EUROHOLD BULGARIA AD

INTERIM CONSOLIDATED MANAGEMENT REPORT AND FINANCIAL STATEMENTS

1 January – 31 December 2020

INTERIM CONSOLIDATED MANAGEMENT REPORT

containing information on important events that occurred during the period 1 January – 31 December 2020 according to Art. 100o, paragraph 4, item 2 of POSA

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EUROHOLD BULGARIA - ACTIVITY

Eurohold Bulgaria AD is a holding company with over 20 years of history.

Mainly performs financial activities related to the acquisition, sale and management of participations and financing of related companies.

EUROHOLD BULGARIA – TODAY

- ***The largest public holding in Bulgaria***
- ***One of the largest independent financial groups in the region of Southeast Europe (SEE)***
- ***Non-bank financial holding company, which takes advantage of the synergies between its subsidiaries to offer unique and innovative services to its clients***
- ***Company focused through its subsidiaries (sub-holding structures) in the business sectors - insurance, leasing, car sales and financial services (investment intermediation and asset management)***
- ***Public joint stock company within the meaning of POSA. The shares of the company are registered for trading on the Main Market of the Bulgarian Stock Exchange - Sofia with stock exchange code EUBG. As of December 15, 2011, the company's shares are listed on the Warsaw Stock Exchange (WSE) - with the stock exchange code EHG***

BUSINESS MODEL

The business model built by Eurohold is based mainly on synergies and relationships between subholding structures, through which subsidiaries create new innovative, competitive and combined products and services. A system has been created for continuous monitoring of consumer behavior and satisfaction in order to meet the needs and expectations of customers.

Our business model gives the following opportunities to the Group:

- ***adequate risk management***
- ***opening up market opportunities***
- ***reduction of certain operating costs***
- ***fast integration in newly acquired markets***
- ***factor for innovation and modern unique products***
- ***better consideration of social and environmental issues***

SUBSIDIARIES (sub-holding structures)

Euroins Insurance Group – insurance group *operating in Central and Eastern Europe with leading positions in Romania and Bulgaria. Active operations in 10 markets in the CEE and SEE regions.* ***Main asset of the Eurohold group.***

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

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

Euro-Finance - investment intermediation and asset management - *turnover leader on the Bulgarian Stock Exchange, member of Deutsche Börse Group. A company with a 24-year history, with a full license to provide financial and investment services within the European Union and third countries.*

The Eurohold Group has imposed a unified model of process management at each subholding level depending on the specific requirements of the business, legal requirements and regulations.

Business goals and strategies

- Through our business activities we strive to ensure a sustainable return on investment for our shareholders, financial stability of the group, to create value for all stakeholders, supporting them to the best of our ability and maintaining the high trust built between us
- We continue to work on our chosen development strategy with a focus on expanding our positions in CEE and SEE regions, both through acquisitions in our existing markets and new ones with appropriate opportunities
- In the insurance segment, we consistently follow our long-term strategy for making EIG one of the leading independent groups in the region
- Our long-term strategy is aimed at entering new regulated markets that offer good return on shareholders and opportunities for sustainable growth
- Our goal is to enter other regulated businesses that generate value and we will strive to diversify our product portfolio and distribution channels with priority for the development of digital ones

EUROHOLD GROUP - ACTIVITY

Strategy

Eurohold Group operates in the countries of Central, Eastern and South-Eastern Europe (CEE and SEE). Based in Bulgaria, the Group is also positioned in Romania, Northern Macedonia, Ukraine, Russia, Georgia, Greece, as well as in other EU markets such as Spain, Italy and Poland. In May 2020, the Group also entered the insurance market in Belarus.

Eurohold Bulgaria's strategic focus is to expand its business, both through expansion in current and new regulated business segments, offering great opportunities for sustainable growth and organically in the markets in which it operates, and increasing the market shares of each subsidiary. The Group focuses on innovative companies showing dynamic growth and a stable structure.

Structure of the economic group Eurohold as of 31.12.2020

EUROHOLD BULGARIA AD

(majority shareholder STARCOM HOLDING AD – 50.07% as of 31.12.2020)

Business Segments	Insurance	Leasing	Energy *	Finance	Automotive
Subsidiaries	**Euroins Insurance Group AD– 95.95%**	**Eurolease Group AD– 90.01%**	**Eastern Europian Electric Company II B.V. – 100%**	**Euro-Finance AD - 99.99%**	**Avto Union AD - 99.99%**
Operating Companies	**IC Euroins AD** - Bulgaria– 98.63%	**Eurolease Auto** –Bulgaria - – 100%	**Eastern Europian Electric Company B.V.-** The Netherlands – 100%		**Auto Italia** AD -Bulgaria – 100%
	Euroins Romania Asigurare – Reasigurare - Romania - 98.51%	**Eurolease Auto DOOEL** -North Macedonia			
	Euroins Scopje – North Macedonia - 93.36%	**Eurolease Auto Rent a car** -Bulgaria – 100%			**N Auto Sofia** -Bulgaria – 100%
	IC EIG Re -Bulgaria - 100%	**Amigo Leasing** -Bulgaria – 100%			**Espace Auto** -Bulgaria – 51%
	IC Euroins Life -Bulgaria - 100%	**Autoplaza** - България – 100%			**EA Properties** -Bulgaria – 51%
	IC Euroins Ukraine – Ukraine	**Sofia Motors** -Bulgaria – 100%			**Daru Car** -Bulgaria – 100%
	European Travel Insurance - Ukraine – 99.99%	**Eurolease Auto** - Romania - 77.98% directly - 20.45% indirectly			**Bulvaria Varna** -Bulgaria – 100%
	Euroins Claims - Greece – 100%				**Bulvaria Sofia** - Bulgaria – 100%
	Euroins Gorgia - Georgia - 50.04%				**Star Motors** -Bulgaria – 100%
	ERGO – Belarus – 93.12%				**Star Motors DOOEL** North Macedonia – 100%
	Russian Insurance Company Euroins – Russia - 48.61%				**Star Motots SH.P.K.** Kosovo – 100%
					Avto Union Service – Bulgaria – 100%
					Motohub -Bulgaria – 51%
					Motobul -Bulgaria – 100%
					Bopar Pro – Romania
					Benzin Finance -Bulgaria

* the companies in the Energy segment have no activity as of the date of the report

Types of services and activities offered by the operating companies in the Eurohold group

Insurance	Car Sales	Leasing	Investment Intermediation
Insurance	Car sales	Financial leasing	Investment intermediation
Health insurance	Car service	Operating leasing	Investment banking
Life Insurance	Spare parts sales	Rent a car	Asset management
		Sale of used cars	

The operating companies offer all types of products and services specific to the given sector market. In this sense, the Eurohold Group can offer a full range of solutions for private clients, small and medium-sized legal entities and corporate clients.

The integration synergies create an opportunity to optimize costs in the three business lines and increase their competitiveness, which in turn leads to increased profitability at all levels of the Eurohold Group. This contributes to the leadership positions of all companies in the group of markets in which they are positioned.

Присъдени кредитни рейтинги на Емитента и дъщерни дружества

FitchRatings	*EuroHold* ***Issuer Default Rating "B"***
FitchRatings	*Euroins Romania* ***Insurer Financial Strength Rating "BB-"***
FitchRatings	*Euroins Bulgaria* ***Insurer Financial Strength Rating "BB-"***
FitchRatings	*EIG Re* ***Insurer Financial Strength Rating "BB-"***

BCRA CREDIT RATING AGENCY	*EuroHold* ***Long-term: BBB-*** ***Outlook: stable*** ***Short-term: A-3***
BCRA CREDIT RATING AGENCY	*Euroins Bulgaria* ***Long-term: BBB-*** ***Outlook: stable***
BCRA CREDIT RATING AGENCY	*IC EIG Re* ***Long-term: BB+*** ***Outlook: stable***
BCRA CREDIT RATING AGENCY	*Auto Union* ***Long-term: BB+*** ***Outlook: in development***
BCRA CREDIT RATING AGENCY	*Eurolease Auto* ***Long-term: BBB-*** ***Outlook: stable*** ***Short-term: A-3***

IMPORTANT EVENTS FOR THE EUROHOLD GROUP

occurred during the period 1 January – 31 December 2020 and until the date of this report

- **COVID-19**

Global reflection

The nature, scale and spread of the coronavirus pandemic affecting the world have dramatically affected global macroeconomics and economic growth.

Due to the Covid-19 pandemic, much of the world economy slowed and activity in some sectors was almost completely stopped. As a result of the measures imposed by governments, a significant part of international trade has been hampered. At the global level, the subsequent results for the business from the economic disturbances caused by the pandemic are - worsened economic prospects, a significant increase in expected credit losses and other impairments, as well as a decrease in revenues caused by lower volumes and reduced customer activity.

The effects of the coronary crisis on the automotive industry worldwide are significant, with a sharp reduction in production in some countries and even a cessation of the production process. As a result of the pandemic, car manufacturers around the world realised significant losses.

Impact in the countries in which we operate

In connection with the worldwide announced COVID-19 pandemic, strict measures have been announced in the countries where we operate to reduce the spread of the infection, which has led to significant uncertainty about future economic developments and has had a negative impact on the performance of local economies.

The outbreak of COVID-19 and its effect on the global economy affected our customers, and hence our performance - realized revenues and financial results. The degree of influence on our business divisions depends on:

- the different time and the different level of development of the COVID-19 infection in each of the countries in which we operate;
- the level of impact of the coronavirus crisis on the specific sector;
- measures imposed by governments in each country to protect public health and local economies, as well as state support measures for the affected business sectors and the population to reduce unemployment;
- the speed and effectiveness of the measures imposed in the various countries are not insignificant, given the unpredictable rate of change in the level of infection, leading to the need for rapid change and significant operational decisions.

For Eurohold, that meant three things. First, that reduced economic activity in local economies will inevitably have a negative impact on the Group's financial results. Secondly, it is the support for our employees and customers during the pandemic. And thirdly, ensuring business continuity and financial stability for our companies.

Our actions to deal with the macroeconomic situation

In the current market environment marked by the dynamic environment and significant uncertainty, we believe that the strategic orientation of our group in terms of highly diversified business model by product, brand, territory and channel in all businesses is highly effective.

Our approach to the expansion of the insurance business, as well as the advanced level of digitalization in the provision of our products and services have allowed us to continue our business activities without major shocks. The only business that was affected by the unprecedented situation and marked a more significant decline in revenue for 2020e is the automotive one due to disruption of the supply chain and reduced customer activity. The leasing division (financial and operational leasing of cars and car rental services) as directly related to the dynamics of the automotive market *in the country, as well as the greatly reduced passenger transport (mainly air) and the almost non-functioning tourism industry in 2020 was moderately affected.*

▪ ***Measures taken***

Adequate and timely measures necessary for the protection of employees and prevention against the spread of COVID-19 were taken and introduced in all companies of the group, such as:

- organization, control and monitoring of work process - teams, schedules, including ensuring the work regime "home office"
- periodic briefing of employees
- introduction of the necessary protection measures at the companies' presence points, including instructions for disinfection at the workplace, as well as measures / work plan in case of information about an employee in contact with a coronavirus patient and specific actions in such a situation. As always, during a pandemic, ensuring the health and well-being of our employees remains our primary concern
- A full formalization of processes has been introduced, ensuring an adequate and transparent organization with a clear and appropriate division of responsibilities and an effective system ensuring the transmission of information and reducing the risk of business interruption in any of the elements - system interruption, procedures, the risk to essential data and functions, as well as the performance of the main activity specific to each company in the Eurohold Group. This organization was realized through:
- formation of a Crisis Staff
- - review of the business plan, risk assessment, preparation of a specific action plan and crisis management, in connection with the complicated virological situation of COVID-19 and risk minimization
- regular risk measurement and management
- others

▪ ***Actions taken***

The crisis caused by the COVID-19 pandemic presented us with new challenges and seriously affected the activities of our customers. Guided by the belief that in addition to shareholder returns, we must create value for all stakeholders, we try to support them to the best of our ability and maintain the high trust built between us.

We have taken action for business continuity to support our customers and support our business operations. To this end, some of our staff continued to provide critical services in offices, branches, showrooms and repair shops, all with increased safety measures and schedules, and the rest of the staff continued to work remotely.

In many of our markets we have initiated specific measures to support our individual and business clients. The Group expressed its readiness to support its clients and partners in finding solutions for their support and limiting the negative effects of the crisis, by deferred payments under lease and rental agreements, as well as other decisions were made according to specific needs. These measures have been well received and we continue to respond to the changing needs of our customers. While the effects of COVID-19 on our business are uncertain and unpredictable in the coming reporting periods, we will continue to support our customers by developing new, digital products and options, as well as making flexible individual decisions. In all cases, we analyze and take into account the changes in the behavior of our individual and business customers and partners, as well as changes in development trends of the specific business segment,

We have also timely improved our digital capabilities to serve more customers remotely, with faster access and improved security, working to improve our business processes to prevent the interruption of our operations at all sale points. The coronavirus epidemic allowed us to take advantage of the opportunities for digitalization of our business and the development of digital channels for sales and customer service. For the current year we have a fivefold increase in our digital development budget.

Although our offices remained open, we committed to our customers to offer products and services through remote consulting and sales. In Romania, a quarter of Euroins customers already use our mobile application and receive service entirely online without physically stepping into our offices. We are currently in the final stage of development of our digital platform in Bulgaria. We also developed new products, in Bulgaria, for example, we were the only ones to offer an insurance product that guarantees vouchers for postponed trips issued by our customers - tour operators at a time when they were forced to temporarily suspend their activities at 100%. In this way, we have given a clear signal that Euroins is a reliable and stable partner that can be relied on.

Capital and liquidity management is our key focus, which we constantly monitor, both at the group level and at the individual level of each subsidiary and operating company. As a result, in 2020 we made a number of capital increases in order to support companies and meet their capital requirements (applies to the insurance business and in particular the Romanian company, and actions to increase its capital have been taken and currently).

In this regard, at present the management of Eurohold Bulgaria AD has transformed part of its short-term liabilities into long-term ones by issuing a bond loan. Also at the end of 2020, in order to strengthen the capital structure of the group, it has agreed and converted part of its liabilities in the form of subordinated debts, representing tier 1 capital.

We have also reviewed our models for impairment of expected credit loss under IFRS 9 "Financial Instruments" at all levels - country, group, segment, company. As a result, we updated by segments and local impact on companies some of our expectations, increasing the expected credit loss of exposures that are part of the full impairment model. In order to provide reliability, the models for impairment of expected credit loss, according to IFRS 9, will continue to be reviewed and updated as necessary quarterly, taking into account the effects of COVID-19 on our businesses until the normalization of economic conditions.

In connection with the deteriorating economic situation and the increased uncertainty, due to the COVID-19 inpact, we also reviewed the models for estimating the reserves of insurance companies and made changes in the direction of increase, where necessary. A significant part of the consolidated loss for 2020 was formed by the insurance business of the Group and in particular by the Romanian insurance company as a result of the preparations for the Balance Sheet Review organized by the local regulator and the change of the current legal framework. As a result, the company has changed part of its accounting policy regarding technical provisions and its reinsurance program, which has led to a significant loss, and is a one-time effect of accrual of additional provisions (reserves). It is possible that after the completion of the current financial audit for 2020 and after the publication of the market indicators related to the calculation of technical provisions, the financial result of the Company may change within acceptable limits.

In connection with the measures and actions taken by us to limit the impact of the coronary crisis on our companies, we incurred additional costs for the rapid adaptation to the dynamic economic environment, which affected our operational results, both individually and at the group level.

Over the years, in parallel with the growth of business and regional expansion, we have built good financial stability, which gives us peace of mind and confidence that we will cope and pass successfully through the current crisis. Even in the conditions of Covid-19 we continue not to deviate from our goals, to follow our strategy and to expand our activities, finalizing already prepared deals in the region. This is confirmed by the deal for the acquisition of ERGO Belarus, which was finalized at the beginning of May after approval by the regulatory authorities in the country. The company acquired by our insurance subholding Euroins Insurance Group AD is a subsidiary of the German ERGO, one of the leading insurance groups in Europe.

The pandemic has had a negative impact and a collapse in global stock markets. Eurohold Bulgaria AD, as a public company whose shares are traded on the Bulgarian Stock Exchange (BSE) and Warsaw Stock Exchage (WSE), was also not overlooked by the stock market crash, as the share price fell. To date, Eurohold has managed to overcome the negative impact and restore the price level of its shares to the level before the announcement of the pandemic.

Impact of the coronavirus crisis in the following reporting periods

The pandemic has caused great disruption in organizations around the world, which has proved to be a huge challenge for business and has led to many changes in such a short period of time, including significant digital transformations that have occurred in a matter of months and have made the market particularly dynamic.

At present, significant uncertainties remain in estimating the duration of coronavirus spread and its effects. In the fourth quarter of 2020, there was a second wave of intensification of the contagion after a certain lull in the summer months, which necessitated the adoption of new measures and restrictions by governments, leading to new restrictions on social life and entire sectors of the economy and declining economic activity. To date, the number of those infected has not decreased, but in some countries a gradual easing of measures based on vaccination of the population has begun.

The development of coronavirus vaccines raises hopes for the achievement of immunity from the general population, as a result of which action will be taken to alleviate the restrictive measures. On this basis, it is expected that in the second quarter of 2021 a gradual recovery of economic activity will begin, gradually returning to pre-crisis levels for up to two years. Uncertainty in expectations remains due to insufficient (at present) production capacity of pharmaceutical companies to fulfill all orders from the affected countries, which leads to a delay in mass vaccination. This poses a risk of subsequent outbreaks of infection, as well as a mutation of the virus similar to recently discovered strains (the 'British strain' and the 'South African strain'), which may lead to the need to adapt vaccines. In this sense, in different countries the rate of return to economic levels before COVID-19 will depend on the degree of infection and access to vaccines, and it is possible to observe different rates of recovery of economic activity in local markets. This may exacerbate inequalities between the markets affected by the coronavirus crisis and require governments and central banks to take decisions to maintain or increase fiscal and monetary stimulus in those markets.

Restarting the economy may not be such an easy process, as it depends on consumer behavior and activity. Prolonged unemployment, job's uncertanty, and the effects of bankruptcies, mergers and acquisitions worldwide can slow this process.

All these factors predetermine the flexibility and rapid response of changing markets to a key advantage for the development of organizations in the world in 2021.

The outbreak of Covid-19 also had a significant impact on the business environment in which our Group companies operate. The impact and duration of the global COVID-19 crisis is likely to affect our business in the future. Prolongation of reduced economic activity as a result of coronavirus exposure could have an adverse effect on the activities of Eurohold Group companies, to lower revenues due to reduced customer activity, to a disrupted supply chain, can also have an impact on the capital position and liquidity of the group, a change in part of the accounting policy, incl. models for impairment of expected credit losses and technical provisions, etc.

Against this general global background, the companies of the Eurohold Group are working hard to deal with the unprecedented situation and are fully focused on flexible measures and solutions, creating new products and services and digitalization of processes, maintaining capital requirements and liquidity of the group.

The extent of the impact of the coronary crisis on the Eurohold Group depends on many factors, the most significant of which are the measures taken by the governments of the countries in which we operate, as well as our suppliers (mainly cars), also depends on the purchasing power of our customers, these are factors we cannot influence.

However, management will continue to assess the potential impact of the crisis. COVID-19 will review its financial performance accordingly, assess its risk and take appropriate flexible actions in business management to limit the impact and mitigate potential effects. This will give a positive direction for the recovery and normalization of business activities, and companies will be ready to meet new challenges in the current unprecedented environment.

As of the date of this report, Eurohold is a stable business structure with maintained stable market positions and preserved operating profitability, able to guarantee good prospects to its shareholders and partners in the conditions of an unprecedented health and economic crisis.

ACTIVITY OF THE EUROHOLD GROUP

(The information is presented in descending order and includes information for the period 1 January 2020 to the date of this report)

1. *Eurohold got approval from the Energy and Water Regulatory Commission to acquire the subsidiaries of CEZ Group in Bulgaria*

On 19 January, 2021 the Bulgarian Energy and Water Regulatory Commission (EWRC) granted approval to Eurohold Bulgaria for the acquisition of the Czech energy company CEZ Group's subsidiaries in Bulgaria.

In this way, Eurohold obtained all the necessary approvals by the Bulgarian regulators to carry out the acquisition. The deal was approved by the Bulgarian Commission for Protection of Competition (CPC) on 29th October, 2020.

Eurohold will acquire CEZ Group's business in Bulgaria through its subsidiary and specially set up Eastern European Electric Company B.V. (EEEC). The deal includes 67% of the power utility CEZ Distribution Bulgaria and the power supplier CEZ Electro Bulgaria, as well as 100% of the shares of the licensed electricity trader CEZ Trade Bulgaria, IT services company CEZ ICT Bulgaria, solar park Free Energy Project Oreshetz, biomass-fired power plant Bara Group and CEZ Bulgaria that coordinates and manages all CEZ Group's subsidiaries in Bulgaria.

The next stage in the acquisition process will be to sign financing agreements and transfer of the shares. Eurohold will finance the acquisition through a combination of equity and borrowed capital provided by leading global investment banks.

2. *Eurohold Bulgaria held the first general meeting of the bondholders of its second issue of corporate bonds*

On December 18th, Eurohold Bulgaria AD, a leading independent business group operating in the CEE/SEE/CIS region, carried out the first general meeting of the bondholders of its second issue of corporate bonds that was placed under the terms of an initial private placement.

At the general meeting, the bondholders appointed Financial House Ever AD as a bond trustee of the issue and approved the contract between the bond trustee and the bond issuer.

The bond loan has a total nominal and issue value of EUR 30 000 000, divided into 30 000 number of bonds. The bonds are of the same class and give equal rights to their holders. The nominal annual interest rate is fixed at 3.25%. The interest will be paid every 6 months.

The purpose of the bond loan is the improvement of the capital structure of the holding by repaying short-term and/or long-term liabilities as well as providing support for the operational activity of the bond issuer's subsidiaries, including the capital increase of the insurance subholding - Euroins Insurance Group AD.

3. *Eurohold got approval from Bulgaria's competition authority to acquire CEZ Group business in Bulgaria*

On 29th of October 2020 Bulgaria's Commission for Protection of Competition (CPC) granted approval to Eurohold Bulgaria to acquire the subsidiaries of CEZ Group in Bulgaria. The acquisition will be carried out through the specially set up Eastern European Electric Company B.V. (EEEC), 100% owned by Eurohold.

The next step is the approval of the deal by the Energy and Water Regulatory Commission.

4. *The Administrative Court of Sofia District annulled the decision of the Commission for Protection of Competition (CPC)*

By a decision of 22.07.2020, the Administrative Court of Sofia District annulled the decision of the Commission for Protection of Competition (CPC), which in October 2019 banned the transaction between Eurohold Bulgaria and CEZ for the assets of the Czech company in Bulgaria. The court returned the case in the form of a file to the Commission for Protection of Competition for a new ruling, according to the obligatory instructions given in the reasons of the court decision.

5. Euroins enters Belarus by finalizing deal for German ERGO insurer

The acquisition is part of a package deal by the German company's Bulgarian subsidiary group in three Eastern European countries and fifth in a total of four countries in the former Soviet Union.

On May 4, 2020 - One of the leading insurance groups in Southeast Europe (SEE) - the Bulgarian Euroins Insurance Group AD (EIG) AD (EIG), part of Eurohold Bulgaria AD, finalizes the acquisition of ERGO Belarus after approval by the regulatory authorities in the country - Ministry of Antimonopoly Regulation and Trade and Ministry of Finance.

ERGO Belarus is a subsidiary of the German ERGO, one of the leading insurance groups in Europe, which in turn is owned by Munich Re, one of the leaders in world reinsurance.

Last year, the Bulgarian company agreed to acquire ERGO insurance companies in Belarus, the Czech Republic and Romania. The deals for the insurers of the German group in the Czech Republic and Romania are awaiting approval from local regulators.

The newly acquired company in Belarus in figures and facts

ERGO Belarus specializes in the segment of non-life insurance (liability, property, medical, transport, accidents, travel assistance, etc.) and is the third largest private insurer in the country in a sector dominated at this stage by state-owned companies. In 2019, the company realized nearly EUR 10 million in gross premium income, which is a 7.4% increase compared to the previous year. According to this indicator, the Belarusian company ranks tenth among insurers in the country with a market share of about 2%. ERGO Belarus is at a profit, realizing a net result of EUR 0.15 million last year. The coverage of the capital solvency requirement (SCR) of the company - a key indicator for the stability of an insurance business, is nearly 300% or 2 times above the regulatory requirements.

As of the end of 2019, ERGO Belarus has 92 thousand active contracts with 67.7 thousand clients. The company's employees number nearly 100. The same number are its insurance agents. The company is expected to be rebranded and operate under the Euroins brand. The results of ERGO Belarus will be consolidated in the EIG from the second quarter of 2020.

The Belarusian insurance market is estimated at about 600 million euros per year and last year increased by nearly 15% compared to 2018. A specific feature is that the popular and compulsory motor third party liability insurance (MTPL) at this stage can be provided only from state insurance companies. At the same time, all insurances can be taken out remotely and completely digitally.

In the context of an epidemic of coronavirus (Covid-19), Belarus is one of the few countries in the world where no restrictions are imposed and the country's economy is operating at full speed as far as possible.

6. Acquisition of shares from the capital of Euroins Insurance Group AD

After the reporting period (in the second quarter of 2020), Eurohold Bulgaria AD has acquired another 3,356,120 shares of the capital of Euroins Insurance Group AD. As a result, the participation in the capital of the insurance subholding was increased to 95.54% or 519,219,049 shares held by Eurohold Bulgaria.

The acquisition is carried out in accordance with an agreement signed by Eurohold Bulgaria AD in 2018 for the acquisition of the remaining minority share in the amount of 10.64% of its subsidiary Euroins Insurance Group AD. Eurohold has agreed to buy the shares by the South Eastern Europe Fund L.P. (SEEF), managed by the Greek investment company Global Finance. After the completion of the transaction, Eurohold will own 100% of the capital of Euroins Insurance Group AD.

7. Capital increase of EIG Re EAD Insurance Company

On February 28, 2020, an increase in the capital of EIG Re EAD was registered, which is part of the plan for restructuring the capital structure of EIG Re EAD, approved by the Financial Supervision Commission with a Decision 1326-OZ from 23.12.2019. On January 15, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of IC EIG Re EAD by BGN 600 thousand, while IC EIG Re EAD should fully repay the subordinated term debt in the same amount. On February 19, 2020, EIG Re EAD paid its debt in full. After the operation, the capital of the subsidiary now amounts to BGN 19,112,000, divided into 19,112,000 shares with a par value of BGN 1 each.

8. Capital increase of IC Euroins Life EAD

On February 27, 2020, an increase in the capital of Euroins Life EAD was registered, which is part of the plan for restructuring the capital structure of IC Euroins Life EAD, approved by the Financial Supervision Commission with a Decision 1327-ЖЗ dated 23.12.2019. On January 3, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of IC Euroins Life EAD by BGN 1,250,000, while Euroins Life EAD should fully repay the subordinated term debt in the same amount. On February 18, 2020, Euroins Life Insurance EAD paid its debt in full. After the operation, the capital of the subsidiary now amounts to BGN 11,375,070, distributed in 1,137,507 shares with a par value of BGN 10 each.

9. Capital increase of IC Euroins AD

On January 21, 2020, as part of the restructuring plan of the capital structure of IC Euroins AD, approved by the Financial Supervision Commission, an increase in the capital of IC Euroins AD by BGN 8,700 thousand was entered in the Commercial Register as part of the increase is a result of repayment of the existing subordinated term debt in the amount of BGN 8,500, 000 on January 13, 2020. Thus, the share capital of IC Euroins AD now amounts to BGN 40,970,000, distributed in 40,970,000 shares, as Euroins Insurance Group AD owns 40,410,171 shares, which is approximately 98.63% of the capital.

EUROHOLD BULGARIA

Our business

We serve our clients through four subsidiaries, of which three sub-holding structures with business lines of insurance, cars and leasing and one separate company operating in the field of investment intermediation and asset management.

Eurohold has established another holding structure with a focus on energy, which as of the date of the report is not operating.

The following pages provide an overview of the performance in the first twelve months of 2020 of the Eurohold Group as a whole, and of each of our business lines.

INTERIM CONSOLIDATED RESULTS FOR THE TWELVE MONTHS OF 2020

In the context of the unprecedented health and economic crisis of the COVID-19 pandemic, which led to turmoil in the European and global economy, the Eurohold Group maintained a stable level through reporting a slight decrease in operating income of 0.9%.

The insurance division Euroins Insurance Group reported a 5% increase in total consolidated insurance revenues (after intra-group eliminations), incl. and the recorded gross written premiums by 8%.

The other subsidiaries also managed in the conditions of the changed market environment due to the impact of Covid-19, as the financial-investment direction achieved a growth of 75%. The negative economic impact of the Covid-19 pandemic had an adverse effect on the performance of some of the companies in the group and in particular affected the automotive sector and partially the leasing division, which recorded a decrease in operating income of 33% and 14% respectively.

