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**Eurohold Bulgaria AD**

**INTERIM CONSOLIDATED  
MANAGEMENT REPORT AND  
FINANCIAL STATEMENTS**

**1 January - 30 September 2018**

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## **INTERIM CONSOLIDATED MANAGEMENT REPORT**

***containing information on important events that occurred during the first nine months of 2018 according to Art. 100o, paragraph 4, item 2 of POSA***

### ***IMPORTANT EVENTS FOR THE EUROHOLD GROUP THAT OCCURRED IN THE PERIOD 1 JANUARY - 30 SEPTEMBER 2018***

During the reporting period, the following important events took place, affecting the results in the financial statements of Eurohold Bulgaria AD as of 30.09.2018:

#### ***1. DIVIDEND PAYMENT***

At a regular meeting of the General Meeting of Shareholders of Eurohold Bulgaria AD, held on 29.06.2018, a decision was taken to allocate a net profit of BGN 1 800 000 (one million eight hundred thousand BGN) as a gross dividend among the shareholders. The gross dividend per share is BGN 0.009.

#### ***2. EUROHOLD ACQUIRES THE RESIDUAL MINORITY SHARE IN THE EUROINS INSURANCE GROUP***

In June 2018, Eurohold Bulgaria AD agreed with South Eastern Europe Fund L.P. (SEEF), managed by the Greek investment company Global Finance, for the acquisition of the residual minority share of 10.64% of its subsidiary insurance holding company Euroins Insurance Group (EIG).

After the transaction is finalized, Eurohold will own 100% of the capital of Euroins Insurance Group AD and thus consolidate its ownership in all of its subsidiaries - EIG, Avto Union AD, EuroLease Group EAD and Euro-Finance AD, which operate in the respective sectors : insurance, car sales, leasing and financial investment intermediation. Currently Eurohold holds 100% of the shares of Avto Union AD, Eurolease Group EAD and Euro-Finance AD.

#### ***3. FINANCING***

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

#### ***4. REPAYMENT OF A MEZZANINE LOAN***

On 31st of May, 2018, Eurohold Bulgaria fully repaid a mezzanine loan - interest and principal.

The 15-million-euro mezzanine credit agreement was signed in 2008 with Accession Mezzanine Capital II.

The loan was used for the regional expansion of EIG.

The repayment of the loan will result in a reduction in the interest costs of Eurohold.

#### ***5. FITCH RATINGS CONFIRMED THE CREDIT RATINGS OF EUROINS ROMANIA AND EUROHOLD BULGARIA***

On August 1, 2018, the international rating agency Fitch Ratings for the first time awarded a rating "BB-" to Euroins Bulgaria, the Bulgarian insurance company of

Eurohold. As well as, Fitch Ratings confirmed Euroins Romania's rating for financial stability (Insurer Financial Strength Rating - IFSR) "BB-". The outlook for the rating was assessed as stable.

The long-term credit rating of Eurohold Bulgaria AD was also confirmed (Long-Term Issuer Default Rating – IDR) "B". The outlook for the rating was assessed as stable. Fitch Ratings also confirmed the credit rating of Eurohold's medium-term Eurobond program (EMTN programme) in the amount of up to EUR 200 million and the EUR 70 million medium-term Eurobonds issued under the programme as B'/RR4'.

Fitch's rating analysis reported the following key factors in the development of Eurohold:

- Improved leverage, capitalization and debt servicing capabilities;
- Eurohold's consolidated Fitch-calculated financial leverage ratio improved to 63% at the end of 2017 from 84% in 2016 due to equity increases and debt reduction in 2017;
- Eurohold's fixed coverage ratio improved to 2.1 at the end of 2017 compared 0.9 as of the end of 2016 supported by improved profitability. Fitch expects that debt reduction in 4Q17, and more favourable rates on newly issued Euro medium-term notes (EMTN) could lead to further improvement in Eurohold's FCC ratio in 2018;
- Fitch considers Eurohold's business profile as good. EIG holds strong market positions in its core Romanian and Bulgarian non-life insurance markets, especially in the MTPL segment;
- The S2 ratio of Eurohold's insurance activities grouped under the interim holding company Euroins Insurance Group (EIG) improved to 177% at end-2017 (2016:123%) due to fresh equity injections, investment portfolio de-risking, and lower catastrophe risk retention.

## **IMPORTANT EVENTS OCCURRED AFTER THE DATE OF BALANCE SHEET**

### **1. CAPITAL INCREASE OF EUROINS INSURANCE GROUP**

At a meeting of the GMS of Euroins Insurance Group AD on 4.10.2018 a decision was taken for a subsequent increase of the company's capital. At 25.10.2018 the Commercial Register recorded the increase of the capital of Euroins Insurance Group from BGN 483 445 791 to BGN 543 445 791 through the issuance of new 60 000 000 ordinary, registered, available, non-preference shares with nominal value and issue value BGN 1 each one, entitled to 1 (one) vote in the general meeting of shareholders, right to dividend and liquidation share.

The newly issued shares are fully subscribed by Eurohold Bulgaria. Upon registration, was paid 25% of the nominal value of the newly issued shares amounted to BGN 15 000 000, and the rest of the amount should be paid within 2 years of entering the increase in the Commercial Register.

## 2. EUROINS INSURANCE GROUP ACQUIRED AN INSURANCE COMPANY IN UKRAINE

In July 2018 the financial regulator in Ukraine gave nod to EIG to acquire ERV Ukraine, the travel insurance business of Germany-based ERGO, part of Munich-Re, one of the major reinsurance groups on the global market. The purchase agreement was signed in April this year. The shares were transferred on 1<sup>st</sup> of October 2018.

## 3. EUROINS INSURANCE GROUP ACQUIRED THE GEORGIAN INSURER IC GROUP

In September EIG acquired one of the leading insurers in Georgia - IC Group.

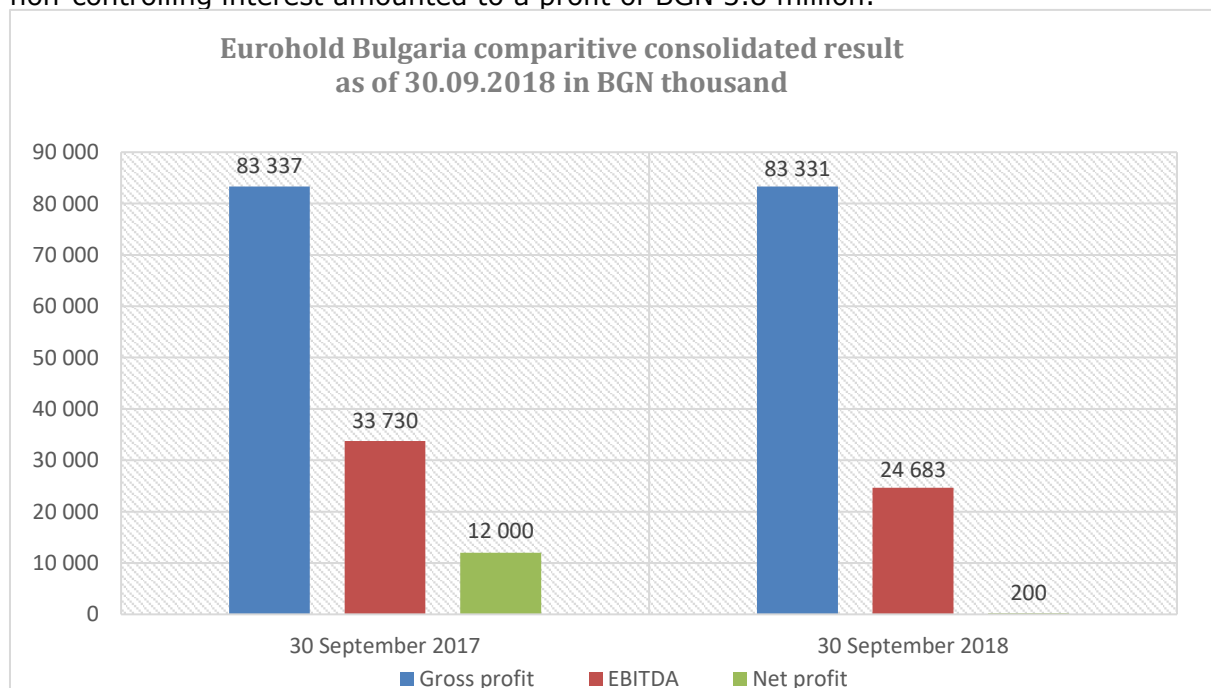
IC Group has been operating since 2005 and is among the leading Georgian insurance companies, providing almost all types of insurance products. In addition to that, it is one of the largest players on the health insurance market.

On 23 October 2018 the transaction was finalized by transferring 1,370,352 shares corresponding to 50.00002% of the capital of the Georgian company JSC Insurance Company IC GROUP.

## EUROHOLD BULGARIA

### CONSOLIDATED FINANCIAL RESULTS

As of September 30, 2018 Eurohold Bulgaria reported a net consolidated profit of BGN 200 thousand compared to a profit of BGN 12 million for the Q3' 2017. The distribution of the financial result is as follows: for the Group – a loss in amount of BGN 2.5 million; for non-controlling participation - a profit in amount of BGN 2.7 million. Respectively, as of 30.09.2017: the Group realized a profit of BGN 8.2 million, while the relative result to the non-controlling interest amounted to a profit of BGN 3.8 million.



As of 30.09.2018 the consolidated gross profit realized by the Eurohold Group's operating activities remained unchanged compared to the previous reporting period and amounted to BGN 83.331 million.

At the same time, the consolidated EBITDA recorded a decrease of BGN 9 million, reaching BGN 24.7 million in the first nine months of 2018, while in the same period in 2017 it was in amount of BGN 33.7 million. The decrease in consolidated EBITDA is related to an increase of the reported other operating expenses by BGN 9.3 million.

According to the interim consolidated financial statements for the first nine months of 2018, the consolidated operating income of Eurohold Group amounted to BGN 871 million, decreasing by 0.9% compared to the same period in 2017.

The Group's operating expenses decreased comparatively to revenues. The reported decrease of expenses for the reporting period was 0.9% and they amounted to BGN 787.3 million.

The net financial and depreciation costs of the Eurohold Group companies amounted to BGN 16.7 million and BGN 7.8 million respectively, while during the comparable period they amounted to BGN 15 million and BGN 6.5million.

The other expenses for the Group's activity amounted to BGN 55.2 million, while as of 30.09.2017 they amounted to BGN 45.9 million.

### **CONSOLIDATED OPERATING RESULTS BY TYPE OF ACTIVITY BASED ON CONSOLIDATED DATA**

#### **Insurance business**

As of the end of the first nine months of 2018 the revenues from insurance activity amounted to BGN 667.3 million. Compared to the same period in 2017, the revenues from insurance activity decreased by 6.6%.

The insurance operating expenses for the period under review decreased by 6.7% to BGN 618.8 million compared to BGN 663.2 million at the end of the comparable period.

Euroins Insurance Group realized a consolidated operating profit in amount of BGN 48.5 million compared to BGN 51.7 million as of 30.09.2017.

#### **Automotive business**

Revenues from the automotive business amounted to BGN 181.2 million, with a significant increase for the reported period of BGN 40.3 million.

Operating expenses for sold vehicles and spare parts increased by BGN 37.5 million and reached BGN 163.6 million.

For the reporting period, the automotive sub-holding realized a consolidated operating profit of BGN 17.6 million compared to BGN 14.7 million for the comparable period in 2017.

#### **Leasing business**

Reported consolidated operating income from leasing activity amounted to BGN 17.9 million vs. BGN 18.6 million for the comparable period as they decreased by BGN 0.7 million.

The operating expenses related to the leasing activity amounted to BGN 2.9 million, remaining relatively unchanged compared to the previous reporting period.

For the current period, the leasing activity realized a consolidated operating profit of BGN 15 million, while as of 30.09.2017 the consolidated operating profit amounted to BGN 15.5 million.

### Asset management and brokerage

Asset management and brokerage business generated revenue of BGN 2.9 million, accounting for a growth of 3% compared to the same period in 2017.

For the reporting period the expenses for financial-investment activity increased by 11.3% and amounted to BGN 2 million.

The result of the operating activity of the asset management and brokerage business for the first nine months of 2018 is a profit of BGN 0.9 million, while the realized financial result as at 30.09.2017 amounted to BGN 1 million.

### Activity of the parent company

In the first nine months of 2018, Eurohold Bulgaria realized revenues in amount of BGN 1.4 million vs. revenues in amount of BGN 1.2 million for the comparable period.

The operating expenses of the parent company are insignificant and amount to BGN 54 thousand.

The result of the operating activity is a profit of BGN 1.4 million.

### RESULTS BY TYPE OF ACTIVITY BASED ON UNCONSOLIDATED DATA

The table below provides information on revenues earned by subsidiaries as of 30 September 2018 compared to 30 September 2017. A comparison of the EBITDA generated by Eurohold subsidiaries was also made, as well as the financial result before the elimination by sectors.

#### TOTAL REVENUES BY SECTORS

Sectors	Q3.2018	Q3.2017	Change
	BGN '000	BGN '000	%
Insurance business	668 554	715 993	-7%
Automotive business	188 295	148 850	26%
Leasing business	18 780	19 333	-3%
Asset management and brokerage	3 351	3 586	-7%
<b>Total for the subsidiaries</b>	<b>878 980</b>	<b>887 762</b>	<b>-1%</b>
Parent company	2 243	3 073	-27%
<b>Total before eliminations</b>	<b>881 223</b>	<b>890 835</b>	<b>-1%</b>
<i>Intra-group eliminations</i>	<i>(10 553)</i>	<i>(12 529)</i>	<i>-16%</i>
<b>Total revenues by sectors</b>	<b>870 670</b>	<b>878 306</b>	<b>-1%</b>

**PROFIT BEFORE INTEREST, AMORTISATION AND TAXES**

Sectors	Q3.2018	Q3.2017	Change
	BGN '000	BGN '000	%
Insurance business	16 692	27 306	-39%
Automotive business	4 068	4 224	-4%
Leasing business	4 128	3 276	26%
Asset management and brokerage	189	621	-70%
<b>Total for the subsidiaries</b>	<b>25 077</b>	<b>35 427</b>	<b>-29%</b>
Parent company	813	924	-12%
<b>Total before eliminations</b>	<b>25 890</b>	<b>36 351</b>	<b>-29%</b>
<i>Intra-group eliminations</i>	<i>(1 207)</i>	<i>(2 621)</i>	<i>-54%</i>
<b>Total profit before interest, amortisation and taxes</b>	<b>24 683</b>	<b>33 730</b>	<b>-27%</b>

**FINANCIAL RESULTS**

Sectors	Q3.2018	Q3.2017	Change
	BGN '000	BGN '000	%
Insurance business	13 324	24 454	-46%
Automotive business	26	(43)	160%
Leasing business	59	81	-27%
Asset management and brokerage	138	576	-76%
<b>Total for the subsidiaries</b>	<b>13 547</b>	<b>25 068</b>	<b>-46%</b>
Parent company	(13 138)	(12 529)	-5%
<b>Total before eliminations</b>	<b>409</b>	<b>12 539</b>	<b>-97%</b>
<i>Intra-group eliminations</i>	<i>(209)</i>	<i>(539)</i>	<i>-61%</i>
<b>Total financial result</b>	<b>200</b>	<b>12 000</b>	<b>-98%</b>

Revenues from the activities of Eurohold Group companies decreased by 1% or by BGN 9.6 million before accounting for intragroup calculations.

Profit before interest, amortization and taxes decreased by 29% or by BGN 10.5 million before reporting for intragroup eliminations.

The realized financial results of the Group companies before intragroup eliminations amounted to BGN 0.4 million as the change vs. comparable period amounted to BGN 12.1 million.

**FINANCIAL CONDITION**
**Consolidated Assets**

During the first nine months of 2018 Eurohold Group companies achieved an increase of consolidated assets by 2.1%, which at the end of the reporting period amounted to BGN 1.354 billion compared to BGN 1.326 billion at 31.12.2017.

The most significant change in consolidated assets was recorded in cash and deposits, receivables, financial assets and reinsurers' share of technical reserves, as well as in the value of machinery and equipment.



At the end of the first half of the year, the Eurohold Group has free cash and deposits in banks amounting to BGN 77.9 million. For comparison at the end of 2017 they amounted to BGN 57.1 million.

Receivables increased by BGN 31 million for the period to BGN 263.2 million, of which the current receivables amounted to BGN 163.2 million increasing by BGN 16.9 million, while the non-current receivables amounted to BGN 100 million as they increased by BGN 14.1 million.

In the first nine months of 2018, the share of reinsurers in technical reserves of the insurance companies grew by BGN 28 million as they reached BGN 389.3 million.

The significant increase of BGN 7.8 million in the value of the balance sheet item of machinery and equipment was due to the reported increase in the group's own vehicles, which amounted to BGN 45.5 million.

As of 30.09.2018 the financial assets held by Eurohold Group companies reported a decrease by BGN 57 million compared to the end of 2017 when they amounted to BGN 270 million.

### Consolidated equity and liabilities

Total equity of Eurohold Bulgaria amounted to BGN 193.3 million, decreasing by BGN 21.1 million compared to 31.12.2017. The consolidated equity of the Eurohold Group amounted to BGN 154.8 million, while the equity belonging to the non-controlling interest for the period, amounted to BGN 38.6 million. For comparison as of the end of 2017, the consolidated equity of the Eurohold Group amounted to BGN 170.8 million, and the equity belonging to the non-controlling interest amounted to BGN 43.7 million.

In support of equity, the Group holds subordinated debt instruments of BGN 28 million compared to BGN 28 million as at the end of 2017.

The total amount of equity and subordinated debt instruments amounted to BGN 221.4 million, while at the end of 2017 they amounted to BGN 240.6 million.

Non-current consolidated liabilities increased by 12.7% from BGN 280 million to BGN 315.7 million during the reporting period. A major part of non-current liabilities represent liabilities to banks, other financial institutions and issued bond loans.

<b>Liabilities on loans and bond issues:</b>	30.09.2018	31.12.2017	%
	<i>BGN '000</i>	<i>BGN '000</i>	<i>Change</i>
- bank and non-bank loans	120 151	99 245	21.1%
- bond issues	165 723	150 757	9.9%
<b>Total loans</b>	<b>285 874</b>	<b>250 002</b>	<b>14.3%</b>

Current consolidated liabilities decreased as of the end of the reporting period by BGN 10.8 million and amounted to BGN 816.5 million.

A major part of the current liabilities represent assigned insurance reserves amounting to BGN 645 million as for the current reporting period they increased by BGN 49.3 million compared to the end of 2017.

## **ACTIVITY OF THE SUBSIDIARIES FOR THE PERIOD**

**1 JANUARY - 30 SEPTEMBER 2018**

### ***EUROINS INSURANCE GROUP***

In the third quarter of 2018 Euroins Insurance Group (EIG, the Group) has realized consolidated gross written premiums of BGN 451.8 million compared to BGN 499.9 million for the same period of 2017. Reason for the decrease is the business written by Euroins Romania. All other subsidiaries have registered growth. The Group has reported an unaudited consolidated profit of BGN 13.3 million compared to a profit of BGN 24.5 million in Q3 2017.

In January 2018 the process to increase EIG capital by BGN 195.6 million (EUR 100 million) was completed, a decision that has been voted back in 2015. The amount of this increase has been fully paid in and registered with the Trade Registry as well. In addition a decision has been voted at an Extraordinary General Meeting of the Shareholders of Euroins Insurance Group on 4 October 2018 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, 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 2008 25% of the nominal value of the newly issued shares, BGN 15,000,000, have been paid in. These funds are available and will be used to support the subsidiaries including through increase of their share capitals.

At the end of the quarter a Group corporate governance plan was initiated. Based on good practices, risk management and improved reporting it is in the context of a shared operational and IT environment. The aim is to achieve management synergies and to improve the Group corporate governance so that it will lead to qualitative and quantitative progress – from the very main elements (products, sales, claims) through reporting, control and quality of the actuarial calculations and work.

#### **➤ Euroins Bulgaria**

In the first nine months of 2018 Euroins Bulgaria has reported total GWP of BGN 120.6 million compared to BGN 104.5 million written in 2017. The reason for this growth of more than 15% is the direct insurance business written through brokers both locally in Bulgaria and in Greece, Italy and Spain according to the EU directive for Freedom of services. MTPL line of business grows but so do also main non-motor lines such as Health (57%), Accident and Travel (21%), Cargo (1%).

Net claims incurred are up by 6.2%. The reason is the growth of the business. Net earned premiums have increased by more than 20% for the period.

An increase in the administrative expenses has been reported compared to the same period of 2017. Firstly, these are the expenses associated with the growth of the business. Next are the substantial final costs related to the IFRS and Solvency II audits that also have their impact. Because of the new regulatory requirement, the statements of the insurance companies must be now signed off by two audit firms. There are also the significant costs associated with the new regulatory requirements of Solvency II.

Despite this Euroins Bulgaria has reported a profit for group purposes of BGN 1,412 thousand compared to BGN 168 thousand in Q3 2017.

