 2019 the Company reports an increase of 41% in gross written premiums, the main reason for this is the organic growth in direct insurance both in Bulgaria and in Greece, through a branch operating in early February 2019 and Poland, in accordance with the principle of freedom to provide services within the European Union. There is a continuous improvement in the quality of services in these countries, relying on increasing the partner and customer network of the Company, improved IT capabilities and opportunities for market analysis and segmentation.

Growth is also marked by all major non-motor lines such as Accident and Illness (91%), Cargo (14%), Agricultural Insurance (25%), Liabilities (11%). Motor third party liability insurance and a green card increased by 41% and motor hull insurance by 12%. The growth in motor third party liability insurance and a green card is due to the increase in their price in Bulgaria and the increase in the number of policies taken out in Greece and Poland.

Net premiums earned in 2019 increased by nearly 18% compared to the previous year. The resulting claims, net of reinsurance, are also growing, the main reason being the growth of the business and the maintenance of a high level of customer service and the disabled.

There is a decrease in administrative costs compared to the same period in 2018 by 4%. The main administrative costs are related to the growth of the business itself.

IC Euroins AD reports profit before taxes and intra-group eliminations in the amount of BGN 6,289 thousand.

The good financial condition is also confirmed by the rating agencies with which EIG and its subsidiaries work. In 2018, Fitch Ratings awarded ZD Euroins SA Insurer Financial Strength Rating "BB-" with a stable outlook. Separately, BCRA, the Credit Rating Agency, reaffirmed in January 2019 a long-term rating for the payment of claims BBB- with a long-term stable outlook.

As of February 2019, ZD Euroins SA - Greece Branch is already officially operating and has a license to record both motor business and property insurance and Accident and Travel Assistance insurance.

### **Life insurance market in Bulgaria - through Euroins Life EAD**

As of December 31, 2019, 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:

- ◆ Life insurance and rent;
- ◆ Marriage and child insurance;
- ◆ Life insurance related to an investment fund;
- ◆ Additional insurance.

In 2019, the gross premiums written by the Company increased by 30% compared to the previous year.

Euroins Life is reviewing the company's current products, while the company now offers new life insurance products on the market, including online sales solutions. In 2019 the Company will start new partnerships with non-financial credit companies for fast online loans. However, these initiatives are still in their infancy and their positive effect on the portfolio is yet to be seen. Due to this reason, the Company realized a loss for group purposes in the amount of BGN 437 thousand in 2019.

### **Reinsurance market in Bulgaria - through EIG Re EAD**

The strategy of the management of Euroins Insurance Group and EIG Re is for the Company to continue to develop as an active reinsurer. The foundations were laid in the previous 2017, when the first proportional and disproportionate reinsurance contracts were concluded. In 2018, a number of projects were initiated, which continue this year in order to analyze the development potential of EIG Re and as an internal reinsurer for Euroins Insurance Group, thus optimizing the overall reinsurance program of the Group. One of the starting points of these projects was the possible participation of EIG Re as an internal reinsurer in the optimization of the capital requirements of the Group and its subsidiaries in the light of Solvency II.

For the twelve months of 2019, EIG Re has recorded premiums of BGN 2.7 million. The profit before taxes and intra-group eliminations amounts to BGN 750 thousand.

In December 2018, Fitch Ratings, taking into account the expected strategic importance of EIG Re as an internal reinsurer for Euroins Insurance Group, awarded the Company Insurer Financial Strength Rating "BB-" with a stable outlook.

### **Insurance market in Romania - through Euroins Romania Insurance-Reinsurance SA**

Euroins Romania is among the five largest insurers in the Romanian insurance market and is among the leading non-life insurance companies in recent years. The company continues to strengthen its position as a stable and fair company, focused on customers, which manages to operate profitably and in full compliance with the requirements of Solvency II, in a highly competitive environment such as Romania.

In 2019, Euroins Romania reports gross premium income of BGN 529.9 million compared to BGN 425.5 million in 2018. In 2019, Euroins Romania pursued a policy of maintaining insurance prices and not entering risk segments or sales of Civil Liability to motorists with monthly or quarterly coverage. An increase of 25% was reported in motor third party liability insurance and a green card. The main non-motor lines also marked a significant increase: Liabilities (15%), Accident and illness (31%), Property (14%).

The claims arising, net from reinsurance, increase as a result of an increase in payments on claims, the reasons for which are the high prices of services and tariffs in connection with the provision of replacement cars for the time of service, as well as the increase in the number of new claims. damages, which is a result of the increased number of concluded policies and the increase in the frequency of damages. In 2019 the Company continues to invest in its own centers for damage inspections, as well as in a general change of the strategy and the way of liquidation of damages in order to improve customer service and disabled persons and guarantee a high level of satisfaction with the Company's services.

Acquisition costs increased by 25%, but this is fully explained in view of the increase in net premiums earned by 14%. Almost 98% of all gross premiums written in 2019 were concluded through brokers.

There is also a slight increase in gross commissions. Administrative expenses marked a minimal increase of 2% compared to 2018. In 2019, there is a decrease in the costs of external services and other costs, but at the same time an increase in depreciation costs, as a result of the application of IFRS 16 from January 1, 2019. At the same time, a number of management initiatives are underway, optimization of a number of processes related both directly to the administrative management and to processes that are yet to yield results in activities such as sales, claims elimination and internal controls.

The result for Euroins Romania for group purposes is a loss of BGN 1,666 thousand before taxes and intra-group eliminations.

In 2018, Fitch Ratings confirmed the Insurer Financial Strength Rating "BB-" awarded a year earlier with the prospect of Stable.

### **Insurance market in Northern Macedonia - through Euroins Insurance SA, Northern Macedonia**

Euroins Macedonia is an established and stable company with a diversified portfolio and stable financial indicators. This year is the next year in which gross written premiums increase (this year by 21%), as the main lines of business that contribute to this are: Cargo by 3%, Motor Third Party Liability by 6%, Accident and Illness by 8 %, Liabilities with 5%, Casco with 9%. The company continues to strengthen its position in Agricultural Insurance, where the recorded business has increased by 112% compared to 2018.

In 2019, administrative expenses increased by 12%, but related to net earned premiums a decrease of the coefficient of 0.4%. The increase is mainly due to the increase in the costs for external services.

Profit for group purposes amounts to BGN 1,616 thousand. before taxes and intra-group eliminations.

### **Ukrainian insurance market - through Chad ZK Euroins Ukraine**

In 2019 the Company reported gross written premiums amounting to BGN 17 million, which is an increase of 7% compared to the previous year. Nearly 26% of the recorded business is non-motorized. Motor third party liability insurance and a green card increased by 19% compared to the previous year, while Casco insurance retained the volumes from 2018. The non-motor business also grew: "Accident and illness" by 29%, "Responsibilities" by 5%. However, due to the investments in the expansion of the distribution network started in 2018 and the increase in damages due to the increased business, Euroins Ukraine reports a loss before taxes and intra-group eliminations of BGN 1,097 thousand. for group purposes, which nevertheless represents an almost twofold reduction in the loss compared to the previous year. Management has already taken action as part of an overall action plan that aims to significantly improve by mid-2020 through new liquidation processes, new fraud prevention and risk management measures.

### **Ukrainian insurance market - through Chad European Tourist Insurance**

European Travel Insurance is one of the largest travel insurers in Ukraine, and is also the only company in the country specializing in this type of insurance products. The company relies on innovative products offered through extremely well-developed sales channels.

In 2019, the Company recorded premiums totaling BGN 21.5 million. In 2019 the Company reports a profit of BGN 4 million. before taxes and intra-group eliminations.

### **Georgian insurance market - through ZK Euroins Georgia SA**

The acquisition of Euroins Georgia is part of the strategy of Euroins Insurance Group for development in the region, where the markets have huge potential for growth. In the case of Georgia, this is mainly due to low insurance penetration, positive regulatory changes and the expected introduction of mandatory liability to third parties for motor insurance and those related to construction and installation risks.

Euroins Georgia Insurance Company specializes in Accident and Illness Insurance. In 2019, they are 30% of the Company's portfolio, and the rest is distributed between Motor Third Party Liability, Casco, Property, Agricultural Insurance, Cargo and Liabilities. The total amount of written premiums in 2019 is BGN 9.9 million. In 2019 the result for group purposes is a loss of BGN 498 thousand. before taxes and intra-group eliminations.

### **The Greek insurance market - through Chad European Travel Insurance**

In 2018, Euroins Insurance Group SA acquired 66% of Euroins Clames IKE, a company in Greece, established to administratively service the liquidation of insurance claims arising from policies issued by Euroins SA, Greece branch. The amount of the investment is BGN 6,000. In 2019 Euroins Insurance Group SA acquired the remaining 34% of the Company as of December 31, 2019. owns 100% of the capital.

### **The key factors influencing the insurance market in Bulgaria**

In its development strategy, Euroins Insurance Group concentrates its efforts in several directions for the development of the Euroins Group, which will maintain and guarantee the stability of the insurance group as a representative and as a participant in the Bulgarian and European markets in the long run. The focused efforts are in the following activities:

- ◆ product portfolio and subscription activity;
- ◆ acquisition and distribution channels;
- ◆ improving the quality of damage service;
- ◆ achieving cost efficiency and effectiveness;
- ◆ data security, IT development and innovation;
- ◆ maintaining stable prudential indicators, in accordance with Solvency II;
- ◆ adequate reinsurance program;
- ◆ prudent investment and capital management;
- ◆ adherence to good practices for corporate governance and comprehensiveness in the disclosure of financial and business information of the Company.