Key Group indicators as of 30 December, 2020

	Income	Gross profit	EBITDA	Net profit
	-0.9%	-29%	-74%	+2972%
Q4 2020	1,587 million BGN	84 million BGN	11 million BGN	(29) million BGN
Q4 2019	1,601 million BGN	119 million BGN	41 million BGN	(1) million BGN

	Assets	Equity	Liabilities and subordinated debts	Insurance reserves
	+8%	-33%	+23%	+9%
Q4 2020	1,641 mln BGN	128 mln BGN	679 mln BGN	834 mln BGN
2019	1,510 mln BGN	191 mln BGN	551 mln BGN	768 mln BGN

FINANCIAL RESULT FROM THE ACTIVITIES OF THE EUROHOLD GROUP

PROFIT

For the twelve months of 2020, Eurohold Group realized a net loss of BGN 28.6 million. For comparison, the group financial result for the comparable period was a loss of BGN 0.9 million.

The net loss related to the owners of the parent company for the reporting period amounts to BGN 29.6 million compared to a loss of BGN 2.9 million realized during the comparable period of 2019.

Analysis of the financial results for 2020 and the degree of influence of COVID-19 on the companies by business segments:

- **Insurance division – a loss in the amount of BGN 12.9 million**

In connection with the deteriorating economic situation and the increased uncertainty, we also reviewed the models for estimating the reserves of insurance companies and made changes in the direction of increase, where necessary. A significant part of the consolidated loss for 2020 was formed by the insurance business of the Group and in particular by the Romanian insurance company as a result of the preparations for the Balance Sheet Review organized by the local regulator and the change of the current legal framework. As a result, the company has changed part of its accounting policy regarding technical provisions and its reinsurance program, which has led to a significant loss, and is a one-time effect of accrual of additional provisions (reserves). It is possible that after the completion of the current financial audit for 2020 and after the publication of the market indicators related to the calculation of technical provisions, the financial result of the Company may change within acceptable limits. When such changes occur, they will be disclosed in the audited annual consolidated financial statements of Eurohold.

- **Automotive division – a profit in amount of BGN 1.2 million**

Despite the reduced revenue of the automotive companies, the Auto Union Group managed to make a profit at the end of 2020. This is due to the efforts and measures taken by the management to minimize the negative impact of the pandemic, which include optimizing the staff structure and increasing the efficiency of the labor process, as well as centralization of supplies and additional optimization of costs.

- **Leasing division – a loss in amount of BGN 0.2 million**

The leasing division includes activities for the provision of financial and operational leasing, car rental services and sale of used cars.

The activity of ren car services worldwide has been severely affected by the outbreak of the coronavirus. The reason is that this sector is directly related to passenger transport (mainly air transport) and the tourism industry as the main income is generated by travelers for leisure, tourism or business. The reduced passenger flow through the main chanels (airports in the country) and the greatly reduced opportunities for tourism and business visits have a negative impact on the sector in Bulgaria. This practically necessitated the closure of the company's offices at the three main airports in the country (Sofia, Varna and Bourgas) and stopped the supply of these services.

Operating leases were also negatively affected in the past year, with the main factors being the transition of our customers' employees to remote work in the home environment and the elimination of the need for company cars, as well as cost optimization in companies affected by the pandemic, including redundancies. The use of cars in the form of operating leases is mainly by clients - legal entities and the market monitors actions to reschedule (extend payment terms) and reduce due lease obligations to the company (at the expense of lower mileage or elimination of additional services to the contract).

Financial leasing decreased in terms of new business, the main reason for which was the reduced activity of customers in connection with rising unemployment and the uncertainty of the spread of the infection, as well as the disrupted supply chain of new cars. During the summer period and at the end of the year, the companies offering financial leasing managed to reduce the negative impact of COVID-19 and realized the growth of new business, which led to an annual profit in this segment.

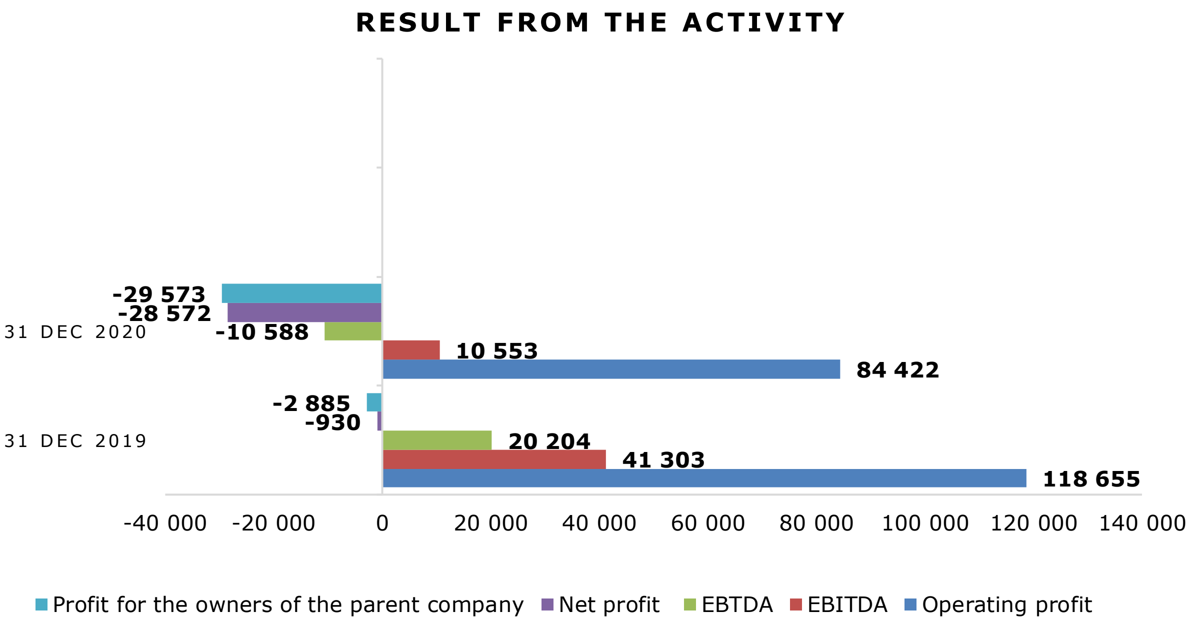
The sale of used cars was accompanied by a significant reduction in customer activity, which led to a decline in revenues and generation of operating losses.

- **Investment intermediation and Asset Management – a profit of BGN 0.2 million**

The coronavirus crisis did not have a negative impact on the investment intermediation and asset management. Euro-Finance AD achieved huge growth of turnover in 2020 and on the basis of net revenues, ending the year with a profit.

- **Parent company (standalone base) – a loss in amount of BGN 16.7 million**

The holding company does not report regular sales revenues, in connection with which for 2020 it realised a loss of BGN 16.7 million related mainly to interest expenses on borrowed funds used to support the activities of the subsidiaries.



Group operating profit reported a decline of 28.8% (BGN 34.2 million) as for the period amounted to BGN 84.4 million. At the same time, the consolidated result before interest, taxes, amortization and depreciation decreased by 74.4% (BGN 30.7 million), while the profit before depreciation and taxes decreased by 150% (BGN 31.8 million).

CONSOLIDATED OPERATING RESULTS BY SEGMENTS (after deduction of intragroup estimates)

Consolidated operating income by segments

Eurohold Bulgaria AD reports consolidated income related to the activities of its subsidiary sub-holding structures operating in the sectors: insurance, motor vehicles, leasing and investment intermediation. The activity of the parent company on a non-consolidated basis is related to the investment in subsidiaries and their management, in this regard, the company does not conduct regular trading activities, and the amount of reported revenue depends on the occurrence of transactions in different reporting periods that do not have a permanent occurrence.

According to the interim consolidated financial report for the twelve months of 2020, the consolidated operating income of Eurohold maintains its level from the previous year and amounted to BGN 1.587 billion, while for the comparable period they amounted to BGN 1.601 billion.

000'BGN	Insurance	Automotive	Leasing	Investment banking	Parent company	Group operating income
31.12.2020	1 389 327	164 692	21 669	7 934	2 390	**1 586 601**
31.12.2019	1 323 840	244 757	25 301	4 521	3 027	**1 600**
Change 000'BGN	**65 439**	**(80 065)**	**(3 632)**	**3 413**	**637**	**(14 208)**
Change %	**5%**	**-32.7%**	**-14%**	**75%**	**27%**	**-0.9%**

In the segment performance the highest growth of 5% or BGN 65 million was recorded in the operating income generated by the insurance sector, amounting at the end of period to BGN 1.389 billion. The gross written premiums for the twelve months (on consolidated level after intagroup eliminations) amounted to BGN 914.5 million compared to BGN 847.5 million as of 31 December 2019, with an increase of 8% on this indicator.

Globally, the automotive sector of the economy has been one of the worst affected by the coronavirus pandemic, with some car companies and car dealers suffering significant losses due to total or partial blockage of local economies, supply chain disruptions, reduced demand and etc.

In accordance with the realized declines at the global level, the automotive division of Eurohold - Avto Union AD, despite the good performance at the beginning of the year, was also affected by the adverse impact caused by the measures taken to control the pandemic and reduced economic activity, realized decline by 32.7% in its income. The consolidated revenues from the automotive activity for the reporting period amounted to BGN 164.7 million, while for the comparable period they amounted to BGN 245 million. For the reporting period the sales of Avto Union Group decreased by 38.7% compared to the same period of 2019. Revenues from sales of cars, spare parts, oils and fuels decreased by 32.0%, while those from sales of services increased by 15.5%. Sales of new PC and LCV sold by the companies of Avto Union amounted to 3,350 units compared to 5,468 units sold in 2019, which is a decrease of 38.7%.

The main reason for the decrease in sales of car companies is related to the fact that in the past 2019 the companies in Avto Union have traditionally realized a large number of corporate (fleet) deals. During the reporting period under the influence of the Covid-19 pandemic lead to the closure of entire businesses, industries and state borders for a longer period of time, car dealers were inevitably negatively affected by the reduced activity not only of individual customers but also of higher percentage of corporate partners.

The leasing division reported at a consolidated level a decrease of its income in amount of BGN 3.6 million, representing a decrease of 14%. Some of the activities included in this division, such as car rental services, operating leasing and sale of used cars, were affected by the impact of the coronavirus crisis situation, as a result of which the total leasing revenues decreased to BGN 21.7 million compared to BGN 25.3 million. for 2019.

Investment banking and asset management activities increased significantly by over 75%, with reported revenues amounting to BGN 7.9 million compared to BGN 4.5 million.

Revenues realized by the parent company on a non-consolidated basis and participating in the consolidated financial statements amounted to BGN 3 million compared to BGN 2.4 million for the previous period.

Consolidated operating expenses by segments

The Group's operating expenses amounted to BGN 1.502 billion representing a growth of 1.4% vs. comparable period.

000' BGN	Insurance	Automotive	Leasing	Investment banking	Parent company	Group operating expenses
31.12.2020	(1 347 055)	(138 673)	(7 790)	(6 811)	(1 850)	**(1 125 671)**
31.12.2019	(1 257 871)	(211 190)	(8 751)	(3 178)	(1 164)	**(1 076 443)**
Change 000'BGN	**89 184**	**-72 517**	**-961**	**3 633**	**686**	**49 228**
Change %	**7%**	**-34%**	**-11%**	**114%**	**59%**	**4.6%**

Changes in operating expenses by segments:

- Comparable to the growth of the business in the insurance activities, total operating expenses increased by the largest amount by BGN 89 million and amounting to BGN 1.347 billion at the end of period.

- The reported expenses of the automotive activity decreased by a higher percentage than the revenues, amounting to BGN 72 million, reporting a decrease of 34%.

- The leasing activity reports in the consolidated group report for the current period a decrease in its operating expenses by BGN 0.96 million and at the end of the reporting period they amounted to BGN 7.8 million. The interest expenses of the leasing sector reported for the period represent an operating expense due to the nature of their activity, thus they are related to the operating expenses of these segments. The leasing business is accompanied by high levels of interest expenses due to the specifics of financing with attracted capital, as its size is related to the size of the generated business for the respective period. For 2020 the leasing activity reported BGN 3.6 million interest expenses, which represents a decrease of 17%.

- The operating expenses for investment banking activities increased by BGN 3.6 million. Interest expenses are presented as an operating expense due to their nature - they represent interest from intermediary activities and trading in securities and financial instruments, in this sense they are insignificant at the group level and amounted to BGN 71 thousand for the reporting period.

Consolidated operating result (gross profit) by segments

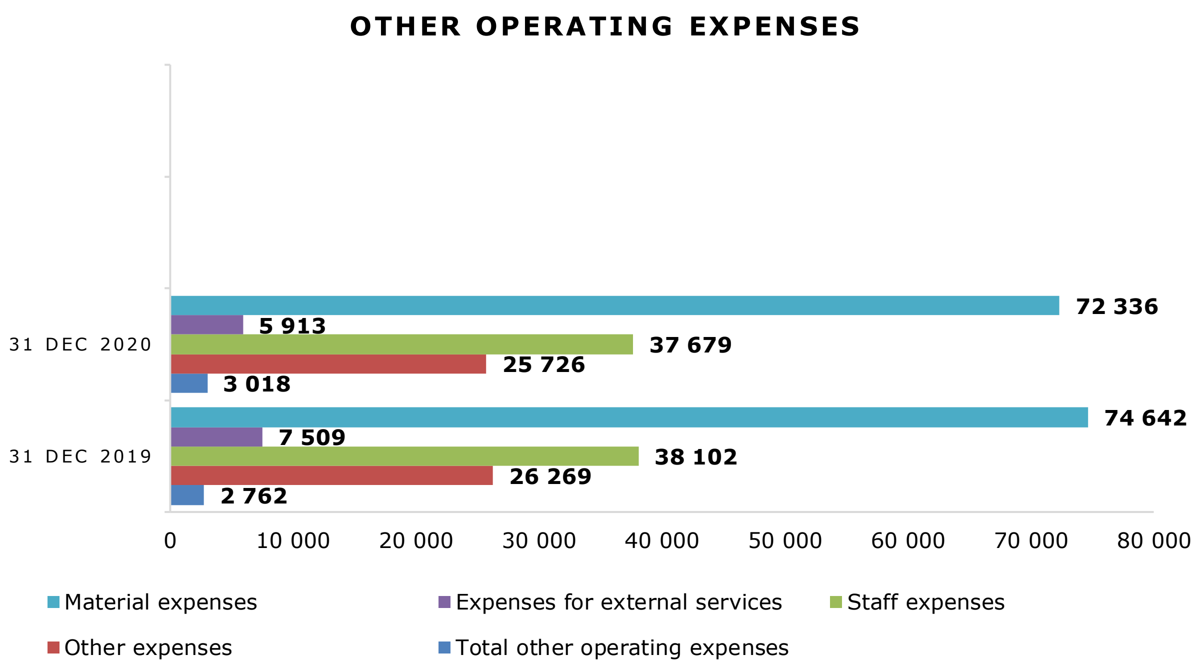
000' BGN	Insurance	Automotive	Leasing	Investment banking	Parent company	Group's gross profit
31.12.2020	42 224	26 019	13 879	1 123	1 177	**84 422**
31.12.2019	65 969	33 567	16 550	1 343	1 226	**118 655**
Change 000'BGN	**-23 745**	**-7 548**	**-2 671**	**-220**	**-49**	**-34 233**
Change %	**-36%**	**-22%**	**-16%**	**-16%**	**-4%**	**-29%**

The consolidated gross profit from operating activities of the Eurohold Group amounted to BGN 84.4 million compared to BGN 118.7 million as at 31 December 2019. The group's gross profit decreased during the current period by 29%.

Other consolidated results

000' BGN	Other income/expenses net	Financial income/expenses net	Depreciation expense	Tax expense	Total for the Group
31.12.2020	(73 869)	(21 141)	(20 612)	2 628	**(112 994)**
31.12.2020	(77 352)	(20 099)	(20 451)	(1 683)	**(119 585)**
Change 000'BGN	**-831**	**1 042**	**161**	**4 311**	**6 591**
Change %	**-1%**	**5%**	**0.8%**	**-256%**	**-6%**

The net other income/expenses for the Group's activities decreased by 6% and amounted to BGN 113 million. The substantial expenses included in this group are: expenses of materials, expenses of external services, expenses of remuneration and other, summarized under other operating expenses. For the reporting period they amounted to a total of BGN 72 million vs. BGN 75 million for the comparable period.



Financial income/expenses include: financial income, financial expenses and the net effect of changes in foreign exchange rates. For 2020 their total net amount was BGN 21 million, reporting an increase of 5% compared to the same period in 2019.

Financial expenses summarize interest expenses, interest expenses on usable assets and other financial expenses.

- **Interest expenses:**

The amount of interest expense includes the relevant costs of the insurance and automotive sectors, as well as the parent company. For the period from 1 January to 31 December 2020 the reported interest expenses amounted to BGN 20.3 million, increasing by BGN 2.3 million vs. the comparable period.

The largest interest expense is generated by the parent company in connection with the attraction of interest-bearing loans in order to carry out the expansion of the Group, incl. new acquisitions of companies from the insurance subholding in the region of Central and Eastern Europe. During the twelve months of 2020, the parent company reported interest expenses of BGN 14.2 million increasing by 8.8%.This is mainly due to an increase in the value of bank loan liabilities in connection with a new loan disbursed in 2020.

The automotive group also uses borrowed capital for working capital and bank guarantees for deferred payment. The amount of these attracted funds is determined by the expansion of the automotive business, transactions with corporate customers, stock - cars and spare parts, etc. For the reporting period the interest expenses of the automotive group amounted to BGN 1.9 million.

The insurance business does not require borrowing, so interest expense reported in this business line represent a loan resource of the parent company of the insurance group - Euroins Insurance Group. For 2020, interest expenses reported by the insurance sub-holding amounted to BGN 4.3 million.

- **Interest expenses on assets with rights of use**

During the reporting period in connection with the application of IFRS 16, the Group reported interest expense on eligible assets of BGN 1.5 million.

- **Other financial expenses**

During the current period other financial expenses of the group amounted to BGN 0.8 million, of which BGN 0.5 million were a result of the activity of the automotive segment and BGN 0.3 million of the parent company.

- **Financial imcome**

Financial income represents interest income and amounted to BGN 179 thousand.

- **Net effect of exchange rate changes**

The net effect of the change in exchange rates amounted to BGN 1.4 million they were reported entirely by the parent company.

Depreciation expenses
Depreciation expenses of the companies of the Eurohold group remained almost unchanged, increasing from BGN 20.4 million to BGN 20.6 million during the reporting period.

RESULTS BY TYPE OF ACTIVITY BASED ON UNCONSOLIDATED DATA (before eliminations)

The table below provides information on the revenues earned by the subsidiaries as at 31 December 2020 vs. 31 December 2019. There is also a comparison of EBITDA earned by Eurohold subsidiaries, as well as the financial result before intragroup eliminations.

Revenue			
Sectors	*Change*	31.12.2020	31.12.2019
	%	*'000 BGN*	*'000 BGN*
Insurance and Health assurance, including	*5%*	1 391 104	1 325 145
- - gross written premiums from insurance	*7.9%*	914 504	847 458
Automotive	*-31.9%*	172 489	253 376
Leasing	*-17.4%*	22 673	27 434
Asset management and brokerage	*69.3%*	9 101	5 375
Total for the subsidiaries	***-1%***	**1 595 367**	**1 611 330**
Parent company	*-51.2%*	3 836	7 858
Totalbefore eliminations	***-1.2%***	**1 599 203**	**1 619 188**
Intragroup eliminations	*-31.4%*	*(12 602)*	*(18 379)*
Total income	***-0.9%***	**1 586 601**	**1 600 809**

EBITDA			
Sectors	*Change*	31.12.2020	31.12.2019
	%	*'000 BGN*	*'000 BGN*
Insurance and Health assurance	*-112.6%*	(3 103)	24 609
Automotive	*-31.2%*	10 586	15 384
Leasing	*-16.4%*	5 349	6 396
Asset management and brokerage	*-38.1%*	516	833
Total for the subsidiaries	***-71.7%***	**13 348**	**47 222**
Parent company	*-190.2%*	(1 240)	1 374
Totalbefore eliminations	***-75.1%***	**12 108**	**48 596**
Intragroup eliminations	*-78.7%*	*(1 555)*	*(7 293)*
Total EBITDA	***-74.4%***	**10 553**	**41 303**

Financial results			
Sectors	*Change*	31.12.2020	31.12.2019
	%	*'000 BGN*	*'000 BGN*
Insurance and Health assurance	*-202.4%*	(12 909)	12 612
Automotive	*-77.8%*	1 171	5 283
Leasing	*-201.9%*	(220)	216
Asset management and brokerage	*-61.6%*	223	580
Total for the subsidiaries	***-162.8%***	**(11 735)**	**18 691**
Parent company	*14.4%*	(16 731)	(14 631)
Totalbefore eliminations	***-801.1%***	**(28 466)**	**4 060**
Intragroup eliminations	*-97.9%*	*(106)*	*(4 990)*
Total	***2972.3%***	**(28 572)**	**(930)**

Revenues from the activities of the companies in the Eurohold Group realized a decline by 1.2% or by BGN 20 million before accounting for the intragroup eliminations. As of 31.12.2020 the amount of intragroup eliminations amounted to BGN 12.6 million.

Earnings before interest, taxes,depreciation and amortization (EBITDA) decreased by 75.1% or in digital terms by BGN 36.5 million before reporting intragroup eliminations as at the end of reporting period amounted to BGN 12.1 million.

The total amount of the realized financial results of the companies of the Group before intra-group eliminations amounted to a loss of BGN 28.5 million and a decrease of BGN 24.4 million has been reported on this indicator.

FINANCIAL CONDITION

Consolidated Assets

The consolidated assets increased by 9% at the end of December 2020, amounting to BGN 1.641 billion at the end of the reporting period compared to BGN 1.510 billion as of 31.12.2019.

The most significant change in consolidated assets was observed in: Cash, cash equivalents and time deposits; Receivables; Reinsurers' share of technical provisions; Financial assets; Inventories, as well as in the value of Land and buildings.

- At the end of the reporting period, the Eurohold Group has free cash and deposits in banks amounting to BGN 97.2 million, decreasing by BGN 10.3 million, or 10%. For comparison, as of the end of 2019 cash and deposits amounted to BGN 107.5 million.

- Receivables increased by BGN 28.3 million for the reporting period reaching BGN 312.9 million, of which the current receivables amounted to BGN 259.6 million increasing by BGN 32.9 million vs. the end of the year 2019.

  The largest share of current receivables was accounted by receivables from insurance operations, amounting to BGN 150.6 million for the reporting period compared to BGN 127.8 million as ofDecember 31, 2019.

  Non-current receivables amounted to BGN 53 million, marking a decrease of BGN 0.8 million. They mainly represent financial lease receivables amounting to BGN 52.5 million at the end of the current reporting period, while at the end of 2019 their amount was BGN 51.9 million.

- As of the end of the reporting period, the share of reinsurers in technical reserves of the insurance companies in structure of Euroins Insurance Group increased by BGN 56 million as they amounted to BGN 520 million, represented an increase of 12%.

- As of 31 December 2020, the financial assets held by Eurohold Group companies reported an increase by BGN 77.5 million compared to the end of 2019 as they amounted to BGN 339.4 million.

- The inventories of the companies participating in the consolidation amounted to BGN 31.8 million, decreasing by BGN 10.4 million for the current reporting period, compared to the end of 2019, when they amounted to BGN 42.2 million.

- In the interim consolidated financial statements as of 31 December 2020, the Group has presented the assets with rights of use in a position with other similar ones, giving detailed information about own and leased assets in the notes to the financial statements. At the end of the reporting period the value of the owned lands and buildings decreased from BGN 53.9 million to BGN 53.4 million. As of 31 December 2019 the Group owned acquired (leased) assets - lands, buildings and structures with rights of use in amount of BGN 40 million, while at the end of 2020 their amount was BGN 38.7 million.

Consolidated equity and liabilities

Equity
Total equity of Eurohold Bulgaria amounted to BGN 128.4 million, decreasing by BGN 62.3 million compared to 31.12.2019. The capital belonging to the parent company amounted to BGN 99.7 million, while the capital belonging to the non-controlling interest for the period amounted to BGN 28.7 million. For comparison, at the end of 2019, the capital belonging to the parent company amounted to BGN 157.3 million, and the capital belonging to the non-controlling interest - of BGN 33.4 million.

Subordinated debts
In support of its equity, the Group holds subordinated debt instruments in the amount of BGN 77 million, which increased by BGN 57.427 million compared to the end of 2019. In order to strengthen the capital structure of the group at the end of 2020, Eurohold has contracted and converted part of its liabilities in the form of subordinated debt, representing tier 1 capital, according to the applicable provisions of current Bulgarian and Community law with a total value of BGN 57.427 million and has an indefinite term for repayment, but not earlier than 5 years, and with an interest rate of 6%, due at the end of each quarter.

As of December 31, 2020, the total amount of equity and subordinated debts amounted to BGN 205.356 million, as of December 31, 2019 their amount was BGN 210.256 million. Negotiating subordinated capital contributes to maintaining a stable capital position to the group.

Liabilities
The consolidated liabilities of the Eurohold Group amounted to BGN 601.5 million, reporting an increase of 13% compared to the comparable period, when their value amounted to BGN 531.9 million.

The consolidated liabilities of the Group represent the following positions: subordinated debt, loans to banking and non-bank institutions and bond, non-current liabilities, current liabilities, trade and other liabilities, liabilities under reinsurance operations and insurance reserves.

The main part of liabilities was debt on loans to banks and non-bank financial institutions and bond issues. As of 31.12.2020, the total debt on borrowings amounted to BGN 337.7 million after an increase of BGN 39.3 million compared to 31 December 2019, when they amounted to BGN 298.4 million. The non-current part of these liabilities amounted to BGN 258.8 million, respectively the current part of loan obligations amounted to BGN 78.8 million.

	%	31.12.2020	31.12.2019
Liabilities, bond issues and financial leasing:	*Change*	*'000 BGN*	*'000 BGN*
To banks and non-banking financial institutions, including:	***23.9%***	**174 336**	**140 735**
- non-current liabilities	*27.6%*	*119 051*	*93 259*
- current liabilities	*16.4%*	*55 285*	*47 476*
Bond issues, including:	***3.6%***	**163 341**	**157 664**
- non-current liabilities	*-5.2%*	*139 808*	*147 516*
- current liabilities	*131.9%*	*23 533*	*10 148*
Total liabilities, including:	***13.2%***	**337 677**	**298 399**
- total non-current liabilities	*7.5%*	*258 859*	*240 775*
- total current liabilities	*36.8%*	*78 818*	*57 624*

The amount of non-current liabilities at the end of 2020 amounted to BGN 16.6 million, decreasing by BGN 6.6 million compared to 2019. Non-current liabilities have included mainly non-current financial leasing liabilities of automotive and leasing segments in the total amount of BGN 11.8 million, respectively BGN 18.8 million for the comparable period, as well as other non-current liabilities amounted to BGN 4.7 million.

The table below summarizes the Group's financial liabilities on the financial leasing, including non-current and current liabilities:

Financial leasing obligations:	% Change	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Total financial leasing obligations, including:	***-30.6%***	**18 260**	**26 324**
- non-current liabilities	*-36.9%*	*11 882*	*18 844*
- current liabilities	*-14.7%*	*6 378*	*7 480*

Consolidated current liabilities decreased from BGN 43.9 million to BGN 49.5 million. This item includes the Group's liabilities to staff and insurance companies, tax and other current liabilities, current financial leasing liabilities (shown in table above), revenue for future periods and provisions.

Trade and other payables amounted to BGN 131.1 million compared to BGN 139.7 million as of 2019. A part of the trade and other liabilities are liabilities of the group under leasing contracts - rights of use.

The table below summarizes the total Group's lease obligations with usage rights, including non-current and current:

Group's lease obligations with usage rights:	% Change	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Total obligations on lease contracts – usage rights, including:	***-3.6%***	**40 192**	**41 699**
- non-current liabilities	*0.3%*	*33 978*	*33 855*
- current liabilities	*-20.8%*	*6 214*	*7 844*

In connection with the growth of the insurance business, liabilities for reinsurance operations increased by 153%, as from BGN 26 million reached BGN 66.3 million at 31.12.2020.

Insurance reserves
The insurance reserves as of 31.12.2020 amounted to BGN 834.4 million as for the current reporting period they increased by BGN 8.6 million compared to the end of 2019.

ACTIVITY OF THE SUBSIDIARIES FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2020

EUROINS INSURANCE GROUP

In 2020, Euroins Insurance Group (EIG, the Group) reported consolidated gross written premiums amounting to BGN 915 million compared to BGN 848 million for 2019. EIG reported unaudited consolidated loss before taxes amounting to BGN 12.9 million as at December 31,2020, compared to profit BGN 13.9 million reported for the comparative period.

A significant part of the loss for 2020 was formed by the Romanian Insurance Company as a result of the preparation in connection with the Balance Sheet Review organized by the local regulator and the change of the current legal framework. As a result, the Company has changed part of its accounting policy regarding technical provisions and its reinsurance program, which has led to an increase in loss, which should be considered as a one-time effect of additional provisions. It is possible that after the completion of the financial audit and after the publication of the market indicators related to the calculation of the technical provisions, the result of the Company may change within acceptable limits.

Despite the Covid-19 pandemic wave, which took global proportions in early March 2020 and resulted in a significant reduction of financial activity worldwide, the sound financial performance of most of the Group's companies continued, including the new acquisitions from Central and Eastern Europe.

As a part of the Group's development strategy in the region of Central and Eastern Europe, at the end of April 2020 was acquired insurance company Ergo Belarus. It is the fifth company in the region of the former Soviet Union that was acquired by the Group. Thus, the Group expects to generate more than 15% of its revenues from this region. The consolidation of the Company started from May 2020 and for Q4 2020 were reported gross written premiums in the amount of BGN 10.1 million and profit before taxes - BGN 859 thousand.