The improved financial condition of the company has been also confirmed by the updated Long-Term Claims Paying Ability Rating assigned by BCRA, Credit rating Agency, in January 2018. The assigned rating is "BBB-" with outlook updated to Stable confirming the improvement.

All the circumstances above would help the management of Euroins Bulgaria in focusing on the challenges waiting in 2018 and 2019, which are the introduction by way of enactment of the bonus malus system on the local MTPL insurance market and the establishment of an insurance branch in Greece.

The bonus malus system has been already part of the underwriting policy of Euroins Bulgaria since 2012. But so far, the company has applied it only on drivers that are either current or former clients. With the introduction of the system on the entire market Euroins Bulgaria will be in position to perfect it and apply its conservative underwriting approach to all its clients and thus improve its technical result.

### ➤ **Euroins Romania**

In the first nine months of 2018 Euroins Romania has written total GWP of BGN 300 million compared to BGN 372 million in 2017. The decrease is a result of the stabilization of the Romanian MTPL market after two years of significant increase of the average premium. Unlike the Motor business the major non-Motor lines of business such as Liability (36%), Accident (14%), Property (8%) and Cargo (3%).

Net claims incurred grow as result of increase in the number of reported claims. At the same time there is a decrease in the average reported claim.

Acquisition costs have registered significant decrease of 10% with the reason being the decrease in the written business. Administrative expense has registered slight increase compared to the same period of 2017 but there currently certain initiatives underway to optimize several processes related not only to the administrative management but also to processes that are yet to benefit activities such as claims handling and internal controls.

As a result, this is another quarter for Euroins Romania where it can be witnessed the positive effect of the re-segmentation combined with the strengthening of the reserves in 2015. Subsequently the profit for group purposes rises to BGN 11.3 million before tax.

At the beginning of 2018 Euroins Romania has received the final regulatory approval for the acquisition of the insurance portfolio of ATE Insurance, a Romanian general insurer. It consists of non-Motor business only. The transaction is part of the long-term strategy of Euroins Romania to increase the share of the non-Motor business of the company.

### ➤ **Euroins Macedonia**

In Q3 2018 gross premiums written by Euroins Macedonia have registered a growth of over 17% reaching BGN 15.9 million. Main business lines that grow are Cargo by 10%, Motor Hull – 6.2%, MTPL – 4%, Property – 4%.

Net claims incurred have increased because of the business growth but in the same period net earned premiums have grown by more than 27%.

Because of the ongoing initiatives of the management of the company administrative costs have registered a decrease of 6%.

The result of the above is a profit for group purposes of BGN 1,053 thousand compared to BGN 223 thousand in 2017.

### ➤ **Euroins Life**

In the first nine months of 2018 Euroins Life has written total GWP of BGN 1.4 million registering growth of more than 20% compared to Q3 2017.

The management of the company is currently reviewing the products on offer. In addition the company also started offering on the market new life insurance solutions including online sales solutions. These initiatives, however, are still at the very beginning with the positive portfolio effect yet to be seen.

### ➤ **Euroins Ukraine**

On 12 August 2016 Euroins Insurance Group has completed the acquisition of PJSC HDI Strakhuvannya Insurance Company. On 30 September the General Assembly of the Shareholders voted the company's name to be changed to PJSC Euroins Ukraine Insurance Company. The company writes both motor and non-motor business.

In Q3 2018 gross written premiums amount to BGN 12.3 million, which is a growth of more than 79%. Over 30% of the written business has been non-Motor. Because of the administrative and acquisition costs related to the current ongoing restructuring of the company Euroins Ukraine has reported a loss for Group purposes of BGN 1,366 thousand.

### ➤ **EIG Re**

The previous name of Insurance Company EIG Re EAD has been HDI Insurance AD. Euroins Insurance Group has acquired the company at the end of 2015. For the first nine months of 2018 EIG Re has written gross premiums of BGN 12.1 million showing growth of more than 10%. The profit for Group purposes amounts to BGN 323 thousand.

With a decision voted back in October 2016 Euroins - Health Assurance was to be merged into EIG Re. The documentation required for the regulatory approval has been submitted to the Financial Supervision Commission on 31 January 2017. The approval has been given and on 27 June 2017 the merger of Euroins Health into EIG Re has been entered into the Trade Register. As a result of the transaction Euroins Health has been terminated without liquidation and EIG Re has become its universal legal successor.

### ➤ **Euroins Russia**

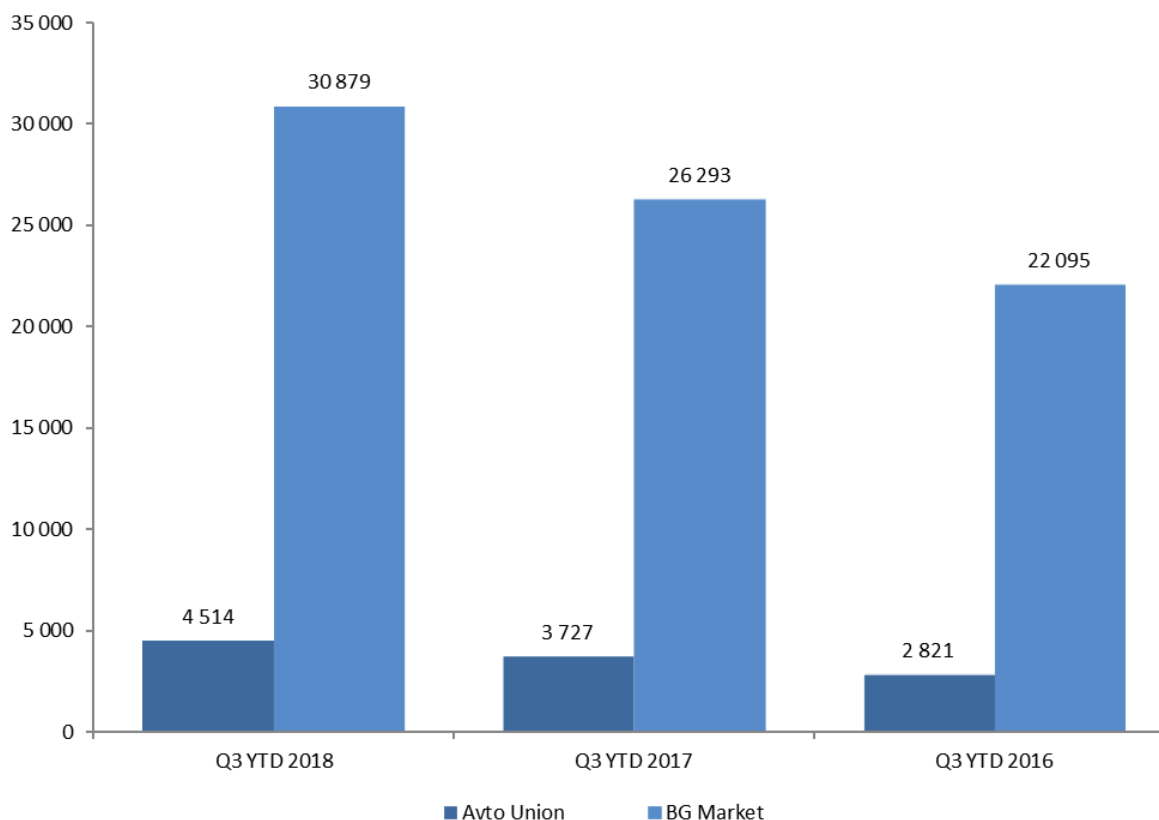
On 23 November 2017 Euroins Insurance Group has acquired 14.144% of the capital of Insurance Company Euroins Russia.

On 13 February 2018 the increase of the capital of the company where Euroins Insurance Group AD participated with RUB 80 million has been completed. As a result, at the end of the quarter the participation of the Group in the capital of Euroins Russia is 32.195%.

In the first nine months of 2018 the company has reported gross written premiums of BGN 35 million. As continuation of the sound performance from last year the company reports a profit of BGN 230 thousand in Q3 2018.

The consolidated financial result of the Group for the period from 01.01.2018 until 30.09.2018 is a profit of BGN 26 thousand (2017 – a loss of BGN 43 thousand). The consolidated financial result for the parent company's owners for the same period was a loss of BGN 1,298 thousand, compared to 2017 when it was a loss of BGN 780 thousand.

The number of cars sold for the third quarter of 2018 increased by 34.6% compared to the same period of 2017. Revenues from sales of cars, spare parts, oils and fuels increased by 39.3%, and the revenues from sales of services grew by 7.2%.

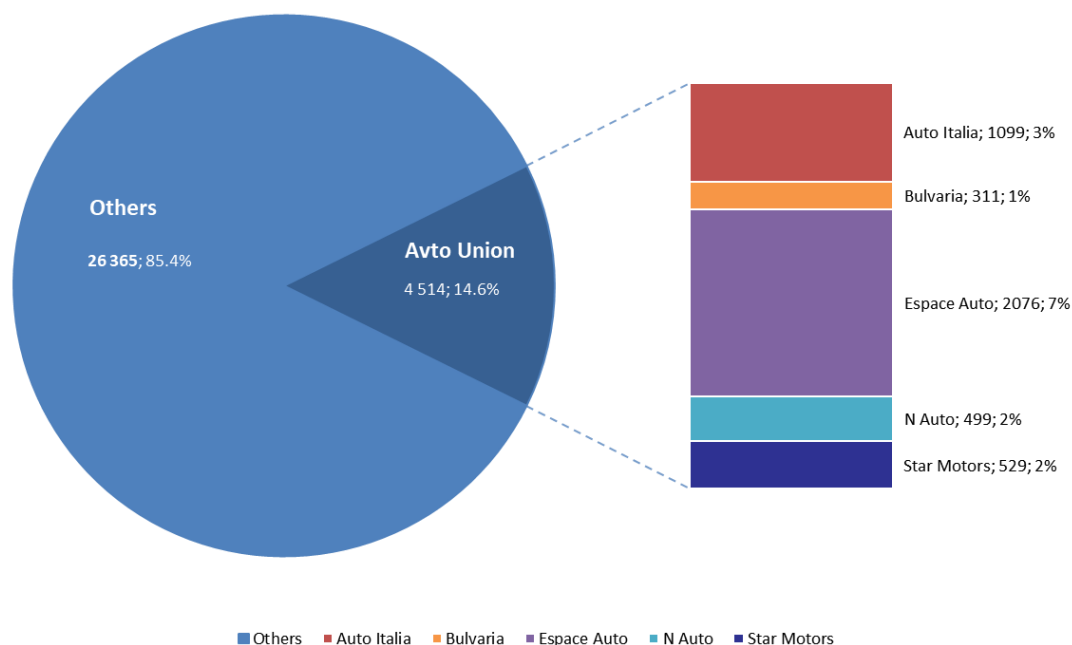


***Sales of new cars from Avto Union in the second quarter of 2018 compared to those on the Bulgarian market as a whole, number of cars – Q3 2016, Q3 2017 and Q3 2018, source: ACM***

Operating expenses for the third quarter of 2018 show an increase of 9.2% compared to the same period in 2017, due to the higher realized revenues in 2018 compared to 2017. The highest growth was recorded in the personnel costs, which increased by 11.8% or BGN 1,100 thousand, as well as the expenses for materials, which increased by 10.3% or BGN 127 thousand. The financial expenses decreased by 6.3%, or BGN 148 thousand, due to the optimization of the structure and the cost of the borrowed capital for the Group. Revenues from financial operations also decreased by 36.1% or BGN 130 thousand in the period under review compared to the previous year 2017, due to a decrease in interest income under loan agreements.

For the period ending on 30.09.2018 the sales of new cars and light commercial vehicles realized by Avto Union - the automobile holding in the group of Eurohold Bulgaria amounted to 4 514 units, compared to 3 727 units sold in the same period in 2017, which represents a growth of 21.1%. According to the Union of Automobile Importers in Bulgaria, the market for new cars and light commercial vehicles registered a growth of 17.4% for the third quarter of 2018 compared to the same period of 2017. During the reporting period Opel dropped by 11% for Varna and 24% for Sofia. Espace Auto OOD has registered sales growth for both of its brands compared to 2017 - 25% for Renault and 18% for Dacia. In

N Auto EAD, there was a growth in sales of 63% for Nissan cars. Auto Italia EAD increased its sales of Fiat by 43% and Alfa Romeo by 21%, while its sales of Maserati decreased by 56%. Star Motors marks a 4% growth in sales of new Mazda cars compared to previous year.



**Number of cars sold and market share of automotive companies in the Avto Union Group for the third quarter of 2018.**

During the reporting period the companies from the automobile holding have concluded flotation transactions for a total of 1527 vehicles with a total value of BGN 40 million, while the ratio for the previous year was 1158 automobiles with a total value of BGN 26.1 million.

Avto Union Group	Sales		% Change
	2018	2017	
January – June (with accumulation)	3 210	2 385	34,6%
By quarter:			
first quarter (Jan-Mar)	1 313	1 023	28,3%
second quarter (Apr-June)	1 897	1 362	39,3%
third quarter (July-September)	1 304	1 342	-2,8%

At a constituent meeting held on January 8, 2018, a decision was taken for the establishment of a joint stock company "Sofia Auto Bulvaria" AD, the decision being entered in the Commercial Register on 07.02.2018. The founders of the company are Bulvaria Holding EAD (controlling 51% of the capital) and Sofia Auto Bulgaria EAD (with minority participation of 49% of the capital) - two of Opel's three largest dealers in the country. The joint stock company, as a new legal entity, will start to carry out an independent economic activity of importing and selling new Opel cars in the country, selling spare parts for them and providing service activities. Bulvaria Holding EAD and Sofia Auto Bulgaria EAD will exercise joint control by stopping self-activity in the import and sale of new Opel cars, original spare parts for them, including warranty service.

On **May 3, 2018**, Star Motors Ltd. signed a contract with UniCredit Bulbank AD, whereby the parties agreed to provide a bank revolving loan of EUR 350,000 for operational payments, the deadline for which to be utilized is 30.04.2019.

On **17.05.2018**, with a record of an extraordinary general meeting of the shareholders of Espas Auto OOD, a decision was made to distribute BGN 500,000 of undistributed profit from the Company's activities to its shareholders H Auto Sofia EAD (51%) and MG Ltd (49%).

On **May 28, 2018**, Star Motors Ltd. signed an annex to its Contract for a Bank Loan with UniCredit Bulbank AD, through which the parties agreed to reduce the credit limit granted to the Borrower in the form of bank guarantees and documentary credits by EUR 1 050 000. Thus, the total bank guarantee limit at the end of the reporting period granted to the borrower Star Motors EOOD amounts to EUR 3 250 000.

On **13.06.2018**, Motobul EAD successfully carried out, under the terms of a primary private offering, a first issue of ordinary, registered, dematerialized, interest-bearing, secured, non-convertible, freely transferable corporate bonds with the following parameters:

- ⦿ ISIN: BG2100006183
- ⦿ Currency: BGN
- ⦿ Price: 8 800 000 leva.
- ⦿ Amount: 8 800
- ⦿ Nominal value: 1 000 leva.
- ⦿ Fixed interest rate: 3.85% annually
- ⦿ Maturity: 13.06.2028
- ⦿ Coupon payment: every 6 months

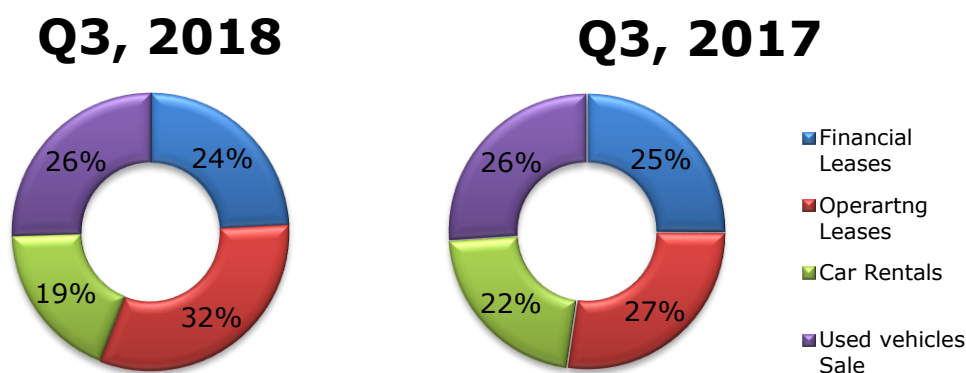
On **15.06.2018** Motobul EAD signed an annex to its Revolving Bank Loan Agreement with Raiffeisenbank Bulgaria EAD, which extended the term by one year and reduced the interest rate under the loan agreement. Under the new conditions, the interest rate is 3-month EURIBOR + 3.3%.

On **29.06.2018** an annex was signed to the credit agreement between H Auto Sofia EAD and Raiffeisenbank Bulgaria EAD, which reached an agreement for a gradual reduction of the limit used up to EUR 250 000 until 30.09.2018. Under the new conditions set out in the Annex, the interest rate is reduced and amounts to a 3-month EURIBOR + 3.3%.

## EUROLEASE GROUP

For the reporting period Eurolease Group reports consolidated profit of BGN 59 thousand compared to BGN 81 thousand for the third quarter of 2017.

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 graphic.



The observed changes are caused by the following factors:

- During the reporting period the total revenues from the different lines of the business increased by 9.95% to BGN 16,065 thousand compared to BGN 14,611 thousand at the end of the third quarter of 2017. The relative share of each of the lines of business are kept rather constant, proving the consistency of the revenues in the leasing sub-holding;
- Financial leasing - In absolute terms, revenues from this business line increase and as at 30.09.2018 amounted to BGN 3,907 thousand compared to BGN 3,667 thousand for the comparable period;
- Operating lease - the increase in the third quarter of 2018 is due to the significant increase in the number of long-term rental cars. Revenues from operating leases in the two comparable periods increased by 28,73%, reaching BGN 5,121 thousand as compared to BGN 3,978 thousand at the end of September 2017.
- Rent-a-car services - the amount of revenues decreases by 7.59% to BGN 2,922 thousand compared to BGN 3,162 thousand at the end of September 2017. Revenues from operating leases and short-term rentals are reported in other operating income and for the third quarter of 2018 they show an increase of 13.61% to reach BGN 10,544 thousand compared to BGN 9,281 thousand for the same period in 2017.
- Sale of used cars - the share of revenues from the sale of used cars remains unchanged. In absolute terms, an increase of 8.15% to BGN 4,115 thousand was reported, compared to BGN 3,805 thousand as of 30.09.2017.

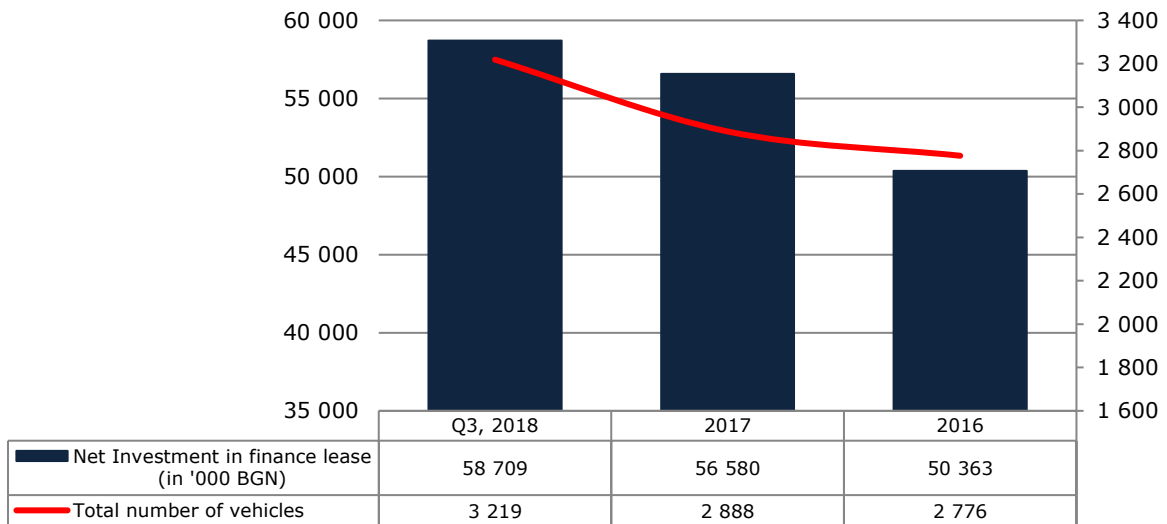
An increase of 13.97% was also reported in operating expenses amounting to BGN 10,485 thousand at the end of the third quarter of 2018 compared to BGN 9,200 thousand for the same period in 2017.

Assets at the consolidated level amounted to BGN 122,291 thousand compared to BGN 115,171 thousand as at 31 December 2017.



Consolidated net investment in finance leases slight increase to BGN 58,709 thousand compared to BGN 56,581 thousand as at the end of 2017.