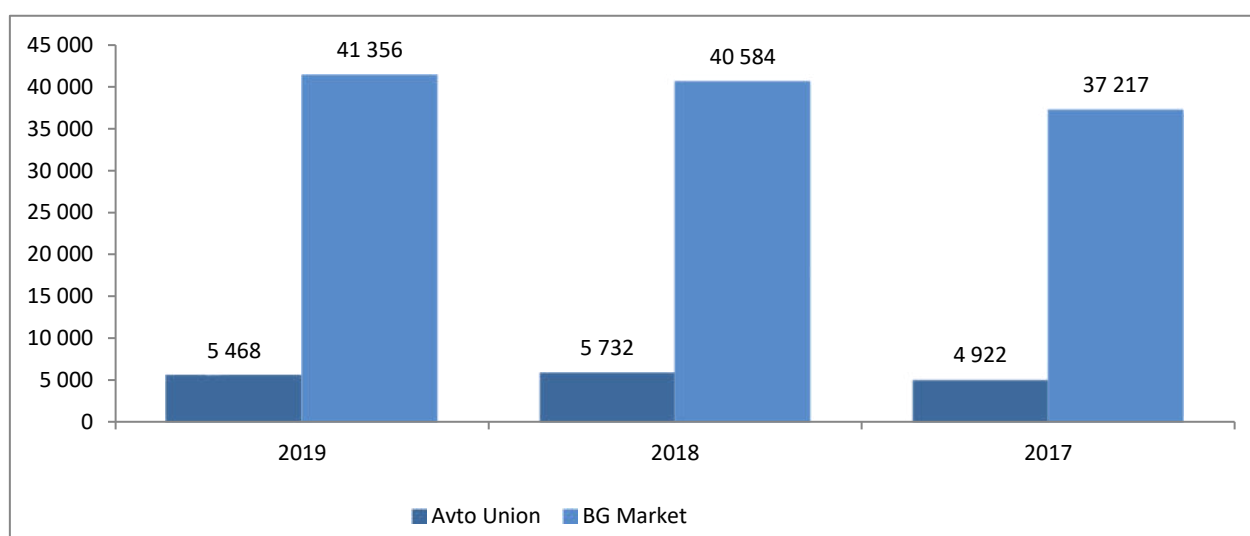


### **Business environment automotive direction**

Auto Union unites companies that are importers and dealers of new cars (cars, trucks, motorcycles and industrial machinery); service centres; official importer of lubricants Castrol and Orlean Oil, wholesale and retail of fuel.

#### **The Bulgarian car market**

For the period ending on 31.12.2019, the sales of new cars and vans, realized by Auto Union - the automobile holding in the group of Eurohold Bulgaria, amount to 5,468 units compared to 5,732 units sold during the same period of 2018, which represents a decrease of 4.6%. According to the Union of Car Importers in Bulgaria, the market of new cars and vans for 2019 increased by 1.9% compared to the same period in 2018. This fact should not be considered worrying, as the Group has realized less in number, but on the other hand more expensive (i.e. generating more revenue) cars. Revenues from sales of cars, spare parts, oils and fuels increased by 6.6% or BGN 13.9 million, while those from sales of services decreased by 1.9% or BGN 166 thousand. Total Revenues from sales contracts increased by 6.3%, which represents an increase in absolute terms equal to BGN 13.7 million.

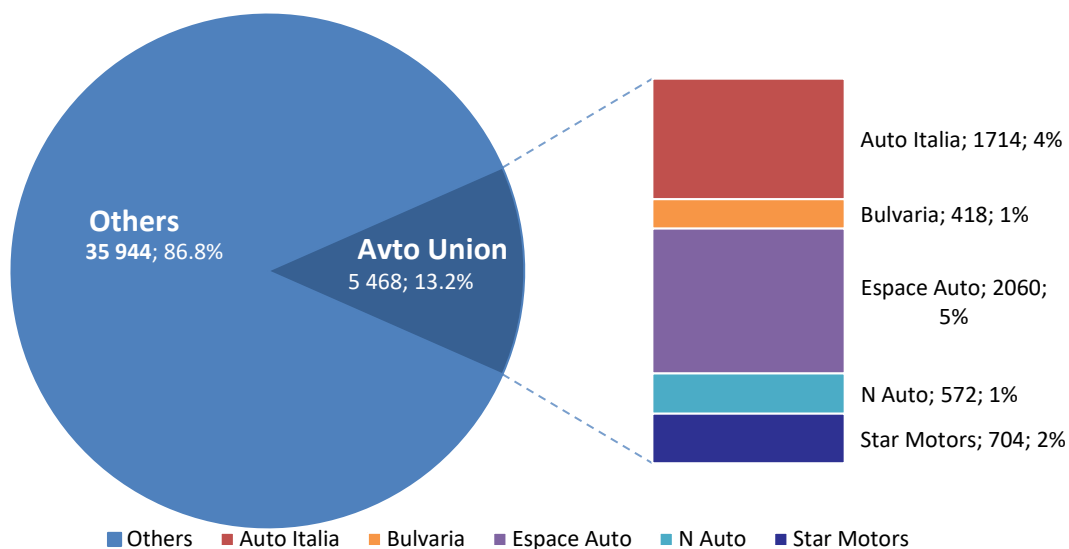


***Sales of new cars of Auto Union for 2019 compared to those on the Bulgarian market, number - comparison for the last 3 years***

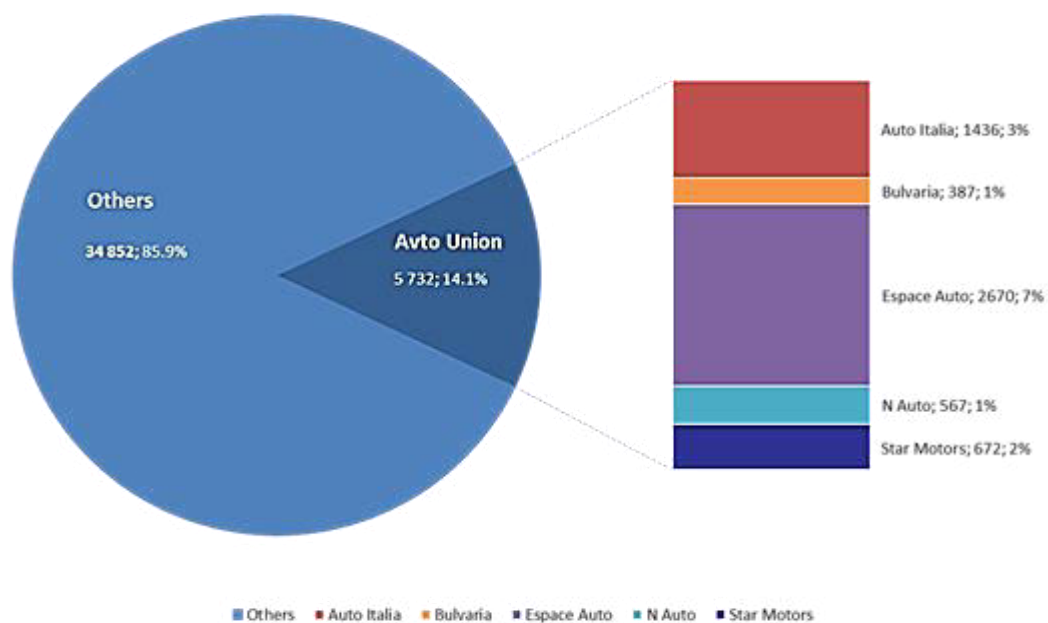
**Source:** *The Association of Automobile Manufacturers and Their Authorized Representatives in Bulgaria "(AAP)*

During the reporting period, Opel recorded a growth of 10.6% for Sofia and maintained its sales for Varna. Espace Auto Ltd. marked a decline in sales of both its brands compared to 2018 - by 25.4% at Renault and by 20.5% at Dacia. At N Auto Sofia EAD there is an increase in sales of 1% for Nissan cars. Auto Italia EAD increased its sales at FIAT by 22.2%, while at the same time reduced its sales at Alfa Romeo by 12%. In the car brand Maserati, Auto Italy recorded a decline of 43.5%. Star Motors saw a 5% increase in sales of new Mazda cars compared to the same period last year.

**Market share of Avto Union and its subsidiaries for 2019.**



**Market share of Avto Union and its subsidiaries for 2018.**



In the last few years, we have seen a steady trend of recovery in sales of new cars.

The issue of harmful emissions from cars is being commented on more and more, in this connection in Bulgaria the application of incentives for electric and hybrid cars has started.

In large markets in Western Europe, there is a decline in sales of new diesel cars at the expense of gasoline and electric. This trend is expected to affect the market in Bulgaria in the coming years.

In 2019, Auto Union is second in terms of market share of new cars sold - 13.2%, according to UAB. In 2018, Auto Union also ranked second with a market share of 14%.

### **The key factors influencing the car market in Bulgaria**

Although the automotive market generally has no legal or administrative barriers to entry, significant investment in infrastructure and working capital is required to conduct competitive and profitable operations. Profitability is often achieved only after the sale of a large number of cars. Achieving the necessary levels of sales in turn is a challenge, especially for marginal regional players and especially in a market environment of shrinking sales and selective buyers. As a result, the automotive market will continue to be dominated by leading integrated players of several brands that have their own established sales network.

In general, market competitiveness is determined by pricing and offering discounts.

In order to improve its competitive position, Auto Union SA focuses on:

- ◆ increase in car sales and follow-up services offered, namely repair and service;
- ◆ expanding the portfolio of offered brands and models of cars;
- ◆ continuous monitoring of market trends, sales and customer requirements for various services, in order to improve the quality and scope of the activities offered and customer satisfaction.

### **Business environment of the leasing division**

#### **Leasing market in Bulgaria**

The main activity of Eurolease Group EAD is the provision of leasing services in respect of new and used vehicles, including cars and vans, to small and medium enterprises and individuals. Eurolease Group EAD also sells used cars and offers rental cars.

#### **Financial leasing**

On the territory of Bulgaria this market is highly competitive, as of 31.12.2018 there are 46 active companies that offer the financial leasing service.

#### **The Bulgarian leasing market at the end of December 2019.**

The receivables of leasing companies under financial and operating leases at the end of December 2019 amounted to a total of BGN 4.293 billion (3.6% of GDP) compared to BGN 4.038 billion (3.7% of GDP) at the end of December 2018, of which:

- Financial leasing receivables amounted to BGN 4.075 billion at the end of the fourth quarter of 2019, increasing by 6.9% on an annual basis (BGN 262.5 million. Their share in the total amount of leasing receivables increased from 94.4 % at the end of December 2018 to 94.9% at the end of December 2019. Receivables from financial lease agreements for passenger cars amounted to BGN 1.631 billion at the end of December 2019. They increased by 12.8% (BGN 185.5 million). .) on an annual basis and by 2.7% (BGN 43.1 million) compared to the end of the third quarter of 2019. Their relative share increased from 37.9% at the end of December 2018 to 40% at the end of the same month on 2019. At the end of the fourth quarter of 2019 on an annual basis they increased by 6.3% (BGN 254.8 million), and compared to the end of September 2019 - by 0.5% (BGN 19.3 million).
- operating lease receivables at the end of December 2019 were BGN 218 million, decreasing by 3.4% (BGN 7.7 million) on an annual basis and increasing by 2.1% (BGN 4.4 million) compared to the end of December 2019. the third quarter of 2019.

In the last three years, the market has been characterized by declining interest rates and increased price competition between its participants. Leasing companies, part of banking groups, are dominant. The other main participants are companies, part of the structures of car dealers (captive leasing) and independent leasing companies.

