

The background features a decorative graphic consisting of three blue circles of varying sizes, each composed of concentric rings. Two thin blue lines intersect at the top left, and a third line extends from the bottom right towards the center. The text is positioned in the lower-left area of the page.

**Eurohold Bulgaria AD**

**INTERIM CONSOLIDATED  
MANAGEMENT REPORT AND  
FINANCIAL STATEMENTS**

**1 January - 31 December 2018**

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## **INTERIM CONSOLIDATED MANAGEMENT REPORT**

***containing information on important events that occurred during the twelve 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 - 31 DECEMBER 2018***

During the reporting period, the following important events took place, affecting the results in the financial statements of Eurohold Bulgaria AD as of 31.12.2018:

#### ***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.

## **6. 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.

## **7. 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.

#### **8. 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**

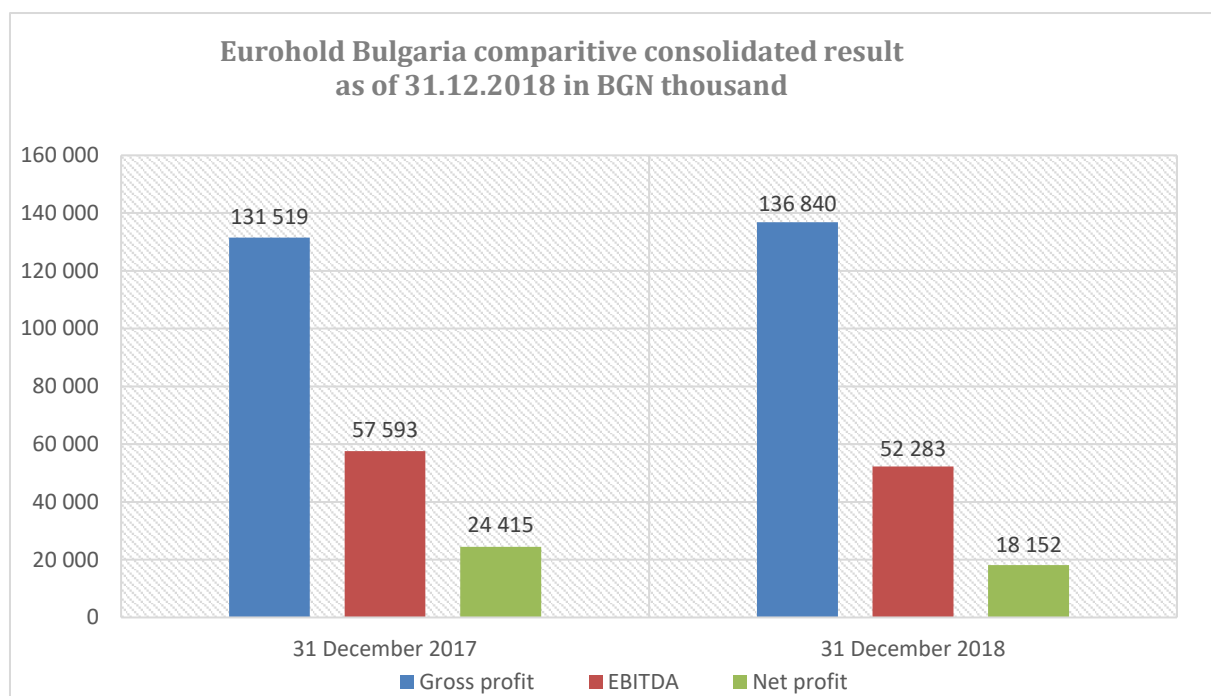
### **CONSOLIDATED FINANCIAL RESULTS**

As of 31<sup>st</sup> of December 2018, Eurohold Bulgaria reported a net consolidated profit in amount of BGN 18.2 million compared to a profit of BGN 24.4 million as of the end of year 2017. The distribution of the financial result is as follows: for the Group – a profit in amount of BGN 15.4 million; for non-controlling participation - a profit in amount of BGN 2.8 million. Respectively, as of 31.12.2017: the Group realized a profit of BGN 18.2 million, while the relative result to the non-controlling interest amounted to BGN 6.2 million.

As of 31.12.2018 the consolidated gross profit realized by the Eurohold Group's operating activities increased by 4.5% compared to the previous reporting period and amounted to BGN 136.84 million.

At the same time, the consolidated EBITDA recorded a decrease of BGN 5.3 million and amounted to BGN 52.3 million as of 31.12. 2018, while at the end of the year 2017 it was in amount of BGN 57.6 million. The decrease in consolidated EBITDA is related to an increase of the reported other operating expenses by BGN 11.7 million.

According to the interim consolidated financial statements for the twelve months of 2018, the consolidated operating income of Eurohold Group amounted to BGN 1.3 billion, increasing by 2% compared to the same period in 2017.



The Group's operating expenses increased comparatively to revenues. The reported increase of expenses for the reporting period was 1.8% and they amounted to BGN 1.1 billion.

The net financial and depreciation costs of the Eurohold Group companies amounted to BGN 29.4 million and BGN 10.6 million respectively, while during the comparable period they amounted to BGN 34.8 million and BGN 8.1 million.

The other net expenses for the Group's activity amounted to BGN 84.6 million, while as of 31.12.2017 they amounted to BGN 73.9 million.

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

#### **Insurance business**

As of the end of 2018 the revenues from insurance activity amounted to BGN 985.3 million. Compared to the same period in 2017, the revenues from insurance activity decreased by 2%.

The insurance operating expenses for the period under review increased by 0.6% to BGN 924.9 million compared to BGN 919.2 million at the end of the comparable period.

Euroins Insurance Group realized a consolidated operating profit in amount of BGN 60.4 million compared to BGN 85.9 million as of 31.12.2017.

#### **Automotive business**

Revenues from the automotive business amounted to BGN 226.6 million, with a significant increase for the reported period of BGN 22.3 million.

Operating expenses for sold vehicles and spare parts increased by BGN 15 million and reached BGN 197.1 million.

For the reporting period, the automotive sub-holding realized a consolidated operating profit of BGN 29.5 million compared to BGN 22.2 million for the comparable period in 2017.

### **Leasing business**

Reported consolidated operating income from leasing activity amounted to BGN 26.9 million vs. BGN 25.4 million for the comparable period as they increased by BGN 1.5 million.

The operating expenses related to the leasing activity amounted to BGN 4.6 million, increasing by 6.5% compared to the previous reporting period.

For the current period, the leasing activity realized a consolidated operating profit of BGN 22.3 million, while as of 31.12.2017 the consolidated operating profit amounted to BGN 21 million.

### **Asset management and brokerage**

Asset management and brokerage business generated revenue of BGN 4.3 million, increasing by 11.9% compared to the same period in 2017.

For the reporting period the expenses for financial-investment activity decreased by 7.6% and amounted to BGN 2.5 million.

The result of the operating activity of the asset management and brokerage business for 2018 is a profit of BGN 1.8 million, while the realized financial result as at 31.12.2017 amounted to BGN 1.1 million.

### **Activity of the parent company**

As of the end of year 2018, Eurohold Bulgaria realized revenues in amount of BGN 23.2 million vs. revenues in amount of BGN 2.2 million for the comparable period.

The operating expenses of the parent company are insignificant and amount to BGN 0.4 million.

The result of the operating activity is a profit of BGN 22.9 million.

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

The table below provides information on revenues earned by subsidiaries as of 31 December 2018 compared to 31 December 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   | 2018             | 2017             | Change    |
|---|------------------|------------------|-----------|
|   | <i>BGN '000</i>  | <i>BGN '000</i>  | <i>%</i>  |
| Insurance business  | 987 071          | 1 006 257        | -2%       |
| Automotive business   | 237 547          | 214 285          | 11%       |
| Leasing business  | 28 790           | 26 527           | 9%        |
| Asset management and brokerage                                | 5 092            | 4 991            | 2%        |
| <b>Total for the subsidiaries</b>                             | <b>1 258 500</b> | <b>1 252 060</b> | <b>1%</b> |
| Parent company  | 24 107           | 4 268            | 465%      |
| <b>Total before eliminations</b>                              | <b>1 282 607</b> | <b>1 256 328</b> | <b>2%</b> |
| <i>Intra-group eliminations</i>                               | <i>(16 304)</i>  | <i>(15 612)</i>  | <i>4%</i> |
| <b>Total revenues before interest, amortisation and taxes</b> | <b>1 266 303</b> | <b>1 240 716</b> | <b>2%</b> |

**PROFIT BEFORE INTEREST, AMORTISATION AND TAXES**

| Sectors   | 2018            | 2017            | Change      |
|---|-----------------|-----------------|-------------|
|   | <i>BGN '000</i> | <i>BGN '000</i> | <i>%</i>    |
| Insurance business  | 17 273          | 48 435          | -64%        |
| Automotive business   | 9 649           | 5 605           | 72%         |
| Leasing business  | 5 574           | 4 289           | 30%         |
| Asset management and brokerage                              | 956             | 282             | 239%        |
| <b>Total for the subsidiaries</b>                           | <b>33 452</b>   | <b>58 611</b>   | <b>-43%</b> |
| Parent company  | 20 487          | 1 522           | 1246%       |
| <b>Total before eliminations</b>                            | <b>53 939</b>   | <b>60 133</b>   | <b>-10%</b> |
| <i>Intra-group eliminations</i>                             | <i>(1 656)</i>  | <i>(2 540)</i>  | <i>-35%</i> |
| <b>Total profit before interest, amortisation and taxes</b> | <b>52 283</b>   | <b>57 593</b>   | <b>-9%</b>  |

**FINANCIAL RESULTS**

| Sectors  | 2018            | 2017            | Change      |
|--|-----------------|-----------------|-------------|
|  | <i>BGN '000</i> | <i>BGN '000</i> | <i>%</i>    |
| Insurance business                                   | 12 427          | 41 681          | -70%        |
| Automotive business                                  | 3 019           | 258             | 1070%       |
| Leasing business                                     | 135             | 112             | 21%         |
| Asset management and brokerage                       | 834             | 209             | 299%        |
| <b>Total for the subsidiaries</b>                    | <b>16 415</b>   | <b>42 260</b>   | <b>-61%</b> |
| Parent company                                       | 1 797           | (17 306)        | 110%        |
| <b>Total before eliminations</b>                     | <b>18 212</b>   | <b>24 954</b>   | <b>-27%</b> |
| <i>Intra-group eliminations</i>                      | <i>(60)</i>     | <i>(539)</i>    | <i>-89%</i> |
| <b>Total before interest, amortisation and taxes</b> | <b>18 152</b>   | <b>24 415</b>   | <b>-26%</b> |

Revenues from the activities of Eurohold Group companies increased by 2% or by BGN 26.3 million before accounting for intragroup calculations.



Profit before interest, amortization and taxes decreased by 10% or by BGN 6.2 million before reporting for intragroup eliminations.

The realized financial results of the Group companies before intragroup eliminations amounted to BGN 18.2 million as the change vs. comparable period amounted to BGN (6.7) million.

## **FINANCIAL CONDITION**

### **Consolidated Assets**

During the year 2018 Eurohold Group companies achieved an increase of consolidated assets by 5.2%, which at the end of the reporting period amounted to BGN 1.395 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 and investments in associated and other entities.

At the end of the accounting period, the Eurohold Group has free cash and deposits in banks amounting to BGN 69.7 million. For comparison at the end of 2017 they amounted to BGN 57.1 million.

Receivables increased by BGN 30 million for the period reaching BGN 257.4 million, of which the current receivables amounted to BGN 176.4 million increasing by BGN 30.2 million, while the non-current receivables amounted to BGN 81 million as they decreased by BGN 5 million.

As of the end of year 2018, the share of reinsurers in technical reserves of the insurance companies grew by BGN 47 million as they reached BGN 408.3 million.

The significant increase of BGN 6.8 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 51.5 million.

As of 31.12.2018 the financial assets held by Eurohold Group companies reported a decrease by BGN 36.2 million compared to the end of 2017 when they amounted to BGN 290.9 million.

Investments in associates and other entities increased their value to BGN 10.9 million as the increase of 6.1 was due to the acquisition by Euroins Insurance Group in 2018 of a new share in the Russian insurance company.

### **Consolidated equity and liabilities**

Total equity of Eurohold Bulgaria amounted to BGN 210.4 million, decreasing by BGN 4.1 million compared to 31.12.2017. The consolidated equity of the Eurohold Group amounted to BGN 171.6 million, while the equity belonging to the non-controlling interest for the period, amounted to BGN 38.8 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 19.6 million compared to BGN 26 million as at the end of 2017.

The total amount of equity and subordinated debt instruments amounted to BGN 300 million, while at the end of 2017 they amounted to BGN 240.6 million.

Non-current consolidated liabilities increased by 17.1% from BGN 280 million to BGN 328 million during the reporting period. A major part of non-current liabilities represent liabilities to banks, other financial institutions and issued bond loans. The increase in liabilities to banks by 43% is mainly due to the growth of bank financing received by Eurolease Auto in line with the growth of the leasing portfolio. As of 31.12.2018 the net investment in financial leasing of ELG has increased by 37.5% compared to the previous year 2017.

| <b>Liabilities on loans and bond issues:</b> | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> | %<br><i>Change</i> |
|--|-------------------------------|-------------------------------|--------------------|
| - bank and non-bank loans                    | 142 166                       | 99 245                        | 43.2%              |
| - bond issues                                | 157 379                       | 150 757                       | 4.4%               |
| <b>Total loans</b>                           | <b>299 545</b>                | <b>250 002</b>                | <b>19.8%</b>       |

Current consolidated liabilities increased as of the end of the reporting period by BGN 30.2 million and amounted to BGN 836.9 million.

A major part of the current liabilities represent assigned insurance reserves amounting to BGN 676 million as for the current reporting period they increased by BGN 80.2 million compared to the end of 2017.

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

### **1 JANUARY - 31 DECEMBER 2018**

#### **EUROINS INSURANCE GROUP**

In 2018 Euroins Insurance Group (EIG, the Group) has realized consolidated gross written premiums of BGN 643.3 million compared to BGN 645.5 million in 2017. The reason for this insignificant decrease is the business written by Euroins Romania. All other subsidiaries have registered growth. The Group has reported an unaudited consolidated profit of BGN 12.6 million before taxation compared to a profit of BGN 43.6 million in 2017, which is down to the changes in the market development in Romania, where the EIG subsidiary has chosen to have a conservative pricing policy with no aspirations to expand at all costs. At the same time aiming to maintain high quality of the services provided the company has continued to register and pay claims at the same pace as in 2017, which ultimately led to lower net earned premiums and higher net incurred claims. Important to note here is also that all subsidiaries have applied the requirement of IFRS 9, and the impact is included in the respective sections of the financial statements. In addition to that the application of new accounting standards (IFRS 9, IFRS 17) as well as the implementation of new solutions for risk management and constant monitoring of the performance of the companies have led to increased costs.

In January 2018 the process to increase the EIG capital by BGN 195.6 million (EUR 100 million) was successfully completed, a decision that has been voted back in 2015. In

addition a decision has been voted at the 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, with dividend right and liquidation quota. The newly issued shares have been entirely subscribed by the majority shareholder Eurohold Bulgaria AD. The increase has been entered in the Trade Register on 25 October 2018. On 5 October 2018 25% of the nominal value of the newly issued shares, BGN 15,000,000, have been paid in. These funds are available and will be used to support future strategic plans of the Group and its subsidiaries.

At the end of Q1 2018 a new Group corporate governance plan was initiated. It is based on good practices, risk management and improved reporting in the context of 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 business elements (products, sales, claims) through reporting, control and quality of actuarial calculations, timely management of the risk framework, implementation of innovative technological solutions and successful application of flexible and adaptable strategic management techniques. The idea is for the plan to be applied not only to current companies and businesses but also to create a model, a framework for management of the future development of the Group.

In 2018 Fitch Ratings confirmed the ratings that were assigned to Eurohold Bulgaria and Euroins Romania in 2017, namely Long-Term Default Rating "B" to Eurohold Bulgaria with Stable outlook and Insurer Financial Strength Rating "BB-" with Stable outlook to Euroins Romania. As part of the same process because Euroins Romania and Euroins Bulgaria were the key components of Eurohold Bulgaria Fitch Ratings assigned also to Euroins Bulgaria Insurer Financial Strength Rating "BB-" with Stable outlook. And in addition, Fitch Rating assigned the same rating to EIG Re reflecting the expected strategic importance of the company as a captive reinsurer within Euroins Insurance Group.

### ➤ **Euroins Bulgaria**

In 2018 Euroins Bulgaria has reported total GWP of BGN 172.9 million compared to BGN 143.9 million written in 2017. The reason for this growth of more than 20% is the direct insurance business written through brokers both locally in Bulgaria and in Greece according to the EU directive for Freedom of services. All main non-motor lines of business have registered growth: Health (51%), Cargo (16%), Credit and suretyships (15%), Accident and Travel (11%). MTPL has grown by 32%, Motor Hull – by 21%. Rate increases in Bulgaria and increase in the number of clients in Greece are behind the MTPL growth.