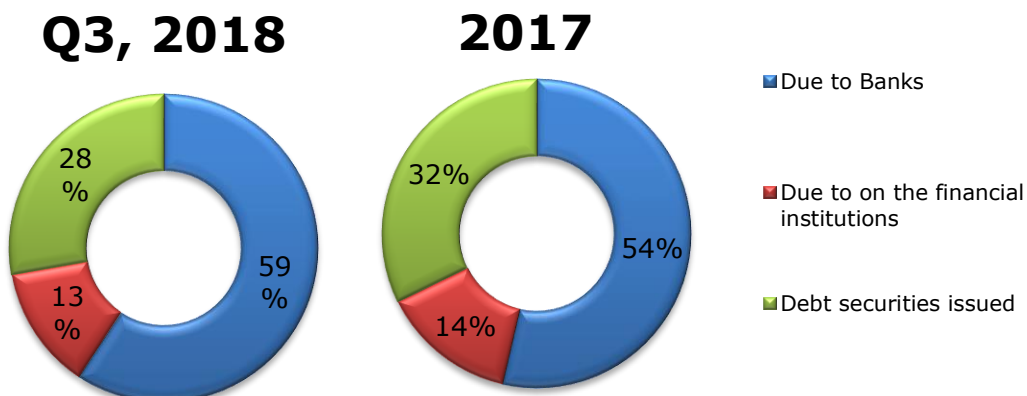
The following graph shows the movement in the net investment in a financial lease of the sub-holding for the specified periods, together with the movement in the number of the leasing assets, part of the portfolio of the company.



As at the end of the reporting period, consolidated fixed assets amounted to BGN 28,311 thousand compared to BGN 25,436 thousand at the end of December 2017.

As of the end of September 2018 the company reports increase in relative share of bank loans at the expense of reduction of liabilities under debt securities.

- Due to banks as of 30 September 2018 amounted to BGN 58,370 thousand compared to BGN 47,768 thousand for the comparable reporting period.
- Due to other financial institutions remains unchanged and as at 30 September 2018 amount to BGN 12,776 thousand compared to BGN 12,719 thousand as at 31 December 2017. The amount is payable by the subsidiary Eurolease Rent A Car to leasing companies that finance its activities;
- At the end of the third quarter of 2018, amounts due under debt securities issued are BGN 27 371 thousand compared to BGN 28,985 thousand as at 31 December 2017.



Stand-alone financial result of Eurolease Group is loss of BGN 306 thousand compared to loss of BGN 247 thousand at the end of relative reporting period of 2017. Total assets of the company are BGN 40,844 thousand.

### ➤ Eurolease Auto Bulgaria

Financial result of Eurolease Auto Bulgaria for the third quarter of 2018 is profit of BGN 555 thousand compared to profit of BGN 519 thousand for the third quarter of 2017.

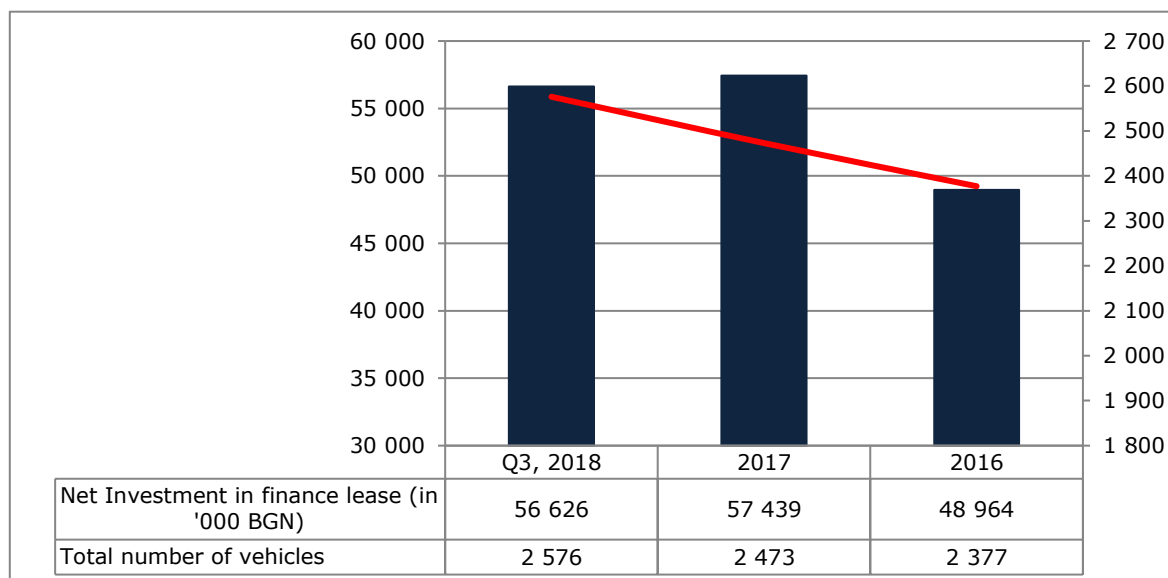
Net interest income increases by 9.93% and as of the end of September 2018 amount to BGN 1,794 thousand vs BGN 1,632 thousand as of 30 September 2017.

The administrative expenses of the Company at the end of reporting period amount to BGN 1,538 thousand compared to BGN 1,407 thousand at the end of third quarter of 2017.

As of the end of September total assets of the Company amount to BGN 89,726 thousand compared to BGN 86,987 thousand at the end of December 2017.

The net investment in financial leasing reported a decrease of 1.42 per cent and as at 30 September 2018 amounted to BGN 56,626 thousand compared to BGN 57,439 thousand at the end of 2017.

The following graph shows the movement in the net investment in a financial lease of the company for the specified period, together with the movement in the number of the leasing assets, part of the company's portfolio.

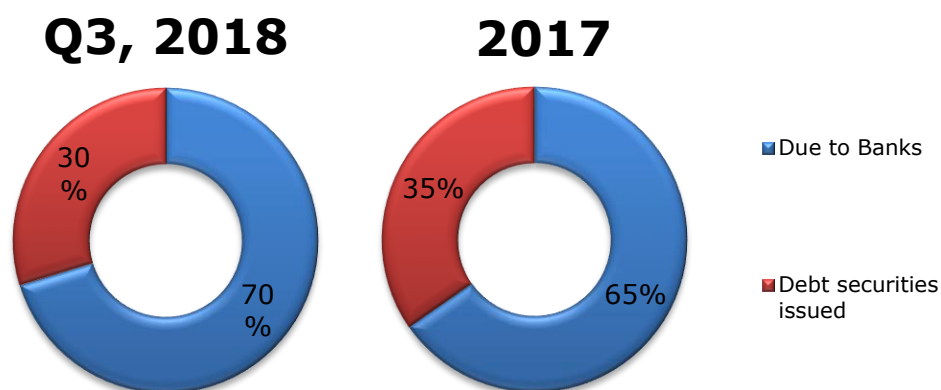


As at the end of September 2018, company's equity amounted to BGN 22,937 compared to BGN 22,382 thousand as at 31 December 2017.

At the end of the reporting period the liabilities of the company amounted to BGN 66,789 thousand and BGN 64,605 thousand as at 31 December 2017.

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 some changes have occurred in this type of obligation:

- Bank loans - at the end of September 2018 amounted to BGN 44,666 thousand compared to BGN 38,431 thousand at the end of 2017.
- Company's liabilities under debt instruments issued decrease by 7.34% to BGN 18,881 thousand compared to BGN 20,376 thousand as at 31 December 2017.

➤ **Eurolease Auto Romania**

At the end of the reporting period Eurolease Auto Romania reports loss of BGN 40 thousand compared to loss of BGN 77 thousand for the relative reporting period of 2017.

➤ **Eurolease Auto Macedonia**

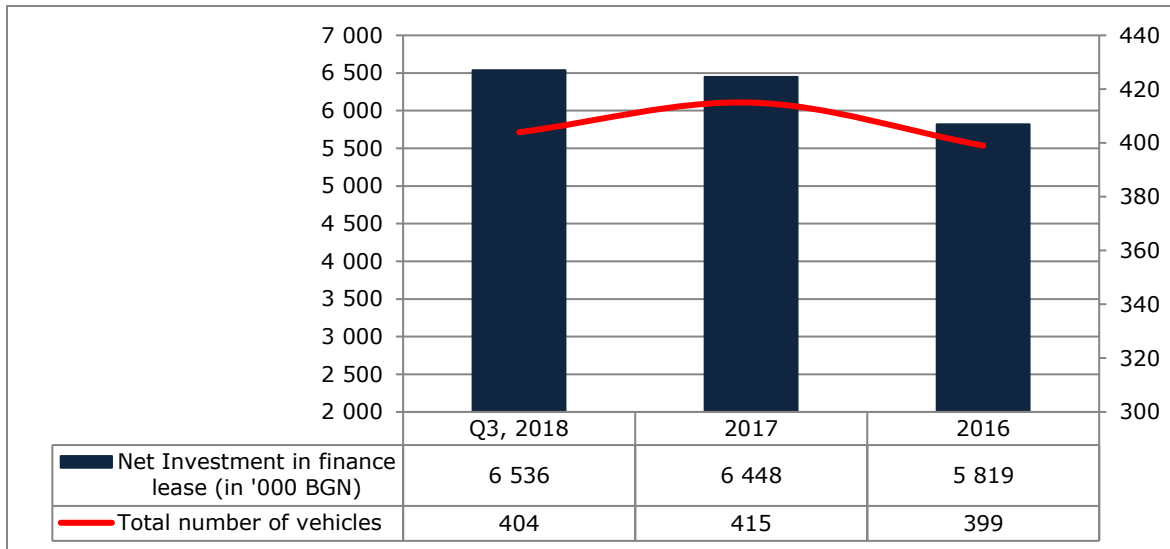
The financial result of Eurolease Auto Macedonia as at the end of third quarter of 2018 is profit of BGN 72 thousand vs loss of BGN 102 thousand for the same period of 2017.

As of 30.09.2018 interest income increase by 5.33% to BGN 415 thousand compared to BGN 394 thousand at the end of the third quarter of 2017.

During the reporting period interest expenses decrease by 19.13 % to BGN 296 thousand compared to BGN 366 thousand as of 30.09.2017. The decrease is due to renegotiation in 2017 of the interest rates under the funding the company uses.

During the period the net investment in financial leasing increases slightly and at the end of September 2018 amounts to BGN 6,536 thousand in comparison to BGN 6,449 thousand at the end of 2017.

The following graph shows the movement in the net investment in a financial lease of the company for the specified period, together with the movement in the number of the leasing assets, part of the company's portfolio.



As at 30.09.2018 Company's total assets amounted to BGN 8,879 thousand compared to BGN 8,019 thousand as at 31 December 2017.

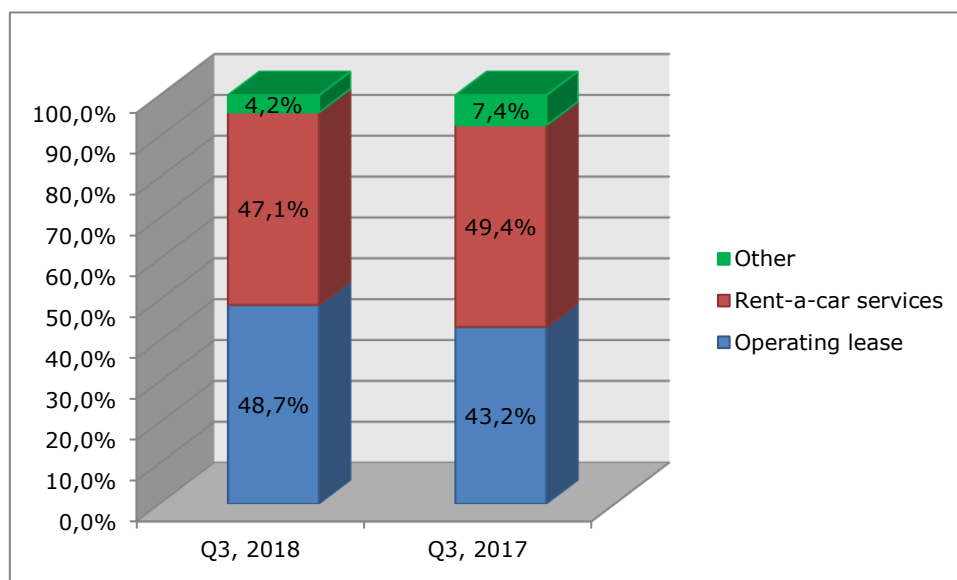
At the end of reporting period bank loans amount to BGN 6,010 thousand compared to BGN 5,380 thousand as at 31 December 2017.

➤ **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 financial result as of the company during the reporting period is loss of BGN 186 thousand compared to loss of 156 thousand as of the end of third quarter of 2017.

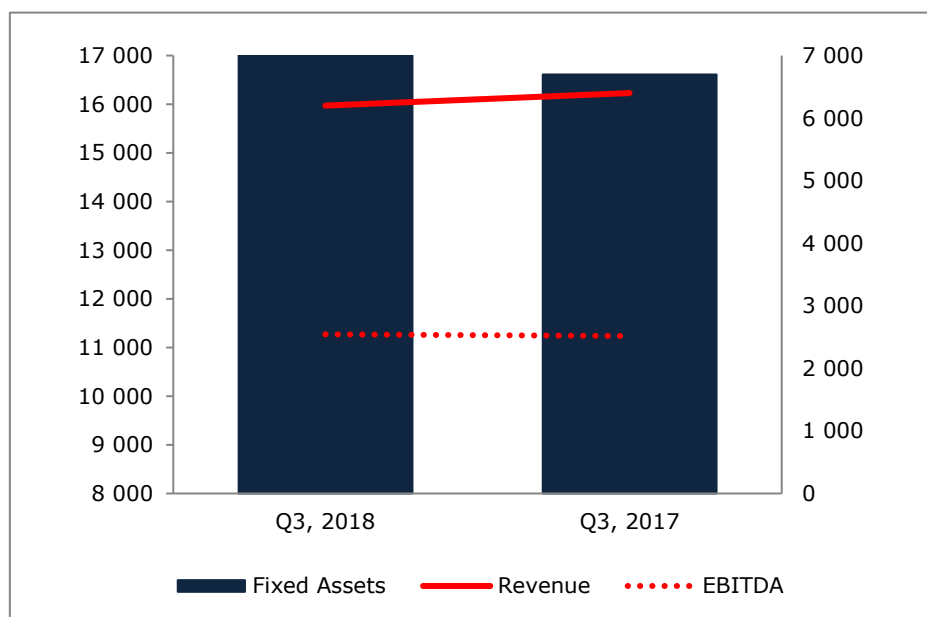
The following chart shows the breakdown of revenue by origin for the third quarters of 2018 and 2017:



At the end of the third quarter of 2018, the interest expense of the company remained unchanged and amounts BGN 417 thousand compared to BGN 410 thousand as at September 2017.

The administrative expenses of the Company as at 30 September 2018 decrease by 2.88% and amounted to BGN 5,941 thousand compared to BGN 6,117 thousand for the same period in 2017.

The chart below shows the relationship between the Company's fixed assets, revenues and EBITDA. With the increase in the book value of fixed assets, there was a slight increase in EBITDA.



Total assets of the company amount to BGN 20,536 thousand compared to BGN 19,459 thousand as of December 2017.

Total liabilities are BGN 19,597 thousand vs BGN 18,334 thousand for the comparable period.

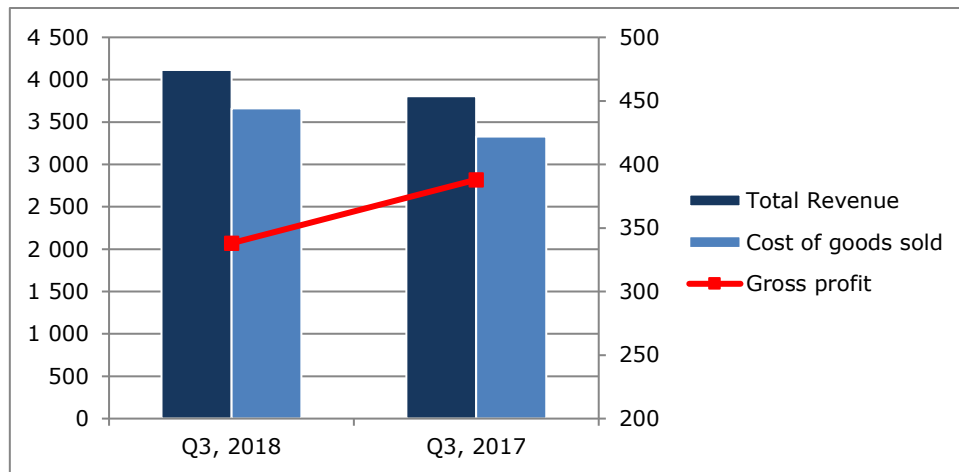
### ➤ Autoplaza

The main activity of Autoplaza EAD involves the sale of vehicles returned from lease, rent-a-car and "buy-back". The company operates in cooperation with Avto Union, Eurolease Bulgaria and Eurolease-Rent-A Car.

Financial result of Autoplaza as of the end of third quarter of 2018 is profit of BGN 26 thousand compared to profit of BGN 136 thousand for the comparable period.

During the reporting period Autoplaza reports gross profit of BGN 338 thousand compared to BGN 388 thousand at the end of September 2017.

The chart below shows the change in the total revenue, the cost of goods sold and the gross profit realized by the company.



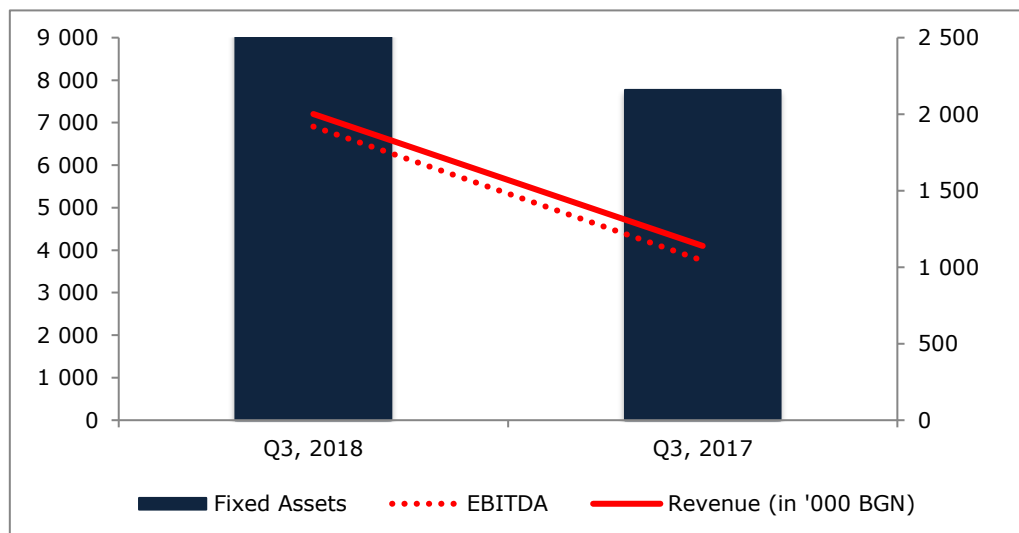
The total assets of the company amounted to BGN 2,398 thousand vs. BGN 2,523 thousand as of 31 December 2017.

➤ **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 third quarter of 2018 is profit of BGN 7 thousand compared to profit of BGN 5 thousand for the comparable period.

The chart below shows the relationship between the company's fixed assets, revenue and EBITDA. It is observed that the revenue growth is slower compared to the growth in book value of fixed assets. This is due the larger volume of new deals generated in the second half of 2017.



During the reporting period, the revenues from services increased by 75.68% compared to the third quarter of 2017. This trend is again due to the large number of transactions realized in the second half of 2017.

Total assets of the company as of 30 September 2018 amounted to BGN 10,315 thousand compared to BGN 8,599 thousand as at 31 December 2017.

The total liabilities of the company amounted to BGN 10,169 thousand compared to BGN 8,660 thousand for the comparable reporting period.

### ➤ Amigo Leasing

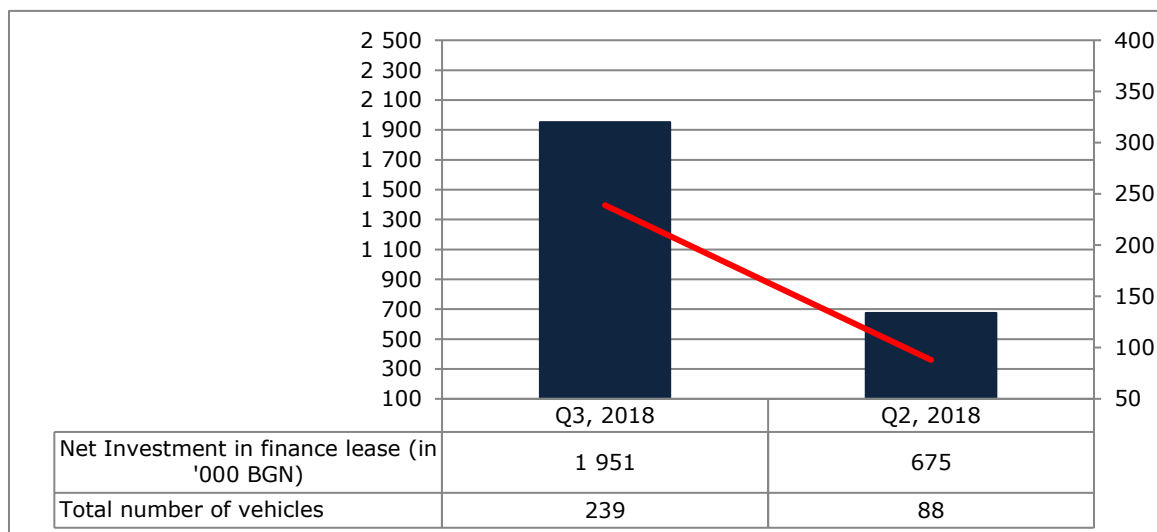
By order of listing BNB-32591 dated March 20, 2018, EuroLease Auto Retail EAD is registered as a financial institution in the registers of the BNB. From April 2018, the company was renamed to Amigo Leasing EAD.

