

The background features a decorative graphic consisting of three concentric blue circles of varying sizes, each with a lighter blue outer ring. These circles are positioned in the upper right and lower right areas of the page. Thin blue lines intersect the circles and extend across the page, creating a geometric design.

**Eurohold Bulgaria AD**

**INTERIM CONSOLIDATED  
MANAGEMENT REPORT AND  
FINANCIAL STATEMENTS**

**1 January - 30 June 2018**

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## **INTERIM CONSOLIDATED MANAGEMENT REPORT**

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

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

During the reporting period, the following important events took place, affecting the results in the financial statements of Eurohold Bulgaria AD as of 30.06.2018:

#### **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 leva) as a gross dividend among the shareholders. The gross dividend per share is BGN 0.009. Dividend payments will be made within 60 (sixty) days of the date of approval by the General Meeting of Shareholders of the decision to distribute the dividend.

#### **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.

**IMPORTANT EVENTS FOR THE EUROHOLD GROUP THAT OCCURED AFTER THE BALANCE SHEET DATE OF 30.06.2018**

**1. EUROINS INSURANCE GROUP RECEIVED AUTHORIZATION FOR THE ACQUISITION OF AN INSURANCE COMPANY IN UKRAINE**

On 19.07.2018 the Ukrainian regulator - the National Commission for State Regulation of the Financial Services Markets of Ukraine (Національна комісія, що здійснює державне регулювання у сфері ринків фінансових послуг), issued a decision 1302 / 19.07.2018, according to which it authorized Euroins Insurance Group to acquire a qualifying shareholding of 99.99998% of the capital of Private Company "European Tourist Insurance", Ukraine. The acquisition of shares on the part of Euroins Insurance Group will take place in accordance with the provisions of the Purchase and Sale Agreement for Shares from 13.04.2018 and the applicable provisions of the Ukrainian law.

**2. 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'.

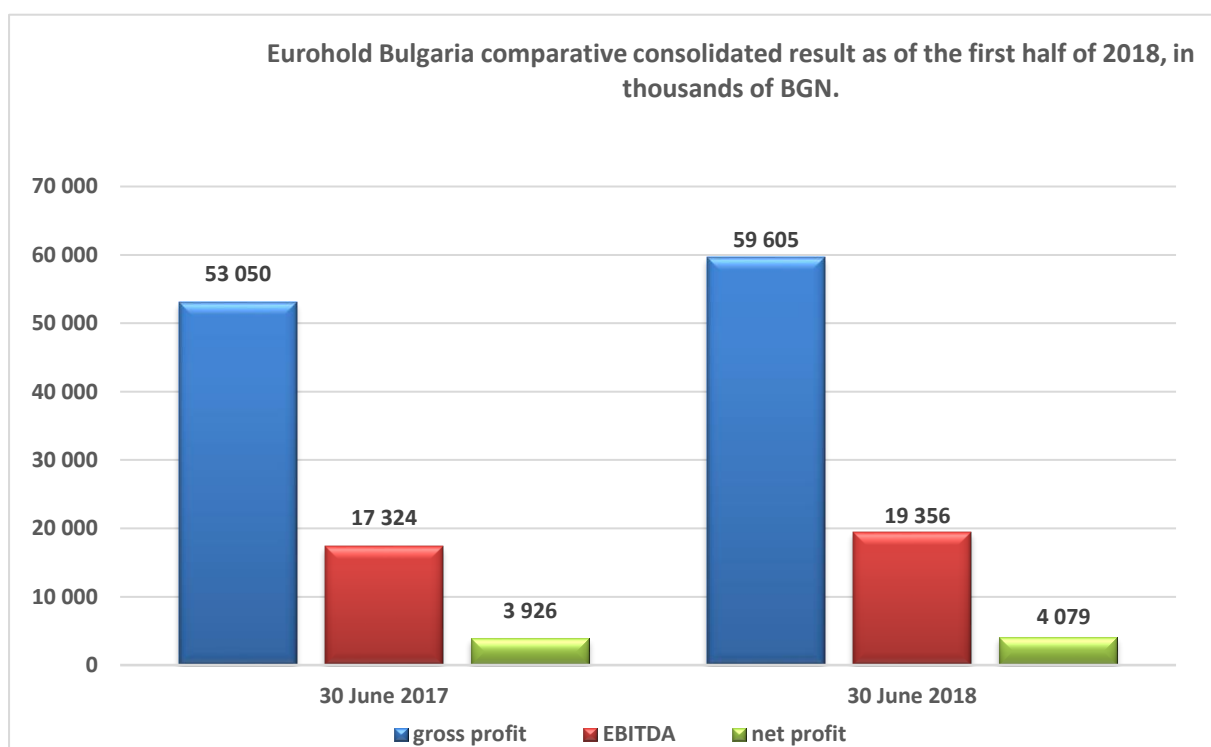
Fitch's rating analysis reported the following key factors in the development of Eurohold:

- 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.

## EUROHOLD BULGARIA

### CONSOLIDATED FINANCIAL RESULTS

Eurohold Bulgaria reported as at June 30, 2018 a net consolidated profit of BGN 4.1 million, gaining 3.9% compared to a profit of BGN 3.9 million for the first half of 2017. The distribution of the financial result is as follows: for the Group, profit of BGN 1.9 million; for non-controlling participation profit of BGN 2.1 million. Accordingly, as of 30.06.2017: the Group realized a profit of BGN 2 million, whereas the relative result to the non-controlling interest amounted to BGN 1.9 million profit.



Consolidated gross profit of Eurohold Group as at 30.06.2018 increased by BGN 6.6 million, reaching BGN 59.6 million compared to BGN 53.1 million for the comparable period.

At the same time, EBITDA amounted to BGN 19.4 million, up 11.7% as compared to 30.06.2017, when EBITDA amounted to BGN 17.3 million.

According to the interim consolidated financial statements for the first half of 2018, the consolidated operating income of Eurohold Group amounted to BGN 600.5 thousand, accounting for a decrease of 7% compared to the comparable period of 2017.