PJSC Euroins Ukraine also reported a profit before taxes for the 2020 amounting to BGN 2.4 million, respectively reporting an increase of 28% in the gross written premiums, reaching BGN 21.9 million.

EIG confirms its presence in the insurance markets of Central and Eastern Europe and through its associated participation in Euroins Russia, which reported gross written premiums of BGN 61.9 million and a profit before taxes amounting to BGN 1,9 million.

The insurance company acquired in the end of 2018 in the Republic of Ukraine - European Travel Insurance (ETI) / former name ERV / was the most affected Company of the Group as a result of the global pandemic of COVID-19 (Coronavirus) that resulted in a historic slowdown of the tourism sector. The expectations of the Group are related to the gradual recovery in the coming years of the tourism industry, which will lead to an improvement of the financial performance of the Company. ETI reported revenues for Q4 2020 amounting to BGN 11.6 million or a decrease of 47% compared to Q4 2019. However, the Company is still profitable (BGN 1,6 million before taxes), as a result of the timely measures taken by the management of the Company and the Group itself. Some of the measures included entering new insurance lines of business thus expanding the Company's portfolio, outside the tourism sector, maintaining low administrative expenses, thanks to the online organization of the sales.

The other Companies, including the presence of foreign markets through the freedom of services and freedom of establishment mechanisms, have sustained a positive development and trend in the recorded business. The subscribed business of IC Euroins AD increased to BGN 299 million for Q4 2020 (Q4 2019 – BGN 243 million), of which the businesses in the Republic of Greece and the Republic of Poland were respectively 18% and 23%. Euroins Northern Macedonia following its sustainable development strategy, also reported positive result – respectively profit before taxes amounting to BGN 1.7 million compared to 1,6 million for Q4 2019.

On 4 October 2018 a decision has been voted by the Extraordinary General Meeting of the Shareholders of Euroins Insurance Group to increase the capital of the Group from BGN 483,445,791 to BGN 543,445,791 by way of issuing 60,000,000 ordinary, registered, materialized, non-privileged shares with nominal and issue value of 1 (one) Bulgarian lev per share, with 1 (one) voting right in the General Meeting of the Shareholders, with dividend right and liquidation quota. The newly issued shares have been entirely subscribed by the majority shareholder Eurohold Bulgaria AD. The increase has been entered in the Trade Register on 25 October 2018. On 5 October 2018 25% of the nominal value of the newly issued shares, BGN 15,000,000, have been paid in. Further BGN 3,950 thousand have been paid in in 2019 and BGN 41,050 thousand in 2020, thus the newly subscribed shares are fully paid.

In December 2020 Fitch Ratings confirmed the ratings that were assigned to Eurohold Bulgaria and Euroins Romania in 2017, namely Long-Term Default Rating "B" to Eurohold Bulgaria and Insurer Financial Strength Rating "BB-" to Euroins Romania. As part of the same process, because Euroins Romania and Euroins Bulgaria were the key components of Eurohold Bulgaria, Fitch Ratings assigned Insurer Financial Strength Rating "BB-" to Euroins Bulgaria as well. And in addition, Fitch Rating assigned the same rating to EIG Re reflecting the expected strategic importance of the company as a captive reinsurer within Euroins Insurance Group.

- **Euroins Bulgaria**

In 2020 Euroins Bulgaria reported a total GWP of BGN 299 million compared to BGN 243 million for the same period of 2019. The reason for the growth of 23% is the direct insurance business written in Greece and Poland. The Greek business has been written according to the EU directive for Freedom of establishment, while the Polish – according to the EU directive for Freedom of services.

Main non-motor lines of business reported growth: Accident and Travel (89%), as a significant role for this increase is the reported income from Travel assistance in the UK Liability (1%), Cargo (17%) and Property (104%) due to the recorded Property insurance premiums of individuals in the Netherlands. MTPL grew by 24%, Motor Hull – there was a slight decrease with 2% compared to Q4 2019. The increase of the sales in Poland was behind the MTPL growth, where Euroins Bulgaria reported gross premiums of BGN 63 million for Q4 2020 compared to BGN 22.9 million for the same period of 2019.

Net earned premiums amounted to BGN 145 million, while net incurred claims reached BGN 66 million.

As a result, Euroins Bulgaria reported a profit for Group purposes amounting to BGN 5,8 million before taxation compared to profit amounting to BGN 6,3 million for Q4 2019.

The sound financial condition of the Company was also reaffirmed by the updated Long-Term Claims Paying Ability Rating assigned by BCRA, Credit Rating Agency, in January 2020. The assigned rating is "BBB-" with Stable long-term outlook.

- **Euroins Romania**

For Q4 2020 Euroins Romania did not report changes in the gross written premiums amounting to BGN 530 million for both 2020 and 2019. The MTPL growth was 2%. There was a significant increase in the Credit insurance, where the Company reported gross written premiums amounting to BGN 7,2 million compared to BGN 1,4 million for Q4 2019.

Net earned premiums amounted to BGN 267 million and net claims incurred amounted to BGN 179 million.

Euroins Romania reported for Q4 2020 a loss for Group purposes of BGN 24 million before taxes compared to a loss of BGN 1,7 million profit for the comparable period.

The main reason for the reported loss was the increase of the technical reserves of the Company due to the use of a new methodology in their calculation in order to meet the requirements imposed by local regulatory authorities.

- **Euroins North Macedonia**

For Q4 2020 gross premiums written by Euroins Macedonia decreased by 11% reaching BGN 23 million. The Company continued to strengthen its positions in Agricultural insurance with the written business growing to reach BGN 6,9 million for Q4 2020 (BGN 6,6 million for Q4 2019). There was a decrease in the MTPL gross written premium with 15%, which amounted to BGN 10,9 million and represented 47% of the total GWP for Q4 2020.

There was a slight decrease with 2% in the claims incurred compared to Q4 2019 and in the earned premium with 5%.

There was a slight increase in the administrative expenses ratio with 1,2% reaching 8.6% and a decrease in the acquisition expense ratio with 4.5% reaching 26.2%, due to the decrease in marketing costs and advertising, the reduction in the amount of commissions to intermediaries and the increase in gross premiums earned.

As a result, a profit for Group purposes of BGN 1,7 million before taxes was reported compared to a profit of BGN 1,6 million for Q4 2019.

- **Euroins Life**

Gross written premiums of Euroins Life for Q4 2020 amounted to BGN 3,9 million, which represented a growth of nearly 58% compared to Q4 2019.

The Company reported a profit for group purposes amounting to BGN 103 thousand before taxation. There was an increase of the acquisition costs ratio from 39% to 60% imposed due to the change in sales strategy from direct sales to the use of distribution channels - financial institutions and brokers.

Euroins Ukraine

For Q4 2020 the Company reported written gross premiums of BGN 21,9 million, which represented an increase of 28% compared to Q4 2019. All main lines of business increased: MTPL- 49%, Cargo- 15%, Health- 117%, Liabilities- 14% and Property- 45%. There was also a significant improvement in the technical result of the Company, which was mainly due to the measures taken in connection with the reduction of the average damage in motor insurance. The loss ratio decrease from 49% for 2019 to 34% for 2020.

Administrative expenses incurred in 2020 were without significant change compared to 2019, while acquisitions showed an increase, which is largely related to the reported higher revenues of the Company.

The Company reported a profit for Group purposes amounting to BGN 2,4 million before taxation, which was a significant improvement of the financial result compared to Q4 2019 – a loss before tax amounting to BGN 1,1 million.

EIG Re

For Q4 2020 EIG Re reported gross premiums of BGN11,7 million or an increase compared to Q4 2019 due to an increase in the share of active reinsurance in the structure of the insurance portfolio. However, the Company reported a loss for group purposes amounted to BGN 4,2 million before taxation, due to a new inter-group partnership.

The strategy of the management of Euroins Insurance Group and EIG Re is for the Company to continue its development as a reinsurer. The foundations were laid down in 2017 when the first proportional and non-proportional insurance treaties were signed off. There were also series of initiatives in 2018 to analyze the potential for the development of EIG Re also as a captive reinsurer optimizing the entire reinsurance program of the Group. One of the starting points of these projects was also a possible participation of EIG Re as captive reinsurer in the optimization of the capital requirements of the Group and its subsidiaries in the context of Solvency II.

In 2020 EIG RE signed new intragroup active reinsurance quota share contracts, that cover Property, Cargo, Marine and Carrier Liability.

European Travel Insurance, Ukraine

European Travel Insurance is one of the top Travel insurers in Ukraine and is the only one that specializes only in these insurance products by offering them both to individual and to corporate clients. In its portfolio ETI offers tailor made products developed for its partners in banking and tourist business sectors such as travel agencies and tour operators. The Company relies on innovative products offered via extremely well-developed distribution channels. Results from the planned and already in motion processes to use the potential for synergies and know-how share with the other subsidiaries in the Group are to be seen soon.

For Q4 2020 the Company had written gross premiums of BGN 11,6 million, which represented a decrease with 47% compared to Q4 2019. The decrease was due to the outbreak of the COVID-19 epidemic in mid-March 2020, which resulted in the introduction of a number of restrictive measures regarding the right to move globally and had a strong negative impact on the tourism sector, in which the Company specializes. However, the Company reported a profit for Group purposes amounted to BGN 1,6 million before taxation due to its low administrative expenses and online structure of the sales.

Euroins Georgia

The acquisition of Euroins Georgia is part of the strategy of Euroins Insurance Group for development in the region where markets have huge growth potential. With Georgia this is mainly due to the low insurance market penetration, positive regulatory changes and the expected introduction of compulsory third-party liability insurance both in motor and construction lines of business.

Insurance Company Euroins Georgia is specialized in Accident and Health. For Q4 2020 this line of business formed app. 38% of the insurance portfolio of the Company, while the rest is split between Motor Hull (31%), MTPL (9%), etc. Total gross premiums written in Q4 2020 amounted to BGN 13,9 million, which represented an increase of nearly 40%. This increase was due to state tenders in connection with Casco insurance and concluded new large contracts related to Health Insurance.

The financial result for Group purposes was a profit of 640 thousand before taxation. However, despite the positive financial result, the premium earnings coming from the new business written predominantly in Motor Hull were not sufficient.

- **Ergo Belarus**

The acquisition of Ergo Belarus was in line with the global development strategy of Euroins Insurance Group and was part of a larger package acquisition of several companies in Central and Eastern Europe (still not acquired due to not finalized regulatory approval) from the German-based Ergo, one of the largest insurance Groups in Europe and part of Munich Re. The Company is specialized in non-life insurance and is the third largest private insurer in the country, in a sector still dominated by state-owned companies.

EIG has been consolidating the Company since the beginning of May 2020, with gross premiums amounting to BGN 10,1 million and a profit before taxes of BGN 825 thousand reported for the period. The largest share of the written premiums falls on Casco insurance or 69% of the Company's portfolio, while the right to conclude MTPL insurance is provided only to state insurance companies in Belarus.

- **Euroins Russia**

Entering the Russian insurance market has been in line with the development strategy of the Group in Central and Eastern Europe.

For Q4 2020 the Company, which is associate to EIG had written gross premiums of BGN 61,9 million and reported a profit before taxation amounting to BGN 1,9 million.

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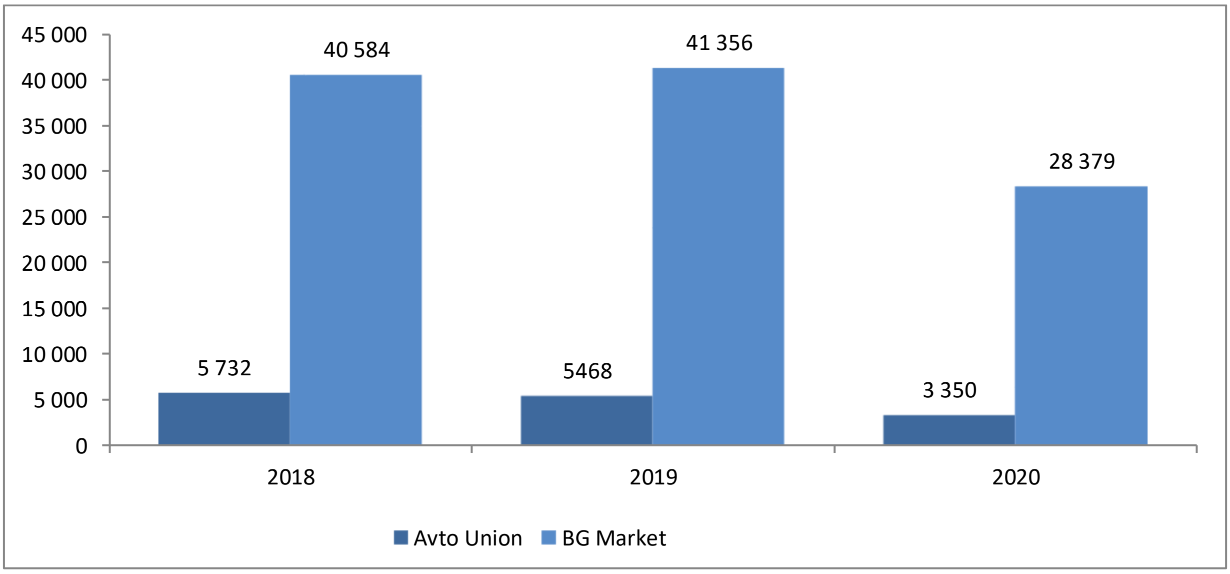
AVTO UNION

The consolidated financial result of the Group for the period from 01.01.2020 until 31.12.2020 was a profit of BGN 1,171 thousand (2019 – a profit of BGN 5,283 thousand). The consolidated financial result for the parent company's owners for the same period was a loss of BGN 140 thousand, compared to the same period in 2019 when it was a profit of BGN 3,989 thousand.

The number of cars sold for Q4'2020 decreased by 38.7% compared to the same period of 2019. Revenues from sales of cars, spare parts, oils and fuels decreased by 32%, while the revenues from service sales increased by 15.5%.



Sales of new cars from Avto Union for the twelve months of 2020 compared to those on the Bulgarian market as a whole, number of cars – 12 YTD 2018, 12 YTD 2019 and 12 YTD 2020,
source: ACM

Operating expenses for Q4'2020 decreased by 12.5% compared to the same period in 2019, or by BGN 4,188 thousand. This is largely the result of efforts and other additional measures taken by the Group's Governing Bodies to minimize the negative impact of the Covid-19 (Coronavirus) pandemic. The main ones include:

- optimization of the staff structure and increase of the efficiency of the labor process;
- centralization of supplies and further optimization of costs

All types of operating expenses, with the exception of depreciation, are down compared to the same period last year, as a result of the actively implemented management policy to optimize costs in the automotive holding.

With the application of IFRS 16, the group Avto Union AD during the reporting period reported depreciation expenses for assets with the rights of use leased property and buildings under operating lease terms were in the amount of BGN 2,972 thousandq while for 2019 they amounted to BGN 2,881 thousand. In this regard, the Company's depreciation expenses in 2020 amounted to BGN 6,582 thousand compared to BGN 6,729 thousand in 2019.

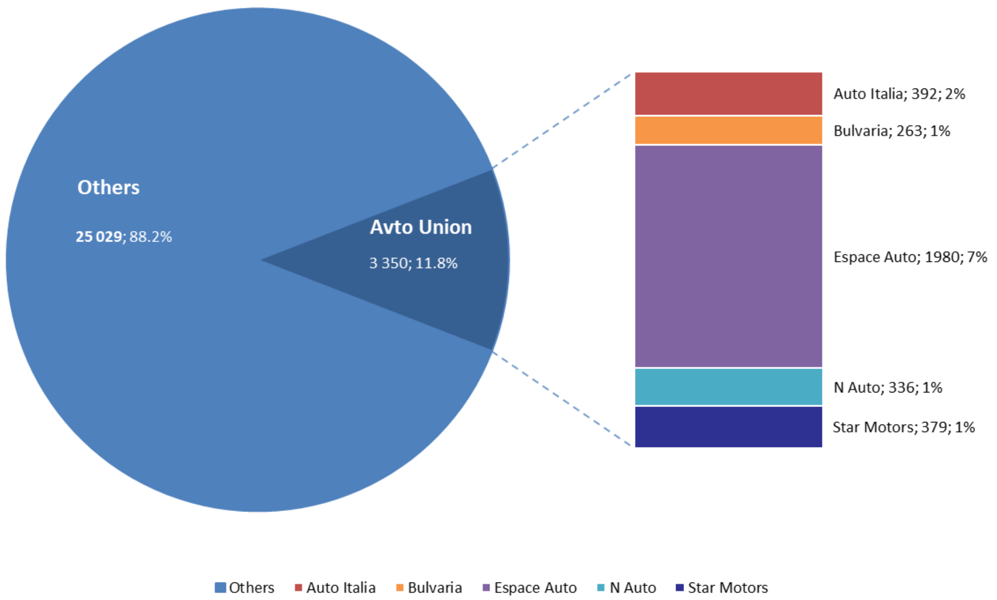
However, as noted above, the decrease in all other expenditure items is clearly visible - Staff costs decreased by 10.4% or BGN 561 thousand or BGN 515 thousand, Other expenses decreased by 29.5% or BGN 492 thousand, and Material costs decreased by 18.4% or BGN 362 thousand. A decrease of 19.4% or BGN 1,672 thousand is also observed in the Expenses for services, which is a result of the above measures taken by the Governing Bodies.

A decrease of 7.7% or BGN 273 thousand compared to the same period of the previous year was observed in financial expenses. With the application of IFRS 16, the group Avto Union AD reported interest expenses on used assets with the rights of use leased property and buildings under operating lease terms in the amount of BGN 669 thousand compared to BGN 599 thousand for 2019. In this regard, interest expenses of the company for 2020 amounted to BGN 2,671 compared to BGN 2,877 thousand for 2019. Financial revenues increased its levels for 2020 compared the same period of 2019, registering an increase of BGN 254 thousand.

For the period ending on 31.12.2020 the sales of new personal cars and light commercial vehicles realized by Avto Union - the automobile holding in the group of Eurohold Bulgaria, amounted to 3,350 units, compared to 5,468 units sold in the same period in 2019, which represents a decline of 38.7%. According to the Union of Automobile Importers in Bulgaria, for the year 2020 the new car market decreased by 31.4% compared to the same period of 2019. During the reporting period Opel registered a decline of 39% for Sofia and a decline of 29% for Varna. Espace Auto OOD registered 12% decline in sales of Dacia on the other hand, it recorded an increase of 6% in Renault by 6%. In N Auto EAD, there was a decline in sales by 41% for Nissan cars. Auto Italia EAD decreased its sales of Fiat by 78%, as well as a decline by 55% of brand Alfa Romeo. In the Maserati lux car brand, Auto Italia AD maintains its levels from the previous year. Star Motors marks a 46% decline in sales of new Mazda cars compared to the same period of previous year.

The decline in car sales in the Avto Union group is mainly due to the following two reasons:

- The first is a derivative of the Covid-19 pandemic and is related to the fact that in 2019 the companies in Auto Union have traditionally realized large and a large number of corporate (fleet) deals. Closing entire businesses, industries and state borders for a longer period of time inevitably has a negative impact on car dealers, and this impact has a greater impact on those dealers who have had a higher percentage of corporate partners in their mix of customers (as is the case with the companies in the Auto Union group).
- The second is related to the fact that one of the main partners and suppliers of original equipment (OEM) of Avto Union, namely - Fiat-Chrysler Automobiles (FCA), has a steady trend of losing market position both in the world and in Europe. . Uncertainty about the future development of the Italian concern (merger with PSA), together with the inadequately-responsive to the consumer demand model range of Fiat, lead to a shrinking market share of FCA worldwide, which unfortunately is reflected in Bulgaria. The management hopes that very soon the Italian car manufacturer "will get back on its feet" and will be able to quickly regain its otherwise traditionally strong position in the automotive market.



Number of cars sold and market share of automotive companies in the Auto Union Group for 2020, source: ACM

Avto Union Group	**Sales**		**%**
	Q4'20	**Q4'19**	**Change**
January – September (YTD)	3 350	5 468	-38.7%
By quarter:			
Q1 (January-March)	754	1 015	-25.7%
Q2 (April-June)	568	1 638	-65.3%
Q3 (July-September)	1 089	1 592	-31.6%
Q4 (October-December)	939	1 223	-23.2%

For the period under review of this Activity Report, the subsidiary Espace Auto EOOD has distributed a dividend in the amount of BGN 663 thousand to its parent company (N Auto Sofia EAD). In the same period, the subsidiary Daru Car EAD distributed a dividend in the amount of BGN 750 thousand to its parent company (Auto Union AD). These income from distributed dividend was eliminated for the purposes of the consolidated financial statements of the Group as of 31.12.2020.

On **20.01.2020** an annex to the Agreement with Municipal Bank AD for issuing bank guarantees to subsidiaries in the Group was concluded on 14.07.2017. By signing the annex in question above the Agreement ends its action at the request of Avto Union AD, all assets pledged under it in favor of the bank have been released and the relations between the parties have been terminated.

At a meeting of the Board of Directors of Avto Union AD on **09.03.2020** a decision was made for Avto Union AD to establish a special pledge on its shares of EA Properties OOD, and the said special pledge to be established in favor of Diagnostic and Consulting Center Pulmed EOOD, to secure all receivables of the last company under a Loan Agreement concluded between the two companies in the amount of BGN 2 million.

At a meeting of the Board of Directors of N Auto Sofia EAD on **09.03.2020**, a decision was made for N Auto Sofia EAD to establish a special pledge on its company shares of Espace Auto OOD, and the specified special pledge to be established in favor of Diagnostic and Consulting Center Sofiamed

EOOD, to secure all receivables of the last company under a Loan Agreement concluded between the two companies in the amount of BGN 2 million.

On **April 22, 2020**, Mr. Milen Assenov Hristov was entered in the Commercial Register as Chairman of the Board of Directors and legal representative of the subsidiary Daru Car EAD - in place of Mr. Assen Emanuilov Assenov, who held these positions until then.

On **May 28, 2020**, Avto Union AD entered into a Revolving Credit Line Agreement with First Investment Bank AD for the purposes of financing the activities of its subsidiaries. The credit facility provided to the Borrower is divided into 2 separate tranches - one for the purposes of issuing bank guarantees with the main suppliers and one for current working needs of the companies. The total amount of the granted credit limit as of the date of issuance of this report amounts to EUR 2,300 thousand.

On **01.06.2020** the Board of Directors of Avto Union AD, among other decisions, has taken a decision to reduce the capital of the subsidiary Motobul EAD from BGN 3,000,000 to BGN 1,600,000, pursuant to Art. 200, item 1 of the CA by reducing the nominal value of the shares of the subsidiary. This action was performed in order to cover the accumulated loss from previous years in the company, in order to overcome the decapitalization of the company and in connection with the requirements of the Commercial Law.

On **18.06.2020** the Board of Directors of Avto Union AD, among other decisions, took a decision to increase the capital of the subsidiary Motobul EAD by increasing the nominal value of the shares in the company. Thus, the total authorized capital of MOTOBUL EAD increases from BGN 1,600,000 to BGN 2,000,000.

On 01.12.2020 the Board of Directors of Auto Union AD in its capacity of sole owner of the capital of Auto Italia EAD decides to enter into an agreement to transfer the ownership of the shares of the capital held in " Auto Italia - Sofia EOOD. On 30.12.2020 Auto Italia EAD concluded a Contract for purchase and sale of company shares, by virtue of which it sold all company shares forming the capital of Auto Italia - Sofia EOOD.

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EUROLEASE GROUP

Eurolease Group reports consolidated loss at BGN 220 thousand in 2020 compared to BGN 216 thousand profit in 2019.

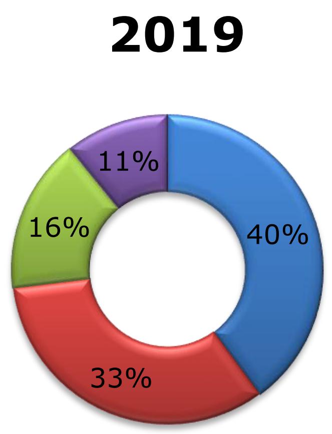
As at 12M, 2020 the impairment costs amount to BGN 1,373 thousand compared to BGN 611 thousand in 2019. Management has decided to take a conservative approach and accrue impairment in accordance with its updated impairment model in relation to IFRS 9 (increased impairment %).

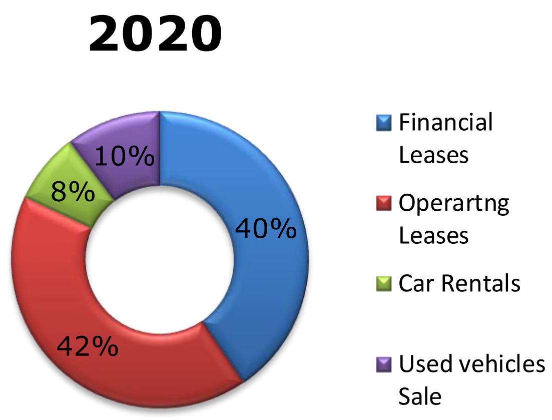
As of March 14, 2020. the declared state of emergency in the country in connection with the spread of COVID - 19 worldwide posed significant difficulties for the development of a significant part of the sectors in Bulgaria. As a result, the volumes generated by new business in the subsidiaries in the second quarter of 2020 are characterized by a noticeable decline.

In the third quarter, the economic situation was largely normalized and the volumes of new business for financial leasing were recovered.

October, 2020 is characterized with a second wave of the epidemic, which led to a new Order of the Minister of Health (from 27.10.2020) for anti-epidemic measures on the territory of the Republic of Bulgaria. Towards the end of 2020 economic activity is still characterized by significant uncertainty due to the new wave of measures imposed.

The consolidated revenues of the company are formed by the different business lines of the subholding, namely: revenue from financial and operating leases, rent-a-car services and sale of used cars, the distribution of which is shown in the following graphics.





The observed change in the shares of the business lines is due to the following:

- During the reporting period total revenues of the different business lines amount at BGN 18,305 thousand declining from BGN 21,056 thousand for 2019.

- Financial leasing - In absolute terms, the revenues from financial leasing amount to BGN 7,405 thousand compared to BGN 8,392 thousand for 01.01.2019-31.12.2019.

- Operating lease - the amount of revenues from this area reports a slight increase. As of 31.12.2020 their amount is BGN 7,591 (against BGN 6,989 thousand for 2019), which is mainly due to the establishment of the Simpl brand and the increased demand in the new service of Sofia Motors EOOD.
- Short-term rent - the amount of revenues decreased by 59% to BGN 1,408 thousand compared to BGN 3,402 thousand at the end 2019. The reason for this is the effect of Covid 19, respectively the reduced number of flights and tourists in Bulgaria;
- Sale of used cars - the relative share of revenues from the sale of used cars decreases. In absolute value they are BGN 1,901 thousand.

A decrease is also observed in the operating expenses, which amount to BGN 13,243 thousand at the end of the fourth quarter of 2020 compared to BGN 15,473 thousand for the same period of 2019. During the state of emergency, the companies have optimized their costs.

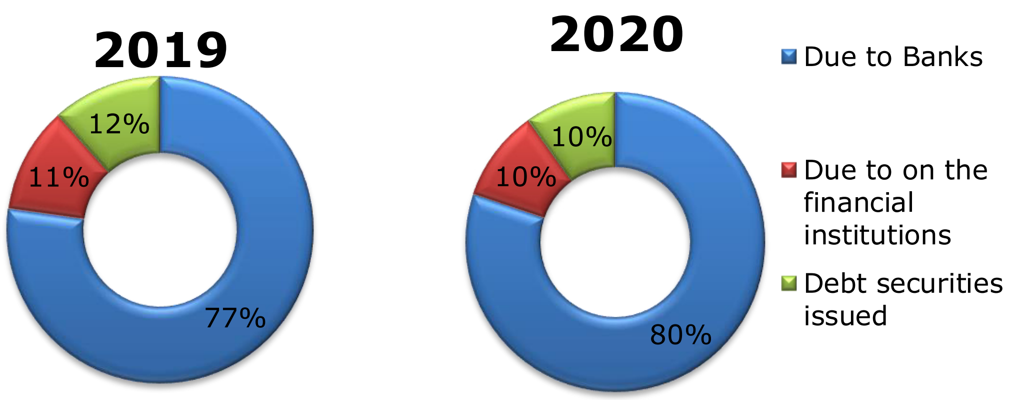
The consolidated assets amount to BGN 119,542 thousand compared to BGN 124,717 thousand as of December 31, 2019. The slight decrease in their amount (4%) is mainly due to the decrease in the net investment in financial leasing (in absolute terms - BGN 2,025 thousand).

Consolidated net investment in finance lease declines with 2.55% to BGN 77,337 thousand from BGN 79,362 thousand in the end of 2019. The decrease is due to the lower size of the newly generated business due to COVID-19.

In the end of 12M, 2020 consolidated fixed assets amount at BGN 26,778 thousand compared to BGN 27,946 thousand in the end of 2019.

