

# EUROHOLD BULGARIA AD



## Annual Separate Report 2019

The Annual separate report of Eurohold Bulgaria AD for 2019 contains an audited financial statement under the Accounting Act, an Independent Auditor's Report, an unconsolidated Activity Report, providing commentary and analysis of the separated financial statements and other essential information about the Company's financial position and results for 2019, as well as a Corporate Governance Declaration.

The Annual separate report of Eurohold Bulgaria AD has been prepared based on Art. 34, para. 2, item 9 of the Accounting Act. The Annual unconsolidated report has been prepared based on Art. 39-41 of the Accounting Act.



Eurohold Bulgaria AD also prepares an Annual Consolidated Report, including the results of the Parent Company, its subsidiaries and associates entities.

Readers of this unconsolidated annual report shall to read it together with the consolidated annual report of the Eurohold Group for 2019 so that they can obtain a complete picture of the Group's financial position as a whole.

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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 Separate Financial Statements**

**Opinion**

We have audited the separate financial statements of EUROHOLD BULGARIA AD (the Company), which comprise the separate statement of financial position as at 31 December 2019, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the „Auditor's Responsibilities for the Audit of the Separate Financial Statements“ section of our report. We are independent of the Company 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, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

Key Audit Matter	How this key audit matter was addressed in our audit
<p><b>1. Valuation of investments in subsidiaries and receivables from subsidiaries</b></p> <p>Investments in subsidiaries as at 31 December 2019: BGN 581 007 thousand (31 December 2018: BGN 567 465 thousand) Note 2.7, 2.21.2, 2.25.2, 4 to the separate</p>	<p>In this area, our audit procedures have included:</p> <ul style="list-style-type: none"> <li>• review and assessment of the forecast analysis of FCF /future cash flows/ from subsidiaries for the previous year made by the Company and their respective actual realization in the current year as well as of updated forecasts and business plans for the current year;</li> </ul>

Key Audit Matter	How this key audit matter was addressed in our audit
<p>financial statements</p> <p>Receivables from subsidiaries (including subgroups) as at</p> <p>31 December 2019: BGN 651 thousand (31 December 2018: BGN 1 189 thousand)</p> <p>Notes 2.16, 2.21.2, 16 to the separate financial statements</p> <p>The Company has investments in subsidiaries operating in different business segments with some of them in regulated industries (insurance and investment agency), and others in sectors strongly dependent on the population purchase ability (sales and lease of new cars). In addition, the Company through its subsidiaries operates in countries from Central and South-East Europe (Romania, Macedonia, Ukraine, Georgia, Greece, Russia), where specific economic and regulation environment is inherent.</p> <p>As at 31 December 2019 the investments in subsidiaries and receivables from them form 99% of the assets' total value at that date (31 December 2018: 99%).</p> <p>Above stated circumstances assume existence of certain risk from overstatement of investments in subsidiaries and receivables from them.</p> <p>When reviewing for existence of impairment indications of investments in subsidiaries and receivables from them, material estimation is applied to assess the recoverable amount and future collection of the amounts by analyzing and assessing the return of Company entire exposition to these parties.</p> <p>The impairment review assumes use of material assumptions, different judgements and estimates by management about the future return on investments as for the purposes of investments recoverable amount assessment, the net asset value method, the industry coefficients method and the discounted future cash flows method is applied. Therefore, uncertainty is inherent in these</p>	<ul style="list-style-type: none"> <li>• analysis and judgment of the feasibility of the main assessments and assumptions used by the management of the Company and particularly of the discount rate, when applying the Discounted Cash Flow Model as well as comparison to historical data;</li> <li>• the relevance of key assumptions, such as assumptions about future cash flows, discount rates and long-term growth rates, have been tested with the help of our expert valuer and by applying an independent assessment of common market indicators to conclude on the appropriateness of this. conjecture;</li> <li>• mathematical precision test of the models for assessment and juxtaposition of key input data with main assumptions made by the Company;</li> <li>• assessment of qualification and competence of the external appraisers, hired by the Company;</li> <li>• analytical procedures referring to indicators to receivables from these companies for previous and current years as well as after the date of the balance sheet;</li> <li>• documents review from the factsheet related to the collection of the receivables and ROI – financial status of the Companies, their contractors and feasibility of cash flows generation;</li> <li>• re-calculation of material expositions based on the model applied by the Company;</li> <li>• assessment and review of the completeness, appropriateness and adequacy of the disclosures in separate financial statements regarding the valuation of investments and receivables in and from subsidiaries.</li> </ul>

Key Audit Matter	How this key audit matter was addressed in our audit
<p>estimates. Calculations are carried out by the management with the help of independent licensed appraisers, hired by the Company.</p> <p>Because of the fact that:</p> <ul style="list-style-type: none"> <li>determining the impairment losses by the Company exposition in its subsidiaries involves many estimations, higher level of speculation in forecast assumptions and specific calculations about impairment amount made by the management and</li> <li>the materiality of the recognized item to the Company separate financial statements as stated above;</li> </ul> <p>we determine this matter as key audit matter.</p>	
<p><b>2. Loans and issued bonds – presentation and disclosure; requirements for adherence with debt financial covenants</b></p> <p>Issued bonds as at 31 December 2019: BGN 136 523 thousand (31 December 2018: BGN 129 584 thousand)</p> <p>Loans as at 31 December 2019: BGN 68 170 thousand (31 December 2018: BGN 65 007 thousand)</p> <p>Notes 20 and 21 to the separate financial statements</p> <p>Based on our understanding of the Company's business activity, we have identified the debt securities issued (bonds) and loans, and the adherence to debt financial covenants related to them as key audit matter.</p> <p>The loans and issued bonds are considered a key matter for our audit since they form 77% of the total value of the Company's liabilities as at 31 December 2019 (31 December 2018: 81%). In addition, according to the contractual commitments under certain of the loan agreements, the Company must abide by a number of financial indexes and rates for debt serving (EBITDA, Total Equity Volume, Gearing, LtV, Interest Coverage Ratio).</p>	<p>In this area, our audit procedures have included:</p> <ul style="list-style-type: none"> <li>review of internal rules and supporting documents related to the acquisition of the liabilities;</li> <li>recalculation of the initial recognition and the subsequent measurement of debt at amortized cost, using the effective interest rate;</li> <li>we reviewed the prospectuses and loan agreements and paid particular attention to the conditions of the covenants and the cases of default;</li> <li>assessment of accounting policy and accounting treatment in the definition of financial expenses and adequate calculation of the covenants in accordance with the terms of the prospectuses;</li> <li>given the significance of the earnings before interest, taxes and depreciation (EBITDA), in our calculations of covenants, we paid particular attention to the correct classification of the items of earnings before interest, taxes and depreciation, as well as to specific and extraordinary items included in the adjusted earnings before interest, taxes and depreciation (EBITDA);</li> </ul>

Key Audit Matter	How this key audit matter was addressed in our audit
	<ul style="list-style-type: none"> <li>we reviewed for completeness and adequacy of disclosures in the Company's separate financial statements regarding the presentation of the loans and debt.</li> </ul>

**Information Other than the Separate Financial Statements and Auditor's Report Thereon**

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

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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 Separate Financial Statements and Auditor's Report Thereon" section, in

relation to the management report and the corporate governance 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. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, 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 management report referring to the financial year for which the separate financial statements have been prepared is consistent with those separate financial statements.
- b) The 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 corporate governance statement referring to the financial year for which the separate 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.

*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 entity's activities and the environment in which it operates, in our opinion, the description of the main characteristics of entity's internal control and risk management systems relevant to the financial reporting process, which is part of the 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.

***Additional Reporting on the Audit of the Separate Financial Statements in connection with Art. 100(m), paragraph 4(3) of the Public Offering of Securities Act***

*Statement in connection with Art. 100(m), paragraph 4(3)(b) of the Public Offering of Securities Act*

The information about related party transactions is disclosed in Note 29 "Transactions and balances with related parties" to the separate financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the separate financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying separate financial statements for the year ended 31 December 2019, in all material respects, in accordance with the requirements of IAS 24 *Related Party Disclosures*. The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

*Statement in connection with Art. 100(m), paragraph 4(3)(c) of the Public Offering of Securities Act*

Our responsibilities for the audit of the separate financial statements as a whole, described in the “Auditor’s Responsibilities for the Audit of the Separate Financial Statements” section of our report include an evaluation as to whether the separate financial statements present the significant transactions and events in a manner that achieves fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the separate financial statements for the year ended 31 December 2019, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and disclosures in accordance with the relevant requirements of IFRSs as adopted by the European Union. The results of our audit procedures on Company’s transactions and events significant for the separate financial statements were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.

**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 separate 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 separate financial statements of the Company for the year ended 31 December 2019 represents third total uninterrupted statutory audit engagement for that entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to Company’s audit committee, 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 Company.

**Audit Firm**

HLB Bulgaria OOD

**Manager:**

Veronika Revalska

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

Ralitsa Mihova

30 March 2019



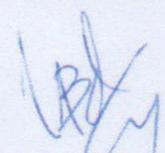
**B**

**SEPARATE FINANCIAL STATEMENT**

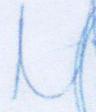
**Eurohold Bulgaria AD**  
**Separate Statement of profit or lost and other comprehensive income**  
**For the year ended December 31, 2019**

	Notes	2019 BGN '000	2018 BGN '000
<b>Revenue from operating activities</b>			
Dividend income	3	669	209
Gains from sale of investments and subsequent revaluation	4	5 602	21 652
Interest income	5	579	1 544
Other financial revenue	6	665	647
		<b>7 515</b>	<b>24 052</b>
<b>Expenses on operating activities</b>			
Interest expenses	7	(14 687)	(19 239)
Losses on sale of investments and subsequent revaluation	8	(1 187)	(661)
Other financial expenses	9	(1 203)	(50)
Hired services expenses	10	(4 497)	(2 336)
Salaries and related expenses		(585)	(444)
Depreciation	13.1, 13.2	(708)	(27)
(Expenses) / Revenue from impairment of financial assets, net	11	69	(13)
		<b>(22 798)</b>	<b>(22 770)</b>
<b>Profit / (Loss) from operating activities</b>			
		<b>(15 283)</b>	<b>1 282</b>
Other revenue/(expenses),net	2.27,12	652	378
<b>Net Profit / (Loss)</b>			
		<b>(14 631)</b>	<b>1 660</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>			
		<b>(14 631)</b>	<b>1 660</b>
Earnings / (loss) per share, BGN	19.3	(0.074)	0.008

Prepared by:

  
 /Ivan Hristov/

Signed on behalf of BoD:

  
 /Asen Minchev/

Procurator:

  
 /Hristo Stoev/

23.03.2020

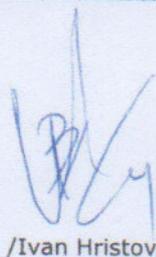
Audit company  
HLB Bulgaria LTD

These separate financial statements have been approved from the Board of Directors of Eurohold Bulgaria AD on 23.03.2020. The notes from page 6 to page 52 are an integral part of the separate financial statements for the period ended December 31, 2019.

**Eurohold Bulgaria AD**  
**Annual separate statement of financial position**  
**As of December 31, 2019**

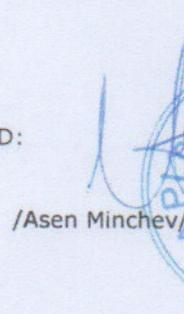
	Notes	31.12.2019 BGN '000	31.12.2018 BGN '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, machinery and equipment	13.1	2 793	82
Intangible assets	13.2	14	-
		<b>2 807</b>	<b>82</b>
<b>Investments</b>			
Investments in subsidiaries and other companies	14	<b>581 007</b>	<b>567 465</b>
<b>Current assets</b>			
Loans granted to third parties	15	-	9 877
Related parties receivables	16	651	1 408
Other receivables	17	1 359	328
Cash and cash equivalents	18	138	282
		<b>2 148</b>	<b>11 895</b>
<b>TOTAL ASSETS</b>		<b>585 962</b>	<b>579 442</b>

Prepared by:



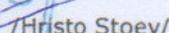
/Ivan Hristov/

Signed on behalf of BoD:



/Asen Minchev/

Procurator:



/Hristo Stoev/

23.03.2020

Audit company  
HLB Bulgaria LTD

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**Eurohold Bulgaria AD**  
**Annual separate statement of financial position (continued)**  
**As of December 31, 2019**

	Notes	31.12.2019 BGN '000	31.12.2018 BGN '000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19.1	197 526	197 526
Share premium	19.2	49 568	49 568
General reserves	19.2	7 641	7 641
Retained earnings		80 351	81 393
Profit / (Loss) for the year		(14 631)	1 660
<b>Total equity</b>		<b>320 455</b>	<b>337 788</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	20	25 531	35 549
Bond liabilities	21	135 616	128 832
Non-current related parties' liabilities	22	1 538	1 717
Other non-current liabilities	23	2 152	6
		<b>164 989</b>	<b>166 104</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	20	42 639	29 458
Bond liabilities	21	755	752
Trade payables	24	1 799	384
Related parties liabilities	25	53 955	44 214
Other current liabilities	26	1 370	742
		<b>100 518</b>	<b>75 550</b>
<b>Total liabilities</b>		<b>265 507</b>	<b>241 654</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>585 962</b>	<b>579 442</b>

Prepared by:



/Ivan Hristov/

Signed on behalf of BoD:



/Asen Minchev/

Procurator:

/Hristo Stoev/

23.03.2020

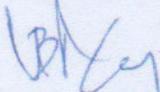
 Audit company  
 HLB Bulgaria LTD


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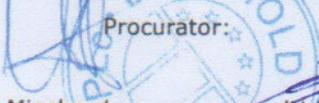
**Eurohold Bulgaria AD**  
**Annual separate statement of cash flows**  
**For the year ended December 31, 2019**

	Notes	2019 BGN '000	2018 BGN '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>(Loss) / Profit before tax</b>		<b>(14 631)</b>	<b>1 660</b>
Adjusted for:			
Depreciation		708	27
Interest income	5	(579)	(1 544)
Interest expenses	7	14 687	19 239
Dividend income	3	(669)	(209)
(Gains)/ Losses from sale of investments, net		(4 623)	(19 838)
(Gains)/ Losses from revaluation of investments, net		208	(1 153)
Foreign exchange differences		303	(636)
(Expenses for)/reintegration of impairment of financial assets, net		(69)	13
Adjustments in working capital:			
Change in trade and other receivables		(1 405)	1 527
Change in trade and other payables, other adjustments		1 793	(1 683)
<b>Net cash flows from operating activities</b>		<b>(4 277)</b>	<b>(2 597)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for machinery and equipment		-	(4)
Payments for investments		(16 275)	(27 945)
Proceeds from sale of investments		7 263	-
Borrowings granted		(993)	(42 558)
Proceeds/ (payments) of borrowings		11 163	40 592
Proceeds from interests on loans		1 454	1 109
Dividends received		669	209
Other cash receipts/ payments from investing activities		-	-
<b>Net cash used by investing activities</b>		<b>3 281</b>	<b>(28 597)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans		43 136	99 377
Repayments of loans		(24 985)	(49 201)
Interest and commissions paid		(13 641)	(17 180)
Lease payments		(869)	(25)
Dividends paid		(2 417)	(1 700)
Other cash receipts/ payments from financing activities		(374)	(2)
<b>Net cash generated/(used) by financing activities</b>		<b>850</b>	<b>31 269</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(146)</b>	<b>75</b>
<i>The effect of IFRS 9</i>		2	1
Cash and cash equivalents at the beginning of the year	18	282	206
<b>Cash and cash equivalents at the end of the period</b>	18	<b>138</b>	<b>282</b>

Prepared by:

  
 /Ivan Hristov/

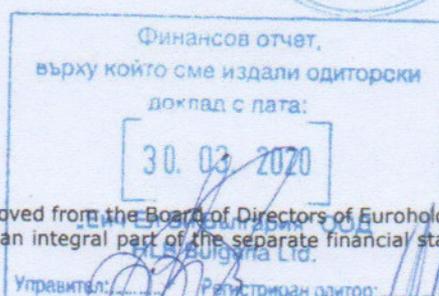
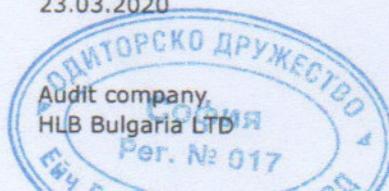
Signed on behalf of BoD:

  
 /Asen Minchev/

Procurator:

  
 /Hristo Stoev/

23.03.2020

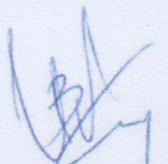


These separate financial statements have been approved from the Board of Directors of Eurohold Bulgaria AD on 23.03.2020. The notes from page 6 to page 52 are an integral part of the separate financial statements for the period ended December 31, 2019.

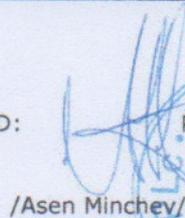
**Eurohold Bulgaria AD**  
**Annual separate statement of changes in equity**  
**For the period ended December 31, 2019**

	Share capital	General reserves	Share premium	Retained earnings	Total Equity
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
<b>Balance as of 31 December 2017</b>	<b>197 526</b>	<b>7 641</b>	<b>49 568</b>	<b>83 299</b>	<b>338 034</b>
<i>Adjustment upon initial application of IFRS 9</i>	-	-	-	(106)	(106)
<b>Balance as of 1 January 2018 (recalculated)</b>	<b>197 526</b>	<b>7 641</b>	<b>49 568</b>	<b>83 193</b>	<b>337 928</b>
Profit for the year	-	-	-	1 660	1 660
Dividends	-	-	-	(1 800)	(1 800)
<b>Balance as of 31 December 2018</b>	<b>197 526</b>	<b>7 641</b>	<b>49 568</b>	<b>83 053</b>	<b>337 788</b>
<i>Adjustment upon initial application of IFRS 16 – see Note 2.27,b</i>	-	-	-	(159)	(159)
<i>Corrections of errors</i>	-	-	-	(74)	(74)
<b>Balance as of 1 January 2019 (recalculated)</b>	<b>197 526</b>	<b>7 641</b>	<b>49 568</b>	<b>82 820</b>	<b>337 555</b>
Loss for the period	-	-	-	(14 631)	(14 631)
Dividends	-	-	-	(2 469)	(2 469)
<b>Balance as of 31 December 2019</b>	<b>197 526</b>	<b>7 641</b>	<b>49 568</b>	<b>65 720</b>	<b>320 455</b>

Prepared by:

  
 /Ivan Hristov/

Signed on behalf of BoD:

  
 /Asen Minchev/

Procurator:

  
 /Hristo Stoev/

23.03.2020

 Audit company  
 HLB Bulgaria LTD


These separate financial statements have been approved from the Board of Directors of Eurohold Bulgaria AD on 23.03.2020. The notes from page 6 to page 52 are an integral part of the separate financial statements for the period ended December 31, 2019.

# C

## NOTES TO THE SEPARATE FINANCIAL STATEMENT

# Notes to the Annual Separate 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 GROUP

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

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

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

The governing bodies of the company are: the General Meeting of Shareholders, the Supervisory Board /two-tier system/ and the Management Board comprising the following members as of 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 of 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 Company only.

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

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

As of 31.12.2019, the Company has fifteen employees (31.12.2018: ten employees).

### 1.1. Scope of Activities

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

### 1.2. Types of Activities

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

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

#### **Insurance and Health Insurance line:**

- Insurance services
- Health insurance services
- Life insurance services

#### **Leasing line:**

- Leasing services
- Car rentals

#### **Financial line:**

- Investment intermediation

#### **Automobile line:**

- Sales of new cars
- Car repairs

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

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

### 2.1. Basis for Preparation of the annual separate financial statement

The separate financial statement of Eurohold Bulgaria AD are prepared in compliance with the Accounting Act and all International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of the Standing Interpretation Committee (SIC), interpretations of the IFRS interpretation committee (IFRIC), which are effectively in force since 01.01.2019 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 separate annual financial statement is 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.

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

The separate financial statement has been prepared in accordance with the going concern principle.

As a holding company, Eurohold Bulgaria does not carry out regular business activities. As of 31.12.2019, the current liabilities of the Company exceed its current assets by BGN 98,370 thousand, the loss for 2019 is BGN 14,631 thousand. Despite the loss, equity as of 31.12.2019. is in amount 320,455 thousand BGN, which is 1.6 times higher than the share capital.

Eurohold Bulgaria supports the dividend distribution policy, with a total dividend of BGN 5,831 thousand distributed from 2015 to 2019 inclusive.

From 2016 to the end of 2019 Eurohold has been invested BGN 180,880 thousand in support of its growing subsidiaries. The Company expects that in the next reporting year it will start to receive a return on the investments made in the last years, through distribution of dividends from its subsidiaries.

Eurohold Bulgaria AD ends 2019 with a net operating result of a loss of BGN 14,631 thousand. The realized negative financial result for the reporting period is mainly in connection with accrued interest expenses on financing received during the last years necessary to cover the capital requirements to any of the subsidiaries by increasing their share capital, as well as to finance the expansion of the business through new acquisitions. Costs of consulting services also increase significantly in 2019, mainly related to the acquisition of CEZ's assets in Bulgaria.

The management of Eurohold has committed itself and is working towards reducing the debt of the company as well as towards refinancing high-interest debt. In the course of these actions, the Company reports a decrease in interest expenses for 2019 to BGN 14,687 thousand compared to BGN 19,239 thousand for 2018 or a decrease of 24%.

At the date of preparation of the separate financial statement, the management confirms that, based on the estimates made for the future development of the Company and the measures taken, as well as the continued financial support by the majority shareholder and taking into account the expected returns from the subsidiaries, will continue with its activities and to extinguish its obligations without making significant changes to its activities.

## 2.2. Changes in accounting policy

### 2.2.1. New standards, interpretations and amendments effective 1 January 2019

*The Company 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 Company'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 Company has adopted IFRS 16 Leasing retroactively as of 1 January 2019, but has not restated 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 2.14. Leases.

Following the adoption of IFRS 16, the Company 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 Company 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 Company 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 Company 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 Company 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 Company reports right-of-use asset and the lease liability under IFRS 16 from the date of initial application.

The Company 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 2.27. Changes in significant accounting policies](#) summarize the effect of the adoption of IFRS 16 on 1 January 2019.

*The Company 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 Company's financial statements for the annual period beginning 1 January 2019 but do not have a significant impact on the Company'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, not yet adopted by the EU;
- **IAS 19 "Employee benefits" (amended)** Plan amendment, curtailment or settlement - effective from 1 January 2019, not yet adopted by the EU;
- **IFRIC 23 "Uncertainty over income tax treatments"** effective from 1 January 2019, not yet adopted by the EU.
- **Annual Improvements to IFRSs 2015-2017** effective from 1 January 2019, not yet 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 Company

*At the date of approval of those 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 Company. Information on those expected to be relevant to the Company's financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in the Company'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)

## Accounting policy

### 2.3. General point

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

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

#### **2.4. Accounting assumptions and accounting estimates**

The presentation of the separate financial statement in accordance with International Financial Reporting Standards requires management to make the best estimates, accruals and reasonably reasonable assumptions that have an effect on the reported values of assets and liabilities, income and expenses, and the disclosure of contingent claims and liabilities at the reporting date. These estimates, accruals and assumptions are based on information available at the date of the separate annual financial statement, so future factual results could be different (with uncertainty greater in a financial crisis).

#### **2.5. Presentation of the financial statement**

The financial statement has been presented in accordance with IAS 1 Presentation of Financial Statements. The Company presents the statement of profit or loss and other comprehensive income in a single statement.

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

More information about changes in accounting policies is presented in [note 2.27. Changes in Significant Accounting Policies](#).