The Group's operating expenses decreased comparatively to revenues. The reported decrease of expenses for the reporting period was 7.2% and they amounted to BGN 540,852 thousand.

The net financial and depreciation costs of the Eurohold Group companies amounted to BGN 10.3 million and BGN 5 million respectively, while during the comparable period they amounted to BGN 9.1 million and BGN 4.1 million.

Other expenses for the Group's activity increased by BGN 4.5 million and amounted to a total of BGN 40.2 million.

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

### **Insurance business**

Revenues from insurance activity at the end of the first half of 2018 amounted to BGN 458.6 million. Compared to the same period in 2017, the revenues from insurance activity decreased by 14.9%.

The operating expenses for the period under review decreased by 16.8% to BGN 423.2 million compared to BGN 508.7 million at the end of the comparable period.

Despite the reported revenue decrease, the insurance sub-holding Euroins Insurance Group realized a 16.9% increase in consolidated operating profit, which amounted to BGN 35.6 million compared to BGN 30.4 million as at 30.06.2017.

### **Automotive business**

Revenues from the automotive business amounted to BGN 127.2 million, with a significant increase for the reported period of BGN 35.4 million.

Operating expenses for sold vehicles and spare parts increased by BGN 34.1 million and reached BGN 114.6 million.

For the reporting period, the automotive sub-holding realized a consolidated operating profit of BGN 12.6 million compared to BGN 11.2 million for the comparable period of 2017.

### **Leasing business**

Reported consolidated operating income from leasing activity amounted to BGN 11.6 million compared to BGN 12.6 million for the comparable period with a decrease of BGN 1.1 million.

The operating expenses related to the leasing activity amounted to BGN 1.8 million, remaining relatively unchanged compared to the previous reporting period.

For the current period, the leasing activity realized a consolidated operating profit of BGN 9.7 million, while as of 30.06.2017 the consolidated operating profit was BGN 10.6 million.

### **Asset management and brokerage**

Asset management and brokerage business generated revenue of BGN 1.8 million, accounting for a growth of 24.4% compared to the comparable period.

The expenses for financial-investment activity for the reporting period increased by 35.6% and amounted to BGN 1.3 million.

The result of the operating activity of the asset management and brokerage business for the first half of 2018 is a profit of BGN 0.463 million, while the realized financial result as at 30.06.2017 amounted to BGN 0.459 million.

## Activity of the parent company

In the first half of 2018, Eurohold Bulgaria generated revenues amounting to BGN 1.3 million.

The operating expenses of the parent company are insignificant in the amount of BGN 51 thousand.

The result of the operating activity is a profit of BGN 1.2 million.

## RESULTS BY TYPE OF ACTIVITY BASED ON UNCONSOLIDATED DATA

The table below provides information on revenues earned by subsidiaries as of 30 June 2018 compared to 30 June 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	H1.2018	H1.2017	Change
	BGN '000	BGN '000	%
Insurance business	459 396	540 003	-15%
Automotive business	131 630	95 349	38%
Leasing business	12 261	13 113	-6%
Asset management and brokerage	2 138	1 931	11%
<b>Total for the subsidiaries</b>	<b>605 425</b>	<b>650 396</b>	<b>-7%</b>
Parent company	1 834	2 627	-30%
<b>Total before eliminations</b>	<b>607 259</b>	<b>653 023</b>	<b>-7%</b>
<i>Intra-group eliminations</i>	<i>(6 802)</i>	<i>(7 063)</i>	<i>-4%</i>
<b>Total revenues by sectors</b>	<b>600 457</b>	<b>45 960</b>	<b>-7%</b>

### PROFIT BEFORE INTEREST, AMORTISATION AND TAXES

Sectors	H1.2018	H1.2017	Change
	BGN '000	BGN '000	%
Insurance business	13 692	13 231	3%
Automotive business	3 091	3 079	0%
Leasing business	2 744	2 178	26%
Asset management and brokerage	73	201	-64%
<b>Total for the subsidiaries</b>	<b>19 600</b>	<b>18 689</b>	<b>5%</b>
Parent company	840	854	-2%
<b>Total before eliminations</b>	<b>20 440</b>	<b>19 543</b>	<b>5%</b>
<i>Intra-group eliminations</i>	<i>(1 084)</i>	<i>(2 219)</i>	<i>-51%</i>
<b>Total profit before interest, amortisation and taxes</b>	<b>19 356</b>	<b>17 324</b>	<b>12%</b>

### FINANCIAL RESULTS

Sectors	H1.2018	H1.2017	Change
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	<i>BGN '000</i>	<i>BGN '000</i>	<i>%</i>
Insurance business	11 534	11 216	3%
Automotive business	395	434	9%
Leasing business	110	122	-10%
Asset management and brokerage	36	171	-79%
<b>Total for the subsidiaries</b>	<b>12 075</b>	<b>11 943</b>	<b>1%</b>
Parent company	(7 787)	(7 478)	-4%
<b>Total before eliminations</b>	<b>4 288</b>	<b>4 465</b>	<b>-4%</b>
<i>Intra-group eliminations</i>	(209)	(539)	-61%
<b>Total financial result</b>	<b>4 079</b>	<b>3 926</b>	<b>4%</b>

Revenues from the activities of Eurohold Group companies decreased by 7% or by BGN 45.8 million before accounting for intragroup calculations. The decrease in revenues is mainly due to the drop in subscribed premiums in Romania recorded during the reporting period.

Profit before interest, depreciation and taxes increased by 5% or by BGN 0.9 million before reporting for intragroup eliminations.

The realized financial results of the Group companies before intragroup eliminations amounted to BGN 4.3 million, decreasing by just BGN 177 thousand.

## **FINANCIAL CONDITION**

### **Consolidated Assets**

During the first six months of 2018 Eurohold Group companies achieved an increase of consolidated assets by 2.4%, which at the end of the reporting period amounted to BGN 1.358 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.

At the end of the first half of the year, the Eurohold Group has free cash and deposits in banks amounting to BGN 62 million. At the end of 2017 they amounted to BGN 57.1 million.