During the year net earned premiums have increased by more than 24%. Net claims incurred are up by 32%. The reasons are the growth of the business itself and the high-quality services provided to customers and claimants.

An increase in the administrative expenses has been reported compared to the same period of 2017. Firstly, these are the expenses associated with the growth of the business. Next are the substantial final costs related to IFRS and Solvency II audits that have their impact as well. Because of the new regulatory requirement, financial statements of insurance companies must now be signed off by two audit firms. There are also the significant costs associated with the new regulatory requirements of Solvency II and the implementation costs related to IFRS 9 and IFRS 17.

Despite this Euroins Bulgaria has reported a profit for group purposes of BGN 2,044 thousand before taxation compared to BGN 1,668 thousand in 2017. Three main factors have contributed: the growth of the business has led to growth of the net earned premiums (25%) and subsequently to increase of the premiums ceded to reinsurers. The latter

combined with the improved loss ratio in MTPL has caused an increase in the income from reinsurance commissions (increase of 90%). The above has been achieved against the background of the interpretative ruling of the Supreme Cassation Court that has increased the range of possible claimants to receive indemnification for non-material damages as a result of an accidental death in MTPL.

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 2019. The assigned rating is "BBB-" with Stable long-term outlook.

All the circumstances above would help the management of Euroins Bulgaria to focus on the challenges in 2019, which are the introduction by way of enactment of the bonus malus system on the local MTPL insurance market and the operational start of the branch in Greece, which as of the date of this report is already a fact.

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 twelve months of 2018 Euroins Romania has written a total GWP of BGN 425.5 million compared to BGN 472.9 million in 2017. The decrease is a result of the stabilization of the Romanian MTPL market after two years of significant increase of the average premium. At the same time in 2018 Euroins Romania has been conducting a policy of retaining the prices, avoiding segments with high loss ratios and not offering short-term policies with period of cover of one month and three months; a fact that ultimately has led to a slight decrease in the market share but kept the risk profile intact and guaranteed the financial stability in the next periods. Unlike the Motor business the major non-Motor lines of business have grown significantly: Liability (29%), Accident (13%), Property (6%), Cargo (4%).

Net claims incurred grow as result of increase in the number of reported claims. At the same time there is a decrease in the average reported claim. In 2018 the company has invested in a network of loss survey points as well as in a total remodeling of its strategy in the claims handling process aiming to improve the customer service and to guarantee high level of customer satisfaction.

Acquisition costs have registered a slight increase of 1%, which was perfectly reasonable considering that the increase of the net earned premium amounted to 5%. Administrative expense has grown compared to 2017 as a result of the abovementioned costs related to the new regulatory requirements of Solvency II, to the implementation projects for IFRS 9 and IFRS 17 and to the investments in new risk management solutions and constant performance monitoring. At the same time there are currently several initiatives underway to optimize processes related not only to the administrative management but also to processes that are yet to benefit activities such as claims handling and internal controls.

As a result, this is another 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 amounts to BGN 10.3 million before taxation with the IFRS 9 impact included.

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 2018 gross premiums written by Euroins Macedonia have registered a growth of app. 18% reaching BGN 21.5 million. Main business lines that grow are Cargo by 15%, MTPL by 6%, Property by 5%, Liability by 5%, Motor Hull by 3%. The company continues to strengthen its position in Agricultural insurance by more than tripling its business there in comparison to 2017. There is a plan to enter the Health insurance market as well with the positive results expected to be seen in 2019.

Net claims incurred have increased because of the business growth but in the same period net earned premiums have grown by 19%.

Because of the ongoing initiatives of the management of the company administrative costs has continued to decrease, by 8% in 2018.

The result from the above is a profit for group purposes of BGN 1,309 thousand before taxation compared to BGN 547 thousand in 2017.

➤ **Euroins Life**

In the twelve months of 2018 Euroins Life has written total GWP of BGN 1.9 million registering growth of nearly 15% compared to 2017.

The management of the company is currently reviewing the products on offer. At the same time Euroins Life now offers on the market new life insurance solutions as well as online sales solutions. These initiatives, however, are still at the very beginning with the positive portfolio effect yet to be seen. As a result, an unaudited loss for group purposes of BGN 412 thousand has been reported in 2018.

➤ **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 2018 gross written premiums amount to BGN 16 million, which is a growth of more than 69%. App. 30% of the written business has been non-Motor. Apart from the Motor premiums that have been doubled this year the non-motor business has also grown: Property by 55%, Cargo by 48%, Accident by 35%, Liability by 16%. But due to the investments made in the expansion of the distribution network and the increased number of claims as a result of the business growth Euroins Ukraine has reported a loss for group purposes of BGN 2,117 thousand. The management of the company has already initiated a series of steps as part of a general plan aiming to achieve significant improvement by the end of H1 2019 through new processes for claims handling, for prevention of insurance frauds and for risk management.

➤ **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. Following a decision from October 2016 Euroins - Health Assurance was merged into EIG Re. The procedure has been finalized in 2017.

For the twelve months of 2018 EIG Re has written gross premiums of BGN 11.1 million. The profit for group purposes amounts to BGN 319 thousand compared to BGN 96 thousand in 2017.

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

#### ➤ **European Travel Insurance, Ukraine**

On 26 February 2018 the Board of Directors of Euroins Insurance Group voted to acquire 99.99998% of the capital of European Travel Insurance, Ukraine (European Travel Insurance, ETI). The sale purchase agreement was signed on 13 April 2018 and the transaction was closed on 1 October 2018. The investment amounts to BGN 2,454 thousand.

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

In 2018 the company has written gross premiums of GWP 14.3 million. But as EIG will consolidate the performance only for the last quarter of 2018 the GWP that will be included in the financial statements of the Group amounts to BGN 4 million, while the profit for group purposes is BGN 392 thousand before taxation.

#### ➤ **Euroins Georgia**

On 22 March 2018 the Board of Directors of Euroins Insurance Group voted to acquire 50.00002% (50% + 1 share) of the capital of Insurance Company IC Group, Georgia (IC Group) with the sale purchase agreement signed on 22 June 2018. The transaction was closed on 23 October 2018. The investment amounts to BGN 3,814 thousand. On 31 October 2018 the new name of the company was entered into the Georgian Trade Register, JSC Insurance Company Euroins Georgia. Following the capital increase completed in December 2018 and fully subscribed by the Group EIG has a holding of 50.03737% in the capital of the company as at 31 December 2018.

The acquisition of Euroins Georgia is part of the strategy of Euroins Insurance Group for development in a region where markets have huge growth potential. With Georgia this is mainly due to the low insurance market penetration, positive regulatory changes and the expected introduction of compulsory third-party liability insurance both in motor and construction lines of business. The indicators showing expected growth of the Georgian economy of 5% in 2019 and 2020 will contribute additionally to the growth of the Georgian insurance market, where the Group would like to participate.

Insurance Company Euroins Georgia is specialized in Accident and Health. In 2018 these lines of business account for 45% of the insurance portfolio of the company, while the rest is split between MTPL, Motor Hull, Property, Agricultural insurance, Cargo and Liability. Total gross premiums written in 2018 amount to BGN 7 million. But as EIG will consolidate the performance of Euroins Georgia only for the last quarter of 2018 the written premiums that will be included in the financial statements of the Group are BGN 2.2 million, while the result for group purposes is a loss of 417 thousand before taxation.



### ➤ **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 participated with RUB 80 million has been completed. As a result, at the end of the year the participation of the Group in the capital of Euroins Russia is 32.2%.

Entering the Russian insurance market has always been in line with the development strategy of the Group in Eastern Europe. This market, as most in this region, is typified by low insurance market penetration, which in combination with expected positive regulatory changes and economical growth hints at significant growth potential.

Euroins Russia is an insurer with 15 years of history and experience offering more than 50 insurance products on the market. In 2018 the company has reported gross written premiums of BGN 50 million. Motor business is only Motor Hull and accounts for only 3% of the portfolio. The rest is a non-Motor business of excellent quality split between Liability – 45%, Accident & Health – 32%, Cargo – 16%, Property – 4%.

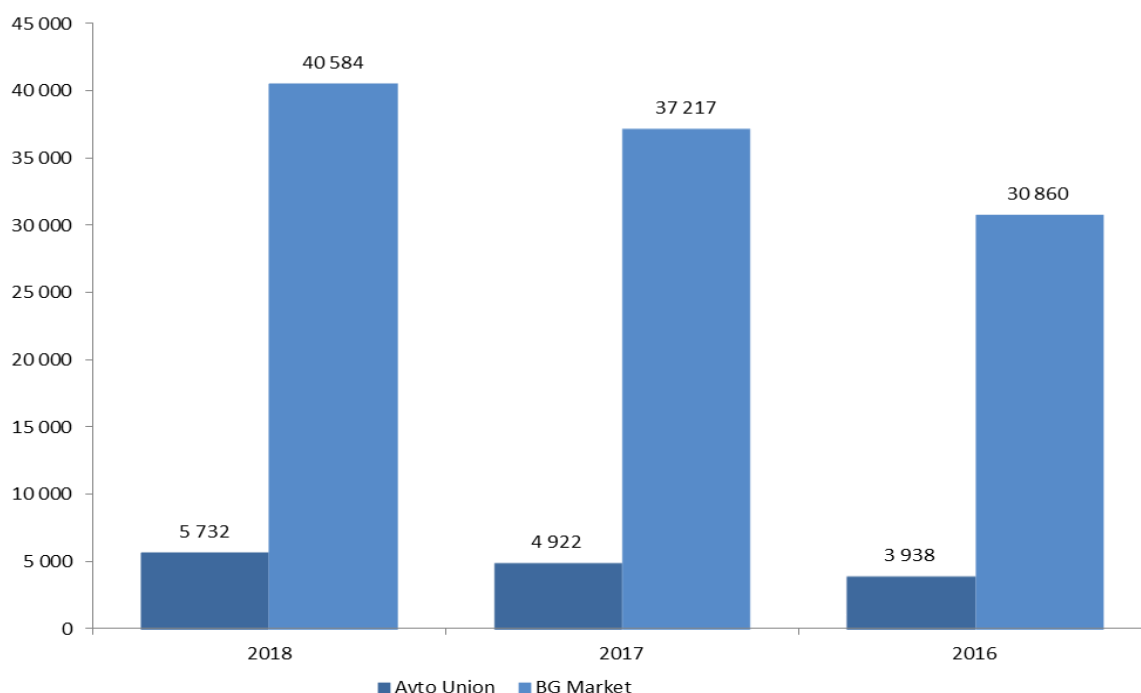
And as continuation of the sound performance from last year the company reports a profit of more than BGN 500 thousand after taxation.

### **AVTO UNION**

The consolidated financial result of the Group for the period from 01.01.2018 until 31.12.2018 was a profit of BGN 3,019 thousand (2017 – a profit of BGN 258 thousand). The consolidated financial result for the parent company's owners for the same period was a profit of BGN 1,323 thousand, compared to 2017 when it was a loss of BGN 957 thousand.

The number of cars sold for 2018 increased by 16.5% compared to the same period of 2017. Revenues from sales of cars, spare parts, oils and fuels increased by 7.2%, and the revenues from sales of services decreased by 8.8%.



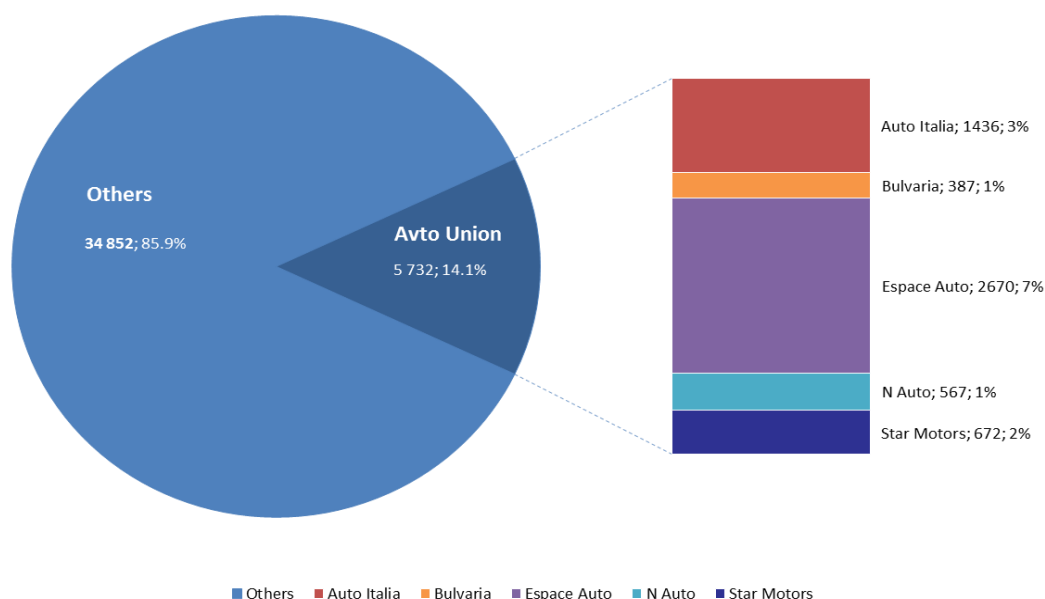


***Sales of new cars from Avto Union in 2018 compared to those on the Bulgarian market as a whole, number of cars – Q4 YTD 2016, Q4 YTD 2017 and Q4 YTD 2018,***

***source: ACM***

Operating expenses for 2018 show an increase of 14.6% 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 17.4% or BGN 2,170 thousand, as well as the expenses for materials, which increased by 61.9% or BGN 1,348 thousand. The financial expenses increased by 35.7%, or BGN 1,032 thousand, due to an increase in the amount of borrowings associated with increased sales on the one hand, as well as due to the restructuring of the Group's capital structure. Revenues from financial operations also increased - by 3.3% or BGN 14 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 31.12.2018 the sales of new cars and light commercial vehicles realized by Avto Union - the automobile holding in the group of Eurohold Bulgaria amounted to 5 732 units, compared to 4 922 units sold in 2017, which represents a growth of 16.5%. According to the Union of Automobile Importers in Bulgaria, the market for new cars and light commercial vehicles registered a growth of 9% for 2018 compared to 2017. During the reporting period Opel dropped by 14% for Varna and 20% for Sofia. Espace Auto OOD has registered sales growth for both of its brands compared to 2017 – by 8% for Renault and by 18% for Dacia. In N Auto EAD, there was a growth in sales of 1.5% for Nissan cars. Auto Italia EAD increased its sales of Fiat by 90% and Alfa Romeo by 41.5%, while its sales of Maserati decreased by 58%. Star Motors marks a 5% decline 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 2018.***

During the reporting period the companies from the automobile holding have concluded fleet transactions for a total of 1930 vehicles with a total value of BGN 50.288 million, while the ratio for the previous year was 1276 automobiles with a total value of BGN 29.7 million.

| Avto Union Group      | Sales |       | % Change |
|-----------------------|-------|-------|----------|
|                       | 2018  | 2017  |          |
| January – June (YTD)  | 5,732 | 4,922 | 16,5%    |
| By quarter:           |       |       |          |
| Q1 (January-March)    | 1,282 | 1,006 | 27,4%    |
| Q2 (April-June)       | 1,895 | 1,312 | 44,4%    |
| Q3 (July-September)   | 1,298 | 1,143 | 13,6%    |
| Q4 (October-December) | 1,257 | 1,461 | -14,0%   |

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%.

On 31.07.2018, in the Commercial Register was entered a circumstance for the establishment of a new subsidiary of Auto Union AD - Mottohab Ltd., UIC 205231116, which will unite the interests of the automobile holding related to the import, purchase and sale of scooters, motorcycles and mopeds. The percentage of Avto Union AD in the newly established company is 51% and its capital at 31.12.2018 amounts to BGN 200.

At the meeting of the Board of Directors of Motobul EAD, held on 07.08.2018 Motobul EAD voted to release Asen Emanuilov Assenov. In his place, Milen Asenov Hristov was elected and appointed in the same position.

On 26.10.2018 was entered into Commercial Register that Asen Milkov Hristov was released as a member of the Board of Directors and Milen Asenov Hristov was elected as a new member.

On 07.11.2018 and the new auditor was elected by a decision of an extraordinary general meeting of shareholders of Avto Union AD to audit the financial statements of the company for 2018. The elected auditor is HLBC Bulgaria Ltd., UIC 121871342.

On 06.12.2018 a decision was taken at a session of the Board of Directors of Avto Union AD to increase the amount of authorized capital of AUTO ITALIA EAD by BGN 1,000,000 / one million / by the order of art. 192, para. 1 of the CA, by issuing 100 000 / one hundred thousand / new registered non-preferred voting shares with a nominal value of BGN 10 / ten / per share and an issue value of BGN 80 / eighty / per share. The payment of the subscribed newly issued shares shall be made by a cash contribution from the sole owner of the capital of the Company - AVTO UNION AD - at the amount of BGN 8 000 000 / eight million /. At the reporting date, the cash contribution was paid by Auto Union AD.