#### **2.6. Functional and Reporting Currency**

The Bulgarian Lev (BGN) is the functional and reporting currency of the company. Data presented in the statement and the attachments thereto are in thousand BGN (000'BGN). Since 1 January 1999, the Bulgarian Lev is pegged to the EURO at the exchange rate: BGN 1,95583 for EUR 1.

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

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

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

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

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

These investments are not traded at stock exchanges.

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

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

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

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

The associated entity is included in the net book value of the investment and is not amortized.

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

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

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

## 2.8. Income

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

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

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

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

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

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

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

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

## 2.9. Expenses

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

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

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

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

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

## 2.10 Interests

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

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

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

## 2.11 Fees and Commissions

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

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

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

## 2.12 Taxes

### Income Tax

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

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

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

Current income taxes are defined in compliance with the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal tax rate for 2019 is 10% of the taxable profit (2018: 10%).

### Deferred Tax

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

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

Deferred tax liabilities are recognized in full.

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

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

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

The Company has elected not to recognize a deferred tax asset on:

- Tax loss as at 31.12.2019 in amount of BGN 1,812 thousand (as at 31.12.2018 – BGN 1,756 thousand.)
- Thin capitalization under art.43a as of 31.12.2019 in amount of BGN1,434 thousand.
- Impairment of receivables as of 31.12.2019 in the amount of BGN 5 thousand (as of 31.12.2018 - BGN 12 thousand).
- Accumulated unused (compensable) leave as of 31.12.2019 in the amount of BGN 2 thousand (as of 31.12.2018 - BGN 1 thousand).

### VAT

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

At the date of preparation of those annual separate financial statement in connection with the conclusion of a real estate (office) lease located in London, United Kingdom, the Company is in the process of VAT registration in that country

### Withholding tax

Pursuant to the Corporate Income Tax Act, payment of incomes to foreign individuals or legal entities is subject to withholding tax within the territory of the Republic of Bulgaria. Withholding tax is not due provided the foreign legal entity has proved grounds for application of the Agreements for

Avoidance of Double Taxation before tax rate or applicable tax rate on the day of expiration of the tax payment term.

## **2.13. Fixed Assets**

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

#### **2.13.1.1. Property, plant and equipment**

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

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

#### **Initial Acquisition**

Fixed tangible assets are initially measured:

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

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

#### **Subsequent measurement**

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

#### **Subsequent expenses**

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

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

#### **Sales profits and loss**

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

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

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

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

### 2.13.2. Intangible assets

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

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

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

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

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

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

### 2.13.3. Amortization Methods

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

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

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

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

### 2.13.4. Impairment

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

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

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

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

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

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

## 2.14. Lease

### 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 company as a lessee

As of 1 January 2019, the Company 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. Leasing is defined as "a contract or part of a contract that bears the right to use the asset (the underlying asset) for a period of time in return for payment." To apply this definition, the Company evaluates whether the contract meets three key evaluations that it has given:

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

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

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

Leasing assets and liabilities are initially measured at present value.

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

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

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

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

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

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

Applicable Rates at Eurohold Bulgaria AD:

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

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

Lease payments are allocated between principal and finance 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 Company adopts the threshold for recognition right-of-use assets of BGN 10,000.00, taking the price of the asset as new.

### **The company as a lessor**

#### **Classification of leases**

The 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 agreement.

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

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

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

#### **Classification of sublease contracts**

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

- (a) if the principal lease is a short-term lease that the entity, as lessee, has reported using the exemption requirements, the sublease agreement is classified as an operating lease;
- (b) in all other cases, the sublease agreement is classified according to the rights of use arising from the underlying lease and not depending on the underlying asset.

### **Operating lease**

#### **Recognition and evaluation**

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

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

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

#### **Changes to the lease contract**

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

#### **Presentation**

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

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

Note 2.27. Changes in significant accounting policies summarize the effect of the adoption of IFRS 16 on 1 January 2019.

## **2.15. Employment Benefits**

### **Other long-term employee benefits**

#### **Defined contribution plans**

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

#### **Defined benefit plans**

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

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

#### **Retirement benefits**

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

Benefits upon voluntary retirement are recognized as an expense if the Company has made an official proposal for voluntary termination and the offer would be probably accepted, and the number of

employees who has accepted the offer may be reliably measured. If compensations are payable for more than 12 months after the end of the reporting period, they are discounted up to their present value.

#### **Short-term employee benefits**

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

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

### **2.16. Financial Instruments**

#### **2.16.1. Recognition and derecognition**

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

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

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

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

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

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

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

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

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

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

#### **2.16.3. Subsequent measurement of financial assets**

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

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

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

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

### Trade receivables

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

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

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

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

#### 2.16.4 Impairment of financial assets

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

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

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

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

- financial instruments whose credit quality has not significantly deteriorated since the initial recognition or have low credit risk (Phase 1);
- financial instruments whose credit quality has deteriorated significantly since the time of initial recognition or where the credit risk is not low (Phase 2);

- "Phase 3" covers financial assets that have objective evidence of impairment at the reporting date. None of the Company's financial assets fall into this category.

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

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

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

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

#### **2.16.5. Classification and measurement of financial liabilities**

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

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

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

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

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

#### **2.16.6. Securities sale and repurchase agreements**

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

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

The difference between the sale price and the redemption price is recognized by installments over the period of the contract using the effective interest method. Leased-in securities continue to be

recognized in the statement of financial position. Hired securities are not recognized in the statement of financial position unless they are sold to third parties, where the redemption obligation is recognized as a trade liability at fair value and the subsequent profit or loss is included in the net operating result.

### 2.17. Cash and cash equivalents

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

### 2.18. Equity and reserves

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

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

Other reserves include statutory reserves, general reserves.

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

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

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

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

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

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

### 2.19. Earning per share

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

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

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

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

## 2.20. Liability Provisions

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

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

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

Third party benefits in respect of a liability that the Company is certain to receive are recognized as a separate asset. This asset may not exceed the value of the provision in question.

Provisions are revised at the end of each reporting period and adjusted to reflect the best estimate.

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

Possible inflows of economic benefits that do not yet meet the criteria for recognition of an asset are considered contingent assets. They are described in conjunction with the contingent liabilities of the Company in note 28. [Contingent liabilities and commitments](#).

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

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

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

#### Deferred tax assets - Tax loss and thin capitalization

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

On the basis of this approach and applying high level of conservatism, the management has judged not to recognize deferred tax asset for tax losses to be carried forward to the separate financial statement for 2019:

- Tax loss as at 31.12.2019 in amount of BGN 1,812 thousand (as at 31.12.2018 – BGN 1,756 thousand.)
- Thin capitalization under art.43a of Corporation Income Tax Act as of 31.12.2019 in amount of BGN1,434 thousand.
- Impairment of receivables as of 31.12.2019 in the amount of BGN 5 thousand (as of 31.12.2018 - BGN 12 thousand).
- Accumulated unused (compensable) leave as of 31.12.2019 in the amount of BGN 2 thousand (as of 31.12.2018 - BGN 1 thousand).

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

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

### **Leases**

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

#### **2.21.2. Uncertainty of accounting estimates**

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

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

In preparing the presented separate annual financial statements, the management's significant judgments in applying the accounting policies of the Company and the main sources of uncertainty of the accounting estimates do not differ from those disclosed in the annual financial statement of the Company as at 31 December 2018.

### **Impairment of investments in subsidiaries**

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

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

The Company uses external appraisals to determine the fair values of investments in subsidiaries for each calendar year. The Company have not recognized impairment losses on investments in subsidiaries in 2019 and 2018.

## Impairment of borrowings and receivables

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

## Fair value of financial instruments

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

## 2.22. Consolidated financial statements of the Company

The Company has started the process of preparation of its annual consolidated financial statements for 2019 in accordance with IFRS effective for 2019, which statements also comprise those annual separate financial statement. In accordance with the scheduled dates, the company expects that its annual consolidated statement will be approved by the Company's management board for publication not later than 30.04.2020 and then the statements will be made available to third persons.

## 2.23 Financial risk management

### Categories of financial assets and liabilities

The carrying amounts of the Company's financial assets and liabilities may be presented in the following categories:

<b>Financial assets</b>	<i>Note</i>	<b>2019</b>	<b>2018</b>
In thousand BGN			
Debt instruments at amortized cost:			
Granted loans to third parties	15	-	9 877
Receivables by related parties	16	651	1 408
Other receivables	17	1 097	312
Cash and cash equivalents	18	138	282
		<b>1 886</b>	<b>11 879</b>
<b>Financial liabilities</b>			
In thousand BGN			
Financial liabilities at amortized cost:			
Loans from financial and non-financial institutions	20	68 170	65 007
Bonds liabilities	21	136 523	129 584
Short - term trade payables	24	1 799	384
Short-term liabilities to related parties	22,25	55 493	45 931
Other short-term liabilities	23,26	3 522	748
		<b>265 507</b>	<b>241 654</b>

Please see note 2.16 [Financial Instruments](#) for accounting policy information for each category of financial instruments. The methods used to measure the fair values of financial assets and liabilities

at fair value are described in note 2.25. Determination of fair values. A description of the Company's risk management policies and objectives regarding financial instruments is presented below.

### Factors Determining Financial Risk

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

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

#### 2.23.1. Market risk analysis

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

#### Currency risk

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

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

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

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

Financial assets and liabilities denominated in foreign currency and translated into Bulgarian levs at the end of the reporting period are presented as follows:

	Short-term exposure		Long-term exposure	
	Polish zloty	British pounds	Polish zloty	British pounds
	In '000 BGN	In '000 BGN	In '000 BGN	In '000 BGN
<b>31 December 2019</b>				
Financial assets	2	473	-	-
Financial liabilities	(741)	(1 435)	(20 592)	(612)
<b>Total risk exposure</b>	<b>(739)</b>	<b>(962)</b>	<b>(20 592)</b>	<b>(612)</b>
<b>31 December 2018</b>				
Financial assets	-	248	-	-
Financial liabilities	(737)	(140)	(20 303)	-
<b>Total risk exposure</b>	<b>(737)</b>	<b>108</b>	<b>(20 303)</b>	<b>-</b>

The tables below show the sensitivity of the annual net financial result after taxes and equity to a probable change in the exchange rates of the Bulgarian lev against the following foreign currencies:

- Polish zloty +/- 0.6% (for 2018 +/- 1.3%)
- British Pounds (+/- 2.2%) (for 2018 +/- 0.8%)

All other parameters are considered constant.

These rates are based on average exchange rates over the last 12 months. The sensitivity analysis is based on the investments of the Company in foreign currency financial instruments held at the end of the reporting period.

<b>31 December 2019</b>	<b>Increase of the Bulgarian Lev rate</b>		<b>Decrease of the Bulgarian lev rate</b>	
	<b>Net financial result</b>	<b>Equity</b>	<b>Net financial result</b>	<b>Equity</b>
	<b>'000 BGN</b>	<b>'000 BGN</b>	<b>'000 BGN</b>	<b>'000 BGN</b>
Polish zloty (+/- 0,6%)	124	124	(124)	(124)
British Pounds (+/- 2,2%)	31	31	(31)	(31)

<b>31 December 2018</b>	<b>Increase of the Bulgarian Lev rate</b>		<b>Decrease of the Bulgarian lev rate</b>	
	<b>Net financial result</b>	<b>Equity</b>	<b>Net financial result</b>	<b>Equity</b>
	<b>'000 BGN</b>	<b>'000 BGN</b>	<b>'000 BGN</b>	<b>'000 BGN</b>
Polish zloty (+/- 1,3%)	255	255	(255)	(255)
British Pounds (+/- 0,8%)	(1)	(1)	1	1

Exposure to exchange rate fluctuations varies throughout the year depending on the volume of international transactions performed. However, the analysis presented above is considered to represent the Company's exposure to currency risk.

### Interest Risk

The Company's policy is aimed at minimizing the interest risk with regard to long-term funding. Therefore, the long-term borrowings are with fixed interest rates. All investments in Company's bonds are paid on the basis of fixed interest rates. As of 31 December 2019, the Company is not exposed to the risk of changes in market interest rates on its bank loans, which have a constant interest rate. All other financial assets and liabilities of the Company have fixed interest rates. All investments in the Company's bonds are paid on the basis of fixed interest rates.

### 2.23.3 Credit risk analysis

Credit risk is the risk that a counterparty fails to pay its debt to the Company. The Company is exposed to this risk in connection with various financial instruments, such as the provision of loans, the occurrence of receivables from customers, deposit of funds and others. The Company's exposure to credit risk is limited to the carrying amount of the financial assets recognized at the end of the reporting period, as set out below:

	<b>2019</b>	<b>2018</b>
	<b>'000 BGN</b>	<b>'000 BGN</b>
Groups of financial assets - carrying amounts:		
Debt instruments at amortized cost		
Granted loans to third parties	-	9 877
Receivables from related parties	651	1 408
Other receivables	1 097	312
Cash and cash equivalents	138	282
<b>Book value</b>	<b>1 886</b>	<b>11 879</b>

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

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

#### 2.23.4 Liquidity risk analysis

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

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

The table below presents an analysis of the liabilities of Eurohold Bulgaria AD by maturity periods, based on the residual term from the date of the separate statement of financial position to the date of realization of the liability based on the agreed undiscounted payments:

31.12.2019	Note	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<i>In thousand BGN</i>							
<b>LIABILITIES by residual maturity</b>							
Loans and Borrowings	20	5 511	-	37 128	25 531	-	68 170
Bond liabilities	21	740	-	15	135 768	-	136 523
Trade payables	22,24	1 799	-	-	-	-	1 799
Related parties liabilities	25	3	6	53 946	1 538	-	55 493
Other current liabilities	23,26	127	150	1 093	1 273	879	3 522
<b>TOTAL</b>		<b>8 180</b>	<b>156</b>	<b>92 182</b>	<b>164 110</b>	<b>879</b>	<b>265 507</b>

In the previous reporting period, the maturities of the Company's contractual obligations are summarized as follows:

31.12.2018	Note	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<i>In thousand BGN</i>							
<b>LIABILITIES by residual maturity</b>							
Loans and Borrowings	20	3 516	763	25 179	35 549	-	65 007
Bond liabilities	21	737	-	26	128 821	-	129 584
Related parties liabilities	22,25	-	-	44 214	1 717	-	45 931
Trade payables	24	384	-	-	-	-	384
Other current liabilities	23,26	43	-	699	-	6	748
<b>TOTAL</b>		<b>4 680</b>	<b>763</b>	<b>70 118</b>	<b>166 087</b>	<b>6</b>	<b>241 654</b>

#### 2.24. Capital risk management

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

The Company continuously monitors the availability and the structure of the capital based on the debt ratio, and namely the net debt capital to the total amount of capital.

Net debt includes all liabilities, loans, debentures, trade and other payables less the carrying amount of cash and cash equivalents.

The equity for the reporting periods presented can be analyzed as follows:

<i>In thousand BGN</i>	2019	2018
<b>Total equity</b>	<b>320 455</b>	<b>337 788</b>
Total liabilities, loans, debentures, trade and other liabilities	265 507	241 654
- Cash and cash equivalents	(138)	(282)
<b>Net debt</b>	<b>265 369</b>	<b>241 372</b>
<b>Total equity (Equity + net debt)</b>	<b>585 824</b>	<b>579 160</b>
<b>Debt ratio (Net debt/total equity)</b>	<b>45%</b>	<b>42%</b>

The increase in the debt ratio in 2019 is mainly due to borrowings from related parties (*Note 25.2*) and other loans, which are in the form of Euro Trading Papers (ECP) (*Note 20*).

## 2.25. Determination of fair values

### 2.25.1. Fair value measurement of financial instruments

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

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

A financial asset or liability is classified at the lowest level of material input used to determine its fair value.

Fair value measurement	Note	Book value	Fair value			
			Level 1	Level 2	Level 3	31.12.2019
In thousand BGN		31.12.2019				31.12.2019
Stock traded repurchase bonds	21	20 213	20 213	-	-	20 213
		<b>20 213</b>	20 213	-	-	<b>20 213</b>

Fair value measurement	Note	Book value	Fair value			
			Level 1	Level 2	Level 3	31.12.2018
In thousand BGN		31.12.2018				31.12.2018
Stock traded repurchase bonds	20,21	33 911	33 911	-	-	33 911
		<b>33 911</b>	33 911	-	-	<b>33 911</b>

There were no significant transfers between levels during the reporting periods.

### Determination of fair value

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

## Stock traded repurchase bonds

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

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

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

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

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

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

The following table presents the levels in the hierarchy of non-financial assets as at 31 December 2019 and 31 December 2018, measured at fair value at regular intervals:

Fair value measurement	Note	Book value	Fair value			
			Level 1	Level 2	Level 3	
In thousand BGN		31.12.2019				31.12.2019
Investments in subsidiaries	14	581 007	-	-	581 007	581 007
		<b>581 007</b>	-	-	<b>581 007</b>	<b>581 007</b>

Fair value measurement	Note	Book value	Fair value			
			Level 1	Level 2	Level 3	
In thousand BGN		31.12.2018				31.12.2018
Investments in subsidiaries	14	567 465	-	-	567 465	567 465
		<b>567 465</b>	-	-	<b>567 465</b>	<b>567 465</b>

At each date of the statement of financial position, management makes an analysis and evaluation of whether there are any indicators of impairment of its investments in subsidiaries. The Company performed its annual impairment test in December 2019 and 2018. The Company took into account the carrying amount of investments and their net assets, among other factors, when reviewing for impairment indications.

The main indicators for impairment are: significant reduction in the volume and / or termination of the investee, losses in the customer market or technological problems, reporting of losses over a longer period, reporting of negative net assets or assets below registered share capital, trends in deterioration of key financial indicators, and a decrease in market capitalization.

As of December 31, 2019, there is an excess of the carrying amount over the equity of certain investments, which is a potential indicator for impairment of investments in subsidiaries. This necessitated impairment tests. External evaluators have been hired for this purpose and operate in accordance with generally accepted international valuation standards.

The fair value of investments in subsidiaries of the Company is determined on the basis of reports of independent licensed appraisers.

The fair value of investments in subsidiaries is based on the following methods used:

1. Investment in Euroins Insurance Group AD - Net Asset Value Method;

2. Auto Union AD - Net Asset Value Method 40% and Discounted net flows method - 60%;
3. Euro-finance AD - The method of industry coefficients 10%; Net Asset Value Method - 20%, Discounted net flows method - 70%;
4. Eurolease Group EAD - Net Asset Value Method 40% and Discounted net flows method - 60%.

The discounted cash flow method is used to determine the value of a business in terms of its future and expected profitability. In this method, net cash flows are determined by reducing EBITDA (profit before taxes, interest and depreciation) by changing net working capital by investing in non-current assets, without taking into account cash flows related to borrowing, payment of interest on them and cash. The developed business forecast for the development of the company was used as the basis of the method.

The industry coefficients method (Market Multiplier Method) reflects the prices currently being marketed for other similar businesses and provides an indication of the usual opinion of market participants. It is based on derived indicators of the realized transactions.

The net asset value method is a fundamental way of determining the value of a company or its shares using models based on the value of the assets of the company less its liabilities. This method assumes that in a competitive environment, a "reasonable buyer" would not pay more to the company than he would have received for obtaining similar assets (with the same characteristics and condition, degree of suitability, usability, etc.), without commitment.

31 December 2019 r. <i>In '000 BGN</i>	Share in equity in%	The book value of the subsidiary	Recoverable amount of the subsidiary	Exceeding recoverable amount over the book value
<b>Company</b>				
Euroins Insurance Group AD	94,41%	464 952	643 689	178 737
Avto Union AD	99,99%	66 775	67 942	1 167
Euro-Finance AD	99,99%	24 645	37 425	12 780
Eurolease Group EAD	90,01%	24 635	25 749	1 114
		<b>581 007</b>	<b>774 805</b>	<b>193 798</b>

As a result of the analysis, the recoverable amount was found to be higher than the value of the investment and management did not identify any impairment for these investments in subsidiaries.

## 2.26. Cash Flows

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

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

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

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

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

Changes in the Company's liabilities arising from a financial activity may be classified as follows:

In '000 BGN	Note	As of 1 January, 2019	Cash flows from financing activities		Non-monetary adjustments		As of 31 December, 2019
			Proceeds	Payments	The effect of changes in exchange rates	Other adjustm ents	
Loans from financial and non-financial institutions	20	<b>65 007</b>	11 814	(11 737)	-	3 086	<b>68 170</b>
Bonds liabilities	21	<b>129 584</b>	6 133	(10 942)	236	11 512	<b>136 523</b>
Liabilities to related parties, principal and interest	22, 25	<b>19 993</b>	25 189	(15 947)	-	5 011	<b>34 246</b>
Leases		<b>68</b>	-	(869)	-	3 657	<b>2 856</b>
<b>Total:</b>		<b>214 652</b>	<b>43 136</b>	<b>(39 495)</b>	<b>236</b>	<b>23 266</b>	<b>241 795</b>

In '000 BGN	Note	As of 1 January, 2018	Cash flows from financing activities		Non-monetary adjustments		As of 31 December, 2018
			Proceeds	Payments	The effect of changes in exchange rates	Other adjustm ents	
Loans from financial and non-financial institutions	21	<b>73 362</b>	68 689	(46 465)	-	(30 579)	<b>65 007</b>
Bonds liabilities	22	<b>142 489</b>	26 636	(18 010)	(673)	(20 858)	<b>129 584</b>
Liabilities to related parties, principal and interest	23, 26.1, 26.2	<b>2 775</b>	4 052	(1 864)	-	15 085	<b>20 048</b>
Liabilities to third parties, principal and interest	24,27	<b>50</b>	-	(42)	-	-	<b>8</b>
<b>Total:</b>		<b>218 676</b>	<b>99 377</b>	<b>(66 381)</b>	<b>(673)</b>	<b>(36 352)</b>	<b>214 647</b>

## 2.27. Changes in significant accounting policies

The Company 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 of equity (Retained earnings from previous years) and no comparative information is recalculated. This change is necessitated by the new lease accounting rules in force since 01.01.2019.

### 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 company has elected 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 – Buildings ( <i>Note 13</i> )	2 194
Lease liabilities	2 353
- Current ( <i>Note 2.27 (c)</i> )	723
- Non-current ( <i>Notes 2.27 (c)</i> )	1 630
Retained earnings / uncovered (loss) adjustment	(159)

The effect of IFRS 16 on profit or loss for the period - see *Note 2.27 (e)*.  
Details of accounting policies under IFRS 16 and IAS 17 - see *Note 2.14*.