Receivables increased by BGN 27 million for the period to BGN 259.2 million. The most significant change was observed in non-current receivables, which increased by BGN 21.7 million and amounted to BGN 107.6 million.

The financial assets held by Eurohold Group companies as at 30.06.2018 reported a decrease of BGN 24.7 million compared to the end of 2017.

In the first half of 2018, the share of reinsurers in technical reserves grew by BGN 22.6 million.

## Consolidated equity and liabilities

Total equity of Eurohold Bulgaria amounted to BGN 216.5 million, rising by BGN 2 million as compared to 31.12.2017. The consolidated capital of the Eurohold Group amounted to BGN 174.5 million, while the capital belonging to the non-controlling interest for the period, amounted to BGN 42 million. For comparison with the end of 2017, the consolidated capital of the Eurohold Group amounted to BGN 170.8 million, and the capital belonging to the non-controlling interest amounted to BGN 43.7 million.

In support of equity, the Group holds subordinated debt instruments of BGN 28 million compared to BGN 26 million as at the end of 2017.

The total amount of equity and subordinated debt instruments amounted to BGN 244.6 million, while at the end of 2017 they amounted to BGN 240.6 million.

Non-current consolidated liabilities increased by 11.18% from BGN 280 million to BGN 311.4 million during the reporting period. A major part of non-current liabilities represent liabilities to banks, other financial institutions and issued bond loans.

<b>Liabilities on loans and bond issues:</b>	H1.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>	% <i>Change</i>
- bank and non-bank loans	116 610	99 245	17.5%
- bond issues	163 267	150 757	8.3%
<b>Total loans</b>	<b>279 877</b>	<b>250 002</b>	<b>11.9%</b>

Current consolidated liabilities decreased by the end of the reporting period by BGN 3.2 million and amounted to BGN 802.5 million.

A major part of the current liabilities represent assigned insurance reserves amounting to BGN 630 million. For the current reporting period they increased by BGN 34.1 million compared to the end of 2017.

## ACTIVITY OF THE SUBSIDIARIES FOR THE PERIOD

### 1 JANUARY - 30 JUNE 2018

## EUROINS INSURANCE GROUP

In the first six months of 2018 Euroins Insurance Group (EIG, the Group) has realized consolidated gross written premiums of BGN 299.5 million compared to BGN 359.4 million for the same period of 2016. Reason for the decrease is the business written by Euroins Romania. All other subsidiaries have registered growth. The Group has reported an unaudited consolidated profit of BGN 11.5 million compared to a profit of BGN 11.2 million in Q2 2017.

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

has been fully paid in and registered with the Trade Registry as well. As of now the total share capital of Euroins Insurance Group amounts to BGN 483,445,791.

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

#### ➤ **Euroins Bulgaria**

In the first six months of 2018 Euroins Bulgaria has reported total GWP of BGN 80.3 million compared to BGN 73.6 million written in 2017. The reason for this growth of more than 9% is the direct insurance business written through brokers both locally in Bulgaria and in Greece, Italy and Spain according to the EU directive for Freedom of services. MTPL line of business grows but so do also main non-motor lines such as Health (67%), Cargo (32%) and Accident and Travel (25%).

Net claims incurred are up by 17%. The reasons for this growth is the growth of the business. Net earned premiums have increased by more than 20% for the period.

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

Despite this Euroins Bulgaria has reported a profit for group purposes of BGN 470 thousand compared to BGN 138 thousand in Q2 2017.

In 2017 the majority shareholder of Euroins Bulgaria Euroins Insurance Group has reconfirmed its commitment to support its subsidiary by increasing its capital by BGN 16 million. As at 30 June 2018 the share capital, fully paid in and registered, amounts to BGN 32,470,000.

The improved financial condition of the company has been also confirmed by the updated Long-Term Claims Paying Ability Rating assigned by BCRA, Credit rating Agency, in January 2018. The assigned rating is "BBB-" with outlook updated to Stable confirming the improvement. On August 1, 2018, the international rating agency Fitch Ratings for the first time awarded a rating "BB-" to Euroins Bulgaria.

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

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

#### ➤ **Euroins Romania**

In the first six months of 2018 Euroins Romania has written total GWP of BGN 200.1 million compared to BGN 166.2 million in 2017. The decrease is a result of the stabilization of the Romanian MTPL market after two years of significant increase of the average

premium. Unlike the Motor business the major non-Motor lines of business such as Liability (42%), Accident (19%), Property (18%) and Cargo (3%).

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

Acquisition costs have registered significant decrease of more than 17% with the reason being the decrease in the written business. Administrative expense has registered slight increase compared to the same period of 2017 but there currently are certain initiatives under way to optimize several processes related not only to the administrative management but also to processes that are yet to benefit activities such as claims handling and internal controls.

As a result, this is another quarter for Euroins Romania where it can be witnessed the positive effect of the re-segmentation combined with the strengthening of the reserves in 2015. Subsequently the profit for group purposes rises to BGN 11 million before tax.

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

#### ➤ **Euroins Macedonia**

In Q2 2018 gross premiums written by Euroins Macedonia have registered a growth of nearly 19% reaching BGN 10 million. Main business lines that grow are Liability by 57%, Property – 26%, Motor Hull – 12%, Cargo – 9%, MTPL – 5%.

Net claims incurred have increased by 8% with the net earned premiums having grown by 16% in the same period.

Because of the ongoing initiatives of the management of the company administrative costs have registered a decrease of 8%.

The result of the above is a profit for group purposes of BGN 800 thousand compared to BGN 4 thousand in 2017.

#### ➤ **Euroins Life**

In the first six months of 2018 Euroins Life has written total GWP of BGN 931 thousand registering growth of 6% compared to Q2 2017.

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

#### ➤ **Euroins Ukraine**

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

In Q2 2018 gross written premiums amount to BGN 9 million, which is a growth of 77%. Nearly 40% of the written business has been non-Motor. Because of the administrative and acquisition costs related to the current ongoing restructuring of the company Euroins Ukraine has reported a loss for Group purposes of BGN 861 thousand.