The Company's activities started at the end of March and its active portfolio growth is observed in third quarter of 2018. Main activity of the company is related to rendering of financial lease of used vehicles as well as lending. A branch network has been developed in nine cities across the country.

The financial result as at 30 September 2018 is loss of BGN 69 thousand decreasing compared to first half of 2018 when the company reported loss of BGN 95 thousand. The significant levels of new business generated in the third quarter allowed the company to begin reduction of the negative financial result caused mainly by the administrative costs incurred for building of the brand.

The total assets of the company amounted to BGN 2,813 thousand. Their increase is almost double compared to the previous period and is related to the growth in Net investment in financial lease and receivables from loans granted to individuals.

The following graphic shows the movement in the net investment in financial lease and number of leased assets in the portfolio of Amigo Leasing as at the end of second and third quarter of 2018.



The receivables on loans granted to individuals amounted to BGN 177 thousand at the end of the third quarter, the increase in which is double compared to BGN 76 thousand at the end of June 2018.

During the reporting period the Company financed its activity through its own funds and through a bank loan from Bulgarian American Credit Bank AD. The liability under the facility amounts to BGN 1,367 thousand as at the end of September 2018.

## **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.

According to the FSC data, the Company is the one having the highest amount of equity among all the investment intermediaries.

During the reporting period EURO-FINANCE AD continues carrying out the activities set forth in the development programme, which are directed at developing the online services for individual clients, increasing the funds under management and participation in projects related to corporate consulting and restructuring.

As at 30 September 2018, EURO-FINANCE AD is holding clients' financial assets in the amount of BGN 646 636 thousand, BGN 12 643 thousand thereof being ones under management.

The Company's net operating revenue for the first nine months of the year 2018 amounts to BGN 1 381 thousand generated from:

- Interest revenue – BGN 591 thousand;
- Other operating revenue – BGN 790 thousand;

Those expenses for the period which are connected to the current servicing of the Company amount to BGN 1 240 thousand.

The Company develops in accordance with the expectations and, in view of the economic situation, the expenses are preserved close to the estimates. Part of the revenues of EURO-FINANCE is generated from the services that the Company has been actively developing since the year 2012.

The table below shows the structure of the investments of EURO-FINANCE AD as at 30 September 2018, which complies with the risk management policy pursued by the Company.

Name	30.09.2018	Equity share in %	31.12. 2017	Equity share in %
	amount in thousand BGN		amount in thousand BGN	
Cash, current accounts and short-term deposits	3 553	15.99%	4 528	20.31%
Equity securities (shares, rights, and the like)	6 028	27.12%	6 096	27.34%
Debt securities (bonds and treasury bills issued by governments and financial institutions)	397	1.79%	-	-
Debt securities of other issuers	2 522	11.35%	2 115	9.49%
Net receivables under repo transactions	9 639	43.37%	9 678	43.40%
<b>Total:</b>	<b>22 139</b>	<b>99.62%</b>	<b>22 417</b>	<b>100.54%</b>



Part of the investments in equity securities shown in the table above is reported in the investment portfolio of the Company. The items in the investment portfolio are as follows:

Issuer	Number available	Unit value in BGN	Book value in BGN
Central Depository AD	1	476.20	476.20
EF Asset Management AD	79 840	2.79	222 498.11
Varengold Bank AG	619 500	6.77	4 192 262.93
<b>Total:</b>			<b>4 183 424.00</b>

During the latest reporting period EURO-FINANCE AD has constantly monitored the fulfilment of those requirements regarding capital adequacy and liquidity which ensue from Ordinance № 50 of the FSC on capital adequacy and liquidity of investment intermediaries and Regulation (EU) No. 575/2013 of the European Parliament and of the Council. No departures have been established. At any point in time the Company's own funds considerably exceeded the amount of capital requirements for covering all risks arising from the activity of EURO-FINANCE AD. As at 30 September 2018 the Company's own funds exceed by 60% the equity requirements under Regulation 575/2013, the Company's total capital adequacy ratio being 8%.

The rules and procedures for the assessment and maintenance of the amount, types and distribution of the internal capital that are necessary for adequately covering those risks to which EURO-FINANCE AD is exposed constitute an element of the Rules on Risk Assessment and Management, the reliability and effectiveness of these Rules being checked by the Board of Directors not later than 30th January each year.

## **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 results, financial situation and prospects for the development of the Eurohold Group.

### **FINANCIAL RESULT**

As of 30<sup>th</sup> of September, 2018 Eurohold Bulgaria AD reported the negative financial result on standalone base in amount of BGN 13.1 million versus a loss of BGN 12.5 million for the comparable period last year.

### **REVENUES**

The revenues of the company over the reporting period increased by BGN 0.4 million amounting to BGN 2.5 million, of which BGN 1.2 million interest revenues, other financial revenues (Positive differences from exchange rate fluctuations) in amount of BGN 0.5 million, BGN 0.6 million revenues from financial operations and BGN 0.2 million represented revenues from dividend.

For comparison, as of the end of September, 2017 the company's revenues amounted to BGN 2.9 million, of which and interest revenues in amount of BGN 2.1 million, revenues

from financial operations in amount of BGN 0.5 million and revenues from dividend in amount of BGN 0.3 million.

## **EXPENSES**

For the observed period the operating expenses increased by 1.9% as amounted to BGN 15.8 million compared to BGN 15.5 million as of 30.09.2017. The expenses growth was due to the increased interest expenses by BGN 1.4 million during the current period, while all other financial expenses decreased significantly (by BGN 1.2 million totally), as well as the losses from operations with financial instruments. All other operating expenses of the company are reduced or remained at the same level as the reported in the comparable period.

## **ASSETS**

As of 30<sup>th</sup> of September 2018 the company's assets increased by 3% and amounted to BGN 574.9 million compared to BGN 557.9 million as of the end of 2017.

The increase in assets is due to an increase in investments in subsidiaries by BGN 10.4 million, as well as due to the increased current assets by BGN 6.6 million.

In the past nine months Eurohold Bulgaria AD has invested in its subsidiary Euroins Insurance Group AD, in two directions:

1. On 3 January 2018, the last installment of the subsidiary company Euroins Insurance Group AD amounting to BGN 1.963 million was made in accordance with the decision to increase the capital of the insurance sub-holding in 2015;
2. Acquisition of a share of its subsidiary insurance holding company Euroins Insurance Group (EIG) in connection with an agreement for the purchase of the 10.64% residual minority share held by the South Eastern Europe Fund L.P. (SEEF), managed by the Greek investment company Global Finance. Acquisition will take place in tranches

During the reporting period, the current assets increased significantly mainly due to the increase of receivables from related parties by BGN 5.2 million and increased other receivables by BGN 1.2 million.

## **EQUITY AND LIABILITIES**

The total equity amounted to BGN 323.1 million, decreasing by the reported loss in the first nine months of the current year. For comparison, as at 31.12.2017, the equity of Eurohold Bulgaria amounted to BGN 338 million.

The company's liabilities increased by 14.5% from BGN 219.9 million as at 31.12.2017 reached BGN 251.8 million.

For the period the non-current liabilities increased by 17.7% or BGN 29.2 million. The growth of non-current assets is due to an increase in the amount of Eurobonds (EMTN Program) from BGN 141.5 million to BGN 154.8 million, as well as due to the increase in the amount of loans received from financial and non-financial institutions from BGN 21.1 million as of 31.12.2017 to BGN 37 million in the current period.

The current liabilities decreased by BGN 2.7 million to BGN 57.3 million as of the end of reporting period. The bulk of current liabilities is current borrowings from financial and non-financial institutions, as well as the current portion of debenture obligations. During the reporting period total current liabilities on loans decreased by 5.8% to BGN 49.2 million, while as of 31.12.2017 they amounted to BGN 53.2 million.

## **DESCRIPTION OF MAIN RISKS AND UNCERTAINTIES**

### **1. Systematic risks**

#### **Influence of the international environment**

Over the last few years, economists from different countries have been united around the thesis that the prosperity of the world economy depends on all the big ones as well as on a growing number of developing and smaller players. Issues of aging populations in all parts of the world, instability in energy and agricultural products prices, unequal distribution of income among members of the population and the risk of systematic global financial fluctuations are central topics for discussion in many international forums. These trends are inextricably linked with the Bulgarian macroeconomic environment and have a constant influence on the results of the local companies and their future development. Another outstanding issue is the excessive exhaustion and neglect of the importance of using limited global resources. Against the backdrop of these facts, economists are united around the thought that ultimately the change in the way in which global business operates will be dictated and imposed by the worsening environment and the reduction of beneficial opportunities for single entrants. The exit from the realization of certain risks related to the international environment will depend to a large extent on the previously established plans and the preventive measures of individual states and international institutions as evidenced by the last global economic crisis. The risk of the impact of the international environment on firms can not be diversified and affects all players, but on the other hand it can become an engine for innovation development and implementation that dramatically changes and increases business efficiency on a global scale.

#### **Macroeconomic risk**

The macroeconomic situation and the economic growth in Bulgaria and Europe are of main importance for the development of the Eurohold Bulgaria AD, and this includes also the governmental policies of the respective countries, and in particular the regulations and decisions made by the respective Central Banks, which influence the monetary and interest rate policy, exchange rates, taxes, GDP, inflation, budget deficit and foreign debt, the unemployment rate and the income structure.

Potential internal risk remains the theoretical liberalization of fiscal policy, which would lead to a serious further increase in the deficit and violation of the currency board principles.

Macroeconomic risks include: The political one; the credit risk of the state; inflation, currency and interest rate risk; emerging market risks and the risks associated with the Bulgarian securities market.

#### **Political risk**

The political risk reflects the influence of the political processes in the country on the economic and investment process and in particular on the return on investments. The degree of political risk is determined by the likelihood of changes in the unfavorable direction, of the government led long-term economic policy, which may have a negative impact on investment decisions. Other factors related to this risk are the possible legislative changes concerning the economic and investment climate in the country.

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

## Unemployment

In market economy countries, unemployment is recognized as a social risk on the labor side. As a socially assessed risk, unemployment is subject to compulsory social security and benefits under certain conditions. The overall activity on the formation and implementation of the state policy on unemployment insurance, as well as the promotion and support of the unemployed, when seeking and starting work and / or other type of economic activity, gives the content of the process of management of this social risk.

According to the latest published NSI data, the unemployment rate in the country for the second quarter of 2018 was 5.5% or 0.8 percentage points lower than the second quarter of 2017. The number of people without work equals 182.2 thousand people or is reported a reduction in the number of unemployed by 31.7 thousand people compared to the second quarter of 2017. Over the same period, the unemployment rate decreased by 0.8 percentage points for men and 1.0 percentage points for women. Of the total number of unemployed persons, 109.8 thousand (60.3%) are men 72.4 thousand (39.7%) - women. Of all unemployed persons 13.61% have higher education, 49.1% - with an average, and 37.3% - with basic or lower education. Unemployment rates by grade of education is 2.4% for higher education, 4.8% for secondary education and 20.5% for basic education and lower education.

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

## Credit risk of the country

The credit risk is the possibility for deterioration of the international credit ratings of given country. The low credit ratings of the country might lead to higher interest rates, tougher financing conditions for the economic subjects, including Eurohold and its economic group.

On 01.06.2018, the rating agency Fitch Ratings consolidated the outlook for the credit rating of Bulgaria as stable. The agency raised Bulgaria's long - term credit rating from "BBB-" to "BBB" in foreign and local currency and confirmed BBB + rating ceiling as well as the short-term credit rating in foreign and local currency "F2". The confirmation of the prospect as stable, reflects Fitch Ratings' assessment of the positive development of Bulgaria's external sector. The prolonged period of constant decline of the ratio of external debt to GDP and positive current account trends, have led to a better representation of Bulgaria's external finances compared to the countries of the rating group "BBB". Compared to other countries with a similar rating, Bulgaria's public finance performance indicators positively influence the upgrading of the rating. The State debt to GDP ratio will continue to decline below that of other "BBB" rating countries.

On 01.06.2018, S&P Global Ratings rated the credit rating outlook of Bulgaria as positive. At the same time, the agency has increased both long-term and short-term credit rating in foreign and local currency "BBB- / A-3". The confirmed perspective for Bulgaria's credit rating reflects the expectations of S&P Global Ratings that its fiscal and external indicators will continue to improve and the authorities will take further steps to strengthen the financial sector where the level of non-performing loans remains high. The agency notes that in 2018 the economic recovery of the country will continue with the growing contribution of domestic demand to net exports. Improvements are reflected in the labor market, thus increasing disposable income and private consumption. Public investment funded through European funds will also be an important factor for economic recovery. At

the same time, Bulgaria continues to feel structural limitations from demographic challenges. Net emigration, especially in the skilled labor force and the aging population represent challenges to economic policy development and to the opportunities for social cohesion.

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

### **Inflation risk**

The inflation risk is related to the possibility of inflation influencing the real return of investments. The main risks associated with the inflation forecast refer to the dynamics of international prices and the rate of economic growth in Bulgaria. International commodity prices may increase more significantly as a result of political crises or increased demand. The limited supply of certain agricultural commodities, especially of cereals, internationally, in connection with adverse climatic events, may additionally cause higher inflation in the country.

With the recovery of domestic demand, higher relative consumer prices of services are expected compared to food and non-food goods. According to the Ministry of Finance forecast for macroeconomic indicators by 2020, the growth rate of the economy is expected to slow down gradually and the projected average growth for the period 2017-2020 to amount to 2.0%. Inflation might influence the expenses of the Company, since quite a big portion of the company's liabilities are interest-bearing. Their servicing is related to the current interest rates which reflect the inflation level in the country. That is why keeping low inflation levels in the country is considered as a significant factor for the activity of Eurohold Bulgaria AD.

At the moment and as a whole, the currency board mechanism provides guarantees that inflation in the country will remain under control and will have no adverse effect on the country's economy, and in particular on the Company's activities.

Given this, every investor should well understand and take into account both the current levels of inflation risk and future opportunities for its manifestation.

### **Currency risk**

This risk is related to the possibility for depreciation of the local currency. Specifically for Bulgaria this is the risk of untimely cancelation of the conditions of the Currency Board at fixed national currency exchange rate. Considering the policy adopted by the government and the Bulgarian National Bank, it is expected for the Currency Board to be maintained until entering of the country in the Eurozone.

Each considerable depreciation of the Bulgarian Lev might have a considerable unfavorable effect on the economic subjects in the country, including the Company. Risk exists also when the income and costs of an entity are formed in different currencies. Exposure of the economic entities operating on the territory of Bulgaria to the US dollar, which is the main currency of a significant part of the world markets for raw materials and products, is particularly pronounced.

Changes in the different exchange rates did not materially affect the Company's operations until controlling interests were acquired in the countries of Romania, Macedonia and Ukraine. The financial results of these companies are denominated in local currency, Romanian leya (RON), Macedonian denarius (MKD) and Ukrainian hryvnia (UAH), the exchange rate of which is almost freely determined on the local currency market. Consolidated revenue 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 risk is related to the possibility for change in the predominating interest levels in the country. Its influence is related to the possibility for decrease in the net income of the companies as a result of the increased interest rates, at which the Company finances its activity. Interest rate risk is included in the category of macroeconomic risks due to the fact that the main precondition for a change in interest rates is the emergence of instability in the financial system as a whole. This risk can be managed through balanced use of different sources of financial resource. A typical example of the emergence of this risk is the global economic crisis caused by the liquidity problems of large mortgage institutions in the United States and Europe, with the result that interest rate credit risk rewards were rethought and increased globally. The effect of this crisis had a tangible manifestation in Eastern Europe and the Balkans, expressed in limiting free access to borrowed funds.

All other conditions equal, the increase in interests would reflect on the cost of the financial resource used by the Eurohold Bulgaria AD for the realization of different business projects. Moreover, it can influence the amount of expenses of the company, since quite a big portion of the company's liabilities are interest-related and their servicing is related to the current interest rates.

## **2. Unsystematic risks**

### **Risks related to the activity and structure of Eurohold Bulgaria AD**

Eurohold Bulgaria AD is a holding company and an eventual worsening of operating results, financial position and perspectives for development of its subsidiaries might have a negative effect on the operating results and the financial position of the company.

As far as the activity of the Company is related to the management of the assets of other companies, it cannot be related to a specific sector from the domestic economy and it is exposed to the sectoral risks of the subsidiaries. In general, the companies in the group of Eurohold Bulgaria AD operate in two main sectors: the financial sector, including insurance, leasing, investment intermediation and the car sales sector.

The main risk related to the activity of Eurohold Bulgaria AD is the ability to reduce the sales revenue of the companies in which it participates. It influences the dividends received. In this regard, this might influence the growth of company revenue, as well as the change in profitability.

The greatest risk is concentrated in the insurance sector where the significant part of the group's revenue is generated. The companies with the largest share in the revenues, respectively - in the financial results of the insurance field are the companies operating in the Bulgarian and Romanian market, part of the group of Euroins Insurance Group AD.

The main risk in the leasing business is the ability to provide at an affordable price a sufficient financial means to expand the leasing portfolio and to provide the financing of the rented car rental services (rent-a-car services). The leasing Sub-Holding "Eurolease Group" EAD has issued a bond issue registered for trading on BSE-Sofia AD. The leading company of the leasing sub-holding "Eurolease Auto" EAD has issued bond issues, registered for trading on BSE-Sofia AD.

The Automotive Sub-Holding "Avto Union" AD operates mainly in the sphere of sale of new cars, warranty and after-sales service of cars, sale of spare parts and oils. The activity is directly dependent on the availability of permits and authorizations granted by the respective car manufacturers to the companies of the Auto Union AD group. Termination or revocation of such rights may abruptly reduce sales of the car group. This is particularly relevant in the context of the global restructuring of the automotive industry. The business environment in the automotive industry is also influenced by purely internal factors related to the purchasing power of the population, access to finance, business mood, stock availability and other.

The financial direction of the group is presented by the investment intermediary Euro-Finance AD. The risk in the financial intermediation and asset management sector is related to the high volatility of debt and capital markets, changes in the financial sentiment and investment culture of the population.

Deteriorated results of one or more subsidiaries could lead to a deterioration of the results on a consolidated basis. This in turn, is related to the price of the Company's shares, as the share market price reflects the business potential and the assets of the economic group as a whole.

### **Risks associated with the company's development strategy**

The future profits and economic value of the Eurohold Bulgaria AD depend on the strategy selected by the senior management of the company and its subsidiaries. Selecting an inappropriate strategy might lead to considerable losses.

Eurohold Bulgaria AD tries to manage the risk of strategic errors through continuous monitoring of the different stages upon implementation of its marketing strategy and the results thereof. This is extremely important, so that they can react in a timely manner, in case a change in the strategic development plan is needed at a certain stage. Untimely or inappropriate changes to the strategy may also have a significant negative effect on the company's operations, operating results and financial condition.

### **Risks related to the management of Eurohold Bulgaria AD**

The risks related to the management of the company are the following:

- making wrong decisions about the current management of investments and the liquidity of the company, both on the part of the senior management and the operating officers of the Company;
- inability of the management to start the implementation of the projects planned or lack of suitable management for specific projects;
- possible technical errors in the unified management information system;
- possible errors in the internal control system;
- key employees leaving the company and inability to employ personnel with the necessary qualities;
- risk of excessive increase in the expenses for management and administration, which leads to a decrease in the total profitability of the company.