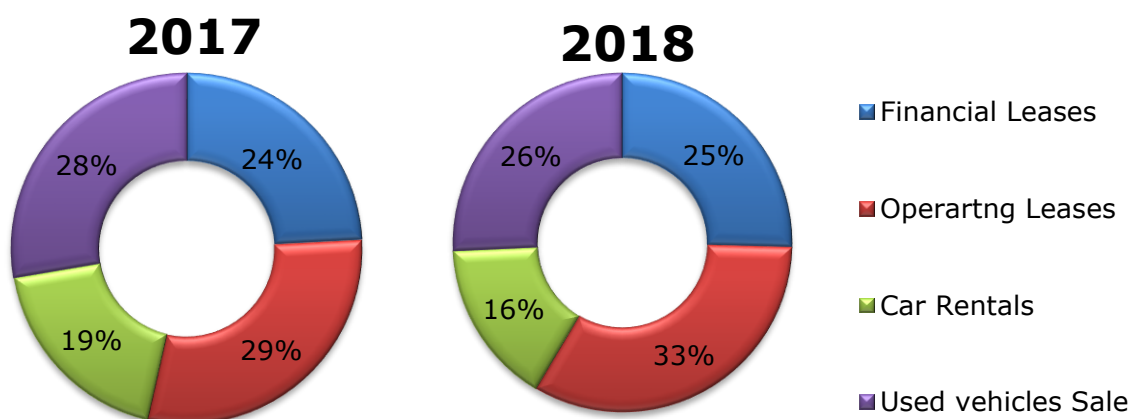
The project for the establishment of a joint dealer of Opel with "SOFIA AUTO BULGARIA" EAD was terminated at the end of 2018. On 13.12.2018 was entered into CR the transfer of the shares of "SOFIA AUTO BULGARIA" EAD (49%) from the joint-stock company "SOFIA" AUTO BULVARIA AD to BULVARIA HOLDING EAD. Accordingly, SOFIA AUTO BULVARIA JSC becomes a sole owner of BULVARIA HOLDING EAD, renamed to "BULVARIA SOFIA" EAD, its head office is changed (Sofia, 49 Tsaritsa Yoana Blvd.) and a new Board of Directors was elected - Assen Assenov, Miroslav Gruychev and Georgi Demirev.

On December 13, 2018, Avto Union AD bought 50 registered voting shares, representing 100% of the capital of Bulvaria Sofia EAD / with the previous name Sofia Auto Bulvaria AD / with UIC 204986699. The shares are purchased by the subsidiary Bulvaria Holding EAD.

## **EUROLEASE GROUP**

For the reporting period Eurolease Group realizes consolidated profit of BGN 135 thousand compared to BGN 112 thousand for the fourth 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:

- Financial leasing - The revenues from this business line increase lightly as a share of the total revenues of Eurolease Group, reaching BGN 5,574 thousand as at 31.12.2018 (growth of 13.76% YoY);
- Operating lease - the increase as at the fourth 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 21,74%, reaching BGN 7,262 thousand as compared to BGN 5,965 thousand at the end of December 2017;

- Short term rent – revenues in this business line decline by 9.10% YoY and respectively declines its share in Eurolease Group's portfolio;
- Sale of used cars – the relative share of revenues from sales of used vehicles remains unchanged. In absolute terms these revenues amount at BGN 5,640 thousand – again relatively unchanged YoY.

Company's operating expenses increase by 13.97% YoY and amount at BGN 14,381 thousand as at Q4 2018 compared to BGN 12,395 thousand for the same period in 2017.

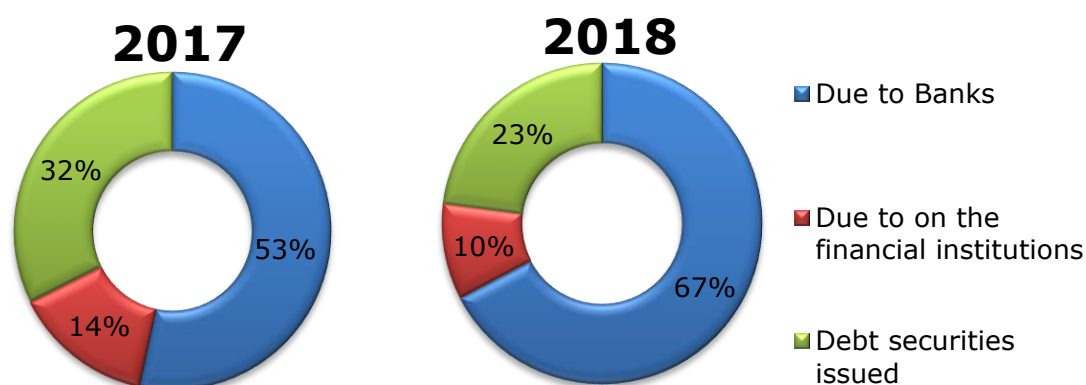
Eurolease Group consolidated assets amount at BGN 137,370 thousand compared to BGN 115,171 thousand as at 31 Dec 2017.

The consolidated net investment in financial lease increases significantly to BGN 77,775 thousand compared to BGN 56,581 thousand in the end of 2017.

As at the end of 2018 Eurolease Group consolidated fixed assets amount at BGN 28,061 thousand compared to BGN 25,436 thousand in the end of 2017.

As at the end of 2018 the share of bank financing Eurolease Group has utilized is increased at the expense of the diminished liabilities on debt instruments.

- Company's liabilities to banks as at 31 Dec 2018 amount at BGN 78,302 thousand compared to BGN 47,768 thousand a year ago;
- Liabilities to other financial institutions as at 31 Dec 2018 decline to BGN 11,314 thousand compared to BGN 12,719 thousand as at 31 Dec 2017. The amount is mainly due from the subsidiary company Eurolease - Rent A Car to lease companies that have provided financing;
- As at the end of Q4 2018 liabilities on debt instruments amount at BGN 26,707 thousand compared to BGN 28,985 thousand as at 31 Dec 2017.



The non-consolidated financial result of Eurolease Group is loss at BGN 2,957 thousand compared to loss at BGN 364 thousand in 2017. The negative result is mainly due to the effect of the management decision to impair entirely the investment in the subsidiary Eurolease Auto Romania – the impairment effect amounts at BGN 2,449 thousand.

The consolidated financial result of Eurolease Group is profit at BGN 135 thousand (20.5% YoY increase).

Eurolease Group non-consolidated assets amount at BGN 38,143 thousand.

#### ➤ Eurolease Auto

Financial result of Eurolease Auto Bulgaria as at the forth quarter of 2018 is profit of BGN 1,834 thousand compared to profit of BGN 747 thousand for the forth quarter of 2017.

Net interest income increases by 9.81% and as of the end of December 2018 amounts to BGN 2,430 thousand vs BGN 2,213 thousand as of 31 December 2017.

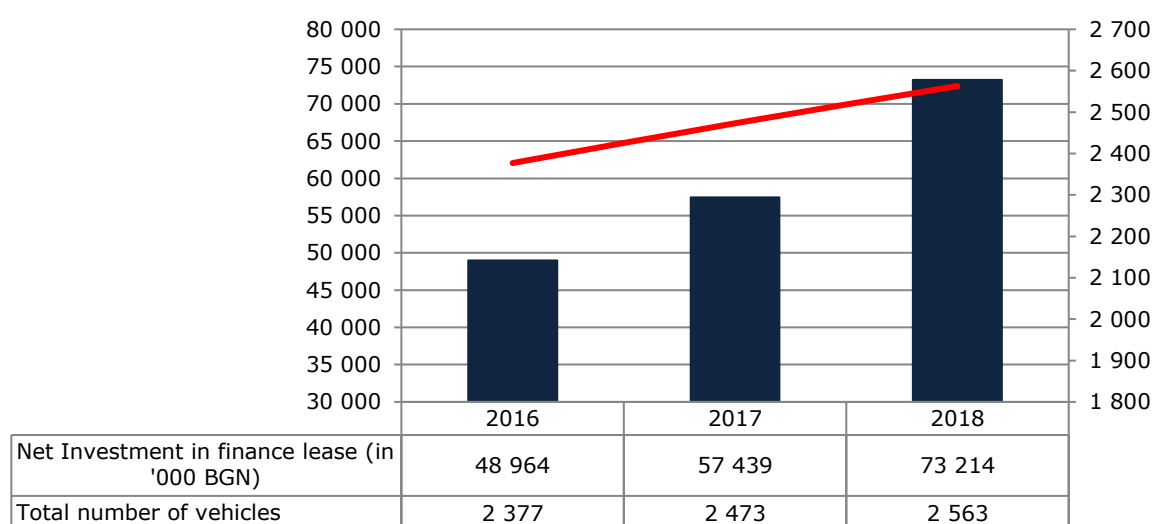
The administrative expenses of the Company at the end of the reporting period amount to BGN 2,112 thousand compared to BGN 2,006 thousand at the end of fourth quarter of 2017.

As of the end of December total assets of the Company amount to BGN 101,167 thousand compared to BGN 86,987 thousand at the end of December 2017.

The net investment in financial leasing reported a growth of 27.46% and as at 31 December 2018 amounts to BGN 73,214 thousand compared to BGN 57,439 thousand as at the end of 2017.

The net investment in financial leasing has increased with more than BGN 16m., because of the financed public procurement of 20 electric buses for Stolichen Avtotransport.

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.

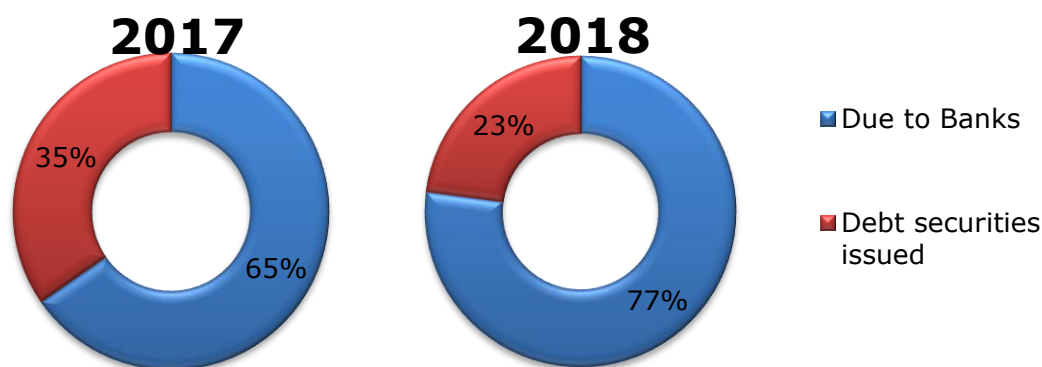


As at the end of December 2018, company's equity amounts to BGN 19,868 compared to BGN 22,382 thousand as at 31 December 2017.

At the end of the reporting period the liabilities of the company amount to BGN 81,299 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 the relative shares of these sources of funding:

- Bank loans - at the end of December 2018 amount to BGN 60,924 thousand compared to BGN 38,431 thousand at the end of 2017.
- Company's liabilities under debt instruments issued decrease by 12.54% to BGN 18,106 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 65 thousand compared to loss of BGN 94 thousand for the relative reporting period of 2017.

The management of Eurolease Group reviewed the investment in its subsidiary and took a decision to impair it fully.

#### ➤ **Eurolease Auto Macedonia**

Eurolease Auto Macedonia interest income in 2018 amounts at BGN 562 thousand (6.4% YoY increase) compared to BGN 528 thousand in 2017. In the same period company's interest expenses decline to BGN 404 thousand compared to BGN 457 thousand in the previous year. The decline is due to the renegotiated interest levels charged on the utilized financing amounts. As a result of both effects Eurolease Auto Macedonia net interest income is significantly increased to reach BGN 158 thousand compared to BGN 71 thousand a year ago.

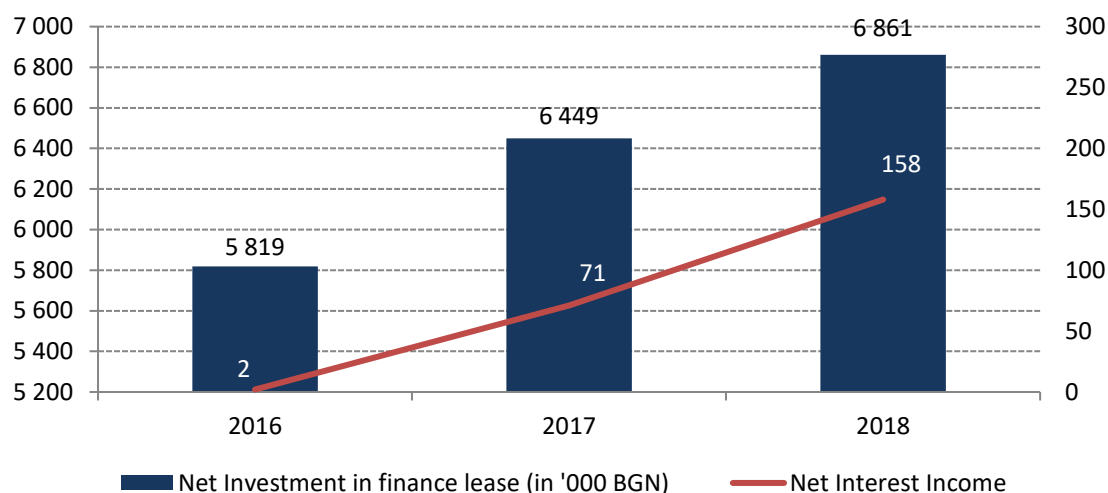
The increase in fees and commission income also contributes to company's excellent results – it amounts at BGN 113 thousand in 2018 compared to only BGN 19 thousand a year ago. Eurolease Auto Macedonia administrative expenses amount at BGN 329 thousand and do not change significantly YoY.

As a result of the positive developments Eurolease Auto Macedonia realizes BGN 52 thousand net income in 2018 compared to loss at BGN 161 thousand a year ago.

Net investment in financial lease increases by 6.4% YoY amounting at BGN 6.86m in the end of 2018 compared to BGN 6.45m as at 2017.

The following chart shows the change in net investment in financial lease in the last three years as well as net interest income realized in the same period.





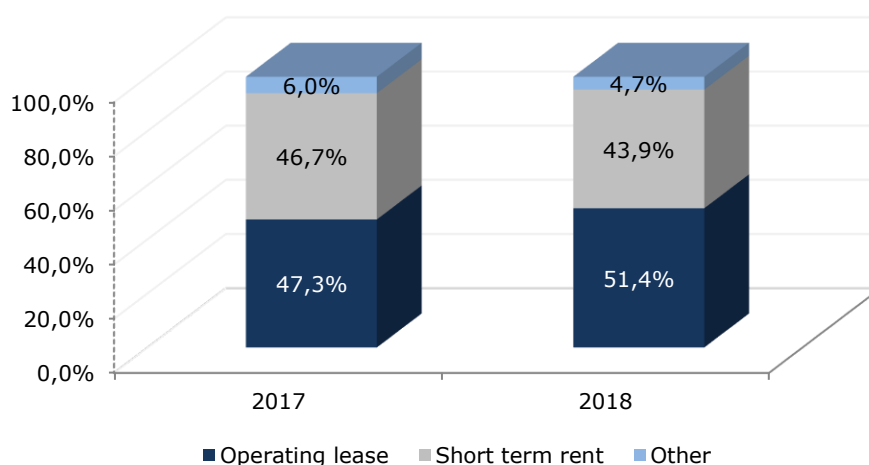
As at 31.12.2018 company's assets amount at BGN 9.37m compared to BGN 8.02m as at 31.12.2017. The highest increase is observed in Eurolease Auto Macedonia net investment in financial lease and cash amounts.

Eurolease Auto Macedonia bank loans increase 21.6% YoY reaching BGN 6.54m.

#### ➤ Eurolease Rent a Car

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

The following chart shows the breakdown of company's revenue by type in 2018 and 2017:



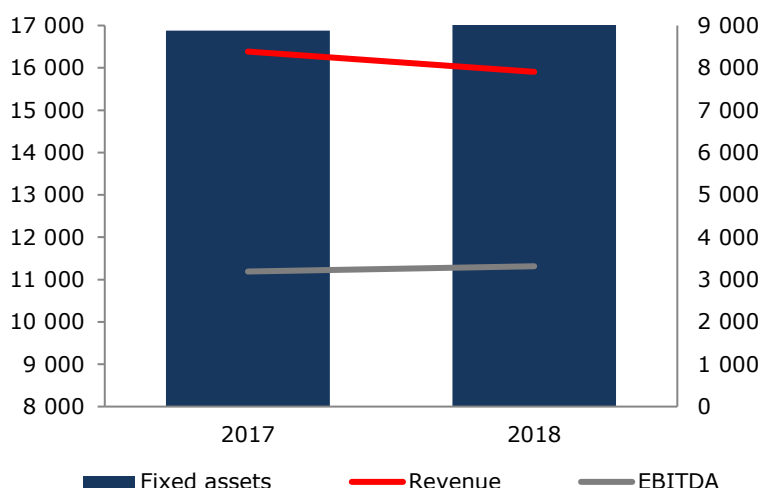
In 2018 Eurolease Rent A Car revenues from operating lease increase reaching BGN 4.05m but company's revenues from short term car rentals decline to BGN 3.45m compared to BGN 3.80m a year ago.