### ➤ **EIG Re**

The previous name of Insurance Company EIG Re EAD is HDI Insurance AD. Euroins Insurance Group has acquired the company at the end of 2015. For the six months of 2018 EIG Re has written gross premiums of BGN 11 million showing some slight growth. The profit for Group purposes amounts to BGN 140 thousand.

### ➤ **Euroins Russia**

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

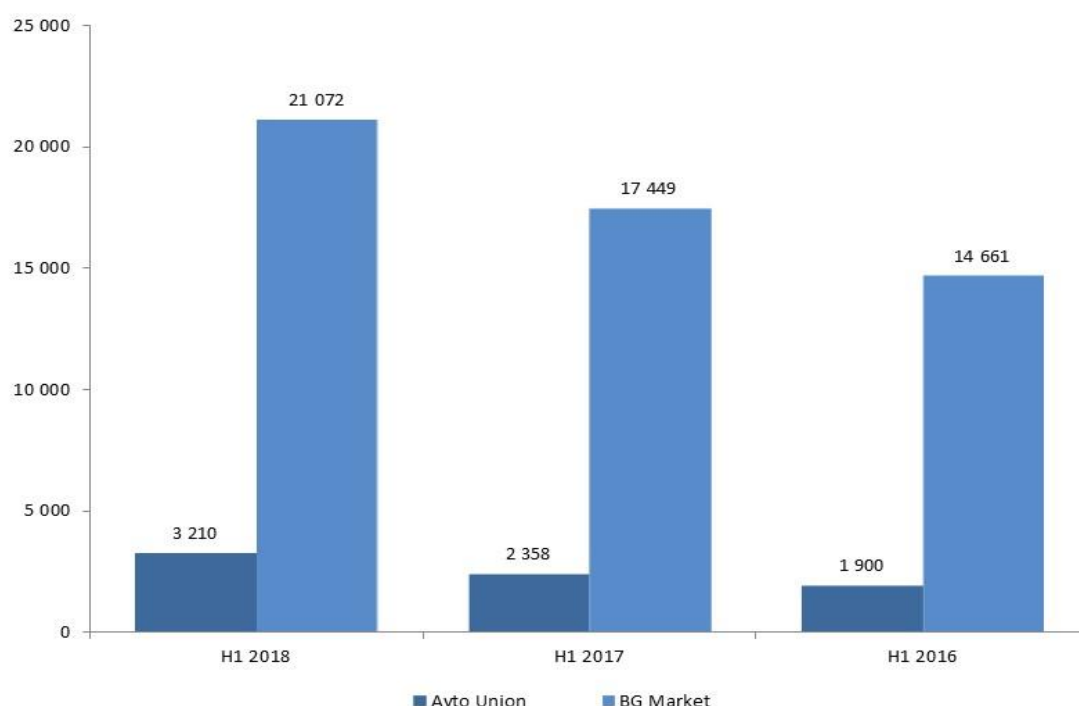
On 13 February 2018 the increase of the capital of the company where Euroins Insurance Group AD participated with RUB 80 million has been completed. As a result, at the end of the quarter the participation of the Group in the capital of Euroins Russia is 32.195%.

In the first half of 2018 the company has reported gross written premiums of BGN 11 million. As continuation of the sound performance from last year the company reports a profit of BGN 336 thousand in Q2 2018.

## **AVTO UNION**

The consolidated financial result of the Group for the period from 01.01.2018 until 30.06.2018 is a profit of BGN 395 thousand (2017 - profit of BGN 434 thousand). The consolidated financial result for the parent company's owners for the same period was a loss of BGN 488 thousand, compared to 2017 when it was a profit of BGN 3 thousand.

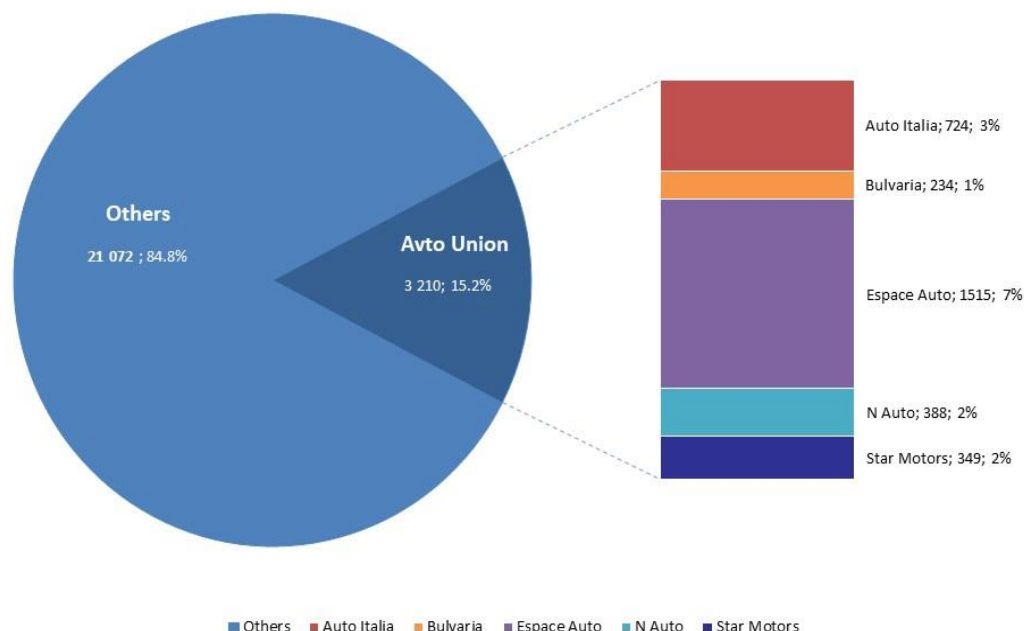
The number of cars sold for the second quarter of 2018 increased by 34.6% compared to the same period of 2017. Revenues from sales of cars, spare parts, oils and fuels increased by 39.3%, and the revenues from sales of services grew by 7.2%.