### **Financial risk**

The financial risk is the additional uncertainty with regard to the investor in obtaining income, when the company uses borrowed or borrowed funds. This additional financial insecurity adds to the business risk. When part of the funds used for financing of the activity of the company are in the form of loans or debt securities, the repayment of these funds represents a fixed liability. The financial autonomy and financial indebtedness indicators take into account the ratio between own funds and attracted funds in the capital structure of the company. The high level of the financial autonomy ratio, respectively the low level of the financial indebtedness ratio, is a kind of guarantee to investors for the company's ability to pay its long-term liabilities on a regular basis. The indicators show how much of the total capital represents the attracted funds. The larger the share of long-term debt compared to equity, the greater the probability of problems with the payment of fixed obligations. The increase in the value of this indicator also shows an increase in the financial risk. Another set of indicators refers to the revenue stream that makes it possible to pay the Company's liabilities. An indicator that can be used is the coverage ratio of the fixed

interest payable (interest). This indicator shows how many times fixed interest payments are included in the value of earnings before interest payments and taxation. It gives a good indication of the company's ability to pay its long-term liabilities. The effect of using borrowed funds (debt) to increase the final net income attributable to shareholders is called financial leverage. The benefit of financial leverage occurs when the company benefits from the attracted funds more than the costs (interest) on attracting them. The risk indicator in this case is the degree of financial leverage, which is expressed as the ratio of the income before interest and taxes to the income before the payment of taxes, the so called interest rate burden. The acceptable or "normal" degree of financial risk depends on business risk. If there is a small business risk for the firm, it may be expected that investors would agree to take a higher financial risk and vice versa.

### **Currency risk**

As a whole, 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 the fixing of the national currency to the euro. Currency risk exists for the Group's investments abroad, mainly from the insurance sector in Romania, Macedonia and Ukraine, and a leasing line in Romania and Macedonia.

### **Liquidity risk**

The liquidity risk is related to the possibility that Eurohold Bulgaria AD, is not able to repay its liabilities in the amount agreed and/or within the stipulated deadline. The presence of good financial indicators of profitability and capitalization of a certain company does not guarantee the smooth coverage of current payments. Liquidity risk might occur in case of late customer payments.

Eurohold Bulgaria AD strives to minimize this risk through optimal cash flow management within the group itself. The Group applies an approach which should provide the liquid resource needed to cover the liabilities which have occurred from normal or exceptional conditions, without realizing unacceptable losses or damaging the reputation of the separate companies and the business group as a whole.

The companies are making financial planning to meet the expenses and their current liabilities for a period of thirty days, including the servicing of financial obligations. This financial planning minimizes or totally excludes the potential effect of emerging extraordinary circumstances.

The management of Eurohold Bulgaria AD supports the efforts of the subsidiaries in the group to attract bank resources for investments and to use the opportunities that this type of financing provides for the provision of working capital. The volumes of these borrowed funds are maintained at certain levels and are allowed after proof of economic efficiency for each company.

The policy of the Company's management is aimed at raising financial resources from the market in the form of mainly equity securities and debt instruments (bonds) to invest in its subsidiaries by granting them loans to finance their own projects. The raised funds are also used for capital increases of subsidiaries.

### **Risk of possible realization of transactions between the companies in the Group, whose conditions differ from the market conditions, as well as risk of co-dependence on the activity of the subsidiaries**

The relationships with related parties result from contracts for temporary financial assistance for the subsidiaries and transactions related to the ordinary commercial activity of the subsidiaries.



The risk of possible realization of transactions between the companies in the Group, under conditions which differ from the market conditions, is the risk of achieving low profitability from the provided inter-group financing. Another risk which may be assumed is not obtaining enough revenue from the inter-group commercial transactions, and subsequently not making good profit for the respective company. On a consolidated level, this might have a negative impact on the profitability of the whole group.

Within the Group are performed transactions between the Parent Company and the subsidiaries, as well as between the subsidiaries themselves, which originate from the nature of their main activity. All transactions with related parties are made under conditions which do not differ from the usual market prices and in compliance with IAS 24.

Eurohold Bulgaria AD operates through its subsidiaries, which means that its financial results are directly dependent on the financial results, development and prospects of the subsidiaries. One of the main goals of Eurohold Bulgaria AD is to realize significant synergy between its subsidiaries as a consequence of the integration of the three business lines - insurance, leasing and car sales. Poor results of one or several subsidiaries could lead to a deterioration in financial results on a consolidated basis. This in turn is also related to the share price of the Company, which may change as a result of the investors' expectations about the company's prospects.

## **RISK MANAGEMENT**

The elements through which the Group manages risks, are directly related to specific procedures for prevention and solving any problems in the operations of EuroHold in due time. These include current analysis in the following directions:

- ◆ Market share, pricing policy and marketing researches for the development of the market and the market share;
- ◆ Active management of investments in different sectors;
- ◆ Comprehensive policy in asset and liabilities management aiming to optimize the structure, quality and return on assets;
- ◆ Optimization of the structure of raised funds aiming to ensure liquidity and decrease of financial expenses for the group;
- ◆ Effective management of cash flows;
- ◆ Administrative expenses optimization, management of hired services;
- ◆ Human resources management.

Upon occurrence of unexpected events, the incorrect evaluation of current market tendencies, as well as many other micro- and macroeconomic factors could impact the judgment of management. The single way to overcome this risk is work with experienced professionals, maintain and update of fully comprehensive database on development and trends in all markets of operation.

The Group has implemented an integrated risk management system based on the Enterprise Risk Management model. The risk management process covers all the Group's organizational levels and is aimed at identifying, analyzing and limiting risks in all areas of the Group's operations. In particular, the Group minimizes insurance risk through proper selection and active monitoring of the insurance portfolio, matching the duration of asset and liabilities as well as minimizing F/X exposure. An effective risk management system

allows the Group to maintain stability and a strong financial position despite the ongoing crisis on the global financial markets.

Risk management in the Group aims to:

- ◆ identify potential events that could impact the Group's operations in terms of achieving business objectives and achievement related risks;
- ◆ manage risk so that the risk level complies with the risk appetite specified and accepted by the Group;
- ◆ ensure that the Group's objectives are attained with a lower than expected risk level.

Date: 23 November 2018

**Asen Minchev,**

*Executive Member of the  
Management Board*

**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of profit or loss**  
**For the period ended September 30, 2018**

<i>In thousand BGN</i>	<i>Notes</i>	30.9.2018	30.9.2017
<b>Revenue from operating activities</b>			
Revenue from Insurance business	3	667 290	714 885
Revenue from car sales and after sales	5	181 206	140 900
Revenue from Leasing business	6	17 856	18 558
Revenue from asset management and brokerage	8	2 871	2 785
Revenue from the activities of the parent company	10	1 447	1 178
		<b>870 670</b>	<b>878 306</b>
<b>Expenses of operating activities</b>			
Expenses of Insurance business	4	(618 755)	(663 160)
Cost of cars and spare parts sold		(163 651)	(126 156)
Expenses of Leasing business	7	(2 884)	(3 045)
Expenses of asset management and brokerage	9	(1 995)	(1 793)
Expenses of the activities of the parent company	11	(54)	(815)
		<b>(787 339)</b>	<b>(794 969)</b>
<b>Gross Profit</b>		<b>83 331</b>	<b>83 337</b>
Other income/(expenses), net	12	(3 476)	(3 754)
Other operating expenses	13	(55 172)	(45 853)
<b>EBITDA</b>		<b>24 683</b>	<b>33 730</b>
Financial expenses	14	(17 213)	(14 824)
Financial income	15	69	344
Foreign exchange gains/losses, net	18	476	(511)
<b>EBTDA</b>		<b>8 015</b>	<b>18 739</b>
Depreciation and amortization	16	(7 812)	(6 517)
<b>EBT</b>		<b>203</b>	<b>12 222</b>
Tax expenses	17	(3)	(222)
<b>Net income for the period</b>		<b>200</b>	<b>12 000</b>
Attributable to:			
Equity holders of the parent		(2 499)	8 202
Non-controlling interests		2 699	3 798

Prepared by:

Signed on behalf of BoD:

Procurator:

22.11.2018 /I. Hristov/

/A. Minchev/

/H.Stoev/

**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of Other Comprehensive Income**  
**For the period ended September 30, 2018**

<i>In thousand BGN</i>	<i>Notes</i>	30.9.2018	30.9.2017
<b>Profit for the period</b>	44	<b>200</b>	<b>12 000</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net (loss)/gain on financial assets available-for-sale		33	31
Exchange differences on translating foreign operations		(523)	(1 444)
<b>Other comprehensive income for the period, net of tax</b>		<b>(490)</b>	<b>(1 413)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>(290)</b>	<b>10 587</b>
Attributable to:			
Equity holders of the parent		(2 937)	6 954
Non-controlling interests		2 647	3 633
		<b>(290)</b>	<b>10 587</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

22.11.2018

/I. Hristov/

/A. Minchev/

/H.Stoev/

**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of Financial Position**  
**As of September 30, 2018**

<b><i>In thousand BGN</i></b>	<i>Notes</i>	30.9.2018	31.12.2017
<b>ASSETS</b>			
Cash and cash equivalents	19	63 108	45 945
Deposits at banks	20	14 794	11 171
Reinsurers' share in technical reserves	21.1	389 266	361 247
Insurance receivables	21.2	90 597	87 941
Trade receivables	22	37 781	27 474
Other receivables	23	34 772	30 822
Machinery, plant and equipment	24, 24.2-5	52 427	44 630
Intangible assets	26	2 434	2 198
Inventory	27	52 251	59 125
Financial assets	28	270 098	327 053
Deferred tax assets	29	13 169	13 184
Land and buildings	24, 24.1	19 346	20 090
Investment property	25	13 257	12 698
Investments in associates and other investments	30	8 094	4 724
Other financial investments	31	2 397	2 391
Non-current receivables	32	100 022	85 908
Goodwill	33	189 813	189 813
<b>TOTAL ASSETS</b>		<b>1 353 626</b>	<b>1 326 414</b>

**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of Financial Position (continued)**  
**As of September 30, 2018**

<i>In thousand BGN</i>	Notes	30.9.2018	31.12.2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	43.1	197 526	197 526
Treasury shares	43.1	(6 077)	(77)
Share Premium	43.2	49 568	49 568
General reserves		7 641	7 641
Revaluation and other reserves		(61 212)	(57 203)
Retained earnings/(losses)		(30 170)	(44 825)
Profit for the year	44	(2 499)	18 174
<b>Equity attributable to equity holders of the parent</b>		<b>154 777</b>	<b>170 804</b>
Non-controlling interests	45	38 564	43 702
<b>Total equity</b>		<b>193 341</b>	<b>214 506</b>
<b>Subordinated debts</b>	34	<b>28 058</b>	<b>26 058</b>
<b>LIABILITIES</b>			
Bank and non-bank loans	35	120 151	99 245
Obligations on bond issues	36	165 723	150 757
Non-current liabilities	37	29 819	30 087
Current liabilities	38	20 208	25 587
Trade and other payables	39	86 590	102 192
Payables to reinsurers and from direct insurance	40	64 305	81 863
Deferred tax liabilities	41	246	284
		<b>487 042</b>	<b>490 015</b>
Insurance reserves	42	645 185	595 835
		<b>645 185</b>	<b>595 835</b>
<b>Total liabilities and subordinated debts</b>		<b>1 160 285</b>	<b>1 111 908</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 353 626</b>	<b>1 326 414</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

/I. Hristov/

/A. Minchev/

/H.Stoev/

22.11.2018

**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of Cash Flows**  
**For the period ended September 30, 2018**

<b><i>In thousand BGN</i></b>	<i>Notes</i>	30.9.2018	30.9.2017
<b>Cash flows from operating activities</b>			
<b>Profit for the period before tax:</b>		<b>203</b>	<b>12 222</b>
Adjustments for:			
Depreciation	16	7 812	6 517
Foreign exchange gain/loss		(5 889)	(6 665)
Impairment of assets		78	179
Interest expense		19 357	17 168
Interest revenue		(9 363)	(8 354)
Dividend revenue		(117)	(954)
Other non-cash adjustments		3	222
<b>Operating profit before change in working capital</b>		<b>12 084</b>	<b>20 335</b>
Change in trade and other receivables		11 106	(66 615)
Change in inventory		6 889	(10 137)
Change in trade and other payables and other adjustments		(28 260)	76 694
<b>Cash generated from operating activities</b>		<b>1 819</b>	<b>20 277</b>
Interest (paid)/received		325	466
Income tax paid		(634)	(707)
<b>Net cash flows from operating activities</b>		<b>1 510</b>	<b>20 036</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(5 233)	(3 612)
Proceeds from the disposal of property, plant and equipment		1 983	5 920
Loans granted		(25 622)	(18 988)
Repayment of loans, including financial leases		22 693	29 556
Interest received on loans granted		808	251
Purchase of investments		(85 767)	(493 540)
Sale of investments		88 137	442 261
Dividends received		124	1 349
Effect of exchange rate changes		157	3 115
Other proceeds/(payments) from investing activities, net		(2 697)	(7 047)
<b>Net cash flows from investing activities</b>		<b>(5 417)</b>	<b>(40 735)</b>

**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of Cash Flows (continued)**  
**For the period ended September 30, 2018**

<b><i>In thousand BGN</i></b>	<i>Notes</i>	30.9.2018	30.9.2017
<b>Financing activities</b>			
Proceeds from issuance of shares		-	34 000
Proceeds from loans		124 825	253 943
Repayment of loans		(80 878)	(258 354)
Repayment of financial leases		(12 201)	(7 942)
Payment of interest, charges, commissions on investment loans		(8 955)	(4 626)
Dividends paid		(2 435)	-
Other proceeds/(payments) from financing activities, net		714	705
<b>Net cash flows from financing activities</b>		<b>21 070</b>	<b>17 726</b>
<b>Net increase (decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year	<i>19</i>	45 945	100 948
<b>Cash and cash equivalents at the end of the period</b>	<b>19</b>	<b>63 108</b>	<b>97 975</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

22.11.2018 /I. Hristov/

/A. Minchev/

/H.Stoev/



**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of Changes in Equity**  
**For the period ended September 30, 2018**

<i>In thousand BGN</i>	Share capital	Share premium	General reserves	Revaluation and other reserves	Retained earnings/(losses)	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
<b>Balance as of January 1, 2017</b>	<b>124 399</b>	<b>39 736</b>	<b>7 641</b>	<b>(56 477)</b>	<b>(36 185)</b>	<b>79 114</b>	<b>36 145</b>	<b>115 259</b>
Issue of share capital	70 181	10 854	-	-	-	<b>81 035</b>	-	<b>81 035</b>
Dividends	-	-	-	-	(1 613)	<b>(1 613)</b>	(490)	<b>(2 103)</b>
Treasury shares	2 869	(1 022)	-	-	-	<b>1 847</b>	-	<b>1 847</b>
Change in non-controlling interests without change in control	-	-	-	481	(7 027)	<b>(6 546)</b>	1 684	<b>(4 862)</b>
Profit for the year	-	-	-	-	18 174	<b>18 174</b>	6 241	<b>24 415</b>
<b>Other comprehensive income:</b>								
Exchange differences on translating foreign operations	-	-	-	(734)	-	<b>(734)</b>	135	<b>(599)</b>
Change in the fair value of financial assets available-for-sale	-	-	-	(473)	-	<b>(473)</b>	(13)	<b>(486)</b>
Total other comprehensive income	-	-	-	<b>(1 207)</b>	-	<b>(1 207)</b>	<b>122</b>	<b>(1 085)</b>
Total comprehensive income	-	-	-	<b>(1 207)</b>	<b>18 174</b>	<b>16 967</b>	<b>6 363</b>	<b>23 330</b>
<b>Balance as of December 31, 2017</b>	<b>197 449</b>	<b>49 568</b>	<b>7 641</b>	<b>(57 203)</b>	<b>(26 651)</b>	<b>170 804</b>	<b>43 702</b>	<b>214 506</b>
<b>Balance as of January 1, 2018</b>	<b>197 449</b>	<b>49 568</b>	<b>7 641</b>	<b>(57 203)</b>	<b>(26 651)</b>	<b>170 804</b>	<b>43 702</b>	<b>214 506</b>
Treasury shares	(6 000)	-	-	-	-	<b>(6 000)</b>	-	<b>(6 000)</b>
Dividends	-	-	-	-	(1 800)	<b>(1 800)</b>	(735)	<b>(2 535)</b>
Change in non-controlling interests without change in control	-	-	-	(3 571)	(1 719)	<b>(5 290)</b>	(7 050)	<b>(12 340)</b>
Profit for the period	-	-	-	-	(2 499)	<b>(2 499)</b>	2 699	<b>200</b>
<b>Other comprehensive income:</b>								
Exchange differences on translating foreign operations	-	-	-	(498)	-	<b>(498)</b>	(25)	<b>(523)</b>
Change in the fair value of financial assets available-for-sale	-	-	-	60	-	<b>60</b>	(27)	<b>33</b>
Total other comprehensive income	-	-	-	<b>(438)</b>	-	<b>(438)</b>	<b>(52)</b>	<b>(490)</b>
Total comprehensive income	-	-	-	<b>(438)</b>	<b>(2 499)</b>	<b>(2 937)</b>	<b>2 647</b>	<b>(290)</b>
<b>Balance as of September 30, 2018</b>	<b>191 449</b>	<b>49 568</b>	<b>7 641</b>	<b>(61 212)</b>	<b>(32 669)</b>	<b>154 777</b>	<b>38 564</b>	<b>193 341</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

22.11.2018

/I. Hristov/

/A. Minchev/

/H.Stoev/

# Interim Consolidated Financial Statements for the period ended September 30, 2018

## Consolidated statement of profit or loss by Business Segments For the period ended September 30, 2018

In thousand BGN

		30.9.2018	30.9.2018	30.9.2018	30.9.2018	30.9.2018	30.9.2018	30.9.2018
	Notes	Consolidated	Insurance business	Automotive	Leasing business	Asset management and brokerage	Parent company	Elimination
<b>Revenues from operating activities</b>								
Revenue from Insurance business	3	667 290	668 554	-	-	-	-	(1 264)
Revenue from car sales and after sales	5	181 206	-	188 295	-	-	-	(7 089)
Revenue from Leasing business	6	17 856	-	-	18 780	-	-	(924)
Revenue from asset management and brokerage	8	2 871	-	-	-	3 351	-	(480)
Revenue from the activities of the parent company	10	1 447	-	-	-	-	2 243	(796)
		<b>870 670</b>	<b>668 554</b>	<b>188 295</b>	<b>18 780</b>	<b>3 351</b>	<b>2 243</b>	<b>(10 553)</b>
<b>Expenses of operating activities</b>								
Expenses of Insurance business	4	(618 755)	(624 619)	-	-	-	-	5 864
Cost of cars and spare parts sold		(163 651)	-	(163 669)	-	-	-	18
Expenses of Leasing business	7	(2 884)	-	-	(3 155)	-	-	271
Expenses of asset management and brokerage	9	(1 995)	-	-	-	(1 996)	-	1
Expenses of the activities of the parent company	11	(54)	-	-	-	-	(54)	-
		<b>(787 339)</b>	<b>(624 619)</b>	<b>(163 669)</b>	<b>(3 155)</b>	<b>(1 996)</b>	<b>(54)</b>	<b>6 154</b>
<b>Gross Profit</b>		<b>83 331</b>	<b>43 935</b>	<b>24 626</b>	<b>15 625</b>	<b>1 355</b>	<b>2 189</b>	<b>(4 399)</b>
Other income/(expenses), net	12	(3 476)	-	-	(4 700)	26	-	1 198
Other operating expenses	13	(55 172)	(27 243)	(20 558)	(6 797)	(1 192)	(1 376)	1 994
<b>EBITDA</b>		<b>24 683</b>	<b>16 692</b>	<b>4 068</b>	<b>4 128</b>	<b>189</b>	<b>813</b>	<b>(1 207)</b>
Financial expenses	14	(17 213)	(1 770)	(2 194)	-	-	(14 408)	1 159
Financial income	15	69	-	230	-	-	-	(161)
Foreign exchange gains/losses, net	18	476	-	-	-	-	476	-
<b>EBTDA</b>		<b>8 015</b>	<b>14 922</b>	<b>2 104</b>	<b>4 128</b>	<b>189</b>	<b>(13 119)</b>	<b>(209)</b>
Depreciation and amortization	16	(7 812)	(1 598)	(2 078)	(4 069)	(48)	(19)	-
<b>EBT</b>		<b>203</b>	<b>13 324</b>	<b>26</b>	<b>59</b>	<b>141</b>	<b>(13 138)</b>	<b>(209)</b>
Taxes	17	(3)	-	-	-	(3)	-	-
<b>Net income for the period</b>		<b>200</b>	<b>13 324</b>	<b>26</b>	<b>59</b>	<b>138</b>	<b>(13 138)</b>	<b>(209)</b>

## Consolidated statement of profit or loss by Business Segments For the period ended September 30, 2017

In thousand BGN

		30.9.2017	30.9.2017	30.9.2017	30.9.2017	30.9.2017	30.9.2017	30.9.2017
	Notes	Consolidated	Insurance business	Automotive	Leasing business	Asset management and brokerage	Parent company	Elimination
<b>Revenues from operating activities</b>								
Revenue from Insurance business	3	714 885	715 993	-	-	-	-	(1 108)
Revenue from car sales and after sales	5	140 900	-	148 850	-	-	-	(7 950)
Revenue from Leasing business	6	18 558	-	-	19 333	-	-	(775)
Revenue from asset management and brokerage	8	2 785	-	-	-	3 586	-	(801)
Revenue from the activities of the parent company	10	1 178	-	-	-	-	3 073	(1 895)
		<b>878 306</b>	<b>715 993</b>	<b>148 850</b>	<b>19 333</b>	<b>3 586</b>	<b>3 073</b>	<b>(12 529)</b>
<b>Expenses of operating activities</b>								
Expenses of Insurance business	4	(663 160)	(668 606)	-	-	-	-	5 446
Cost of cars and spare parts sold		(126 156)	-	(126 167)	-	-	-	11
Expenses of Leasing business	7	(3 045)	-	-	(3 276)	-	-	231
Expenses of asset management and brokerage	9	(1 793)	-	-	-	(1 795)	-	2
Expenses of the activities of the parent company	11	(815)	-	-	-	-	(815)	-
		<b>(794 969)</b>	<b>(668 606)</b>	<b>(126 167)</b>	<b>(3 276)</b>	<b>(1 795)</b>	<b>(815)</b>	<b>5 690</b>
<b>Gross Profit</b>		<b>83 337</b>	<b>47 387</b>	<b>22 683</b>	<b>16 057</b>	<b>1 791</b>	<b>2 258</b>	<b>(6 839)</b>
Other income/(expenses), net	12	(3 754)	-	-	(6 485)	24	-	2 707
Other operating expenses	13	(45 853)	(20 081)	(18 459)	(6 296)	(1 194)	(1 334)	1 511
<b>EBITDA</b>		<b>33 730</b>	<b>27 306</b>	<b>4 224</b>	<b>3 276</b>	<b>621</b>	<b>924</b>	<b>(2 621)</b>
Financial expenses	14	(14 824)	(1 644)	(2 342)	-	-	(12 936)	2 098
Financial income	15	344	-	360	-	-	-	(16)
Foreign exchange gains/losses, net	18	(511)	-	-	-	-	(511)	-
<b>EBTDA</b>		<b>18 739</b>	<b>25 662</b>	<b>2 242</b>	<b>3 276</b>	<b>621</b>	<b>(12 523)</b>	<b>(539)</b>
Depreciation and amortization	16	(6 517)	(1 001)	(2 273)	(3 195)	(42)	(6)	-
<b>EBT</b>		<b>12 222</b>	<b>24 661</b>	<b>(31)</b>	<b>81</b>	<b>579</b>	<b>(12 529)</b>	<b>(539)</b>
Taxes	17	(222)	(207)	(12)	-	(3)	-	-
<b>Net income for the period</b>		<b>12 000</b>	<b>24 454</b>	<b>(43)</b>	<b>81</b>	<b>576</b>	<b>(12 529)</b>	<b>(539)</b>

These Interim consolidated Financial Statements have been approved from the Board of Directors of Eurohold Bulgaria. The notes are an integral part of the interim consolidated financial statements for the period ended September 30, 2018.