#### Results of the activity of Eurolease Group for 2019.

The consolidated revenues of the Eurolease Group are formed by the various business lines of the leasing subholding, namely: revenues from financial and operating leasing, short-term car rental and sale of used cars, and for 2019 the following change is observed:

- Financial leasing - Revenues from this area increased as a share of the total revenues of Eurolease Group EAD, reaching BGN 8,392 thousand (growth of 31.45% on an annual basis);
- Operating lease - the amount of revenues from operating lease for 2019 is BGN 6,989;
- Short-term rent - the amount of revenues marked a slight decrease by 1.51% compared to the previous period, respectively the share of this business in the portfolio of Eurolease Group EAD decreased;
- Sale of used cars - the relative share of revenues from the sale of used cars remains almost unchanged. In absolute value they amount to BGN 2,273 thousand.

The companies in the Group focus on offering flexible products to their customers, as well as on the speed of the service process. The goal of our employees is to find an individual solution for each client, taking into account its specifics and requirements. In this regard, we consider the following characteristics of the work process to be our strong competitive advantages:

- ◆ Possibility for a closed cycle of the process of buying and servicing the car.
- ◆ As part of the holding company Eurohold Bulgaria SA, the companies within Eurolease Group SA are in strong and continuous interaction with the other companies.
- ◆ Opportunity to buy an old car from Autoplaza EAD. Apart from being a dealer of used cars with proven origin, the Company also stands out as a key factor in generating a leasing business. The company offers the purchase of an old car to the client, the value of which may cover the initial costs of concluding a new lease.
- ◆ Digitization of processes. In 2019 launched an initiative for the implementation of the possibility for digital signing of documents necessary for review, approval and conclusion of a leasing transaction.
- ◆ Individual approach to the client. The companies in the Group have always maintained the principle of individual treatment of each client. In addition to the usually established parameters for a credit transaction, each client has the opportunity to receive an individual offer tailored to his needs, property status, previous credit history, additional collateral offered, etc.

#### **The key factors influencing the leasing market in the car segment are:**

- ◆ Volume of sales generated by dealers of new and used cars;
- ◆ Price of the offered financing to the end client;
- ◆ Creating sustainable partnerships with suppliers and developing joint leasing products;
- ◆ Quality of the provided service, as well as additional services that create added value for the client.

The financial leasing market is highly sensitive to the volume of car sales and the cost of financing.

The strong competitive environment creates risky preconditions for changing the criteria for financing by leasing companies. This in turn would increase the likelihood of a change in the amount of overdue or non-performing receivables.

## Car rental services

According to unofficial data, the market currently supports about 15 thousand cars leased under operating leases and 3 thousand cars servicing 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-term and long-term car rental.

The main users of the car rental service in Bulgaria are foreigners visiting the country for tourism or business. As far as operating leasing has gained popularity among individuals and small companies in the last few years, a significant part of the clients of this service remain large companies, often branches of international companies.

### ***The key factors influencing the market of operating leases and car rental services :***

- ◆ Number of foreign tourists visiting the country;
- ◆ Easy access of end customers to car rental offers;
- ◆ The need to renew the fleet of consumers on operating leases;
- ◆ Final price of the provided service;
- ◆ Quality of the offered service

The market for operating leases and car rentals is mainly influenced by the number of potential customers that companies can attract. In contrast to the financial leasing market, the operating lease and car rental markets are not so strongly influenced by price. Consumers are willing to pay a higher price in order to receive high quality service.

Car rental services are also influenced by innovations in the technology sector. In the last few years, the number of bookings made via mobile devices has increased significantly.

## Sale of used cars

Globally, the car market is one of the main economic indicators for the development of a particular country. The reason for this is that the mobility of people and goods is very important for the economy. Bulgaria is one of the first places in Europe in terms of the number of registered cars, compared to the population - over 3.7 million cars. However, statistics show that just over 40% of all registered cars are over 20 years old, and only 5% are under 5 years old.

The mix of second-hand cars offered consists of those used by companies under 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 over 10 years. The market is characterized by a large number of small participants in it. Customers of used cars are diverse in their gender, age, social affiliation, etc. The most serious risks when choosing and buying a used car are the quality of the car and its service history.

### ***Key factors influencing the sales of used cars:***

- ◆ Need to renew vehicles over 20 years of age;
- ◆ The availability of information about the origin and service history of the offered cars;
- ◆ The balance between price and technical condition provided by the supplier

The used car market is most sensitive to the latter factor, due to the fact that the purchase of a second-hand car is dictated by the consumer's desire to achieve maximum benefit at a reasonable price.

The companies in the structure of Eurolease Group are active participants in the markets in which they operate. In order to be up to date with current trends and to be at the service of their customers, companies are constantly monitoring market signals that indicate both opportunities for development and likely threats.

In terms of technological development, the leasing group strives to follow market trends and in this regard in 2018 began updating and / or building entirely new online platforms to update the vision and message of the group while being easy to use via mobile devices . The renovation of the platforms was fully completed in 2019.

## *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 through its EFOCS platform, as well as to the Frankfurt Stock Exchange - Deutsche Börse Xetra.

Euro-Finance SA offers a wide range of investment products - stock trading, fixed income instruments, derivatives, FOREX transactions, contracts for differences (CFDs), repo transactions and more. Euro-Finance SA maintains long-term relations with a number of international financial institutions. The company is the first Bulgarian licensed investment intermediary, a full member of the Frankfurt Stock Exchange.

As an investment intermediary, Euro-Finance SA offers its clients activities such as brokerage services, asset management, investment banking, consulting on mergers and acquisitions, and other investment services for corporate and institutional clients.

Euro-Finance SA offers individual portfolio management, mainly to individual and institutional investors based in Bulgaria. These portfolios are based on the risk characteristics of the client and the structure of the assets, which are actively managed by the company in accordance with the specific needs of the client, and these assets usually include investments in shares, bonds, alternative investments and cash.

### **Overview of the Bulgarian market**

Along with banks, EU capital markets comprise several thousand small and large investment firms that advise their clients, help companies take advantage of capital markets, manage assets and provide market liquidity, thus facilitating investment across the EU.

The Bulgarian capital market is still small, but nevertheless it has developed and is now mature. In recent years, the legislation has changed several times and is currently in line with European directives. On January 3, 2018, a new legal framework in the field of markets for financial instruments MIFID II entered into force in Bulgaria, which will be applied on the territory of the European Union (EU).

The number of transactions on a regulated market for the past year is 44,167 and marked a decrease of 19% compared to 2018. The turnover of the stock exchange last year amounted to BGN 333,573,998, which is 39% less than the previous year. Despite the reported declines in certain indicators, there is a tendency to increase the capital raised through the stock exchange, as in 2019 the companies have raised funding amounting to BGN 329,798,641, which is more than twice as much as the previous year, the BSE reported.

As of the date of this report, there are 65 active investment intermediaries on the Bulgarian market, including 23 banks and 44 non-bank financial institutions. According to the statistics published by the Bulgarian Stock Exchange, Euro-Finance SA ranks third in terms of turnover on the BSE in 2019, and in 2018 was ranked second.

## 4. STRATEGY FOR CORPORATE SUSTAINABILITY AND SOCIAL RESPONSIBILITY

### **Corporate sustainability**

Sustainability for us means that we are able to meet the expectations of all stakeholders, not only today but also in the future.

We understand sustainability as a holistic approach that combines the three pillars of environmental, social and economic sustainability, focusing on long-term financial performance and strict risk management in order to achieve sustainable management of both growth and the ability to meet the needs of society in future.

Investing in long-term value creation means not only having the right idea of who and what affects our business, but also how our business affects everything around us.

Our sustainability strategy is based on our corporate culture and the contribution of our employees. It is essential for gaining, maintaining and increasing trust in our business, our companies and the group as a whole, which helps us become a "leader" in the main markets in which we operate.

#### **Our corporate strategy focuses on the five pillars of our sustainability:**

##### **- BASIC BUSINESS**

**We focus on the long-term stability of our group, thus striving to achieve sustainable and profitable growth;**

##### **- CLIENTS**

**We put our customers at the center of everything we do to offer them a unique product that addresses their needs and protects their interests;**

##### **- EMPLOYEES**

**Corporate culture, motivation and commitment, a sense of equality, support for diversity are important factors for the Group's long-term success;**

##### **- COMMUNITY**

**We take responsibility for all stakeholders, society and local economies, tailoring our personal multicultural image and mix to the specifics of local life, business and economy.**

##### **- ENVIRONMENT**

**We treat the environment responsibly;**

Our corporate sustainability and accountability strategy supports good disclosure practices as a tool for achieving market discipline and transparency of successful business practices. It is a key factor for achieving trust in clients and investors, a basis for achieving a fruitful corporate environment and employee engagement and the image of the EUROHOLD brand.

## **Corporate social responsibility**

Eurohold Bulgaria AD has imposed the group policy for social responsibility in the holding structure, to which all companies from its economic group adhere.

The constant efforts to improve the economic environment through an open dialogue with stakeholders and the active contribution of the companies from the Eurohold economic group in society are the essence of group corporate responsibility. The group is convinced of the importance and benefits of corporate responsibility, which is related to the protection of people, their well-being, and environmental protection.

All companies in the holding structure support the implementation of the principles of corporate social responsibility in their activities, realizing that their long-term development depends largely on it.

### **Corporate responsibility is realized through the following actions:**

- ◆ Dialogue with stakeholders through actions and initiatives that identify problems and promote appropriate solutions;
- ◆ Improving corporate governance to ensure the transparency of the entire organization. We value proactivity and innovation as a valuable resource for ensuring group competitiveness;
- ◆ Caring for the environment focused on climate change and contributing to sustainable growth. The prudent handling of the resources provided to us is an important measure of our concern for the environment;
- ◆ Care for employees as a valuable resource and basis for achieving the goals of Eurohold;

The group strives to provide excellent working conditions, to stimulate active internal communication. Social benefits are part of the motivational program with which we try to ensure the care and recognition of people. Their safety and satisfaction are of great importance to us;

- ◆ Strict compliance with legislation along with the application of standards, policies, internal rules and procedures.