***Sales of new cars from Avto Union in the second quarter of 2018 compared to those on the Bulgarian market as a whole, number of cars – Q2 2016, Q2 2017 and Q2 2018, source: ACM***

Operating expenses for the second quarter of 2018 show an increase of 16.7% over 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 17.6% or BGN 1,060 thousand, as well as the expenses for external services, which increased by 16.7% or BGN 716 thousand. The financial expenses decreased by 12.7%, or BGN 203 thousand, due to the optimization of the structure and the cost of the borrowed capital for the Group. Revenues from financial operations also decreased by 86% or BGN 280 thousand in the period under review compared to the previous year 2017, due to a decrease in interest income under loan agreements.

For the period ending on 30.06.2018 the sales of new cars and light commercial vehicles realized by Avto Union - the automobile holding in the group of Eurohold Bulgaria amounted to 3 210 units, compared to 2 358 units sold in the same period in 2017, which represents a growth of 36.1%. According to the Union of Automobile Importers in Bulgaria, the market for new cars and light commercial vehicles registered a growth of 20.8% for the second quarter of 2018 compared to the same period of 2017. During the reporting period Opel dropped 15% for Varna and 8% for Sofia. Espas Auto OOD has registered sales growth for both of its brands compared to 2017 - 35% for Renault and 7.7% for Dacia. In the case of N Auto, there was a growth in sales of 119% for Nissan cars. Auto Italia EAD increased its sales of Fiat by 146% and Alfa Romeo by 160%, while its sales of Maserati decreased by 61%. Star Motors marks a 7% decline in sales of new Mazda cars compared to last year.



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

During the reporting period the companies from the automobile holding have concluded flotation transactions for a total of 1 109 automobiles with a total value of BGN 28.6 million, while the ratio for the previous year was 823 automobiles with a total value of BGN 18.3 million.

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

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

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

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

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

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

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

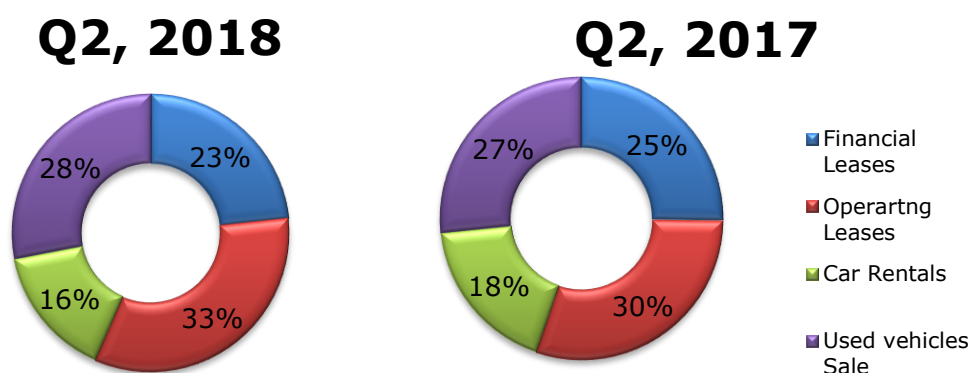
On **15.06.2018** Motobul EAD signed an annex to its Revolving Bank Loan Agreement with Raiffeisenbank Bulgaria EAD, which extended the term by one year and reduced the interest rate under the loan agreement. Under the new conditions, the interest rate is 3-month EURIBOR + 3.3%.

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

## EUROLEASE GROUP

For the reporting period Eurolease Group reports consolidated profit of BGN 110 thousand compared to BGN 122 thousand for the second quarter of 2017.

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



The observed changes are caused by the following factors:

- During the reporting period the total revenues from the different lines of the business increased by 13.28% to BGN 10,932 thousand compared to BGN 9,650 thousand at the end of the second quarter of 2017. The relative shares of each of the lines of business are kept relatively constant, proving the consistency of the revenues in the leasing sub-holding;
- Financial leasing - In absolute terms, revenues from this business line increase and as at 30 June 2018 amounted to BGN 2,559 thousand compared to BGN 2,432 thousand for the comparable period
- Operating lease - the increase in the second 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 26%, reaching BGN 3,652 thousand as compared to BGN 2,898 thousand at the end of June 2017.
- Rent-a-car services - the amount of revenues decreases by 6.34% to BGN 1,640 thousand compared to BGN 1,751 thousand at the end of June 2017. Revenues from operating leases and short-term rentals are reported in other operating income

and for the second quarter of 2018 they show an increase of 13.34% to reach BGN 5,292 thousand compared to BGN 4,649 thousand for the same period in 2017.

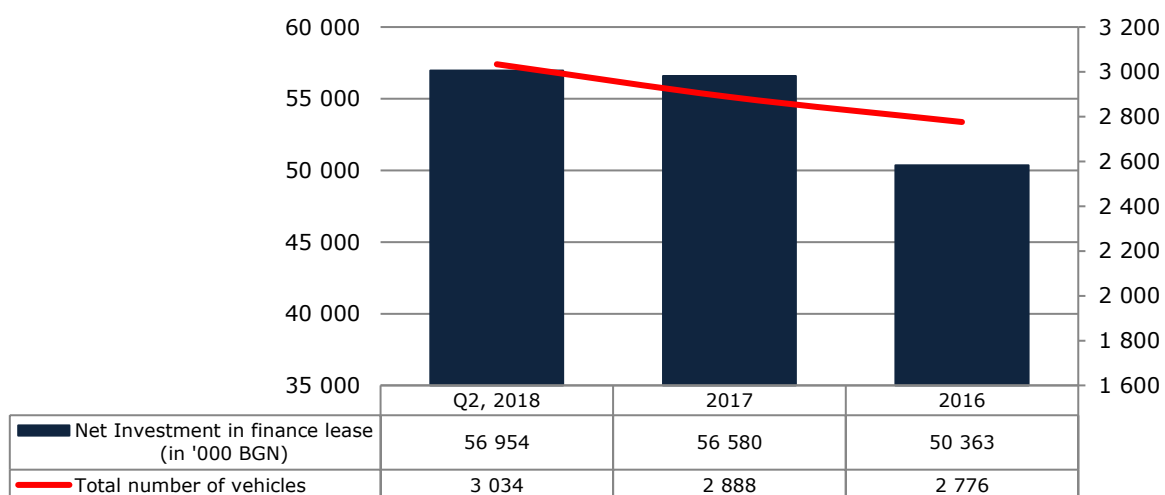
- Sale of used cars - the share of revenues from the sale of used cars remains unchanged. In absolute terms, an increase of 19.93% to BGN 3,081 thousand was reported, compared to BGN 2,569 thousand as of 30.06.2017.