At the end of December, 2020 there are no significant changes in the relative share of the type of funding used:

- Liabilities to banks as at 31 Decemeber 2020 г. amount at BGN 81,244 thousand, relatively unchanged from BGN 80,464 thouand in the comparable period;
- Liabilities to other financial institutions stand at BGN 10,074 thousand. The amount is mainly due by Eurolease Rent a Car to lease companies financing company's fleet;
- In the end of 12M, 2020 debt securities issued decreased by 17% and stand at BGN 9,993 thousand from BGN 12,089 thousand in the end of 2019.



Eurolease Group individual financial result in 2020 is loss at BGN 694 thousand compared to loss at BGN 646 thousand a year ago.

Company's assets amount at BGN 36,376 thousand.

- **Eurolease Auto Bulgaria**

The financial result of Eurolease Auto in 2020 is a profit at BGN 835 thousand against BGN 941 thousand a year earlier.

As a non-bank leasing company, Eurolease Auto EAD does not fall within the scope of the private moratorium announced by the Bulgarian National Bank within the meaning of the Guidelines of the European Banking Authority (EBA) on legislative and private moratoriums on loan payments in connection with COVID-19 (EBA)/GL/ 2020/02). However, the Company offered its customers a deferral of principal payments. The rescheduled exposures by the end of 2020 represent less than 5% of the Company's portfolio.

To support businesses directly affected by the pandemic, government programs have been introduced to provide liquidity for grants, preferential lending and investment measures. The activity of Eurolease Auto EAD does not fall within the eligible industries for financing, due to which the Company has not benefited from state aid.

The impairment costs as at the end of 2020 is in the amount of BGN 358 thousand, compared to BGN 446 thousand as of 31.12.2019. Given the situation with COVID-19, Management has decided to take a conservative approach and accrue impairment in accordance with its updated impairment model in relation to IFRS 9 (increased impairment %).

The company's results are influenced by Covid 19 due to the reduced economic activity in the country, the lower levels of new business, the desire of some customers to reschedule their leases and the rescheduling of bank financing by Eurolease Auto. In the third quarter of the year, economic activity was generally normalized, despite some restrictions on travel and international trade.

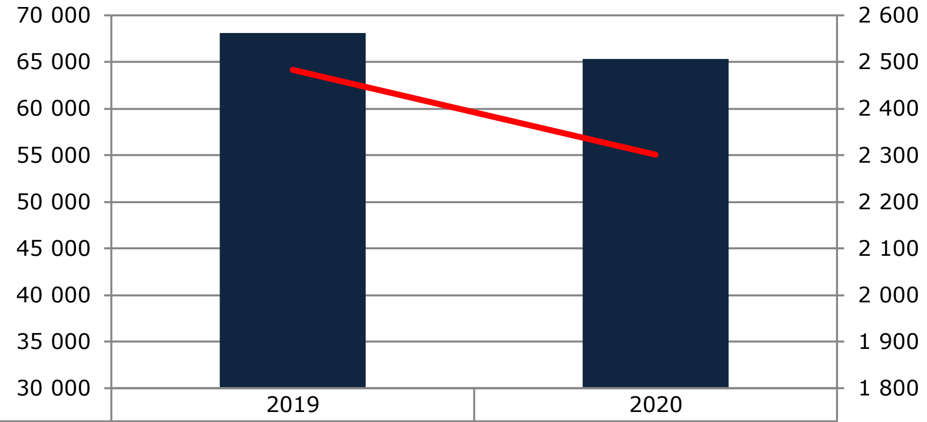
The interest income amounts to BGN 4,628 thousand as of 31.12.2020, the interest expense amounts to BGN 2,112 thousand and respectively the net interest income amounts to BGN 2,516 thousand for 2020. The company managed to improve its interest margin, as for 12M, 2020 it was 54.36% compared to 46.12% in 12M, 2019.

The administrative expenses of the company at the end of the reporting period decreased to BGN 1,971 thousand, compared to BGN 2,149 thousand at the end of 2019. The administrative expenses of the Company are reduced by 10% on an annual basis as a result of optimization undertaken by the Management.

As of the end of December 2020 company`s assets stand at BGN 83,316 thousand compared to BGN 86,869 thousand in the end of 2019.

The net investment in financial leasing reported a slight decrease of 4% - as of December, 2020 it amounts to BGN 65,349 thousand compared to BGN 68,092 thousand at the end of 2019. The decrease is due to the lower volume of new business generated in the first half of 2020 in connection with the emergency situation.

The following graph shows change in net investment in financial lease of the company for the specified period, together with change in the number of leased assets.

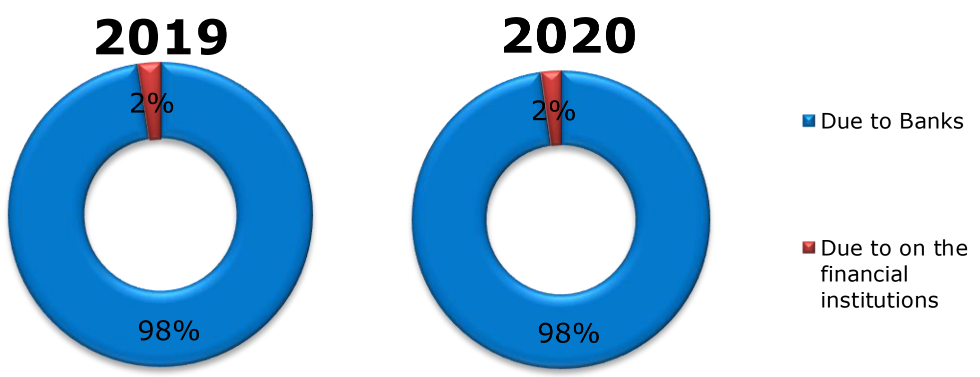


	2019	2020
Portfolio (in '000 BGN)	68 092	65 349
Total number of vehicles	2 483	2 301

As of December, 2020 company's equity stands at BGN 21,772 thousand; at year end 2019 equity was BGN 20,960 thousand.

As of the end of the reporting period company's liabilities amount at BGN 61,544 thousand compared to BGN 65,909 thousand in the end of 2019.

Eurolease Auto finances its activities through borrowed funds in the form of bank loans from local and international financing institutions and issuance of debt instruments. The following table shows the distribution of the funding used by the company.



During the reporting period no significant changes have occurred in the liabilities structure:

- Bank loans – as of the end of December, 2020 they amount at BGN 57,219 thousand;
- Liabilities to other financial institutions amount to BGN 1,278 thousand;
- Company's liabilities on debt instruments issued amount at BGN 1,705 thousand.

Eurolease Auto North Macedonia

Eurolease Auto Macedonia realized interest income in 2020 in the amount of BGN 578 thousand compared to BGN 619 thousand in 2019. At the same time, the interest expense of the company remains almost unchanged at the level of BGN 447 thousand. As a result of the two effects, the net interest income of Eurolease Auto Macedonia decreased to BGN 131 thousand compared to BGN 171 thousand a year earlier.

Revenues from fees and commissions in 2020 are at the level of BGN 128 thousand compared to BGN 140 thousand in 2019. Revenues from operating leases also marked a slight decline to BGN 154 thousand compared to BGN 161 thousand the previous year. The administrative expenses of Eurolease Auto Macedonia in 2020 amount to BGN 374 thousand.

Eurolease Auto Macedonia realized a profit of BGN 57 thousand in 2020 compared to BGN 94 thousand profit during the previous year. The decline in the company's results is largely due to the covid pandemic and the reduced new business, the need to reschedule customer contracts, the decline in overall economic activity in the country.

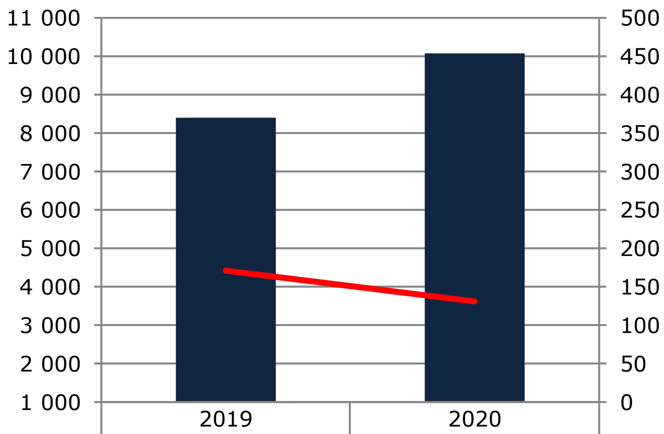
During the reporting period, the net investment in financial leasing increased significantly (20%), amounting to BGN 10.09 million at the end of 2020 compared to BGN 8.41 million at the end of 2019.

Based on the Decree on the implementation of the Law on Leasing during a state of emergency, published in the Official Gazette of the Republic of Northern Macedonia № 19, the Company approves the recommendations for the introduction of a temporary moratorium on lease payments, thus introducing measures to support its customers, individuals and legal entities, through special conditions to facilitate the repayment of lease obligations.

The approved temporary moratorium provides for the possibility to change the schedule for repayment of principal and/or interest on liabilities without changing the key parameters of the loan agreement, such as the already agreed interest rate. Deferral of liabilities for a period of up to 10 (initially 3) months until 31 January 2021 (initially 30 June 2020) has been approved.

Eurolease Auto Northern Macedonia offered its clients rescheduling of the due monthly installments. The rescheduled portfolio by the end of 2020 represents 40% of the total.

The following graph shows change in net investment in financial lease of the company for the specified period, together with change in the number of leased assets.



	2019	2020
Portfolio (in '000 BGN)	8 406	10 088
Net interest income (in '000 BGN)	171	131

As of 31.12.2020 the assets of the company amount to BGN 11.97 mln. compared to BGN 10.17 mln. as of December 31, 2019. The most significant is the growth in the net investment in financial leasing.

The bank liabilities of Eurolease Auto Macedonia increase on an annual basis by 25%, reaching BGN 9.73 mln.

- **Amigo Leasing**

The main activity of the Company is financial lease of used cars and provision of loans to individuals.

The financial result of Amigo Leasing EAD for 2020 is a profit of BGN 332 thousand, compared to a profit of BGN 347 thousand for 2019.

To support businesses directly affected by the pandemic, government programs have been introduced to provide liquidity for grants, preferential lending and investment measures. The activity of Amigo Leasing EAD does not fall within the eligible industries for financing, due to which the Company has not benefited from state aid.

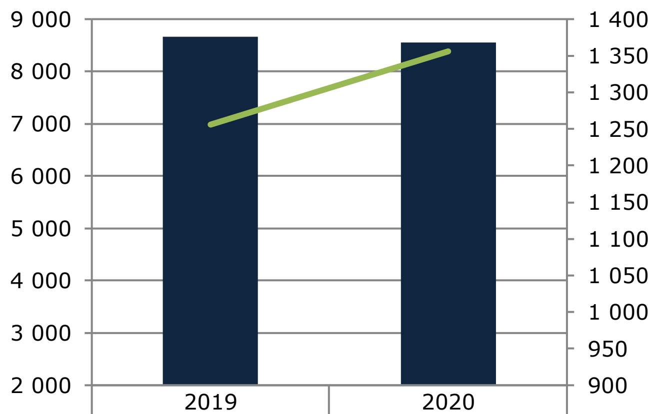
During 2020 Amigo Leasing realized BGN 1,816 thousand in interest income, which is an increase of 14% compared to 2019 (BGN 1,589 thousand for the period 01.01.2019 - 30.09.2019) The interest margin for 2020 reached 77.42%.

At the end of 2020, the impairment expense amounts to BGN 810 thousand, compared to BGN 145 thousand for the previous 2019. Management has decided to take a conservative approach and accrue impairment in accordance with its updated impairment model in relation to IFRS 9 (increased impairment %).

The net investment in financial leasing as of 31.12.2020 is BGN 8,561 thousand, marking a slight decrease of 1% compared to the size at the end of 2019 (BGN 8,663 thousand).

As a non-bank leasing company, Amigo Leasing EAD does not fall within the scope of the private moratorium announced by the Bulgarian National Bank within the meaning of the Guidelines of the European Banking Authority (EBA) on legislative and private moratoriums on loan payments in connection with COVID-19 (EBA). /GL/ 2020/02). However, the Company offered its customers a deferral of principal payments. Rescheduled exposures by the end of 2020 represent less than 2% of the Company's portfolio.

The following graph shows change in net investment in financial lease of the company for the specified period, together with change in the number of leased assets.



	2019	2020
Portfolio (in '000 EUR)	8 663	8 561
Total number of vehicles	1 256	1 356

Loan reaceivables amount at BGN 120 thousand compared to BGN 255 thousand at 31.12.2019.

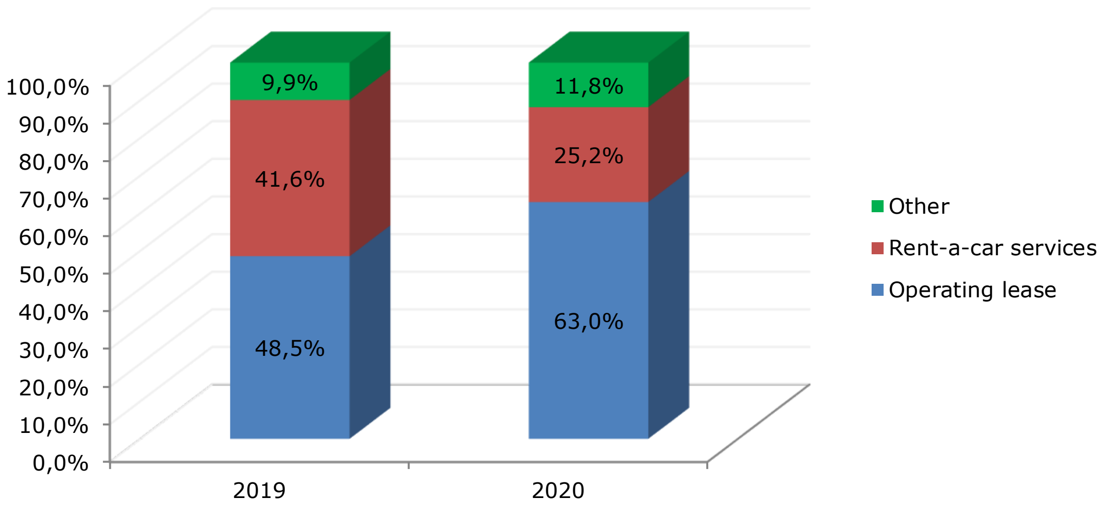
For 2020 the Company has administrative expenses of 1,077 thousand.

The company finances its activities with its own and loan funds, such as bank loans at the end of 2020 amount to BGN 6,272 thousand. The amount of loans received from individuals - investors as of 31.12.2020 is BGN 505 thousand. They are provided by persons not related to the Company.

- **Eurolease Rent a Car**

Eurolease Rent a Car is a provider of short-term and long-term rent of vehicles under AVIS and BUDGET brands.

The following chart shows the breakdown of company's revenues by business line in 2020 and 2019:



In 2020, the revenues generated by Eurolease Rent A Car from operating leases decreased slightly to BGN 3.52 mln. Revenues from short-term car rental decreased significantly compared to the previous year to BGN 1.41 mln. (2019: BGN 3.40 million).

The company operates in one of the sectors most affected by the covid pandemic and the operating lease revenues are relatively stable, but they cannot compensate for the decline in car rental services. Eurolease Rent a Car is a company whose revenues are characterized by seasonality and as such it is highly dependent on the number of flights and the state of the tourism industry in Bulgaria. The Covid pandemic caused a significant drop in flights and foreign tourists during the summer season, which significantly affected the Company's results.

To support businesses directly affected by the pandemic, government programs have been introduced to provide liquidity for grants, preferential lending and investment measures. The company has benefited from state aid in the amount of BGN 202 thousand under the 60/40 scheme. The measure 60/40 is a short-term tool for urgent business support to maintain employment, but also to guarantee the income of employees.

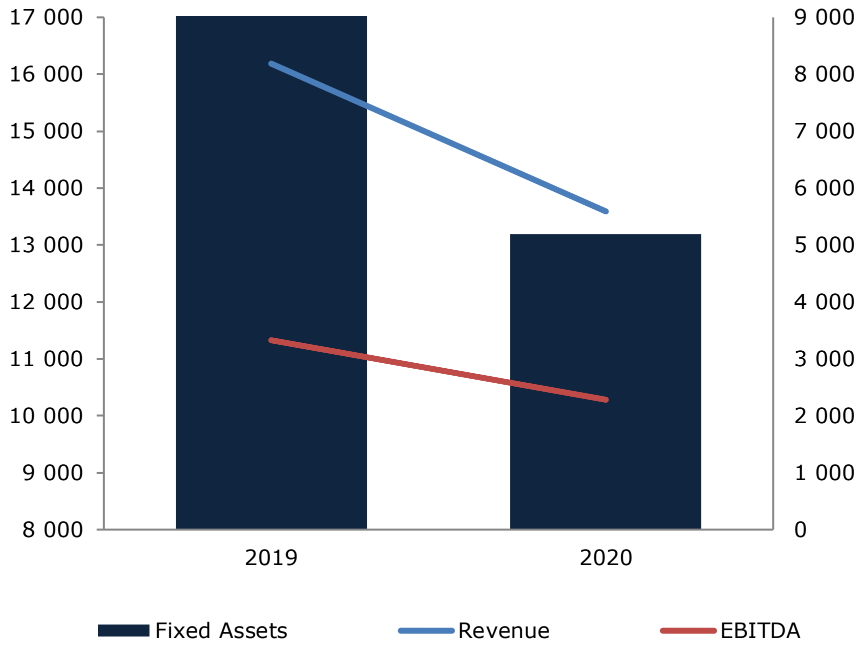
In 2020, the company's interest expenses decreased to BGN 464 thousand compared to BGN 536 thousand a year earlier.

The administrative expenses of the Company in 2020 significantly decreased to BGN 5.4 mln. compared to BGN 7.9 mln. a year earlier.

In accordance with its Trade Receivables Impairment Policy, the Company recognizes expected credit losses in the amount of BGN 111 thousand.

The financial result of the company for the period under review is a loss of BGN 425 thousand compared to a loss of BGN 389 thousand in 2019.

The chart below presents the fixed assets of the Company, the realized revenues, as well as EBITDA in 2020 and 2019.



The total assets of the company amount to BGN 14.51 mln. at the end of 2020 compared to BGN 18.08 mln. a year earlier.

In 2020, Eurolease Rent A Car reduces its liabilities to financial and non-financial institutions to BGN 8.27 mln., as well as reduces the used bank financing to BGN 3.10 million. (2019: BGN 3.61 mln.).

- **Sofia Motors**

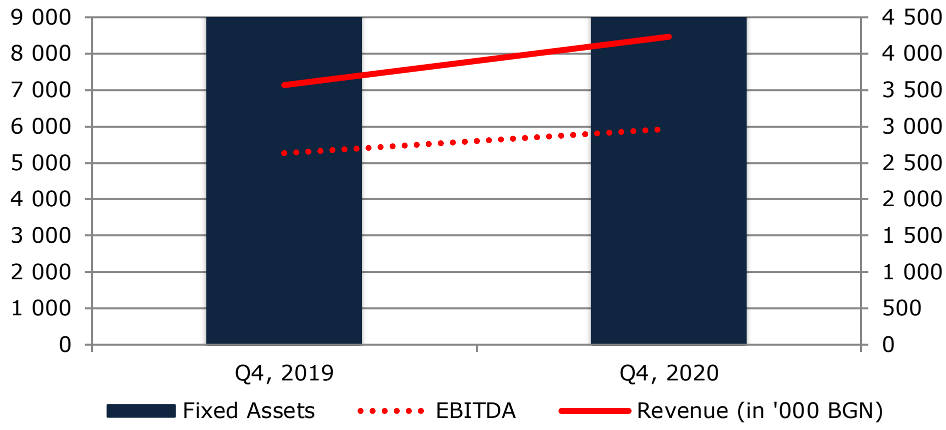
The main activity of Sofia Motors is related to the rental of vehicles to individuals and small and medium enterprises.

The financial result of Sofia Motors at the end of the fourth quarter of 2020 is a loss of BGN 167 thousand compared to a loss of BGN 81 thousand for the comparative period. The Company's result is affected by the high administrative costs caused by the development of new products in the portfolio, providing full-service car rental, as well as the difficult economic situation in the country, dictated by the restrictions imposed on COVID-19. The company focuses on building good contacts with car dealers, advertising the new service through various communication channels and adding different types of cars in order to increase future revenues.

To support businesses directly affected by the pandemic, government programs have been introduced to provide liquidity for grants, preferential lending and investment measures. The activity of Sofia Motors EOOD does not fall within the eligible industries for financing, due to which the Company has not benefited from state aid.

Sofia Motors EOOD does not fall within the scope of the private moratorium announced by the Bulgarian National Bank within the meaning of the Guidelines of the European Banking Authority (EBA) on legislative and private moratoriums on loan payments in connection with COVID-19 / EBA / GL / 2020 / 02). However, the Company has entered into agreements with some of its customers, agreeing on an extended grace period of up to 90 days for each monthly installment due. The number of contracts with deferred payment agreements at the end of 2020 represents less than 5% of the total portfolio of the Company.

The chart below shows the relationship between the company's fixed assets, revenue and EBITDA.



As of December 31, 2020 The company's assets amount to BGN 11,879 thousand compared to BGN 10,128 thousand as of December 31, 2019. The increase is mainly due to the increase of vehicles by 16.06% on an annual basis (BGN 11,057 thousand at the end of 2020 compared to BGN 9,527 thousand at the end of 2019). This shows that the Company still manages to achieve growth in its portfolio, despite the imposed restrictions in the economy.

The share capital of the Company has been increased in 2020 to BGN 610 thousand from BGN 310 thousand at the end of 2019.

Company's liabilities amount at BGN 11,584 thousand compared to BGN 9,966 thousand as at 31 December 2019.

In accordance with its Trade Receivables Impairment Policy, the Company recognizes expected credit losses in the amount of BGN 74 thousand.

Decrease in the operating profit margin - The operating profit margin for 2020. decreased by about 0.65 percentage points compared to 2019.

- **Autoplaza**

The main activity of Autoplaza EAD involves sale of vehicles returned from lease, rent-a-car and "buy-back". The company operates in close cooperation with Auto Union, Eurolease Auto Bulgaria and Eurolease Rent Car. Autoplaza experts participate in international tender procedures aiming to be able to offer their clients a larger variety of automobiles as brands and level of equipment. In the last year Autoplaza affirmed its reputation as a preferred client and loyal partner in the tender procedures.

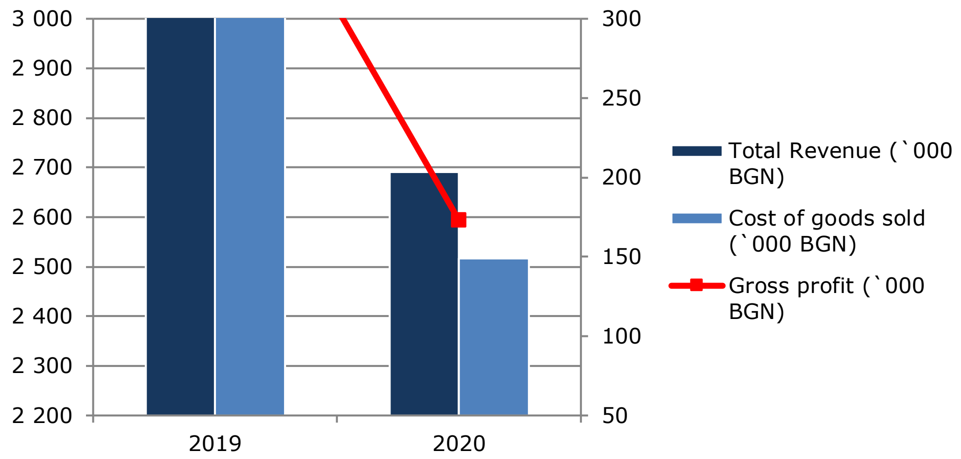
The financial result of Autoplaza for 2020 is a loss of BGN 114 thousand compared to a profit of BGN 9 thousand for the same period of 2019. The sector in which the Company operates is one of the most affected by the Pandemic.

During the period under review, Autoplaza realized a gross profit from the sale of goods and services in the amount of BGN 548 thousand, compared to BGN 798 thousand at the end of December 2019.

To support businesses directly affected by the pandemic, government programs have been introduced to provide liquidity for grants, preferential lending and investment measures. The company has benefited from state aid in the amount of BGN 25 thousand under the 60/40 scheme. The measure 60/40 is a short-term tool for urgent business support to maintain employment, but also to guarantee the income of employees.

In accordance with its Policy for impairment of trade receivables, the Company recognizes expected credit losses in the amount of BGN 19 thousand.

The chart below shows the change in total revenue, the carrying amount of assets sold and the company's gross profit. The declared state of emergency puts strong pressure on the sales of Autoplaza, as during this period consumers are not inclined to buy outside the essential goods.



The assets of the company amount to BGN 1,811 thousand as of 31.12.2020 compared to BGN 3,269 thousand at the end of 2019. During the period of the state of emergency, the Company has slowed down the pace of car purchases due to the situation and stocks in the warehouse have decreased. The trade receivables decreased by almost 50% compared to 2019.

At the end of 2020 The liabilities of the Company on received bank loans decreased to BGN 1,358 thousand, compared to BGN 1,894 thousand at the end of the previous 2019. Leasing liabilities also decreased by BGN 190 thousand in absolute value, or by BGN 259 thousand at the end of 2019 up to BGN 69 thousand at the end of 2020.

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EURO-FINANCE

EURO-FINANCE is an investment intermediary, a member of the Frankfurt Stock Exchange, providing a direct access to Xetra® through the EFOCS trade platform. The Company also offers trade in currencies, indexes, shares and precious metals by way of contracts for difference through the EF MetaTrader 5 platform.

The company also has the highest equity of all investment intermediaries, according to FSC data.

During the reporting period, Euro-Finance AD continued to follow the activities included in the development program in the direction of developing online customer service, increasing the funds under management and participating in projects related to corporate consulting and restructuring.

The company realized net incomes from core operations in the amount of BGN 961 thousand for the twelve months of 2020, generated by:

- Interest revenue – BGN 409 thousand;
- Other revenue from main activities – BGN 1,924 thousand;

The expenses for the reported period, related to the day-to-day operations of the company, amounted to BGN (2,057) thousand.

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EUROHOLD BULGARIA (Standalone base)

Eurohold Bulgaria AD as a holding company does not carry out regular commercial transactions, and in this respect, its main (operating) revenues are of a financial nature, as the most significant of them - revenues from financial operations occur in different reporting periods and do not have a permanent occurrence. In this respect, investors and stakeholders should read this individual report together with the consolidated statement giving a clear and complete picture of the risks, results, financial situation and prospects for the development of the Eurohold Group.

FINANCIAL RESULT

For the period 1 January – 31 December 2020 Eurohold Bulgaria AD reported a financial result on a standalone base a loss of BGN 16.7 million. For comparison, the financial result realized for the comparable period of the previous year was a loss of BGN 14.6 million.

INCOME

The income of the company over the reporting period amounted to BGN 4.6 million, of which:

- ➢ Dividend income in the amount of BGN 0.6 million, distributed by the subsidiary Euro-Finance;
- Income from profits from operations with financial instruments and subsequent valuations totaling BGN 2.4 million, including:
  - ✓ Gains from operations with investments and financial instruments in amount of BGN 1.4 million, including BGN 0.8 million profit from repurchase of 10,500 own bonds from the EMTN Programme in EUR with ISIN XS1731768302, BGN 0.5 million profit from redemption and repayment/cancellation of trade loans in the form of Euro Commercial Papers - ECP and BGN 0.1 million - other profits;
  - ✓ Revaluation gains on debt instruments, measured at fair value - BGN 1.1 million;
- Other financial income (positive exchange rate differences) amounting to BGN 1.6 million.

At the date of preparation of these financial statements, there are no interest income due to the lack of interest-bearing loans from Eurohold to related and third parties.

For comparison, the income reported by the Holding as of 31.12.2019 amounted to BGN 7.5 million, formed by:

- Dividend income in the amount of BGN 0.7 million, distributed by the subsidiary Euro-Finance;
- Income from profits from operations with financial instruments and subsequent valuations totaling BGN 5.6 million, including:
  - ✓ Gains from operations with investments and financial instruments in amount of BGN 4.66 million, of which BGN 4.53 million profit from sale of a minority share of Eurolease Group EAD and other profits in the amount of BGN 0.13 million;
  - ✓ Revaluation gains on debt instruments, measured at fair value - BGN 0.95 million;
- Interest income on loans in amount of BGN 0.6 million;
- Other financial income (positive exchange rate differences) amounting to BGN 0.7 million.

EXPENSES

In the fourth quarter of this year, Eurohold Bulgaria marked a slight decrease in its operating expenses, which amounted to BGN 21.7 million for the reporting period, compared to BGN 22.8 million as of 31.12.2019.

The reported decrease by 4.9% in operating expenses amounted to BGN 1.1 million and it was characterized by the following changes:

- Interest expenses - there is an increase in interest expenses by BGN 1.2 million, from BGN 14.7 million to BGN 15.9 million as of 31.12.2020;

  Interest expenses are grouped into three categories, namely:
  - Interest on loans from banks and non-banking financial institutions amounting to BGN 3.4 million, accounting an increase of BGN 0.3 million;
  - Interest on the EMTN Programme bonds amounting to BGN 9.9 million - relatively maintaining this size;
  - Interests on borrowings and leasing from related and third parties amounting to BGN 2.7 million - an increase of BGN 0.9 million was reported.