### *Significance of significant topics for the group*

The Group Eurohold has been publicly disclosing non-financial indicators on a consolidated basis since 2017, in accordance with the requirements of the Accounting Act. With each subsequent reporting period, the reported and analyzed indicators are upgraded. In the diverse and constantly growing economic structure of Eurohold Bulgaria AD as of 31.12.2019 there are 38 operating companies within 10 jurisdictions - inside and outside the European Union. For the Group it is essential to build a sustainable multicultural environment, sharing common values and vision, consistent with the differences of local life, culture and economy, but based on equality, non-discriminatory practices and last but not least, adequate identification of important topics in individual areas of operation, compared to the events reported in the disclosed financial period. The companies are united in four sectors - insurance, automotive, leasing and financial services (investment intermediation and asset management). The diverse activity, as well as the location in different countries - inside and outside the European Union, determine different regulatory regimes for individual companies. The group supports initiatives to multiply the effects of added value through the transfer of good practices, know-how and effective interaction, both top-down and bottom-up.

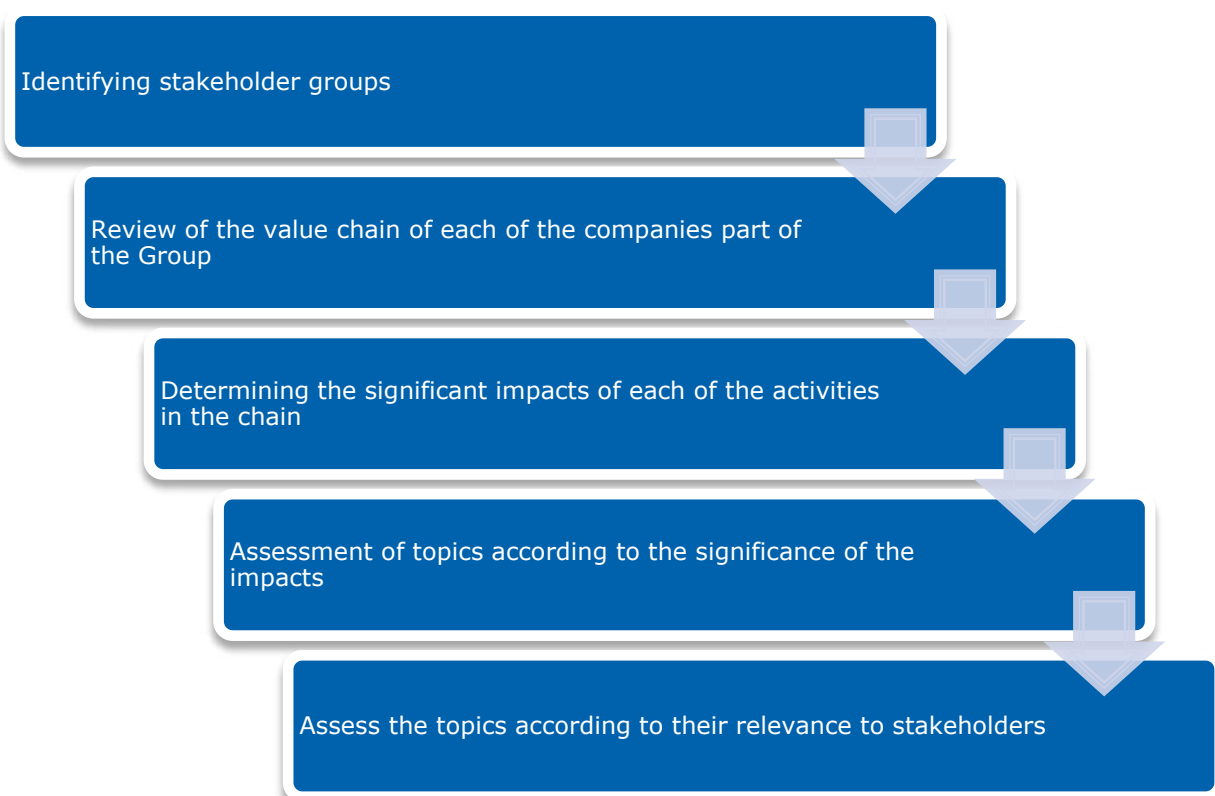


With the constant growth and dynamic development of the Eurohold Group, we consider it a challenge to build, maintain and constantly upgrade our corporate culture of which every employee knows that he is a part and feels empathy. For its part, Eurohold Bulgaria every year upgrades the processes of research and analysis of significant topics and indicators showing the progress of the set goals, striving for more accurate and quality disclosure of information aimed at the interests of individual stakeholder groups.

In 2020, the Group plans to use a more comprehensive approach in the analysis of the materiality of significant topics, as an integrated part of a project to review the effectiveness of intragroup reporting processes, which will cover both specialists from Eurohold Bulgaria and other key and management positions throughout the group. The planned actions cover:

- ◆ The establishment of a system for evaluation of indicators for more complete and accurate definition and reporting of the set goals, in relation to the interests of individual groups of stakeholders and in direct connection with the impact of the organization on economic, social and natural issues.
- ◆ Efforts will be focused on more extensive research and analysis of important topics and impacts for the Group and for stakeholders, which will include subsequent analysis of risks at the company / sub holding level, and planning of risk minimization measures.
- ◆ It is also planned to report on the cross-effect of topics, risks and measures on individual stakeholder groups. The analysis, the sequence and the individual elements of the process will ensure the receipt of timely, accurate and focused on the real public interest information.
- ◆ Given the diversity in the Eurohold Group in terms of business and location, individual companies / sub holding structures, separate subgroup topics can be identified according to the management's vision, which subsidiaries to support depending on the specifics of the activity and local regulatory requirements and objectives. of the local community.

The main mechanism for determining the materiality of significant topics applied by the Eurohold Group is according to the sequence shown below.

**Process in analysing the significance of significant topics:**

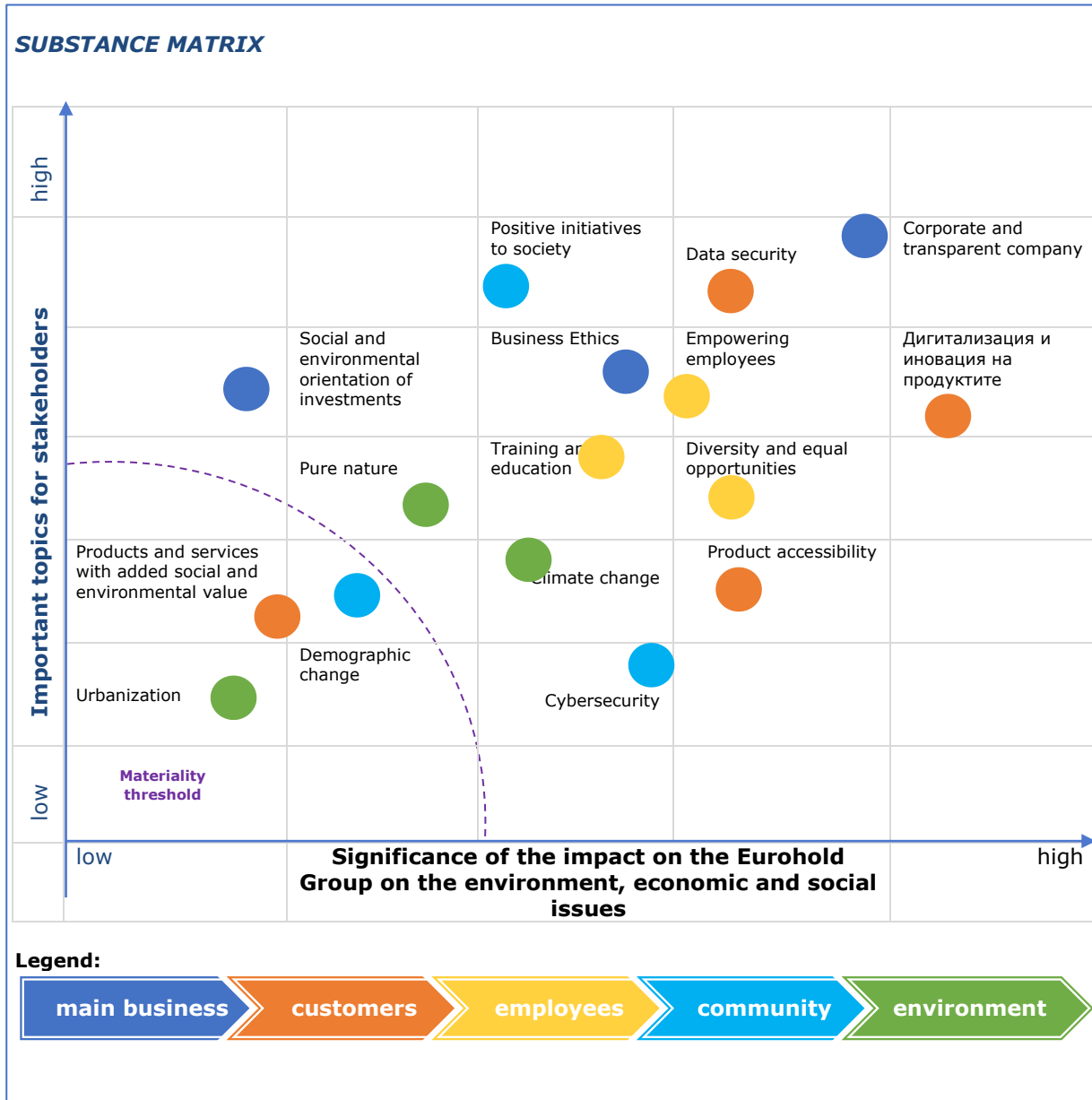
Based on the results of the analysis, the significant topics at the sub-holding level are first summarized and then those for the whole Group are determined. With this consolidated declaration, Eurohold Bulgaria does not limit the ability of the companies in the Group to identify and disclose their own topics, in accordance with the activities and regulatory requirements of the company.

The materiality of the topics is perceived as important for the success and achievement of sustainable development not only of the business of the companies in the Eurohold Group, but also the sustainable growth of the socio-economic and social relations, of which the Group is an integral part. Trust in our stakeholders is paramount to sustainability.

**Materiality matrix**

Determining the relevance of relevant topics is an in-depth approach that first identifies the critical economic, environmental and social aspects that could have a significant impact on each Eurohold economic group company, its business results and therefore its long-term value creation. . The next step is to consolidate the results and identify the key topics for the whole group.

The matrix below presents the currently identified significant topics at the Eurohold Group level (valid for the whole group).



The materiality analysis is aimed at identifying elements of the social, management and environmental (ESG) that have a significant impact on the Group's business processes and results, as well as the ability to create value in the long run. The materiality matrix provides an insight into internal needs and the needs and expectations of stakeholders. It helps us to assess the opportunities for development of our business and to determine the risks associated with them.