Company's interest expenses in 2018 decline insignificantly to BGN 537 thousand (BGN 555 thousand in 2017).

Company's expenses remain relatively unchanged in 2018 at BGN 8.04m.

Eurolease Rent A Car financial result in 2018 is loss at BGN 289 thousand compared to loss at BGN 124 thousand in 2017.

The chart below presents company's fixed assets, revenues and EBITDA in 2018 and 2017.



Company's assets amount at BGN 19.82m as at the end of 2018 compared to BGN 19.5m a year earlier.

In 2018 Eurolease Rent a Car decreases the share of loans from financial and non-financial institutions to BGN 10.8m (2017: BGN 12.2m) and increases the utilized financing from banks to BGN 3.84m (2017: BGN 2.02m).

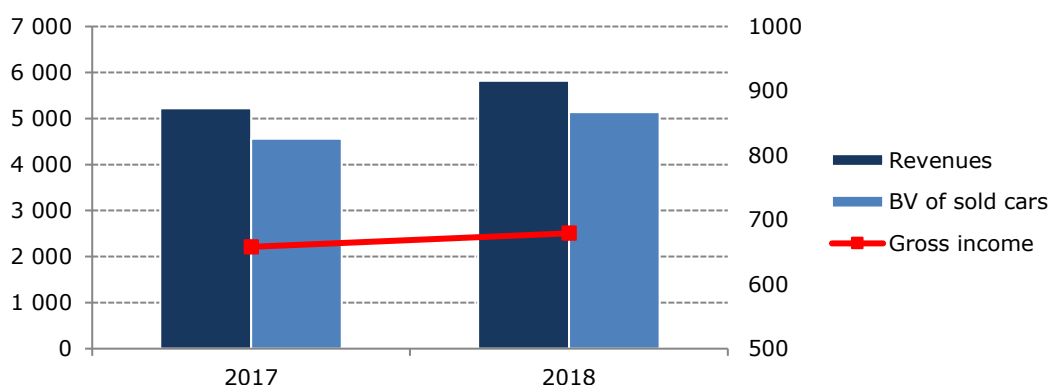
#### ➤ Autoplaza

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

In 2018 Autoplaza revenues reach BGN 5.82m (up 11.4% YoY) compared to BGN 5.22m a year ago. Company's gross income stands at BGN 679 thousand compared to gross income at BGN 658 thousand realized in 2017.

Autoplaza financial result in 2018 is profit at BGN 47 thousand compared to profit at BGN 140 thousand a year ago. The decline in net income stems mainly from the increase in company's operating expenses.

The chart below shows the change in total revenues, book value of sold cars and company's a realized gross income.



Company's assets amount at BGN 2.42m in the end of 2018 compared to BGN 2.52m in the end of the previous year. Autoplaza managed to generate higher sales with relatively unchanged number of cars available for sale which shows the higher asset turnover ratio.

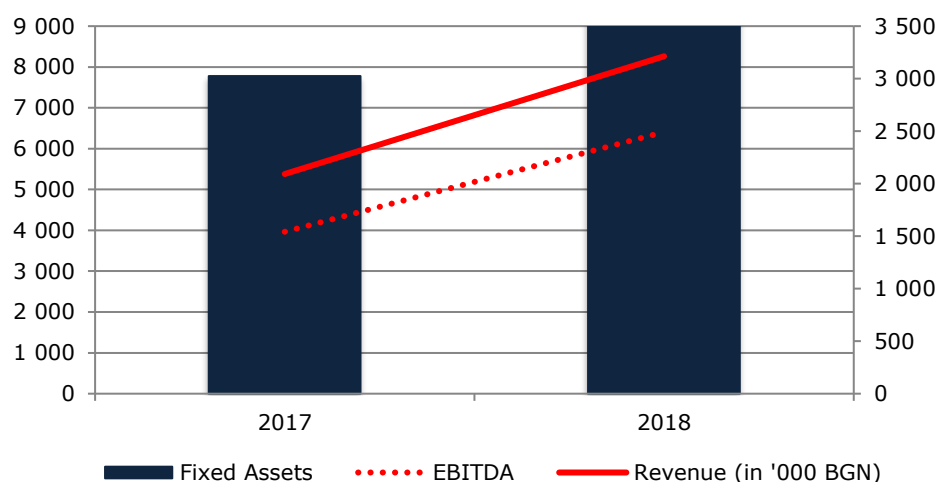
Cash flow from operations has significantly improved in 2018 turning positive and reaching the level of BGN 324 thousand compared to the negative operating cash flow at BGN 523 thousand in 2017.

### ➤ 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 fourth quarter of 2018 is profit of BGN 5 thousand compared to profit of BGN 17 thousand for the comparable period.

The chart below shows the relationship between the company's fixed assets, revenue and EBITDA. During 2018 the growth rate of revenues (53.59%) exceeds the same of fixed assets (22.39%).



Total assets of the company as of 31 December 2018 amount to BGN 10,375 thousand compared to BGN 8,599 thousand as at 31 December 2017.

The total liabilities of the company amount to BGN 10,131 thousand compared to BGN 8,660 thousand for the comparable reporting period.

### ➤ Amigo Leasing

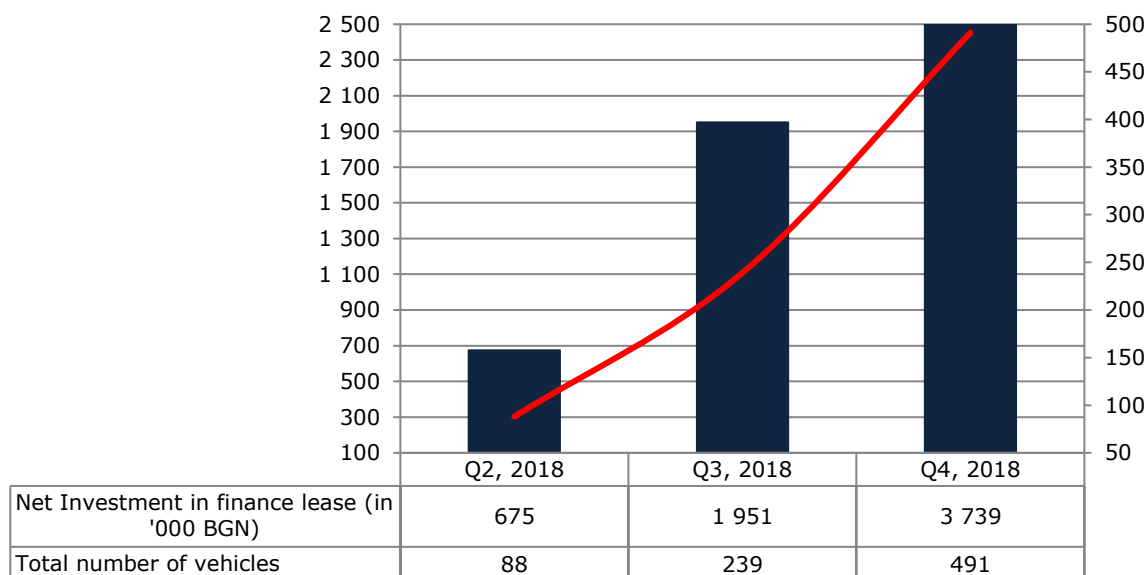
By order of listing BNB-32591 dated March 20, 2018, EuroLease Auto Retail EAD is registered as a financial institution in the registers of the BNB. From April 2018, the company was renamed to Amigo Leasing EAD.

The Company's activities started at the end of March and its active portfolio growth is observed during third and fourth quarter of 2018. The 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 31 December 2018 is loss of BGN 98 thousand against loss of BGN 69 thousand at the end of the third quarter of 2018. During 2018 the Company has followed its active marketing strategy, therefore the amount of administrative expenses is significant.

The total assets of the company amounted to BGN 4,578 thousand. Their increase is mainly due to the growth of 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, third and fourth quarter of 2018.



The receivables on loans granted to individuals amounted to BGN 218 thousand at the end of the fourth quarter, compared to BGN 77 thousand at the end of September 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 2,621 thousand as at the end of December 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 from 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 31 December 2018, EURO-FINANCE AD is holding clients' financial assets in the amount of BGN 594 315 thousand, BGN 12 470 thousand thereof being ones under management.

The Company's net operating revenue for the year 2018 amounts to BGN 2 601 thousand and is generated from:

- Interest revenue – BGN 759 thousand;
- Other operating revenue – BGN 1 842 thousand;

Those expenses for the period which are connected with the current servicing of the Company amounted to BGN 1 703 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 31 December 2018, which complies with the risk management policy pursued by the Company.

| Name  | 31Dec.2018                   | Equity share<br>in % | 31Dec. 2017                  | Equity share<br>in % |
|---|------------------------------|----------------------|------------------------------|----------------------|
|   | amount in<br>thousand<br>BGN |                      | amount in<br>thousand<br>BGN |                      |
| Fixed non-financial assets  | 67                           | 0.29%                | 116                          | 0.52%                |
| Cash, current accounts and short-term deposits  | 3 680                        | 16.17%               | 4 528                        | 20.31%               |
| Equity securities (shares, rights, and the like)  | 6 353                        | 27.92%               | 6 096                        | 27.34%               |
| Debt securities (bonds and treasury bills issued by governments and financial institutions) | 401                          | 1.76%                | -                            | -                    |
| Debt securities of other issuers  | 2 443                        | 10.74%               | 2 115                        | 9.49%                |
| Net receivables under repo transactions   | 8 018                        | 35.23%               | 9 678                        | 43.40%               |
| Other receivables   | 2 094                        | 7.54%                | 150                          | 0.67%                |
| <b>Total:</b>   | <b>23 056</b>                | <b>101.31%</b>       | <b>22 683</b>                | <b>101.73%</b>       |

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

| Issuer                 | Number<br>available | Unit value in<br>BGN | Book value in<br>BGN |
|------------------------|---------------------|----------------------|----------------------|
| Central Depository AD  | 1                   | 477.00               | 477                  |
| EF Asset Management AD | 79 840              | 1.96                 | 156 150              |
| Varengold Bank AG      | 619 500             | 7.47                 | 4 628 452            |
| <b>Total:</b>          |                     |                      | <b>4 785 079</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 31 December 2018 the Company's own funds exceed by 63% 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 31<sup>st</sup> of December, 2018 Eurohold Bulgaria AD reported a positive financial result on standalone base in amount of BGN 1.7 million versus a loss of BGN 17.3 million for the comparable period last year.

### **REVENUES**

The revenues of the company over the reporting period increased by BGN 19.9 million amounting to BGN 24 million. Of these, the most significant share represented the revenues from operations with financial instruments amounted to BGN 21.6 million, followed by interest income and other financial income (positive differences from exchange rate changes) totaling BGN 2.2 million, and dividend income received at the amount of BGN 0.2 million.

For comparison, the reported revenues in 2017 are respectively BGN 4 million, of which the most significant share is the interest income of BGN 2.4 million, followed by revenue from operations with financial instruments in amount of BGN 1.3 million and dividend income of BGN 0.3 million.

### **EXPENSES**

For the observed period the operating expenses increased by 6% as amounted to BGN 22.7 million compared to BGN 21.4 million as of 31.12.2017. The expenses growth was due to the increased interest expenses by BGN 1.7 million during the current period and increased cost for external services by BGN 1.2 million, while other financial expenses and losses from operations with financial instruments decreased significantly by BGN 1.7 million

totally. All other operating expenses of the company were reduced or remained at the same level as the reported in the comparable period.

## **ASSETS**

As of 31<sup>st</sup> of December 2018 the company's assets increased by 3.9% and amounted to BGN 579.3 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 27.9 million, as well as due to the increased current assets by BGN 8.3 million.

For the observed period 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. As of 31<sup>st</sup> of December 2018 Eurohold Bulgaria owns 91.84% of its subsidiary.

During the reporting period, the current assets increased significantly due to the classification of non-current receivables from loans granted to third parties in the amount of BGN 9.8 million. maturing in October 2019.

## **EQUITY AND LIABILITIES**

The total equity amounted to BGN 338 million, remaining at the same level as of 31.12.2017.

The company's liabilities increased by 9.8% from BGN 219.9 million as at 31.12.2017 reached BGN 241.5 million.

For the reporting period, non-current liabilities remained virtually unchanged from BGN 165.3 million at the end of 2017 to BGN 166 million. During the reporting period, non-current liabilities to financial institutions increased by BGN 14.4 million in connection with a new loan tranche granted by the International Investment Bank. At the same time, the amount of the issued Eurobonds (EMTN Programme) decreased from BGN 141.5 million to BGN 128.7 million.

At the end of 2018, the current liabilities increased by BGN 20.8 million and at the end of the reporting period amounted to BGN 75.4 million. The bulk of current liabilities is borne by current borrowings from financial and non-financial institutions, as well as the current portion of debenture obligations amounting to BGN 29.4 million with a decrease of BGN 22.8 million compared to the previous reporting period when they amounted to BGN 52.2 million. At the same time, the amount of short-term liabilities to related parties increased from BGN 0.232 million to BGN 44.183 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: 28 February 2019

**Asen Minchev,**

*Executive Member of the  
Management Board*

**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of profit or loss**  
**For the year ended December 31, 2018**

| <i>In thousand BGN</i>                            | <i>Notes</i> | 2018               | 2017               |
|---|--------------|--------------------|--------------------|
| <b>Revenue from operating activities</b>          |              |                    |                    |
| Revenue from Insurance business                   | 3            | 985 285            | 1 005 026          |
| Revenue from car sales and after sales            | 5            | 226 561            | 204 255            |
| Revenue from Leasing business                     | 6            | 26 889             | 25 374             |
| Revenue from asset management and brokerage       | 8            | 4 343              | 3 882              |
| Revenue from the activities of the parent company | 10           | 23 225             | 2 179              |
|   |              | <b>1 266 303</b>   | <b>1 240 716</b>   |
| <b>Expenses of operating activities</b>           |              |                    |                    |
| Expenses of Insurance business                    | 4            | (924 906)          | (919 175)          |
| Cost of cars and spare parts sold                 |              | (197 058)          | (182 089)          |
| Expenses of Leasing business                      | 7            | (4 605)            | (4 325)            |
| Expenses of asset management and brokerage        | 9            | (2 539)            | (2 749)            |
| Expenses of the activities of the parent company  | 11           | (355)              | (859)              |
|   |              | <b>(1 129 463)</b> | <b>(1 109 197)</b> |
| <b>Gross Profit</b>                               |              | <b>136 840</b>     | <b>131 519</b>     |
| Other income/(expenses), net                      | 12           | (4 984)            | (6 037)            |
| Other operating expenses                          | 13           | (79 573)           | (67 889)           |
| <b>EBITDA</b>                                     |              | <b>52 283</b>      | <b>57 593</b>      |
| Financial expenses                                | 14           | (23 951)           | (22 007)           |
| Financial income                                  | 15           | 400                | 368                |
| Foreign exchange gains/losses, net                | 18           | 635                | (1 173)            |
| <b>EBTDA</b>                                      |              | <b>29 367</b>      | <b>34 781</b>      |
| Depreciation and amortization                     | 16           | (10 569)           | (8 110)            |
| <b>EBT</b>  |              | <b>18 798</b>      | <b>26 671</b>      |
| Tax expenses                                      | 17           | (646)              | (2 256)            |
| <b>Net income for the period</b>                  |              | <b>18 152</b>      | <b>24 415</b>      |
| Attributable to:                                  |              |                    |                    |
| Equity holders of the parent                      |              | 15 400             | 18 174             |
| Non-controlling interests                         |              | 2 752              | 6 241              |

Prepared by:

Signed on behalf of BoD:

Procurator:

27.2.2019 /I. Hristov/

/A. Minchev/

/H.Stoev/

**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of Other Comprehensive Income**  
**For the year ended December 31, 2018**

| <i>In thousand BGN</i>  | <i>Notes</i> | 2018          | 2017           |
|---|--------------|---------------|----------------|
| <b>Profit for the period</b>  | 44           | <b>18 152</b> | <b>24 415</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  |              | (1 670)       | (486)          |
| Exchange differences on translating foreign operations  |              | 693           | (599)          |
| <b>Other comprehensive income for the period, net of tax</b>                                  |              | <b>(977)</b>  | <b>(1 085)</b> |
| <b>Total comprehensive income for the period, net of tax</b>                                  |              | <b>17 175</b> | <b>23 330</b>  |
| Attributable to:  |              |               |                |
| Equity holders of the parent  |              | 14 513        | 16 967         |
| Non-controlling interests   |              | 2 662         | 6 363          |
|   |              | <b>17 175</b> | <b>23 330</b>  |