# Notes to the Interim Consolidated Financial Statements for the period ended September 30, 2018

Found in 1996, Eurohold Bulgaria AD operates in Bulgaria, Romania and Macedonia. The company is an owner of a great number of subsidiaries in the insurance, financial service and car sale sectors.

## 1. DETAILS 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 of September 30, 2018:

### Supervisory Board:

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

### Management board:

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

As of September 30, 2018, the Company is represented and managed by Kiril Ivanov Boshov and Asen Mintchev Mintchev – Executive Members of the Management Board, and Hristo Stoev – Procurator, jointly by the one of the executive members and the Procurator of the Company.

### 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 30.9.2018	% of participation in the share capital 2017
<b>Euroins Insurance Group AD</b>	<b>91.32%</b>	<b>89.36%</b>
<i>Indirect participation through EIG AD:</i>		
Insurance Company Euroins AD		
Euroins Romania Insurance AD	98.27%	98.21%
Euroins Insurance AD Macedonia	98.51%	98.50%
Euroins Life Insurance EAD	93.36%	93.36%
Insurance Company EIG Re AD	100.00%	100.00%
Euroins Ukraine AD	98.32%	98.32%

\*direct participation

## Finance Sector

Company	% of participation in the share capital 30.9.2018	% of participation in the share capital 2017
<b>Euro Finance AD *</b>	<b>99.99%</b>	<b>99.99%</b>
<b>Eurolease Group EAD*</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Indirect participation through Eurolease Group EAD:</b>		
Eurolease Auto EAD	100.00%	100.00%
Eurolease Auto Romania AD	77.98%	77.98%
Eurolease Auto Romania AD through Euroins Romania Insurance AD	22.02%	22.02%
Eurolease Auto DOOEL, Macedonia	100.00%	100.00%
Eurolease Rent A Car EOOD	100.00%	100.00%
Amigo Leasing EAD	100.00%	100.00%
Autoplaza EAD	100.00%	100.00%
Sofia Motors EOOD	100.00%	100.00%

\*direct participation

In 2017 the company Eurolease Auto Retail EAD was established.

## Automobile Sector

Company	% of participation in the share capital 30.9.2018	% of participation in the share capital 2017
<b>Auto Union AD*</b>	<b>99.99%</b>	<b>99.99%</b>
<b>Indirect participation through AU AD:</b>		
Bulvaria Varna EOOD	100.00%	100.00%
N Auto Sofia AD	100.00%	100.00%
Espas Auto through N Auto Sofia EAD	51.00%	51.00%
EA Properties EOOD	51.00%	51.00%
Daru Car AD	99.84%	99.84%
Auto Italia EAD	100.00%	100.00%
Bulvaria Holding EAD	100.00%	100.00%
Sofia Auto Bulvaria OOD	51.00%	-
Star Motors EOOD	100.00%	100.00%
Star Motors DOOEL, Macedonia through Star Motors EOOD	100.00%	100.00%
Star Motoroc SH.P.K. through Star Motors EOOD	100.00%	100.00%
Auto Union Service EOOD	100.00%	100.00%
Motobul EAD	100.00%	100.00%
Bopar Pro S.R.L., Romania through Motobul EOOD	99.00%	99.00%

\*direct participation

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

### 2.1 Basis for Preparation of the Financial Statement

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

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

The interim consolidated financial statement is drafted in compliance with the historic cost principle, excluding those financial instruments and financial liabilities, which are measured at fair value. The report are drafted in accordance with the principle of going concern, which assumes that the company will continue to operate in the near future.

### 2.2 Comparative Data

The group keeps on presenting the information in the financial statements during the periods. Whenever needed, comparative data are reclassified in order to achieve comparability between the changes in the presentation for the current year.

### 2.3 Consolidation

Consolidated financial statements comprise consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity as at 30.9.2018.

These statements comprise the holding – parent company and all subsidiaries. A subsidiary is consolidated by the parent company through the direct or indirect holding of more than 50% of the voting shares in the capital or through the ability to manage its financial and operational policy for the purposes of obtaining economic benefits from its operations.

The method of full consolidation is applied. Statements are aggregated line by line, and items such as assets and liabilities, properties, income and expenses are summed up. All internal transactions and balances between the group companies are eliminated. Opposing elements: equity, financial, trade, calculation of goodwill as at the date of acquisition, are eliminated.

Non-controlled participation in the net assets of subsidiaries is defined in accordance with the shareholding structure of such subsidiaries as at the date of the consolidated statement of financial position.

With regard to business combinations comprising group entities or business subject to joint control, the Group has chosen to apply the purchase method in accordance with IFRS 3 – Business Combinations. The Group has chosen the accounting policy with regard to these transactions, as for the time being they do not fall within the scope of application of IFRS 3 and the existing IFRSs do not provide any guidance to this effect. In accordance with IAS 8, when there is no standard or interpretation that are particularly application to an operation, another vent or condition, the management uses its own judgments to develop and apply the accounting policy.

#### ***Principles of Consolidation***

Business combinations are accounted by using the purchase method. This method requires the investor to recognize the acquired identifiable assets, undertaken liabilities and the participation, which is not a control in the investee, separately from the goodwill as at the date of acquisition. Expenses that are directly related to the acquisition are stated in the statement of profit or loss for the period.

Acquired identifiable assets and undertaken liabilities and contingent liabilities in a business combination are measured at fair value at the date

of acquisition, irrespective of the level of non-controlled participation. The Group is able to measure participations, which are not control in the investee either at fair value, or as a proportionate share in the identifiable net assets of the investee.

The excess of the acquisition price over the share of the investor in the net fair value of identifiable assets, liabilities and contingent liabilities of the investee is stated as goodwill. In case the acquisition price is less than the investor's share in the fair value of the net assets of the company, the difference is recognised directly in the consolidated statement of profit or loss.

Separately recognised goodwill with regard to the acquisition of subsidiaries is always tested for impairment at least once a year. Goodwill impairment losses are not subsequently reimbursed. Profits or losses from sale (disposal) of a subsidiary by the Group also comprise the book value of the goodwill deducted for the sold (disposed) company.

Recognised goodwill is affiliated to a specific cash inflow generating unit yet at the realization of a business combination, and such unit is applied for the impairment tests. When defining the cash flow generating units, the Group takes into account the units that have been expected to generate future economic benefits upon the acquisition through the business combination, and with regard to which the goodwill has occurred.

#### ***Non-controlling participation transactions***

The Group treats the operations with non-controlling participation as transactions with entities holding Group's equity instruments. The effects from sale of shares of the parent company, without losing control, to the holders of non-controlling participations are not treated as elements of the current profit or loss of the Group, but as movement within the components of its equity. And vice versa, upon purchases by the parent company, without acquiring control, of additional shares in the participation of holders of non-controlling participations, every difference between the amount paid and the respective acquired share from the book value of the subsidiary's net assets is recognised directly in the consolidated statement of equity, usually as "retained earnings/ (non-covered loss)".

When the Group does not have control and significant influence any more, every minority investment remaining as a share in the capital of the respective company is revaluated at fair value, and the difference up to the book value is recognised in the current profit or loss, whereas all amounts recognised before in other elements of the comprehensive income, are stated as like as for operation of direct disposal of all associated to the initial investment (in the subsidiary or associate), respectively.

#### **2.4 Functional and Reporting Currency**

The Bulgarian Lev (BGN) is the functional and reporting currency of the group. Data presented in the consolidated statements and the annexes thereto are in thousand BGN (000'BGN). Since 1 January 1999, the Bulgarian Lev is pegged to the EURO at the exchange rate: BGN 1, 95583 for EUR 1. Cash, receivables and payables denominated in foreign currency are reported in the BGN equivalent on the basis of the exchange rate as at the date of the operation and are revaluated on annual basis using the official exchange rate of the Bulgarian National Bank on the last working day of the year.

#### **2.5 Accounting Assumptions and Accounting Estimates**

Upon preparing the financial statement in compliance with IAS, the management of the Group is required to apply accounting estimates and assumptions, which affect the reported assets and liabilities, and the disclosure of the contingent assets and liabilities as at the date of the balance sheet. Despite the estimates are based on the management's knowledge of current developments, the actual results may vary from the estimates used.

#### **Deferred tax assets**

##### **Tax loss**

The assessment of probability for future taxable income for the utilisation of deferred tax assets is based on the last approved budget forecast adjusted with regard to material untaxable income and expenses and specific restrictions for carrying forward unused tax losses or credits.

If a reliable estimate for taxable income suggests the probable use of deferred tax asset, in particular in case the asset may be used without time limit, then the deferred tax asset is recognised in full. The recognition of deferred tax assets that are subject to specific legal or economic restrictions or uncertainty should be judged by the management on case by case basis on the grounds of specific facts and circumstances.

#### **Inventories – Impairment**

As at the end of the reporting period, the management reviews the available inventories – supplies, goods, in order to identify if there are inventories whose net realizable value is less than their book value. No indications for impairment of inventories have been found during the review as at 30.9.2018.

#### **Impairment of property, plant, machinery and equipment**

In accordance with the requirements of IAS 36, as at the end of the reporting period the management judges if there are indications that the value of an asset within the property, plant and equipment is impaired. In case such indications exist, the replacement cost of this asset is measured and the impairment loss is calculated. As at 30.9.2018, no impairment of property, plant, machinery and equipment has been stated.

#### **Actuarial valuations**

When defining the current value of long-term employee benefits upon retirement, calculations of certified actuaries are used based on assumptions for mortality, staff turnover rate, future level of salaries and discount factor, which assumptions are estimated by the management as reasonable and appropriate for the Group.

#### **Impairment of goodwill**

The Group makes a test for impairment of goodwill at least once a year. The refundable amounts from cash generating units are defined on the basis of their value in use or their fair value, without calculation of the sale cost.

### **Impairment of borrowings and receivables**

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

### **Fair value of financial instruments**

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

## **2.6 Income**

Group's income is recognized on the accrual basis and to the extent economic benefits are obtained by the Group and as far as the income may be reliably measured.

Upon sales of goods income is recognized when all material risks and benefits from the title of goods are transferred to the buyer.

Upon provision of services, income is recognized considering the stage of completion of the transaction as at the date of the balance sheet, if such stage may be reliably measured, as well as the costs incurred for the transaction.

Dividend income is recognized upon certifying the right to obtain them.

In the consolidated statement of profit or loss, dividends declared for the financial year by the subsidiaries are recognised as intra-account and are thus eliminated and are not taken in consideration upon calculation of the financial performance.

Eurohold Group generates financial income from the following activities:

- Operations with investments;
- Dividends;
- Interests from granted loans.

## **2.7 Expenses**

Group's expenses are recognized at the time of occurrence thereof and on the accrual and comparability basis.

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

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

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

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

## **2.8 Interest**

Interest income and expenses are recognised in the consolidated statement of profit or loss using the effective interest rate method. The effective interest rate is the rate for discounting the expected cash payments and proceeds during the

term of the financial asset or liability up to the net book value of the respective asset or liability. The effective interest rate is calculated upon the initial recognition of the financial asset or liability and is not adjusted subsequently.

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

Transaction costs are the inherent costs directly attributable to the financial asset or liability acquisition, issue or derecognition.

Interest income and expenses stated in the consolidated statement of profit or loss include: interest recognized on the basis of effective interest rate under financial assets and liabilities carried at amortized value.

Unearned financial income (interest) is the difference between the gross and net investment in the lease, whereas the gross investment in a lease is the amount of minimum lease payments and the non-guaranteed residual value charged by the lessor. Interest income under lease operations (financial income) is distributed for the term of validity of the lease and is recognised on the basis of constant periodic rate of return of the lessor's net investment.

## **2.9 Fees and commissions**

Fee and commission income and expenses which are an integral part of the effective interest rate for a financial asset or liability, are included in the calculation of the effective interest rate.

Other fee and commission income, including logistic services fees, insurance and other intermediation fees, is recognized upon providing the respective services.

The other fee and commission costs relevant mainly to banking services are recognized upon receipt of the respective services.

## **2.10 Reporting by segments**

An operating segment is a component of the Group, which deals with activities that can

generate income and incur expenses related to transactions with any of the other Group's components.

For management purposes, the Group is organised in business units on the basis of the products and services they offer and provide, and includes the following segments subject to reporting:

### **Insurance:**

- Insurance services

### **Financial services:**

- Lease services
- Investment intermediation

### **Automobiles:**

- Sale of new cars
- Car repair services
- Rent-a-car

## **2.10.1 Insurance activities**

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

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

Non-life insurance premiums are accounted on annual basis. Gross written premiums under non-life insurance are premiums under contracts for direct insurance or co-insurance, which are entered into during the year, although the premiums may be fully or partially relate to a later accounting period. Premiums are disclosed gross of commissions payable to brokers.

The earned part of written insurance premiums, including for unexpired insurance contracts, is recognised as income. Written insurance premiums are recognised as at the date of entering into the insurance contract.

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

#### **Health insurance premiums**

Written health insurance premiums are recognised as income on the basis of the annual premium due by the insured individuals for the premium period beginning during the financial year, or the lump-sum premium payable for the whole period



of cover for one year health insurance contracts entered into during the financial year.

Gross written premiums from health insurance are not recognised when the future cash inflows related thereto are uncertain. Written health insurance premiums are stated gross of commissions payable to agents.

#### **Life insurance premiums**

Written premiums from life insurance are recognised as income on the basis of the annual premium due by the insured persons for the premium period beginning during the financial year, or the lump-sum premium payable for the whole period of cover for policies entered into during the financial year.

Gross written premiums from are not recognised when the future cash inflows related thereto are uncertain. Written premiums are stated gross of commissions payable to agents.

#### **Unearned premium reserve**

Unearned premium reserve comprises that part of written gross insurance/ health insurance premiums that is calculated to be earned during the next or subsequent financial periods. Unearned premium reserve comprises the insurance premiums charged and recognised as income during the reporting period, less ceded premiums to reinsurers, which should be recognised during the next financial year or during subsequent financial periods. The reserve is calculated individually for each insurance/ health insurance contract by using a proportionate method on daily basis. The unearned premium reserve is calculated net of commissions to brokers, advertising and other acquisition costs.

#### **Unexpired risk reserve**

This reserve is established to cover risks for the time between the end of the reporting period and the date on which the respective insurance/ health insurance contract expires, in order to cover payments and expenses that are expected to exceed the established unearned premium reserve.

#### **Compensations incurred under non-life insurance and health insurance and reserves for pending claims**

Compensations incurred with regard to non-life insurance and health insurance comprise

compensations and their administration costs payable during the financial year, together with the change in the pending claims reserve.

The management believes that the gross pending claims reserve and the respective share of the reinsurer's reserve are presented fairly based on the information available as at the date of the consolidated financial statements. The final liability will be changed as a result of subsequent information and events and may require material adjustment of the amount accrued initially. Adjustments in the pending claims reserve found during previous years are stated in the financial statements for the period in which such adjustments have been made, and are disclosed independently, if they are material. The methods used and the assessments made for the accrual of the reserve are subject to regular review.

#### **Reinsurance**

In its principal activity, Group's insurance companies cede risk to reinsurers with view of decreasing their potential net losses through risk differentiation.

Reinsurance activity does not release the direct obligations of the respective company to the insured persons.

Reinsurance assets comprise the balance payable by reinsurance companies for ceded insurance liabilities. The amounts to be reimbursed by reinsurers are calculated in a way similar to the way for calculation of the reserves for pending claims or for settled claims related to reinsurance policies.

Premiums and claims related to these reinsurance contracts are considered income and expenses in the same way as they would be considered if reinsurance was a direct activity, while taking into account the classification of reinsurance business' products.

Ceded (or accepted) premiums and reimbursed compensations (or paid claims) are stated in the consolidated statement of profit or loss and the consolidated statement of financial position as gross amounts.

Contracts which cede material insurance risk are accounted as insurance contracts. The amounts refundable under these contracts are recognised during the year of occurrence of the respective claim.

Premiums for long-term reinsurance contracts are accounted in parallel with the term of validity of the related insurance policies by using assumptions similar to those for the accounting of the respective policies.

The replacement cost of receivables under reinsurance contracts is subject to impairment review at each date of the consolidated statement of financial position. Such assets are impaired if there is objective evidence as a result of event that has occurred after their initial recognition.

#### **Deferred acquisition expenses**

Deferred acquisition expenses are the amount of acquisition expenses deducted upon calculating the unearned premium reserve. They are defined as that part of the acquisition costs under the contracts valid as at the end of the period, which are estimated as a percentage in the insurance technical schedule and relevant to the time between the end of the reporting period and the date of expiration of the term of validity of the insurance/ health insurance contract. Current acquisition expenses are recognised in full as an expense during the reporting period.

#### **Acquisition expenses**

Commission expenses comprise charged broker's commissions, expenses for share in the result, which are accrued in favour of the insured/ health insured persons in case of low claims ratio. Indirect acquisition costs comprise expenses for advertising and expenses incurred for entering into/ renewal of insurance/ health insurance contracts.

#### **2.10.2 Lease activities**

The lease activity of the Group is related to the lease of motor vehicles and other industrial equipment, real estates, etc. under financial and operating lease agreements.

Finance lease is an agreement by virtue of which the lessor gives the lessee the right to use an asset for an agreed time period for consideration. The lease is reported as finance lease when the lessor transfers with the agreement all substantial risks and benefits related to the ownership of the asset to the lessee.

Typical indicators reviewed by the Group to identify whether all substantial risks and benefits are transferred are as follows: present value of minimum lease payments in comparison to the beginning of the lease; term of validity of the lease in comparison to the economic life of the leased asset; whether the lessee will acquire the title of the leased asset at the end of the finance lease term of validity. All other leases that do not transfer substantially all risks and benefits of the ownership of the asset are classified as operating lease.

#### **Minimum lease payments**

Minimum lease payments are those payments that the lessee will make or may be obliged to make during the term of validity of the lease. From Group perspective, minimum lease payments also comprise the residual value of the asset guaranteed by a third party not related to the Group, provided such party is financially capable to perform its engagements under the guarantee or the repurchase agreement. In the minimum lease payments, the Group also comprises the price of exercising possible option that the lessee has to purchase the asset, whereas it is to a great extent certain at the beginning of the lease that the option will be exercised.

Minimum lease payments do not include amounts related to conditional leases, as well as service and tax expenses, which are paid by the Group and are subsequently re-invoiced to the lessee.