An increase of 15.09% was also reported in operating expenses amounting to BGN 6,414 thousand at the end of the second quarter of 2018 compared to BGN 5,573 thousand for the same period in 2017.

Assets at the consolidated level amounted to BGN 120,104 thousand compared to BGN 115,171 thousand as at 31 December 2017.

Consolidated net investment in finance leases slight increase to BGN 56,954 thousand compared to BGN 56,581 thousand as at the end of 2017.

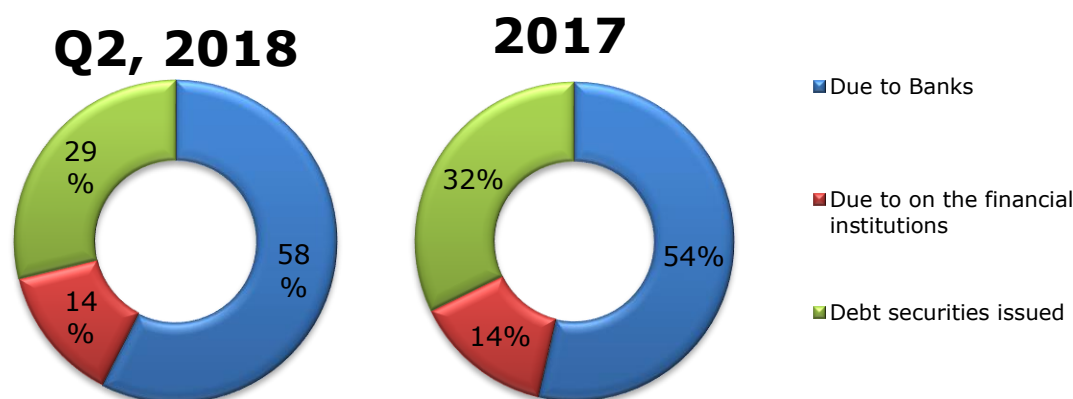
The following graph shows the movement in the net investment in a financial lease of the sub-holding for the specified periods, together with the movement in the number of the leasing assets, part of the portfolio of the company.



As at the end of the reporting period, consolidated fixed assets amounted to BGN 27,546 thousand compared to BGN 25,436 thousand at the end of December 2017.

As of the end of June 2018 there were no significant changes in the relative share of the type of funding used:

- Due to banks as of 30 June 2018 amounted to BGN 55,536 thousand compared to BGN 47,768 thousand for the comparable reporting period.
- Due to other financial institutions increase by 4.06% to BGN 13,237 thousand compared to BGN 12,719 thousand as at 31 December 2017. The amount is payable by the subsidiary Eurolease Rent A Car to leasing companies that finance its activities;
- At the end of the second quarter of 2018, amounts due under debt securities issued are BGN 27 803 thousand compared to BGN 28,985 thousand as at 31 December 2017.



Stand-alone financial result of Eurolease Group is loss of BGN 164 thousand compared to loss of BGN 154 thousand at the end of relative reporting period of 2017. Total assets of the company are BGN 40,496 thousand.

#### ➤ Eurolease Auto Bulgaria

Financial result of Eurolease Auto Bulgaria for the second quarter of 2018 is profit of BGN 367 thousand compared to profit of BGN 375 thousand for the second quarter of 2017.

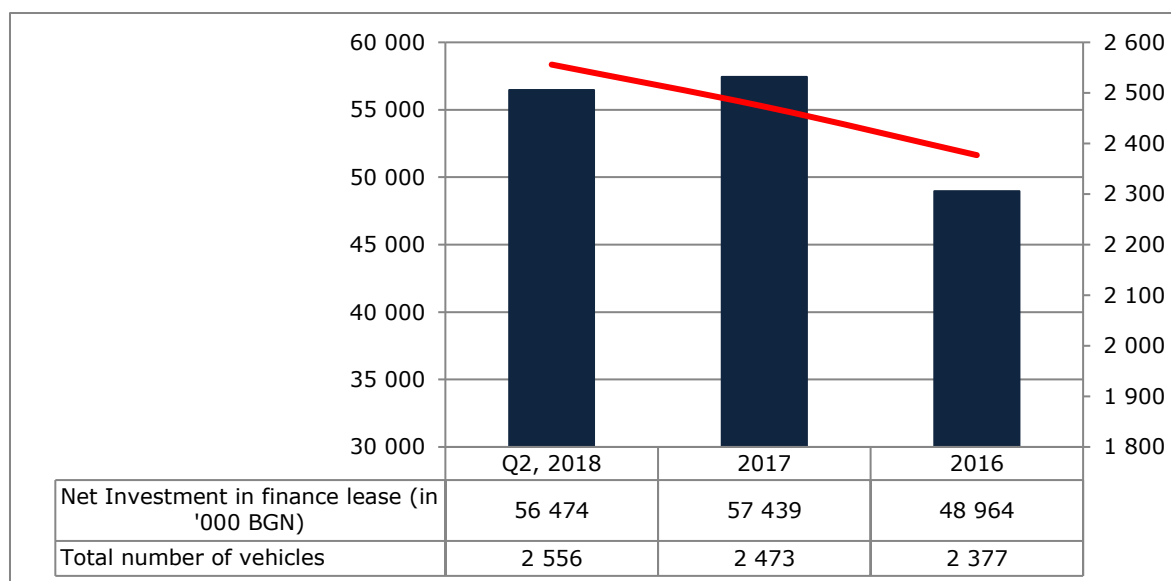
Net interest income increases by 14.86 per cent and as of the end of June 2018 amount to BGN 1,232 thousand vs BGN 1,073 thousand as of 30 June 2017.