## c) Measurement of lease liabilities

<b>BGN'000</b>	<b>1 January 2019</b>
Future operating lease commitments disclosed as at 31.12.2018	2 438
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2 353
Finance lease liabilities recognized as at 31.12.2018 ( <i>Notes 22 and 25.3</i> )	68
- 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>2 421</b>
- Current lease liabilities	736
- Non-current lease liabilities	1 685

## 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 <i>BGN'000</i>	01.01.2019 <i>BGN'000</i>
<b>Property, plant and equipment incl.</b>		
- Right-of-use assets- Buildings ( <i>Note 13.1</i> )	2 599	2 194
	<b>2 599</b>	<b>2 194</b>
<b>Lease liabilities</b>		
- Current ( <i>Notes 2.27 (c); 26</i> )	665	723
- Non-current ( <i>Notes 2.27 (c); 23</i> )	2 137	1 630
	<b>2 802</b>	<b>2 353</b>

Additions right-of-use assets in 2019 - 3 953 BGN'000 (*Note 13.1*)

Disposed right-of-use assets in 2019 - 816 BGN'000 (*Note 13.1*)

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

	31.12.2019 <i>BGN'000</i>	31.12.2018 <i>BGN'000</i>
Income from sublease of right-of-use assets under operative lease agreement – incl. in Other income / (Other expenses) ( <i>Notes 2.27 (g); 12</i> )	333	238
Rent expenses – incl.in Hired services expenses ( <i>Note 10</i> )	-	(739)
Depreciation of Right-of-use assets	(662)	-
• Property ( <i>Note 13.1</i> )	(662)	-
Interest expenses – incl. in Other income/ (Other expenses) ( <i>Note 12</i> )	(73)	-

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

The total cash outflow for leases in 2019 – BGN 854 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 Company as lessor

The 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 Company does not have any leasing contracts classified as finance leases. Based on preserve the risks and rewards on the lessor, the 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 statement of profit or loss and other comprehensive income in the line 'Other income / (expenses), net'. Direct operating expenses in the amount of BGN 315 thousand are reported in the line 'External service expenses' (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			Total In '000 BGN
	Up to 1 year In '000 BGN	Up 1 till 5 years In '000 BGN	Over 5 years In '000 BGN	
As of 31 December, 2019	506	590	-	1 096
As of 31 December, 2018	463	1 146	-	1 608

### 3. Dividend income

	2019 BGN'000	2018 BGN'000
Euro-Finance AD	669	209
	<b>669</b>	<b>209</b>

### 4. Gains from sale of investments and revaluations

	2019 BGN'000	2018 BGN'000
Gains from sale of investments	4 657	20 278
Income from revaluation of investments*	945	1 374
	<b>5 602</b>	<b>21 652</b>

In 2019, gains on investment and financial instruments include:

- BGN 4 530 thousand profit from the sale of a minority stake in Eurolease Group EAD (*Note 14*)
- BGN 127 thousand - other profits.

In 2018, the gains on investments and financial instruments include:

- BGN 4 683 thousand profit from the sale of own receivables (reported value of BGN 1 342 thousand) and acquired receivables from related parties (BGN 16 645 thousand )-(*Note 25.3*);

- o BGN 14 947 thousand profit from redemption and repayment / cancellation of commercial loans in the form of Euro Corporate Securities - ECP (*Notes 20*);
- o BGN 648 thousand - Other gains.

In 2019 and 2018, Revenue from revaluation of debt instruments measured at fair value is from revaluation of redeemable equity bonds at fair value. (*Note 21*)

## 5. Interest income

	2019 BGN'000	2018 BGN'000
Interest income – from related parties loans	3	838
Interest income – from third parties loans	576	706
	<b>579</b>	<b>1 544</b>

### 5.1 Interest income on loans to related parties

	2019 BGN'000	2018 BGN'000
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%.

## 6. Other financial revenue

	2019 BGN'000	2018 BGN'000
Foreign exchange gains	665	647
	<b>665</b>	<b>647</b>

## 7. Interest expense

	2019 BGN'000	2018 BGN'000
Interest expense – loans and borrowings	3 095	7 860
Interest expense – bonds, EMTN program*	9 854	11 088
Interest expense – from related parties loans	1 715	276
Interest expense – from third parties loans	23	15
	<b>14 687</b>	<b>19 239</b>

\*Interest expense on EMTN Program bond loans is presented net of interest income on redeemed bonds in the amount of BGN 1 357 thousand for 2019 (*Note 21*)

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

	2019 <i>BGN'000</i>	2018 <i>BGN'000</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 2.23.4, 22, 25.2 and 25.2*) and have an annual interest rate in the range of 3.0% -7.5%.

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

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Losses on transactions of investments	11	355
Losses on transactions of investments – related parties	23	85
Losses on transactions of debt reassessment measured at fair value	1 153	221
	<b>1 187</b>	<b>661</b>

\* In 2019 and 2018, the cost of revaluation of debt instruments measured at fair value is the revaluation of purchased treasury bonds at fair value. (*Note 21*)

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

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Euro-finance AD	23	85
	<b>23</b>	<b>85</b>

### 9. Other financial expenses

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Foreign exchange losses	968	11
Other financial expenses – related parties	6	17
Other financial expenses	229	22
	<b>1 203</b>	<b>50</b>

### 9.1 Other financial expenses – related parties

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Euro-finance AD	6	17
	<b>6</b>	<b>17</b>

### 10. Hired services expenses

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Hired services expenses	4 488	2 335
Hired services expenses – related parties	9	1
	<b>4 497</b>	<b>2 336</b>

#### 10.1 Hired services expenses – related parties

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Eurolease auto EAD	7	-
Auto Italia EAD	2	-
Bulvaria Holding EAD	-	1
	<b>9</b>	<b>1</b>

#### 10.2. Breakdown of the hired services expenses

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Consulting service	3 428	1 209
Rents and associated costs	368	838
Taxes	87	35
Advertising cost	119	35
Phone and internet service	37	46
Translation service	28	55
Management contract	136	39
Civil contracts	64	1
Postal and courier services	11	14
Credit rating	25	23
Other service	194	41
	<b>4 497</b>	<b>2 336</b>

The remuneration for an independent financial audit for 2019 amounts to BGN 91 thousand. During the year, tax consultations or other non-audit services were not provided. This disclosure complies with the requirements of Art. 30 of the Accounting Act.

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

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Recoverable loss from impairment of financial assets	85	21
Accrued loss from impairment of financial assets	(16)	(34)
	<b>69</b>	<b>(13)</b>

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

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
Other (expenses)	(277)	(219)
Other (expenses) – related parties	(6)	(5)
(Interest expenses) on right-of-use assets ( <i>Note 2.27 (d)</i> )	(73)	-
Other revenue, incl.	605	362
<i>Rent income (sublease of right-of-use assets-Note 2.27 (d,e))</i>	196	238
Other revenue – related parties, incl.	403	240
<i>Rent income (sublease of right-of-use assets-Note 2.27 (d,e))</i>	137	-
	<b>652</b>	<b>378</b>

**12.1 Other expenses – related parties**

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
IC Euroins AD	(1)	(2)
Motobul EAD	(5)	(3)
	<b>(6)</b>	<b>(5)</b>

**12.2 Other revenue – related parties**

	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>
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-Note 2.27 (d,e)*)

### 13. Fixed assets

#### 13.1 Property, machinery and equipment

	Right-of-use assets – Property* BGN'000	Vehicles BGN'000	Equipment BGN'000	Total BGN'000
<b>Cost:</b>				
At 1 January 2018	-	20	65	85
Additions	-	90	3	93
At 31 December 2018	-	110	68	178
Additions	3 953	154	10	4 117
Disposals	(816)	(20)	-	(836)
<b>At 31 December 2019</b>	<b>3 137</b>	<b>244</b>	<b>78</b>	<b>3 459</b>
<b>Depreciation:</b>				
At 1 January 2018	-	6	63	69
Accrued depreciation	-	24	3	27
At 31 December 2018	-	30	66	96
Accrued depreciation	662	41	5	708
Depreciation - written off	(124)	(14)	-	(138)
<b>At 31 December 2019</b>	<b>538</b>	<b>57</b>	<b>71</b>	<b>666</b>
<b>Carrying value:</b>				
At 1 January 2018	-	14	2	16
At 31 December 2018	-	80	2	82
<b>At 31 December 2019</b>	<b>2 599</b>	<b>187</b>	<b>7</b>	<b>2 793</b>

\*See Note 2.27.

#### 13.2 Intangible assets

	Software BGN'000	Acquisition costs BGN'000	Total BGN'000
<b>Cost:</b>			
At 1 January 2019	-	-	-
Additions	3	11	14
<b>At 31 December 2019</b>	<b>3</b>	<b>11</b>	<b>14</b>
<b>Depreciation:</b>			
At 1 January 2019	-	-	-
Accrued depreciation	-	-	-
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying value:</b>			
At 1 January 2019	-	-	-
<b>At 31 December 2019</b>	<b>3</b>	<b>11</b>	<b>14</b>

#### 14. Investments in subsidiaries

	Value as at 1.1.2019	Increase	Decrease	Value as at 31.12.2019	Share capital of the subsidiary	% control in the subsidiary
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	%
Euroins Insurance Group AD	448 677	16 275	-	464 952	543 446	94.41%
Avto Union AD	66 775	-	-	66 775	40 004	99.99%
Euro-Finance AD	24 645	-	-	24 645	14 100	99.99%
Eurolease Group EAD	27 368	-	(2 733)	24 635	27 241	90.01%
Eastern European Electric Company II B.V.	-	-	-	-	2	100.00%
	<b>567 465</b>	<b>13 815</b>	<b>(2 733)</b>	<b>581 007</b>	-	-

Eurohold Bulgaria AD directly controls the companies listed above.

In 2019, Eurohold Bulgaria AD sold a minority stake representing 9.99% of the capital of Eurolease Group EAD. Profit realized is BGN 4 530 thousand - (Note 4).

In 2019 Eurohold has made the following investments in Euroins Insurance Group AD:

- Installment in amount of BGN 3 950 thousand of the unpaid share capital;
- In 2018 Eurohold Bulgaria AD signed an agreement for the acquisition of the residual minority share of 10.64% of its subsidiary insurance holding company - Euroins Insurance Group AD. The Company has agreed to buy shares from South Eastern Europe Fund L.P. (SEEF), managed by the Greek investment company Global Finance. After finalizing the deal, Eurohold will own 100% of the capital of Euroins Insurance Group AD. The investments made in 2019 for the purchase of the agreed share amount to BGN 12 325 thousand.

The activities of the subsidiaries are as follows:

- Euroins Insurance Group AD - acquisition, management, valuation and sale of holdings in Bulgarian and foreign companies. The company is active in Bulgaria, Romania, Macedonia, Ukraine and Georgia. Business line - insurance market;
- Auto Union AD - import, sale and service of cars. Business line - car market;
- Euro-Finance AD - Provision and implementation of investment services and activities in the country and abroad. Business - Investment Intermediation and Asset Management;
- Eurolease Group EAD - participation management, financial leasing. The company operates in Bulgaria and Macedonia. Business line - leasing market;
- Eastern European Electric Company II B.V. - energy market.

#### Impairment of investments in subsidiaries

At the end of the reporting period, the Company's management makes an analysis and assessment whether there are indications for impairment of its investments in subsidiaries. The following are considered key indicators for impairment: considerable reduction of the scope or termination of the subsidiary's business; loss of markets, clients or technological issues, reporting of negative net assets or assets below the registered share capital, trends to worse key financial indicators and decrease of the market capitalization.

Calculations are made by the management with the assistance of external independent licensed valuers who have appropriate qualification and experience. As a basis to forecast the cash flows before tax, the management has used financial forecasts made by the respective subsidiaries for a five-year period, as well as other medium- and long-term plans and intentions for their development.

The key assumptions used for the calculations are defined particularly for each subsidiary and in accordance with its specific business, business environment and risks, expected future economic benefits, as well as the positions on Bulgarian and foreign markets, etc. (Note 2.25.2)

### 15. Loans granted to third parties

<b>Loans granted to third parties, short-term</b>	31.12.2019	31.12.2018
	<i>BGN'000</i>	<i>BGN'000</i>
Loans granted	-	9 897
Impairment	-	(20)
	<b>-</b>	<b>9 877</b>

### 16. Receivables from related parties

	31.12.2019	31.12.2018
	<i>BGN'000</i>	<i>BGN'000</i>
<b>16.1 Interest receivables</b>		
Euroins Insurance Group AD	2	743
Eurolease Group EAD	-	1
	<b>2</b>	<b>744</b>
Impairment	-	(1)
	<b>2</b>	<b>743</b>

### 16.2 Other receivables

	31.12.2019	31.12.2018
	<i>BGN'000</i>	<i>BGN'000</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
Auto Union AD	58	-
Espas 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>

### 16.3 Loans granted to related parties

	31.12.2019 BGN'000	31.12.2018 BGN'000
Euroins Insurance Group AD	-	316
Eurolease Group EAD	-	76
	-	<b>392</b>
Impairment	-	(2)
	-	<b>390</b>

### 17. Other receivables

	31.12.2019 BGN'000	31.12.2018 BGN'000
Tax receivables	262	16
Other receivables, incl.	1 131	395
<i>Receivable from Erste Bank, Novi Sad*</i>	734	-
	<b>1 393</b>	<b>411</b>
Impairment	(34)	(83)
	<b>1 359</b>	<b>328</b>

\* Note 28 – Court cases

### 18. Cash and cash equivalents

	31.12.2019 BGN'000	31.12.2018 BGN'000
Cash at banks	113	156
Cash in hand	25	32
Short-term deposits	-	96
	<b>138</b>	<b>284</b>
Impairment	-	(2)
	<b>138</b>	<b>282</b>

### 19. Share capital and reserves

#### 19.1 Share capital

The registered capital of the Company consists of 197 525 600 number of fully paid-up ordinary shares with a par value of BGN 1 per share. All shares are entitled to receive dividend and liquidation share and represent one vote from the General Meeting of Shareholders of the Company.

#### Share capital

	31.12.2019 BGN'000	31.12.2018 BGN'000
Issued shares	197 525 600	197 525 600

As at 31.12.2019 the share capital 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 legal entities	19.85%	39 208 526	39 208 526
Other individuals	2.21%	4 367 432	4 367 432
	<b>100.00%</b>	<b>197 525 600</b>	<b>197 525 600</b>

### 19.2 Reserves

	31.12.2019 BGN'000	31.12.2018 BGN'000
Share premium	49 568	49 568
General reserves	7 641	7 641
	<b>57 209</b>	<b>57 209</b>

### 19.3 Earnings per share

	31.12.2019	31.12.2018
Average shares, (number)	197 525 600	197 525 600
Net Profit/(Loss) as of the end of reporting year (thousand BGN)	(14 631)	1 660
<b>Earnings / (loss) per share, BGN</b>	<b>(0,074)</b>	<b>0,008</b>

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

### Non-current liabilities to financial and non-financial institutions

	31.12.2019 BGN'000	31.12.2018 BGN'000
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 BGN'000	31.12.2018 BGN'000
International Investment Bank	10 509	9 253
Other*	32 130	20 205
	<b>42 639</b>	<b>29 458</b>

## Financial institutions loans

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%+ EURIBOR	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%+ EURIBOR	3.2025	Pledge on subsidiary shares

\*As of 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 of 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%. (Note 27).

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. (Note 4).

## 21. Bond liabilities

### Non-current bond liabilities

	31.12.2019 BGN'000	31.12.2018 BGN'000
EMTN Programme in EUR	115 175	108 530
EMTN Programme in PLN	20 593	20 302
	<b>135 768</b>	<b>128 832</b>

### Current bond liabilities

	31.12.2019 BGN'000	31.12.2018 BGN'000
EMTN Programme in EUR	15	15
EMTN Programme in PLN	740	737
	<b>755</b>	<b>752</b>

Bond liabilities are recognized at amortized cost, net of redeemed own bonds measured at fair value through profit / (loss) based on information from Bloomberg and other sources. As of 31.12.2019, the Company holds 10 500 repurchased own shares of the EMTN Program in EUR with ISIN XS1731768302, as of 31.12.2018 – 13 418 from the EMTN Program in EUR. The redeemed own bonds (10 500 pcs) are given as collateral in connection with a repurchase agreement (repo) with a closing date of 10.2020 years. The obligation for the repurchased own bonds of Starkom Holding AD (10 500 pcs) was not settled as of 31.12.2019 and 31.12.2018 (Note 25.3).

Detailed information about the bonds issued by Eurohold Bulgaria AD is available on the website of the Irish Stock Exchange, Debt section.

## 22. Non-current liabilities to related parties

	31.12.2019	31.12.2018
	<i>BGN'000</i>	<i>BGN'000</i>
<b>Loans principal</b>		
Eurolease Auto EAD – loan granted	1 400	1 662
Eurolease Auto EAD – leases	138	55
	<b>1 538</b>	<b>1 717</b>

The borrowings from related parties are of fixed maturity and have an annual interest rate in the range of 3.0-7.5% (Note 7.1.)

## 23. Other non-current liabilities

	31.12.2019	31.12.2018
	<i>BGN'000</i>	<i>BGN'000</i>
Retirement benefit obligations	15	6
Lease liabilities – right-of use (Note 2.27.(d))	2 137	-
	<b>2 152</b>	<b>6</b>

## 24. Trade payables

	31.12.2019	31.12.2018
	<i>BGN'000</i>	<i>BGN'000</i>
Trade payables	1 799	384
	<b>1 799</b>	<b>384</b>

The net book value of short-term trading liabilities is considered to be a reasonable estimate of their fair value.

## 25. Current liabilities to related parties

### 25.1 Interest liabilities

	31.12.2019	31.12.2018
	<i>BGN'000</i>	<i>BGN'000</i>
Starcom Holding AD	24	5
Auto Union AD	23	-
Eurolease Auto EAD	620	84
Euroins Insurance Group AD	365	-
Motobul EAD	153	19
Auto Union Service EOOD	5	-
Star Motors EOOD	14	-
	<b>1 204</b>	<b>108</b>

### 25.2. Loans liabilities – principal

	31.12.2019	31.12.2018
	<i>BGN'000</i>	<i>BGN'000</i>
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	249
	<b>29 507</b>	<b>18 472</b>

\*Liabilities under receivables transfer agreements concluded in 2018, with annual rate in amount of 7.5%. (Note 4)

The borrowings from related parties are of fixed maturity in 2020 and have an annual interest rate in the range of 3.0% -7.5% (Notes 2.23.4 and 7.1.)

### 25.3 Other liabilities

	31.12.2019	31.12.2018
	<i>BGN'000</i>	<i>BGN'000</i>
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	3 371
Avto Union Services EOOD*	314	362
Star Motors EOOD*	950	950
	<b>23 244</b>	<b>25 634</b>

\*Liabilities under receivables transfer agreements concluded in 2018, with annual rate in amount of 3.0%. (See Note 4.)

\*\* The obligation to repurchase own bonds (See Note 21.)

### 26. Other current liabilities

	31.12.2019	31.12.2018
	<i>BGN'000</i>	<i>BGN'000</i>
Payables for acquisition of investments	16	18
Interest payables	31	8
Commissions on bank guarantees	21	-
Tax payables	73	293
Payables to employees and social security institutions	82	46
Dividends payables	249	211
Dividends payables – related parties – Starcom Holding AD	101	101
Lease liabilities – right-of-use (Note 2.27. (d))	665	-
Other liabilities	132	65
	<b>1 370</b>	<b>742</b>

### 27. Non-cash transactions

During the reporting periods, the Company has carried out the following investment and financial transactions that do not use cash or cash equivalents and are not reflected in the cash flow statement:

- In 2019, the Company sold investments in subsidiaries, with part of the proceeds being deducted with a loan in the amount of BGN 1 380 thousand;
- In 2019, the Company received an unduly received interest payment from Starkom Holding in connection with the repurchased own bonds against a debt of Eurohold Bulgaria AD on a loan in the amount of BGN 1 335 thousand;
- In 2019, the Company executed related party SWAP transactions while simultaneously issuing new short-term trading securities (ECPNs) in the amount of EUR 14,406 thousand (BGN 28,176 thousand) and repurchasing issued ECPNs in the amount of to EUR 14 336 thousand (BGN 28 039 thousand);

- In 2018, the Company repayment (offsetting) of receivables is on a loan of Avto Union AD against a liability of Eurohold Bulgaria AD for the amount of BGN 6 704 thousand.

## 28. Contingent, liabilities and commitments

### Litigations

As at 31.12.2019 against the Company has no substantial legal proceedings instituted.

The 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 company is a plaintiff in a material interest case of EUR 375 363,21. The company requests a refund of the amount it has transferred. The transferred amount was completely blocked in an account at Erste Bank, Novi Sad, on the basis of a prosecutor's order and will be returned to the company after a formal ruling in the above case. A final judgment is expected within the next 4 to 6 months (*Note 17*).

### Warranties and provided guarantees

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

Business division	Amount in EUR'000 as of 31.12.2019	Amount in BGN'000 as of 31.12.2019	MATURITY (EUR'000)					
			2020	2021	2022	2023	2024	After 2024
<b>Lease sub-holding</b>								
For funding of lease operations	11 962	23 396	3 443	3 828	2 282	1 033	972	404
<b>Automotive sub-holding</b>								
Working capital loans	1 822	3 564	1 822	-	-	-	-	-
<b>TOTAL:</b>	<b>13 784</b>	<b>26 960</b>	<b>5 265</b>	<b>3 828</b>	<b>2 282</b>	<b>1 033</b>	<b>972</b>	<b>404</b>

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

Company from:	Contracted limit in EUR'000 as of 31.12.2019	Contracted limit in BGN'000 as of 31.12.2019	MATURITY(EUR'000)		
			2020	2021	2022
Automotive sub-holding	9 400	18 385	9 400	-	-
Automotive sub-holding	340	665	340	-	-
Automotive sub-holding	712	1 392	712	-	-
Automotive sub-holding	1 050	2 054	1 050	-	-
Energy sub-holding	5 000	9 779	5 000	-	-
<b>TOTAL:</b>	<b>16 502</b>	<b>32 275</b>	<b>16 502</b>	<b>-</b>	<b>-</b>

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

Company/ Guarantor	Currency	Guaranteed liability	Guaranteed amount as of 31.12.2018 in original	
			currency	Maturity date
Euroins Insurance Group AD	EUR	Issue of bonds (EMTN programme)	70 000 000	12/2022
Euroins Insurance Group AD	PLN	Issue of bonds (EMTN programme)	45 000 000	12/2021
EUROINS ROMANIA ASIGURARE REASIGURARE SA	EUR	Possible payment and/or compensation claims of the Beneficiary in connection with an offer	5 000 000	31.05.2020

## 29. Transactions and balances with related parties

The related parties of the Company include owners, subsidiaries, key management personnel and others described below. The conditions under which the transactions were made do not deviate from the market for such transactions.

### The related parties of the Company are as follows:

- Starcom Holding AD – major shareholder in Eurohold Bulgaria AD.

### Subsidiaries of Starcom Holding AD:

- First Investment Bank AD, Russia;

### Companies under control of Starcom Holding AD:

- Hanson Asset Management Ltd, United Kingdom;

### Subsidiaries of Eurohold Bulgaria AD:

- **Euroins Insurance Group AD (EIG) – subsidiary of Eurohold Bulgaria AD:**
  - Euroins Insurance AD – subsidiary of EIG;
  - Euroins Romania Asiguarare AD – subsidiary of EIG;
  - Euroins Osigurovanje AD Macedonia – subsidiary of EIG;
  - Insurance Company Euroins Life EAD – subsidiary of EIG;
  - Insurance Company EIG Re AD – subsidiary of EIG;
  - Euroins Ukraine AD – subsidiary of EIG;
  - Euroins Ukraine AD – through European Travel Insurance, Ukraine;
  - Euroins Claims I.K.E. Greece - subsidiary of EIG;
  - IC Euroins Georgia JSC - subsidiary of EIG;
  - European Travel Insurance - subsidiary of EIG;
  - IC Euroins, Russian Federation - associated of EIG;
- **Avto Union AD (AU) – subsidiary of Eurohold Bulgaria AD:**
  - Avto Union Service EOOD – subsidiary of AU;
  - N Auto Sofia EAD – subsidiary of AU;
  - Espace Auto OOD – subsidiary of AU through N Auto Sofia EAD;
  - EA Properties OOD – subsidiary of AU;
  - Daru Car AD – subsidiary of AU;
  - Auto Italia EAD – subsidiary of AU;
  - Auto Italia – Sofia EOOD - subsidiary of Auto Italia EAD (established on 16.01.2019) – subsidiary of AU;
  - Bulvaria Varna EOOD – subsidiary of AU;
  - Bulvaria Holding EAD – subsidiary of AU till 31.12.2019. Non-related company.
  - Bulvaria Sofia EAD - subsidiary of AU;
  - Star Motors EOOD – subsidiary of AU;
  - Star Motors DOOEL through Star Motors EOOD - subsidiary of AU;
  - Star Motors SH.P.K. through Star Motors EOOD - subsidiary of AU;
  - Motohub OOD - subsidiary of AU;
  - Motobul EAD – subsidiary of AU;
  - Benzin Finance EAD - subsidiary of AU;
  - Bopar Pro S.R.L Romania through of Motobul EAD - subsidiary of AU;
- **Eurolease Group EAD (ELG) – subsidiary of Eurohold Bulgaria AD:**
  - Eurolease Auto EAD – subsidiary of ELG;
  - Eurolease Auto Romania AD – subsidiary of ELG;
  - Eurolease Auto Romania AD through Euroins Romania Asiguarare AD – subsidiary of ELG;
  - Eurolease Auto DOOEL, North Macedonia – subsidiary of ELG;
  - Eurolease Rent-a-Car EOOD – subsidiary of ELG;
  - Amigo Leasing EAD – subsidiary of ELG;
  - AutoPlaza EAD – subsidiary of ELG;
  - Sofia Motors EOOD – subsidiary of ELG;

- **Euro-Finance AD – subsidiary of Eurohold Bulgaria AD;**
- **Eastern European Electric Company II B.V, The Netherlands - subsidiary of Eurohold Bulgaria AD** (established on 26.07.2019);
- Eastern European Electric Company B.V, The Netherlands (established on 26.07.2019) – subsidiary of Eastern European Electric Company II B.V, The Netherlands.