Prepared by:

Signed on behalf of BoD:

Procurator:

27.2.2019

/I. Hristov/

/A. Minchev/

/H.Stoev/

**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of Financial Position**  
**As of December 31, 2018**

| <i><b>In thousand BGN</b></i>                   | <i>Notes</i> | 31.12.2018       | 31.12.2017       |
|---|--------------|------------------|------------------|
| <b>ASSETS</b>                                   |              |                  |                  |
| Cash and cash equivalents                       | 19           | 49 502           | 45 945           |
| Deposits at banks                               | 20           | 20 205           | 11 171           |
| Reinsurers' share in technical reserves         | 21.1         | 408 326          | 361 247          |
| Insurance receivables                           | 21.2         | 94 742           | 87 941           |
| Trade receivables                               | 22           | 38 040           | 27 474           |
| Other receivables                               | 23           | 43 641           | 30 822           |
| Machinery, plant and equipment                  | 24, 24.2-5   | 51 454           | 44 630           |
| Intangible assets                               | 26           | 3 275            | 2 198            |
| Inventory                                       | 27           | 60 654           | 59 125           |
| Financial assets                                | 28           | 290 895          | 327 053          |
| Deferred tax assets                             | 29           | 14 597           | 13 184           |
| Land and buildings                              | 24, 24.1     | 20 890           | 20 090           |
| Investment property                             | 25           | 14 646           | 12 698           |
| Investments in associates and other investments | 30           | 10 855           | 4 724            |
| Other financial investments                     | 31           | 2 403            | 2 391            |
| Non-current receivables                         | 32           | 80 949           | 85 908           |
| Goodwill  | 33           | 189 813          | 189 813          |
| <b>TOTAL ASSETS</b>                             |              | <b>1 394 887</b> | <b>1 326 414</b> |

**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of Financial Position (continued)**  
**As of December 31, 2018**

| <i><b>In thousand BGN</b></i>                              | <i>Notes</i> | 31.12.2018       | 31.12.2017       |
|--|--------------|------------------|------------------|
| <b>EQUITY AND LIABILITIES</b>                              |              |                  |                  |
| <b>Equity</b>  |              |                  |                  |
| Issued capital   | 43.1         | 197 526          | 197 526          |
| Treasury shares  | 43.1         | (77)             | (77)             |
| Share Premium  | 43.2         | 49 568           | 49 568           |
| General reserves   |              | 7 641            | 7 641            |
| Revaluation and other reserves                             |              | (55 376)         | (57 203)         |
| Retained earnings/(losses)                                 |              | (43 039)         | (44 825)         |
| Profit for the year  | 44           | 15 400           | 18 174           |
| <b>Equity attributable to equity holders of the parent</b> |              | <b>171 643</b>   | <b>170 804</b>   |
| Non-controlling interests                                  | 45           | 38 751           | 43 702           |
| <b>Total equity</b>  |              | <b>210 394</b>   | <b>214 506</b>   |
| <b>Subordinated debts</b>                                  | 34           | <b>19 558</b>    | <b>26 058</b>    |
| <b>LIABILITIES</b>   |              |                  |                  |
| Bank and non-bank loans                                    | 35           | 142 166          | 99 245           |
| Obligations on bond issues                                 | 36           | 157 379          | 150 757          |
| Non-current liabilities                                    | 37           | 28 444           | 30 087           |
| Current liabilities  | 38           | 29 638           | 25 587           |
| Trade and other payables                                   | 39           | 107 552          | 102 192          |
| Payables to reinsurers and from direct insurance           | 40           | 21 965           | 81 863           |
| Deferred tax liabilities                                   | 41           | 1 717            | 284              |
|  |              | <b>488 861</b>   | <b>490 015</b>   |
| Insurance reserves   | 42           | 676 074          | 595 835          |
|  |              | <b>676 074</b>   | <b>595 835</b>   |
| <b>Total liabilities and subordinated debts</b>            |              | <b>1 184 493</b> | <b>1 111 908</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        |              | <b>1 394 887</b> | <b>1 326 414</b> |

Prepared by:

Signed on behalf of BoD:

Procurator:

/I. Hristov/  
27.2.2019

/A. Minchev/

/H.Stoev/

**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of Cash Flows**  
**For the year ended December 31, 2018**

| <i>In thousand BGN</i>                                      | <i>Notes</i> | 2018            | 2017            |
|---|--------------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                 |              |                 |                 |
| <b>Profit for the period before tax:</b>                    |              | <b>18 798</b>   | <b>26 671</b>   |
| Adjustments for:  |              |                 |                 |
| Depreciation  | 16           | 10 569          | 8 110           |
| Foreign exchange gain/loss                                  |              | (5 543)         | (6 894)         |
| Impairment of assets  |              | 326             | 13 748          |
| Net investment income(interest revenue and expenses, net)   |              | 13 878          | 13 406          |
| Dividend revenue  |              | (175)           | (101)           |
| Other non-cash adjustments                                  |              | (34 391)        | 16 289          |
| <b>Operating profit before change in working capital</b>    |              | <b>3 462</b>    | <b>71 229</b>   |
| Change in trade and other receivables                       |              | 16 893          | 14 284          |
| Change in inventory   |              | (2 942)         | (18 913)        |
| Change in trade and other payables and other adjustments    |              | (67 176)        | (42 156)        |
| <b>Cash generated from operating activities</b>             |              | <b>(49 763)</b> | <b>24 444</b>   |
| Interest (paid)/received                                    |              | 962             | 4 244           |
| Income tax paid   |              | (961)           | (968)           |
| <b>Net cash flows from operating activities</b>             |              | <b>(49 762)</b> | <b>27 720</b>   |
| <b>Investing activities</b>                                 |              |                 |                 |
| Purchase of property, plant and equipment                   |              | (4 317)         | (7 533)         |
| Proceeds from the disposal of property, plant and equipment |              | 3 199           | 20 366          |
| Loans granted   |              | (47 862)        | (43 444)        |
| Repayment of loans, including financial leases              |              | 40 410          | 65 620          |
| Interest received on loans granted                          |              | 1 857           | 2 283           |
| Purchase of investments                                     |              | (178 877)       | (210 187)       |
| Sale of investments   |              | 195 101         | 80 536          |
| Dividends received  |              | 263             | 1 934           |
| Effect of exchange rate changes                             |              | 339             | 4               |
| Other proceeds/(payments) from investing activities, net    |              | (1 724)         | (3 946)         |
| <b>Net cash flows from investing activities</b>             |              | <b>8 389</b>    | <b>(94 367)</b> |

**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of Cash Flows (continued)**  
**For the year ended December 31, 2018**

| <b><i>In thousand BGN</i></b>                                 | <b><i>Notes</i></b> | <b>2018</b>   | <b>2017</b>     |
|---|---------------------|---------------|-----------------|
| <b>Financing activities</b>                                   |                     |               |                 |
| Proceeds from issuance of shares                              |                     | -             | 81 035          |
| Proceeds from loans   |                     | 208 545       | 188 305         |
| Repayment of loans  |                     | (122 705)     | (231 400)       |
| Repayment of financial leases                                 |                     | (21 679)      | (14 168)        |
| Payment of interest, charges, commissions on investment loans |                     | (19 691)      | (8 477)         |
| Dividends paid  |                     | (2 827)       | (1 472)         |
| Other proceeds/(payments) from financing activities, net      |                     | 3 287         | (2 179)         |
| <b>Net cash flows from financing activities</b>               |                     | <b>44 930</b> | <b>11 644</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>   |                     | <b>3 557</b>  | <b>(55 003)</b> |
| Cash and cash equivalents at the beginning of the year        | 19                  | 45 945        | 100 948         |
| <b>Cash and cash equivalents at the end of the period</b>     | <b>19</b>           | <b>49 502</b> | <b>45 945</b>   |

Prepared by:

Signed on behalf of BoD:

Procurator:

27.2.2019 /I. Hristov/

/A. Minchev/

/H.Stoev/



**Eurohold Bulgaria AD**  
**Interim Consolidated Statement of Changes in Equity**  
**For the year ended December 31, 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>  |
| <i>Adjustment on initial application of IFRS 9 and IFRS 15</i>  | -              | -             | -                | -                              | (12 351)                    | <b>(12 351)</b>                                     | (65)                      | <b>(12 416)</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>(39 002)</b>             | <b>158 453</b>                                      | <b>43 637</b>             | <b>202 090</b>  |
| Dividends   | -              | -             | -                | -                              | (1 800)                     | <b>(1 800)</b>                                      | (1 127)                   | <b>(2 927)</b>  |
| Change in non-controlling interests without change in control   | -              | -             | -                | 2 714                          | (2 237)                     | <b>477</b>  | (6 421)                   | <b>(5 944)</b>  |
| Profit for the period   | -              | -             | -                | -                              | 15 400                      | <b>15 400</b>                                       | 2 752                     | <b>18 152</b>   |
| <b>Other comprehensive income:</b>                              |                |               |                  |                                |                             |   |                           |                 |
| Exchange differences on translating foreign operations          | -              | -             | -                | 616                            | -                           | <b>616</b>  | 77                        | <b>693</b>      |
| Change in the fair value of financial assets available-for-sale | -              | -             | -                | (1 503)                        | -                           | <b>(1 503)</b>                                      | (167)                     | <b>(1 670)</b>  |
| Total other comprehensive income                                | -              | -             | -                | <b>(887)</b>                   | -                           | <b>(887)</b>  | <b>(90)</b>               | <b>(977)</b>    |
| Total comprehensive income                                      | -              | -             | -                | <b>(887)</b>                   | <b>15 400</b>               | <b>14 513</b>                                       | <b>2 662</b>              | <b>17 175</b>   |
| <b>Balance as of December 31, 2018</b>                          | <b>197 449</b> | <b>49 568</b> | <b>7 641</b>     | <b>(55 376)</b>                | <b>(27 639)</b>             | <b>171 643</b>                                      | <b>38 751</b>             | <b>210 394</b>  |

Prepared by:

Signed on behalf of BoD:

Procurator:

27.2.2019

/I. Hristov/

/A. Minchev/

/H.Stoev/

# Interim Consolidated Financial Statements for the year ended December 31, 2018

## Consolidated statement of profit or loss by Business Segments For the year ended December 31, 2018

In thousand BGN

|   |       | 2018               | 2018               | 2018             | 2018             | 2018                           | 2018           | 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     | 985 285            | 987 071            | -                | -                | -                              | -              | (1 786)         |
| Revenue from car sales and after sales            | 5     | 226 561            | -                  | 237 547          | -                | -                              | -              | (10 986)        |
| Revenue from Leasing business                     | 6     | 26 889             | -                  | -                | 28 790           | -                              | -              | (1 901)         |
| Revenue from asset management and brokerage       | 8     | 4 343              | -                  | -                | -                | 5 092                          | -              | (749)           |
| Revenue from the activities of the parent company | 10    | 23 225             | -                  | -                | -                | -                              | 24 107         | (882)           |
|   |       | <b>1 266 303</b>   | <b>987 071</b>     | <b>237 547</b>   | <b>28 790</b>    | <b>5 092</b>                   | <b>24 107</b>  | <b>(16 304)</b> |
| <b>Expenses of operating activities</b>           |       |                    |                    |                  |                  |                                |                |                 |
| Expenses of Insurance business                    | 4     | (924 906)          | (933 406)          | -                | -                | -                              | -              | 8 500           |
| Cost of cars and spare parts sold                 |       | (197 058)          | -                  | (197 277)        | -                | -                              | -              | 219             |
| Expenses of Leasing business                      | 7     | (4 605)            | -                  | -                | (5 188)          | -                              | -              | 583             |
| Expenses of asset management and brokerage        | 9     | (2 539)            | -                  | -                | -                | (2 541)                        | -              | 2               |
| Expenses of the activities of the parent company  | 11    | (355)              | -                  | -                | -                | -                              | (440)          | 85              |
|   |       | <b>(1 129 463)</b> | <b>(933 406)</b>   | <b>(197 277)</b> | <b>(5 188)</b>   | <b>(2 541)</b>                 | <b>(440)</b>   | <b>9 389</b>    |
| <b>Gross Profit</b>                               |       | <b>136 840</b>     | <b>53 665</b>      | <b>40 270</b>    | <b>23 602</b>    | <b>2 551</b>                   | <b>23 667</b>  | <b>(6 915)</b>  |
| Other income/(expenses), net                      | 12    | (4 984)            | -                  | (63)             | (7 653)          | 50                             | -              | 2 682           |
| Other operating expenses                          | 13    | (79 573)           | (36 392)           | (30 558)         | (10 375)         | (1 645)                        | (3 180)        | 2 577           |
| <b>EBITDA</b>                                     |       | <b>52 283</b>      | <b>17 273</b>      | <b>9 649</b>     | <b>5 574</b>     | <b>956</b>                     | <b>20 487</b>  | <b>(1 656)</b>  |
| Financial expenses                                | 14    | (23 951)           | (2 416)            | (3 854)          | -                | -                              | (19 311)       | 1 630           |
| Financial income                                  | 15    | 400                | -                  | 434              | -                | -                              | -              | (34)            |
| Foreign exchange gains/losses, net                | 18    | 635                | -                  | (13)             | -                | -                              | 648            | -               |
| <b>EBTDA</b>                                      |       | <b>29 367</b>      | <b>14 857</b>      | <b>6 216</b>     | <b>5 574</b>     | <b>956</b>                     | <b>1 824</b>   | <b>(60)</b>     |
| Depreciation and amortization                     | 16    | (10 569)           | (2 254)            | (2 821)          | (5 409)          | (58)                           | (27)           | -               |
| <b>EBT</b>  |       | <b>18 798</b>      | <b>12 603</b>      | <b>3 395</b>     | <b>165</b>       | <b>898</b>                     | <b>1 797</b>   | <b>(60)</b>     |
| Taxes   | 17    | (646)              | (176)              | (376)            | (30)             | (64)                           | -              | -               |
| <b>Net income for the period</b>                  |       | <b>18 152</b>      | <b>12 427</b>      | <b>3 019</b>     | <b>135</b>       | <b>834</b>                     | <b>1 797</b>   | <b>(60)</b>     |

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

In thousand BGN

|   |       | 2017               | 2017               | 2017             | 2017             | 2017                           | 2017            | 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     | 1 005 026          | 1 006 257          | -                | -                | -                              | -               | (1 231)         |
| Revenue from car sales and after sales            | 5     | 204 255            | -                  | 214 285          | -                | -                              | -               | (10 030)        |
| Revenue from Leasing business                     | 6     | 25 374             | -                  | -                | 26 527           | -                              | -               | (1 153)         |
| Revenue from asset management and brokerage       | 8     | 3 882              | -                  | -                | -                | 4 991                          | -               | (1 109)         |
| Revenue from the activities of the parent company | 10    | 2 179              | -                  | -                | -                | -                              | 4 268           | (2 089)         |
|   |       | <b>1 240 716</b>   | <b>1 006 257</b>   | <b>214 285</b>   | <b>26 527</b>    | <b>4 991</b>                   | <b>4 268</b>    | <b>(15 612)</b> |
| <b>Expenses of operating activities</b>           |       |                    |                    |                  |                  |                                |                 |                 |
| Expenses of Insurance business                    | 4     | (919 175)          | (926 792)          | -                | -                | -                              | -               | 7 617           |
| Cost of cars and spare parts sold                 |       | (182 089)          | -                  | (182 101)        | -                | -                              | -               | 12              |
| Expenses of Leasing business                      | 7     | (4 325)            | -                  | -                | (4 675)          | -                              | -               | 350             |
| Expenses of asset management and brokerage        | 9     | (2 749)            | -                  | -                | -                | (2 752)                        | -               | 3               |
| Expenses of the activities of the parent company  | 11    | (859)              | -                  | -                | -                | -                              | (859)           | -               |
|   |       | <b>(1 109 197)</b> | <b>(926 792)</b>   | <b>(182 101)</b> | <b>(4 675)</b>   | <b>(2 752)</b>                 | <b>(859)</b>    | <b>7 982</b>    |
| <b>Gross Profit</b>                               |       | <b>131 519</b>     | <b>79 465</b>      | <b>32 184</b>    | <b>21 852</b>    | <b>2 239</b>                   | <b>3 409</b>    | <b>(7 630)</b>  |
| Other income/(expenses), net                      | 12    | (6 037)            | -                  | 40               | (8 918)          | 24                             | -               | 2 817           |
| Other operating expenses                          | 13    | (67 889)           | (31 030)           | (26 619)         | (8 645)          | (1 981)                        | (1 887)         | 2 273           |
| <b>EBITDA</b>                                     |       | <b>57 593</b>      | <b>48 435</b>      | <b>5 605</b>     | <b>4 289</b>     | <b>282</b>                     | <b>1 522</b>    | <b>(2 540)</b>  |
| Financial expenses                                | 14    | (22 007)           | (3 494)            | (2 888)          | -                | -                              | (17 648)        | 2 023           |
| Financial income                                  | 15    | 368                | -                  | 390              | -                | -                              | -               | (22)            |
| Foreign exchange gains/losses, net                | 18    | (1 173)            | -                  | -                | -                | -                              | (1 173)         | -               |
| <b>EBTDA</b>                                      |       | <b>34 781</b>      | <b>44 941</b>      | <b>3 107</b>     | <b>4 289</b>     | <b>282</b>                     | <b>(17 299)</b> | <b>(539)</b>    |
| Depreciation and amortization                     | 16    | (8 110)            | (1 380)            | (2 506)          | (4 161)          | (56)                           | (7)             | -               |
| <b>EBT</b>  |       | <b>26 671</b>      | <b>43 561</b>      | <b>601</b>       | <b>128</b>       | <b>226</b>                     | <b>(17 306)</b> | <b>(539)</b>    |
| Taxes   | 17    | (2 256)            | (1 880)            | (343)            | (16)             | (17)                           | -               | -               |
| <b>Net income for the period</b>                  |       | <b>24 415</b>      | <b>41 681</b>      | <b>258</b>       | <b>112</b>       | <b>209</b>                     | <b>(17 306)</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 year ended December 31, 2018.