The administrative expenses of the Company at the end of reporting period amount to BGN 1,040 thousand compared to BGN 941 thousand at the end of second quarter of 2017.

As of the end of June total assets of the Company amount to BGN 88,914 thousand compared to BGN 86,987 thousand at the end of December 2017.

The net investment in financial leasing reported a decrease of 1.68 per cent and as at 30 June 2018 amounted to BGN 56,474 thousand compared to BGN 57,439 thousand at the end of 2017.

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

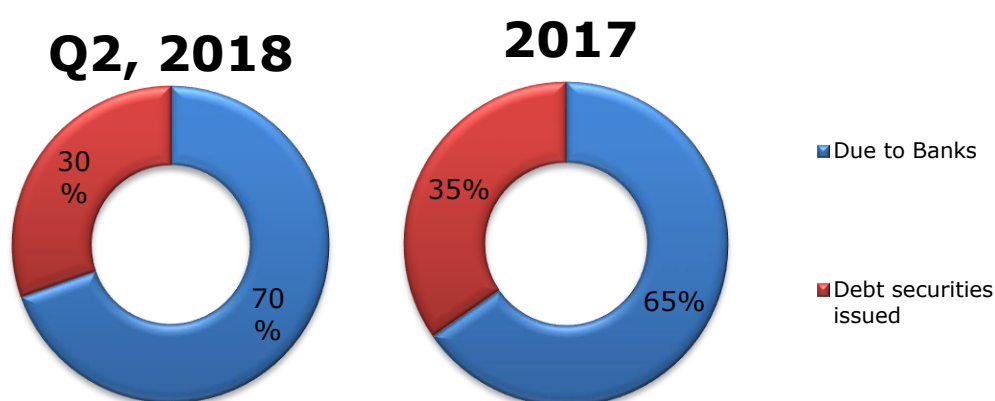


As at the end of June 2018, company's equity amounted to BGN 22,749 compared to BGN 22,382 thousand as at 31 December 2017.

At the end of the reporting period the liabilities of the company amounted to BGN 66,165 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 no significant changes occurred in this type of obligation:

- Bank loans - at the end of June 2018 amounted to BGN 44,152 thousand compared to BGN 38,431 thousand at the end of 2017.
- Company's liabilities under debt instruments issued decrease by 5.58% to BGN 19,240 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 17 thousand compared to loss of BGN 41 thousand for the relative reporting period of 2017.

### ➤ Eurolease Auto Macedonia

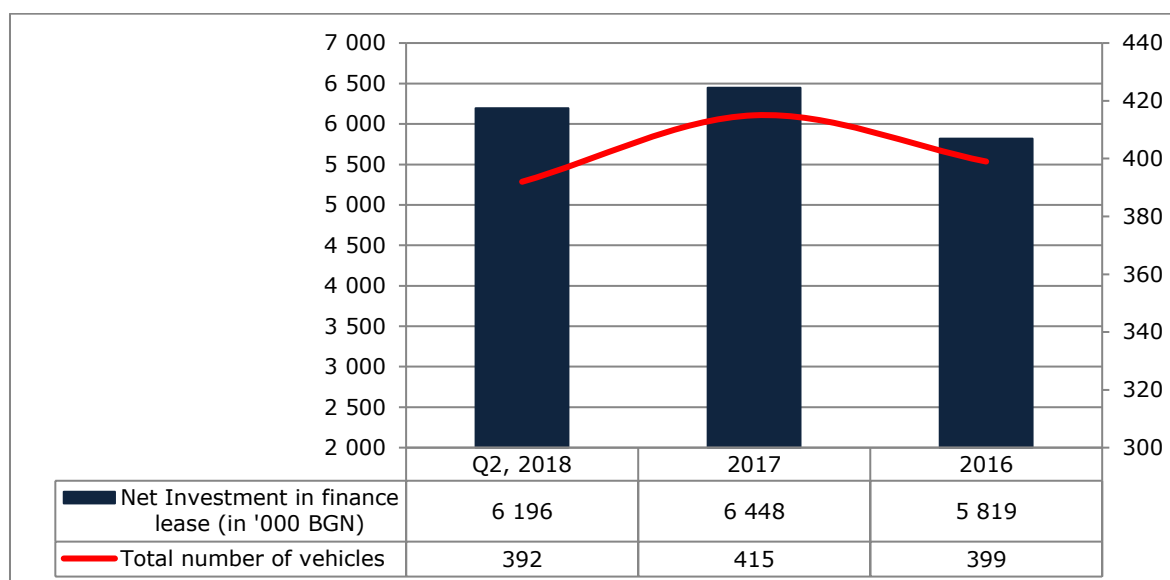
The financial result of Eurolease Auto Macedonia as at the end of second quarter of 2018 is profit of BGN 47 thousand vs loss of BGN 64 thousand for the same period of 2017.

As of 30.06.2018 interest income increased by 6.15 per cent to BGN 276 thousand compared to BGN 260 thousand at the end of the second quarter of 2017.

During the reporting period interest expenses decrease by 24.11 per cent to BGN 192 thousand compared to BGN 253 thousand as of 30.06.2017. The decrease is due to renegotiation in 2017 of the interest rates under the funding the company uses.

During the period the net investment in financial leasing decreases a bit and at the end of June 2018 amounts to BGN 6,196 thousand in comparison to BGN 6,449 thousand at the end of 2017.

The following graphic shows the movement in the net investment in financial lease of the sub-holding for the specified periods, along with the movement in the number of leased assets part of the company's portfolio.



As at 30 June 2018 Company's total assets amounted to BGN 8,441 thousand compared to BGN 8,019 thousand as at 31 December 2017.