## 29.1. The related parties' transactions

### Transactions with subsidiaries and other related parties under common control

- o The company has concluded a SWAP transaction with Euroins Romania, buying back 4 pcs. ECPN with ISIN:XS1811833737 with a nominal of € 400,000 worth € 398,000 and simultaneously replace it with 4 newly issued (ECPN) with ISIN:XS1984471612 for € 392,000.
- o The company has concluded a SWAP transaction with Euroins Bulgaria, buying back 6 pcs. ECPN with ISIN:XS1811833737 with a nominal of EUR 600,000 worth EUR 597,000 and 17 pcs. ECPN with ISIN:XS1819580579 with a nominal of EUR 1 700 000 valued at EUR 1 691 500 and at the same time replaced it with 24 new issues (ECPN) with ISIN:XS1984471612 for EUR 2 352 000.
- o The company has concluded a SWAP transaction with Euroins Romania, buying back 82 pcs. ECPN with ISIN:1796869961 with a nominal of EUR 8 200 000 worth EUR 8 167 200 and at the same time replaced it with 84 new issues (ECPN) with ISIN:1966018308 for EUR 8 232 000.
- o The company has concluded a SWAP transaction with EIG RE EAD by buying back 11 pcs. ECPN with ISIN:1796869961 with a nominal of EUR 1 100 000 valued at EUR 1 094 500 and at the same time replaced it by 11 new issues (ECPN) with ISIN:1966018308 for EUR 1 078 000.
- o The company has concluded a SWAP transaction with EUROLEASE AUTO EAD, buying back 8 pcs. ECPN with ISIN:1796869961 with a nominal of EUR 800,000 worth EUR 796,000 and simultaneously replace it with 8 new issues (ECPN) with ISIN:1966018308 for EUR 784,000.
- o The company has concluded a SWAP transaction with EUROINS AD, buying back 16 shares. ECPN with ISIN:1796869961 with a nominal of EUR 1 600 000 valued at EUR 1 592 000 and simultaneously replaced it with 16 new issues (ECPN) with ISIN:1966018308 for EUR 1 568 000.

The related parties' transactions for 2019 and 2018 are disclosed in *Notes 3,4, 5.1, 7.1, 8.1, 9.1, 10.1, 12.1, 12.2 and 27.*

### Transactions with key management personnel

The key management personnel of the Company include the members of the Management Board and the Supervisory Board. Remuneration of key management personnel includes the following costs:

	<b>2019</b>	<b>2018</b>
	<b>BGN</b>	<b>BGN</b>
Short-term remunerations:		
Salaries, including bonuses	304 926	163 100
Social security costs	7 588	6 400
<b>Total short - term remuneration</b>	<b>312 514</b>	<b>169 500</b>

### Related party accounts at the end of the year

Related party accounts are disclosed in the following *Notes 16,22, 25 and 26.*

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

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 Company's ability to continue as a going concern.

At this first and very early stage of the crisis, no significant impact on the Company was observed. The company 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 Company, but a fall in the prices of shares on the global stock exchanges could affect the fair value of the Company'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.

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

**D**

**ACTIVITY REPORT**

## D1. EUROHOLD BULGARIA – CORPORATE OVERVIEW

### 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.*

### **Eurohold in figures as of 31.12.2019**

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**581 mln. BGN**

Investments in subsidiaries

---

**586 mln. BGN**

Assets

---

**320 mln. BGN**

Equity

---

**1.76 BGN**

Share price as of 31.12.2019

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**!** *As a holding company, Eurohold Bulgaria has not commercial activities independently. Its efforts are focused on investing in companies through the creation and acquisition, management and financing of affiliates. For this reason, the company's revenues are not regular and it is not appropriate to make a financial analysis to compare generated revenues and profits from operating activities of the company in different historical periods.*

**READERS OF THIS UNCONSOLIDATED ANNUAL REPORT AND ALL STAKEHOLDERS SHALL TO READ IT TOGETHER WITH THE CONSOLIDATED ANNUAL REPORT OF THE EUROHOLD GROUP SO THAT THEY CAN OBTAIN A COMPLETE PICTURE OF THE GROUP'S FINANCIAL POSITION AS A WHOLE.**

<b>FitchRatings</b>	<i>EuroHold Bulgaria Issuer Default Rating "B"</i>
<b>FitchRatings</b>	<i>Euroins Romania Insurer Financial Strength Rating "BB-"</i>
<b>FitchRatings</b>	<i>Euroins Bulgaria Insurer Financial Strength Rating "BB-"</i>
<b>FitchRatings</b>	<i>EIG Re Insurer Financial Strength Rating "BB-"</i>

**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.*

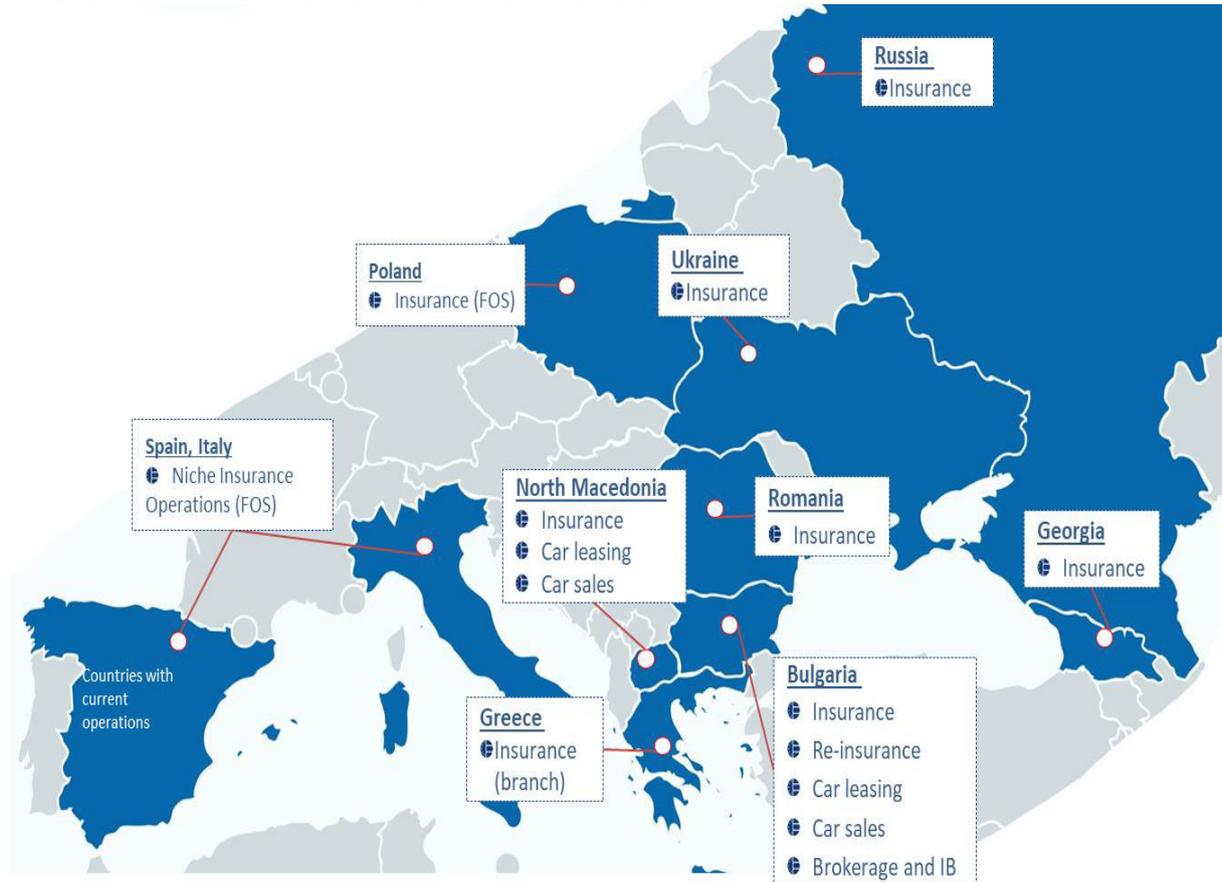
**Auto Union, investment in the automotive sector** - *a leading car dealer in Bulgaria and operating in 2 markets in the Balkans.*

**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.

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

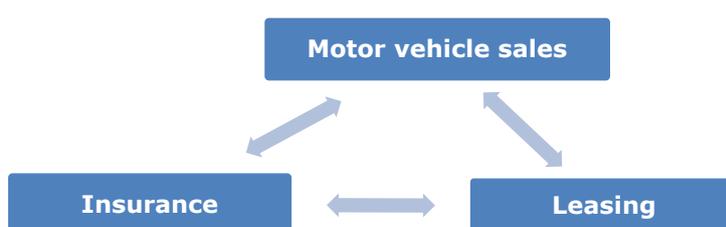
- *Developing and maintaining leading positions in the SEE region in the insurance, leasing and car business;*
- *Focusing on organic growth, complemented by the acquisition of businesses that meet Eurohold's criteria;*
- *Promoting synergies, referrals and cross sales across all business segments by 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.***

## D2. 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.

### D3. 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

1 January 2019	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.
7 March 2019	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.
1 April 2019	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.
17 April 2019	Eurohold obtained exclusivity for the acquisition of CEZ Group's assets in Bulgaria.
22 April 2019	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.
20 June 2019	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.
30 June 2019	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: <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>• Final date for dividend payment – 27.11.2019</li> </ul>
1 July 2019	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>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>
19 July 2019	<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>
3 October 2019	<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>
9 October 2019	<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>
15 October 2019	<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 holding's total revenue, the market shares of the insurers in the different insurance segments and others.</p>

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24 October 2019	<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>
12 November 2019	<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>
25 November 2019	<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>

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## **D4. INFORMATION ABOUT THE COMPANY**

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### **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.

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.

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.

## D5. MANAGEMENT BODIES. CONTROL AUTHORITIES

Eurohold Bulgaria AD has a two-tier management system:

- Supervisory Board which consists of six natural persons
- Management Board, consisting of five natural persons
- 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>Asen Milkov Christov</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>Dimitar Kirilov Dimitrov</b> Member</li> <li>• <b>Velislav Milkov Hristov</b> Member</li> <li>• <b>Asen Emanuilov Asenov</b> Member</li> <li>• <b>Razvan Stefan Lefter</b> Independent member</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Hristo Lyubomirov Stoev</b> Procurator</li> </ul>

*Detailed information on the qualifications, professional experience and other significant participations of the members of the Supervisory and Management Board and Procurator of the Company can be found in "ADDITIONAL INFORMATION, LEGAL REQUIREMENTS FOR THE COMPANY" on page 110*

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

Since March 1, 2016 the company is represented only together by an executive member of the Managing Board and the procurator of the company Hristo Lyubomirov Stoev. The activity of the Company does not depend on the individual professional experience or qualifications of other employees.

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

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
<ul style="list-style-type: none"> <li>• <b>Ivan Georgiev Mankov - Independent Member and Chairman of the Audit Committee</b></li> <li>• <b>Dimitar Stoyanov Dimitrov - Member of the Audit Committee</b></li> <li>• <b>Rositsa Mihaylova Pencheva - an independent member of the Audit Committee</b></li> </ul>

## **D6. 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.

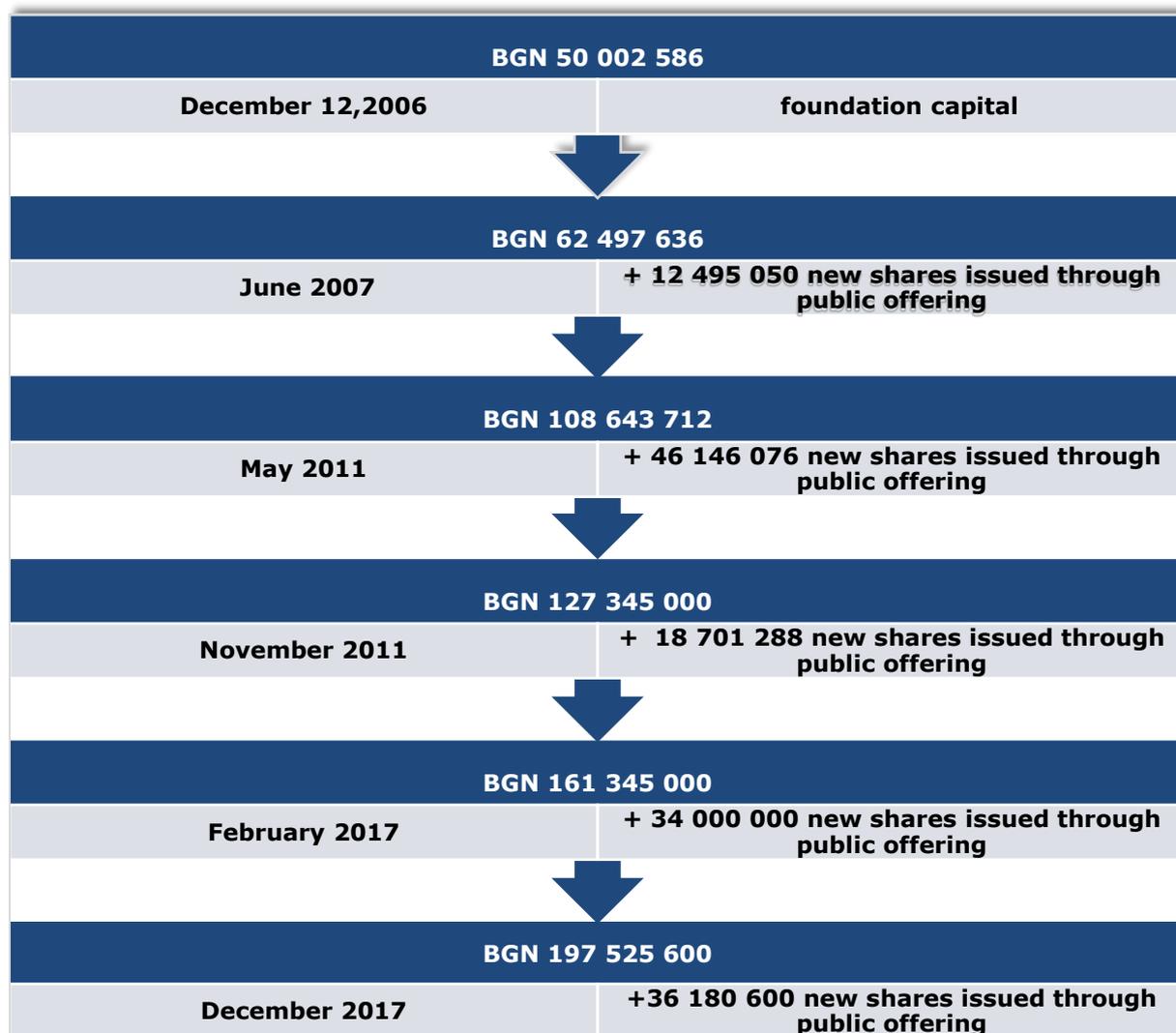
For the period since the incorporation of Eurohold Bulgaria AD until the date of the report, the company has successfully completed five subsequent increases in its share capital.

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:



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.

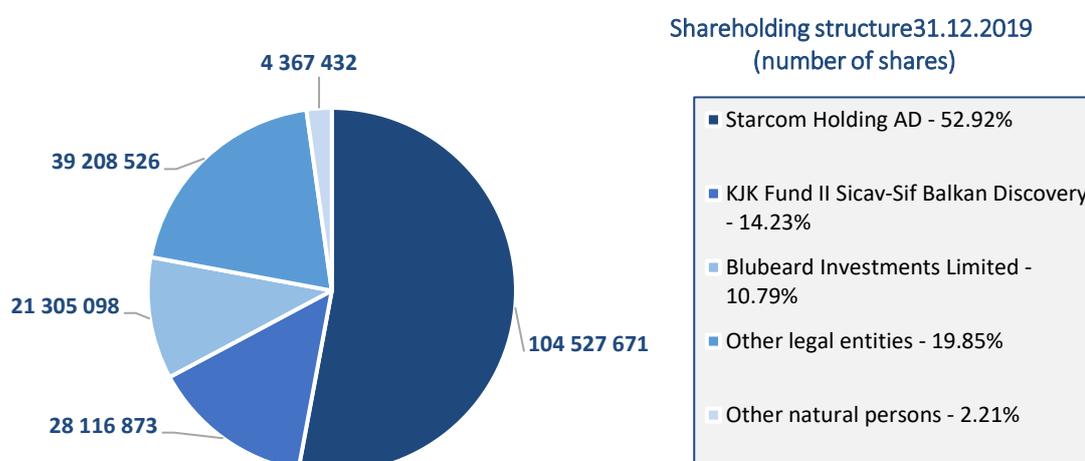
In 2019 no increase of the Company's share capital was made. On April 22, 2019, at a meeting of the General Meeting of Shareholders of Eurohold Bulgaria AD, a decision was taken to launch a procedure for raising the capital by public offering of 80 million new shares, through the issuance of preferred 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 and as at the date of the current Activity report there are three legal entities that hold nominally over 5 % of the voting shares.

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



The majority shareholder of Eurohold Bulgaria AD is Starcom Holding AD, who owns 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.

## **D7. 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.

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

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).

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.

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

### **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).

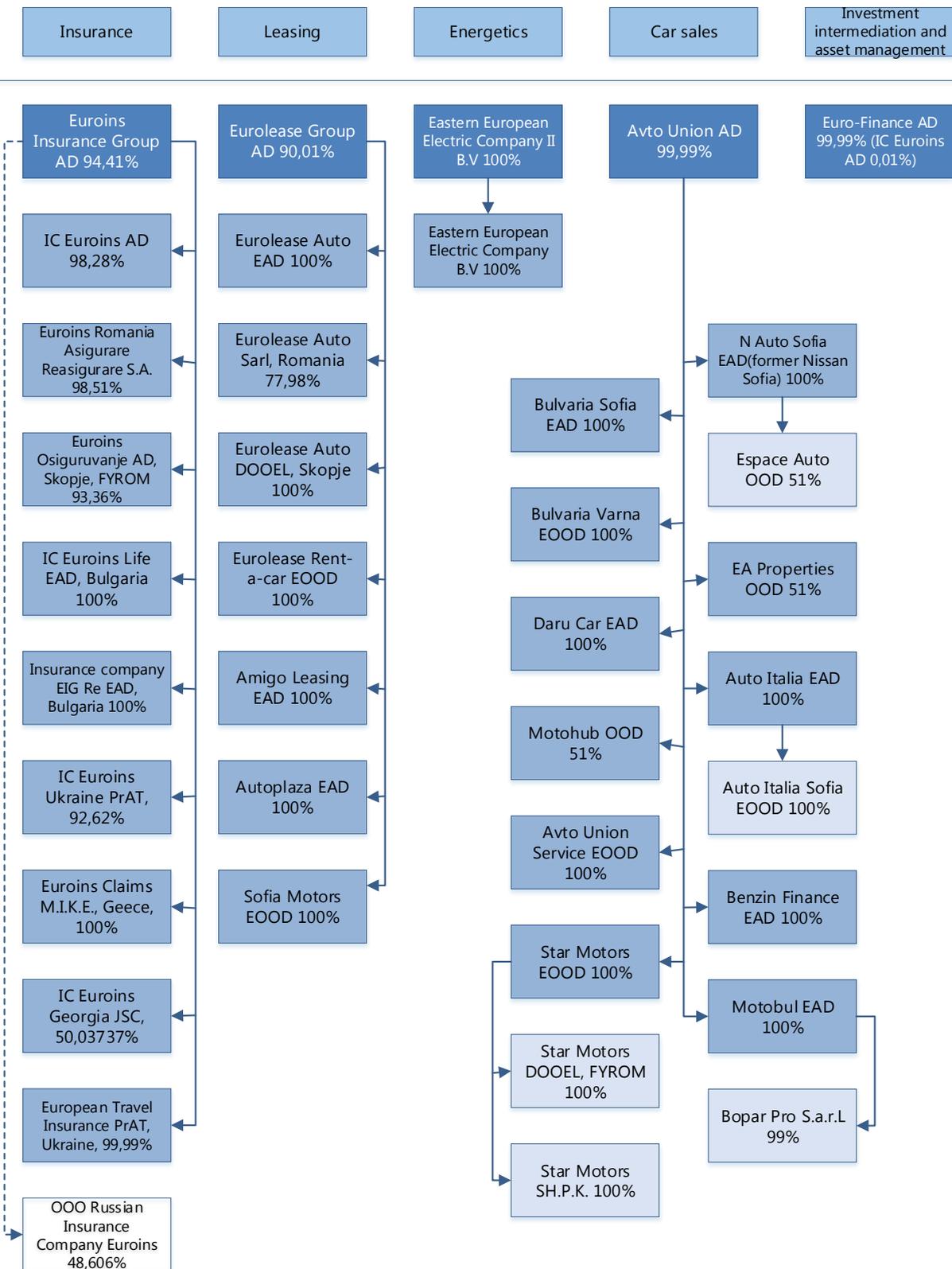
The main activity of the Bank is to conduct commercial banking operations on the territory of the Russian Federation. The Bank has no branches and representative offices. There are no subsidiaries and affiliates. The company is registered with a headquarters in Moscow.

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:

## EUROHOLD BULGARIA AD 52.92% (held by Starcom Holding AD)



## Countries in which the Eurohold Group is positioned. Main Markets of the Group

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

The main markets of which the Group operates are Bulgaria, Romania, North Macedonia, Ukraine, Georgia, Greece and Russia (associated participation). At the end of 2017 Euroins Insurance Group acquired a minority stake of 14% in a Russian insurance company. As of 31.12.2019, the percentage share in the capital of the company was increased to 48.606%.

On the markets in Italy, Spain, Poland the Insurance group offered insurance services on principle of free provision of services.

## Business lines and sub-holdings (subsidiaries)

Subsidiaries companies represent a holding structures merging Eurohold Bulgaria's investments in the insurance, sales of motor vehicles, leasing and investment intermediation and Asset Management sectors, since mid-2019, energy sector (no activity at present).