# Notes to the Interim Consolidated Financial Statements for the year ended December 31, 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 December 31, 2018:

### Supervisory Board:

Assen Milkov Christov – Chairman;  
Dimitar Stoyanov Dimitrov – Deputy Chairman;  
Radi Georgiev Georgiev – Member;  
Kustaa Lauri Ayma – Independent Member;  
Lybomir Stoev – Independent Member;  
Louise Gabrielle Roman – Independent Member.

### Management board:

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

As of December 31, 2018, the Company is represented and managed by Kiril Ivanov Boshov and Assen Mintchev Mintchev – Executive Members of the Management Board, and Hristo Stoev – Procurator, jointly by the one of the executive members and the Procurator of the 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 2018 | % of participation in the share capital 2017 |
|---|--|--|
| <b>Euroins Insurance Group AD</b>             | <b>91.84%</b>                                | <b>89.36%</b>                                |
| <i>Indirect participation through EIG AD:</i> |  |  |
| IC Euroins AD                                 | 98.27%                                       | 98.21%                                       |
| Euroins Romania Insurance AD                  | 98.51%                                       | 98.50%                                       |
| Euroins Insurance AD Macedonia                | 93.36%                                       | 93.36%                                       |
| IC Euroins Life EAD                           | 100.00%                                      | 100.00%                                      |
| IC EIG Re AD                                  | 100.00%                                      | 100.00%                                      |
| IC Euroins Ukraine PrAT                       | 98.36%                                       | 98.32%                                       |
| Euroins Claims I.K.E.                         | 66.00%                                       | -  |
| IC Euroins Georgia JSC                        | 50.04%                                       | -  |
| European Travel Insurance PrAT                | 99.99%                                       | -  |

\*direct participation

## Finance Sector

| Company  | % of participation in the share capital 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>                               |
| <i>Indirect participation through Eurolease Group EAD:</i>     |  |  |
| 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

## Automobile Sector

| Company   | % of participation in the share capital 2018 | % of participation in the share capital 2017 |
|---|--|--|
| <b>Auto Union AD*</b>                                 | <b>99.99%</b>                                | <b>99.99%</b>                                |
| <i>Indirect participation through AU AD:</i>          |  |  |
| 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%                                      |
| Bulvaria Sofia EAD, through Bulvaria Holding EAD      | 100.00%                                      | -  |
| Star Motors EOOD                                      | 100.00%                                      | 100.00%                                      |
| Star Motors DOOEL, Macedonia through Star Motors EOOD | 100.00%                                      | 100.00%                                      |
| Star Motopc SH.P.K. through Star Motors EOOD          | 100.00%                                      | 100.00%                                      |
| Auto Union Service EOOD                               | 100.00%                                      | 100.00%                                      |
| Motohub OOD   | 51.00%                                       | -  |
| Motobul EAD   | 100.00%                                      | 100.00%                                      |
| Benzin Finance EAD, through Motobul EAD               | 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 31.12.2018.

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 31.12.2018.

### **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 31.12.2018, 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 |      |
|-----------|----------|------|
|           | 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 31.12.2018, 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 Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, combining all three aspects of the accounting for financial instruments: classification and measurement, impairment and accounting for the hedge.

The Company applies IFRS 9 for future periods beginning on or after 1 January 2018. The Company has not restated comparative information that continues to be reported under IAS 39. The differences arising from the adoption



of IFRS 9 are recognized directly in retained earnings. (Note 2.26)

#### **(a) Classification and assessment**

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

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

The requirements for the classification and measurement of IFRS 9 do not materially affect the Company and it continues to recognize at fair value all financial assets previously reported at fair value in accordance with IAS 39. The following are the changes in the classification of the Company's financial assets:

**Trade receivables and other non-current receivables** (ie receivables from related parties, trade receivables, etc.) classified as Trade receivables and Trade and other non-current receivables at 31 December 2017 are held for the purpose of obtaining the contractual cash flows and result in cash flows representing only principal and interest payments. As of January 1, 2018, they are classified and measured as Debt instruments at amortized cost.

**Loans receivables from related parties** classified as trade and non-current receivables at 31 December 2017 include loans for which the Company does not receive the contractual cash flows associated with principal and interest payments. As of 1 January 2018, they are

classified and measured as Fair value instruments at fair value through profit or loss.

**Debt securities** classified as held-to-maturity at 31 December 2017 are classified and measured as amortized cost Debt instruments as of 1 January 2018. The Company intends to hold them to maturity in order to receive the contractual cash streams. Reclassification of these tools is therefore not necessary.

**Quoted debt instruments** classified as Financial Assets held for trading at 31 December 2017 are classified and measured as Fair value at fair value through profit or loss as of 1 January 2018. The Company expects not only to hold the assets for the contractual cash flows, but also to sell a significant proportion relatively often. Quoted debt instruments of the Company consist of regular government securities and corporate shares.

**Equity investments in unquoted companies** classified as available-for-sale at 31 December 2017 are classified and measured as equity instruments at fair value through profit or loss from 1 January 2018.

**Quoted equity investments** classified as available-for-sale at 31 December 2017 are classified and measured as Financial Assets at Fair Value in Profit or Loss as of 1 January 2018.

#### **(b) Impairment**

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

### **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.

## 3. Revenue from insurance business

|   | 2018<br>BGN '000 | 2017<br>BGN '000 |
|---|------------------|------------------|
| Gross premiums written from insurance   | 642 715          | 644 804          |
| Received recoveries from reinsurers   | 183 015          | 160 347          |
| Positive change in the gross provision for unearned premiums and unexpired risk reserve | 7 350            | 72               |
| Positive change in reinsurers' share in unearned premium reserve                        | 19 709           | 29 057           |
| Change in the reinsurers' share in other reserves                                       | 19 170           | 41 476           |
| Positive change in other technical reserves   | 13               | 27               |
| Recourse income   | 13 020           | 10 862           |
| Fees and commissions income   | 54 529           | 68 399           |
| Investment income   | 25 191           | 39 921           |
| Income from purchase of investments in subsidiaries                                     | 742              | -                |
| Other revenue   | 19 831           | 10 061           |
|   | <b>985 285</b>   | <b>1 005 026</b> |

**4. Expenses of insurance business**

|  | 2018<br>BGN '000 | 2017<br>BGN '000 |
|--|------------------|------------------|
| Current year paid claims, claims handling and prevention expenses              | (397 155)        | (346 831)        |
| Change in the gross provision for unearned premiums and unexpired risk reserve | (24 362)         | (47 211)         |
| Share of reinsurers in the change of the unearned premium reserve              | -                | -                |
| Change in other reserves   | (48 639)         | (47 371)         |
| Change in the reinsurers' share in the other reserves                          | (773)            | -                |
| Premiums ceded to reinsurers   | (260 237)        | (288 745)        |
| Acquisition expenses   | (150 286)        | (137 194)        |
| Investment expenses  | (15 079)         | (17 611)         |
| Goodwill write-off   | -                | (186)            |
| Other expenses   | (28 375)         | (34 026)         |
|  | <b>(924 906)</b> | <b>(919 175)</b> |

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

|  | 2018<br>BGN '000 | 2017<br>BGN '000 |
|--|------------------|------------------|
| Revenue from sale of cars and spare parts        | 213 011          | 197 308          |
| Revenue from after sales and rent-a-car services | 5 800            | 6 947            |
| Gains from sale of financial instruments         | 7 750            | -                |
|  | <b>226 561</b>   | <b>204 255</b>   |

**6. Revenue from Leasing business**

|                         | 2018<br>BGN '000 | 2017<br>BGN '000 |
|-------------------------|------------------|------------------|
| Revenue from services   | 21 726           | 20 815           |
| Interest income         | 4 971            | 4 489            |
| Foreign exchange gains  | 3                | 12               |
| Other financial revenue | 189              | 58               |
|                         | <b>26 889</b>    | <b>25 374</b>    |

**7. Expenses of Leasing business**

|                         | 2018<br>BGN '000 | 2017<br>BGN '000 |
|-------------------------|------------------|------------------|
| Interest expenses       | (3 775)          | (3 558)          |
| Foreign exchange losses | (24)             | (84)             |
| Other expenses          | (806)            | (683)            |
|                         | <b>(4 605)</b>   | <b>(4 325)</b>   |

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

|   | 2018<br>BGN '000 | 2017<br>BGN '000 |
|---|------------------|------------------|
| Interest income                                     | 640              | 478              |
| Dividend income                                     | 90               | 101              |
| Positive result from sales of financial instruments | 2 306            | 2 692            |
| Foreign exchange gains, net                         | 329              | -                |
| Other revenue                                       | 978              | 611              |
|   | <b>4 343</b>     | <b>3 882</b>     |

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

|   | 2018<br>BGN '000 | 2017<br>BGN '000 |
|---|------------------|------------------|
| Interest expenses                                   | (30)             | (23)             |
| Negative result from sales of financial instruments | (2 318)          | (2 393)          |
| Foreign exchange losses, net                        | -                | (194)            |
| Other expenses                                      | (191)            | (139)            |
|   | <b>(2 539)</b>   | <b>(2 749)</b>   |

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

|  | 2018<br>BGN '000 | 2017<br>BGN '000 |
|--|------------------|------------------|
| Gains from sale of financial instruments | 21 652           | 1 325            |
| Interest revenue                         | 1 111            | 853              |
| Other revenue                            | 462              | 1                |
|  | <b>23 225</b>    | <b>2 179</b>     |

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

|   | 2018<br>BGN '000 | 2017<br>BGN '000 |
|---|------------------|------------------|
| Negative result from sales of financial instruments | (355)            | (859)            |
|   | <b>(355)</b>     | <b>(859)</b>     |

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

|                              | 2018<br>BGN '000 | 2017<br>BGN '000 |
|------------------------------|------------------|------------------|
| Other income/(expenses), net | (4 984)          | (6 037)          |
|                              | <b>(4 984)</b>   | <b>(6 037)</b>   |

**12.1. Other expenses**

|                     | 2018           | 2017           |
|---------------------|----------------|----------------|
|                     | BGN '000       | BGN '000       |
| Automotive business | (224)          | -              |
| Leasing business    | (4 971)        | (6 101)        |
|                     | <b>(5 195)</b> | <b>(6 101)</b> |

**12.2. Other revenue**

|                                | 2018       | 2017      |
|--------------------------------|------------|-----------|
|                                | BGN '000   | BGN '000  |
| Automotive business            | 161        | 40        |
| Asset management and brokerage | 50         | 24        |
|                                | <b>211</b> | <b>64</b> |

**13. Other operating expenses**

|                            | 2018            | 2017            |
|----------------------------|-----------------|-----------------|
|                            | BGN '000        | BGN '000        |
| Expenses on materials      | (4 323)         | (2 956)         |
| Expenses on hired services | (31 116)        | (26 721)        |
| Employee benefits expense  | (33 166)        | (28 502)        |
| Other expenses             | (10 968)        | (9 710)         |
|                            | <b>(79 573)</b> | <b>(67 889)</b> |

**13.1 Expenses on materials by segments**

|                                | 2018           | 2017           |
|--------------------------------|----------------|----------------|
|                                | BGN '000       | BGN '000       |
| Insurance business             | (466)          | (476)          |
| Automotive business            | (3 527)        | (2 179)        |
| Leasing business               | (302)          | (252)          |
| Asset management and brokerage | (23)           | (40)           |
| Parent company                 | (5)            | (9)            |
|                                | <b>(4 323)</b> | <b>(2 956)</b> |

**13.2 Expenses on hired services by segments**

|                                | 2018            | 2017            |
|--------------------------------|-----------------|-----------------|
|                                | BGN '000        | BGN '000        |
| Insurance business             | (14 169)        | (11 316)        |
| Automotive business            | (9 337)         | (9 091)         |
| Leasing business               | (4 387)         | (4 103)         |
| Asset management and brokerage | (682)           | (875)           |
| Parent company                 | (2 541)         | (1 336)         |
|                                | <b>(31 116)</b> | <b>(26 721)</b> |



**13.3 Employee benefits expense by segments**

|                                | 2018<br>BGN '000 | 2017<br>BGN '000 |
|--------------------------------|------------------|------------------|
| Insurance business             | (14 722)         | (12 696)         |
| Automotive business            | (14 677)         | (12 507)         |
| Leasing business               | (2 639)          | (2 241)          |
| Asset management and brokerage | (684)            | (689)            |
| Parent company                 | (444)            | (369)            |
|                                | <b>(33 166)</b>  | <b>(28 502)</b>  |

**13.4 Other expenses by segments**

|                                | 2018<br>BGN '000 | 2017<br>BGN '000 |
|--------------------------------|------------------|------------------|
| Insurance business             | (7 035)          | (6 542)          |
| Automotive business            | (2 213)          | (2 375)          |
| Leasing business               | (1 335)          | (270)            |
| Asset management and brokerage | (200)            | (365)            |
| Parent company                 | (185)            | (158)            |
|                                | <b>(10 968)</b>  | <b>(9 710)</b>   |

**14. Financial expenses**

|                          | 2018<br>BGN '000 | 2017<br>BGN '000 |
|--------------------------|------------------|------------------|
| Interest expenses        | (23 012)         | (21 430)         |
| Other financial expenses | (939)            | (577)            |
|                          | <b>(23 951)</b>  | <b>(22 007)</b>  |

**14.1 Financial expenses by segments**

|                     | 2018<br>BGN '000 | 2017<br>BGN '000 |
|---------------------|------------------|------------------|
| Insurance business  | (2 244)          | (2 539)          |
| Automotive business | (2 205)          | (1 617)          |
| Parent company      | (18 563)         | (17 274)         |
|                     | <b>(23 012)</b>  | <b>(21 430)</b>  |

**14.2 Other financial expenses by segments**

|                     | 2018<br>BGN '000 | 2017<br>BGN '000 |
|---------------------|------------------|------------------|
| Automotive business | (883)            | (487)            |
| Parent company      | (56)             | (90)             |
|                     | <b>(939)</b>     | <b>(577)</b>     |

## 15. Financial income

|                  | 2018            | 2017            |
|------------------|-----------------|-----------------|
|                  | <i>BGN '000</i> | <i>BGN '000</i> |
| Interest revenue | 400             | 368             |
|                  | <b>400</b>      | <b>368</b>      |

## 15.1 Financial income by segments

|                     | 2018            | 2017            |
|---------------------|-----------------|-----------------|
|                     | <i>BGN '000</i> | <i>BGN '000</i> |
| Automotive business | 400             | 368             |
|                     | <b>400</b>      | <b>368</b>      |

## 16. Depreciation by segments

|                                | 2018            | 2017            |
|--------------------------------|-----------------|-----------------|
|                                | <i>BGN '000</i> | <i>BGN '000</i> |
| Insurance business             | (2 254)         | (1 380)         |
| Automotive business            | (2 821)         | (2 506)         |
| Leasing business               | (5 409)         | (4 161)         |
| Asset management and brokerage | (58)            | (56)            |
| Parent company                 | (27)            | (7)             |
|                                | <b>(10 569)</b> | <b>(8 110)</b>  |