#### **Beginning of the lease and beginning of the term of validity of the lease**

There is a difference between the beginning of the lease and the beginning of the term of validity of the lease. The beginning of the lease is the earlier than the two dates – of the lease agreement or the parties' binding with the main conditions of the lease. As at this date: the lease is classified as finance or operating lease; and in case of finance lease, the amounts that should be recognised at the beginning of the term of validity of the lease are defined. The beginning of the term of validity of the lease is the date on which the lessee may exercise its right to use the leased asset. This is also the date on which the Group initially recognizes the receivable under the lease.

### **Initial and subsequent measurement**

Initially the Group recognizes receivable under lease that is equal to its net investment, which comprises the present value of minimum lease payments and every non-guaranteed residual value for the Group. The present value is calculated by discounting the minimum lease payments due with an interest rate inherent to the lease. Initial direct expenses are included in the calculation of the receivable under finance lease. During the term of validity of the lease, the Group accrues financial income (interest income from finance lease) over the net investment.

### **Receivables under finance lease**

Received lease payments are considered a decrease of the net investment (repayment of principal) and recognition of financial income in a way that ensures permanent rate of return of the net investment. Subsequently, the net investment in financial leases is stated net, after offsetting individual and portfolio provisions for incollectibility.

### **2.10.3 Financial intermediation-related activity**

The financial intermediation activity is related to transactions with financial instruments. They are classified as held for trading.

Financial instruments are measured upon acquisition at cost, which comprises their fair value plus all transaction-related expenses.

Financial instruments are subsequently measured at fair value, which is the sales, stock exchange or market price.

The Group states its financial assets in the following way:

- Securities of Bulgarian issuers traded on BSE – Sofia AD – the mean weighted price of the transactions they have made on regulated market for the closest day of the last 30-days' period in which such securities have been traded in an amount not less than the amount of securities held by the subsidiary Euro-Finance AD. If there is not transaction made, the market price of the securities is defined on the basis of the "ask" rate announced on the regulated market for the respective session of the closest day of the last 30-days period;

- Shares in foreign currency of foreign issuers – at market prices of the foreign stock exchanges: FRANKFURT, XETRA, NASDAQ;
- Government securities issued by the Bulgarian government – the market price is the price quoted by the Bulgarian National Bank or the primary dealers of government securities within the meaning of Ordinance № 5/ 1998;
- Securities issued by Bulgarian non-governmental issuers – market price of REUTERS;
- Securities issued and guaranteed by foreign countries and securities issued by foreign non-governmental issuers – market price of REUTERS.

### **Derivatives**

Derivatives are off-balance financial instruments whose value is measured on the basis of interest rates, foreign exchange rates, or other market prices. Derivatives are effective means to manage the market risk and to limit the exposure to specific counterparty.

Most frequently used derivatives are:

- Currency swap;
- Interest swap;
- Floors and caps;
- Forward currency and interest contracts;
- Futures;
- Options.

The conditions and time periods under the contracts are defined by means of standard documents.

With regard to derivatives, the same procedures for control of market and credit risk are applied, as for the other financial instruments. They are aggregated with the other exposures for the purposes of monitoring the general exposure to a specific counterparty and are managed within the frames of the limits approved for the respective counterparty.

Derivatives are held both for trading and as hedging instruments used for the management of the interest and currency risk. Derivatives held for trading are measured at fair value and profits and losses are stated in the consolidated statement of profit or loss as a result of trade operations.

Derivatives used as hedging instruments are recognised in accordance with the accounting treatment of the hedged item.

Criteria for recognition of a derivative as a hedging instrument is the existence of documented evidence for the intention to hedge a specific instrument and such hedging instrument should ensure reliable basis for elimination of the risk.

When a hedged exposure is closed, the hedging instrument is recognised as held for trading at fair value. The profit and loss are recognised in the consolidated statement of profit or loss, analogically to the hedged instrument.

Hedging transactions that are terminated before the hedged exposure are measured at fair value and the profit or loss are stated for the period of existence of the hedged exposure.

## 2.11 Taxes

### Income tax

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

Current income taxes of the Bulgarian Group companies are defined in compliance with the requirements of the Bulgarian tax legislation – the Corporate Income Tax Act. The nominal tax rate in Bulgaria for 2018 is 10 % (2017: 10%).

The foreign subsidiaries are subject to taxation in accordance with the requirements of the respective tax legislations of the countries, with the following tax rates:

Country	Tax rate	
	30.09.2018	2017
Romania	16%	16%
Macedonia	10%	10%
Ukraine	18%	18%

### Deferred tax

Deferred tax is calculated using the balance sheet method for all temporary differences between the

book value as per the financial statements and the amounts used for taxation purposes.

The deferred tax is calculated on the basis of the tax rate that is expected to be effective upon the realization of the asset or the settlement of the liability. The effect from changes in the tax rates on the deferred tax is reported in the consolidated statement of profit or loss, except in cases when it concerns amounts, which are earlier accrued or reported directly in equity.

Deferred tax asset is recognised only to the amount to which it is expected to gain future profits against which unused tax losses or tax credit can be used. Deferred tax assets are decreased in accordance with the decrease of the probability for realisation of tax benefits.

As at 30.9.2018, the deferred income taxes of the Group companies are measured at a tax rate valid for 2018, which is in the amount of 10% for the Bulgarian companies, and for the foreign companies it is as follows:

Country	Tax rate for 2018
Romania	16%
Macedonia	10%
Ukraine	18%

## 2.12. Non-current assets

### 2.12.1 Property, plant, machinery and equipment

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

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

### Initial acquisition

Fixed tangible assets are initially measured:

At acquisition cost, which includes: purchase price (including duties and non-refundable taxes), all direct costs for bringing the asset into working condition according to its purpose – for assets acquired from external sources;

At fair value: for assets obtained as a result of a charitable transaction;

At evaluation: approved by the court and all direct costs for bringing the asset into working condition according to its purpose – for assets acquired as a contribution of physical assets.

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

#### **Subsequent measurement**

The Group has chosen the cost model under IAS 16 – historic price of acquisition, less accrued amortisation and accumulated impairment losses, as an approach for subsequent book value of property, plant and equipment.

#### **Subsequent expenses**

Subsequent expenses for repairs and maintenance are stated in the consolidated statement of profit or loss at the time of incurrence thereof, unless there is clear evidence that their incurrence will result in increased economic benefits from the use of the asset. In this case, these expenses are capitalized in the carrying amount of the asset.

#### **Sales profits and losses**

Upon sales of fixed assets, the difference between the book value and the sales price of the asset is reported as profit or loss in the consolidated statement of profit or loss.

Fixed tangible assets are derecognized from the balance sheet upon sale or when the asset is finally decommissioned and no further economic benefits are expected after derecognition thereof.

#### **Amortisation methods**

The Group applies the straight-line method of amortization. Amortization of assets begins from the month following the month of acquisition thereof. Land and assets in process of construction are not depreciated. The useful life by groups of

assets depends on: the usual wear and tear, equipment specificity, future intentions for use and the probable moral aging.

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

<b>Group of assets</b>	<b>Useful life in years</b>
Buildings	25-46
Plant and equipment	3-10
Vehicles	4-6
Fixtures and fittings	3-19
Computers	2-5

#### **Impairment**

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

Impairment losses are recognised as an expense in the consolidated statement of profit or loss during the year of occurrence thereof.

#### **2.12.2 Fixed intangible assets**

Intangible assets are stated in the consolidated financial statements at cost, less accrued amortisation and possible impairment losses.

The Group applies the straight-linear method for amortisation of intangible assets with fixed useful life of 5-7 years.

The book value of intangible assets is subject to review for impairment when there are events or changes in circumstances that identify that the book value could exceed their recoverable value.

#### **2.12.3 Investment property**

Investment property is a property that is held for the purposes generating income from rent or capital profit or both, but not for sale in the ordinary course of business of the Group, or for use of services or administrative needs.

Investment properties are measured on the basis of present fair value, whereas each change is stated as profit or loss.

### **2.13 Pension and other employee benefits under the labour and social legislation**

Employment and social insurance relationships with workers and employees in the Group are governed by the provisions of the Labour Code and the provisions of the applicable social insurance legislation for the companies operating in Bulgaria, of the Romanian Code – for the companies in Romania, of the labour legislation for the companies in Ukraine, of the labour legislation for the companies in Macedonia.

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

Short-term employee benefits are measured at non-discounted basis and are stated as an expense when the related services are provided. A liability is recognised for the amount that is expected to be paid under a short-term bonus in cash or profit sharing plans, provided the Group has legal or constructive obligation to pay this amount as a result of previous services provided by an employee, and this obligation may be reliably measured.

The Group recognises as an obligation the non-discounted amount of measured expenses for paid annual leave expected to be paid to the employees in return of their service for the previous reporting period.

#### **Defined contribution plans**

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

#### **Retirement benefits**

Retirement benefits are recognised as an expense when the Group has clear engagements, without actual opportunity to withdraw, with an official detailed plan either for termination of employment relations before the normal

retirement date, or for payment of compensation upon termination as a result of proposal for voluntary retirement.

Benefits upon voluntary retirement are recognised as an expense if the Group has made an official proposal for voluntary termination and the offer would be probably accepted, and the number of employees who has accepted the offer may be reliably measured. If compensations are payable for more than 12 months after the end of the reporting period, they are discounted up to their present value.

### **2.14 Financial assets**

#### **2.14.1 Investments in non-current financial assets**

Entities in which the Group holds between 20% and 50% of the voting right and have significant influence but is not able to exercise control functions, are considered associates.

Investments in associated companies are reported by using the equity method. By using the equity method, the investment in the associated company is carried in the statement of financial position at acquisition cost, plus the changes in the share in the net assets of the associated entity after the acquisition. The goodwill related to the associated entity is included in the net book value of the investment and is not amortized. The consolidated statement of profit or loss presents the results from the associate's business. The profit share is shown on the face side of the statement.

#### **2.14.2 Investments in Financial Instruments**

Financial assets within the scope of IAS 39 are classified as financial assets stated at fair value in the profit or loss, as loans and receivables, held-to-maturity investments, available-for-sale financial assets or derivatives defined as hedging instruments in effective hedge, where appropriate. The Group classifies its financial instruments at their initial recognition.

Financial assets of the Group include cash and short-term deposits, trade and other receivables, financial instruments and financial instrument derivatives quoted and unquoted on the stock exchange.

### **Cash**

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

### **Term deposits in banks**

Bank deposits are receivables from banks from invested free monetary resources in the form of term deposits with original maturity exceeding 3 months. Deposits are measured and stated in the consolidated statement of financial position at amortised cost.

### **Financial Assets at Fair Value in Profit or Loss**

Financial assets at fair value in profit or loss include financial assets held for trading and those designated at fair value at inception.

Financial assets, which are usually acquired for the purposes of selling in the near term, are classified as held for trading.

### **Investments Held-to-Maturity**

Investments held-to-maturity are financial assets, which are non-derivative and have fixed or determinable payments and fixed maturity, that the Group has the positive intention and ability to hold to maturity.

Initially, these investments are recognized at acquisition cost, which includes the amount of consideration paid for acquisition of the investment. All transaction costs directly related to the acquisition are also included in the acquisition cost. After the initial measurement, held-to-maturity investments are carried at amortized cost by using the method of the effective interest rate. Gains and losses from held-to-maturity investments are recognized in the statement of profit or loss and other comprehensive income when the investment is derecognized or impaired.

### **Loans and Other Receivables**

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

Such financial assets are initially recognized at acquisition cost, which is the fair value paid for acquisition of financial assets. All directly attributable acquisition transaction costs are also included in the acquisition cost. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method. Gains and losses from loans and receivables are recognized in the consolidated statement of profit or loss, when derecognized and impaired, as well as through the process of amortisation.

### **Financial Assets Available for Sale**

Financial assets available for sale are non-derivative financial assets that are so classified and are not classified in any of the three categories listed above.

Initially, these investments are presented at fair value. Subsequent to initial recognition, financial assets available for sale are measured at fair value. Unrealized gains and losses from fair value are carried in separate item of the other comprehensive income until the financial assets are not derecognized or are not defined as impaired. Upon derecognition or impairment, cumulative gains and losses previously recognized in equity, are recognized in the consolidated statement of profit or loss.

### **Derivative financial instruments**

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

### **2.15 Inventories**

Supplies and goods are measured at delivery value. Their value is equal to the sum of all purchase costs as well as any other costs incurred in relation to the delivery thereof at their current location and condition.

Supplies and goods are derecognised at their consumption at specifically defined or mean weighted value, depending on the segments.

The net realisable value of inventories is stated at sales price, less the completion costs and the expenses incurred for the realisation of the sale and is defined with view of the marketing, moral aging and development of expected sales prices.

When the carrying amount of inventories is higher than their net realisable value, it is reduced to the amount of the net realisable value. The decrease is stated as other current expenses.

### **2.16 Short-term receivables**

Receivables are measured at amortized cost, which usually corresponds to the nominal value. Impairment is estimated for the purposes of meeting the expected loss on the basis of separate measurement of individual arrangements.

### **2.17 Liability provisions**

Liability provisions include expected costs related to obligations under guarantees, restructuring, etc., as well as deferred tax assets.

### **2.18 Equity**

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

Equity that is not held by the economic group /non-controlled participation/ is part of the net assets, including of the net result of the subsidiaries for the year, which may be attributed to participations that are not directly or indirectly held by the parent company.

### **2.19 Earning per share**

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

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

Upon capitalisation, bonus issue or fractioning, the number of outstanding ordinary shares until the date of such event is adjusted to reflect the proportionate change in the number of outstanding ordinary shares as if the event has occurred at the beginning of the earliest period presented. Earnings per shares with decreased value are not calculated as no potential shares with decreased value are issued.

### **2.20 Liabilities**

Financial liabilities are recognized during the loan period with the amount of gained proceeds, principal, less the transaction expenses. During subsequent periods financial liabilities are measured at amortized cost, equal to the capitalized value, when applying the effective interest rate method. In the consolidated statement of profit or loss, loan expenses are recognized during the loan term period.

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

Deferred income recognised as liabilities comprise received payments in terms of income for subsequent years.



## **2.21 Financial Risk Management**

### **Factors Determining Financial Risk**

While operating, the Group companies are exposed to diverse financial risks: market risk (including currency risk, risk from change of financial instrument fair value under the impact of market interest rates and price risk), credit risk, liquidity risk and risk from change of future cash flows due to a change in market interest rates.

The overall risk management program emphasizes the unpredictability of financial markets and is aimed at mitigating the possible adverse effects on the Group's financial result.

#### **Currency risk**

The Group is exposed to currency risk through payments in foreign currency and through its assets and liabilities, which are denominated in foreign currency. As a result of exposures in foreign currency, profits and losses are generated which are stated in the consolidated statement of profit or loss. These exposures are the monetary assets of the Group which are not denominated in the currency used in the financial statements of the local companies.

In case the local currency is exposed to a significant currency risk, its management is achieved through investments in assets denominated in euro.

#### **Interest risk**

The Group is exposed to interest risk in relation to the used trade loans, as some of the received borrowings have floating interest rate agreed as a base interest (EURIBOR/LIBOR) increased with a specific margin. Borrowings with floating interest rates are denominated in euro. The amount of interest rates is described in the respective notes.

#### **Credit risk**

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

The amounts stated in the consolidated statement of financial position are on net basis, excluding the provisions for doubtful receivables determined as such by the management on the basis of previous experience and current economic conditions.

#### **Liquidity risk**

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

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

## **2.22 Measuring Fair Values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- on the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements, are categorized within the

fair value hierarchy, described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

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

External valuers are involved for valuation of the fair value of significant assets, such as goodwill and investment property.

### 2.23 Cash flows

Consolidated statement of cash flows shows the cash flows of the Group for the year in relation to the operating, investment and financial activity

during the year, the change in cash and cash equivalents for the year, cash and cash equivalents at the beginning and at the end of the year.

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

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

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

<b>3. Revenue from insurance business</b>	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Gross premiums written from insurance	451 355	499 614
Received recoveries from reinsurers	103 979	97 398
Positive change in the gross provision for unearned premiums and unexpired risk reserve	6 757	66
Positive change in reinsurers' share in unearned premium reserve	3 849	32 198
Change in the reinsurers' share in other reserves	23 672	6 468
Positive change in other technical reserves	-	29
Recourse income	8 822	7 644
Fees and commissions income	27 518	38 250
Investment income	21 675	28 041
Other revenue	19 663	5 177
	<b>667 290</b>	<b>714 885</b>

**4. Expenses of insurance business**

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Current year paid claims, claims handling and prevention expenses	(276 020)	(258 321)
Change in the gross provision for unearned premiums and unexpired risk reserve	(9 929)	(43 123)
Share of reinsurers in the change of the unearned premium reserve	-	(6)
Change in other reserves	(45 829)	(11 962)
Change in the reinsurers' share in the other reserves	-	-
Premiums ceded to reinsurers	(148 062)	(210 869)
Acquisition expenses	(106 094)	(104 677)
Investment expenses	(12 675)	(15 221)
Other expenses	(20 146)	(18 981)
	<b>(618 755)</b>	<b>(663 160)</b>

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

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Revenue from sale of cars and spare parts	175 780	134 888
Revenue from after sales and rent-a-car services	5 426	6 012
	<b>181 206</b>	<b>140 900</b>

**6. Revenue from Leasing business**

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Revenue from services	14 266	15 176
Interest income	3 527	3 351
Foreign exchange gains	6	9
Other financial revenue	57	22
	<b>17 856</b>	<b>18 558</b>

**7. Expenses of Leasing business**

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Interest expenses	(2 661)	(2 706)
Foreign exchange losses	(14)	(46)
Other expenses	(209)	(293)
	<b>(2 884)</b>	<b>(3 045)</b>

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

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Interest income	499	298
Dividend income	91	100
Positive result from sales of financial instruments	1 568	2 002
Gains from sale of financial instruments	297	26
Other revenue	416	359
	<b>2 871</b>	<b>2 785</b>

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

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Interest expenses	(21)	(21)
Negative result from sales of financial instruments	(1 870)	(1 665)
Other expenses	(104)	(107)
	<b>(1 995)</b>	<b>(1 793)</b>

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

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Gains from sale of financial instruments	570	507
Interest revenue	874	671
Other revenue	3	-
	<b>1 447</b>	<b>1 178</b>

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

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Negative result from sales of financial instruments	(54)	(815)
	<b>(54)</b>	<b>(815)</b>

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

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Other income/(expenses), net	(3 476)	(3 754)
	<b>(3 476)</b>	<b>(3 754)</b>

**12.1. Other expenses**

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Leasing business	(3 502)	(3 778)
	<b>(3 502)</b>	<b>(3 778)</b>

**12.2. Other revenue**

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Asset management and brokerage	26	24
	<b>26</b>	<b>24</b>

**13. Other operating expenses**

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Expenses on materials	(2 016)	(1 894)
Expenses on hired services	(21 158)	(18 089)
Employee benefits expense	(25 032)	(20 923)
Other expenses	(6 966)	(4 947)
	<b>(55 172)</b>	<b>(45 853)</b>

**13.1 Expenses on materials by segments**

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	(472)	(437)
Automotive business	(1 362)	(1 235)
Leasing business	(153)	(188)
Asset management and brokerage	(24)	(29)
Parent company	(5)	(5)
	<b>(2 016)</b>	<b>(1 894)</b>

**13.2 Expenses on hired services by segments**

	30.9.2018	30.9.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	(9 785)	(6 879)
Automotive business	(6 783)	(6 683)
Leasing business	(3 134)	(3 141)
Asset management and brokerage	(510)	(406)
Parent company	(946)	(980)
	<b>(21 158)</b>	<b>(18 089)</b>

**13.3 Employee benefits expense by segments**

	30.9.2018 <i>BGN '000</i>	30.9.2017 <i>BGN '000</i>
Insurance business	(11 753)	(9 096)
Automotive business	(10 549)	(9 439)
Leasing business	(1 889)	(1 598)
Asset management and brokerage	(510)	(522)
Parent company	(331)	(268)
	<b>(25 032)</b>	<b>(20 923)</b>

**13.4 Other expenses by segments**

	30.9.2018 <i>BGN '000</i>	30.9.2017 <i>BGN '000</i>
Insurance business	(5 233)	(3 669)
Automotive business	(1 141)	(781)
Leasing business	(354)	(200)
Asset management and brokerage	(145)	(219)
Parent company	(93)	(78)
	<b>(6 966)</b>	<b>(4 947)</b>

**14. Financial expenses**

	30.9.2018 <i>BGN '000</i>	30.9.2017 <i>BGN '000</i>
Interest expenses	(16 675)	(14 441)
Other financial expenses	(538)	(383)
	<b>(17 213)</b>	<b>(14 824)</b>

**14.1 Financial expenses by segments**

	30.9.2018 <i>BGN '000</i>	30.9.2017 <i>BGN '000</i>
Insurance business	(1 622)	(729)
Automotive business	(1 323)	(1 244)
Parent company	(13 730)	(12 468)
	<b>(16 675)</b>	<b>(14 441)</b>