- Losses from transactions with financial instruments and subsequent valuations as follows:

  - for the twelve months of the current period, the losses reported from operations with financial instruments and subsequent estimates amounted to BGN 1.9 million, including:

    - losses from operations with investments in the amount of BGN 0.7 million, incurred in connection with the termination of a contract for the repurchased 10,500 own bonds from the EMTN Programme in EUR with ISIN XS1731768302,
    - expenses on operations with investments to related parties - BGN 0.1 million and
    - expenses from revaluations of debt instruments, measured at fair value, in the amount of BGN 1.1 million, incurred from revaluation of repurchased 10,500 own bonds from the EMTN Programme in EUR with ISIN XS1731768302

  - for the comparable period, their amount was BGN 1.2 million, including:

    - losses from operations with investments in the amount of BGN 0.011 million,
    - expenses on operations with investments to related parties - BGN 0.023 million and
    - expenses from revaluations of debt instruments, measured at fair value, in the amount of BGN 1.15 million, incurred from revaluation of repurchased 10,500 own bonds from the EMTN Programme in EUR with ISIN XS1731768302**;**

- Other financial expenses - decreased by BGN 0.77 million and amounted to BGN 0.44 million. These financial expenses represented: negative differences from changes in foreign exchange rates; other financial expenses to related parties; bank guarantee fees and other financial expenses;

- Expenditure on external services - this type of expenditure significantly decreased its value during the current period and amounted to BGN 2.2 million vs. BGN 4.5 million;

- Personnel expenses – the change is in direction of increase by BGN 0.021 million, in connection with the recruitment of new qualified employees in the second half of 2019;

- Depreciation expenses - their amount was BGN 0.68 million, while for the comparable period the depreciation was BGN 0.71 million **(**the depreciation expense is on recognized assets with the right of use, on leased office space under the conditions of operating lease, in connection with the application of IFRS 16**).**

RESULTS FROM OPERATING ACTIVITIES

For the twelve months of 2020, Eurohold Bulgaria realized a loss from operating activities of BGN 17.1 million, accounting an increase of the loss by BGN 1.8 million compared to the same period in 2019.

OTHER INCOME / (EXPENSES) NET

During the reporting period, the Company generated other net income / (expenses) in the amount of BGN 0.38 million, of which other expenses amounted to BGN 0.85 million and related to sublease and rebates of assets with right of use, while the value of other income amounted to BGN 0.47 million.

ASSETS

As of 31st of December 2020 the company's assets increased by BGN 47.8 million and amounted to BGN 633.7 million compared to BGN 586.9 million as of the end of 2019.

Non-current investments

The assets of Eurohold Bulgaria AD mainly represent investments in subsidiaries and other enterprises, as of the end of the current reporting period amounted to BGN 629.5 million compared to BGN 581 million at the end of 2019. The growth by BGN 48.5 million was entirely due to an increase of the investment in the subsidiary Euroins Insurance Group AD. The increase occurred in two directions, as follows:

- After the purchase of a part of the residual minority interest in the subsidiary insurance sub-holding, in connection with the concluded in 2018 agreement for the acquisition of the residual minority interest from South Eastern Europe Fund L.P. (SEEF) in amount of 10.64%. As of the date of this report, Eurohold has purchased 6.18% of the minority interest, as for the reporting period 8,390,300 shares were repurchased at a price of BGN 7.4 million. Upon completion of the transaction, Eurohold will own a 100% of the capital of Euroins Insurance Group AD.

- After a contribution made by Eurohold on subscribed and unpaid capital of the subsidiary Euroins Insurance Group AD under a decision to increase the share capital from 04.10.2018. The additional capital contribution was made in August and in the beginning of December 2020 and totally amounted to BGN 41.05 million.

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

- contribution in the amount of BGN 3.95 million of the unpaid capital;
- investments in the purchase of the agreed share from South Eastern Europe Fund L.P. (SEEF) in the amount of BGN 12.325 million.

Other non-current assets

Non-current assets include property, plant and equipment, and intangible assets. During the reporting period, non-current assets decreased by BGN 0.68 million with the application of IFRS 16 effective from 1 January 2019. The value of the assets with rights to use as of 31 December 2020 amounted to BGN 2.12 million.

Current assets

Current assets remain unchanged and amounted to BGN 2.15 million, including:

- Receivables from related parties from commercial operations in the amount of BGN 0.35 million;
- Other receivables and assets in the amount of BGN 1.54 million;
- Cash and cash equivalents amounting to BGN 0.27 million.

EQUITY AND LIABILITIES

As of 31.12.2020 the total equity of Eurohold Bulgaria amounted to BGN 303.7 million compared to BGN 320.5 million at 31.12.2019 accounting a decrease of 5.2% due to the realized loss in the current reporting period.

The company's liabilities reached BGN 330.02 million increasing for the period by 24.3%.

The change in liabilities was due to the following factors:

- **Non-current liabilities** amounted to BGN 239.75 million, increasing by 45.3% compared to the end of 2019 (BGN 164.99 million). They are mainly formed by liabilities on loans from financial and non-financial institutions and from debt on bond issues with total amount of BGN 236.58 million at the end of December 2020.

Loans from financial and non-financial institutions

In the reporting period there was an increase in loans from banking institutions by BGN 12.43 million. This change is due to the following factors:

- Reduction of the non-current liability under a bank loan from the International Investment Bank by BGN 13.5 million - from BGN 25.5 million at the end of 2019 to BGN 12 million due to their reporting in short-term liabilities.

Liabilities under loans from the International Investment Bank represent attracted funds under 2 loans granted by the financial institution. The first loan has an agreed limit of EUR 15 million and a principal due as of December 31, 2020 in the amount of EUR 5.4 million, maturity - December 2021.

The other loan has an agreed limit of EUR 10 million and a principal due as of December 31, 2020 in the amount of EUR 7.7 million, maturing in March 2025.

The agreed interest rate on both loans is 6.0% + EURIBOR and they are secured by a pledge of shares of a subsidiary.

- In connection with a loan agreement concluded in the third quarter of 2020 with the International Bank for Economic Cooperation, as of the date of report BGN 29.3 million was utilized.

The loan agreement was concluded with the following parameters: principal limit - EUR 20 million, which can be disbursed in three tranches within six months (disbursed funds at the end of 2020 are € 15,000,000); interest: 6.5% on an annual basis on the utilized amount; term of the loan - the utilized principal of the loan will be paid in full on the maturity date - 31.07.2022, but not later than 01.01.2023; the loan cannot be renegotiated; collateral - pledge of shares of a subsidiary.

- During the reporting period, long-term liabilities has arosed on loans received from other unrelated parties in the amount of BGN 1.47 million with an agreed limit of BGN 2 million, an annual interest rate of 5.5% and a maturity November,2023.

Debenture loans

The non-current liabilities on debenture loans increased by BGN 58.1 million and at the end of the reporting period amounted to BGN 193.8 million. The increase is characterized by the following changes:

- The liability under the issued bond loan (within the EMTN Programme) decreased by BGN 0.61 million and at the end of the reporting period amounted to BGN 135.16 million. As of 31.12.2020 and as of 31.12.2019 the Company owns 10,500 repurchased own bonds from the issued EMTN Programme in EUR. The repurchased own bonds (10,500 pieces) as of 31.12.2019 are given as collateral in connection with a concluded repo transaction with a closing date October,2020, while the repurchased in 2020 are provided as collateral in connection with a concluded repo transaction maturing on 31.10.2021 *(Information on the terms of the EMTN programs (EUR and PLN) is publicly available on the Irish Stock Exchange website, Debt section)*

- On November 26, 2020 Eurohold Bulgaria AD issued a debenture loan with ISIN code BG2100013205 in the amount of EUR 30,000,000 (BGN 58,674,900) under the terms of an initial private (non-public) offering within the meaning of Art. 205, para. 2 of the Commercial Law. The issue is the second in a row and represents 30,000 corporate bonds issued, which are ordinary, registered, dematerialized, interest-bearing, secured, non-convertible, and freely transferable of one class and with equal rights. The nominal and issue value of each bond is EUR 1,000. The maturity date of the issue is November 26, 2027, and the principal is repaid once at maturity. Interest payments are made every six months, as of the date of registration of the issue (November 26, 2020), at a fixed nominal interest rate - 3.25% on an annual basis. The debenture loan is secured in favor of all bondholders with Bond Loan insurance, valid until the date of full repayment of the issue and covering 100% of the risk of non-payment by Eurohold Bulgaria AD to any and all interest and/or principal payment. Eurohold will take the necessary actions for subsequent admission of the bond issue to trading on a regulated market - Bulgarian Stock Exchange AD within 6 (six) months from the date of registration of the bond issue in Central Depository AD. At the first general meeting of the bondholders, held on 18.12.2020 as a Trustee of the bondholders for issue of corporate bonds with ISIN code BG2100013205, Financial House Ever AD was elected - performing activity as an investment intermediary. The funds raised from the issue were used according to the purposes for which it was issued, namely for repayment of short-term liabilities of the Company and additional payment of subscribed but unpaid capital of the subsidiary Euroins Insurance Group AD.

Other long-term liabilities to related parties

These non-current liabilities occupy an insignificant part of non-current liabilities and their total amount was BGN 3.16 million compared to BGN 3.68 million at the end of 2019.

- **Current liabilities** decreased by BGN 10.25 million, amounting to BGN 90.27 million as of the end of the year 2020. The largest change in current liabilities is observed in the liabilities on loans from financial and non-financial institutions, which amounted to BGN 18.95 million, with a decrease of BGN 23.69 million compared to the end of 2019. The reported decrease was related to repaid current liabilities to non-banking institutions - Euro Commercial Papers (ECP) with cash from the bond loan issued in November described above (in the period 2020 three issues of Euro Commercial Papers (ECP) were issued, repurchased and repaid and deleted from the registers, with a total face value of EUR 20.2 million, as a result of which a profit of BGN 478 thousand was reported). At the same time, the amount of liabilities to related parties increased by BGN 14.22 million and at the end of the reporting period this liability amounted to BGN 68.17 million.

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

	Change %	31.12.2020 *000'BGN*	31.12.2019 *000'BGN*
Liabilities to financial and non-financial loans	**-9,50%**	**61 692**	**68 170**
- *Non-current liabilities to banks*	61,75%	41 297	25 531
- *Current liabilities to banks*	34,10%	14 093	10 509
- *Other non-current borrowings*	n/a	1 450	-
- *Other current borrowings (Euro Commercial Papers – ECPs)*	-84,90%	4 852	32 130
Bond Loan Obligations	**42,63%**	**194 719**	**136 523**
- *Non-current liabilities on bond loans, including:*	42,77%	193 833	135 768
EMTN Programme	*-0,45%*	*135 158*	*135 768*
Bond loan ISIN code BG2100013205	*n/a*	*58 675*	-
- *Current liabilities on bond loans (interests)*	17,35%	886	755
Liabilities to related parties	**25,92%**	**69 877**	**55 493**
- *Non-current*	10,73%	1 703	1 538
- *Current*	26,35%	68 174	53 955
on loans received and on repurchased bonds	*22,53%*	*63 935*	*52 178*
on interest and other trade payables	*138,55%*	*4 239*	*1 777*
Total loans obligations	**25,41%**	**326 288**	**260 186**

CONTINGENT LIABILITIES AND COMMITMENTS

Litigations

As at 31.12.2020 against the Company has no substantial legal proceedings instituted.

The Company appeals against imposed penal decrees with general material interest in the amount of BGN 100 thousand. As at the date of this report a forecast for the probability of entry into force of the decrees cannot be made, the Company has not reported expenses for provisions under them.

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 an order of the civil court and will be returned to the company after a formal ruling in the above case. A final judgment is expected within the next 12 months. In view of the declared state of emergency in the country it is possible to extend the deadline.

GUARANTEES PROVIDED

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

Business division	Amount in EUR'000 as at 31.12.2020	Amount in BGN'000 as at 31.12.2020	MATURITY (EUR'000)					
			2021	2022	2023	2024	2025	After 2025
Lease sub-holding								
For funding of lease operations	12 506	24 460	5 010	3 271	1 993	1 384	689	159
Automotive sub-holding								
Working capital loans	3 298	6 450	3 298	-	-	-	-	-
TOTAL:	**15 804**	**30 910**	**8 308**	**3 271**	**1 993**	**1 384**	**689**	**159**

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

Company from:	Contracted limit in EUR'000 as at 31.12.2020	Contracted limit in BGN'000 as at 31.12.2020	MATURITY(EUR'000)		
			2021	2022	2023
Automotive sub-holding	**3 750**	**7 334**	3 750	-	-
Automotive sub-holding	**1 050**	**2 054**	-	1 050	-
Automotive sub-holding	**5 700**	**11 148**	5 700	-	-
Energy sub-holding	**5 000**	**9 779**	5 000	-	-
TOTAL:	**15 500**	**30 315**	**14 450**	**1 050**	**-**

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

Company/ Guarantor	Currency	Guaranteed liability	Guaranteed amount as at 31.12.2020 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 Insurance Group AD	EUR	Bank loan	15 000 000	07/2022
Euroins Romania Asigurare Reasigurare SA	EUR	Possible payment and/or compensation claims of the Beneficiary in connection with an offer	5 000 000	08/2021

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DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES

Potential investors should keep in mind that Eurohold Bulgaria AD develops its activities through its subsidiaries, in this regard its financial condition, operating results and prospects are directly dependent on the condition, results and prospects of its subsidiaries.

1. Systematic risks

Influence of the international environment

The Group's strategy focuses on maintaining its position as a leader in the CEE / SEE region in insurance, incl. general, life and health insurance; leasing; sale of new cars, and car service; sale of used cars and car rental; financial services and investment intermediation. The implementation of the strategy of Eurohold Bulgaria AD depends on a number of factors that are beyond the control of the Group, including, in particular, market conditions, the general business environment, the regulatory environment and the activities of its main competitors in business. Any failure of the Group to maintain its leading position in the CEE / SEE region in terms of the services and products it offers can significantly reduce its attractiveness to existing and potential customers, reduce its credit rating as well as the ratings of its subsidiaries, and led to a decrease in revenue or an increase in costs. The Eurohold Group operates in Bulgaria, Romania, Macedonia, Ukraine, Greece, Spain, Italy, Poland, Russia and Georgia and respectively its overall financial position and the results of its operations are affected by the economic, legal and political conditions in these countries.

Macroeconomic risk

Macroeconomic risk is the risk of shocks that may affect economic growth, household income, supply and demand, profits and more. These shocks include global economic and business conditions, fluctuations in national currencies, political developments, changes in legislation and regulatory requirements, the priorities of national governments, and more. The macroeconomic situation and economic growth worldwide are essential for the development of the Group, including the government policies of the respective countries and in particular the regulations and decisions taken by the respective Central Banks, which influence the monetary and interest rate policy, the foreign exchange policies. exchange rates, taxes, GDP, inflation, budget deficit and external debt, unemployment rate and income structure. Macroeconomic risks include: political risks; the credit risk of the state; inflation, currency and interest rate risk; the risks associated with high unemployment levels, emerging markets and regulatory changes.

Risk of force majeure

Force majeure - these are risks of all unforeseen events such as natural, political and other natural disasters: floods, earthquakes, civil disobedience, collisions, strikes, pandemics and other unforeseen events. Force majeure circumstances can also be errors and accidents on the material base of mechanical nature, due to human or non-systemic error.

The occurrence of such events may have a direct and immediate impact on all activities related to the activities performed by the company (group) by disrupting its normal activities and have an immediate effect on its financial condition.

Force majeure may also have a strong impact on the overall macroeconomic and international environment. An example of such a risk is the new coronavirus COVID-2019 (Covid-19), announced by the world health organization Pandemic, which developed at the end of 2019 and quickly spread around the world, with Europe being severely affected.

A number of countries have taken drastic measures to control the coronavius infection, including Bulgaria.

The Republic of Bulgaria has declared a state of emergency on the territory of the country, as such has been declared in a number of countries in Europe and around the world. Strict anti-epidemic measures and restrictions have been introduced in the country, aimed at limiting social contacts and the spread of the virus.

The pandemic has an adverse effect on economic activity in the country and the world, stock markets, tourism, transport, the automotive industry and many other industries.

The disruption of normal economic activity in the Republic of Bulgaria as a result of Covid-19 may adversely affect the operations of Eurohold Group companies, and in particular the decline in share prices on global stock exchanges could affect the fair value of the Group's investments, if the negative trend persists.

Timely and flexible measures have been taken throughout the group to address the global force majeure circumstance. An analysis and assessment of the unforeseen situation has been carried out - see below in "Risk Management and Minimization Mechanisms".

Due to the dynamic situation and the new measures taken by the governments of the countries concerned to deal with the epidemic, as of the date of this report, Eurohold is unable to make long-term assessments of the impact of the pandemic, its development and financial his condition. Overall, the current crisis raises significant uncertainties about future processes in the global macroeconomy in 2020 and beyond.

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 probability of changes in the unfavorable direction of the long-term economic policy pursued by the government, which may have a negative impact on investment decisions. Other factors related to this risk are possible legislative changes and changes in the tax system concerning the economic and investment climate in the country.

The Republic of Bulgaria is a country with political and institutional stability, based on modern constitutional principles such as a multiparty parliamentary system, free elections, ethnic tolerance and a clear system of separation of powers. Bulgaria is a member of NATO and has been a member of the European Union (EU) since January 1, 2007. The desire for European integration, the presence of a dominant political formation, the pursuit of strict fiscal discipline and the adherence to a moderate deficit create predictability and minimize political risk.

In the long run, no sharp deterioration of the political situation is expected, as there is a political and public consensus on the factors that maintain long-term economic stability and a stable macroeconomic framework.

No changes are expected with regard to the current tax policy on the taxation of income of individuals and legal entities, including in connection with their transactions on the capital market, as it is essential for attracting foreign investment.

Unemployment

In market economies, unemployment is recognized as a social risk due to work. As a socially assessed risk, unemployment is subject to compulsory social insurance and compensation under certain conditions. The overall activity in the formation and implementation of the state policy on social insurance of unemployment, as well as the promotion and support of the unemployed in finding and starting work and / or other type of economic activity, gives the content of the process of managing this social risk.

At the end of the first and in the second quarter of 2020, the labor market in Bulgaria was affected by the measures taken by the state to deal with the pandemic of COVID-19, which affected the whole world.

According to data from the National Statistical Institute (NSI) for the fourth quarter of 2020, the following indicators have been reported:

- The economic activity rate for the population aged 15-64 is 72.7%, as compared to the second quarter of 2019 it decreased by 0.3 percentage points.

- The employment rate for the population aged 15-64 decreased by 1.2 percentage points compared to the same quarter of 2019 and was 68.8%.

- The unemployment rate is 5.2%, or 1.1 percentage points higher compared to the forth quarter of 2019.

- The discouraged persons aged 15 - 64 are 62.1 thousand, or 5.2% of the economically inactive persons in the same age group.

In the fourth quarter of 2020 the number of unemployed persons was 173.1 thousand, of which 95.7 thousand (55.3%) were men and 77.4 thousand (44.7%) were women. The unemployment rate is 5.2%, respectively 5.4% for men and 5.1% for women. Compared to the fourth quarter of 2019, the unemployment rate increased by 1.1 percentage points, with the increase for men and women being 1.0 and 1.3 percentage points, respectively.
Unemployment growth between the fourth quarter of 2019 and the fourth quarter of 2020 is largely due to the increased number of unemployed with a duration of unemployment of up to one year. During this period it increased by 23.1 thousand and reached 88.0 thousand. In the fourth quarter of 2020, the long-term unemployed (for one or more years) were 85.1 thousand, or 49.2% of all unemployed persons. The long-term unemployment rate increased by 0.4 percentage points to 2.6%, with the increase being almost the same for men and women.
Source: www.nsi.bg

Country credit risk

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

On November 28, 2020, the international rating agency S&P Global Ratings confirmed the 'BBB' rating of Bulgaria with a stable outlook.

The international rating agency S&P Global Ratings confirmed the long-term and short-term credit rating of Bulgaria in foreign and local currency 'BBB / A-2'. The outlook for the rating remains stable.

The summary report notes the improvement in expectations for the development of the Bulgarian economy, as domestic demand is more resilient to the impact of the pandemic than the agency's preliminary estimates. The decline in GDP in 2020 has been revised to -4.5% compared to -6.5% set in the S&P forecast for May. The budget deficit will remain moderate this year and next, after which a rapid consolidation is expected, accompanied by a significant inflow of European funds. The rating agency also notes the inclusion of the Bulgarian lev in Monetary Mechanism II in July and Bulgaria's accession to the Banking Union, and notes that the process of final accession to the eurozone will strengthen cooperation between the BNB and the ECB and is expected to take several years.

The stable outlook reflects the agency's expectations for a rapid recovery of the Bulgarian economy after the pandemic, with no imbalances in the foreign and financial sectors over the next two years. This will allow for rapid fiscal consolidation and limit the growth of public debt.
Source: www.minfin.bg

On February 19, 2021, the international rating agency Fitch Ratings raised the outlook from stable to positive over Bulgaria's long-term credit rating in foreign and local currency, and the 'BBB' rating was confirmed.

The positive outlook reflects the reduction in macroeconomic risks arising from the COVID-19 pandemic, supported by a more sustainable economy and a sound policy framework, as well as an ongoing gradual process towards the adoption of the euro. According to the rating agency, the short-term negative risks arising from the pandemic and the uncertain outcome of the elections are largely offset by the prospects for significant EU investment financing and commitment to macroeconomic and fiscal stability, supported by the long-term functioning of the currency board arrangement and Bulgaria in the Exchange Rate Mechanism II (ERM II).
Source: www.minfin.bg

Inflation risk

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

The main risks associated with the inflation forecast relate to the dynamics of international prices and the rate of economic growth in Bulgaria. International commodity prices may rise more significantly as a result of political crises or rising demand. The limited supply of some agricultural goods, and especially cereals, internationally in connection with adverse climatic events, may further cause higher inflation in the country. With the recovery of domestic demand, higher relative consumer prices of services are expected compared to food and non-food goods.

With the recovery of domestic demand, higher relative consumer prices of services are expected compared to food and non-food goods. Over the last three years, the inflation rate, measured by the consumer price index, has been growing on an annual basis from 2.1% to 2.8% in 2018 compared to 2017, and in 2019 it increased to 3.8%. According to the forecast of the Ministry of Finance, the growth rate of the country's economy is expected to slow down slightly to 3.3% for the period 2020-2022.

As far as the Bulgarian government maintains a course towards our country's accession to the Eurozone, in the foreseeable future the inflation rate is not expected to exceed 2-3% per year. Thus, at present the mechanism of the currency board provides guarantees that inflation in the country will remain under control and will not have an adverse impact on the economy of the country, and in particular on the activities of the Company.

Inflation may affect the Group's expenses as part of its liabilities are interest bearing. Their service is related to the current interest rates, which also reflect the levels of inflation in the country. Therefore, the maintenance of low inflation levels in the country is considered a significant factor for the activity of Eurohold Bulgaria AD.

At present, and in general, the currency board mechanism provides guarantees that inflation in the country will remain under control and will not adversely affect the country's economy, and in particular the Group's activities.

Currency risk

This risk is related to the possibility of depreciation of the local currency. For Bulgaria in particular, this is a risk of premature abandonment of the terms of the Currency Board at a fixed exchange rate of the national currency. Given the policy adopted by the government and the BNB, the expectations are to keep the Currency Board until the country's accession to the Eurozone.

Any significant depreciation of the lev can have a significant adverse effect on the economic entities in the country, including the Group. Risk also exists when the income and expenses of an entity are formed in different currencies. The exposure of the economic entities operating on the territory of Bulgaria to the US dollar, which is the main currency of a significant part of the world markets of raw materials and products, is particularly pronounced.

Changes in the various exchange rates did not have a material impact on the Group's operations until controlling interests were acquired in Romania, Macedonia and Ukraine. The financial results of these companies are presented in local currency, respectively - Romanian Leu (RON), Macedonian Denar (MKD), Ukrainian Hryvnia (UAH) and Georgian GEL (GEL), whose exchange rate is determined almost freely on the local foreign exchange market. The consolidated revenues of Eurohold Bulgaria AD will be exposed to currency risk depending on the movement of these currencies against the euro.

Interest rate risk

The interest rate risk is related to the possibility for unfavorable change of the prevailing interest rates in the country. Its influence is expressed in the possibility for the net incomes of the companies to decrease due to an increase in the interest rates at which the Issuer finances its activity. Interest rate risk is included in the category of macroeconomic risks due to the fact that the main prerequisite for a change in interest rates is the emergence of instability in the financial system as a whole. This risk can be managed through the balanced use of different sources of financial resources. A typical example of this risk is the global economic crisis caused by liquidity problems of large mortgage institutions in the United States and Europe. As a result of the crisis, interest rate surcharges on credit risk have been rethought and raised globally. The effect of this crisis is palpable in Eastern Europe and the Balkans, expressed in the restriction of free access to credit.

The increase in interest rates, other things being equal, would affect the price of the financial resources used by the Group in the implementation of various business projects. It may also affect the amount of the Group's expenses, as not a small part of its liabilities are interest-bearing and their servicing is related to the current interest rates.

2. Unsystematic risks

Risks related to the activity and structure of the company

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

Insofar as Eurohold's activity is related to the management of assets of other companies, it cannot be assigned to a separate sector of the national economy and is exposed to the industry risks of the subsidiaries. The companies from the Eurohold Bulgaria group operate in the following sectors: insurance, leasing, the car sales sector and investment intermediation.

The main risk related to the activity of Eurohold Bulgaria AD is the possibility to reduce the sales revenues of the companies in which it participates and to receive dividends. In this regard, this may have an impact on the Group's revenue growth as well as on the change in profitability.

Deteriorating results of one or more subsidiaries could lead to deteriorating results on a consolidated basis. This, in turn, is related to the share price of the Company, as the market price of the shares takes into account the business potential and assets of the economic group as a whole.

Risks related to the company's development strategy

Eurohold's future profits and economic value depend on the strategy chosen by the top management team of the Company and its subsidiaries. Choosing the wrong strategy can lead to significant losses.

Eurohold Bulgaria AD strives to manage the risk of strategic errors by continuous monitoring of the various stages in the implementation of its market strategy and its results. This is crucial in order to be able to react in a timely manner if a change is needed at a certain stage in the strategic development plan. Untimely or inappropriate changes in the strategy can also have a significant negative effect on the Group's operations, operating results and financial condition.

Risks associated with the management of the company

The risks associated with the management of the Eurohold Group are the following:

- • making wrong decisions for the current management of investments and liquidity of the Group, both by the senior management and the operational employees of the companies of the Group
- the inability of the management to start the implementation of planned projects or lack of appropriate guidance for specific projects
- possible technical errors of the unified management information system
- possible errors of the internal control system
- leaving key employees and inability to hire staff with the necessary qualities
- risk of excessive increase in management and administration costs, leading to a decrease in the overall profitability of the Group

Risks related to future acquisitions and their integration into the structure

At present, the economic group of Eurohold Bulgaria AD develops its operations mainly in Bulgaria and other countries such as Romania, Macedonia and Ukraine, through acquisitions of companies and assets. The strategy for Eurohold's expansion is for these acquisitions to continue in the future. The Group intends to implement a strategy of identifying and acquiring businesses, companies and assets with a view to expanding its activities. The risk for Eurohold lies in the uncertainty as to whether it will be able to identify suitable acquisitions and investment opportunities in the future. On the other hand, there is uncertainty regarding the assessment of the profitability of future acquisitions of assets and whether they will lead to comparable results with the investments made so far. Also, acquisitions and investments are subject to a number of risks, including possible adverse effects on the results of the economic group as a whole, unforeseen events, as well as obligations and difficulties in integrating the activities.

Risks related to attracting and retaining qualified personnel

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

The business of Eurohold Bulgaria AD is significantly dependent on the contribution of a number of persons, members of the management and control bodies, top and middle management managers of the parent company and subsidiaries of the main business areas. It is uncertain that these key employees will continue to work at Eurohold in the future. The success of the Company will also be related to its ability to retain and motivate these individuals. The inability of the Company to maintain sufficiently experienced and qualified personnel for managerial, operational and technical positions may have an adverse effect on the activities of the economic group as a whole, its operating results and financial condition.

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Financial risk

The financial risk represents the additional uncertainty regarding the investor for the receipt of income in the cases when the Group uses borrowed or borrowed funds. This additional financial uncertainty complements the business risk. When part of the funds with which the Group finances its activities are in the form of loans or debt securities, the payments for these funds represent a fixed obligation.

Currency risk

In general, the activity of Eurohold Bulgaria AD on the territory of the Republic of Bulgaria does not generate currency risk due to the current currency board and fixing of the national currency BGN to the euro since 1997. Currency risk exists for the group's investments outside the country, mainly from insurance in Romania, Macedonia, Ukraine, Georgia and Poland, as well as leasing in Macedonia, where each country has a freely convertible currency, the relative price of which to other currencies is determined by the free financial markets. A sharp change in the macro-framework of any of the countries where the Company through its subsidiaries is active may have a negative effect on its consolidated results. Ultimately, however, the Company reports its consolidated financial results in Bulgaria, in Bulgarian levs, which in turn are pegged to the euro through a fixed exchange rate. On the other hand, the euro also changes its value against other global currencies, but is significantly less exposed to drastic fluctuations.

Liquidity risk

The liquidity risk is related to the possibility for Eurohold Bulgaria AD not to repay its obligations in the agreed amount and / or in time, when they become due. The presence of good financial indicators for profitability and capitalization of a company are not a guarantee for a smooth meeting of current payments. Liquidity risk may also arise in the event of late payments by customers.