## 17. Tax

|                                 | 2018            | 2017            |
|---------------------------------|-----------------|-----------------|
|                                 | <i>BGN '000</i> | <i>BGN '000</i> |
| Income tax expense              | (683)           | (2 283)         |
| Deferred tax (expenses)/revenue | 37              | 27              |
|                                 | <b>(646)</b>    | <b>(2 256)</b>  |

## 17.1 Tax by segments

|                                | 2018            | 2017            |
|--------------------------------|-----------------|-----------------|
|                                | <i>BGN '000</i> | <i>BGN '000</i> |
| Insurance business             | (176)           | (1 880)         |
| Automotive business            | (376)           | (343)           |
| Leasing business               | (30)            | (16)            |
| Asset management and brokerage | (64)            | (17)            |
|                                | <b>(646)</b>    | <b>(2 256)</b>  |

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

|                     | 2018<br>BGN '000 | 2017<br>BGN '000 |
|---------------------|------------------|------------------|
| Automotive business | (13)             | -                |
| Parent company      | 648              | (1 173)          |
|                     | <b>635</b>       | <b>(1 173)</b>   |

**19. Cash and cash equivalents**

|                  | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|------------------|------------------------|------------------------|
| Cash on hand     | 1 577                  | 1 637                  |
| Cash at bank     | 47 003                 | 43 511                 |
| Restricted cash  | 78                     | 490                    |
| Cash equivalents | 844                    | 307                    |
|                  | <b>49 502</b>          | <b>45 945</b>          |

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

|                    | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|--------------------|------------------------|------------------------|
| Insurance business | 20 205                 | 11 171                 |
|                    | <b>20 205</b>          | <b>11 171</b>          |

**21.1 Reinsurers' share in technical reserves**

|   | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|---|------------------------|------------------------|
| Unearned premium reserve                              | 139 105                | 117 578                |
| Unexpired risk reserve                                | -                      | -                      |
| Claims reserves, incl.:                               | 269 221                | 240 509                |
| <i>Reserves for incurred, but not reported claims</i> | <i>105 259</i>         | <i>102 594</i>         |
| <i>Reserves for reported, but not settled claims</i>  | <i>163 962</i>         | <i>137 915</i>         |
| Other technical reserves                              | -                      | 3 160                  |
|   | <b>408 326</b>         | <b>361 247</b>         |

**21.2 Receivables from insurance business**

|  | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|--|------------------------|------------------------|
| Receivables from direct insurance      | 74 585                 | 69 720                 |
| Receivables from reinsurers or cedants | 9 521                  | 7 545                  |
| Recourse receivables                   | 10 636                 | 10 676                 |
|  | <b>94 742</b>          | <b>87 941</b>          |

## 22. Trade receivables

|                   | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|-------------------|-------------------------------|-------------------------------|
| Trade receivables | 18 838                        | 26 576                        |
| Advances paid     | 1 028                         | 614                           |
| Other             | 18 174                        | 284                           |
|                   | <b>38 040</b>                 | <b>27 474</b>                 |

### 22.1. Trade receivables by segments

|                                | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|--------------------------------|-------------------------------|-------------------------------|
| Insurance business             | 138                           | 1 905                         |
| Automotive business            | 12 730                        | 13 500                        |
| Leasing services               | 5 861                         | 11 164                        |
| Asset management and brokerage | 13                            | 2                             |
| Parent company                 | 96                            | 5                             |
|                                | <b>18 838</b>                 | <b>26 576</b>                 |

## 23. Other receivables

|                                    | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|------------------------------------|-------------------------------|-------------------------------|
| Insurance business                 | 33 835                        | 16 547                        |
| Automotive business                | 2 442                         | 3 688                         |
| Leasing services                   | 2 988                         | 758                           |
| Parent company                     | 208                           | 1 637                         |
| Prepaid expenses                   | 1 778                         | 2 868                         |
| Receivables under court procedures | 1 048                         | 3 311                         |
| Tax receivables                    | 1 342                         | 2 013                         |
|                                    | <b>43 641</b>                 | <b>30 822</b>                 |

### 23.1. Tax receivables by segments

|                     | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|---------------------|-------------------------------|-------------------------------|
| Insurance business  | 138                           | 137                           |
| Automotive business | 931                           | 223                           |
| Leasing services    | 208                           | 1 643                         |
| Parent company      | 65                            | 10                            |
|                     | <b>1 342</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>   |
| Acquisition of subsidiaries | -            | 923           | 588                     | 128           | 301                    | 745                       | -            | <b>2 685</b>    |
| Additions                   | -            | 176           | 753                     | 26 251        | 611                    | 1 925                     | 168          | <b>29 884</b>   |
| Disposals                   | (207)        | -             | (120)                   | (19 590)      | (640)                  | (1 322)                   | -            | <b>(21 879)</b> |
| Other changes               | 50           | 320           | -                       | -             | -                      | -                         | -            | <b>370</b>      |
| <b>At 31 December 2018</b>  | <b>5 333</b> | <b>19 091</b> | <b>10 279</b>           | <b>62 667</b> | <b>7 455</b>           | <b>2 377</b>              | <b>1 922</b> | <b>109 124</b>  |
| <b>Depreciation</b>         |              |               |                         |               |                        |                           |              |                 |
| <b>At 1 January 2017</b>    | <b>-</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>-</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>-</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>   |
| Acquisition of subsidiaries | -            | 73            | 425                     | 63            | 267                    | 729                       | -            | <b>1 557</b>    |
| Depreciation for the period | -            | 452           | 773                     | 8 199         | 519                    | -                         | 105          | <b>10 048</b>   |
| Disposals                   | -            | (63)          | (153)                   | (7 300)       | (652)                  | -                         | (1)          | <b>(8 169)</b>  |
| <b>At 31 December 2018</b>  | <b>-</b>     | <b>3 534</b>  | <b>8 041</b>            | <b>18 599</b> | <b>4 601</b>           | <b>734</b>                | <b>1 271</b> | <b>36 780</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 31 December 2018</b>  | <b>5 333</b> | <b>15 557</b> | <b>2 238</b>            | <b>44 068</b> | <b>2 854</b>           | <b>1 643</b>              | <b>651</b>   | <b>72 344</b>   |

### 24.1. Land and buildings by segments

|                     | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|---------------------|------------------------|------------------------|
| Insurance business  | 11 017                 | 9 918                  |
| Automotive business | 9 873                  | 10 172                 |
|                     | <b>20 890</b>          | <b>20 090</b>          |

**24.2. Machinery and equipment by segments**

|                     | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|---------------------|-------------------------------|-------------------------------|
| Insurance business  | 787                           | 385                           |
| Automotive business | 1 404                         | 1 632                         |
| Leasing business    | 47                            | 45                            |
|                     | <b>2 238</b>                  | <b>2 062</b>                  |

**24.3. Vehicles by segments**

|                                | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|--------------------------------|-------------------------------|-------------------------------|
| Insurance business             | 5 145                         | 2 199                         |
| Automotive business            | 10 991                        | 10 692                        |
| Leasing services               | 27 812                        | 25 281                        |
| Asset management and brokerage | 40                            | 55                            |
| Parent company                 | 80                            | 14                            |
|                                | <b>44 068</b>                 | <b>38 241</b>                 |

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

|                                | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|--------------------------------|-------------------------------|-------------------------------|
| Insurance business             | 432                           | 214                           |
| Automotive business            | 2 935                         | 3 033                         |
| Leasing services               | 126                           | 38                            |
| Asset management and brokerage | 10                            | 16                            |
| Parent company                 | 2                             | 2                             |
|                                | <b>3 505</b>                  | <b>3 303</b>                  |

**24.5. Assets under construction by segments**

|                     | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|---------------------|-------------------------------|-------------------------------|
| Insurance business  | 947                           | 224                           |
| Automotive business | 696                           | 800                           |
|                     | <b>1 643</b>                  | <b>1 024</b>                  |

**25. Investment property**

|  | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|--|-------------------------------|-------------------------------|
| <b>Net book value at 1 January</b>         | <b>12 698</b>                 | <b>13 215</b>                 |
| Acquisition of subsidiaries                | 1 195                         | -                             |
| Additions                                  | 637                           | 68                            |
| Revaluation                                | 116                           | (130)                         |
| Other changes                              | -                             | (455)                         |
| <b>Net book value as at the period end</b> | <b>14 646</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>    |
| Acquisition of subsidiaries | 584             | -               | -               | <b>584</b>      |
| Additions                   | 1 068           | -               | 226             | <b>1 294</b>    |
| Disposals                   | (172)           | (1)             | (22)            | <b>(195)</b>    |
| <b>At 31 December 2018</b>  | <b>8 224</b>    | <b>114</b>      | <b>1 816</b>    | <b>10 154</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>    |
| Acquisition of subsidiaries | 153             | -               | -               | <b>153</b>      |
| Depreciation for the period | 419             | -               | 102             | <b>521</b>      |
| Disposals                   | (46)            | -               | (22)            | <b>(68)</b>     |
| <b>At 31 December 2018</b>  | <b>5 830</b>    | <b>114</b>      | <b>935</b>      | <b>6 879</b>    |
| <b>Net book value:</b>      |                 |                 |                 |                 |
| <b>At 1 January 2017</b>    | <b>1 019</b>    | <b>1</b>        | <b>719</b>      | <b>1 739</b>    |
| <b>At 1 January 2018</b>    | <b>1 440</b>    | <b>1</b>        | <b>757</b>      | <b>2 198</b>    |
| <b>At 31 December 2018</b>  | <b>2 394</b>    | <b>-</b>        | <b>881</b>      | <b>3 275</b>    |

## 27. Inventories by segments

|                     | 31.12.2018      | 31.12.2017      |
|---------------------|-----------------|-----------------|
|                     | <i>BGN '000</i> | <i>BGN '000</i> |
| Insurance business  | 436             | 248             |
| Automotive business | 57 493          | 53 249          |
| Leasing business    | 2 725           | 5 628           |
|                     | <b>60 654</b>   | <b>59 125</b>   |



**28. Financial assets, measured at fair value through profit or loss**

|                                     | 31.12.2018     | 31.12.2017     |
|-------------------------------------|----------------|----------------|
|                                     | BGN '000       | BGN '000       |
| Financial assets held for trading   | 273 763        | 305 715        |
| Available for sale financial assets | 16 970         | 15 638         |
| Other financial assets              | 162            | 5 700          |
|                                     | <b>290 895</b> | <b>327 053</b> |

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

|                                | 31.12.2018     | 31.12.2017     |
|--------------------------------|----------------|----------------|
|                                | BGN '000       | BGN '000       |
| Insurance business, incl.:     | 261 605        | 294 500        |
| <i>Government bonds</i>        | 134 090        | 133 742        |
| Asset management and brokerage | 12 158         | 11 215         |
|                                | <b>273 763</b> | <b>305 715</b> |

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

|                            | 31.12.2018    | 31.12.2017    |
|----------------------------|---------------|---------------|
|                            | BGN '000      | BGN '000      |
| Insurance business, incl.: | 16 970        | 15 638        |
| <i>Government bonds</i>    | 5 700         | 4 680         |
|                            | <b>16 970</b> | <b>15 638</b> |

**28.3. Other financial assets by segments**

|                    | 31.12.2018 | 31.12.2017   |
|--------------------|------------|--------------|
|                    | BGN '000   | BGN '000     |
| Insurance business | 4          | 5 700        |
| Leasing business   | 158        | -            |
|                    | <b>162</b> | <b>5 700</b> |

**29. Deferred tax asset**

|                     | 31.12.2018    | 31.12.2017    |
|---------------------|---------------|---------------|
|                     | BGN '000      | BGN '000      |
| Insurance business  | 13 996        | 12 618        |
| Automotive business | 504           | 469           |
| Leasing business    | 97            | 97            |
|                     | <b>14 597</b> | <b>13 184</b> |

**30. Investments in subsidiaries and associates**

|                                | 31.12.2018    | 31.12.2017   |
|--------------------------------|---------------|--------------|
|                                | BGN '000      | BGN '000     |
| Insurance business             | 6 070         | -            |
| Asset management and brokerage | 4 785         | 4 724        |
|                                | <b>10 855</b> | <b>4 724</b> |

**31. Other financial investments by segments**

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

**32. Non-current receivables**

|                           | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|---------------------------|-------------------------------|-------------------------------|
| Finance lease receivables | 71 967                        | 45 414                        |
| Parent company            | -                             | 9 779                         |
| Subsidiaries              | 8 982                         | 30 715                        |
|                           | <b>80 949</b>                 | <b>85 908</b>                 |

**33. Goodwill**

|                            | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><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**

|                             | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|-----------------------------|-------------------------------|-------------------------------|
| Insurance business - issued | 19 558                        | 19 558                        |
| Insurance business - other  | -                             | 6 500                         |
|                             | <b>19 558</b>                 | <b>26 058</b>                 |

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

|                     | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|---------------------|-------------------------------|-------------------------------|
| Insurance business  | 17                            | -                             |
| Automotive business | 19 045                        | 17 382                        |
| Leasing business    | 78 302                        | 47 768                        |
| Parent company      | 44 802                        | 34 095                        |
|                     | <b>142 166</b>                | <b>99 245</b>                 |

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

|                             | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|-----------------------------|------------------------|------------------------|
| Automotive business, incl.: | 2 272                  | 4 918                  |
| <i>Bank loans</i>           | 2 272                  | 4 918                  |
| Leasing business, incl.:    | 76 898                 | 46 404                 |
| <i>Bank loans</i>           | 76 898                 | 46 404                 |
| Parent company, incl.:      | 35 549                 | 21 123                 |
| <i>Bank loans</i>           | 35 549                 | 21 123                 |
|                             | <b>114 719</b>         | <b>72 445</b>          |

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

|   | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|---|------------------------|------------------------|
| Insurance business, incl.:                        | 17                     | -                      |
| <i>Bank loans</i>                                 | 17                     | -                      |
| Automotive business, incl.:                       | 16 773                 | 12 464                 |
| <i>Bank loans</i>                                 | 16 070                 | 12 222                 |
| <i>Loans from non-bank financial institutions</i> | 703                    | 242                    |
| Leasing business, incl.:                          | 1 404                  | 1 364                  |
| <i>Bank loans</i>                                 | 1 404                  | 1 364                  |
| Parent company, incl.:                            | 9 253                  | 12 972                 |
| <i>Bank loans</i>                                 | 9 253                  | 5 940                  |
| <i>Loans from non-bank financial institutions</i> | -                      | 7 032                  |
|   | <b>27 447</b>          | <b>26 800</b>          |

### 36. Bond obligations by segments

|                     | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|---------------------|------------------------|------------------------|
| Automotive business | 13 633                 | 4 769                  |
| Leasing business    | 20 380                 | 20 863                 |
| Parent company      | 123 366                | 125 125                |
|                     | <b>157 379</b>         | <b>150 757</b>         |

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

|                     | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|---------------------|------------------------|------------------------|
| Automotive business | 13 514                 | 4 769                  |
| Leasing business    | 20 380                 | 20 863                 |
| Parent company      | 122 629                | 124 178                |
|                     | <b>156 523</b>         | <b>149 810</b>         |

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

|                     | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|---------------------|------------------------|------------------------|
| Automotive business | 119                    | -                      |
| Parent company      | 737                    | 947                    |
|                     | <b>856</b>             | <b>947</b>             |

### 37. Non-current liabilities

|                               | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|-------------------------------|------------------------|------------------------|
| Other non-current liabilities | 6 061                  | 10 198                 |
| Finance lease liabilities     | 22 383                 | 19 885                 |
| Deferred revenue              | -                      | 4                      |
|                               | <b>28 444</b>          | <b>30 087</b>          |

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

|                     | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|---------------------|------------------------|------------------------|
| Insurance business  | 7                      | 11                     |
| Automotive business | 5 231                  | 9 336                  |
| Leasing business    | 817                    | 811                    |
| Parent company      | 6                      | 40                     |
|                     | <b>6 061</b>           | <b>10 198</b>          |

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

|                     | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|---------------------|------------------------|------------------------|
| Automotive business | 11 069                 | 7 166                  |
| Leasing business    | 11 314                 | 12 719                 |
|                     | <b>22 383</b>          | <b>19 885</b>          |

### 38. Current liabilities

|                             | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|-----------------------------|------------------------|------------------------|
| Payables to employees       | 3 961                  | 3 304                  |
| Social-security liabilities | 1 908                  | 1 619                  |
| Tax liabilities             | 5 307                  | 5 707                  |
| Other current liabilities   | 13 598                 | 9 792                  |
| Finance lease liabilities   | 3 706                  | 4 449                  |
| Deferred revenue            | 584                    | 270                    |
| Provisions                  | 574                    | 446                    |
|                             | <b>29 638</b>          | <b>25 587</b>          |

#### 38.1. Payables to employees by segments

|                     | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|---------------------|------------------------|------------------------|
| Insurance business  | 2 696                  | 2 357                  |
| Automotive business | 992                    | 721                    |
| Leasing business    | 233                    | 187                    |
| Parent company      | 40                     | 39                     |
|                     | <b>3 961</b>           | <b>3 304</b>           |