**14.2 Other financial expenses by segments**

	30.9.2018 <i>BGN '000</i>	30.9.2017 <i>BGN '000</i>
Automotive business	(511)	(436)
Parent company	(27)	53
	<b>(538)</b>	<b>(383)</b>

**15. Financial income**

	30.9.2018 <i>BGN '000</i>	30.9.2017 <i>BGN '000</i>
Interest revenue	69	344
	<b>69</b>	<b>344</b>

**15.1 Financial income by segments**

	30.9.2018 <i>BGN '000</i>	30.9.2017 <i>BGN '000</i>
Automotive business	69	344
	<b>69</b>	<b>344</b>

**16. Depreciation by segments**

	30.9.2018 <i>BGN '000</i>	30.9.2017 <i>BGN '000</i>
Insurance business	(1 598)	(1 001)
Automotive business	(2 078)	(2 273)
Leasing business	(4 069)	(3 195)
Asset management and brokerage	(48)	(42)
Parent company	(19)	(6)
	<b>(7 812)</b>	<b>(6 517)</b>

**17. Tax**

	30.9.2018 <i>BGN '000</i>	30.9.2017 <i>BGN '000</i>
Income tax expense	(3)	(222)
	<b>(3)</b>	<b>(222)</b>

**17.1 Tax by segments**

	30.9.2018 <i>BGN '000</i>	30.9.2017 <i>BGN '000</i>
Insurance business	-	(207)
Automotive business	-	(12)
Asset management and brokerage	(3)	(3)
	<b>(3)</b>	<b>(222)</b>

**18. Foreign exchange gains/losses, net**

	30.9.2018 <i>BGN '000</i>	30.9.2017 <i>BGN '000</i>
Parent company	476	(511)
	<b>476</b>	<b>(511)</b>

**19. Cash and cash equivalents**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Cash on hand	1 806	1 637
Cash at bank	60 814	43 511
Restricted cash	75	490
Cash equivalents	413	307
	<b>63 108</b>	<b>45 945</b>

**20. Deposits at banks with maturity 3 to 12 months, by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	14 794	11 171
	<b>14 794</b>	<b>11 171</b>

**21.1 Reinsurers' share in technical reserves**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Unearned premium reserve	121 340	117 578
Unexpired risk reserve	-	-
Claims reserves, incl.:	267 926	240 509
<i>Reserves for incurred, but not reported claims</i>	<i>110 199</i>	<i>102 594</i>
<i>Reserves for reported, but not settled claims</i>	<i>157 727</i>	<i>137 915</i>
Other technical reserves	-	3 160
	<b>389 266</b>	<b>361 247</b>

**21.2 Receivables from insurance business**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Receivables from direct insurance	72 363	69 720
Receivables from reinsurers or cedants	6 978	7 545
Recourse receivables	11 256	10 676
	<b>90 597</b>	<b>87 941</b>



**22. Trade receivables**

	30.9.2018	31.12.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Trade receivables	24 712	26 576
Advances paid	4 548	614
Other	8 521	284
	<b>37 781</b>	<b>27 474</b>

**22.1. Trade receivables by segments**

	30.9.2018	31.12.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	676	1 905
Automotive business	14 461	13 500
Leasing services	9 466	11 164
Asset management and brokerage	12	2
Parent company	97	5
	<b>24 712</b>	<b>26 576</b>

**23. Other receivables**

	30.9.2018	31.12.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	17 168	16 547
Automotive business	4 808	3 688
Leasing services	912	758
Parent company	4 603	1 637
Prepaid expenses	5 018	2 868
Receivables under court procedures	1 510	3 311
Tax receivables	753	2 013
	<b>34 772</b>	<b>30 822</b>

**23.1. Tax receivables by segments**

	30.9.2018	31.12.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	147	137
Automotive business	303	223
Leasing services	266	1 643
Parent company	37	10
	<b>753</b>	<b>2 013</b>

## 24. Property, plant and equipment

	Land plots	Buildings	Machinery and equipment	Vehicles	Furniture and fittings	Assets under construction	Other	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
<b>Cost</b>								
<b>At 1 January 2017</b>	<b>5 486</b>	<b>13 470</b>	<b>7 926</b>	<b>43 744</b>	<b>5 805</b>	<b>4 717</b>	<b>1 713</b>	<b>82 861</b>
Additions	37	4 297	1 255	28 056	1 441	490	2 188	<b>37 764</b>
Disposals	(33)	(95)	(123)	(15 922)	(63)	(4 178)	(2 147)	<b>(22 561)</b>
<b>At 31 December 2017</b>	<b>5 490</b>	<b>17 672</b>	<b>9 058</b>	<b>55 878</b>	<b>7 183</b>	<b>1 029</b>	<b>1 754</b>	<b>98 064</b>
<b>At 1 January 2018</b>	<b>5 490</b>	<b>17 672</b>	<b>9 058</b>	<b>55 878</b>	<b>7 183</b>	<b>1 029</b>	<b>1 754</b>	<b>98 064</b>
Additions	-	107	601	21 340	477	1 600	76	<b>24 201</b>
Disposals	(207)	(386)	(28)	(11 020)	(85)	(1 205)	-	<b>(12 931)</b>
<b>At 30 September 2018</b>	<b>5 283</b>	<b>17 393</b>	<b>9 631</b>	<b>66 198</b>	<b>7 575</b>	<b>1 424</b>	<b>1 830</b>	<b>109 334</b>
<b>Depreciation</b>								
<b>At 1 January 2017</b>	-	<b>2 749</b>	<b>6 401</b>	<b>17 768</b>	<b>4 147</b>	<b>5</b>	<b>1 069</b>	<b>32 139</b>
Depreciation for the period	-	335	672	6 134	365	-	100	<b>7 606</b>
Disposals	-	(12)	(77)	(6 265)	(45)	-	(2)	<b>(6 401)</b>
<b>At 31 December 2017</b>	-	<b>3 072</b>	<b>6 996</b>	<b>17 637</b>	<b>4 467</b>	<b>5</b>	<b>1 167</b>	<b>33 344</b>
<b>At 1 January 2018</b>	-	<b>3 072</b>	<b>6 996</b>	<b>17 637</b>	<b>4 467</b>	<b>5</b>	<b>1 167</b>	<b>33 344</b>
Depreciation for the period	-	321	565	6 077	381	-	79	<b>7 423</b>
Disposals	-	(63)	(28)	(3 035)	(80)	-	-	<b>(3 206)</b>
<b>At 30 September 2018</b>	-	<b>3 330</b>	<b>7 533</b>	<b>20 679</b>	<b>4 768</b>	<b>5</b>	<b>1 246</b>	<b>37 561</b>
<b>Net book value:</b>								
<b>At 1 January 2017</b>	<b>5 486</b>	<b>10 721</b>	<b>1 525</b>	<b>25 976</b>	<b>1 658</b>	<b>4 712</b>	<b>644</b>	<b>50 722</b>
<b>At 1 January 2018</b>	<b>5 490</b>	<b>14 600</b>	<b>2 062</b>	<b>38 241</b>	<b>2 716</b>	<b>1 024</b>	<b>587</b>	<b>64 720</b>
<b>At 30 September 2018</b>	<b>5 283</b>	<b>14 063</b>	<b>2 098</b>	<b>45 519</b>	<b>2 807</b>	<b>1 419</b>	<b>584</b>	<b>71 773</b>

### 24.1. Land and buildings by segments

	30.9.2018	31.12.2017
	BGN '000	BGN '000
Insurance business	9 399	9 918
Automotive business	9 947	10 172
	<b>19 346</b>	<b>20 090</b>

**24.2. Machinery and equipment by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	625	385
Automotive business	1 428	1 632
Leasing business	45	45
	<b>2 098</b>	<b>2 062</b>

**24.3. Vehicles by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	5 439	2 199
Automotive business	11 829	10 692
Leasing services	28 121	25 281
Asset management and brokerage	43	55
Parent company	87	14
	<b>45 519</b>	<b>38 241</b>

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

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	386	214
Automotive business	2 909	3 033
Leasing services	81	38
Asset management and brokerage	12	16
Parent company	3	2
	<b>3 391</b>	<b>3 303</b>

**24.5. Assets under construction by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	679	224
Automotive business	737	800
Asset management and brokerage	3	-
	<b>1 419</b>	<b>1 024</b>

**25. Investment property**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
<b>Net book value at 1 January</b>	<b>12 698</b>	<b>13 215</b>
Additions	-	68
Revaluation	559	(130)
Other changes	-	(455)
<b>Net book value as at the period end</b>	<b>13 257</b>	<b>12 698</b>

**26. Intangible assets**

	Software	Licenses	Other	Total
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
<b>Cost</b>				
<b>At 1 January 2017</b>	<b>6 095</b>	<b>155</b>	<b>1 483</b>	<b>7 733</b>
Additions	1 037	-	150	<b>1 187</b>
Disposals	(388)	(40)	(21)	<b>(449)</b>
<b>At 31 December 2017</b>	<b>6 744</b>	<b>115</b>	<b>1 612</b>	<b>8 471</b>
<b>At 1 January 2018</b>	<b>6 744</b>	<b>115</b>	<b>1 612</b>	<b>8 471</b>
Additions	775	-	56	<b>831</b>
Disposals	(169)	(1)	(37)	<b>(207)</b>
<b>At 30 September 2018</b>	<b>7 350</b>	<b>114</b>	<b>1 631</b>	<b>9 095</b>
<b>Depreciation</b>				
<b>At 1 January 2017</b>	<b>5 076</b>	<b>154</b>	<b>764</b>	<b>5 994</b>
Depreciation for the year	412	-	92	<b>504</b>
Disposals	(184)	(40)	(1)	<b>(225)</b>
<b>At 31 December 2017</b>	<b>5 304</b>	<b>114</b>	<b>855</b>	<b>6 273</b>
<b>At 1 January 2018</b>	<b>5 304</b>	<b>114</b>	<b>855</b>	<b>6 273</b>
Depreciation for the period	308	-	81	<b>389</b>
Disposals	-	-	(1)	<b>(1)</b>
<b>At 30 September 2018</b>	<b>5 612</b>	<b>114</b>	<b>935</b>	<b>6 661</b>
<b>Net book value:</b>				
<b>At 1 January 2017</b>	<b>1 019</b>	<b>1</b>	<b>719</b>	<b>1 739</b>
<b>At 1 January 2018</b>	<b>1 440</b>	<b>1</b>	<b>757</b>	<b>2 198</b>
<b>At 30 September 2018</b>	<b>1 738</b>	<b>-</b>	<b>696</b>	<b>2 434</b>

**27. Inventories by segments**

	30.9.2018	31.12.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	256	248
Automotive business	49 920	53 249
Leasing business	2 075	5 628
	<b>52 251</b>	<b>59 125</b>

**28. Financial assets**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Financial assets held for trading	254 047	305 715
Available for sale financial assets	14 077	15 638
Other financial assets	1 974	5 700
	<b>270 098</b>	<b>327 053</b>

**28.1. Financial assets held for trading by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business, incl.:	242 046	294 500
<i>Government bonds</i>	105 359	133 742
Leasing	65	-
Asset management and brokerage	11 936	11 215
	<b>254 047</b>	<b>305 715</b>

**28.2. Available for sale financial assets by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business, incl.:	14 077	15 638
<i>Government bonds</i>	3 062	4 680
	<b>14 077</b>	<b>15 638</b>

**28.3. Other financial assets by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	1 974	5 700
	<b>1 974</b>	<b>5 700</b>

**29. Deferred tax asset**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	12 605	12 618
Automotive business	467	469
Leasing business	97	97
	<b>13 169</b>	<b>13 184</b>

**30. Investments in subsidiaries and associates**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	3 679	-
Asset management and brokerage	4 415	4 724
	<b>8 094</b>	<b>4 724</b>

**31. Other financial investments by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	2 388	2 382
Parent company	9	9
	<b>2 397</b>	<b>2 391</b>

**32. Non-current receivables**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Finance lease receivables	50 273	45 414
Parent company	9 779	9 779
Subsidiaries	39 970	30 715
	<b>100 022</b>	<b>85 908</b>

**33. Goodwill**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Euroins Insurance Group AD	164 478	164 478
Motobul EAD	12 538	12 538
Bulvaria Varna EOOD	5 591	5 591
Daru Car OOD	1 461	1 461
Eurolease Group EAD	1 312	1 312
Eurolease Rent-a-Car EOOD	1 803	1 803
Sofia Motors EOOD	10	10
Euro-Finance AD	2 620	2 620
	<b>189 813</b>	<b>189 813</b>

**34. Subordinated debts by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business - issued	19 558	19 558
Insurance business - other	8 500	6 500
	<b>28 058</b>	<b>26 058</b>

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

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	18	-
Automotive business	17 652	17 382
Leasing business	58 370	47 768
Parent company	44 111	34 095
	<b>120 151</b>	<b>99 245</b>

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

	30.9.2018 BGN '000	31.12.2017 BGN '000
Automotive business, incl.:	3 897	4 918
<i>Bank loans</i>	3 897	4 918
Leasing business, incl.:	57 079	46 404
<i>Bank loans</i>	57 079	46 404
Parent company, incl.:	37 026	21 123
<i>Bank loans</i>	37 026	21 123
	<b>98 002</b>	<b>72 445</b>

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

	30.9.2018 BGN '000	31.12.2017 BGN '000
Insurance business, incl.:	18	-
<i>Bank loans</i>	18	-
Automotive business, incl.:	13 755	12 464
<i>Bank loans</i>	13 216	12 222
<i>Loans from non-bank financial institutions</i>	539	242
Leasing business, incl.:	1 291	1 364
<i>Bank loans</i>	1 291	1 364
Parent company, incl.:	7 085	12 972
<i>Bank loans</i>	7 085	5 940
<i>Loans from non-bank financial institutions</i>	-	7 032
	<b>22 149</b>	<b>26 800</b>

**36. Bond obligations by segments**

	30.9.2018 BGN '000	31.12.2017 BGN '000
Automotive business	13 677	4 769
Leasing business	20 001	20 863
Parent company	132 045	125 125
	<b>165 723</b>	<b>150 757</b>

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

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Automotive business	13 513	4 769
Leasing business	20 001	20 863
Parent company	126 440	124 178
	<b>159 954</b>	<b>149 810</b>

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

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Automotive business	164	-
Parent company	5 605	947
	<b>5 769</b>	<b>947</b>

**37. Non-current liabilities**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Other non-current liabilities	6 308	10 198
Finance lease liabilities	23 511	19 885
Deferred revenue	-	4
	<b>29 819</b>	<b>30 087</b>

**37.1. Other non-current liabilities by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	8	11
Automotive business	5 353	9 336
Leasing business	943	811
Parent company	4	40
	<b>6 308</b>	<b>10 198</b>

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

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Automotive business	11 481	7 166
Leasing business	12 030	12 719
	<b>23 511</b>	<b>19 885</b>



**38. Current liabilities**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Payables to employees	3 816	3 304
Social-security liabilities	1 747	1 619
Tax liabilities	4 356	5 707
Other current liabilities	6 633	9 792
Finance lease liabilities	2 633	4 449
Deferred revenue	487	270
Provisions	536	446
	<b>20 208</b>	<b>25 587</b>

**38.1. Payables to employees by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	2 506	2 357
Automotive business	1 036	721
Leasing business	232	187
Parent company	42	39
	<b>3 816</b>	<b>3 304</b>

**38.2. Social-security liabilities by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	1 265	1 325
Automotive business	363	209
Leasing business	113	75
Parent company	6	10
	<b>1 747</b>	<b>1 619</b>

**38.3. Tax liabilities by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	1 631	2 644
Automotive business	1 845	2 351
Leasing business	596	394
Asset management and brokerage	10	46
Parent company	274	272
	<b>4 356</b>	<b>5 707</b>

**38.4. Other current liabilities by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	4 112	6 322
Automotive business	1 329	2 084
Leasing business	771	795
Asset management and brokerage	140	293
Parent company	281	298
	<b>6 633</b>	<b>9 792</b>

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

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Automotive business	2 633	4 449
	<b>2 633</b>	<b>4 449</b>

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

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	115	-
Automotive business	372	270
	<b>487</b>	<b>270</b>

**39. Trade and other payables by segments**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	11 265	7 380
Automotive business	55 096	51 080
Leasing business	3 015	3 852
Asset management and brokerage	9	6
Parent company	17 205	39 874
	<b>86 590</b>	<b>102 192</b>

**40. Payables to reinsurers, Insurance business**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Payables to reinsurers	60 346	77 807
Payables from direct insurance	3 959	4 056
	<b>64 305</b>	<b>81 863</b>

**41. Deferred tax liabilities**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	64	104
Automotive business	122	120
Leasing business	60	60
	<b>246</b>	<b>284</b>

**42. Insurance reserves**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Unearned premium reserve, gross amount	197 870	187 985
<i>Reinsurers' share in unearned premium reserve</i>	<i>(121 340)</i>	<i>(117 578)</i>
Unexpired risks reserve, gross amount	539	7 288
<i>Reinsurers' share in unexpired risks reserve</i>	<i>-</i>	<i>-</i>
Reserve for incurred but not reported claims, gross amount	178 451	165 038
<i>Reinsurers' share in reserve for incurred but not reported claims</i>	<i>(110 199)</i>	<i>(102 594)</i>
Reserve for reported but not settled claims, gross amount	263 859	231 443
<i>Reinsurers' share in reserve for reported but unsettled claims</i>	<i>(157 727)</i>	<i>(137 915)</i>
Other technical reserve	4 466	4 081
	<b>645 185</b>	<b>595 835</b>

**43. Share capital and share premium**

**43.1 Issued capital**

	30.9.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Issued shares	197 526	197 526
Treasury shares (Shares held from subsidiaries)	(6 077)	(77)
<b>Share capital</b>	<b>191 449</b>	<b>197 449</b>
<b>Number of shares</b>	<b>197 525 600</b>	<b>197 525 600</b>

As at 30.9.2018 - 6 077 067 shares of Eurohold Bulgaria AD are held by the Eurohold Group companies (as at 31.12.2017 – 77 387 shares).

The share capital is distributed as follows:

Share holders	%	Number of shares	Par value
Starcom Holding AD	54.55%	107 740 952	107 740 952
KJK Fund II Sicav-Sif Balkan Discovery	12.46%	24 616 873	24 616 873
Other companies	30.55%	60 335 796	60 335 796
Other individuals	2.44%	4 831 979	4 831 979
<b>Total</b>	<b>100.00%</b>	<b>197 525 600</b>	<b>197 525 600</b>

<b>43.2 Share premium</b>	30.9.2018	31.12.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Share premium	49 568	49 568
	<b>49 568</b>	<b>49 568</b>

<b>44. Net income for the year</b>	30.9.2018	31.12.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Current result attributable to the shareholders	(2 499)	18 174
Current result attributable to the non-controlling interest	2 699	6 241
<b>Net income for the year</b>	<b>200</b>	<b>24 415</b>

<b>44.1. Net income for the year by segments</b>	30.9.2018	31.12.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	13 324	41 681
Automotive business	26	258
Leasing business	59	112
Asset management and brokerage	138	209
Parent company	(13 138)	(17 306)
Income/loss attributable to the non-controlling interest	(2 699)	(6 241)
Intercompany eliminations of dividends and other	(209)	(539)
	<b>(2 499)</b>	<b>18 174</b>

<b>45. Non-controlling interests</b>	30.9.2018	31.12.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Non-controlling interest attributable to current result	2 699	6 241
Non-controlling interest attributable to equity	35 865	37 461
	<b>38 564</b>	<b>43 702</b>

#### **46. Events after the end of the reporting period**

With a decision, made at a general meeting of the shareholders of Euroins Insurance Group AD dated 04.10.2018, the capital of the company was increased from BGN 483 445 791 to BGN 543 445 791 by issuing new 60 000 000 ordinary, registered, available, non-preferential shares with nominal value and issue value of BGN 1 (one) each, each with the right to one vote at the general meeting of shareholders, right to a dividend and liquidation share. The newly issued shares are fully subscribed by Eurohold Bulgaria AD. On October 5, 2018, 25% of the nominal value of the newly issued shares was paid.

The Management Board of Eurohold Bulgaria AD is not aware of any other important or material events that have occurred after the end of the reporting period.

**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 – Chief Accountant of Eurohold Bulgaria AD (complier of the financial statements)

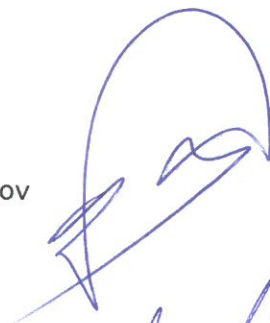
**hereby DECLARE that to our best knowledge:**

1. The set of consolidated interim financial statements for Q3'2018, composed in accordance with the applicable accounting standards, contain true and fair information regarding the assets and liabilities, the financial standing and the profit of Eurohold Bulgaria AD;

2. The consolidated interim management report of Eurohold Bulgaria AD for Q3'2018 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