Eurohold Bulgaria AD strives to minimize this risk through optimal cash flow management in the group itself. The Group applies an approach that provides the necessary liquidity resources to meet the incurred liabilities under normal or extraordinary conditions, without realizing unacceptable losses or damaging the reputation of individual companies and the economic group as a whole.

The policy of the management of Eurohold is aimed at raising financial resources from the market in the form of mainly issuance of equity securities (shares) and debt instruments (bonds) to invest in its subsidiaries in the form of loans or capital increases. them.

Risk of possible transactions between the companies in the group, the conditions of which differ from the market ones, as well as the dependence on the activity of the group

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

The risk of possible transactions between the companies in the Group under conditions that differ from the market ones is expressed in taking the risk of achieving low profitability from provided intra-group financing. Another risk that can be taken is that in the implementation of intra-group trade transactions not enough revenue is realized, and hence a good profit for the company. At the consolidated level, this may have a negative effect on the profitability of the whole group.

Within the Group, transactions are constantly made between the Parent Company and the subsidiaries and between the subsidiaries themselves, arising from the nature of their core business. All related party transactions are conducted under conditions that do not differ from normal market prices and in compliance with IAS 24 Related Party Disclosures.

Risk Management

The elements outlining the framework for managing the individual risks are directly related to specific procedures for timely prevention and resolution of possible difficulties in the activities of Eurohold Bulgaria AD. They include ongoing analysis in the following areas:

- market share, pricing policy, conducting market research and market development research and market share
- active management of investments in various sectors of the industry
- overall policy for the management of the company's assets and liabilities in order to optimize the structure, quality and return of the company's assets
- optimizing the structure of the attracted funds in order to provide liquidity and reduce the financial costs of the company
- effective cash flow management
- optimization of costs for administration, management and external services
- human resource management

The occurrence of unforeseen events, the incorrect assessment of current trends, as well as many other micro- and macroeconomic factors can affect the judgment of the company's management team. The only way to overcome this risk is to work with professionals with many years of experience, as well as maintaining this team as complete and up-to-date information base for the development and market trends in these areas.

The Group has implemented a comprehensive corporate integrated risk management system. The system covers all business segments in the Group and the goal is to identify, analyze and organize risks in all areas. In particular, the risks in the insurance business, which is the largest segment of the Group, are minimized by optimal selection of the insurance risks to be assumed, adjustment of the duration and maturity of assets and liabilities, as well as minimization of currency risk. An effective risk management system guarantees the Group financial stability, despite the continuing financial and economic problems worldwide.

Risk management aims to:

- identifies potential events that may affect the functioning of the Group and the achievement of certain operational objectives
- controls the significance of the risk to an extent that is considered acceptable in the Group
- achieve the financial objectives of the Group with as little risk as possible

Pandemic Contingency Assessment and Analysis (Covid-19)

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

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

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

Development of Covid-19 Pandemic (Coronavirus)

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

Similar measures have been introduced in other countries where the Group operates, such as Greece (March 11, 2020), Romania (March 21, 2020), Ukraine (March 14, 2020) and Northern Macedonia (March 18, 2020). As a result of the measures imposed by the governments, a significant part of the economic activity in the countries was suspended, also a significant part of the international trade was slow down.

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

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

Effect on economic growth

The table below presents information on the expectations for economic growth of the Republic of Bulgaria, according to the data of the International Monetary Fund (October 2020)" **https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020**),, including forecast data after the occurrence of the pandemic situation related to Covid-19 (Coronavirus).

	Historical data			Forecast			
	2017	**2018**	**2019**	**2020 (before Covid-19)**	**2020 (Covid-19)**	**Average 2021-24 (before Covid-19)**	**2021 (Covid-19)**
Economic GDP growth	3.5%	3.1%	3.4%	3.2%	(4.0)%	2.8%	4.1%

Source: *International Monetary Fund - World Economic Outlook*

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

	Historical data			Forecast			
	2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	Average 2021-24 (before Covid-19)	2021 (Covid-19)
Economic GDP growth	1.9%	2.5%	1.9%	1.4%	(8.3)%	1.3%	5.2%

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

	Historical data			Forecast			
	2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	Average 2021-24 (before Covid-19)	2021 (Covid-19)
Romania	7.1%	4.4%	4.1%	3.5%	(4.8)%	3.0%	4.6%
North Macedonia	1.1%	2.7%	3.6%	3.4%	(5.4)%	3.5%	5.5%
Ukraine	2.5%	3.3%	3.2%	3.0%	(7.2)%	3.3%	3.0%
Georgia	4.8%	4.8%	5.1%	4.8%	(5.0)%	5.2%	5.0%
Belarus	2.5%	3.1%	1.2%		(3.0)%		2.2%
Russian Federation	1.8%	2.5%	1.3%	1.9%	(4.1)%	1.8%	2.8%
Greece	1.5%	1.9%	1.9%	2.2%	(9.5)%	0.9%	4.1%
Poland	4.9%	5.1%	4.1%	3.1%	(3.6)%	2.5%	4.6%
Italy	1.7%	0.8%	0.3%	0.5%	(10.6)%	0.6%	5.2%
Spain	2.9%	2.4%	2.0%	1.8%	(12.8)%	1.6%	7.2%
United Kingdom	1.9%	1.3%	1.4%	1.4%	(9.8)%	1.5%	5.9%

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

Effect on credit ratings

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

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

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

	Before Covid-19		**After Covid-19**	
	Rating	Forecast	Rating	Forecast

Romania	BBB	Stable	BBB	Negative
North Macedonia	BB+	Stable	BB+	Negative
Ukraine	B	Positive	B	Stable
Georgia	BB	Stable	BB	Negative
Belarus	B	Stable	B	Negative
Russian Federation	BBB	Stable	BBB	Stable
Greece	BB	Stable	BB	Stable
Poland	A-	Stable	A-	Stable
Italy	BBB	Negative	BBB-	Stable
Spain	A-	Stable	A-	Stable
United Kingdom	AA	Negative	AA-	Negative

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

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

Analysis of the expected effect on the IFRS model 9

The Group (as a part of the Eurohold Bulgaria Group) applies IFRS 9 from January 01, 2018, although The Insurance business had the right to postpone its application until January 1, 2023 (joint application with IFRS 17).

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

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

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

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

With regard to the model (including the complete and simplified one) for calculating the expected credit losses, the Management considers that it is possible to make a change in the general model. Management recognizes the possible short-term risks to the overall economic development of the main countries in which the Group operates, and in some markets, the expected reduction in Gross Domestic Product would be significant, but also takes into account the general expectations for rapid recovery in 2021-2022. to return to the average predicted growth levels before Covid-19 (Coronavirus). For these reasons, the Group's management has decided to review its model for calculating expected credit losses under IFRS 9 and to update some of its expectations, namely because the Management believes that some of the Group's counterparties may be affected. from the deteriorating economic situation and in this regard has taken action to update some of the parameters in its calculation model. As sufficiently reliable information is available as of 31 December 2020 for both macroeconomic statistics and medium-term levels of probability of default, the Guide is:

- Increased expected credit loss of exposures that are part of the simplified model;
- Increased expected credit loss on exposures that are part of the full model (i.e. deposits and cash in banking institutions, sovereign and corporate bonds);
- Increased expected credit loss of exposures that are part of the full model and represent lease receivables within the scope of IFRS 16.

Date: 26 February 2021

Asen Minchev,

Executive Member of the Management Board

Eurohold Bulgaria AD
Interim Consolidated Statement of profit or loss
for 2020

In thousand BGN	*Notes*	2020	2019
Revenue from operating activities			
Revenue from insurance business	*3*	1 389 279	1 323 840
Revenue from car sales and after sales	*5*	164 692	244 757
Revenue from leasing business	*6*	21 669	25 301
Revenue from asset management and brokerage	*8*	7 934	4 521
Revenue from the activities of the parent company	*10*	3 027	2 390
		1 586 601	**1 600 809**
Expenses of operating activities			
Expenses of insurance business	*4*	(1 347 055)	(1 257 871)
Cost of cars and spare parts sold		(138 673)	(211 190)
Expenses of leasing business	*7*	(7 790)	(8 751)
Expenses of asset management and brokerage	*9*	(6 811)	(3 178)
Expenses of the activities of the parent company	*11*	(1 850)	(1 164)
		(1 502 179)	**(1 482 154)**
Gross Operating Profit		**84 422**	**118 655**
Other income/(expenses), net	*12*	246	(1 080)
Other operating expenses	*13*	(72 336)	(74 642)
(Accrued)/recovered impairment loss on financial assets, net	*14*	(1 779)	(1 630)
EBITDA		**10 553**	**41 303**
Financial expenses	*15*	(22 731)	(19 908)
Financial income	*16*	179	112
Foreign exchange gains/(losses), net	*17*	1 411	(303)
EBTDA		**(10 588)**	**21 204**
Depreciation and amortization	*18*	(20 612)	(20 451)
EBT		**(31 200)**	**753**
Tax expenses	*19*	2 628	(1 683)
Net profit for the period		**(28 572)**	**(930)**
Net profit, attributable to:			
Equity holders of the parent		(29 573)	(2 885)
Non-controlling interests		1 001	1 955

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

26.02.2021

These interim consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD.
The notes are an integral part of the interim consolidated financial statements.

Eurohold Bulgaria AD
Interim Consolidated Statement of other comprehensive income
for 2020

In thousand BGN	*Note*	2020	2019
Net profit for the period	*45*	**(28 572)**	**(930)**
Other comprehensive income			
Other comprehensive income to be reclassified subsequently to profit or loss:			
Net loss from change in the fair value of financial assets through other comprehensive income		1 002	(8)
Exchange differences on translating foreign operations		(8 299)	1 158
		(7 297)	**1 150**
Net profit / (loss) from change in fair value of financial assets through other comprehensive income:			
Investments in associates at fair value		-	5 526
		-	**5 526**
Other comprehensive income for the period, net of tax		**(7 297)**	**6 676**
Total comprehensive income for the period, net of tax		**(35 869)**	**5 746**
Total comprehensive income, attributable to:			
Equity holders of the parent		(36 464)	3 454
Non-controlling interests		595	2 292
		(35 869)	**5 746**

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

26.02.2021

Eurohold Bulgaria AD
Interim Consolidated statement of financial position
as of December 31, 2020

In thousand BGN	*Note*	31.12.2020	31.12.2019
ASSETS			
Cash and cash equivalents	*20*	68 710	91 690
Time Deposits at banks	*21*	28 474	15 787
Reinsurers' share in technical reserves	*22.1*	519 982	463 829
Insurance receivables	*22.2*	150 600	127 796
Trade receivables	*23*	49 181	47 151
Other receivables	*24*	59 785	51 765
Machinery, plant and equipment	*25, 25.3-5*	47 112	53 150
Intangible assets	*27*	4 320	3 546
Inventory	*28*	31 812	42 168
Financial assets	*29*	339 397	261 899
Deferred tax assets	*30*	15 849	13 061
Land and buildings	*25, 25.1-2*	53 389	53 906
Investment property	*26*	9 652	15 703
Investments in associates and other investments	*31*	17 597	18 113
Other financial investments	*32*	1 861	5 650
Non-current receivables	*33*	53 311	54 199
Goodwill	*34*	190 397	190 397
TOTAL ASSETS		**1 641 429**	**1 509 810**

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

26.02.2021

Eurohold Bulgaria AD
Interim Consolidated statement of financial position (continued)
as of December 31, 2020

In thousand BGN	*Notes*	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
Equity			
Issued capital	*44.1*	197 526	197 526
Treasury shares	*44.1*	(97)	(1 353)
Share Premium	*44.2*	49 568	49 568
General reserves		7 641	7 641
Revaluation and other reserves		(60 320)	(52 943)
Retained earnings/(losses)		(65 073)	(40 279)
Profit for the year	*45*	(29 573)	(2 885)
Equity attributable to equity holders of the parent		**99 672**	**157 275**
Non-controlling interests	*46*	28 699	33 423
Total equity		**128 371**	**190 698**
Subordinated debts	*35*	**76 985**	**19 558**
LIABILITIES			
Bank and non-bank loans	*36*	174 336	140 735
Obligations on bond issues	*37*	163 341	157 664
Non-current liabilities	*38*	16 613	23 242
Current liabilities	*39*	49 553	43 891
Trade and other payables	*40*	131 140	139 749
Payables to reinsurers	*41*	66 315	26 193
Deferred tax liabilities	*42*	347	397
		601 645	**531 871**
Insurance reserves	*43*	834 428	767 683
		834 428	**767 683**
Total liabilities and subordinated debts		**1 513 058**	**1 319 112**
TOTAL EQUITY AND LIABILITIES		**1 641 429**	**1 509 810**

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

26.02.2021

Eurohold Bulgaria AD
Interim Consolidated statement of cash flows
for 2020

In thousand BGN	*Note*	2020	2019
Operating activities			
Profit for the period before tax:		**(31 200)**	**753**
Adjustments for:			
Depreciation and amortization	*18*	20 612	20 451
Foreign exchange gain/(loss)		(4 732)	304
Dividend income		(44)	(88)
Insurance reserves change		66 745	36 197
Increase in impairment loss		-	4 706
Revaluation of investments		-	(8 661)
Gain on purchase of investments in subsidiaries		(4 269)	-
Gain on investment sales		(3 613)	(10 015)
Gain on transfer of property, equipment and equipment		-	-
Net investment income (interest income and expense)		9 957	7 129
Other non-monetary adjustments		5 166	(7 449)
Operating profit before change in working capital		**58 622**	**43 327**
Change in trade and other receivables		(89 007)	(53 637)
Change in inventory		(67 142)	18 454
Change in trade and other payables and other adjustments		84 726	20 241
Cash generated from operating activities		**(12 801)**	**28 385**
Interest (paid)/received		2 676	(4 380)
Income tax paid		(2 405)	(467)
Net cash flows from operating activities		**(12 530)**	**23 538**
Investing activities			
Purchase of property, plant and equipment		(3 132)	(3 670)
Proceeds from the disposal of property, plant and equipment		1 069	20 651
Loans granted		(84 630)	(61 371)
Repayment of loans, including financial leases		58 306	67 814
Interest received on loans granted		1 723	3 531
Purchase of investments		(319 416)	(136 890)
Sales of investments		252 499	169 845
Dividends received		3 540	4 816
Effect of exchange rate changes		560	(318)
Other proceeds/(payments) from investing activities, net		3 131	1 550
Net cash flows from investing activities		**(86 350)**	**65 958**

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

26.02.2021

These interim consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD.
The notes are an integral part of the interim consolidated financial statements.

Eurohold Bulgaria AD
Interim Consolidated statement of cash flows (continued)
for 2020

In thousand BGN	*Note*	2020	2019
Financing activities			
Proceeds from loans		210 824	54 028
Repayment of loans		(102 053)	(55 381)
Lease repayments		(16 831)	(26 032)
Payment of interest, charges, commissions on investment loans		(16 193)	(16 122)
Dividends paid		(218)	(3 276)
Other proceeds/(payments) from financing activities, net		371	(563)
Net cash flows from financing activities		**75 900**	**(47 346)**
Net increase / (decrease) in cash and cash equivalents		**(22 980)**	**42 150**
Cash and cash equivalents at the beginning of the period	*20*	91 690	49 540
Cash and cash equivalents at the end of the period	***20***	**68 710**	**91 690**

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

26.02.2021

Eurohold Bulgaria AD
Interim Consolidated Statement of Changes in Equity
for the year, ended December 31, 2020

In thousand BGN	Share capital	Share premium	General reserves	Revaluation and other reserves	Retained earnings/ (losses)	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance as at 31 December 2018 (recalculated)*	**197 449**	**49 568**	**7 641**	**(57 616)**	**(36 931)**	**160 111**	**40 464**	**200 575**
Adjustment for initial application Of IFRS 16	-	-	-	-	(1 245)	**(1 245)**	**(82)**	**(1 327)**
Error correction	**-**	**-**	**-**	**-**	(74)	**(74)**	**-**	**(74)**
Balance as at 1 January 2019 (recalculated)	**197 449**	**49 568**	**7 641**	**(57 616)**	**(38 250)**	**158 792**	**40 382**	**199 174**
Treasury shares repurchased	(1 276)	**-**	**-**	**-**	**-**	**(1 276)**	**-**	**(1 276)**
Dividends	-	-	-	-	(2 469)	**(2 469)**	(859)	**(3 328)**
Change in non-controlling interest due to transactions without change of control	-	-	-	(1 666)	440	**(1 226)**	(8 392)	**(9 618)**
Profit for the period	-	-	-	-	(2 885)	**(2 885)**	1 955	**(930)**
Other comprehensive income:								
Revaluation reserve from recalculations in the foreign currency presentation	-	-	-	1 130	-	**1 130**	28	**1 158**
Changes in the fair value of financial assets through other comprehensive income	-	-	-	(8)	-	**(8)**	-	**(8)**
Change in the fair value of investments in associates	-	-	-	5 217	-	**5 217**	309	**5 526**
Total other comprehensive income	**-**	**-**	**-**	**6 339**	**-**	**6 339**	**337**	**6 676**
Total comprehensive income	**-**	**-**	**-**	**6 339**	**(2 885)**	**3 454**	**2 292**	**5 746**
Balance as at 31 December 2019	**196 173**	**49 568**	**7 641**	**(52 943)**	**(43 164)**	**157 275**	**33 423**	**190 698**
Error correction	**-**	**-**	**-**	**-**	*(1 244)*	***(1 244)***	-	***(1 244)***
Balance as at 1 January 2020 (recalculated)	**196 173**	**49 568**	**7 641**	**(52 943)**	**(44 408)**	**156 031**	**33 423**	**189 454**
Treasury shares repurchased	1 256	-	-	-	-	**1 256**	-	**1 256**
Dividends	-	-	-	-	-	**-**	(637)	**(637)**
Change in non-controlling interest due to transactions without change of control, other changes	-	-	-	(486)	(20 665)	**(21 151)**	(4 682)	**(25 833)**
Profit for the period	-	-	-	-	(29 573)	**(29 573)**	1 001	**(28 572)**
Other comprehensive income:								
Revaluation reserve from recalculations in the foreign currency presentation	-	-	-	(7 917)	-	**(7 917)**	(382)	**(8 299)**
Change in reserve for subsequent valuations of associates	-	-	-	85	-	**85**	(85)	**-**
Change in fair value of available-for-sale and revaluation assets	-	-	-	941	-	**941**	61	**1 002**
Total other comprehensive income	**-**	**-**	**-**	**(6 891)**	**-**	**(6 891)**	**(406)**	**(7 297)**
Total comprehensive income	**-**	**-**	**-**	**(6 891)**	**(29 573)**	**(36 464)**	**595**	**(35 869)**
Balance as at 30 December 2020	**197 429**	**49 568**	**7 641**	**(60 320)**	**(94 646)**	**99 672**	**28 699**	**128 371**

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

26.02.2021

Consolidated statement of profit or loss by Business Segments
for 2020

In thousand BGN	Note	2020 Consolidated	2020 Insurance business	2020 Automotive	2020 Leasing business	2020 Asset manage-ment and brokerage	2020 Parent company	*2020* *Elimination*
Revenue from operating activities								
Revenue from insurance business	*3*	1 389 279	1 391 104	-	-	-	-	*(1 825)*
Revenue from car sales and after sales	*5*	164 692	-	172 489	-	-	-	*(7 797)*
Revenue from leasing business	*6*	21 669	-	-	22 673	-	-	*(1 004)*
Revenue from asset management and brokerage	*8*	7 934	-	-	-	9 101	-	*(1 167)*
Revenue from the activities of the parent company	*10*	3 027	-	-	-	-	3 836	*(809)*
		1 586 601	**1 391 104**	**172 489**	**22 673**	**9 101**	**3 836**	***(12 602)***
Expenses of operating activities								
Expenses of insurance business	*4*	(1 347 055)	(1 356 294)	-	-	-	-	*9 239*
Cost of cars and spare parts sold		(138 673)	-	(138 810)	-	-	-	*137*
Expenses of leasing business	*7*	(7 790)	-	-	(7 982)	-	-	*192*
Expenses of asset management and brokerage	*9*	(6 811)	-	-	-	(6 711)	-	*(100)*
Expenses of the activities of the parent company	*11*	(1 850)	-	-	-		(1 911)	*61*
		(1 502 179)	**(1 356 294)**	**(138 810)**	**(7 982)**	**(6 711)**	**(1 911)**	***9 529***
Gross profit		**84 422**	**34 810**	**33 679**	**14 691**	**2 390**	**1 925**	***(3 073)***
Other income/(expenses), net	*12*	246	-	-	227	20	-	*(1)*
Other operating expenses	*13*	(72 336)	(37 913)	(22 708)	(8 196)	(1 864)	(3 174)	*1 519*
(Accrued)/recovered impairment loss on financial assets, net	*14*	(1 779)	-	(385)	(1 373)	(30)	9	*-*
EBITDA		**10 553**	**(3 103)**	**10 586**	**5 349**	**516**	**(1 240)**	***(1 555)***
Financial expenses	*15*	(22 731)	(5 069)	(3 248)	(62)	(48)	(16 251)	*1 947*
Financial income	*16*	179	-	755	-	-	-	*(576)*
Foreign exchange gains/(losses), net	*17*	1 411	-	(28)	-	-	1 439	*-*
EBTDA		**(10 588)**	**(8 172)**	**8 065**	**5 287**	**468**	**(16 052)**	***(184)***
Depreciation and amortization	*18*	(20 612)	(7 727)	(6 582)	(5 510)	(192)	(679)	*78*
EBT		**(31 200)**	**(15 899)**	**1 483**	**(223)**	**276**	**(16 731)**	***(106)***
Tax expenses	*19*	2 628	2 990	(312)	3	(53)	-	*-*
Net profit for the period		**(28 572)**	**(12 909)**	**1 171**	**(220)**	**223**	**(16 731)**	***(106)***

Consolidated statement of profit or loss by Business Segments
for 2019

In thousand BGN	Note	2019 Consolidated	2019 Insurance business	2019 Automotive	2019 Leasing business	2019 Asset manage-ment and brokerage	2019 Parent company	*2019* *Elimination*
Revenue from operating activities								
Revenue from insurance business	*3*	1 323 840	1 325 145	-	-	-	-	*(1 305)*
Revenue from car sales and after sales	*5*	244 757	-	253 376	-	-	-	*(8 619)*
Revenue from leasing business	*6*	25 301	-	-	27 434	-	-	*(2 133)*
Revenue from asset management and brokerage	*8*	4 521	-	-	-	5 375	-	*(854)*
Revenue from the activities of the parent company	*10*	2 390	-	-	-	-	7 858	*(5 468)*
		1 600 809	**1 325 145**	**253 376**	**27 434**	**5 375**	**7 858**	***(18 379)***
Expenses of operating activities								
Expenses of insurance business	*4*	(1 257 871)	(1 266 644)	-	-	-	-	*8 773*
Cost of cars and spare parts sold		(211 190)	-	(211 203)	-	-	-	*13*
Expenses of leasing business	*7*	(8 751)	-	-	(9 025)	-	-	*274*
Expenses of asset management and brokerage	*9*	(3 178)	-	-	-	(3 179)	-	*1*
Expenses of the activities of the parent company	*11*	(1 164)	-	-	-	-	(1 187)	*23*
		(1 482 154)	**(1 266 644)**	**(211 203)**	**(9 025)**	**(3 179)**	**(1 187)**	***9 084***
Gross profit		**118 655**	**58 501**	**42 173**	**18 409**	**2 196**	**6 671**	***(9 295)***
Other income/(expenses), net	*12*	(1 080)	-	14	(1 621)	173	-	*354*
Other operating expenses	*13*	(74 642)	(32 811)	(26 749)	(9 804)	(1 560)	(5 366)	*1 648*
(Accrued) / recovered impairment loss on financial assets, net	*14*	(1 630)	(1 081)	(54)	(588)	24	69	*-*
EBITDA		**41 303**	**24 609**	**15 384**	**6 396**	**833**	**1 374**	***(7 293)***
Financial expenses	*15*	(19 908)	(3 515)	(3 551)	(55)	(41)	(14 994)	*2 248*
Financial income	*16*	112	-	489	-	-	-	*(377)*
Foreign exchange gains/(losses), net	*17*	(303)	-	-	-	-	(303)	*-*
EBTDA		**21 204**	**21 094**	**12 322**	**6 341**	**792**	**(13 923)**	***(5 422)***
Depreciation and amortization	*18*	(20 451)	(7 165)	(6 729)	(6 090)	(191)	(708)	*432*
EBT		**753**	**13 929**	**5 593**	**251**	**601**	**(14 631)**	***(4 990)***
Tax expenses	*19*	(1 683)	(1 317)	(310)	(35)	(21)	-	*-*
Net profit for the period		**(930)**	**12 612**	**5 283**	**216**	**580**	**(14 631)**	***(4 990)***

Notes to the Interim Consolidated Financial Statements for 2020

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

1. INFORMATION ABOUT THE ECONOMIC GROUP

Eurohold Bulgaria AD (parent company) is a public joint stock company established by virtue of article 122 of the Public Offering of Securities Act and article 261 of the Commerce Act.

The parent company is registered in Sofia City Court under corporate file 14436/2006 and is established by merger of Eurohold AD registered under corporate file № 13770/1996 as per the inventory of Sofia City Court and Starcom Holding AD registered under corporate file № 6333/1995 as per the inventory of Sofia City Court.

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

The parent company has the following managing bodies: General Meeting of Shareholders, Supervisory Board /two-tier system/ and Management Board, with the following members as at 31.12.2020:

Supervisory board:
Asen Milkov Christov, Country:Bulgaria – Chairman;
Dimitar Stoyanov Dimitrov, Country:Bulgaria – Deputy Chairman;
Radi Georgiev Georgiev, Country:Bulgaria – Member;
Kustaa Lauri Ayma, Country:Finland – Independent Member;
Lyubomir Stoev, Country:Austria – Independent Member;
Louis Gabriel Roman, Country:USA – Independent Member.

Mandate until 09.05.2022.

Management board:
Kiril Ivanov Boshov, Country:Bulgaria - Chairman, Executive Member;
Asen Mintchev Mintchev, Country:Bulgaria – Executive Member;
Velislav Milkov Hristov, Country:Bulgaria – Member;
Assen Emanouilov Assenov, Country:Bulgaria – Member;
Razvan Stefan Lefter, Country:Romania – Member.

Mandate until 14.08.2022.

As of 31.12.2020, the Parent company is represented and managed by Kiril Ivanov Boshov and Assen Mintchev Mintchev – Executive Members of the Management Board, and Hristo Stoev – Procurator, jointly by the one of the executive members and the Procurator of the Parent Company only.

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

As of 31.12.2020, the Audit Committee of the Parent Company comprises the following members:
Ivan Georgiev Mankov, Country:Bulgaria – Chairman;
Dimitar Stoyanov Dimitrov, Country:Bulgaria – Member;
Rositsa Mihaylova Pencheva, Country:Bulgaria – Member.

1.1 Scope of Activities

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

1.2 Structure of the economic group

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

Companies involved in the consolidation and percentage of participation in equity

Insurance Sector

Company	% of participation in the share capital 31.12.2020	% of participation in the share capital 31.12.2019
Euroins Insurance Group AD (EIG AD) *	**95.95%**	**94.41%**
Indirect participation through EIG AD:		
Insurance Company Euroins AD, Bulgaria	98.63%	98.28%
Euroins Romania Asigurare-Reasigurare S.A., Romania	98.51%	98.51%
Euroins Osiguruvanje AD, North Macedonia	93.36%	93.36%
Insurance Company Euroins Life EAD, Bulgaria	100.00%	100.00%
Insurance Company EIG Re AD, Bulgaria	100.00%	100.00%
Euroins Ukraine PrAT, Ukraine	92.62%	92.62%
Euroins Ukraine PrAT, Ukraine through European Travel Insurance PrAT, Ukraine	5.74%	5.74%
Euroins Claims I.K.E., Greece	100.00%	100.00%
Insurance Company Euroins Georgia JCS, Georgia	50.04%	50.04%
European Travel Insurance PrAT, Ukraine	99.99%	99.99%
CJSC Insurance company Euroins, Belarus *(former CJSC IC ERGO)*	93.12%	-

*direct participation

Automobile Sector

Company	% of participation in the share capital 31.12.2020	% of participation in the share capital 31.12.2019
Avto Union AD (AU AD)*	**99.99%**	**99.99%**
Indirect participation through AU AD:		
Avto Union Service EOOD, Bulgaria	100.00%	100.00%
N Auto Sofia EAD, Bulgaria	100.00%	100.00%
Espace Auto OOD, Bulgaria through N Auto Sofia EAD	51.00%	51.00%
EA Properties EOOD, Bulgaria	51.00%	51.00%
Daru Car AD, Bulgaria	100.00%	100.00%
Auto Italy EAD, Bulgaria	100.00%	100.00%
Auto Italy – Sofia EOOD, Bulgaria through Auto Italy EAD, related party until 30.12.2020	-	100.00%
Bulvaria Varna EOOD, Bulgaria	100.00%	100.00%
Bulvaria Sofia EAD, Bulgaria	100.00%	100.00%
Star Motors EOOD, Bulgaria	100.00%	100.00%
Star Motors DOOEL, North Macedonia through Star Motors EOOD	100.00%	100.00%
Star Motors SH.P.K., Kosovo through Star Motors DOOEL	100.00%	100.00%
Motohub OOD, Bulgaria	51.00%	51.00%
Motobul EAD, Bulgaria	100.00%	100.00%
Benzin Finance EAD, Bulgaria	100.00%	100.00%
Bopar Pro S.R.L., Romania through Motobul EAD	99.00%	99.00%

*direct participation

Finance Sector

Company	% of participation in the share capital 31.12.2020	% of participation in the share capital 31.12.2019
Euro-Finance AD, Bulgaria*	**99.99%**	**99.99%**

*direct participation

Company	% of participation in the share capital 31.12.2020	% of participation in the share capital 31.12.2019
Eurolease Group EAD*	**90.01%**	**90.01%**
Indirect participation through Eurolease Group EAD:		
Eurolease Auto EAD, Bulgaria	100.00%	100.00%
Eurolease Auto Romania AD, Romania	77.98%	77.98%
Eurolease Auto Romania AD through Euroins Romania Asigurare-Reasigurare S.A., Romania	20.45%	20.45%
Eurolease Auto DOOEL, North Macedonia	100.00%	100.00%
Eurolease Rent A Car EOOD, Bulgaria	100.00%	100.00%
Amigo Leasing EAD, Bulgaria	100.00%	100.00%
Autoplaza EAD, Bulgaria	100.00%	100.00%
Sofia Motors EOOD, Bulgaria	100.00%	100.00%

*direct participation

Energy sector

Company	% of participation in the share capital 31.12.2020	% of participation in the share capital 31.12.2019
Eastern European Electric Company II B.V., Netherlands	**100.00%**	**100.00%**
Indirect participation through Eastern European Electric Company II B.V:		
Eastern European Electric Company B.V., Netherlands	100.00%	100.00%

* direct participation
Currently, the energy sector companies are not active.