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

|                     | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|---------------------|------------------------|------------------------|
| Insurance business  | 1 339                  | 1 325                  |
| Automotive business | 419                    | 209                    |
| Leasing business    | 144                    | 75                     |
| Parent company      | 6                      | 10                     |
|                     | <b>1 908</b>           | <b>1 619</b>           |

#### 38.3. Tax liabilities by segments

|                                | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|--------------------------------|------------------------|------------------------|
| Insurance business             | 1 867                  | 2 644                  |
| Automotive business            | 2 559                  | 2 351                  |
| Leasing business               | 513                    | 394                    |
| Asset management and brokerage | 75                     | 46                     |
| Parent company                 | 293                    | 272                    |
|                                | <b>5 307</b>           | <b>5 707</b>           |

**38.4. Other current liabilities by segments**

|                                | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|--------------------------------|-------------------------------|-------------------------------|
| Insurance business             | 10 034                        | 6 322                         |
| Automotive business            | 1 862                         | 2 084                         |
| Leasing business               | 1 270                         | 795                           |
| Asset management and brokerage | 162                           | 293                           |
| Parent company                 | 270                           | 298                           |
|                                | <b>13 598</b>                 | <b>9 792</b>                  |

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

|                     | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|---------------------|-------------------------------|-------------------------------|
| Automotive business | 3 706                         | 4 449                         |
|                     | <b>3 706</b>                  | <b>4 449</b>                  |

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

|                     | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|---------------------|-------------------------------|-------------------------------|
| Automotive business | 584                           | 270                           |
|                     | <b>584</b>                    | <b>270</b>                    |

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

|                                | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|--------------------------------|-------------------------------|-------------------------------|
| Insurance business             | 5 829                         | 7 380                         |
| Automotive business            | 57 019                        | 51 080                        |
| Leasing business               | 2 560                         | 3 852                         |
| Asset management and brokerage | 31                            | 6                             |
| Parent company                 | 42 113                        | 39 874                        |
|                                | <b>107 552</b>                | <b>102 192</b>                |

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

|                                | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|--------------------------------|-------------------------------|-------------------------------|
| Payables to reinsurers         | 13 650                        | 77 807                        |
| Payables from direct insurance | 8 315                         | 4 056                         |
|                                | <b>21 965</b>                 | <b>81 863</b>                 |

**41. Deferred tax liabilities**

|                     | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|---------------------|------------------------|------------------------|
| Insurance business  | 223                    | 104                    |
| Automotive business | 1 404                  | 120                    |
| Leasing business    | 90                     | 60                     |
|                     | <b>1 717</b>           | <b>284</b>             |

**42. Insurance reserves**

|  | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|--|------------------------|------------------------|
| Unearned premium reserve, gross amount                                   | 218 027                | 187 985                |
| <i>Reinsurers' share in unearned premium reserve</i>                     | <i>(139 105)</i>       | <i>(117 578)</i>       |
| Unexpired risks reserve, gross amount                                    | 147                    | 7 288                  |
| <i>Reinsurers' share in unexpired risks reserve</i>                      | <i>-</i>               | <i>-</i>               |
| Reserve for incurred but not reported claims, gross amount               | 176 963                | 165 038                |
| <i>Reinsurers' share in reserve for incurred but not reported claims</i> | <i>(105 259)</i>       | <i>(102 594)</i>       |
| Reserve for reported but not settled claims, gross amount                | 276 454                | 231 443                |
| <i>Reinsurers' share in reserve for reported but unsettled claims</i>    | <i>(163 962)</i>       | <i>(137 915)</i>       |
| Other technical reserve  | 4 483                  | 4 081                  |
|  | <b>676 074</b>         | <b>595 835</b>         |

**43. Share capital and share premium****43.1 Issued capital**

|   | 31.12.2018<br>BGN '000 | 31.12.2017<br>BGN '000 |
|---|------------------------|------------------------|
| Issued shares                                   | 197 526                | 197 526                |
| Treasury shares (Shares held from subsidiaries) | (77)                   | (77)                   |
| <b>Share capital</b>                            | <b>197 449</b>         | <b>197 449</b>         |
| <b>Number of shares</b>                         | <b>197 525 600</b>     | <b>197 525 600</b>     |

As at 31.12.2018 - 77 387 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                     | 52.88%         | 104 448 874        | 104 448 874        |
| KJK Fund II Sicav-Sif Balkan Discovery | 14.23%         | 28 116 873         | 28 116 873         |
| Other companies                        | 30.54%         | 60 320 875         | 60 320 875         |
| Other individuals                      | 2.35%          | 4 638 978          | 4 638 978          |
| <b>Total</b>                           | <b>100.00%</b> | <b>197 525 600</b> | <b>197 525 600</b> |



| <b>43.2 Share premium</b> | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><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>                          | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|---|-------------------------------|-------------------------------|
| Current result attributable to the shareholders             | 15 400                        | 18 174                        |
| Current result attributable to the non-controlling interest | 2 752                         | 6 241                         |
| <b>Net income for the year</b>                              | <b>18 152</b>                 | <b>24 415</b>                 |

| <b>44.1. Net income for the year by segments</b>         | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|--|-------------------------------|-------------------------------|
| Insurance business                                       | 12 427                        | 41 681                        |
| Automotive business                                      | 3 019                         | 258                           |
| Leasing business   | 135                           | 112                           |
| Asset management and brokerage                           | 834                           | 209                           |
| Parent company   | 1 797                         | (17 306)                      |
| Income/loss attributable to the non-controlling interest | (2 752)                       | (6 241)                       |
| Intercompany eliminations of dividends and other         | (60)                          | (539)                         |
|  | <b>15 400</b>                 | <b>18 174</b>                 |

| <b>45. Non-controlling interests</b>                    | 31.12.2018<br><i>BGN '000</i> | 31.12.2017<br><i>BGN '000</i> |
|---|-------------------------------|-------------------------------|
| Non-controlling interest attributable to current result | 2 752                         | 6 241                         |
| Non-controlling interest attributable to equity         | 35 999                        | 37 461                        |
|   | <b>38 751</b>                 | <b>43 702</b>                 |

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

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

## INSIDE INFORMATION

**pursuant to Article 7 of Market Abuse Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April in respect of circumstances occurring during the reporting period**

*EUROHOLD BULGARIA AD has disclosed the following information:*

### **30 January, 2019**

Interim Financial Report for Q4'2018:

1. Interim Financial Statements as of 30<sup>th</sup> of December, 2018, IFRS;
2. Notes to the Interim Financial Statements for Q4'2018;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declarations;

### **4 January, 2019**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **31 December, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **27 December, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **27 December, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **27 December, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **21 December, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **18 December, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **14 December, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **7 December, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **30 November, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **23 November, 2018**

Interim Consolidated Financial Report for Q3'2018:

1. Interim Consolidated Financial Statements as of 30<sup>th</sup> of September, 2018, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q3'2018;
3. Interim Consolidated Management Report;
4. Interim Consolidated Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declarations;

### **1 November, 2018**

Minutes from the extraordinary session of GMS of Eurohold Bulgaria AD, held on 29<sup>th</sup> of October, 2018;

### **30 October, 2018**

Interim Financial Report for Q3'2018:

1. Interim Financial Statements as of 30<sup>th</sup> of September, 2018, IFRS;
2. Notes to the Interim Financial Statements for Q3'2018;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declarations;

### **28 September, 2018**

Invitation for the extraordinary session of GMS of Eurohold Bulgaria AD on 29<sup>th</sup> of October, 2018;

### **28 September, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **21 September, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **12 September, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **30 August, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

### **30 August, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**9 August, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**9 August, 2018**

Interim Consolidated Financial Report for H1'2018:

1. Interim Consolidated Financial Statements as of 30<sup>th</sup> of June, 2018, IFRS;
2. Notes to the Interim Consolidated Financial Statements for H1'2018;
3. Interim Consolidated Management Report;
4. Interim Consolidated Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declarations;

**30 July, 2018**

Interim Financial Report for H1'2018:

1. Interim Financial Statements as of 30<sup>th</sup> of June, 2018, IFRS;
2. Notes to the Interim Financial Statements for H1'2018;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declarations;

**4 July, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**2 July, 2018**

Announcement for dividend payment;

**2 July, 2018**

Minutes from the regular session of GMS of Eurohold Bulgaria AD, held on 29<sup>th</sup> of June, 2018;

**22 June, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**11 June, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**8 June, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**5 June, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**31 May, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**30 May, 2018**

Interim Consolidated Financial Report for Q1'2018:

1. Interim Consolidated Financial Statements as of 31<sup>st</sup> of March, 2018, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q1'2018;
3. Interim Consolidated Management Report;
4. Interim Consolidated Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declarations;

**29 May, 2018**

Invitation for the regular session of GMS of Eurohold Bulgaria AD on 29<sup>th</sup> of June, 2018;

**30 April, 2018**

Interim Financial Report for Q1'2018:

1. Interim Financial Statements as of 31<sup>st</sup> of March, 2018, IFRS;
2. Notes to the Interim Financial Statements for Q1'2018;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declarations;

**19 April, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**18 April, 2018**

Annual Consolidated Financial Report for the year ended on 31 December 2017:

1. Annual Consolidated Financial Report as of 31 December 2017, IFRS;
2. Notes to the Annual Consolidated Financial Statements;
3. Independent Auditor's Report;
4. Consolidated Management Report for 2017;
5. Corporate Governance Declaration;
6. Annual Consolidated Financial Report – FSC forms;
7. Independent Auditor's Declaration;
8. Declarations;

**17 April, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**4 April, 2018**

Annual Financial Report for the year ended on 31 December 2017:

1. Annual Financial Report as of 31 December 2017, IFRS;
2. Notes to the Annual Financial Statements;
3. Independent Auditor's Report;
4. Management Report for 2017;
5. Corporate Governance Declaration;
6. Annual Financial Report – FSC forms;
7. Independent Auditor's Declaration;
8. Declarations;

**7 March, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**7 March, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**27 February, 2018**

The shares from the last capital increase of Eurohold Bulgaria AD have been admitted to trading on the Warsaw Stock Exchange (*News Release*);

**2 February, 2018**

2017 cons results for Eurohold: Profit doubled and upsurge in the profitability of the main business lines (*News Release*);

**1 February, 2018**

Interim Consolidated Financial Report for Q4'2017:

1. Interim Consolidated Financial Statements as of 30 December 2017, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q4'2017;
3. Interim Consolidated Management Report;
4. Interim Consolidated Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declarations;

**1 February, 2018**

Interim Financial Report for Q4'2017:

1. Interim Financial Statements as of 30 December 2017, IFRS;
2. Notes to the Interim Financial Statements for Q4'2017;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declarations;

**9 January, 2018**

Notification pursuant to Article 148b of POSA;

**4 January, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**2 January, 2018**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

22.02.2019

**Asen Minchev,**

*Executive Member of the Management Board  
of Eurohold Bulgaria AD*

## **ADDITIONAL INFORMATION TO THE INTERIM FINANCIAL REPORT OF EUROHOLD BULGARIA FOR Q4'2018**

*in accordance with art. 33, par. 1 of Ordinance No. 2 of September 17, 2003 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information by the public companies and the other issuers of securities*

- 1. Information about the changes in the accounting policy during the reported period, the reasons for carrying them out and how they affect the financial results and equity of the issuer**

No changes have been made in the accounting policy of the company during the reported period.

- 2. Information about changes in the economic group of the issuer, if it belongs to such a group**

No changes have been made in the economic group of the issuer.

- 3. Information about results of organizational changes in the issuer's structure, such as conversion, sale of companies from the same economic group, in-kind contributes from the company, property rental, long-term investments, withdrawal from business**

No organizational changes in the issuer's structure during the reported period.

- 4. Opinion of the Governing Body of the feasibility of published estimates of the results of the current financial year, taking into account the results of the current three months, as well as information on the factors and circumstances, which will affect the achievement of the forecasted results at least in the next three months**

No estimates of financial results of the company have been published for 2018.

- 5. Data on the persons, holding directly and indirectly at least 5 per cent of the votes in the General Meeting as of the end of the reported period, and changes in the votes, held by the persons in the end of the previous three months period**

|    | <b>Shareholder</b>                     | <b>Number of shares</b> | <b>% participation</b> |
|----|--|-------------------------|------------------------|
| 1. | Starcom Holding AD                     | 104 448 874             | 52,88%                 |
| 3. | KJK Fund II Sicav-Sif Balkan Discovery | 28 116 873              | 14,23%                 |

- 6. Data of the shares, held by the management and supervisory bodies of the issuer at the end of the respective three months and changes, which took**



place since the end of the previous three months period for each person individually.

|    | <b>Shareholder</b>        | <b>Number of shares</b> | <b>% participation</b> |
|----|---------------------------|-------------------------|------------------------|
| 1. | Dimitar Stoyanov Dimitrov | 200                     | -                      |
| 2. | Assen Emanuilov Assenov   | 78,000                  | 0.04%                  |

**7. Information about pending judicial, administrative or arbitration proceedings concerning claims or liabilities of at least 10 per cent of the equity of the issuer; if the total amount of the debts or the obligations of the issuer in all proceedings exceeds 10 per cent of its own capital, information about each case separately is provided.**

For the reported period the Company has no pending legal, administrative or arbitration proceedings.

**8. Information about granted by the issuer or its subsidiary company loans, guarantees or commitments totally to one person or its subsidiary, including to related to it persons, showing the type of relation between the issuer and the person, the amount of unpaid principal, the interest rate, the final maturity, the size of the commitment, the term and conditions.**

| <b>Non-current liabilities to related parties</b> | 31.12.2018     | 31.12.2017     |
|---|----------------|----------------|
| <b>Loans principal</b>                            | <i>BGN'000</i> | <i>BGN'000</i> |
| Eurolease Auto EAD – loan principal               | 1 662          | 2 576          |
| Eurolease Auto EAD – financial lease liabilities  | 54             | -              |
|   | <b>1 716</b>   | <b>2 576</b>   |

| <b>Current liabilities to related parties</b> | 31.12.2018     | 31.12.2017     |
|---|----------------|----------------|
| <b>1. Interest payables</b>                   | <i>BGN'000</i> | <i>BGN'000</i> |
| Starcom Holding AD                            | 5              | -              |
| Eurolease Auto EAD                            | 84             | 157            |
| Eurolease Group EAD                           | -              | 8              |
|   | <b>89</b>      | <b>165</b>     |

| <b>2. Current borrowings</b> | 31.12.2018     | 31.12.2017     |
|------------------------------|----------------|----------------|
|                              | <i>BGN'000</i> | <i>BGN'000</i> |
| Starcom Holding AD           | 937            | 18             |
| Eurolease Auto EAD           | 11 963         | -              |
| Eurolease Group EAD          | -              | 16             |
|                              | <b>12 900</b>  | <b>34</b>      |

**3. Other payables**

|                       | 31.12.2018     | 31.12.2017     |
|-----------------------|----------------|----------------|
|                       | <i>BGN'000</i> | <i>BGN'000</i> |
| Starcom Holding AD    | 20 536         | -              |
| Eurolease Auto EAD    | 413            | 17             |
| Sofia Motors EOOD     | -              | 9              |
| Bulvaria Holding AD   | -              | 7              |
| Motobul EAD           | 5 313          | -              |
| Avto Union AD         | 3 620          | -              |
| Avto Union Service AD | 362            | -              |
| Star Motors EOOD      | 950            | -              |
|                       | <b>31 194</b>  | <b>33</b>      |

Date:  
22.02.2019 г.

**Asen Minchev,**  
*Executive Director of Eurohold Bulgaria AD*

## **INFORMATION ACCORDING TO ANNEX 9**

**according to the requirements of Article 33, paragraph 1, item 3 of  
ORDINANCE № 2 of 17.09.2003 on prospectuses for public offering  
and admission to trading on a regulated securities market and for  
the disclosure of information**

- 1. There has no change of persons exercising a control over the Company**
- 2. Opening of insolvency proceedings for the company or its subsidiary and all essential stages of the proceedings**

No insolvency proceedings have been opened for the company or its subsidiary

- 3. Conclusion or execution of significant transactions**

There are no significant transactions during the observed period.

- 4. No decision on the conclusion or termination of the joint venture agreement**

- 5. Change in company auditors and reasons for change**

There has no change in company auditors.

- 6. No court or arbitration case relating to the debts or claims of the company or its subsidiary has been initiated or terminated at a purchase price of at least 10% of the capital of the company**

- 7. There is no purchase, sale or pledge of shareholdings in commercial companies by the issuer or its subsidiary**

- 8. There are no other circumstances that the Company believes could be relevant to investors in taking a decision to acquire, sell or continue to hold publicly-traded securities**

*Date: 22.02.2019 г.*

**Asen Minchev,**  
*Executive Director of Eurohold Bulgaria AD*

**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 Q4'2018, 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 Q4'2018 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