### Information about subsidiaries

<b>Subsidiaries of Eurohold Bulgaria AD</b>	<b>Country of registration</b>	<b>Main activity</b>	<b>% of participation in the primary capital as of 31.12.2019</b>
<b>EUROINS INSURANCE GROUP AD</b>	Bulgaria	<i>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</i>	Eurohold Bulgaria – 94.41%
<b>EUROLEASE GROUP AD</b>	BULGARIA	<i>Participations management, financial leasing The holding company develops its business (through its subsidiaries) in Bulgaria, Romania and North Macedonia</i>	Eurohold Bulgaria – 90.01%
<b>AVTO UNION AD</b>	Bulgaria	<i>Participations management in automotive companies The holding company develops its business (through its subsidiaries) in Bulgaria mainly</i>	Eurohold Bulgaria – 99.99%
<b>EURO-FINANCE AD</b>	Bulgaria	<i>Providing and carrying out investment services and activities in Bulgaria and abroad</i>	Eurohold Bulgaria – 99.99% IC Euroins Bulgaria – 0.01%
<b>EASTERN EUROPEAN ELECTRIC COMPANY II B.V.</b>	The Netherlands	<i>Holding company set up to consolidate investments in the energy sector (currently not operating)</i>	Eurohold Bulgaria – 100%

## Types of services and activities offered by operating companies

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

### Information about subsidiaries

#### Euroins Insurance Group (EIG). 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 from GWP operating in the Central and Southeast Europe region. Euroins Insurance Group works mainly in Bulgaria, Romania, North Macedonia, Greece, Ukraine, Georgia, Russia, Poland, Spain and Italy.

The insurance group offers a full range of insurance products in the field of general, health and life insurance. The long-term strategic goal of Euroins Insurance Group is to achieve a diversified, profitable and sustainable market share in the Central and Southeastern Europe.

Euroins Insurance Group is the only independent insurer among the largest players in the region, providing the company with more flexibility and focus.

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

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 potential of the local insurance sector (especially non-life insurance - the core business of the EIG) and the ability to observe organic growth.

A country's entry strategy is based on risks, levels of regulation and proximity to major markets of activity.

As a part of the Euroins Insurance Group's strategy for business extension in Eastern Europe and the Community of Independent States (CIS), which offer significant growth potential, given the low penetration of insurance services, *the insurance holding company has acquired new companies –*

**In 2018:**

- ◆ February 2018, the insurance sub-holding acquired a significant participation in a Russian insurance company amounting to 32.19% of the capital, which at the date of this report was named RZD Euroins OOD;
- ◆ April 2018 acquired Ukrainian travel company specialized in travel insurance ERV with the current name "European Travel Insurance" PrAt;
- ◆ In September 2018, acquired IC Group, which has been operating since 2005 and is one of the leading insurance companies in Georgia, offering almost all products on the market. It is one of the largest in the country's health insurance.

**In 2019:**

- ◆ March 2019, Euroins Insurance Group has agreed to take over four insurance companies in three European countries - Romania, the Czech Republic and Belarus. All the companies to be acquired are subsidiaries of Germany-based ERGO, one of the major insurance groups in Europe and part of Munich Re, one of the world's leading reinsurers and risk carriers. and non-life insurance, as well as one non-life insurance company in Belarus. Both parties have already signed agreements and the deal will be finalized after approval by the relevant regulatory authorities. As of 31.12.2019, the transaction approval by the regulator has not been completed.
- ◆ Euroins Insurance Group (EIG) increased its participation in the capital of Russian Insurance Company Euroins up to 48.61%, representing 244,002,300 shares, after on 01.02.2019 was registered in the unified state register of legal entities of Russia increase of the capital of the Russian insurance company. The increase was in amount of 121,500,000 rubles, which is fully subscribed by EIG.

The efforts and investments made over the last few years in the insurance field ensure the stabilization of the market positions of the operating companies in the group.

Through its merger and acquisition activities, the Group benefits from:

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

In addition, the company has built a strong internal integration team that will have a great value in future acquisitions.

The main objective of Euroins Insurance Group is to gain 10% market share of the general insurance sector on the Balkans in the mid-term, as well as expanding the insurance business through offering a full range of insurance products - non-life insurance, life insurance and health insurance. EIG seeks to diversify its product portfolio and distribution channels while maintaining synergies across all regions. Companies in insurance sub-holding have traditionally been strong in the auto insurance segment, but the company is taking steps to diversify its business by leveraging the experience of newly acquired insurance companies and applying their know-how to other companies within the group.

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. Companies in the insurance group carry out continuous monitoring of the the insurance needs of all groups of potential customers by seeking to develop and offer appropriate insurance products and services.

Euroins Insurance Group's ability to identify growth-friendly transactions, negotiate best prices and generate value from its acquisitions has contributed to the rapid growth of the insurance group over the past 5 years.

More information about the Euroins Insurance Group and its subsidiaries can be found in the Annual Consolidated Report of Eurohold Bulgaria AD, as well as on the company's website [www.eig.bg](http://www.eig.bg).

### Avto Union. Business review

Avto Union AD is a holding company which consolidates Eurohold Bulgaria's investments in the motor vehicle sector. Auto Union is the leading importer and dealer of cars - its portfolio includes 8 brands and 3 brands of scooters, with the largest portfolio of motor vehicle brands in Bulgaria. Auto Union is a unique combination of motor vehicle brands and opportunities. 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.

In the following chart, companies are represented by motor vehicle brands, lubricants and fuels sold by Avto Union subsidiaries.

Avto Union							
Auto Italia	Star Motors	Nissan Sofia	Espace Auto	Bulvaria	Daru Car	Motobul	Avto Union Service
							
							
							
							

The companies of the Avto Union Group operate as:

- ◆ Official importers of motor vehicles;
- ◆ Official motor vehicle dealerships;
- ◆ Official motor vehicle services;
- ◆ Official distributor of lubricants and alternative spare parts;
- ◆ Fuel trading - business partnership with leading gas stations.

More information about the Avto Union subsidiary and its subsidiaries can be found in the Annual Consolidated Report of Eurohold Bulgaria AD for 2019, as well as on the company's website [www.avto-union.bg](http://www.avto-union.bg)

### Eurolease Group EAD. Business review

The leasing sub-holding Eurolease Group is a company which consolidates Eurohold investments in the leasing sector on the Balkans.

The companies from the Eurolease Group offer financial and operating lease of new and used vehicles, new and used passenger and lightweight commercial vehicles, trucks and buses.

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. The car rent-a-car activity is carried out by the company Eurolease - Rent A Car, which 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.

One of the activities of the leasing group is related to the sale of cars returned by leasing, rent-a-car and buy-back (through the company Autoplaza EAD). In order to offer a larger range of vehicles as brands and level of equipment, experts from the Company select vehicles and participate in international auctions from approved suppliers. In the last year Autoplaza has established its name as a preferred customer and loyal partner in the tendering process. Eurolease Group's leasing operations focus on the development of products that offer flexible repayment plans and interest rates that are tailored to the client's risk profile.

Many years of experience in operating leasing to large international and local companies, as well as established market niches for car rental services, place the Group among the market leaders in this sector.

The subsidiaries of Eurolease Group within the Group take advantage of the opportunity to provide a full range of financial and operating leasing services, car rental services and sales of used cars to individuals and legal entities and corporate clients, thus Eurolease Group manages to reach the full spectrum of potential customers and create competitive advantages.

T

he strategic objective 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 aim is to enhance its reputation as an innovative and flexible partner for diverse clients and to offer new, specific products and services in cooperation with the Group's insurance and car companies.

More information about Eurolease Group Subsidiaries and its subsidiaries can be found in the Annual Consolidated Report of Eurohold Bulgaria AD for 2019, as well as on the company's website [www.euroleasegroup.com](http://www.euroleasegroup.com)

### **Euro-Finance AD. Business review**

Euro-Finance is a leading Bulgarian asset management, brokerage, and financial and investment services company.

Euro-Finance is the largest investment intermediary in Bulgaria in terms of share capital. The company has a full license from the Financial Supervision Commission to provide financial and investment services within the European Union and third countries.

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 Stock Exchange in Frankfurt (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
- ◆ Euro-Finance owns 7.24% of Varengold Bank – Germany

In 2019, Euro-Finance AD continued its efforts to develop and promote the segment of services targeted at transactions in foreign financial instruments, while continuing to upgrade and modernize its e-commerce platform EFOCS.

The company retained its leading position on the Bulgarian capital market, realizing almost 1/5 of the total turnover on the Bulgarian Stock Exchange (BSE), but lost one place in the ranking of intermediaries by realized turnover on the stock market, taking 3rd place.

More information about Euro-Finance AD can be found in the annual consolidated report of Eurohold Bulgaria AD for 2019, as well as on the company's website [www.eurofinance.bg](http://www.eurofinance.bg).

## D8. 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.

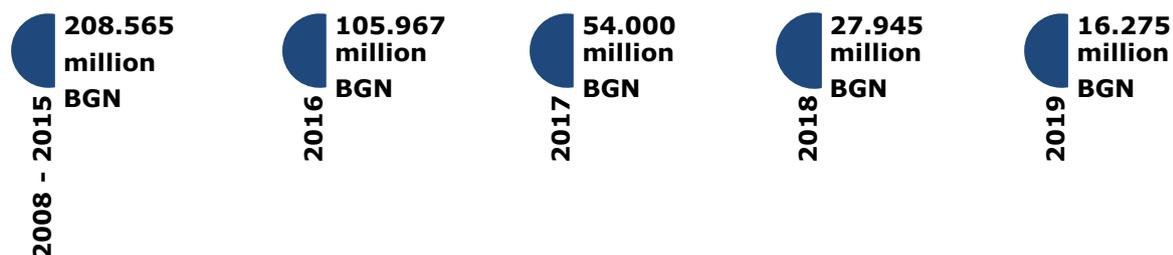
Over the last four reporting years, the Eurohold Group has carried out total equity investments amounting to BGN 512.983 million, as follows:

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

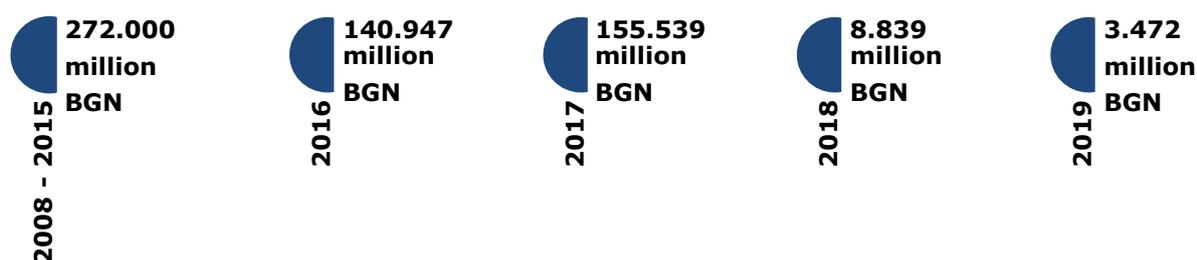
All investments made by Eurohold Bulgaria and its subsidiaries have been realized with the purpose of capital support of the companies, expansion of the activity through new acquisitions and increase of the market positions of the companies.

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
Eurolease Rent a Car EOOD Capital increase	400 000	400 000	Own funds	Eurolease Group AD
<b>Total</b>		<b>3 471 771</b>		

In parallel with 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 said 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.

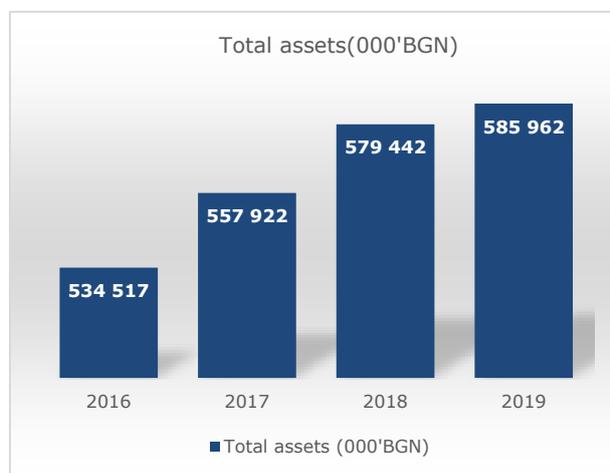
According to the decision of the General Assembly of the shareholders (GAS), on the grounds of Art. 73a of the Commercial Law, the liability of the shareholder Eurohold Bulgaria AD ensuing from the latest increase in the capital of Euro-Finance AD under a decision of the GAS dated 03.08.2017 concerning 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.

By Decision No. 44-IP dated 16.01.2020 the Financial Supervision Commission approved the decrease in the capital of Euro-Finance AD. This Decision was entered in the Commercial Register and the Register of Non-profit Legal Entities on 24.01.2020.

## D9. RESULTS FROM OPERATIONS

### ANALYSIS OF THE FINANCIAL CONDITION

#### Assets



The year 2019 ended with assets in amount of BGN 586 million, marking a slight increase of 1.13% compared to 2018, when the total assets of the Company amounted to BGN 579.4 million.

The activity in the last years of Eurohold Bulgaria related to investing in subsidiaries for the purpose of development, support and expansion of their operations leads to a significant increase in the amount of total assets. In the last four years alone, the Company's assets have increased by BGN 51.4 million from BGN 534.5 million in 2016, reaching BGN 586 million at the end of 2019.

As a holding company, Eurohold Bulgaria AD is primarily focused on financial activity as investing in subsidiaries, managing and controlling them, as well as providing financial support.

Eurohold's core business determine the structure of the Company's assets, where investments in subsidiaries, associates and other entities account for 99% of all assets. The amount of investments in enterprises as of 31.12.2019 amounted to BGN 581 million. Compared to the end of 2018, they amounted to BGN 567.5 million.

The observed increase of 2.4% was due to the following changes:

- ✓ Increase by BGN 16.3 million of the investment in the subsidiary Euroins Insurance Group AD after:
  - ◆ Purchase of a part of the residual minority interest in the subsidiary insurance holding in connection with which were paid BGN 12.3 million.; and
  - ◆ made in February 2019 an 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 at 31 December 2019, as at 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.

Non-current and current assets occupy a negligible part of the assets and as of 31.12.2019 they amount to a total of BGN 5 million.

For comparison, as of 31 December 2018, non-current and current assets totaled BGN 12 million.

The Company's receivables are classified as long-term and short-term receivables and are formed as a result of the Group's active management of available resources.

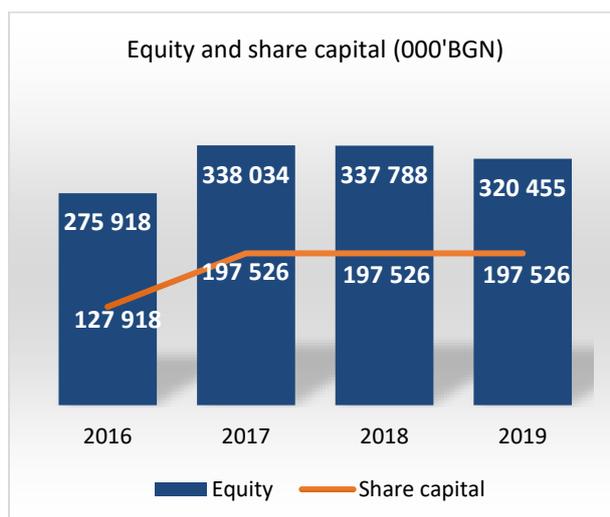
Non-current assets include property, plant and equipment, and intangible assets. During the reporting period, non-current assets increased by BGN 2.7 million after the application of IFRS 16 effective from January 1, 2019 and the recognition of assets (property) with a usage right of BGN 3.95 million as of January 1, 2019. The value of the rights to use assets as of 31 December 2019 amounts to BGN 2.6 million after the current part was written off and the calculated depreciation amounted to BGN 1.4 million.

Current assets reported a significant decrease in the reporting period, from BGN 11.9 million to BGN 2.1 million. The reason for this was the collected receivables on loans from third parties amounting to BGN 9.9 million.

At the end of the year 2019, the cash held by the Company amounted to BGN 0.14 million.

### Equity and liabilities

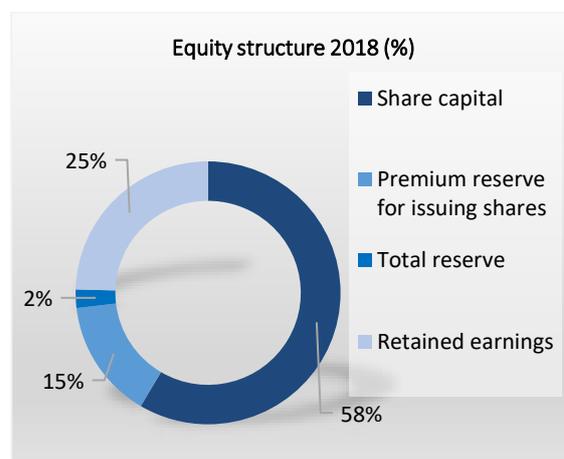
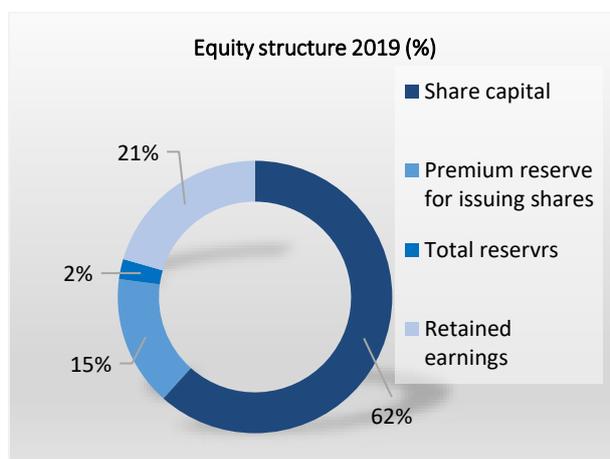
#### Equity



The share capital of the Company remained unchanged to the amount of BGN 197.53 million.

The Company's equity as of 31.12.2019 amounted to BGN 320.5 million, which was a decrease of 5% compared to 2018.

The decrease in equity was due to a dividend of BGN 2.47 million distributed in the current reporting period and a loss reported for 2019.



The equity structure was slightly changed at the end of 2019 compared to the previous reporting period in connection with the reported loss. The share capital of Eurohold Bulgaria occupies 62% of the Company's equity, followed by retained earnings of 21%, the premium reserve for issuing shares occupies 15% and total reserves 2%.

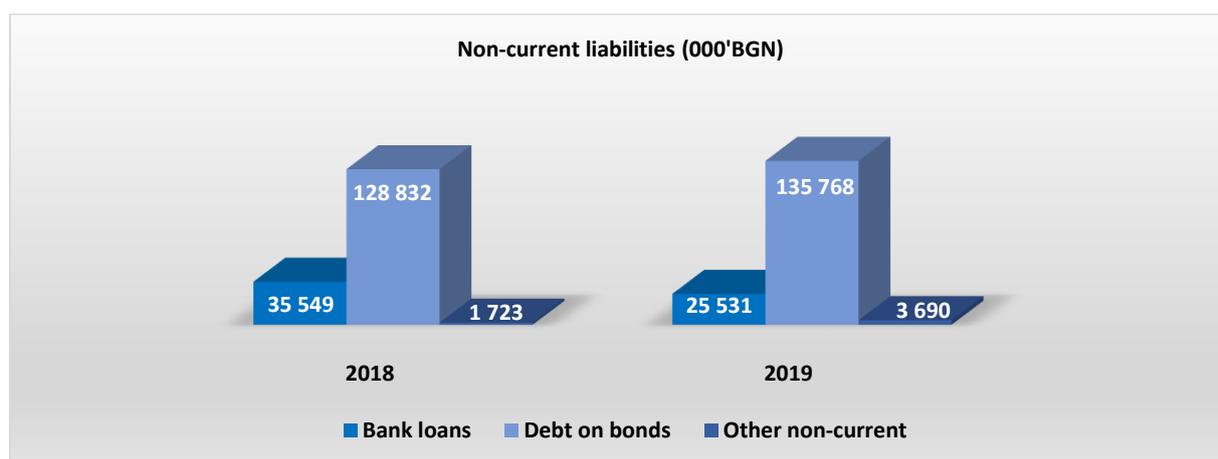
### Liabilities

The company's liabilities reach BGN 265.5 million, increasing by 9.9% as of the end of 2019.

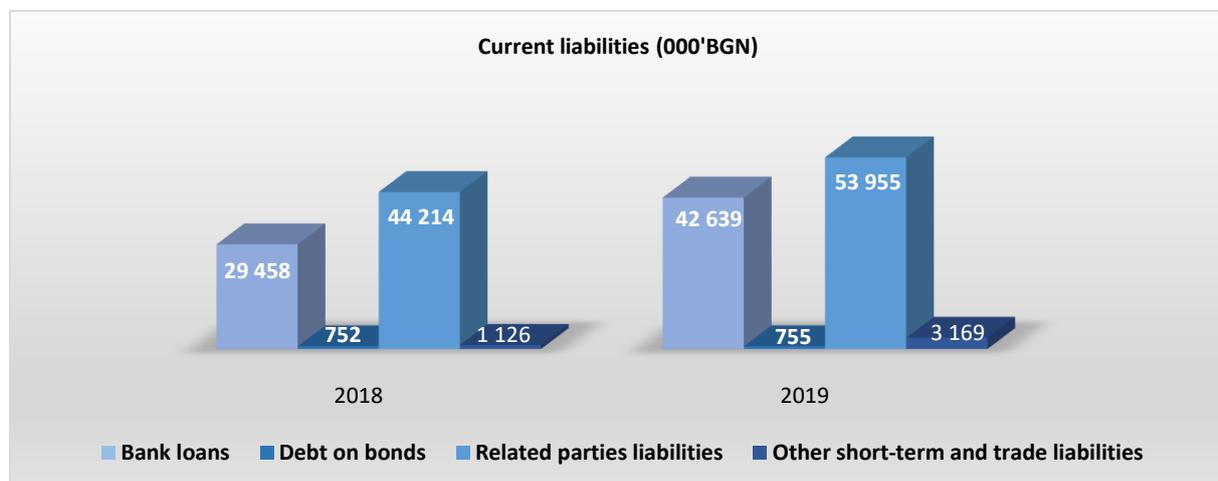
The change in liabilities was due to the following factors:

- ✓ Non-current liabilities amounted to BGN 165 million, slightly decreased compared to the end of 2018 (BGN 166.1 million). They were mainly formed by liabilities from loans from financial and non-financial institutions and from bond debt with total amount of BGN 161.3 million at the end of 2019. In the year 2019, there was a decrease of loans from banking institutions by BGN 10 million due to their reporting in short-term liabilities, while the amount of debt on bonds (within the EMTN Programme) increased by BGN 6.9 million.

Other long-term liabilities and liabilities to related parties account for a minor part of non-current assets and amounted to BGN 3.7 million.



- ✓ Current liabilities increased by BGN 25 million to BGN 101 million. Liabilities from loans from financial and non-financial institutions accounted for the largest share of current liabilities, amounting to BGN 42.6 million. At the same time, liabilities to related parties increased by BGN 9.7 million at the end of the reporting period.



The table below provides detailed information on the size of the loans, their structure, nature and maturity.

	Change	31.12.2019	31.12.2018
	%	000'BGN	000'BGN
<b>Liabilities for financial and non-financial loans, including:</b>	<b>5%</b>	<b>68 170</b>	<b>65 007</b>
- <i>Non-current liabilities to banks</i>	(28)%	25 531	35 549
- <i>Current liabilities to banks</i>	14%	10 509	9 253
- <i>Other current borrowings (Euro Commercial Papers – ECPs) maturity 03.2020-04.2020 and annual interest rate 2,0%</i>	59%	32 130	20 205
<b>Bond Loan Obligations (EMTN Programme), including:</b>	<b>5%</b>	<b>136 523</b>	<b>129 584</b>
- <i>Non-current liabilities on bond loans</i>	5%	135 768	128 832
- <i>Current liabilities on bond loans (interests)</i>	0.4%	755	752
<b>Liabilities to related parties</b>	<b>21%</b>	<b>55 493</b>	<b>45 931</b>
- <i>Non-current</i>	(10)%	1 538	1 717
- <i>Current</i>	22%	53 955	44 214
<b>Total loans obligations</b>	<b>8%</b>	<b>260 186</b>	<b>240 522</b>

### Bond issue - EMTN Programme

In December 2016 Eurohold Bulgaria successfully issues medium-term Eurobonds (EMTN Programme) with a maximum amount of all issues of EUR 200 million. The bonds were introduced for trading 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 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.