2. SUMMARY OF THE GROUP'S ACCOUNTING POLICY

2.1 Basis for Preparation of the Interim Consolidated Financial Statement

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

In preparing these interim consolidated financial statements, the same accounting policies, accounting techniques and calculation methods and basic assumptions have been applied as in the last consolidated annual financial statements for 2019.

The interim consolidated financial statements for 2020 should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2019, prepared in accordance with all International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (IFRS adopted by the EU). For the purposes of paragraph 1 (8) of the Supplementary Provisions of the Accounting Act applicable in Bulgaria, the term "IFRS adopted by the EU" means International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and the Council.

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

Eurohold Bulgaria as a holding company does not carry out regular commercial activity.

ACCOUNTING POLICY

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

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

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

2.2 Comparative data

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

The consolidated statement of financial position presents two comparative periods when the Group:
a) apply accounting policies retrospectively;
b) retrospectively recalculates items in the consolidated financial statements; or
c) reclassifies items in the consolidated financial statements.
and this has a material effect on the information in the consolidated statement of financial position at the beginning of the prior period.

2.3 Consolidation

The interim consolidated financial statements include an interim consolidated statement of financial position, an interim consolidated statement of profit or loss and other comprehensive income, an interim consolidated cash flow statement and an interim consolidated statement of changes in equity as of 31.12.2020. These statements include the Parent Company and all subsidiaries. A subsidiary is consolidated by the Parent Company by holding, directly or indirectly, more than 50% of the voting shares of the capital or by the ability to manage its financial and operating policies in order to obtain economic benefits from its activities.

The full consolidation method is applied. Reports are aggregated in order, with items such as assets, liabilities, property, income and expense aggregated. All domestic transactions and balances between the companies in the group are eliminated. There is an elimination of opposing elements: capital, financial, commercial, reputation calculation at the date of acquisition.

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

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

Principles of consolidation

Business combinations are reported as accounting using the purchase method. This method requires the acquirer to recognise separately from goodwill the acquired identifiable assets, liabilities assumed and participation which does not constitute control in the acquiree. Expenses not directly related to the acquisition relate to profit or loss for the period.

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

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

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

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

Transactions with non-controlling interest

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

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

2.4 Functional and reporting currency

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

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

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

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

2.5 Accounting assumptions and approximate accounting estimates

The presentation of the consolidated interim financial statements in accordance with International Financial Reporting Standards requires the Group's management to make the best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, income and expenses, and the disclosure of contingent receivables and payables at the reporting date. These estimates, accruals and assumptions are based on information available at the date of the consolidated interim financial statements, so future actual results could differ (as in a financial crisis, the uncertainties are more significant).

Significant judgments

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

Revenue from contracts with customers
When recognizing revenue under contracts with customers, the management makes various judgments, estimates and assumptions that affect the reported revenue, expense, assets and liabilities under contracts.

2.6 Uncertainty of accounting estimates

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

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

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

Evaluation of the pending payment reserve
The Reserve for Outstanding Payments includes RBNS claims as at the date of the consolidated financial statements as well as unrecognized claims (IBNR).

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

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

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

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

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

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

Claims on recourse claims

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

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

Share of reinsurers in technical provisions

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

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

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

Inventories - Impairment

At the end of the reporting period, the management reviews the available inventories - materials, commodities to determine whether there are those with a net realizable value below their carrying amount. In determining net realizable value, management takes into account the most reliable information available at the date of the estimate. During this review as of 31.12.2020. no indications for impairment of inventories were established.

Impairment of property, plant and equipment
In accordance with IAS 36, at the end of the reporting period, an estimate is made as to whether there is any indication that the value of an asset in property, plant and equipment is impaired. In the case of such indications, the recoverable amount of the asset is calculated and the impairment loss is determined.

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

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

Impairment of loans and receivables and net investment in finance leases

- **Net investment in finance leases**

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

- **Cash and cash equivalents**

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

- **Loans receivables**

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

- **Litigation and claims**

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

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

2.7 Revenue

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

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

Clients' contracts typically include a single performance obligation:
- Sales of cars (spare parts);
- Car Services.

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

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

Type of product / service	**Nature and timing of the fulfillment of performance obligations, including essential payment arrangements**	**Recognition of income under IFRS 15**
Car sales	Performance obligations satisfied at a certain point. Customers receive control when: 1 / the client has a legal right of ownership; 2 / The Group has transferred the physical possession of the asset; 3 / the client carries significant risks and benefits from the asset; 4 / The Group has an existing payment entitlement. The asset is derecognised at the time the control is transferred to the sold asset. Invoices are payable within 30-40 days.	Revenue from the sale of vehicles is recognized by the liability method at a specified time, in accordance with IFRS 15, when the control of the vehicle is transferred to the customer. This is usually done by passing the vehicles and the physical knowledge of them to the customer and the buyer has accepted the goods in accordance with the sales contract. The transaction price can be defined as a market price, reduced by discounts (net of taxes), which may include fixed remuneration and variable remuneration. The allocation of the transaction price to the performance obligations is based on unit sales prices (market).
Revenue from sales of short-term assets (spare parts and accessories)	Delivery occurs when the assets have been shipped to the customer, the risks of potential losses have been passed on to the buyer and / or he has taken the assets in accordance with the sales contract. The usual payment term is up to 30 days after delivery.	Revenues from sales of short-term assets are recognized when the control of the assets sold is transferred. Delivery occurs when the assets have been shipped to the client, the risks of potential losses are passed on to the buyer and either he has accepted the assets in accordance with the sale contract.
Revenue from services	The control is transferred when the service is performed. Receipt is due immediately.	Revenue from services is recognized using the liability method over time. If, at the end of the reporting period, the service contract is not fully realized, revenue is recognized on the basis of the actual service provided by the end of the reporting period as a proportion of the total services to be provided as the client receives and consumes the benefits simultaneously. This is determined on the basis of actual time spent or reported time for work, in relation to the total expected time of service.

Type of product / service	Nature and timing of the fulfillment of performance obligations, including essential payment arrangements	Recognition of income under IFRS 15
Extended warranties	Separate obligation to implement. They are deferred if the Group is the principal of the extended guarantees. It is analyzed whether the Group is a principal or an agent.	The Group has found that, when selling extended warranties, the Group companies providing extended guarantees have the role of agent and the way of reporting extended guarantees changed. The Group considers that all sales of extended warranties and repairs should be accounted for at the expense of the manufacturer or the insurance company Car-Guarantee Vesrsiherung AG (whichever is the principal).

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

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

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

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

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

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

- **Free goods**

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

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

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

- **Sales with redemption capability**

Revenue is recognized when the vehicle is sold, but the estimate of the redemption option is deducted from revenue and recognized as deferred income, as well as a liability to the customer for redemption. Similarly, the estimate of the value of the vehicle to be returned is reduced by the cost of the sale and is also deferred.
The Group has determined that there are no contractual obligations during the period in connection with the repurchase option.

Approach for recognizing major types of revenue under customer contracts

Sales revenue is realized by the following:
- car sales;
- car leasing;
- services, repair services;
- sales of spare parts.

Car sales revenue

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

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

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

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

Services revenue

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

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

Revenue from sales of current assets

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

Principal or agent

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

The signs that it is the principal includes:

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

The Group is the principal in the following transactions:

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

The Group is an agent for the following transactions:

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

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

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

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

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

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

Income	**IFRS / IAS - Applicable to Recognition of Revenue (Income)**	**Recognition approach**
Net gain on the sale of property, plant and equipment and intangible assets	IAS 16 IAS 38	Gains or losses arising on the disposal of property, plant, equipment or intangible asset as a result of a sale are included in profit or loss when the asset is derecognised. The asset is derecognised at the time the control is transferred to the sold asset.
Rental income	IFRS 16	Lease income from operating leases is recognized as income on a straight-line basis over the lease term unless the Group's management considers that another systematic basis reflects the timing model in which the lessor's benefit is reduced leased asset.
Surplus assets and	Conceptual framework	Revenues from surplus assets are recognized when surpluses are established.

Income	IFRS / IAS - Applicable to Recognition of Revenue (Income)	Recognition approach
asset liquidation		
Income from insurance events	Conceptual framework	Revenue is recognized when the Group's right to receive the payment is established.
Income from penalties		Revenue is recognized when the Group's right to receive the payment is established.
Income from write-off of liabilities	IFRS 9	Revenue from write-offs is recognized when the liability expires or the creditor waives its rights.

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

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

The financial revenue generated by Eurohold Group generated stems from:

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

2.8 Expenses

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

Administrative expenses are recognized as expenses incurred during the year that are related to the management and administration of the Group companies, including expenses related to administrative staff, management staff, office and other external services.
Financial costs include: costs arising from investment operations, negative financial operations and currency exchange rate differences, interest expense on bank and commercial loans and debt securities, and charges for fees and commissions.

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

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

2.9 Interests

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

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

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

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

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

2.10 Fees and commissions

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

Other fee and commission income, including fees for logistics services, insurance and other intermediation, are recognized through the performance of the related services.
Other charges for fees and commissions related mainly to banking services are recognized on receipt of the related services.

2.11 Segment reporting

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

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

Insurance:
- Insurance Services

Financial services:
- Lease services
- Investment intermediation

Car sales:
- Sale of new cars
- Auto services
- Rental services

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

2.11.1 Insurance business

Recognition and measurement of insurance contracts

Non-life insurance premiums
Non-life insurance premiums are booked on an annual basis.
Gross gross premiums written for non-life insurance are the premiums under the direct insurance or co-insurance contracts that were concluded during the year, although the premiums may be wholly or partly related to a later accounting period. Premiums are reported gross of commissions paid by intermediaries. The portion of the insurance premiums written, including unexpired insurance contracts, is recognized as income. Subscribed insurance premiums are recognized at the date of the insurance

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

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

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

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

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

Insurance reserves
Insurers maintain different types of insurance reserves with which they serve their obligations to customers and cover the costs associated with the benefits paid. Since premiums are paid in advance and insurance protection covers the entire duration of the insurance, reserves are created. Thus, the insurer has sufficient funds to recover the damages incurred during the insurance.
There are 2 main groups of reserves – general and technical.

The *total reserves* are those that insurers must form within the meaning of the Commercial Act.

The *technical provisions* group shall include:
- unearned premium reserve;
- reserve for upcoming payments – includes a reserve for claims arising but not claimed and a reserve for claims made but outstanding;
- reserve for unexped claims;
- other reserves - including mathematical reserve.

The unearned premium reserve
The unearned premium reserve consists of the portion of gross written insurance / health insurance premiums that is calculated to be earned in the next or further financial periods.

The unearned premium reserve includes accrued and recognized insurance premiums during the reporting period less the premiums written to reinsurers that are to be recognized in the next financial year or subsequent financial periods.

The reserve is calculated separately for each insurance / health insurance contract using a proportional daily basis method. The unearned premium reserve is calculated as net of commission to intermediaries, advertising and other acquisition costs.

Reserve for upcoming payments
The reserve for upcoming payments shall be formed to cover compensation and the related costs of incurred damages which have not been paid on the same date, whether or not they have been announced by the insurer. Includes:
- reserve for claims arising but not claimed;
- reserve for claims made but outstanding.

Their amount shall be determined by a responsible actuary authorised by the Financial Supervision Commission on the basis of statistical methods based on historical data for a sufficiently long period to cover the full cycle of their development. The valuation is individual for each claim based on the expected amount of future payments.

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

Other technical reserves - including reserves outside the above groups - such as mathematical reserve - are formed to meet future long-term insurance payments.

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

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

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

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

Premiums and losses relating to these reinsurance contracts are treated as income and expense in the same way as would be considered if reinsurance was a direct business, taking into account the classification of reinsurance business products.
Coupled (or accepted) premiums and reimbursed benefits (or paid damages) are reported in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position as gross amounts.

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

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

The recoverable amount of receivables under reinsurance contracts is reviewed for impairment at each date of the consolidated statement of financial position. Such assets are valued if objective evidence exists as a result of an event occurring after its initial recognition.

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

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

2.11.2 Leasing activity

Leasing activity – The Group as lessor

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

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset, and as an operating lease if it does not substantially transfer all the risks and rewards of ownership of the underlying asset. 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 can be represented by the expected profitable exploitation over the economic life of the underlying asset and the expected profit from the increase in value or realization of the residual value.

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

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

2.11.2.1 Financial leasing

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

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

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

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

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

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

Derecognition and impairment

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

Amendments to the lease agreement

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

a) the amendment increases the scope of the lease by adding the right to use one or more underlying assets; and

b) the remuneration under the leasing contract is increased by an amount commensurate with the independent price for the increase in the scope and possible adjustments of this price to reflect the circumstances of the specific contract.

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

a) for a contract that would have been classified as an operating lease if the amendment was effective on the date of introduction, the lessor:

i) accounts for the amendment to the lease as a new lease from the effective date of the amendment; and

ii) measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the amendment to the lease;

b) Otherwise, the lessee applies the requirements of IFRS 9.

Receivables on financial lease

The leasing activity of the Group involves rent of vehicles, industrial equipment, real estate and others, mainly on finance lease agreements.

The finance lease agreement is an agreement under which the lessor gives to the lessee the right of use of a particular asset for an agreed term against reward. Lease agreement is recorded as finance when the contract transfers to the lessee all substantial risks and benefits associated with the ownership of the asset.

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

Minimum Lease Payments

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

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

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

Initial and Subsequent Evaluation

Initially, the Group recognizes a receivable on financial lease equal to its net investment, including present value of minimal lease payments and each residual value of the Group that is not secured. The current value is calculated by discounting minimum lease payments due by the inherent to the lease agreement interest rate. Initial direct costs are included in the calculation of the claim under financial lease. During the term of the lease agreement the Group accrues financial income (income from interest on financial lease) on the net investment. Received lease payments are treated as a reduction of net investment (repayment of principal) and recognition of financial income in a manner to ensure a constant rate of return on the net investment. Consequently, the net investment in finance lease agreements is presented net, after deduction of individual and portfolio provisions for uncollectability.

2.11.2.2 Operating leasing

Recognition and assessment

The lessor recognizes lease payments under operating leases as revenue on a straight-line basis or on a systematic basis. The lessor applies another systematic basis where that basis more accurately reflects the way in which the benefit of using the underlying asset is diminished.
The lessor adds the initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes it as an expense over the lease term on the same basis as the lease income. The underlying asset subject to operating leases is amortized with the lessor's usual amortization policy for such assets. The depreciation of such an asset is recognised as an expense on the lease term on the same basis as the lease income.

Amendments to the lease agreement

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

Presentation

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

Impairment losses on financial leasing receivables

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

2.11.3 Financial intermediation activity

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

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

Financial assets at fair value through profit or loss

Financial assets for which a business model "held for contractual cash flows" or a business model "held for collection and sale" is not applicable, as well as financial assets whose contractual cash flows are not only principal and interest payments are reported at fair value through profit or loss. All derivative financial instruments are reported in this category except for those that are designated and effective as hedging instruments and for which hedge accounting requirements apply.
Changes in the fair value of assets in this category are reflected in profit or loss. The fair value of financial assets in this category is determined using either quoted market prices or using valuation techniques in the absence of an active market.

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

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

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

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

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

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

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

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

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

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

a/ at the last announced redemption price.

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

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

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

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

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

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

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

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

Price sources are regulated securities markets - the Bulgarian Stock Exchange and foreign regulated markets where the relevant securities are traded.
Quotation sources can be recognized by world news agencies such as REUTERS, BLOOMBERG, and so on.

Derivatives

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

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

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

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

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

2.12 Taxes

Income tax

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

Current taxes on profits of Bulgarian companies in the Group are determined in accordance with the requirements of Bulgarian tax legislation - the Corporate Income Tax Act. The nominal tax rate for Bulgaria in 2020 is 10% (2019: 10%).

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

Country	Tax rate	
	2020	2019
Romania	16%	16%
North Macedonia	10%	10%
Ukraine	18%	18%
Georgia	15%	15%
Greece	24%	29%
Belarus	18%	18%

Deferred tax

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

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

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

The deferred taxes on the profits of the Group companies are assessed at a rate valid for 2020, which for the Bulgarian companies is 10% and for the subsidiaries abroad is as follows:

Country	Tax rate for 2020
Romania	16%
North Macedonia	10%
Ukraine	18%
Georgia	15%
Greece	24%
Belarus	18%

2.13. Non-current assets

2.13.1 Property, plant and equipment, rights of use

2.13.1.1 Property, plant and equipment

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

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

Initial acquisition
Initial valuation of tangible fixed assets is carried out:

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

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

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

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

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

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

Gains and losses on sale
In the case of a sale of tangible fixed assets, the difference between the carrying amount and the sale price of the asset is recognized as a gain or loss in the consolidated statement of profit or loss and other comprehensive income.Write-off of tangible fixed assets on the balance sheet is at the time of sale or when the asset is definitively disposed of and after the write-off is not expected to have any other economic benefits.

2.13.1.2 Rights of use

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

2.13.2 Goodwill

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

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

2.13.3 Intangible assets

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

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

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

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

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

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

2.13.4 Depreciation methods

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

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

Asset group	Useful life in years
Buildings	25-46
Machinery and equipment	3-10
Vehicles	4-6
Business inventory	3-19
Computers	2-5
Software	2
Intangible assets	5-7
Rights of use	over the shorter of the asset's life and the lease term on a straight-line basis

2.14 Investment property

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

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

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

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

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

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

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

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

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

2.16 Pension and other payables to employees and social legislation staff

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

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

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

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

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

Expenses on the Group's commitment to pay installments under defined contribution plans are recognized in profit or loss on an ongoing basis.

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

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

2.17 Financial assets and liabilities

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

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

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

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

The initial measurement of financial assets at fair value through profit or loss is not adjusted for transaction costs that are reported as current expenses.

The initial measurement of trade receivables that do not have a significant financial component represents the transaction price under IFRS 15.

Depending on the method of subsequent reporting, financial assets are classified into one of the following categories:
- debt instruments at amortized cost;
- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income, with or without reclassification in profit or loss, whether they are debt or equity instruments.

The classification of financial assets is determined on the basis of the following two conditions:
- the business model of the Financial Assets Management Group;
- the characteristics of the contractual cash flows of the financial asset.

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

Subsequent valuation of financial assets

Debt instruments at amortized cost

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

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

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

Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through other comprehensive income

The Group recognizes financial assets at fair value in other comprehensive income if the assets meet the following conditions:
- The Group manages assets within a business model that aims to hold the financial assets to collect contractual cash flows and sell them; and
- According to the contractual terms of the financial asset at specific dates, cash flows arise, which are only principal payments and interest on the outstanding amount of the principal.

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

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

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

Classification and measurement of financial liabilities

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

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

- **Net investment in financial leasing**

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

- **Cash**

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

- **Receivables on loans**

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

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

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

- **Judicial and adjudicated receivables**

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

2.18 Inventory

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

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

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

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

2.19 Provisions, contingent liabilities and contingent assets

Provisions are recognized when it is probable that current liabilities resulting from a past event will result in an outflow of resources from the Group and a reliable estimate of the amount of the liability can be made. The timing or amount of cash outflow may be uncertain.
A present obligation arises from the existence of a legal or constructive obligation as a result of past events, such as guarantees, legal disputes or burdensome contracts. Restructuring provisions are recognized only if a detailed formal restructuring plan has been developed and implemented or management has announced the main points of the restructuring plan to those who would be affected. Provisions for future operating losses are not recognized.

The amount recognized as a provision is calculated on the basis of the most reliable estimate of the costs required to settle a current liability at the end of the reporting period, taking into account the risks and uncertainties associated with the current liability. Where there are a number of similar obligations, the probable need for an outflow to settle the obligation is determined taking into account the group of liabilities as a whole. Provisions are discounted when the effect of time differences in the value of money is significant.
Third party benefits in respect of a liability that the Group is certain to receive are recognized as a separate asset. This asset may not exceed the value of the provision in question.

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

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

Possible inflows of economic benefits that do not yet meet the criteria for recognition of an asset are considered contingent assets.

2.20 Equity and earnings per share

2.20.1 Equity

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

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

2.20.2 Earnings per share

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

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

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

2.21 Liabilities

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

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

Deferred income is recognized as liabilities includes payments received in respect of earnings for subsequent years.

2.22 Financial Risk Management

Factors that determine the financial risk

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

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

2.22.1 Currency risk

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

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

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

2.22.2 Interest rate risk

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

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

2.22.3 Credit risk

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

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

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

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

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

2.22.4 Liquidity risk

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

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

2.22.5 Other risks Covid-19 (Coronavirus)

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

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

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

Development of Covid-19 Pandemic (Coronavirus)

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

Similar measures have been introduced in other countries where the Group operates, such as Greece (March 11, 2020), Romania (March 21, 2020), Ukraine (March 14, 2020) and Northern Macedonia (March 18, 2020). As a result of the measures imposed by the governments, a significant part of the economic activity in the countries was suspended, also a significant part of the international trade was slow down.

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

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

Effect on economic growth

The table below presents information on the expectations for economic growth of the Republic of Bulgaria, according to the data of the International Monetary Fund (October 2020)" https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020),, including forecast data after the occurrence of the pandemic situation related to Covid-19 (Coronavirus).

	Historical data			Forecast			
	2017	**2018**	**2019**	**2020 (before Covid-19)**	**2020 (Covid-19)**	**Average 2021-24 (before Covid-19)**	**2021 (Covid-19)**
Economic GDP growth	3.5%	3.1%	3.4%	3.2%	(4.0)%	2.8%	4.1%

Source: *International Monetary Fund - World Economic Outlook*

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

	Historical data			Forecast			
	2017	**2018**	**2019**	**2020 (before Covid-19)**	**2020 (Covid-19)**	**Average 2021-24 (before Covid-19)**	**2021 (Covid-19)**
Economic GDP growth	1.9%	2.5%	1.9%	1.4%	(8.3)%	1.3%	5.2%

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

	Historical data			Forecast			
	2017	**2018**	**2019**	**2020 (before Covid-19)**	**2020 (Covid-19)**	**Average 2021-24 (before Covid-19)**	**2021 (Covid-19)**
Romania	7.1%	4.4%	4.1%	3.5%	(4.8)%	3.0%	4.6%
North Macedonia	1.1%	2.7%	3.6%	3.4%	(5.4)%	3.5%	5.5%
Ukraine	2.5%	3.3%	3.2%	3.0%	(7.2)%	3.3%	3.0%
Georgia	4.8%	4.8%	5.1%	4.8%	(5.0)%	5.2%	5.0%
Belarus	2.5%	3.1%	1.2%		(3.0)%		2.2%
Russian Federation	1.8%	2.5%	1.3%	1.9%	(4.1)%	1.8%	2.8%
Greece	1.5%	1.9%	1.9%	2.2%	(9.5)%	0.9%	4.1%
Poland	4.9%	5.1%	4.1%	3.1%	(3.6)%	2.5%	4.6%

Italy	1.7%	0.8%	0.3%	0.5%	(10.6)%	0.6%	5.2%
Spain	2.9%	2.4%	2.0%	1.8%	(12.8)%	1.6%	7.2%
United Kingdom	1.9%	1.3%	1.4%	1.4%	(9.8)%	1.5%	5.9%

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

Effect on credit ratings

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

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

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

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

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

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

Analysis of the expected effect on the IFRS model 9

The Group (as a part of the Eurohold Bulgaria Group) applies IFRS 9 from January 01, 2018, although The Insurance business had the right to postpone its application until January 1, 2023 (joint application with IFRS 17).

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

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

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

- The measures taken by the Government of the Republic of Bulgaria, the governments of the countries where the Group operates, including the applied private and public moratoriums, which currently do not lead to additional indications of significantly deteriorated credit quality of the counterparties. Management strictly monitors the existence of long-term indications of deterioration, as the general temporary potential liquidity problems of counterparties caused directly by Covid-19 (Coronavirus) are not considered indications of credit deterioration;

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

With regard to the model (including the complete and simplified one) for calculating the expected credit losses, the Management considers that it is possible to make a change in the general model. Management recognizes the possible short-term risks to the overall economic development of the main countries in which the Group operates, and in some markets, the expected reduction in Gross Domestic Product would be significant, but also takes into account the general expectations for rapid recovery in 2021-2022. to return to the average predicted growth levels before Covid-19 (Coronavirus). For these reasons, the Group's management has decided to review its model for calculating expected credit losses under IFRS 9 and to update some of its expectations, namely because the Management believes that some of the Group's counterparties may be affected. from the deteriorating economic situation and in this regard has taken action to update some of the parameters in its calculation model. As sufficiently reliable information is available as of 31 December 2020 for both macroeconomic statistics and medium-term levels of probability of default, the Guide is:

- Increased expected credit loss of exposures that are part of the simplified model;
- Increased expected credit loss on exposures that are part of the full model (i.e. deposits and cash in banking institutions, sovereign and corporate bonds);
- Increased expected credit loss of exposures that are part of the full model and represent lease receivables within the scope of IFRS 16.

2.23 Determination of fair values

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

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

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

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

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

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

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

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

2.24 Cash flows

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

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

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

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

2.25 Leasing

The Group as a lessee

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

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

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

Leasing assets and liabilities are initially measured at present value.

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

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

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

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

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

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

Applicable Rates at Eurohold Bulgaria AD:

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

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

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

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

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

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

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

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

Practical expedients applied

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

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

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

The Group as a lessor

Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance. (*Note 2.11.2 Leasing activity*).