**Eurohold Group identifies its potential engagement themes based on the 17 UN Sustainable Development Goals (SDGs).**

	<b>OBJECTIVE 1: WITHOUT POVERTY</b>		<b>OBJECTIVE 2: ZERO HUNGER</b>
	<b>OBJECTIVE 3: GOOD HEALTH AND WELL-BEING</b>		<b>OBJECTIVE 4: QUALITATIVE EDUCATION</b>
	<b>OBJECTIVE 5: GENDER EQUALITY</b>		<b>OBJECTIVE 6: CLEAN WATER AND SEWERAGE</b>
	<b>OBJECTIVE 7: AVAILABLE AND CLEAN ENERGY</b>		<b>OBJECTIVE 8: DIGNIFIED WORK AND ECONOMIC GROWTH</b>
	<b>OBJECTIVE 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>		<b>OBJECTIVE 10: REDUCED INEQUALITIES</b>
	<b>OBJECTIVE 11: SUSTAINABLE CITIES AND COMMUNITIES</b>		<b>OBJECTIVE 12: RESPONSIBLE CONSUMPTION AND PRODUCTION</b>
	<b>OBJECTIVE 13: ACTION AGAINST CLIMATE</b>		<b>OBJECTIVE 14: LIFE UNDERWATER</b>
	<b>OBJECTIVE 15: LIFE ON LAND</b>		<b>OBJECTIVE 16: PEACE, JUSTICE AND STRONG INSTITUTIONS</b>
	<b>OBJECTIVE 17: PARTNERSHIPS</b>		

Eurohold's approach consists of identifying key potential commitments based on Sustainable Development Goals (SDGs), including risk analysis.

These potential commitments are then explored using a group filter, which allows Eurohold to invest its efforts on topics where the Group can make a real impact through its activities. The analysis of the internal significance of the individual topics for sustainability is conducted directly by the senior management of Eurohold Bulgaria SA and its subsidiaries. This process allows you to select the most important topics for the whole group.

**For 2019, three main themes have been identified :**

- **Climate change**
- **Positive initiatives to society**
- **Diversity and equal opportunities**

## CLIMATE CHANGE



The growing global focus on topics such as climate change has been a key factor in our commitment.

Like any company, Eurohold Group companies also have an impact on the environment. This impact is mainly expressed through the consumption of energy and water resources, the use of paper and other materials related to the daily work of the companies of the holding structure, the efficiency of the used material and technical equipment, vehicles, waste generation and their separate collection. (including collection of special waste from car companies), the condition of office buildings and their energy efficiency. All companies in the Eurohold structure, regardless of their type of business and geographical location, have accepted environmental protection and the transition to a low-carbon emission economy as part of their social responsibility.

The Eurohold Group has introduced a system for tracking and analyzing the resources used, which makes it possible to analyze a more accurate picture of the effectiveness of the environmental measures taken. The analysis also allows making economically appropriate decisions to make changes / improvements in the processes used, leading to a reduction in environmental impact by optimizing the resources used and moving to more environmentally friendly ones that are environmentally friendly.

The Eurohold Group will continue to work to improve the processes of climate change, and will identify new topics that are important to it and that it will support, concerning energy efficiency and increasing the exposure to renewable energy.

## Climate change risks

Climate change has a particularly strong effect on the Group and in particular on insurance companies. In the event of extreme weather events (storms, floods, dam overflows, etc.), insurance companies will suffer large losses from damages. It is therefore in our interest to work to adapt our business model in response to these changes.

## What can we do to make an impact?

- To support the adopted stricter CO2 emission standards for cars and vans approved by the European Council in order to reduce CO2 emissions from cars and vans by selling and using for business purposes only cars that meet the new standards;
- Support the transition to a low-carbon future so that we can fulfil our environmental and social responsibilities through prudent resource use, separate waste collection, periodic analysis and performance monitoring.
- To support environmentally friendly activities and green initiatives of the society.

## POSITIVE INITIATIVES TO SOCIETY



### Prevention for good health

The Eurohold Group is concerned about the growing problem of sedentary lifestyles in recent years (especially among children). In this regard, the Group actively supports various sports initiatives, sports clubs and organizations. The emphasis is on a healthy and active lifestyle and the promotion of well-being at all ages from children to the elderly as a disease prevention.

### Education, healthy living, equality and ethics

For the Eurohold group, education is an extremely important topic for all age groups, regardless of nationality, race and gender. The group supports its employees in all countries in which it participates for raising qualification, skills and knowledge, giving them equal opportunities, training of employees both internally and externally, depending on the specific needs. This contributes on the one hand, both to the prosperity of the group and on the other hand increases the opportunities for people to live a better and healthier life.

### Innovation and digitalization

The Eurohold Group operates in more than 10 countries and includes 38 companies. In connection with the undertaken strategy of Eurohold Bulgaria for expansion through acquisition, the group continues to increase its presence in various countries. That is why social inequalities, observance of ethical rules of conduct, protection of human rights are topics of high importance for the holding. The strong synergy strategy in the group predetermines relationships between employees from different countries, cultures and values. Eurohold aims to ensure the protection and prevention of the risk of inequality and underestimation of employees in the countries in which it operates, as well as compliance with ethical rules of conduct, thus contributing to global socio-economic development.

Our synergy and diversity in terms of experience, management and culture contributes to the development of innovation in the products and services we offer. Digitalisation is a mega-trend that significantly changes everyday life and business and affects the whole society, therefore the Eurohold Group. Digital technologies and the opportunities they create will be the driving force for success in an increasingly digital future. Faced with new dynamic business models and growing competition in their markets, many industries and companies are currently facing the need for a complete overhaul of their existing strategies. That is why digital transformation is extremely important for us and we

are working to make this process of change happen. Digitalization plays an important area in developing new solutions that provide greater value to our customers.

## DIVERSITY AND EQUAL OPPORTUNITIES



Eurohold Group has defined diversity as its core value. Because this will make the holding structure more successful and sustainable.

Our belief is that diversity in human capital leads to more opportunities and prospects, this makes us more innovative. Our human resources strategy is built on assessing diversity. This includes the removal of barriers to women's careers, which is indicative of the success of women in management positions on the boards in our group. There are many women in management positions. For us, however, diversity is not just about gender equality. Our concept of diversity also focuses on good and ethical relations between employees of different ages and from different countries, as well as the protection of their rights. Our human resources strategy leads to the exchange of invaluable experience between the countries in which we operate, and this contributes to the development and prosperity of individual companies and the holding as a whole.

We perceive our companies as partners with whom we have built common principles and values, with which we have a shared vision and shared goals, putting employees at the center of the company. The partnerships also help to create unique innovative products and services that meet the needs of our stakeholders in all areas of value creation and in all our business areas. This contributes significantly to the economic growth of the company.

## 5. RISK AND OPPORTUNITIES

In this part, the Eurohold Group discloses information that relates to specific risks, but also to opportunities that affect value creation. The risks can be internal and external, and very often their manifestation is combined.

### **Risk related to corporate culture**

Taking into account its development in recent years, the Eurohold Group believes that the risks associated with building a common corporate culture, which impresses with the peculiarities of its multicultural environment, are essential for it. It is the unique structure of the Group that creates a number of opportunities, on the basis of which by focusing on a sustainable corporate culture the Eurohold Group achieves its goals, namely:

- ◆ in support of the protection of human rights - equality and equal opportunities;
- ◆ protection against discrimination and introduction of good practices;
- ◆ compliance with ethical standards and respect for and by employees.

The Eurohold Group believes in the value that the products it offers have, but also believes that this value is at risk if professional and committed management is not provided, as well as adequate training of employees. In this regard, the introduction and implementation of continuing education policies is encouraged, which, in addition to creating added value to the products offered, support employees in their personal and career development.

### **Reputational and regulatory risk**

As a public company, reputational and regulatory risk is extremely important for Eurohold Bulgaria. The professional attitude and commitment of the management staff in the Group companies, as well as the active participation of the Group specialists in public life - in forums, sectoral meetings, as well as regular communication with various bodies and stakeholders, helps to strengthen the trust and image of Eurohold. a reliable partner in socio-economic life.

### **Technological risk**

In the world of digitalisation and the growing importance of FinTech, the Eurohold Group recognizes as a risk the thin line beyond which the use of technology generates a risk to man, namely to violate his privacy and privacy, as well as to create risk or uncertainty for his constitutionally guaranteed rights. The group recognizes that in the dynamics of development of today's socio-economic world it is extremely important to have a balanced approach in determining professional commitment and respect for the right to social life, as in different groups of people, the measures are different. The group sees an opportunity to achieve its goals in the first place to its employees. The tools for achieving the goals are related to the implementation of social programs adequate to the reported needs, offering discounts by companies in the Group, as well as a coordinated approach in determining the time commitment, especially of managers with higher levels of stress.



## 6. STRATEGY AND ALLOCATION OF RESOURCES

Guided by their optimal strategy for achieving the main goals of sustainable development, the companies in the Eurohold Group plan their goals and prepare the respective strategies, applying the principles of iteration. The strategies and goals for sustainable development are regularly reviewed by the management of the respective company in terms of the actually reported topics and opportunities for impact, applying a risk-based approach in planning and prioritizing the measures to be achieved.

Taking into account the events, key topics and actual reported results, at a consolidated level, the Eurohold Group sets its strategic goals for the reporting year 2019 mainly focused on human capital and social considerations of the same as an element to achieve higher added value and commitment to the mission. , the vision and goals of the respective company and of the Group as a whole. At the consolidated level, the main objectives in this aspect of the Group are:

- ◆ **Short-term goals** - building a system for continuing education and development of employees, as well as implementation of social programs that meet their real needs and requirements;
- ◆ **Medium-term goal** - integration of adequate and structured corporate culture, respecting human rights, ethical standards and effective interaction, including in a multicultural environment;
- ◆ **Long-term goal** - increasing the added value of the Group.

In order to achieve its strategic goals, Eurohold Bulgaria has developed a model of interaction with key and managerial positions in one of the regulated sub-holdings. We have built our own model and know-how, based on good practices, but prepared specifically for the needs of the Group. The project is integrated and long-term, as progress is reported and based on real results and practical applicability of the tools used.

In 2019, a policy for continuing education and development was introduced in some of the subsidiaries, which has a significant effect / cross-effect / on the group of clients. Improving knowledge and skills and introducing minimum standards guarantees their right to receive sufficient information for informed decision-making purposes. This had a significant impact on the value of the products, as they are subject to management in order to meet the needs and requirements of the consumer.