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

Total liabilities on loans to financial institutions decreased in 2019, due to the repayment of the principal in accordance with the loan repayment plan in 2019.

### Information on attracted funds from financial and non-financial institutions

Attracted funds from financial institutions represent:

First loan from the International Investment Bank with an agreed limit of EUR 15 000 000, interest of 6.0% + EUR 3 million and a maturity in 2021. In 2019, the principal of this loan was repaid in the amount of EUR 3,600,000. Loan liabilities, incl. principal and interest payments have been regularly serviced according to the repayment schedule.

A second loan from the International Investment Bank with an agreed limit of EUR 10,000,000, an interest rate of 6.0% + 3m EURIBOR and a maturity in 2025. As of 31 December 2019, the principal

due on the loan amounts to EUR 9,240,000. In 2019, the principal of this loan was repaid in the amount of EUR 760,000. Loan liabilities, incl. principal and interest payments have been regularly serviced according to the repayment schedule.

### Other current liabilities to financial and non-financial institutions

As of 31 December 2019, the other loans were in the form of Euro Commercial Papers (ECP), with a maturity of 03.2020-04.2020, an annual interest rate of 2.0% and a total face value of EUR 16 500 000. As of 31.12.2018, Euro Commercial Papers (ECP) have a maturity of 03.2019-05.2019 and an annual interest rate in the range of 1.25% -4.0%. They were used in deals for exchange the matured in 2019 Euro Commercial Papers.

In 2018, the Company issued and repurchased two issues of ECPs with a total par value of EUR 15 600 000. At the end of 2018, both issues were prematurely canceled and deleted, resulting in a profit of BGN 14 947 000.

The funds raised by Eurohold Bulgaria have been used to raise the capital of subsidiaries and their financial support in order to grow their businesses and acquire new companies in Central and Eastern Europe.

### Leasing liabilities - rights of use in relation to the application of IFRS 16.

Lease payments - assets with rights of use are included in other current and non-current liabilities, as follows:

Lease obligations – rights of use	Change	2019	2018
	%	000'BGN	000'BGN
- Long-term obligations	n/a	2 137	-
- Short-term obligations	n/a	665	-
<b>Total lease obligations – rights of use</b>	<b>n/a</b>	<b>2 802</b>	<b>-</b>

## Financial result

Eurohold Bulgaria AD for the period 1 January - 31 December 2019 reports a financial result on an individual basis of of BGN 14.6 million loss. For comparison, the financial result realized for the comparable period of the previous year is a profit of BGN 1.7 million. The realized negative financial result for the reporting period was due to reported less profits from operations with financial instruments in the amount not sufficient to cover the operating expenses of the company.

The earnings per share for 2019 amounted to (BGN 0.074).

## Revenues and expenditure

### Revenues

The revenues and expenditure of Eurohold Bulgaria were defined from the Company's main scope of activity, namely: 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.

As a holding company, Eurohold Bulgaria does not carry out independent trading activity and in this sense does not account for regular income and expenses of this type of activity. Therefore, historically, on the basis of Eurohold's individual activity, it is difficult to make a comparison between

the revenue generated and the reported costs because of their relevance to the specific current objectives of the Holding, connected to:

- ✓ new acquisitions and expansions - expansion of subsidiaries;
- ✓ the need to support the activities of subsidiaries by providing loans or increasing their share capital;
- ✓ with the financial results of the subsidiaries as of the respective reporting period and the strategic decisions taken by their supervisory authorities on the possibility of distributing dividends to the parent company or withholding profits and their subsequent reinvestment.

In connection with the specific and non-rhythmic nature of the revenues and expenditure of the individual activity of Eurohold Bulgaria (activity wholly related and directed to the activity, development and results of the subsidiaries of the holding's economic group), in carrying out the analysis of the income and expenses on a non-consolidated basis of the Company, it should be borne in mind that Eurohold also prepares a consolidated financial statement reflecting the results of the activity and the financial position of the whole group. For the purpose of analyzing the results achieved on a non-consolidated basis of Eurohold, an analysis of the consolidated financial statements should be carried out in order to obtain a complete, clear and accurate picture of the results achieved at Group level.

Revenues of Eurohold Bulgaria AD are formed from the main activity of the Company and mainly generate financial income from the following activities:

- ✓ Profits from investment operations;
- ✓ Gains from financial instruments transactions;
- ✓ Dividend income;
- ✓ Interest income on loans granted to subsidiaries and third parties;
- ✓ Revenues from services of subsidiaries.

Revenues from operating activity	Change	2019	2018
	%	000'BGN	000'BGN
- Dividend income	220%	669	209
- Profits from financial instruments transactions and subsequent estimates	(74)%	5 602	21 652
- Interest income	(63)%	579	1 544
- Other financial income	3%	665	647
<b>Total revenues from operating activity</b>	<b>(69)%</b>	<b>7 515</b>	<b>24 052</b>

During the current reporting period, the holding company reported revenues of BGN 7.5 million, of which dividend income of BGN 0.7 million, profits from financial instruments transactions and subsequent estimates totaling BGN 5.6 million, interest income BGN 0.6 million and other financial income (positive differences from exchange rates) amounting to BGN 0.7 million.

The main operating revenues of Eurohold Bulgaria AD for 2019 was reported under transactions with financial instruments and subsequent estimates. For the year 2019, the company realized:

- BGN 4.66 million profits from financial instruments transactions, of which:
  - ✓ BGN 4.53 million profit from minority stake sale (9.99%) in subsidiary Eurolease Group – after the transaction Eurohold Bulgaria owned 90.01% from the leasing sub-holding Eurolease Group;
  - ✓ BGN 0.13 million – other profits.
- BGN 0.95 million revenues from revaluation of debt instruments measured at fair value.

Revenues for the comparative period 2018 are respectively BGN 24.1 million, representing dividend income of BGN 0.2 million, profits on transactions with financial instruments and subsequent estimates totaling BGN 21.7 million. , interest income of BGN 1.5 million and other financial income (positive differences from exchange rate changes) amounting to BGN 0.6 million.

The main operating revenues of Eurohold Bulgaria AD for 2018 was reported under transactions with financial instruments and subsequent estimates. For the year 2018, the company realized:

- BGN 20.28 million profits on transactions with financial instruments, of which:
  - ✓ BGN 4.68 profit from the sale of own receivables (reported value of BGN 1.34 million) and receivables from related parties (BGN 16.65 million);
  - ✓ BGN 14.95 million profit from redemption and repayment / cancellation of commercial loans in the form of Euro Corporate Securities - ECP;
  - ✓ BGN 0.65 million – other profits.
- BGN 1.37 million revenues from revaluation of debt instruments measured at fair value.

## Expenses

The expenses for operating activities of Eurohold Bulgaria similarly to revenue were related to the expenses of implementing specific ongoing investment projects, the expenses associated with providing financing for the acquisition, growth and financial support to subsidiaries, interest on financing received and etc. Eurohold also takes into account fixed staff costs and other external services such as office rents, consumables and other expenses related to the normal running and operation of the business.

Operating expenses	Change %	2019 000'BGN	2018 000'BGN
- Interest expenses	(24)%	(14 687)	(19 239)
- Losses from financial instruments transactions and subsequent estimates	80%	(1 187)	(661)
- Other financial expenses	2306%	(1 203)	(50)
- Expenses for external services	93%	(4 497)	(2 336)
- Staff expenses	32%	(585)	(444)
- Depreciation expense	2522%	(708)	(27)
- (Accrued)/Restored impairment loss on financial assets, net	630%	69	(13)
<b>Total operating expenses</b>	<b>0%</b>	<b>(22 798)</b>	<b>(22 770)</b>

For 2019, Eurohold Bulgaria recorded a slight decrease in its operating expenses, which for the reporting period amounted to BGN 22.8 million and remained unchanged from the previous reporting period.

In 2019, there was a significant reduction in interest expenses by over 24.7%, amounting to BGN 14.7 million, while in 2018 the interest expenses accrued by the company amounted to BGN 19.2 million. The decrease in interest expenses by BGN 4.5 million was mainly due to the decrease in interest-bearing liabilities on loans and guarantees from banks and non-bank financial institutions, as well as the negotiation of better interest rates. For comparison, in 2018 the company has accrued interest expense on banking and non-banking financial institutions and on bond issues in the amount of BGN 18.9 million, while in 2019 they decreased by BGN 6 million and amounted to BGN 12.9 million. Interest on borrowings from related and third parties in 2018 amounted to BGN 0.3 million, and in 2019 they increased to BGN 1.7 million.

Expenditure on external services grew by 93%, amounting to BGN 4.5 million at the end of the reporting period, while in the comparable period it amounted to BGN 2.3 million.

Eurohold Bulgaria AD reported for 2019 losses from financial instruments transactions and subsequent estimates of BGN 1.2 million, representing almost entirely the cost of revaluation of debt

instruments measured at fair value. For comparison, losses from financial instruments transactions and subsequent estimates of BGN 0.7 million were reported for 2018, of which the cost of revaluation of debt instruments measured at fair value was BGN 0.2 million and losses from operations with investments amounting to BGN 0.4 million.

The value of other financial expenses recorded a significant increase, reaching BGN 1.2 million and represented negative differences from exchange rate changes during the period. For comparison, in 2018, BGN 0.05 million other financial expenses were reported.

Personnel expenses increased by 32% reaching BGN 0.6 million due to the expansion of the holding's activity and the recruitment of new qualified employees.

With the application of IFRS 16, Eurohold Bulgaria AD reported depreciation expenses of assets with right to use of leased property under operating lease terms in the amount of BGN 0.7 million. In this regard, the Company's depreciation expenses increase from BGN 0.03 million for 2018 to BGN 0.7 million for 2019.

Net income / (Expenses) reported increased from BGN 0.4 million for 2018 to BGN 0.6 million for the current year. The amendment is mainly due to the reported through implementation of IFRS 16 rental income (re rental of assets with right to use) in amount of BGN 0.3 million and expenses for interest on assets with right to use in amount of BGN 0.07 million.

### **Cash flows**

The unconsolidated cash flow statement shows the cash flows for the reporting period in terms of operating, investing and financing activities during the year, changes in cash and cash equivalents for the year, cash and cash equivalents at the beginning and end of the year.

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

Cash flows from investment activities have included payments related to the purchase and sale of fixed assets and cash flows related to the purchase and sale of businesses and activities. The purchase and sale of other securities other than cash and cash equivalents were also included in the investment business.

Cash flows from financial activities have included changes in the amount or composition of shareholders' equity and associated expenses, borrowings and repayment of interest-bearing loans, buying and selling of own shares and payment of dividends.

Cash and cash equivalents have included bank overdrafts, cash and securities with a maturity of less than three months.

For 2019, cash flows from operating activities have negative values, which were formed mainly by excesses of payments for operating activities relative to receipts.

The cash flows for 2019 were formed mainly by the financial and investment activities of the Company related to the restructuring of long-term debts, as well as in the accumulation of free cash from subsidiaries and directing them to finance the current and investment activities of other subsidiaries.

Cash flows	2019	2018
	000'BGN	000'BGN
- Operating activities	(4 277)	(2 597)
- Investment activities	3 281	(28 597)
- Financial activities	850	31 269
<b>Net cash</b>	<b>(146)</b>	<b>75</b>
- Effect from IFRS 16	2	1
- Cash and cash equivalents at the beginning of the year	282	206
<b>Cash and cash equivalents at the end of the year</b>	<b>138</b>	<b>282</b>

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.

## GUARANTEES PROVIDED

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

Business division	Amount in EUR'000 as of 31.12.2019	Amount in BGN'000 as of 31.12.2019	MATURITY (EUR'000)					
			2020	2021	2022	2023	2024	After 2024
Lease sub-holding								
For funding of lease operations	11 962	23 396	3 443	3 828	2 282	1 033	972	404
Automotive sub-holding								
Working capital loans	1 822	3 564	1 822	-	-	-	-	-
<b>TOTAL:</b>	<b>13 784</b>	<b>26 960</b>	<b>5 265</b>	<b>3 828</b>	<b>2 282</b>	<b>1 033</b>	<b>972</b>	<b>404</b>

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

Company from:	Negotiated limit in		MATURITY (EUR'000)		
	EUR'000 as of 31.12.2019	BGN'000 as of 31.12.2019	2020	2021	2022
Automotive sub-holding	9 400	18 385	9 400	-	-
Automotive sub-holding	340	665	340	-	-
Automotive sub-holding	712	1 392	712	-	-
Automotive sub-holding	1 050	2 054	1 050	-	-
Energy sub-holding	5 000	9 779	5 000	-	-
<b>TOTAL:</b>	<b>16 502</b>	<b>32 275</b>	<b>16 502</b>	<b>-</b>	<b>-</b>

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

Company/ Guarantor	Currency	Guaranteed liability	Guaranteed amount as of 31.12.2019 in original currency	Maturity
Euroins Insurance Group AD	EUR	Issue of bonds (EMTN programme)	70 000 000	12/2022
Euroins Insurance Group AD	PLN	Issue of bonds (EMTN programme)	45 000 000	12/2021
Euroins Romania	EUR	Claims for payments and indemnities in connection with a binding offer made	5 000 000	31.05.2020

### Capital resources

Debt and equity relationships show how the company finances.

As of 31.12.2019 the equity share of Eurohold Bulgaria AD's assets was 54.7%, while at the end of 2018 this ratio was 58.3% or at the end of the current observed period was reported a decrease by 3.6%.

As of the end of 2019 the Long-Term Debt/Equity ratio is 0.51, while as of 31.12.2018 the same ratio was 0.49, indicating that the Company slightly increased its long-term debt to equity ratio.

### Financial ratios

Debt/Equity and financial autonomy ratios account for the coverage of attracted funds with equity and vice versa.

The debt ratio for 2018 was 0.72, while for 2019 it was 0.83, an increase of 0.11 points. This was due to increased short-term liabilities to related parties.

The value of the financial autonomy ratio as of 31.12.2018 was 1.54, compared to 1.40 at the end of year 2019. This shows that Eurohold Bulgaria reported a slight decrease by 0.19 points. The following table shows selected financial indicators from the unconsolidated financial statements of Eurohold Bulgaria for 2019 and comparable year 2018.

**The data from financial statements are presented in thousands of BGN**

RATIOS		2019	Change from the previous period	2018
<b>Statement of profit or loss and other comprehensive income</b>				
1. Profit/Loss (before taxes)	000'BGN	(14 631)	(981,39)%	1 660
2. Net Profit/Loss (after taxes)	000'BGN	(14 631)	(981,39)%	1 660
3. Operating income	000'BGN	7 515	(68,76)%	24 052
<b>Statement of financial position as at December 31</b>				
4. Equity	000'BGN	320 455	(5,13)%	337 788
5. Liabilities (non-current + current)	000'BGN	265 507	9,87%	241 654
6. Assets (non-current + current)	000'BGN	585 962	1,13%	579 442
<b>Shares</b>				
Share capital	000'BGN	197 526	-	197 526
Number of shares	000	197 526	-	197 526
Net profit/loss per share	BGN	(0,074)	(981,39)%	0,008
<b>Ratios</b>				
Financial autonomy ratio (4/5)		1,21	(13,65)%	1,40
Debt ratio (5/4)		0,83	15,81%	0,72
Gross profitability ratio (1/3)	%	(194,69)%	(2 920,90)%	6,90%
Net profitability ratio (2/3)	%	(194,69)%	(2 920,90)%	6,90%
Gross profitability of equity (1/4) (1/4)	%	(4,57)%	(1 029,06)%	0,49%
Net profitability of equity (2/4)	%	(4,57)%	(1 029,06)%	0,49%
Gross profitability of liabilities (1/5)	%	(5,51)%	(902,20)%	0,69%
Net profitability of liabilities (2/5)	%	(5,51)%	(902,20)%	0,69%
Gross profitability of assets (1/6)	%	(2,50)%	(971,58)%	0,29%
Net profitability of assets (2/6)	%	(2,50)%	(971,58)%	0,29%

**\* The calculated change reflects the change in the values presented to 2019 compared to the corresponding figures for the previous reporting period – 2018**

## ***D10. CURRENT TRENDS AND POSSIBLE FUTURE DEVELOPMENTS***

### **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 5 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.

## **D11. DESCRIPTION OF THE MAIN RISKS**

This section describes the specific risk factors affecting the activities of Eurohold Bulgaria AD. The occurrence of any of the risks, even in part or in combination with other risk factors or circumstances, may have a material adverse effect on the business, results of operations or financial condition of the Company and its Group. Additional risks and other uncertain events that are not currently known or considered insignificant may also have a material adverse effect on the activities of Eurohold Bulgaria AD and its Group, results of operations or financial position.

The future results of the activities of Eurohold Bulgaria AD may differ significantly from past achievements as a result of the occurrence of the described risks, or some 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 gain a competitive advantage. Risk is an unwanted deviation from the outcome of an event from its original expectations.

The risks are divided into two main groups - non-systematic (diversifiable) and systematic (non-diversifiable).

### **a) SISTEMATIC RISKS**

#### ***Impact of the international environment. External factors that may adversely affect the economic growth of the countries in which the Eurohold Group operates.***

The Group's strategy focuses on maintaining its position as a leader in the CEE / SEE region. The implementation of the policy of Eurohold Bulgaria AD depends on several factors that are beyond the control of the Company, in particular, the market conditions, the general business environment, the regulatory environment and the activities of its main competitors in the business. Any failure of the Company 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. As a result, this will reduce its credit rating, and subsidiaries and result in a decrease in revenue or an increased cost.

The Eurohold Group operates in Bulgaria, Romania, Northern Macedonia, Ukraine, Georgia, Russia, Greece, Spain, Italy and Poland and, accordingly, its overall financial position and the results of its operations are affected by the legal framework, economic and political conditions in those countries. Any deterioration in the macroeconomic conditions in such states or the wider CEE / SEE region may adversely affect certain products and services offered by the Group and lead to lower revenues than

initially planned. Besides, sweeping changes in government policy and regulatory systems in any such jurisdiction may lead to an increase in operating costs and capital requirements for the Group. Any future periods of economic slowdown or slow economic growth in each of the markets in which the Group operates could have a similar or more pronounced effect on the Group's business, financial position, cash flows, results of operations or prospects.

Eurohold Bulgaria AD's expansion strategy in the insurance sector will increase the Group's exposure to macroeconomic and other risks, which may cause a material adverse effect on the Group's business, financial condition, cash flows, results of operations or prospects.

### **Macroeconomic risk**

Macroeconomic risk is the risk of shocks that can affect economic growth, population incomes, supply and demand, profit generation, and more. These shocks include global economic and business conditions, fluctuations in national currencies, political events, changes in legislation and regulatory requirements, priorities of domestic governments, and more. The macroeconomic situation and global economic growth are essential for the development of the Company, including the national policies of the countries, and in particular, the regulations taken by the Central Banks. The banks are influence monetary, interest rate policies, and the financial exchange rates, taxes, GDP, inflation, budget deficits, and external debt, unemployment rates and income structure.

The outcome of realizing some of the risks associated with the international environment will also depend to a large extent on the pre-drafted plans and the preventive measures of individual countries and international institutions. The risk of the impact of the global environment on businesses cannot be diversified and affects all players. However, on the other hand, it can become a driver for the development and implementation of innovations that will dramatically change and increase business efficiency on a global scale.

The development of Bulgaria's economy faces the risk of external influences and depends directly on global market conditions. Adverse macroeconomic conditions in Bulgaria, including rising unemployment and inflation, as well as fiscal instability, can have a material adverse effect on Eurohold's business, financial position and/or results of operations.

Eurohold Bulgaria AD seeks to monitor the likelihood of this risk occurring and develops measures to mitigate as far as possible the effects it may have on the whole Group. However, the Company cannot wholly exclude and limit its impact on the business, financial position, profits and cash flow at a group level. It is also possible that this risk will exacerbate other risks outlined in this Activity Report.

Macroeconomic risks including political; credit risk of the state; inflation, currency and interest rate risk; the risks associated with high levels of unemployment, emerging markets, and regulatory changes.

### **Risk of occurrence of force majeure events**

Force majeure is all-natural disasters and other cataclysms such as severe climate change, floods, earthquakes, civil disobedience, clashes, strikes, acts of terrorism and hostilities, that are unforeseen. Force majeure may also be accidents at the material base of a mechanical character in which the Company is housed or in storage areas due to human or systematic error. The occurrence of such events may disrupt the Company's ordinary activities until the damage has been rectified. They may also lead to an unpredictable change in the investor relationship and interest in the securities market issued by the Company.

Force majeure may also occur and have a substantial impact on the overall macroeconomic and international environment. An example of this risk is the World Health Organization Pandemic

announced by the epidemic of an acute respiratory syndrome associated with the new NCOV-2019 (COVID-19) coronavirus that developed at the end of 2019.

The new virus discovered in China at the end of 2019 has spread rapidly around the world, with Europe profoundly affected.

Many countries have taken drastic measures to control the coronavirus infection, including Bulgaria. The worst affected countries were isolated by closing their borders, and many settlements were blocked. All schools, kindergartens and universities, night clubs, restaurants, cinemas, and gyms are sealed, sports are narrowed. Only grocery stores and pharmacies remain open. Markets worldwide are collapsing, unprecedented by the 2008 financial crash.

### **Political risk**

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 likelihood that long-term economic policy will be adversely affected by the government, which may harm investment decisions. Other factors related to this risk are possible legislative changes and changes in the tax system concerning the economic and investment climate in the country.

The Republic of Bulgaria is a country with political and institutional stability, based on contemporary constitutional principles such as a multi-party parliamentary system, free elections, ethnic tolerance and a definite 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 rigorous fiscal discipline and the adherence to a moderate deficit, create predictability and minimize political risk.

The political situation is not expected to deteriorate in the long term, as there is political and public consensus on the factors that support long-term economic stability and a stable macroeconomic framework.

There is also no change in the taxation policy pursued so far regarding the taxation of the income of individuals and legal entities, including in connection with their transactions in the capital market since it is essential for attracting foreign investment.

### **Country credit risk**

Credit risk is the likelihood that a country's international credit ratings will deteriorate. Low credit ratings of the country can lead to higher interest rates, more difficult financing conditions for economic entities, including the Issuer.

On 21.02.2019, Fitch Ratings confirmed the outlook for Bulgaria's credit rating as positive. The Agency affirmed Bulgaria's long-term foreign currency and local currency BBB credit rating and declared the country's BBB credit rating ceiling as well as its short-term foreign and domestic credit rating, F2. Confirming the outlook as positive reflects Fitch Ratings' assessment that indicators for the development of Bulgaria's international sector have improved significantly. The prolonged period of a steady decline in the external debt to GDP ratio and positive current account trends have led to a better performance of Bulgaria's external finances compared to the BBB group. Compared to other countries with similar ratings, the country's public finance indicators have a positive effect on confirming the rating assessment. Government debt to GDP will continue to fall below that of countries rated BBB.

**Source:** [www.minfin.bg](http://www.minfin.bg)

On November 29, 2019, the rating agency S&P Global Ratings assessed the outlook for Bulgaria's credit rating as positive. At the same time, the agency upgraded its long-term and short-term foreign currency and local currency credit rating "BBB- / A-2". The strengthened outlook for Bulgaria's credit rating reflects S&P Global Ratings' expectations that fiscal and external indicators will continue to improve and that the authorities will take further steps to strengthen the financial sector, where the level of non-performing loans remains high. The agency notes that in 2019, the country's economic recovery will continue with a growing contribution of domestic demand to net exports. Improvements are reflected in the labour market, thereby increasing disposable income and private consumption. Public investment financed through European funds will also be an important factor for economic recovery. At the same time, Bulgaria continues to face structural constraints on demographic challenges. Net emigration, especially in the skilled labour force and the ageing population, poses challenges to economic policy and opportunities for social cohesion.