3. Revenue from insurance business	2020 *хил. лв.*	2019 *хил. лв.*
Gross premiums written from insurance	914 504	847 458
Received recoveries from reinsurers	263 428	238 329
Positive change in the gross provision for unearned premiums and unexpired risk reserve	-	-
Positive change in reinsurers' share in unearned premium reserve	3 966	28 136
Change in the reinsurers' share in other reserves	63 105	37 598
Positive change in other technical reserves	6	3 213
Recourse income	8 733	23 162
Fees and commissions income	92 862	105 339
Investment income	33 999	30 614
Share of profit on investments in associates accounted for using the equity method	-	4 535
Income from the purchase of investments in subsidiaries	4 269	-
Other revenue	4 407	5 456
	1 389 279	**1 323 840**

4. Expenses of insurance business

	2020	2019
	BGN'000	*BGN'000*
Paid claims, claims handling and prevention expenses	(558 037)	(503 831)
Change in the gross provision for unearned premiums and unexpired risk reserve	(18 573)	(37 532)
Share of the reinsurer in the change of the unearned premium reserve	-	-
Change in other technical reserves	(53 094)	(67 062)
Change in the reinsurers' share in the other reserves	(2 218)	(3 900)
Premiums ceded to reinsurers	(412 299)	(382 722)
Acquisition expenses	(212 116)	(198 667)
Investment expenses	(21 467)	(11 805)
Other expenses	(69 251)	(52 352)
	(1 347 055)	**(1 257 871)**

5. Revenue from car sales and after sales

	2020	2019
	BGN'000	*BGN'000*
Revenue from sale of cars and spare parts	158 113	235 672
Revenue from after sales and rent-a-car services	5 746	3 852
Gains from the sale of financial assets and instruments	833	5 233
	164 692	**244 757**

6. Revenue from leasing business

	2020	2019
	BGN'000	*BGN'000*
Revenue from services	15 465	18 589
Interest income	6 149	6 360
Gains from sale of financial assets and instruments	-	245
Foreign exchange gains	1	4
Other financial revenue	54	103
	21 669	**25 301**

7. Expenses of leasing business

	2020	2019
	BGN'000	*BGN'000*
Interest expenses	(3 605)	(4 367)
Book value of goods sold	(3 922)	(3 821)
Losses from sales of financial assets and instruments	-	(220)
Foreign exchange losses	(55)	(76)
Other expenses	(208)	(267)
	(7 790)	**(8 751)**

8. Revenue from asset management and brokerage

	2020 *BGN'000*	2019 *BGN'000*
Interest income	458	443
Dividend income	3	88
Gains from sale of financial assets and financial instruments	6 435	3 315
Foreign exchange gains, net	-	-
Other revenue	1 038	675
	7 934	**4 521**

9. Expenses of asset management and brokerage

	2020 *BGN'000*	2019 *BGN'000*
Interest expenses	(71)	(83)
Losses from sales of financial assets and financial instruments	(6 316)	(2 549)
Foreign exchange losses,net	(143)	(3)
Other expenses	(281)	(543)
	(6 811)	**(3 178)**

10. Revenue from the activities of the parent company

	2020 *BGN'000*	2019 *BGN'000*
Gains from sale of financial assets and financial instruments	2 443	1 072
Interest revenue	-	576
Other revenue	584	742
	3 027	**2 390**

11. Expenses of the activities of the parent company

	2020 *BGN'000*	2019 *BGN'000*
Losses from sales of financial assets and financial instruments	(1 850)	(1 164)
	(1 850)	**(1 164)**

12. Other income/(expenses), net

	2020 *BGN'000*	2019 *BGN'000*
Other income/(expenses), net	246	(1 080)
	246	**(1 080)**

12.1. Other expenses

	2020 *BGN'000*	2019 *BGN'000*
Leasing business	-	(1 267)
	-	**(1 267)**

12.2. Other income

	2020 BGN'000	2019 BGN'000
Leasing business	227	14
Asset management and brokerage	19	173
	246	**187**

13. Other operating expenses

	2020 BGN'000	2019 BGN'000
Expenses on materials	(3 018)	(2 762)
Expenses on hired services	(25 726)	(26 269)
Employee benefits expenses	(37 679)	(38 102)
Other expenses	(5 913)	(7 509)
	(72 336)	**(74 642)**

13.1 Expenses on materials by segments

	2020 BGN'000	2019 BGN'000
Insurance business	(1 059)	(477)
Automotive business	(1 604)	(1 966)
Leasing business	(342)	(288)
Asset management and brokerage	(11)	(27)
Parent company	(2)	(4)
	(3 018)	**(2 762)**

13.2 Expenses on hired services by segments

	2020 BGN'000	2019 BGN'000
Insurance business	(13 018)	(8 364)
Automotive business	(6 586)	(8 123)
Leasing business	(3 450)	(4 785)
Asset management and brokerage	(501)	(502)
Parent company	(2 171)	(4 495)
	(25 726)	**(26 269)**

13.3 Employee benefits expenses by segments

	2020 BGN'000	2019 BGN'000
Insurance business	(20 262)	(18 978)
Automotive business	(12 990)	(14 505)
Leasing business	(3 001)	(3 241)
Asset management and brokerage	(820)	(793)
Parent company	(606)	(585)
	(37 679)	**(38 102)**

13.4 Other expenses by segments

	2020 BGN'000	2019 BGN'000
Insurance business	(3 574)	(4 992)
Automotive business	(1 178)	(1 670)
Leasing business	(269)	(354)
Asset management and brokerage	(505)	(219)
Parent company	(387)	(274)
	(5 913)	**(7 509)**

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

	2020 BGN'000	2019 BGN'000
(Accrued) impairment loss on financial assets	(2 654)	(2 132)
Recoverable impairment loss on financial assets	875	502
	(1 779)	**(1 630)**

14.1 (Accrued) impairment loss on financial assets by segments

	2020 BGN'000	2019 BGN'000
Insurance business	-	(1 129)
Automotive business	(702)	(282)
Leasing business	(1 856)	(664)
Asset management and brokerage	(46)	(41)
Parent company	(50)	(16)
	(2 654)	**(2 132)**

14.2 Recovered impairment loss on financial assets by segments

	2020 BGN'000	2019 BGN'000
Insurance business	-	48
Automotive business	317	228
Leasing business	483	76
Asset management and brokerage	16	65
Parent company	59	85
	875	**502**

15. Financial expenses

	2020 BGN'000	2019 BGN'000
Interest expenses	(20 337)	(17 546)
Interest expenses – Right of use assets	(1 533)	(1 455)
Other financial expenses	(861)	(907)
	(22 731)	**(19 908)**

15.1 Interest expenses by segments

	2020	2019
	BGN'000	*BGN'000*
Insurance business	(4 313)	(2 617)
Automotive business	(1 865)	(1 914)
Parent company	(14 159)	(13 015)
	(20 337)	**(17 546)**

15.2 Interest expenses – right of use assets by segments

	2020	2019
	BGN'000	*BGN'000*
Insurance business	(679)	(820)
Automotive business	(669)	(474)
Leasing business	(62)	(55)
Asset management and brokerage	(47)	(34)
Parent company	(76)	(72)
	(1 533)	**(1 455)**

15.3 Other financial expenses by segments

	2020	2019
	BGN'000	*BGN'000*
Automotive business	(576)	(678)
Parent company	(285)	(229)
	(861)	**(907)**

16. Financial income

	2020	2019
	BGN'000	*BGN'000*
Interest revenue	179	112
	179	**112**

16.1 Financial income by segments

	2020	2019
	BGN'000	*BGN'000*
Automotive business	179	112
	179	**112**

17. Foreign exchange gains/(losses), net

	2020	2019
	BGN'000	*BGN'000*
Automotive business	-	-
Parent company	1 411	(303)
	1 411	**(303)**

18. Depreciation and amortization by segments

	2020	2019
	BGN'000	*BGN'000*
Insurance business incl.	(7 652)	(7 115)
Right of use assets	*(4 504)*	*(4 329)*
Automotive business incl.	(6 582)	(6 396)
Right of use assets	*(2 972)*	*(2 548)*
Leasing business incl.	(5 510)	(6 090)
Right of use assets	*(285)*	*(287)*
Asset management and brokerage incl.	(189)	(142)
Right of use assets	*(163)*	*(119)*
Parent company incl.	(679)	(708)
Right of use assets	*(611)*	*(662)*
	(20 612)	**(20 451)**

19. Tax expenses

	2020	2019
	BGN'000	*BGN'000*
Income tax expense	(862)	(1 691)
Deferred tax	3 490	8
	2 628	**(1 683)**

19.1 Tax expenses by segments

	2020	2019
	BGN'000	*BGN'000*
Insurance business	2 990	(1 317)
Automotive business	(312)	(310)
Leasing business	3	(35)
Asset management and brokerage	(53)	(21)
	2 628	**(1 683)**

20. Cash and cash equivalents

	31.12.2020	31.12.2019
	BGN'000	*BGN'000*
Cash on hand	3 647	4 710
Deposits up to 3 months	64 026	86 187
Restricted cash	681	649
Cash equivalents	581	336
Impairment	*(225)*	*(192)*
	68 710	**91 690**

21. Time deposits at banks by segments

	31.12.2020	31.12.2019
	BGN'000	*BGN'000*
Insurance business	28 494	15 807
Impairment	*(20)*	*(20)*
	28 474	**15 787**

22.1 Reinsurers' share in technical reserves

	31.12.2020	31.12.2019
	BGN'000	*BGN'000*
Unearned premium reserve	159 805	165 184
Reserve for unexplored claims	4 155	-
Claims reserve, incl.:	356 022	294 753
Reserves for incurred, but not reported claims	*161 894*	*97 685*
Reserves for reported, but not settled claims	*194 128*	*197 068*
Other technical reserves	-	3 892
	519 982	**463 829**

22.2 Receivables from insurance business

	31.12.2020	31.12.2019
	BGN'000	*BGN'000*
Receivables from direct insurance	109 315	90 598
Receivables from reinsurers or sedants	17 128	11 007
Receivables from recourse/subrogation	24 157	26 191
	150 600	**127 796**

23. Trade receivables

	31.12.2020	31.12.2019
	BGN'000	*BGN'000*
Trade receivables	21 830	19 716
Impairment	*(1 255)*	*(847)*
Financial lease receivables	24 045	25 127
Advances paid	3 291	3 046
Other	1 270	110
Impairment	-	*(1)*
	49 181	**47 151**

23.1. Trade receivables by segments

	31.12.2020	31.12.2019
	BGN'000	*BGN'000*
Insurance business	4 814	577
Automotive business	15 138	15 715
Impairment	*(1 003)*	*(713)*
Leasing business	1 699	3 084
Impairment	*(251)*	*(114)*
Asset management and brokerage	99	252
Impairment	*(3)*	*(9)*
Parent company	84	88
Impairment	*(2)*	*(11)*
	20 575	**18 869**

24. Other receivables

	31.12.2020	31.12.2019
	BGN'000	*BGN'000*
Insurance business	34 197	45 037
Impairment	*(4 706)*	*(4 706)*
Automotive business	16 783	4 182
Impairment	*(73)*	*(65)*
Leasing business	206	1 502
Impairment	*(164)*	*-*
Asset management and brokerage	101	14
Parent company	1 314	1 148
Impairment	*(16)*	*(23)*
Prepaid expenses	10 218	2 519
Receivables under court procedures	2 577	2 253
Impairment	*(1 814)*	*(1 571)*
Tax receivables	1 162	1 475
	59 785	**51 765**

24.1. Tax receivables by segments

	31.12.2020	31.12.2019
	BGN'000	*BGN'000*
Insurance business	243	203
Automotive business	555	709
Leasing business	138	301
Parent company	226	262
	1 162	**1 475**

25. Property, plant and equipment

	Land, plots	Land, plots-rights of use	Buildings	Buildings-rights of use	Machinery and equipment	Vehicles	Vehicles-rights of use	Furniture and fittings	Assets under construction	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cost											
As of 1 January 2019	**5 154**	**-**	**14 939**	**-**	**9 927**	**60 588**	**-**	**8 315**	**701**	**2 655**	**102 279**
Acquisition of a subsidiary	-	165	-	28 960	-	-	32	-	-	-	**29 157**
Additions	-	4	377	33 227	2 082	19 529	19	1 165	107	140	**56 650**
Disposals	(82)	-	(1 572)	(14 972)	(589)	(14 455)	-	(1 181)	(78)	(33)	**(32 962)**
Other changes	98	-	1 041	(173)	35	26	-	2	-	374	**1 403**
Derecognized on sale of subsidiaries*	-	-	(1 064)	-	(884)	(164)	-	(619)	(4)	(1)	**(2 736)**
As of 31 December 2019	**5 170**	**169**	**13 721**	**47 042**	**10 571**	**65 524**	**51**	**7 682**	**726**	**3 135**	**153 791**
Additions	-	-	101	8 388	1 508	13 468	-	102	64	397	**24 028**
Disposals	35	-	(789)	(2 232)	(89)	(16 974)	(26)	-	(3)	(42)	**(20 120)**
Other changes	(306)	-	2 422	-	-	311	-	-	24	-	**2 451**
As of 30 December 2020	**4 899**	**169**	**15 455**	**53 198**	**11 990**	**62 329**	**25**	**7 784**	**811**	**3 490**	**160 150**
Depreciation											
As of 1 January 2019	**-**	**-**	**5 050**	**-**	**7 690**	**16 319**	**-**	**4 736**	**5**	**1 969**	**35 769**
Depreciation for the period	-	40	489	7 886	839	9 685	19	672	-	169	**19 799**
Disposals	-	-	(106)	(766)	(432)	(5 586)	-	(122)	-	(18)	**(7 030)**
Other changes	-	-	360	(18)	-	15	-	4	-	69	**430**
Write-offs for sale to subsidiaries*	-	-	(739)	-	(864)	(79)	-	(550)	-	(1)	**(2 233)**
As of 31 December 2019	**-**	**40**	**5 054**	**7 102**	**7 233**	**20 354**	**19**	**4 740**	**5**	**2 188**	**46 735**
Depreciation for the period	-	43	462	8 399	1 081	9 204	93	566	-	183	**20 031**
Disposals	-	-	-	(958)	(833)	(6 737)	(87)	(13)	-	13	**(8 615)**
Other changes	-	-	191	(1)	1 339	-	-	(10)	-	(21)	**1 498**
As of 31 December 2020	**-**	**83**	**5 707**	**14 542**	**8 820**	**22 821**	**25**	**5 283**	**5**	**2 363**	**59 649**
Net book value:											
As of 1 January 2019	**5 154**	**-**	**9 889**	**-**	**2 237**	**44 269**	**-**	**3 579**	**696**	**686**	**66 510**
As of 31 December 2019	**5 170**	**129**	**8 667**	**39 940**	**3 338**	**45 170**	**32**	**2 942**	**721**	**947**	**107 056**
As of 31 December 2020	**4 899**	**86**	**9 748**	**38 656**	**3 170**	**39 508**	**-**	**2 501**	**806**	**1 127**	**100 501**

*Automotive business

25.1. Land and buildings by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	5 942	4 927
Automotive business	8 705	8 910
	14 647	**13 837**

25.2. Land and buildings by segments – Rights of use

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	19 416	21 276
Automotive business	14 907	13 537
Leasing business	1 460	1 571
Asset management and brokerage	971	1 086
Parent company	1 988	2 599
	38 742	**40 069**

25.3 Machinery and equipment by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	2 133	2 083
Automotive business	997	1 215
Leasing business	40	40
	3 170	**3 338**

25.4. Vehicles by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	3 527	4 566
Automotive business	10 674	14 297
Leasing business	25 026	26 120
Asset management and brokerage	151	-
Parent company	130	187
	39 508	**45 170**

25.5. Vehicles by segments – rights of use

	31.12.2020 BGN'000	31.12.2019 BGN'000
Automotive business	-	32
	-	**32**

25.6. Furniture and fittings and other assets by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	816	893
Automotive business	2 657	2 824
Leasing business	121	130
Asset management and brokerage	33	35
Parent company	1	7
	3 628	**3 889**

25.7. Assets under construction by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	18	-
Automotive business	780	721
Leasing business	8	-
	806	**721**

26. Investment property

	31.12.2020 BGN'000	31.12.2019 BGN'000
Net book value at 1 January	**15 703**	**20 209**
Acquired	254	121
Disposals	(6 305)	(849)
Revaluation / (Impairment)	-	(354)
Write-offs on sale of subsidiaries	-	(3 424)
Net book value as at the period end	**9 652**	**15 703**

27. Intangible assets

	Software	Licenses	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000
Cost				
As of 1 January 2019	**8 373**	**114**	**1 940**	**10 427**
Additions	1 058	5	155	**1 218**
Disposals	(340)	-	(268)	**(608)**
Other changes	252	-	3	**255**
Write-offs for sale to subsidiaries	(96)	-	(38)	**(134)**
As of 31 December 2019	**9 247**	**119**	**1 792**	**11 158**
Additions	1 034	-	309	**1 343**
Disposals	(68)	-	(214)	**(282)**
Other changes	284	-	13	**297**
As of 31 December 2020	**10 497**	**119**	**1 900**	**12 516**
Amortization				
As of 1 January 2019	**6 159**	**114**	**880**	**7 153**
Amortization for the period	568	-	84	**652**
Disposals	(20)	-	(30)	**(50)**
Other changes	(12)	-	3	**(9)**
Write-offs for sale to subsidiaries-Automotive segment	(96)	-	(38)	**(134)**
As of 31 December 2019	**6 599**	**114**	**899**	**7 612**
Amortization for the period	485	-	96	**581**
Disposals	(4)	-	-	**(4)**
Other changes	-	5	2	**7**
As of 31 December 2020	**7 080**	**119**	**997**	**8 196**
Net book value:				
As of 1 January 2019	**2 214**	**-**	**1 060**	**3 274**
As of 31 December 2019	**2 648**	**5**	**893**	**3 546**
As of 31 December 2020	**3 417**	**-**	**903**	**4 320**

28. Inventories by segments

	31.12.2020	31.12.2019
	BGN'000	BGN'000
Insurance business	413	447
Automotive business	29 421	38 531
Leasing business	1 978	3 190
	31 812	**42 168**

29. Financial assets by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Government bonds measured at FVTPL, incl.:	101 147	60 644
Insurance business	*101 147*	*60 222*
Asset management and brokerage	*-*	*422*
Government bonds measured at OCI, incl.:	-	7 576
Insurance business	*-*	*7 576*
Total government bonds	**101 147**	**68 220**
Corporate bonds measured at FVTPL, incl.:	28 964	63 524
Insurance business	*26 860*	*62 333*
Asset management and brokerage	*2 097*	*1 191*
Parent company	*7*	*-*
Total corporate bonds	**28 964**	**63 524**
Capital investments measured at FVTPL, incl.:	121 146	92 701
Insurance business	*119 076*	*90 479*
Leasing	*-*	*596*
Asset management and brokerage	*2 070*	*1 626*
Total capital investments	**121 146**	**92 701**
Other financial assets measured at amortised cost, incl.:	88 223	37 527
Insurance business	*78 852*	*30 349*
Asset management and brokerage	*9 371*	*7 178*
Impairment	*(83)*	*(73)*
Total other financial assets	**88 140**	**37 454**
	339 397	**261 899**

30. Deferred tax assets

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	15 151	12 359
Automotive business	488	496
Leasing business	210	206
	15 849	**13 061**

31. Investments associates and other investments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	13 205	13 474
Asset management and brokerage	4 392	4 639
	17 597	**18 113**

32. Other financial investments by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	1 580	5 369
Asset management and brokerage	281	281
Parent company	9	9
Impairment	*(9)*	*(9)*
	1 861	**5 650**

33. Non-current receivables

	31.12.2020 BGN'000	31.12.2019 BGN'000
Finance lease receivables	52 552	51 896
Subsidiaries	1 432	2 326
Impairment	*(673)*	*(23)*
	53 311	**54 199**

34. Goodwill

	31.12.2020 BGN'000	31.12.2019 BGN'000
Euroins Insurance Group AD	165 123	165 123
Motobul EAD	12 538	12 538
Bulvaria Varna EOOD	5 591	5 591
Daru Car OOD	1 400	1 400
Eurolease Group EAD	1 312	1 312
Eurolease Rent-a-Car EOOD	1 803	1 803
Sofia Motors EOOD	10	10
Euro-Finance AD	2 620	2 620
	190 397	**190 397**

35. Subordinated debts

	31.12.2020 BGN'000	31.12.2019 BGN'000
Subordinated debts, issued	19 558	19 558
Subordinated debts, not issued, Teir 1 capital	57 427	-
	76 985	**19 558**

The subordinated debt instruments issued are in the form of a bond loan issued on 18 December 2014 in the form of 100 pcs of available, subordinated, unsecured at the date of issue with a nominal value of 100 thousand euro each. The amount is 10 000 thousand euro (BGN 19 558 thousand) and maturity 18 December 2021. The initial interest rate is 13% plus 3-month Euribor, which is reduced to 9.75% plus Euribor and due at the end of each half-year.

After reviewing the indebtedness and in order to capital reinforcing of the Group,the Parent company has negotiated and converted part of the liabilities as of 31 December 2020 in the form of subordinated debts (not issued) representing Tier 1 capital, in accordance with the applicable provisions of Bulgarian and Community law in force. As of 31 December 2020, Tier 1 capital is totaled BGN 57 427 thousand (EUR 29 362 thousand) and has an indefinite repayment period,not earlier than 5 years, and an interest rate of 6%, due at the end of each quarter.

36. Bank and non-bank loans by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	21 872	9 744
Automotive business	15 830	14 487
Leasing business	81 244	80 464
Parent company	55 390	36 040
	174 336	**140 735**

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

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business, incl.	21 866	9 593
Loans from non-bank financial institutions	*21 866*	*9 593*
Automotive business, incl.:	1 915	2 684
Bank loans	*1 915*	*2 684*
Leasing business, incl.:	53 973	55 451
Bank loans	*53 973*	*55 451*
Parent company, incl.:	41 297	25 531
Bank loans	*41 297*	*25 531*
	119 051	**93 259**

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

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business, incl.:	6	151
Bank loans	*5*	*63*
Loans from non-bank financial institutions	*1*	*88*
Automotive business, incl.:	13 915	11 803
Bank loans	*13 915*	*11 562*
Loans from non-bank financial institutions	*-*	*241*
Leasing business, incl.:	27 271	25 013
Bank loans	*27 271*	*25 013*
Parent company, incl.:	14 093	10 509
Bank loans	*14 093*	*10 509*
	55 285	**47 476**

37. Bond obligations by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Automotive business	14 606	14 151
Leasing business	5 211	9 900
Parent company	143 524	133 613
	163 341	**157 664**

37.1 Bond obligations – long-term, by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Automotive business	13 792	13 067
Leasing business	2 523	1 591
Parent company	123 493	132 858
	139 808	**147 516**

37.2 Bond obligations – short-term, by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Automotive business	814	1 084
Leasing business	2 688	8 309
Parent company	20 031	755
	23 533	**10 148**

38. Non-current liabilities

	31.12.2020 BGN'000	31.12.2019 BGN'000
Other non-current liabilities	4 731	4 398
Finance lease liabilities	11 882	18 844
	16 613	**23 242**

38.1. Other non-current liabilities by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	138	5
Automotive business	3 751	4 263
Leasing business	810	115
Parent company	32	15
	4 731	**4 398**

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

	31.12.2020 BGN'000	31.12.2019 BGN'000
Automotive business	6 923	11 640
Leasing business	4 863	7 204
Asset management and brokerage	96	-
	11 882	**18 844**

39. Current liabilities

	31.12.2020 BGN'000	31.12.2019 BGN'000
Payables to employees	4 422	4 810
Social-security liabilities	3 687	3 348
Tax liabilities	6 575	9 437
Other current liabilities	21 151	17 536
Finance lease liabilities	6 378	7 480
Deferred revenue	219	206
Provisions	7 121	1 074
	49 553	**43 891**

39.1. Payables to employees by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	3 140	3 373
Automotive business	941	1 051
Leasing business	268	328
Parent company	73	58
	4 422	**4 810**

39.2. Social-security liabilities by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	3 181	2 813
Automotive business	409	389
Leasing business	81	122
Parent company	16	24
	3 687	**3 348**

39.3. Tax liabilities by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	3 919	7 553
Automotive business	1 960	1 466
Leasing business	406	290
Asset management and brokerage	77	55
Parent company	213	73
	6 575	**9 437**

39.4. Other current liabilities by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	17 371	13 874
Automotive business	927	1 264
Leasing business	1 644	1 760
Asset management and brokerage	587	150
Parent company	622	488
	21 151	**17 536**

39.5. Finance lease liabilities – current, by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Automotive business	2 700	4 604
Leasing business	3 678	2 876
	6 378	**7 480**

39.6. Deferred revenue – current, by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	8	54
Automotive business	211	152
	219	**206**

39.7. Provisions - by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	6 558	852
Automotive business	283	222
Asset management and brokerage	280	-
	7 121	**1 074**

40. Trade and other payables

40.1. Trade and other payables by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	15 608	6 783
Automotive business	46 142	49 307
Leasing business	1 639	3 641
Asset management and brokerage	60	12
Parent company	27 499	38 307
	90 948	**98 050**

40.2. Leasing liabilities – rights of use, by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	20 070	22 331
Short-term	*2 600*	*4 263*
Long-term	*17 470*	*18 068*
Automotive business	15 449	13 875
Short-term	*2 557*	*2 574*
Long-term	*12 892*	*11 301*
Leasing business	1 533	1 592
Short-term	*269*	*244*
Long-term	*1 264*	*1 348*
Asset management and brokerage	1 001	1 099
Short-term	*102*	*98*
Long-term	*899*	*1 001*
Parent company	2 139	2 802
Short-term	*686*	*665*
Long-term	*1 453*	*2 137*
	40 192	**41 699**

41. Payables to reinsurers

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	66 315	26 193
	66 315	**26 193**

42. Deferred tax liabilities by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	-	59
Automotive business	201	193
Leasing business	146	145
	347	**397**

43. Insurance reserves

	31.12.2020 BGN'000	31.12.2019 BGN'000
Unearned premium reserve, gross amount	263 273	252 556
Reinsurers' share in unearned premium reserve	*(159 805)*	*(165 184)*
Unexpired risks reserve, gross amount	7 524	198
Reinsurers' share in Unexpired risks reserve	*(4 155)*	*-*
Reserve for incurred but not reported claims, gross amount	217 635	167 566
Reinsurers' share in reserve for incurred but not reported claims	*(161 894)*	*(97 685)*
Reserve for reported but not settled claims, gross amount	341 110	336 021
Reinsurers' share in reserve for reported but unsettled claims	*(194 128)*	*(197 068)*
Other technical reserve, incl.	4 886	11 342
Reinsurers' share in other technical reserves	*-*	*(3 892)*
Mathematical reserves	*4 677*	*4 495*
	834 428	**767 683**

44. Share capital and share premium

44.1 Share capital

	31.12.2020 BGN'000	31.12.2019 BGN'000
Issued shares	197 526	197 526
Treasury shares	(97)	(1 353)
Share capital	**197 429**	**196 173**
Number of shares	**197 525 600**	**197 525 600**

As of 31.12.2020, 97 227 6p. voting shares of Eurohold Bulgaria AD are held by companies in the Eurohold Group (as of 31.12.2019 – 1 352 567 voting shares).

The share capital as of 31.12.2020 is distributed as follows:

Share holders	%	Number of shares	Par value
Starcom Holding AD	50.07%	98 894 641	98 894 641
KJK Fund II Sicav-Sif Balkan Discovery	14.23%	28 116 873	28 116 873
Blubeard Investments Limited	10.09%	19 922 400	19 922 400
SPECIALIZED LOGISTIC SYSTEMS AD	6.04%	11 925 809	11 925 809
UPF Budeste	5.66%	11 176 133	11 176 133
Other companies	11.59%	22 905 485	22 905 485
Other individuals	2.32%	4 584 259	4 584 259
Total	**100.00%**	**197 525 600**	**197 525 600**

44.2 Share premium

	31.12.2020 BGN'000	31.12.2019 BGN'000
Share premium	49 568	49 568
	49 568	**49 568**

45. Net profit for the year

	31.12.2020 BGN'000	31.12.2019 BGN'000
Current result attributable to the shareholders	(29 573)	(2 885)
Current result attributable to the non-controlling interest	1 001	1 955
	(28 572)	**(930)**

45.1. Net profit for the year by segments

	31.12.2020 BGN'000	31.12.2019 BGN'000
Insurance business	(12 909)	12 612
Automotive business	1 171	5 283
Leasing business	(220)	216
Asset management and brokerage	223	580
Parent company	(16 731)	(14 631)
Pfofit/(Loss) attributable to the non-controlling interest	(1 001)	(1 955)
Intercompany eliminations of dividends and other	(106)	(4 990)
	(29 573)	**(2 885)**

46. Non-controlling interests

	31.12.2020 BGN'000	31.12.2019 BGN'000
Non-controlling interest attributable to profit	1 001	1 955
Non-controlling interest attributable to equity	27 698	31 468
	28 699	**33 423**

47. Events after the end of the reporting period

1.COVID-19 (Coronavirus)

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 due to the coronavirus, which lasted until 13.5.2020 and was replaced by an emergency epidemic.

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

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

Management will continue to monitor the potential impact and will take all possible steps to mitigate the potential effects.

2. CHEZ Group

On January 19, 2021, the Energy and Water Regulatory Commission (KEVR) authorized Eurohold Bulgaria AD to acquire the companies of the Czech energy company CEZ Group in Bulgaria.

In this way, Eurohold received all necessary regulatory permits for the implementation of the acquisition. The deal was already approved by the Competition Commission on 29 October last year.

Eurohold will acquire control of CEZ Group's business in Bulgaria through its subsidiary and specially established Eastern European Electric Company B.V. (EEEC). The transaction includes 67% of the capital of the electricity distribution company CEZ Distribution Bulgaria AD and the public electricity supply company CEZ Electro Bulgaria AD, as well as 100% of the shares of the licensed electricity trader CEZ Trade Bulgaria EAD, the IT services company CEZ ICT Bulgaria EAD, the photovoltaic park Free Energy Project Oreshitz, the company for the production of electricity from biomass - Barra Group, and CEZ Bulgaria EAD, which coordinates and manages the activities of all companies of the Czech group in the country.
The next steps in the realization of the deal are the signing of the financing agreements and the transfer of the shares. The financing will be provided through own funds and borrowed capital from leading global investment banks.

The next steps in the realization of the transaction are the signing of the financing contracts and the transfer of the shares. Funding will be provided through own funds and borrowed capital from leading global investment banks.

There are no other events after the date of the reporting period that would require additional disclosure or adjustments in the financial statements of Eurohold Bulgaria AD as of December 31, 2020.

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

EUROHOLD

DECLARATION
in accordance with article 100o, paragraph 4, item 3 of
Public Offering of Securities Act

The undersigned,

1. Kiril Boshov – Chairman of the Management Board of Eurohold Bulgaria AD
2. Asen Minchev – Executive member of the Management Board of Eurohold Bulgaria AD
3. Ivan Hristov – Financial controller of Eurohold Bulgaria AD (complier of the financial statements)
4. Hristo Stoev – Procurator of Eurohold Bulgaria AD

hereby DECLARE that to our best knowledge:

1. The set of consolidated interim consolidated financial statements for Q4'2020, composed in accordance with the applicable accounting standards, contain true and fair information regarding the assets and liabilities, the financial standing and the profit of Eurohold Bulgaria AD;

2. The consolidated interim management report of Eurohold Bulgaria AD for Q4'2020 contains credible review of the information under article 100o, paragraph 4, item 2 of Public Offering of Securities Act.

Declarers:

1. Kiril Boshov

2. Asen Minchev

3. Ivan Hristov

4. Hristo Stoev