The Eurohold Group emphasizes that building trust and adequately determining the needs of consumers of products, goods, services and information is key to achieving a competitive advantage. The effective use of human capital and investment in its well-being is a prerequisite for achieving the goals. At the same time, the social manifestation of the planned strategic goals will build a common self-awareness and security among the employees, which are the basis of any successful business.

## 7. Measuring progress on corporate responsibility and sustainability. Goals and results in the field of social responsibility and sustainable development

### IMPRESSION OF THE GROUP'S ACTIVITIES

The following tables present information on the results of the surveyed indicators of the Eurohold Group and the impact they leave on the economic, social and environmental environment.

Indicators	Stakeholders	Unit	2018 thousand BGN.	2019 thousand BGN.	change in%, 2019/2018
Capital costs for the purchase of material and technical base	providers	thousand BGN	186	423	127%
Capital expenditures for purchase of information - technical equipment, business inventory and other fixed assets	providers	thousand BGN	4 201	1 237	-71%
Costs for the purchase of materials	providers	thousand BGN	1 305	1 188	-9%
Corporate income taxes paid	state and local government	thousand BGN	957	2 107	120%
Other taxes and fees, customs duties, excises, etc. related to the production process	state and local government	thousand BGN	54 237	71 905	33%
<b>Measured footprint on production process and state and local government:</b>		<b>thousand BGN</b>	<b>60 887</b>	<b>76 861</b>	<b>26%</b>

Indicators	Stakeholders	Unit	2018 thousand BGN.	2019 thousand BGN.	change in%, 2019/2018
Remuneration payments	employees	thousand BGN	52 357	58 980	13%
Training costs	employees	thousand BGN	421	320	-24%
Social costs for employees	employees	thousand BGN	1 498	1835	22%
<b>Measured footprint to employees:</b>		<b>thousand BGN</b>	<b>54 277</b>	<b>61 134</b>	<b>13%</b>

Indicators	Stakeholders	Unit	2018 thousand BGN.	2019 thousand BGN.	change in%, 2019/2018
Quality systems	external suppliers	thousand BGN	87	60	-31%
Management systems	external suppliers	thousand BGN	6 193	6 466	4%
Intellectual Property	external suppliers	thousand BGN	276	466	69%
<b>Measured footprint on intellectual capital</b>		<b>thousand BGN</b>	<b>6 556</b>	<b>6 993</b>	<b>7%</b>

Indicators	Stakeholders	Unit	2018 thousand BGN.	2019 thousand BGN.	change in%, 2019/2018
Social activities to society	local communities	thousand BGN	203	612	201%
<b>Measured footprint on social capital:</b>		<b>thousand BGN</b>	<b>203</b>	<b>612</b>	<b>201%</b>

Indicators	Stakeholders	Unit	2018 thousand BGN.	2019 thousand BGN.	change in%, 2019/2018
area of the used office areas, showrooms / own and rented /	environment	sq.m.	67 807	71 321	5%
Power consumption	environment	thousand BGN	880	984	12%
Gas consumption	environment	thousand BGN	318	335	5%
Water consumption	environment	thousand BGN	47	46	-2%
Waste generated - total, including:	environment	thousand BGN	50	51	2%
<i>Generated waste - household</i>	environment	thousand BGN	35	33	-6%
<i>Generated waste - special</i>	environment	thousand BGN	15	18	20%
Cost of stationery, including: paper, toner and others	environment	thousand BGN	535	578	8%
<b>Measured footprint on the environment:</b>		<b>thousand BGN</b>	<b>535</b>	<b>578</b>	<b>8%</b>

Indicators	Stakeholders	2018			2019		
		number of company cars	value 000'BGN	amount of fuel	number of company cars	value 000'BGN	amount of fuel
company cars	Environment	488	1 384	676 803	494	1 460	686 886

## A. PRODUCTS AND SERVICES

### WE OFFER PRODUCTS AND SERVICES INTENDED FOR OUR CUSTOMERS

*With care for the clients of the insurance, automobile and leasing subholdings.*

The operating companies of Euroins Insurance Group SA, Avto Union AD and Eurolease Group EAD follow a marketing policy aimed at developing and offering innovative and diverse products and services. The companies continuously monitor the insurance, leasing and automotive needs of all groups of potential customers. In order to offer flexible service and meet the needs of customers for appropriate insurance, leasing services and car sales schemes, they develop different product ranges and combined services complementing their product portfolio. With the thus created business model, the Group can offer its customers an all-in-one service for car sales, leasing and insurance, saving them time and providing them with profitable, attractive and innovative conditions based on combined products.

Each of the companies in the structure of Eurohold has a separate branch network, through which it operates in order to provide higher quality service and ensure maximum customer satisfaction, the products of each company are offered in the offices of others.

All three companies have made efforts and developed online platforms available on the company's websites, in order to inform customers, meet their needs and save their time and the opportunity to choose and configure the level of equipment of the car and the conditions of its purchase. , leasing and insurance, depending on the given possibilities of combinations.

The main actions of the Group are flexibility, loyalty to customers and partners, fast and quality service, realization of ideas for new products and services. This provides a high level of service and professionalism in the services offered - from assistance in choosing a car from the companies of Avto Union, through negotiating the lease terms by the operating companies of Eurolease Group according to customer needs to choosing a favorable insurance package offered by subsidiaries. Euroins Insurance Group companies.

#### **With care for the clients of Euro-Finance SA**

The investment intermediary Euro-Finance has a full license issued by the FSC, with permission to operate in the EU and third countries. The company's activity 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 to the Frankfurt Stock Exchange - Deutsche Börse Xetra.

Euro-Finance has developed EFOCS (online platform), software for direct trading on the Bulgarian Stock Exchange and Deutsche Börse Group. Through this platform, investors can simultaneously trade in different markets and monitor the status of their assets in real time.

For its clients, Euro-Finance has developed and launched EF MetaTrader 5, which has become a popular real trading platform. The EF MetaTrader 5 customer terminal offers customers various trading opportunities through a wide range of functionalities. Through the international markets platform EF MetaTrader 5, Euro-Finance offers trading in over 260 instruments. By gaining access to a wide range of markets and trading instruments, as well as to the latest generation of professional platform, clients have everything they need to successfully achieve their investment goals. Clients have the opportunity to trade with the specified financial instruments under trading conditions 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 main priority for the company is the application of the best practices and principles in the sector, as well as the professional attitude towards the client.

## **B. EMPLOYEES**

The business success of Eurohold and the whole group depends on the diligence, motivation, commitment and professionalism of its employees, knowledge, skills and ambition for development. Employees are the face of every 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 employees.

Principles related to the selection, training, evaluation and remuneration of staff have been developed and adopted, to which principles the whole Group adheres.:

- ◆ Selection of job candidates 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 values, recognizes and rewards efforts and achievements.

The entire Eurohold Group has a non-discriminatory policy that seeks to ensure a work environment free from harassment, extortion or discrimination (especially ethnicity, gender, religion, membership of national minorities, trade unions, etc.).

At the end of 2019, the team of Eurohold Bulgaria includes a total of 2,676 employees compared to 2,651 as of 31.12.2018, which shows that the staff of the Group has increased by 1%.

**Staff structure:**

2019 г.	2 704	1 471	54.40%	1 233	45.60%
	2 651	1 459	55.00%	1 192	45.00%

The application of the principle of gender equality can be observed in the group structure of the staff. The trend for predominance of women over men observed in 2018 continues. For 2019, the distribution of staff by gender (women and men) is dominated by women, occupying 54.40% of all employees, while men employed in the group structure are 45.60%.

**Busy on business lines**

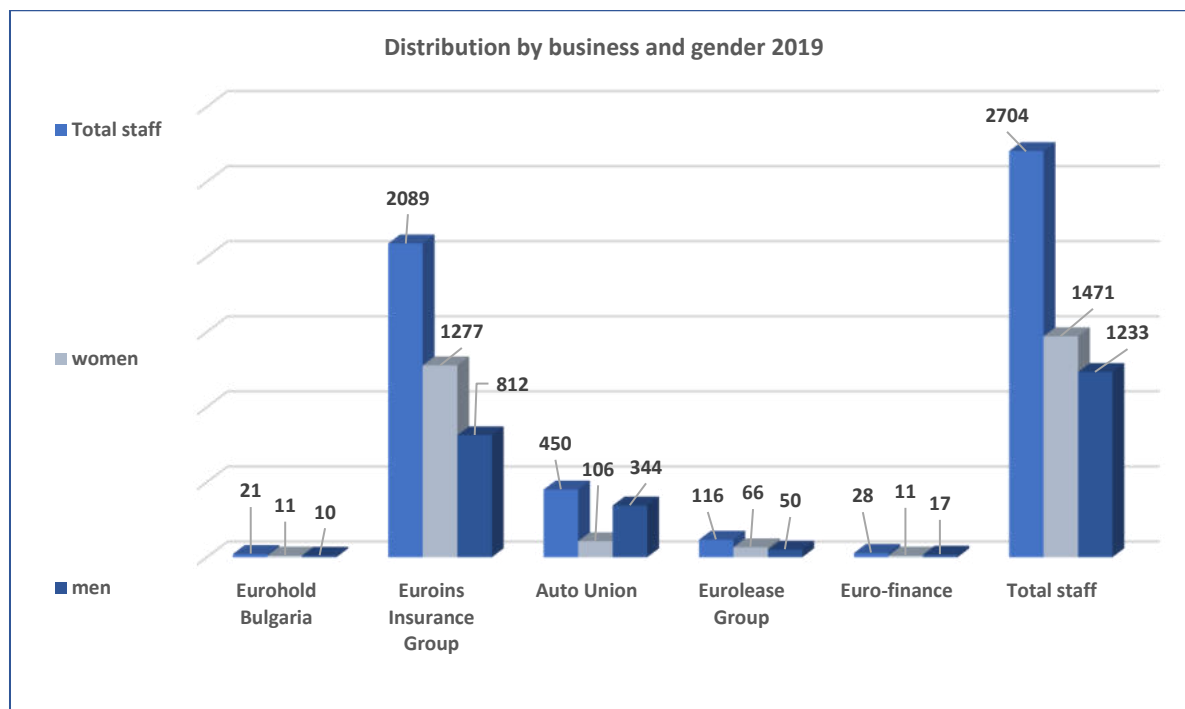
The tables below show the distribution of staff in 2019 and 2018 by business groups. The largest number of employees is employed in the insurance business Euroins Insurance Group, followed by Auto Union and Eurolease Group.