**Source:** [www.minfin.bg](http://www.minfin.bg)

### ***Inflation risk***

Inflation risk is related to the likelihood that inflation will affect the real return on investment. The current issue of shares has been issued in BGN and inflation in the country may affect the value of investments over time.

The main risks associated with the inflation forecast relate to the dynamics of international prices and the pace of economic growth in Bulgaria.

Inflation can affect the amount of the Company's expenses as part of the Company's liabilities are interest-bearing. Their service is linked to current interest rates, which also reflect inflation rates in the country. Therefore, maintaining low inflation levels in the country is considered as a significant factor for the activity of Eurohold Bulgaria AD.

At present, and overall, the currency board mechanism provides assurances that inflation in the country will remain under control and will not adversely affect the economy of the country, and in particular the activities of the Company.

With this in mind, every investor should think carefully about and take into account both current levels of inflation risk and future opportunities for its manifestation.

### ***Currency risk***

This risk is related to the possibility of impairment of the local currency. For Bulgaria in particular, this is a risk of premature withdrawal from the conditions of the Currency Board at a fixed exchange rate of the national currency. Given the policy adopted by the government and the BNB, it is expected that the Currency Board will remain in place until the country joins the Eurozone.

Any significant depreciation of the lev may have a material adverse effect on the business entities in the country, including the Company. There is also a risk when a business entity's income and expenses are formed in different currencies. Particularly pronounced is the exposure of economic entities operating in 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.

Changes in different exchange rates did not have a significant impact on Eurohold's operations until the moment when controlling interests were acquired in the countries of 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 Lari (GEL), whose exchange rate is determined almost freely on the local currency market. The consolidated earnings of Eurohold Bulgaria AD will be exposed to currency risk depending on the movement of these currencies against the euro.

### **Interest rate risk**

Interest rate risk is related to the possibility of adverse changes in the prevailing interest rates in the country. Its influence expressed by the ability of the Company's net income to decrease as a result of an increase in the interest rates at which the Company finances operations. Interest rate risk is included in the category of macroeconomic risks since the main prerequisite for change in interest rates is the appearance of instability in the financial system as a whole. This risk can be managed through the balanced use of different sources of financial resources.

Raising interest rates, under other things being equal, would affect the cost of the financial resource used by Eurohold to carry out various business projects. It may also affect the amount of the Company's expenses since not a small portion of the Company's liabilities are interest-bearing, and their servicing is related to current interest rates.

### **Risk of high unemployment**

In market economies, unemployment is recognized as a social risk at work. As a socially assessed risk, unemployment is subject to compulsory social security and compensation under certain conditions. The activity of state policy on social protection of unemployment, as well as promotion and support of the unemployed in seeking and starting a job and/or another type of economic activity, gives the content of process for managing this social risk.

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

In the fourth quarter of 2019, the unemployment rate in Bulgaria decreased compared to the previous quarter. According to the latest NSI data, the country's unemployment rate for the fourth quarter of 2019 is 4.1% or 0.6 percentage points lower than in the fourth quarter of 2018. The number of people unemployed in 2019 equals 138.5 thousand. During the same period, the unemployment rate was 4.4 percentage points for men and 3.8 percentage points for women. Of all the unemployed, 9.5% had tertiary education, 45.9% had secondary education, and 44.6% had primary or lower school. The unemployment rates by educational levels are 1.3% for higher education, 3.3% for secondary education and 13.8% for primary and lower education respectively.

### **Emerging markets**

Investors in emerging markets, such as Bulgaria, need to be aware that these markets are at higher risk than in more developed markets. Moreover, adverse political or economic developments in other countries could have a significant negative impact on Bulgaria's GDP, its foreign trade and the economy as a whole. Investors should take special care in assessing existing risks and must decide whether, in the presence of those risks, investing in Eurohold shares is appropriate for them.

Investing in emerging markets is only suitable for experienced investors who fully appreciate the importance of these risks. Investors should also bear in mind that emerging market conditions are changing rapidly and therefore, the information contained in this document may become outdated relatively quickly.

### **Risks associated with regulatory changes. Regulatory risk**

The results of the Company may be influenced by changes in the regulatory framework. 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 and practice of law enforcement could harm the activity as a whole, operational results, as well as the financial position of the Holding.

## b) UNSYSTEMATIC RISKS

### ***Risks related to the activity and structure of the Company***

Eurohold Bulgaria AD is a holding company, and the possible deterioration of its operating results, financial position, and prospects for the development of its subsidiaries may hurt the results of operations and financial condition of the Company.

To the extent that the Company'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 sectoral risks of its subsidiaries. In general, Eurohold Bulgaria Group companies operate in two main areas: the financial sector, including insurance, leasing, investment intermediation, and the car sales sector.

The main risk associated with the activities of Eurohold Bulgaria is the possibility of reducing the sales revenues of the companies in which it participates, which affects the dividends received. Regarding, this may have an impact on the Company's growth revenue and the change in profitability.

The poor performance of one or more subsidiaries could lead to the deterioration of the results on a consolidated basis. This is related to the price of the Company's shares since the market price of the shares reflects the business potential and assets of the economic Group as a whole.

### ***Risks related to the Company's development strategy***

The future profits and economic value of the Company depend on the plan chosen by the senior management team of the Company and its subsidiaries. Choosing the wrong strategy can lead to significant losses.

Eurohold Bulgaria AD controls the risk of strategic mistakes through continuous monitoring at the implementation of its marketing strategy and its results, which would be crucial for it to be able to respond on time if a change is needed at some stage in the strategic development plan. Untimely or inappropriate changes to the strategy can also have a material adverse effect on the Company's performance, operating results and financial position.

### ***Risks associated with the management of the Company***

The risks associated with the control of the Company are the following:

- ◆ making wrong decisions about the day-to-day management of investments and liquidity, both by senior management and the Company's operational staff;
- ◆ the inability of the administration to start the implementation of planned projects or the lack of appropriate guidance for specific projects;
- ◆ possible technical errors of the unified management information system;
- ◆ potential failures of the internal control system;
- ◆ leaving key staff and inability to recruit staff with the required skills;
- ◆ the risk of excessive increases in management and administration costs leads to decreasing overall profitability of the Company.

### ***Risks associated with attracting and retaining qualified staff***

Due to the problems observed in recent years in the education system in Bulgaria and as a consequence - insufficiently qualified staff, many sectors of the national economy are experiencing a shortage of qualified personnel. The demographic crisis in the country - an ageing population and low birth rates - has an additional impact. As a result of these and other factors, competition between employers is very serious.

Eurohold's business depends to a large extent on the contribution of many individuals, members of the management and supervisory bodies, senior and middle-level managers of the parent company and subsidiaries of the core business lines. There is no certainty that these key employees will

continue to work for 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 can harm the activity of the economic Group as a whole, its operational results, as well as its financial status.

### ***Risks associated with future acquisitions and their integration into the structure***

At present, Eurohold Holding Bulgaria's economic Group develops its operations mainly in Bulgaria and other countries such as Romania, Northern Macedonia, and Ukraine, Georgia, Russia, and others through acquisitions of companies and assets. Eurohold expects these acquisitions to continue. The Group intends to pursue a strategy of identifying and acquiring businesses, companies, and assets to expand its operations. The risk to Eurohold lies in the uncertainty about whether it will succeed in identifying suitable acquisition and investment opportunities in the future. On the other hand, there is uncertainty about the assessment of the profitability of future purchases of assets and whether they will produce comparable results with the investments made so far. Acquisitions and investments are also subject to some risks, including possible adverse effects on the performance of the business group as a whole, unforeseen events, as well as obligations and difficulties in integrating activities.

### ***Financial risk***

Financial risk is the additional uncertainty for the investor to generate income when the Company uses borrowed or borrowed funds. This further economic uncertainty adds to the business risk. Where part of the funds used by the firm to finance its business is in the form of loans or debt securities, payments for those funds are a fixed liability. The indicators of financial autonomy and financial indebtedness take into account the ratio between own and borrowed funds in the capital structure of the Company. The high level of the economic autonomy ratio, or the low level of the financial indebtedness ratio, is a kind of guarantee for investors that the Company can pay its long-term obligations regularly.

The effect of using borrowed funds (debt) to increase the ultimate net income attributable to shareholders is called financial leverage. The benefit of economic advantage is when the Company benefits from investing the attracted funds more than the costs (interest) of attracting them. The risk indicator, in this case, is the degree of financial leverage, which is expressed as the ratio of pre-interest income and taxes to pre-tax income, the so-called interest rate. The acceptable or "normal" degree of financial risk depends on the business risk. If there is a small business risk for the firm, then it can be expected that investors would be willing to assume higher financial risk and vice versa.

### ***Currency risk***

As a whole, Eurohold's activities on the territory of the Republic of Bulgaria do not generate currency risk due to the current currency board and the fixing of the national currency BGN to the euro since 1997. Currency risk exists for the investments of the Group, which are made outside the country. Investments for insurance business are made in Romania, Macedonia, Ukraine, Georgia, and Poland, as well as leasing destinations in Macedonia, where each of the countries has a freely convertible currency whose relative value to other currencies is determined by free finances these markets. A dramatic change in macro-framework of any of the countries where Eurohold through its subsidiaries is active can harm its consolidated results. In the end, however, the Company reports its consolidated financial results in Bulgaria, in Bulgarian leva, which in turn are pegged through a fixed exchange rate to the euro. On the other hand, the euro is also changing its value relative to other global currencies but is significantly less exposed to drastic fluctuations.

### ***Interest rate risk***

The increase in interest rates, on equal terms, would affect the cost of the financial resource used by the Company in the implementation of various business projects. It can also affect the amount of expenses of the Company since not a small part of the Company's liabilities are interest rates and their servicing is related to current interest rates.

### **Liquidity risk**

Liquidity risk is related to the possibility of Eurohold Bulgaria AD not to repay the agreed amount and/or its liabilities when they become due. Having good financial indicators for a company's profitability and capitalization is not a guarantee for the smooth payment of current payments. Liquidity risk can also arise with delayed payments from customers.

Eurohold Bulgaria strives to minimize this risk through optimal cash flow management within the Group. The Group applies an approach that provides the necessary liquidity to meet the obligations incurred under ordinary or extraordinary conditions, without causing unacceptable losses or damaging the reputation of individual companies and the economic Group as a whole.

Companies make financial planning to meet the payment of expenses and current liabilities for a period of thirty days, including the servicing of financial commitments. This financial planning minimizes or eliminates the potential impact of emergencies.

The management of Eurohold supports the efforts of the subsidiaries in the Group to attract banking resources for investments and use the opportunities provided by this type of financing to provide working capital. The volumes of attracted funds are maintained at certain levels and are allowed after proving the cost-effectiveness of each Company.

Eurohold's management policy seeks to raise financial resources from the market in the form of equity securities (debt) and debt instruments (bonds) to invest in its subsidiaries by lending to them to finance their projects. The funds raised are also used to increase the capital of subsidiaries.

### **Market risk**

Market risk is generally the risk of reducing the value of an investment based on current market conditions. Market risk can be defined as due to macroeconomic factors and includes units such as interest rate risk, currency risk and the risk of fluctuating inflation. For Eurohold Bulgaria AD, the market risk is related to the possibility of reducing the price of the traded financial instruments.

### **Credit risk**

This is the risk arising from the Company's inability to meet its obligations under the borrowed funds. It is related to the timely, partial or total failure of the Company to repay its interest and principal on its borrowed funds. Credit risk also represents the risk of a counterparty not paying its debt to the Company. In this regard, the strict financial policies and control systems established by Eurohold's management team act as preventive measures against the downgrading of this rating and in favour of maintaining the current interest rates at which the Company finances its operations.

### **Risk of concentration**

There is a risk of concentration, which represents the ability of the Company to incur losses due to the focus of financial resources in the business sector or related parties. This risk is due to the possibility that the invested funds may not be fully repaid due to the recession in the investee business.

### **Risk of Lack of liquidity**

Liquidity risk is related to the possibility that Eurohold will not repay the agreed amount and/or its liabilities when they become due. Having good financial indicators for a company's profitability and capitalization is not a guarantee for the smooth payment of current payments. Liquidity risk can also arise with delayed payments from customers.

Eurohold Bulgaria strives to minimize this risk through optimal cash flow management within the Group. The Group applies an approach that provides the necessary liquidity to meet the obligations incurred under ordinary or extraordinary conditions, without causing unacceptable losses or damaging the reputation of individual companies and the economic Group as a whole.

### ***Risk associated with investing in securities***

When an individual or legal entity 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 the long-term goals and plans of the offering joint-stock company. Minimizing this risk also depends on the level of diversification of the securities portfolio held by investors. Shareholders in the liquidation of a company are they are ranked among last persons entitled to a share of the residual assets.

Eurohold Bulgaria makes every effort to effectively and efficiently manage its subsidiaries financially, to maintain the current or increase the price of their shares, which are also traded on the Warsaw Stock Exchange's primary market. These efforts involve but are not limited to, hiring and motivating a highly qualified management team and organizing regular meetings for the evaluation and control of key employees and the results of their work. It can be concluded that the higher risk of investing in equities leads to a higher possible return, which is one of the basic rules in the economy.

### ***Risks related to the holding structure of the Company***

To the extent that Eurohold Bulgaria's business is related to the management of assets of other companies, it cannot be attributed to a separate sector of the national economy and is exposed to the sectoral risks of the subsidiaries listed below. Moreover, the impact of individual risks is proportional to the share of the respective industry in the structure of the Company's long-term investment portfolio.

Also, Eurohold's core activities are carried out through its subsidiaries, which means that its financial results are directly linked to the financial performance and development of its subsidiaries. The poor performance of one or more subsidiaries could lead to a deterioration in consolidated results. This is related to the price of Eurohold shares, which may change as a result of investors' expectations of the Company's prospects.

The presence of portfolio companies, whose net sales revenue is generated by products sold to other subsidiaries, puts the performance of the companies directly dependent on the level of profitability of the related party clients, which may negatively affect the profitability of the subsidiaries the whole Group.

### ***Risk of possible transactions between group companies, terms of which differ from market ones, as well as dependence on the activities of the subsidiaries***

Relationships with related parties arising under contracts for temporary financial assistance to subsidiaries and in connection with transactions related to the normal trading activities of subsidiaries.

The risk of possible transactions between the Group companies under conditions other than market ones entails the assumption of low profitability from the intra-group financing provided. Another risk that may be borne is that when making intra-group business transactions, not enough revenue will be generated, and hence a reasonable profit for the respective Company. At the consolidated level, this can harm the profitability of the whole Group.

Within the Company are ongoing transactions between the parent company and its subsidiaries and between the subsidiaries themselves, arising from the nature of their core business. All related party transactions are conducted on terms that are indistinguishable from reasonable market prices and following IAS 24.

Eurohold Bulgaria operates through its subsidiaries, which means that its financial results are directly dependent on the financial results, development, and prospects of the subsidiaries. One of Eurohold Bulgaria's main goals is to realize significant synergies between its subsidiaries as a consequence of the integration of the three business lines - insurance, leasing, and car sales. The poor performance

of one or more subsidiaries could lead to a deterioration of the consolidated financial results. This has to do with Eurohold's stock price, which may change as a result of investors' expectations of the Company's outlook.

### c) RISK MANAGEMENT

The elements that outline the individual risk management framework are directly linked to specific procedures for the timely prevention and resolution of potential difficulties in Eurohold Bulgaria's activities. These include ongoing analysis in the following areas:

- market share, pricing policy, conducting market research and market share research;
- active management of investments in various sectors of the industry;
- a comprehensive plan for managing the assets and liabilities of the Company to optimize the structure, quality and return on assets of the Company;
- optimizing the structure of attracted funds to provide liquidity and reduce the financial expenses of the Company;
- effective cash flow management;
- optimizing the costs of administration, management and external services;
- human resource management.

The occurrence of unforeseen events, force majeure events, incorrect assessment of current trends, as well as many other micro and macroeconomic factors, can all influence the judgment of the management of the Company. The way to overcome this risk is by working with professionals with many years of experience, as well as maintaining the team with actual information for developing market trends in current areas.

The Group has implemented a comprehensive corporate integrated risk management system. The system covers all business segments within the Group, and the purpose is to identify, analyze and organize risks in all areas. In particular, uncertainties in the insurance business, which is the largest segment of the Group, are minimized through optimal selection of the insurance risks that are assumed, the maturity and maturity of assets and liabilities, and the minimization of currency risk. An effective risk management system guarantees the Group financial stability, despite ongoing fiscal and economic problems globally.

Risk management aims to:

- • identify potential events that may affect the Group's operation and the achievement of specific operational goals;
- • controls the significance of the risk to the extent deemed acceptable by the Group;
- • achieve the Group's financial objectives with as little risk as possible.

## **D12. OTHER IMPORTANT INFORMATION ON THE COMPANY'S ACTIVITIES**

### **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>

## D13. ADDITIONAL INFORMATION LEGALLY REQUIRED

### 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 Bords 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.

## 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> </ul>

	<ul style="list-style-type: none"> <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>Assen Christov holds a master's degree in Physics from Sofia University St. Kliment Ohridski and has specialized in the Institute for Nuclear Research in Dubno, Russia. He has completed a specialization in Management in Open University - London. Speaks Russian and English.</p> <p>Assen Christov has exercised the above-mentioned managerial positions during different periods within the last 5 years. He has held the position of Chairman of the Board of Directors of Eurobank AD between 1997 and 2000 with representative functions exercised, he was also a Chairman of the Supervisory Board of IC Euroins AD from 2000 until 2007, as well as of the investment firm Euro-Finance AD, which position he continues to hold today.</p>
<b>Coercive administrative measures and penalties</b>	<p>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>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</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.</p> <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</p>

<b>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>	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>	Dimitar Dimitrov holds a Master's degree in Electronics and Automatics, Technical University of Sofia. From 1998 until 2006 he was Executive Director of the holding company Starcom Holding AD. Since 2005 he is a procurator of IC Euroins AD, and from 1998 to 2005 he held the position of Director of "Information services, statistics and analyzes" Department in the same company.
<b>Coercive administrative measures and penalties</b>	During the last 5 years no coercive administrative measures and administrative penalties have been imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency or receivership proceedings; he has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company (including an issuer) or from acting in the management or conduct of the affairs of any company (including an issuer); he has never been officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies).

<b>Name</b>	<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.
<b>Information about any other participations of the person as a member of administrative, management or supervisory bodies or partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ KJK Management S.A. 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 Dzirnavnieks 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>

<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>	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.
<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>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>	Current: <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</b>	Current: <ul style="list-style-type: none"> <li>◆ AFG Invest GmbH – Executive Director.</li> </ul> Previous:

<b>administrative, management or supervisory bodies or partner in the last 5 years</b>	♦ Dar Finance EOOD – Manager until 13.01.2017, as at the date of this activity report the person is not a Manager.
<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 Vitoshka 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 or supervisory bodies or partner in the last 5 years</b>	<p>Current:</p> <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> <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>	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 Minchev holds a Master's degree in Accounting and Control from the University of National and World Economy.</p> <p>Asen Minchev was an Executive Director of the holding company Eurohold AD for the period 1998 - 2006 until its merger with Starcom Holding AD. From 1996 to 2000 he was a member of the Management Board of IC Euroins AD, and was also a representative of the Deputy Chairperson of the Supervisory Board of Euroins - Health Insurance AD.</p>
<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>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, , 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 Company, which are of importance to the Company</b>	<ul style="list-style-type: none"> <li>◆ Avto Union AD – Executive Director;</li> <li>◆ Auto Italia EAD – Executive Member of the Board of Directors;</li> <li>◆ Autoplaza EAD – Deputy Chairman of the Board of Directors;</li> <li>◆ Avto Union Service EOOD – Manager;</li> <li>◆ 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>	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>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</p>

	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.
<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 Company, which are of importance to the Company</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>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>	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.
<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>	<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>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.</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>

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.

	Date of contract for management / control	Until date
<b>SUPERVISORY BOARD</b>		
<b>Asсен 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 2018 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 D10 Results from operations](#)

In 2019, gains on investment and financial instruments operations include:

- ◆ BGN 4 530 thousand profit from the sale of a minority stake in Eurolease Group EAD
- ◆ BGN 127 thousand – other profits.

In 2018, gains on investment and financial instruments operations include:

- ◆ BGN 4 683 thousand profit from the sale of own receivables (reported value of BGN 1 342 thousand) and receivables from related parties (BGN 16 645 thousand);
- ◆ BGN 14 947 thousand profit from redemption and repayment / cancellation of commercial loans in the form of Euro Corporate Securities - ECP;
- ◆ BGN 648 thousand – other profits.

### 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 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 information for which will be available in the consolidated financial statement and the consolidated activity report for 2019.

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 on the revenue allocated to individual categories of activities of the individual activity of Eurohold Bulgaria AD is shown in this report in [section D10 Results from operations](#).

### 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
  - ✓ in February 2019 made 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.

### 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 intra-group loans and an investment policy is implemented. The company lends to its subsidiaries for the purpose of turnover financing.

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:

	2019 <i>000'BGN</i>	2018 <i>000'BGN</i>
<b>◆ Dividend income</b>		
Euro-Finance AD	669	209
	<b>669</b>	<b>209</b>
<b>◆ Interest income on loans to related parties</b>		
	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 and have an annual interest rate in the range of 3.0% -7.5%.

♦ **Interest expense on related parties borrowings and leasing**

	2019	2018
	<i>000'BGN</i>	<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>	<i>5</i>	<i>2</i>
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 and 25.2) and have an annual interest rate in the range of 3.0% -7.5%.

♦ **Investment transaction expenses to related parties**

	2019	2018
	<i>000'BGN</i>	<i>000'BGN</i>
Euro-finance AD	23	85
	<b>23</b>	<b>85</b>

♦ **Other financial expenses to related parties**

	2019	2018
	<i>000'BGN</i>	<i>000'BGN</i>
Euro-Finance AD	6	17
	<b>6</b>	<b>17</b>

♦ **Services expenses from related parties**

	2019	2018
	<i>000'BGN</i>	<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	2018
	<i>000'BGN</i>	<i>000'BGN</i>
IC Euroins AD	(1)	(2)
Motobul EAD	(5)	(3)
	<b>(6)</b>	<b>(5)</b>

◆ **Other revenue to related parties**

	2019 <i>000'BGN</i>	2018 <i>000'BGN</i>
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 <i>000'BGN</i>	31.12.2018 <i>000'BGN</i>
Euroins Insurance Group AD	2	743
Eurolease Group AD	-	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

◆ **Other receivables incurred in the ordinary course of business between Eurohold Bulgaria AD and its subsidiaries( continued):**

	31.12.2019 000'BGN	31.12.2018 000'BGN
Auto Union AD	58	-
Espas 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 000'BGN	31.12.2018 000'BGN
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 000'BGN	31.12.2018 000'BGN
<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%. As of the end of 2019, the amount of long-term debt on a loan granted to the leasing company Eurolease Auto EAD decreased by BGN 262 thousand. At the same time, the liabilities for a purchased leased car increased by BGN 83 thousand.

◆ **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.

The borrowings from related parties are of fixed maturity and have an annual interest rate in the range of 3.0% -7.5%.

◆ **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
	000'BGN	000'BGN
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%.

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.

## Bond liabilities

### Non-current bond liabilities

	31.12.2019 000'BGN	31.12.2018 000'BGN
EMTN Programme EUR	115 175	108 530
EMTN Programme PLN	20 593	20 302
	<b>135 768</b>	<b>128 832</b>

### Current bond liabilities

	31.12.2019 000'BGN	31.12.2018 000'BGN
EMTN Programme EUR, interest	15	15
EMTN Programme 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

### Information about guarantees provided

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

Business division	Amount in EUR'000 as at 31.12.2019	Amount in BGN'000 as at 31.12.2019	MATURITY (EUR'000)					
			2020	2021	2022	2023	2024	After 2024
<b>Lease sub-holding</b>								
For funding of lease operations	11 962	23 396	3 443	3 828	2 282	1 033	972	404
<b>Automotive sub-holding</b>								
Working capital loans	1 822	3 564	1 822	-	-	-	-	-
<b>TOTAL:</b>	<b>13 784</b>	<b>26 960</b>	<b>5 265</b>	<b>3 828</b>	<b>2 282</b>	<b>1 033</b>	<b>972</b>	<b>404</b>

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

Company from:	Contracted limit in EUR'000 as at 31.12.2019	Contracted limit in BGN'000 as at 31.12.2019	MATURITY(EUR'000)		
			2020	2021	2022
Automotive sub-holding	9 400	18 385	9 400	-	-
Automotive sub-holding	340	665	340	-	-
Automotive sub-holding	712	1 392	712	-	-
Automotive sub-holding	1 050	2 054	1 050	-	-
Energy sub-holding	5 000	9 779	5 000	-	-
<b>TOTAL:</b>	<b>16 502</b>	<b>32 275</b>	<b>16 502</b>	<b>-</b>	<b>-</b>

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

Company/ Guarantor	Currency	Guaranteed liability	Guaranteed amount as at 31.12.2018 in original currency	Maturity date
Euroins Insurance Group AD	EUR	Issue of bonds (EMTN programme)	70 000 000	12/2022
Euroins Insurance Group AD	PLN	Issue of bonds (EMTN programme)	45 000 000	12/2021
Euroins Romania	EUR	Possible payment and/or compensation claims of the Beneficiary in connection with an offer	5 000 000	31.05.2020

#### **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, as decided by the GMS.

#### **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 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 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**

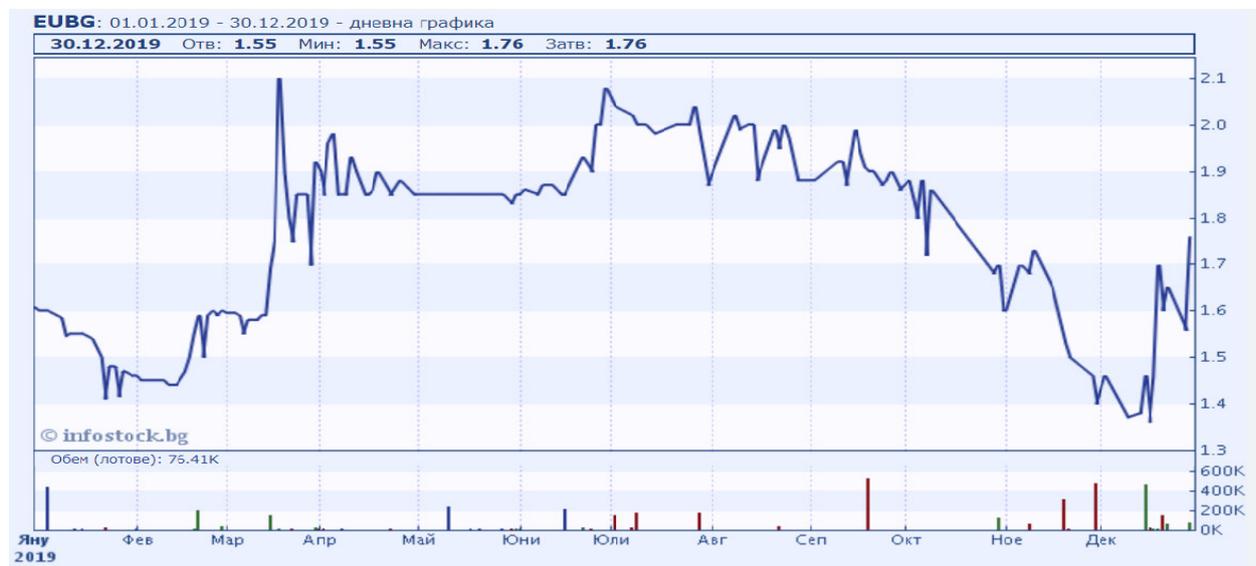
As of December 31, 2019, there were no substantial court cases against the Company. The company is a complainant against Decision No. 1169 / 24.10.2019 of the Commission for Protection of Competition, which prohibits the concentration between undertakings, which will be effected by the acquisition of 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 4 to 6 months.

## 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**.

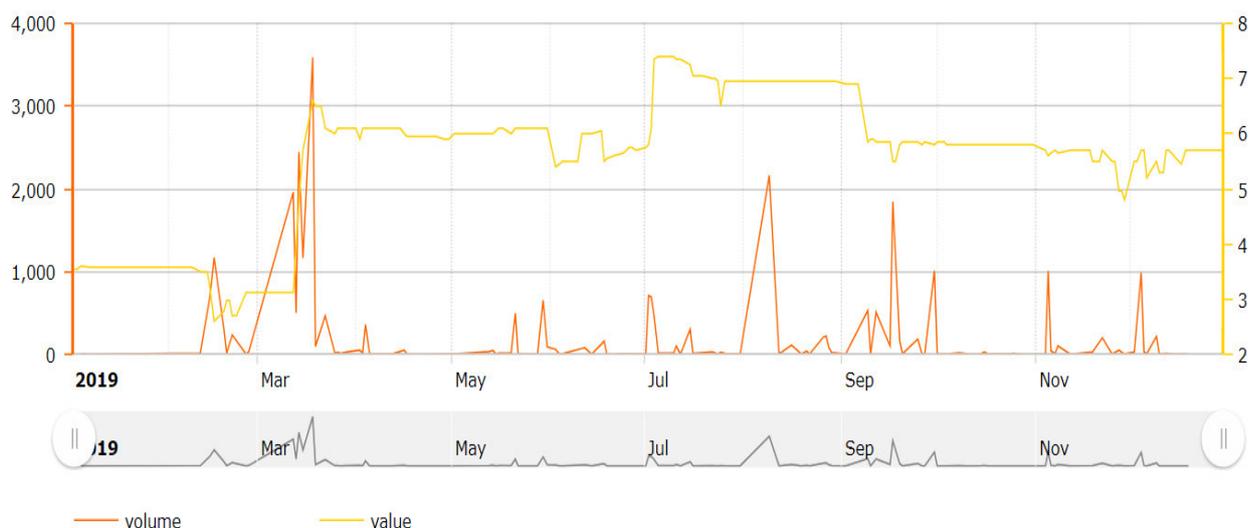
### Market price of the shares of the Company



The graph shows the price dynamics of the shares of Eurohold Bulgaria AD on BSE-Sofia for the period 02.01.2019 – 30.12.2019 (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

## **D14. OTHER INFORMATION**

### **INFORMATION REQUIRED IN ACCORDANCE WITH ARTICLE 41 OF THE ACCOUNTANCY LAW, IN FORCE FROM 01.01.2018**

Eurohold Bulgaria AD at unconsolidated level does not fall within the mandatory criteria pertaining to PIs, for which there is an obligation to prepare a non-financial declaration. A non-financial declaration will be prepared on a consolidated basis and will be presented and disclosed together with the Company's 2019 consolidated financial statements.

### **IMPORTANT EVENTS AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENT**

As of the date of this activity report of Eurohold Bulgaria AD the following important events have occurred:

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 Company's ability to continue as a going concern.

At this first and very early stage of the crisis, there is no significant impact on the Group's core business - insurance. At the same time, there has been a sharp decline in car sales influenced by the state of emergency. The company is in the process of introducing initial measures aimed at minimizing the impact of the crisis at this first 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 Company, but a fall in the prices of shares on the global stock exchanges could affect the fair value of the Company'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.

There are no other events after the reporting period that would require additional disclosure or adjustments in the financial statements of Eurohold Bulgaria AD as at 31 December 2019.

### **ANALYSIS AND DETAILS OF THE INFORMATION ACCORDING TO APPENDIX 11 OF ORDINANCE №2**

Eurohold Bulgaria AD has prepared information under Appendix 11 of Ordinance No. 2 in a separate document, which will be submitted together with the Report on the Activity and the Financial Statements as of 31.12.2019.

### **CONTACT INFORMATION - INVESTOR RELATIONS DIRECTOR**

#### **Milena Stoyanova Stoyanova**

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#### **Eurohold Bulgaria AD, Sofia**

23 March 2019

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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:

Asen Milkov Christov – 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.

#### **Management Board:**

.....  
/Kiril Boshov – Chairman of MB/

.....  
/Asen Minchev – Executive member of MB/

.....  
/Asen Asenov – Member of MB/

.....  
/Velisvav Christov – Member of MB /

.....  
/Razvan Lefter – Member of MB /

.....  
/Hristo Stoev - Procurator/

**F**

**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 annual 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 annual management report for 2019 includes a fair review of the development and performance of Eurohold Bulgaria as well as description of major risks and uncertainties facing the company.

Declarers:

Kiril Boshov

Assen Minchev

Hristo Stoev

Ivan Hristov

**Appendix № 11**  
**Information on Eurohold Bulgaria AD,**  
**under Ordinance No 2 of the Financial Supervision Commission**  
**about the prospectuses for public offering and admission to trading on a regulated**  
**market of securities, and the disclosure of information by public companies and**  
**other issuers of securities**

**1. Structure of the capital of the Company, including the securities that have not been admitted to trading on a regulated market in Bulgaria or another EU member state, indicating the different classes of shares, the rights and obligations of each class of shares, and the portion of the total capital represented by each class.**

As of 31.12.2019, the capital of the Issuer amounts to BGN 197 525 600 (one hundred ninety-seven million, five hundred and twenty-five thousand six hundred), divided into 197 525 600 (one hundred ninety-seven million, five hundred and twenty-five thousand six hundred) shares with a nominal value of BGN 1 (one) each. All shares are of the same class - ordinary, registered, dematerialized, with voting rights. Each share gives one vote at a General Meeting of the Shareholders, dividend rights and liquidation quota, in proportion to its nominal value. There are no securities that have not been admitted to trading on a regulated market in the capital of the Issuer.

**2. Restrictions on the transfer of securities, such as restrictions on the ownership of securities or the need to obtain the approval of the Company or of another shareholder.**

The shares of the Issuer are freely transferable. The Articles of Association of the Company do not include any restrictions on the transfer of shares to third parties. Under the Law on the Public Offering of Securities, persons who acquire shares exceeding certain thresholds outlined by the Act, should be reported to the Financial Supervision Commission.

**3. Information on the direct and indirect ownership of 5 per cent or more of the voting rights in the General Meeting of the Shareholders of the Company, including information on the shareholders, the size of their share participation and the way in which the shares are owned.**

The majority shareholder Starcom Holding AD, registered with the Commerce Register at the Registry Agency, UIC: 121610851, with its registered office at city of Etropole, Sofia municipality, 191 Ruski blvd., has a direct share ownership of 104,527,671 (one hundred and four million, five hundred and twenty-seven thousand, six hundred and seventy-one) shares representing 52.92% (fifty-two point ninety two percent) of the capital of the Issuer as of 31.12.2019.

Other shareholders holding directly or indirectly 5 per cent or more of the voting rights are as follows:

- KJK Fund II Sicav-Sif Balkan Discovery is the second main shareholder of Eurohold Bulgaria AD. As of 31.12.2019 KJK Fund II Sicav-Sif Balkan Discovery controls the voting right of 14.23% (fourteen point twenty three percent) of the issued shares, representing 28 116 873

(twenty-eight million one hundred and sixteen thousand eight hundred seventy-three) shares. KJK Fund II Sicav-Sif Balkan Discovery does not have different voting rights.

Blubeard Investment Limited, British Isles, holds a direct holding of 10.79% (ten whole and seventy-nine hundred percent) of voting shares in the General Meeting of Eurohold or 21 305 098 (twenty-one million three hundred and five thousand ninety-eight) shares. Bluebird Investment Limited does not have different voting rights.

As of 31.12.2019, other legal entities own a total amount of 39 208 526 (thirty-one and fifty-four million nine hundred two hundred eight thousand five hundred twenty-six) shares representing 19.85% (nineteen whole and eighty-five hundred percent) of the issuer's capital.

As of 31.12.2019, other individuals hold a total amount of 4.367 432 (four million, three hundred sixty-two thousand, four hundred thirty-eight thousand, nine hundred seventy-two) shares representing 2.21% (two whole and twenty-one percent) of the issuer's capital.

#### **4. Information about shareholders with special control rights and a description of those rights.**

There are no shareholders with special controlling rights.

#### **5. The control system over the right to exercise a vote when an employee of the Company is also a shareholder and when the control is not exercised directly by them.**

The governing body of the General Meeting of the Shareholders applies standard measures for verification of identification of the respective shareholder, the number of shares owned by the latter, the content of the authorization document (if any), the presence or absence of legal hindrances to vote as well as all other specific legal requirements are verified when voting rights are exercised by employees of the company who are its shareholders as well.

#### **6. Restrictions on the right to vote, such as limitations on the right to vote of the shareholders which own a certain percentage or number of votes, deadlines for exercising the rights to vote, or systems in which the financial rights attached to the shares are separated from the actual ownership of the shares.**

There are no restrictions on the voting rights neither systems where the financial rights pertaining to the shares are separated from the actual ownership of the shares. There are no explicit restrictions on the deadline for exercising the voting rights. The deadline for exercise of a voting right by a shareholder is specified in the invitation for convening the General Meeting of the Shareholders of the Company.

#### **7. Agreements among shareholders of which the Company is aware and which may lead to restrictions on the transfer of shares or voting rights.**

The Company is not aware of any agreements that could lead to restrictions in the transfer of shares and voting rights.

## **8. Provisions concerning the appointment and dismissal of board members of the Company and the changes and additions to the Articles of Association of the Company.**

The following provisions in the Articles of Association of the Issuer are applicable for appointment and dismissal of members of the governing bodies of the Company:

Article 33 (1) The supervisory board supervises the work of the management board. It may not take part in the company's management.

(2) The members of the supervisory board are appointed by the general meeting of shareholders for a period of 5 (five) years. The first supervisory board is appointed for a period of 3 (three) years.

(3) The Supervisory Board may consist of 3 (three) to 7 (seven) members. They must be capable natural persons or legal entities. In the last case, the legal entity nominates its representative in relation to the performance of its obligations.

(4) The members of the Supervisory Board may be re-elected without restrictions.

(5) Any person under article 234, paragraph 2 of the Commerce Law or under article 116a, paragraph 1 of the Law for Public Offering of Securities may not be a member of the Supervisory Board.

(6) The members of the Supervisory Board should meet the following additional requirements:

- a) they should not be convicted for wilful crime of common nature;
- b) they should not be declared insolvent or are subject to procedure of insolvency as a sole trader;
- c) they should not be deprived from the right to take the office of accountable persons.

(7) At least one third of the members of the Supervisory Board should be independent persons within the meaning of article 116a, paragraph 2 of the Law for Public Offering of Securities.

(8) (new – 29.06.2012) The members of the Supervisory Board enjoy all rights and fulfil all obligations after the expiry of their mandate under paragraph 2 until the nomination of new members of the Supervisory Board.

Article 38 (1) The Supervisory Board:

- a) appoints and dismisses the members of the management board;
- b) fixes the remuneration of the members of the management board;
- c) supervises the work of the management board, whereas requiring and hearing information and reports on each issue relevant to the company's operations;
- d) carries the relevant investigations with view of performing its obligations;
- e) approves the rules of procedure of the management board;
- f) convenes general meeting of shareholders;
- g) adopts rules of procedure for its work;
- h) performs other tasks delegated thereto by the legal regulations, the present statutes and the resolutions of the general meeting of shareholders.

(2) The Supervisory Board may recruit experts that will assist the performance of its obligations.

Article 43 (1) The Management Board manages the company operating under the supervision of the general meeting of shareholders and the Supervisory Board. It resolves on all matters that are relevant to the company's scope of business, except on matters that by law or by the present statutes are vested exclusively to the general meeting of shareholders or to the Supervisory Board.

(2) The members of the Management Board are elected by the Supervisory Board for a period of 5 (five) years.

(3) The Management Board may consist of 3 (three) to 9 (nine) members. They must be capable natural persons or legal entities. In the last case, the legal entity nominates its representative in relation to the performance of its obligations and will be jointly liable for the actions of its representative.

(4) The members of the Management Board may be re-elected without restrictions.

(5) Any person under article 234, paragraph 2 of the Commerce Law or under article 116a, paragraph 1 of the Law for Public Offering of Securities may not be a member of the Management Board.

(6) The members of the Management Board should meet the following additional requirements:

a) they should have proper professional qualification and experience to manage the company's operations;

b) they should not be convicted for wilful crime of common nature;

c) they should not have been members of management or supervisory body or unlimited partners at a company that is subject to insolvency procedure or has been dissolved due to insolvency during the last two years prior the date of the resolution for announcement of insolvency, if there are any unsatisfied creditors;

d) they should not be declared insolvent or are subject to procedure of insolvency as a sole trader;

e) they should not be deprived from the right to take the office of accountable persons.

(7) (new – 29.06.2012) The members of the Management Board enjoy all rights and fulfil all obligations after the expiry of their mandate under paragraph 2 until the nomination of new members of the Management Board.

Article 53 (1) The Management Board elects a chairman among its members.

(2) The chairman of the Management Board organizes the board's work in compliance with the requirements of the law, these statutes and the resolutions of the general meeting of shareholders.

Article 54 (1) (amended – 14.09.2007) With the approval of the Supervisory Board, the Management Board empowers one or several of its members (executive members) to represent the company. Such empowerment may be withdrawn at any time.

(2) The names of the persons empowered to represent the company are entered in the trade register and are promulgated in the statutory manner.

(3) Exclusive of the restrictions of the representative power as provided for by the law, the restrictions of the representative power of the persons empowered under the preceding paragraphs shall not apply in relation to third bona fide persons.

(4) The empowerment and the withdrawal thereof are binding for third bona fide persons after being entered and promulgated in the statutory manner.

(5) Upon resolution of the Management Board, in compliance with all legal regulations, the company's management may be conferred to a prokurist (authorized representative). Unless provided otherwise, the amount of his powers are provided for in the Commerce Law.

The following provisions in the Articles of association of the Issuer are related to amendments and supplements in the Articles of association:

Article 16. (1) The capital may be decreased upon resolution of the general meeting of shareholders for amendment of the statutes, which is adopted with at least 2/3 (two thirds) of the votes of shares represented at the general meeting of shareholders, in the ways allowed by the law.

Article 29. (1) The resolutions of the general meeting of shareholders enter into force with immediate effect, unless the enforcement thereof is postponed.

(2) The resolutions of the general meeting of shareholders in relation to amendments and supplements of this statutes, capital increase and decrease, transformation and dissolution of the company, election and dismissal of members of the boards, as well as to the appointment of liquidators, are subject to entry in the trade register under the company's batch and enter into force after the entry in the trade register.

Article 30. The general meeting of shareholders:

1. amends and supplements the company's statutes;
2. increases and decreases the company's capital;
3. transforms and dissolves the company;
4. elects and dismisses the members of the supervisory board;
5. appoints and dismisses certified accountants (registered auditors);
6. approves the annual financial statement after being verified by the appointed certified accountant (registered auditor), adopts resolutions for allocation of profit, filling the Reserve Fund and payment of dividend;
7. resolves on issue of bonds;
8. appoints the liquidators upon dissolution of the company, except in case of insolvency;
9. releases the members of the supervisory and the management board from liability;
10. empowers the person who manage and represent the company to perform transactions in the cases as provided for in the Law for Public Offering of Securities;
11. adopts resolutions for filing claims against the members of the management board and appoints a representative for the procedures;
12. fixes the remunerations and tantiemes of the members of the supervisory and the management board;
13. resolves on other matters relevant to the company's business and falling within the competence of the general meeting pursuant to the applicable legal regulations and these statutes.

## **9. The rights of the governing bodies of the Company, including the right to decide on the issue and redemption of shares of the Company.**

The Management Board of the Issuer

1. organizes, manages and controls the company's operations and ensures the management and safe keeping of its property;
2. manages and represents the company;
3. through its executive members, the Management Board enters into contracts with the company's employees, amends and terminates the employment relationships therewith, imposes disciplinary penalties for any violations committed, grant bonuses, performs the rights and obligations of employer in relation to the persons recruited by the company;
4. reports upon each request of the Supervisory Board for the time from the previous report until the date of the meeting, but not less than once in every 3 (three) months;
5. settles the company's relationships to the state and municipal budget;
6. controls the company's income and cost;

7. performs any legal actions relevant to ensuring the normal functioning of the company with view of the laws, these statutes and the resolutions of the general meeting of shareholders;

8. convenes the general meetings of shareholders, drafts the agenda of the meetings and observes for the compliance with the statutory requirements for convocation of the general meeting of shareholders;

9. makes the required disclosures and publications relevant to the company's operations to the respective state authorities and in mass media;

10. presents the annual financial statement, the director's report for the previous financial year, the report of the expert accountant (registered auditor) before the Supervisory Board and makes proposals for allocation of profit;

11. in the events provided for in the Law for Public Offering of Securities and in the other legal regulations, the Management Board approves the company's transactions with the involvement of stakeholders except those that should be approved by the general meeting of shareholders or the Supervisory Board;

12. in compliance with the restrictions under the Law for Public Offering of Securities and under the other legal regulations:

a) adopts resolutions for dissolution or transfer of company's entities or material parts thereof, for acquisition and alienation of shares in other companies, for financing any companies it has a share in;

b) adopts resolutions for acquisition and disposal with any company's fixed assets and property rights thereof, for the use of loans, for granting securities and warrants and assuming guarantee, for entering into contracts, participation in auctions and competitions;

c) adopts resolutions for establishment of mortgage and pledge on company's assets;

13. adopts resolutions for opening or closing of branches;

14. adopts internal organizational and other acts;

15. adopts resolutions for establishment of mortgage and pledge on company's assets;

16. (New – 14.09.2007, amended 29.06.2012, amended 09.05.2017) on the grounds of article 204, paragraph 3 of the Commerce Law, within five years from the registration of the Statutes amendment adopted with resolution of the general meeting of shareholders dated 09.05.2017, the Management Board adopts resolution for issue of bonds with total nominal value of EUR 200,000,000 (two hundred million euro) inclusive, defines all mandatory and facultative parameters of the obligatory loans, specifies, supplements and amends all parameters and conditions of the obligatory loans in compliance with the market conditions and the investors' interest.

17. prepares and presents programs and plans for the company's development for adoption by the general meeting of shareholders;

18. performs other tasks delegated thereto by the legal regulations, the present statutes and the resolutions of the general meeting of shareholders.

**10. Material contracts of the company, which become effective, are modified or terminated due to a change of control of the Company in implementing a mandatory tender offer, and the consequences thereof, unless such disclosure may cause serious harm to the Company; exception to the preceding sentence shall not apply in cases where the company is obliged to disclose information under the Act.**

There are no material contracts of the Company which take effect, are amended or terminated due to change of control of the Company by carrying out the mandatory tender offer.

**11. Agreements between the company and its management bodies or employees for the payment of compensations for termination or dismissal without legal basis or a termination of employment for reasons related to the tender offer.**

The Company has not entered into agreements with its management bodies or with given employees which provide for specific benefits in case leave or dismissal without legal grounds or other type of termination of employment relations in connection to a tender offer.

**23.03.2020**

A handwritten signature in blue ink, appearing to be 'AM', written over a faint blue grid background.

**Assen Minchev,  
Executive member of the Management Board of  
Eurohold Bulgaria AD**