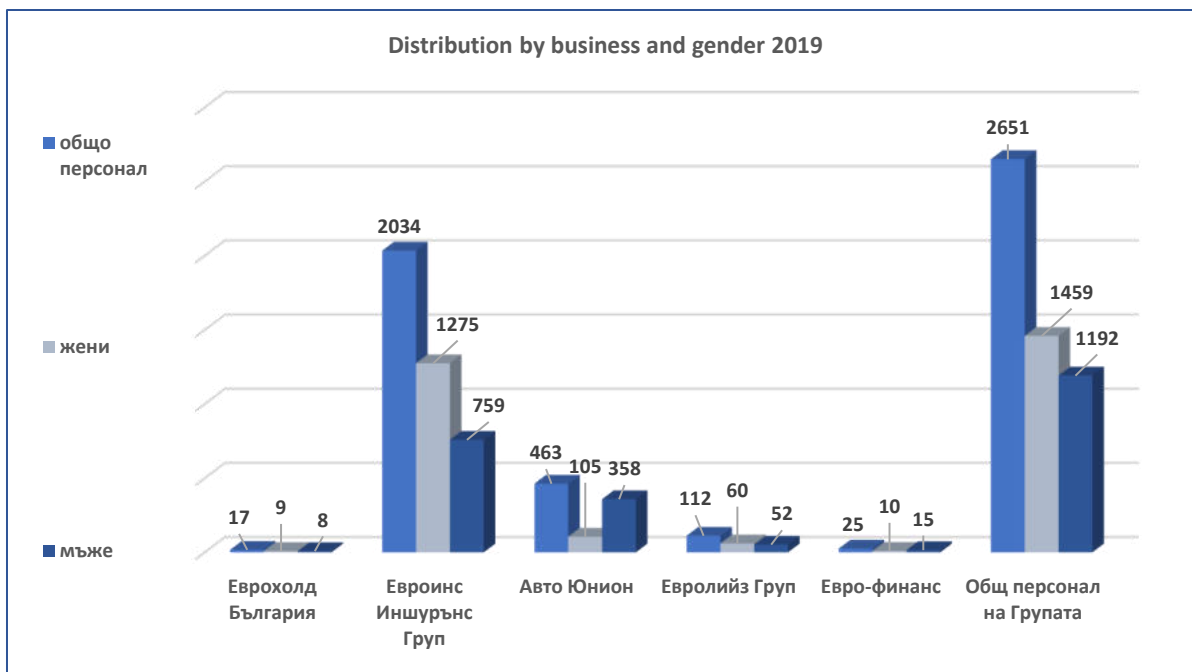
The distribution of staff by gender criteria depends on the sector in which the company operates.

The insurance division employs a total of 2,089 employees, with women predominating over men - by 61.1% at the end of 2019, compared to 62.7% at the end of 2018.

450 people are employed in the automotive sector, and men are more than women - with 76.4% of all employees in Auto Union at the end of 2019, as the ratio compared to 2018 changes slightly in favor of women, when men were 77.3 % of the car group staff.

In the other business lines of the Eurohold Group, the distribution between men and women is almost proportional.



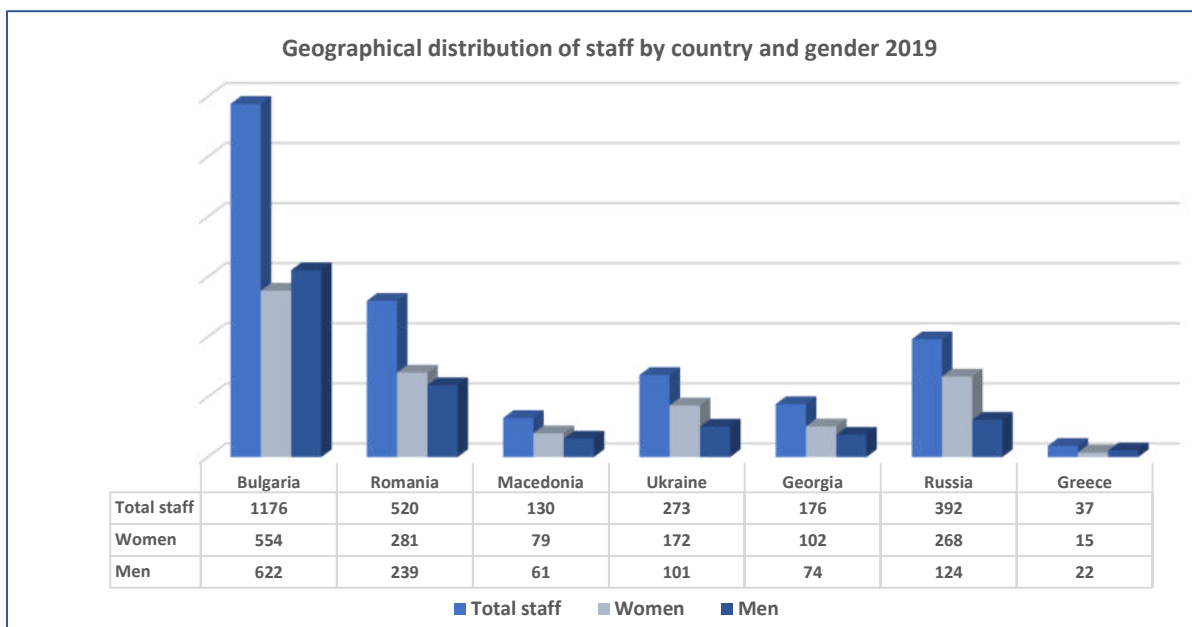


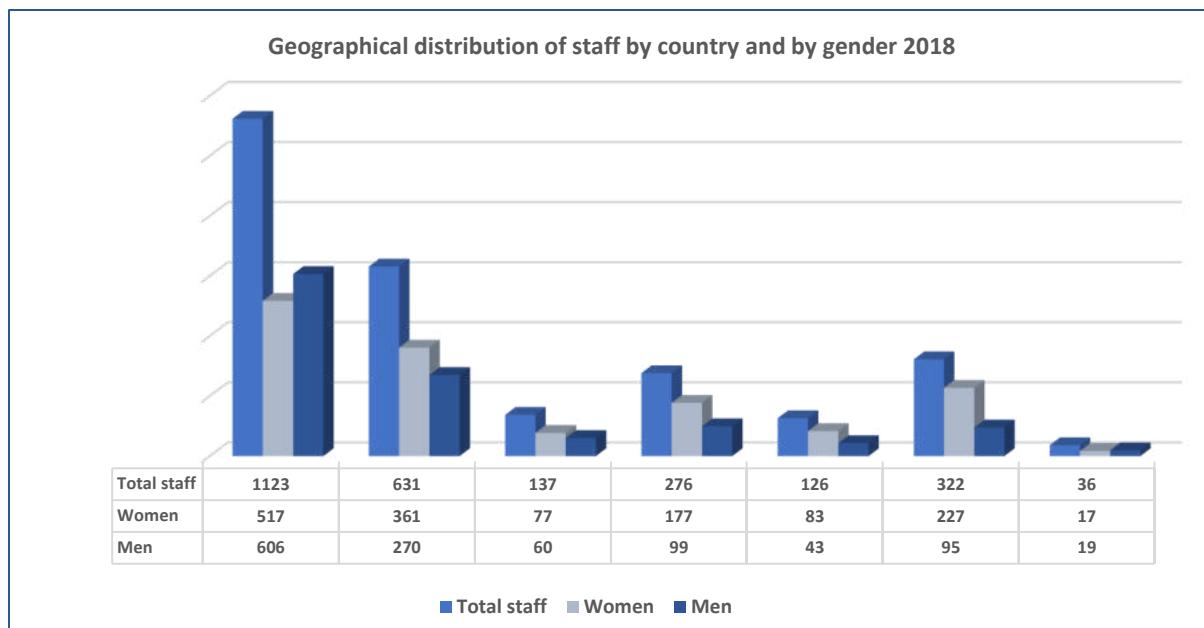
**Geographical distribution**

1,135 people or 42.4% of the Group's staff are employed in Bulgaria. Of these, women are 47.1% and men - 52.9%.

Of Eurohold's investments abroad, Romania is the leading country in terms of staff.

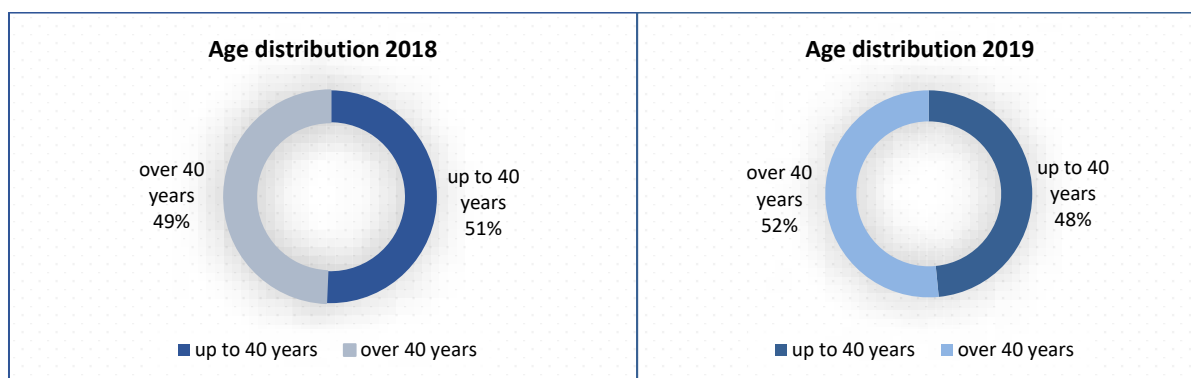
The employees in Romania are 520 people, of which 54% are women and 46% are men.





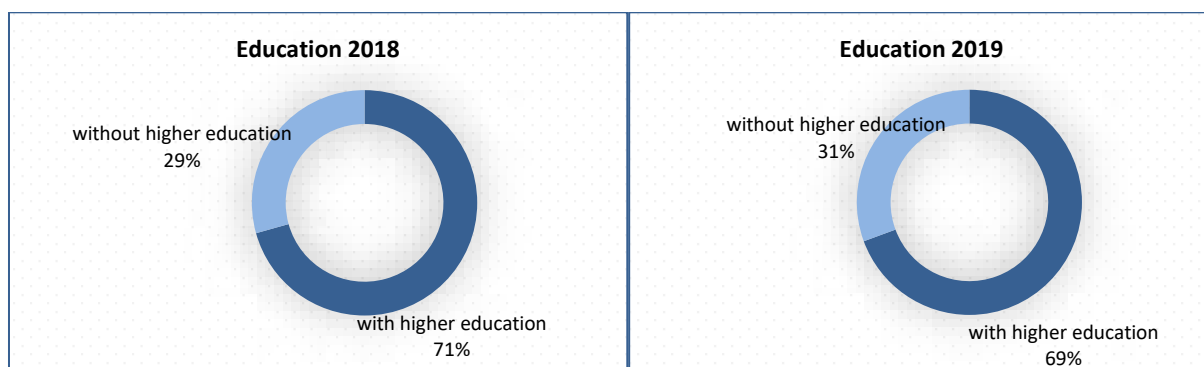
**Distribution by age and acquired level of education**

Graph 1: Distribution of staff by age



In 2019, employees under the age of 40 represent 52% (1,390 employees) of the Group's staff. For 2018, younger people up to 40 years of age are employed, representing 49% of the employed staff in the Group.

Eurohold Bulgaria strives to retain its loyal and experienced employees over the age of 40, but at the same time is looking for young people to train them and have continuity.



An important prerequisite for achieving the business goals and prosperity of the Group is the availability of a sufficient number of qualified staff, motivated, stable and loyal.

In this regard, it is not an easy task to recruit new employees, especially for more specialized and / or key positions, which has encountered many difficulties in the last few years.

Recently, there has been a shortage of human capital and companies are finding it increasingly difficult to find the employees they need - both quantitatively and qualitatively, with the necessary knowledge and skills.

Therefore, emphasis should be placed on efforts to maintain good staff, especially in managerial and highly specialized expert positions, which have already acquired and proven high professional qualification, have joined the team and the overall company policy and culture.

Fluidity 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, the relationship between boss / subordinate;
- ◆ Remuneration adequate to the functions and competitive with the labor market;
- ◆ Additional benefits and incentives;
- ◆ Growing in the hierarchy and upgrading in skills;
- ◆ Meetings and conversations to feel significant and to know their problems, aspirations and intentions in time.

In order to eliminate the risk of head hunting, it is necessary to provide optimal conditions related to the above components.

The solution to the problem of turnover cannot be realized through single actions or short-term initiatives, but by the implementation of a comprehensive mechanism (program) for retaining employees, especially those of key importance. The process of finding a replacement takes a lot of time and money, and it is uncertain whether it will succeed.

### **Career development**

The Eurohold Group is guided by the belief that attracting, evaluating and involving new employees marks the beginning of a long-term mutually beneficial partnership. Therefore, the Group focuses on the utilization and development of skills of talented young people who have demonstrated their energy and professionalism.

The selection procedure focuses on the objectivity, personal merits and qualities of the candidates, and is based on pre-developed criteria that meet the vision and values of the Group.

### **Training**

The management of Eurohold and its subsidiaries believe that they must constantly invest in the development of employees and in this regard plan in the short term to conduct various training programs, with the help of which employees enrich and update their knowledge. Most often, due to the nature of the business, such trainings are conducted in the insurance and automotive sectors. The trainings are available to all employees regardless of their position and allow employees to be continuously prepared on all issues directly related to their work. The training courses, depending on the topic, are internally organized by the organization or externally organized by various professional organizations.



<b>External training</b>	
<b>Number of external trainings conducted</b>	On average, two external trainings are held in one year, and more if necessary. The topic is chosen by a team responsible for staff training according to current issues.
<b>Number of staff present</b>	More than 90% of the staff of the specific company attend the external trainings with general topics.
	External trainings with more specific topics are attended by all employees who are directly interested in the training.
<b>Internal training</b>	
<b>Number of conducted internal trainings</b>	The internal trainings in each of the companies are conducted in different periodicity, which depends on their activity and the need, for example when introducing a new product, new procedures and rules, change in the organization, etc. On average, internal trainings are held between 4 and 6 per year.
<b>Number of staff present</b>	The internal trainings are attended by all interested employees.

### **Employee potential development**

The Eurohold Group strives to encourage its employees to activities that would allow them to reach their full potential and realize their professional ambitions. Emphasis is also placed on the development of qualities that allow the growth of employees throughout the organization.

When searching for a position for a certain position, first the possibilities for offering the position to employees who are internal to the organization are reviewed and then, if there is no choice, external personnel are sought.

### **Internal communication**

The governing bodies of the economic structure realize that internal communication is an important condition for effective work in any company. The holding and the companies strive to create good internal communication between the departments, employees and management, which contributes to the general and social goals of the company. 3 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 management, vertical - down management aims 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 guarantees direct lines of 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 present, communication is done via emails to interested employees, and when they concern all staff, group emails are used.

The structure of Eurohold has an archival system with levels of access to employees. In this way, the necessary information reaches every interested employee.

### **Remuneration, social benefits and other motivating factors**

One of the main goals of the Group is to retain quality employees, which is why we try to apply an adequate and timely assessment. The group uses working tools to identify employees' expectations regarding the factors that motivate them, namely:

- ◆ In addition to the good remuneration for the employees, the approval for the work done, which they receive from their managers, is of great importance. Companies try to keep employees feeling that they are important and belong to a community with a common goal.

- ◆ At all levels we are constantly working to improve working conditions, which includes opportunities for social contacts, understanding by the employer in terms of personal commitments and problems.
- ◆ The companies provide additional social benefits to their employees, some of which are common to all companies, while others are specific to some of the companies by decision of the management.

The social benefits that employees receive are in the form of:

- food vouchers worth BGN 60;
- additional health insurance;
- discounts for the use of the products and services offered by the companies of the Group;
- discount in the restaurant in the Central Office when paying for food;
- organized annual preventive examinations in specialized medical centres;
- organizing during the summer holiday months a summer school for the children of the employees;
- and others.

Social benefits are an important tool for employee motivation, with which the Company supports its employees and their families..

- ◆ Healthy and safe environment. Healthy and safe working conditions are a priority of the Company. We invest in quality equipment, continuous improvement of the dynamic office culture, healthy and safe working environment. All companies have concluded contracts with specialized external companies, which carry out inspections and give instructions in accordance with the Health and Safety at Work Act (OHS).

The group strives to provide the best and safest working conditions. To achieve this, companies comply with all legal provisions related to the protection of health and safety of employees by maintaining procedures and policies. Guides encourage employees to be proactive about maintaining safety and maintaining a healthy work environment.

### Meters

Important statistics that the Group companies maintain and monitor regarding employees.

- ◆ In 2019, at the Group level, no employees were fired due to corruption or other abuses.
- ◆ No accidents at work have been registered.
- ◆ No complaints received on labour issues.

## C. SUPPLIERS

The companies in the structure of Eurohold conduct business operations with a large number and variety of suppliers. The partner selection procedures applied by the Group are guided by its basic principles of honesty, transparency and, of course, objective evaluation criteria such as price, quality, regular deliveries, previous experience, etc.

The companies have adopted and comply with Rules for evaluation, conclusion, registration, storage and control of contracts. These rules determine the terms and conditions for concluding, registering, storing, monitoring and evaluating contracts for the supply of external services for their qualification as contracts for the transfer of activities, in order to comply with and apply the "Policy for the transfer of activities of external contractors".

The procedures for selection and evaluation of suppliers are performed in full transparency and by objective criteria - price, quality, regular deliveries, previous experience, etc., in compliance with local and European regulations on business transfer.

When selecting suppliers, priority is given to those who comply with the principles adopted by the Group in terms of environment and social responsibility.

## D. ENVIRONMENTAL PROTECTION

Eurohold considers its support for policies related to environmental protection and development to be one of the important activities of the Group. The aim is through various practices in this direction and to contribute daily, monthly and annually to improve the world and nature in which we live. All employees of the Company know and get involved in various activities in this direction and have the opportunity to propose new initiatives.

In connection with environmental policies, the Group has developed various systems to support them. The companies of the Group apply various practices related to environmental protection on a daily basis, such as:

- ◆ Saving the paper used in the office by using copiers that identify each employee and collect statistical information about the paper and toner they use;
- ◆ Containers for separate paper collection are located on each floor of the Eurohold business building, where the headquarters of all companies are located;
- ◆ The Group offers its customers the opportunity to opt out of issuing a paper invoice. Even the leasing group linked this campaign with the launch of the "Mouse will return the booklet" project, with the idea that the reduced costs of issuing invoices be returned to the benefit of society in the form of children's books;
- ◆ Encouraging the use of electronic means of communication in the daily activities of the Company and minimizing paper documents;
- ◆ Eurolease Auto developed a client module "My Leasing" through which end users can at any time see all issued documents under a lease agreement;
- ◆ Eurohold's business building is equipped with drinking water treatment machines, which significantly reduce the consumption of plastic water bottles;
- ◆ Use of biodegradable materials in automotive companies;
- ◆ The companies from Auto Union have concluded contracts with specialized companies for recycling of packaging and used motor oils;
- ◆ In order to minimize the waste of resources and reduce the consumption of gas and electricity, Eurohold maintains and regularly performs maintenance of all its heating systems, ventilation and air conditioning systems in the business building, and for better and professional management is concluded a contract for 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.

Through these practices, the Group supports the negative effects of deforestation, which in turn leads to the extinction of various plant and animal species, followed by erosion and destruction of soil, falling groundwater levels, air pollution with substances released in paper production.

For Eurohold and its subsidiaries, the protection of natural resources is important, so it encourages employees to reduce paper waste. To this end, in the short term, the idea is to introduce completely separate waste collection, as well as to introduce rules for their regulation.

The holding undertakes to continuously monitor, evaluate and optimize its environmental performance, and to strictly comply with all requirements of local, national and international legislation in the relevant field.

## E. FOR SOCIETY

The Eurohold Group is firmly convinced that the growth and long-term sustainability of the business is strongly linked to the overall well-being and development of the community in which it operates. The strategy for corporate social responsibility and sustainable development reflects our mission, vision and values.

All companies in the Group support various public causes. The most active in the field of corporate social responsibility are the insurance companies. They actively demonstrate their commitment and responsible behaviour for the benefit of their customers, employees, partners and society as a whole. The companies continue their long-term projects and constantly launch new initiatives to improve the welfare of society and the future of the country.

The companies actively participate in local and foreign initiatives related to raising the financial culture, more road safety, sports events and activities for a healthier lifestyle and others.

***Detailed information on all initiatives of the insurance and other companies in the Group is contained on their web pages .***

➤ **G**  
**RESPONSIBLE PERSONS DECLARATION**

**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 (complier of the financial statements)

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

1. The consolidated financial statements for 2019, 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 consolidated management report for 2019 includes a fair review of the development and performance of Eurohold Bulgaria AD as well as description of major risks and uncertainties facing the company.

Declarers:

Kiril Boshov



Assen Minchev



Hristo Stoev



Ivan Hristov