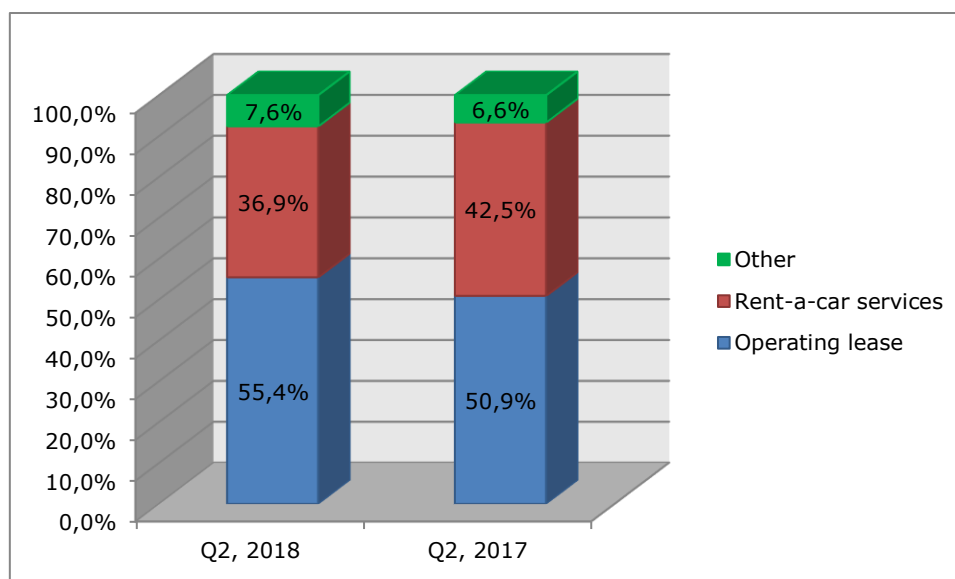
At the end of reporting period bank loans amount to BGN 5,471 thousand compared to BGN 5,380 thousand as at 31 December 2017.

### ➤ Eurolease Rent a Car

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

The financial result as of the company during the reporting period is loss of BGN 115 thousand compared to loss of 113 thousand as of the end of second quarter of 2017.

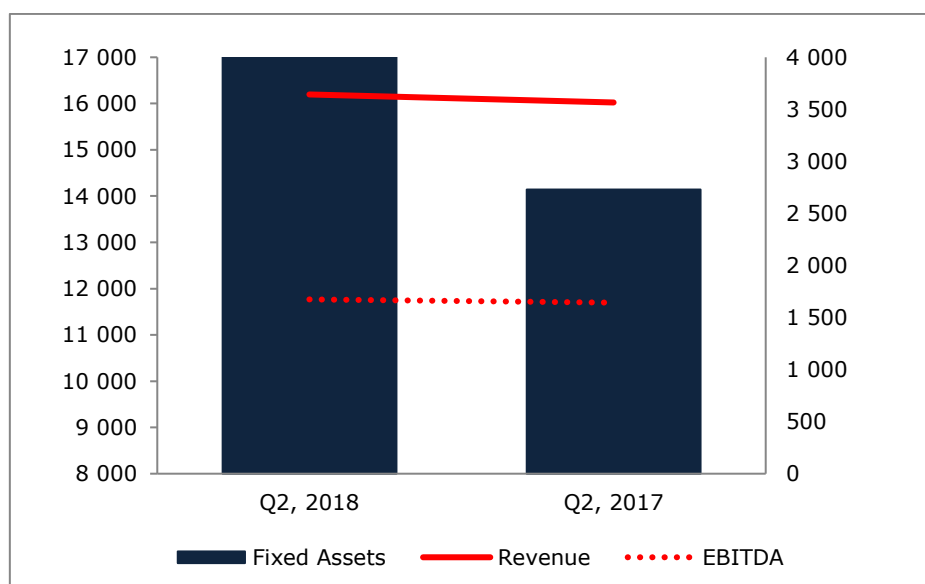
The following chart shows the breakdown of revenue by origin for the first quarters of 2018 and 2017:



At the end of the second quarter of 2018, the interest expense of the company remained unchanged and amounts BGN 271 thousand compared to BGN 268 thousand as at June 2017.

The administrative expenses of the Company as at 30 June 2018 decrease by 2.66 per cent and amounted to BGN 3,471 thousand compared to BGN 3,566 thousand for the same period in 2017.

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



Total assets of the company amount to BGN 21,023 thousand compared to BGN 19,459 thousand as of December 2017.

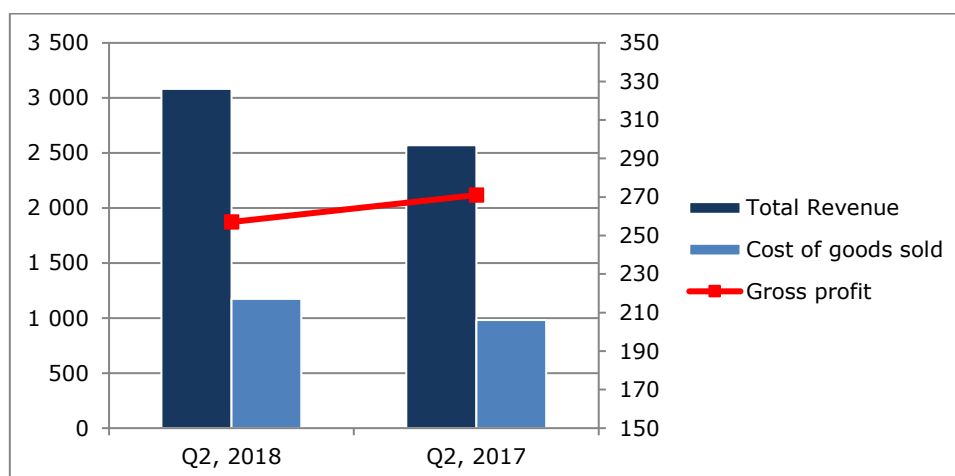
Total liabilities are BGN 20,013 thousand vs BGN 18,319 thousand for the comparable period.

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

Financial result of Autoplaza as of the end of second quarter of 2018 is profit of BGN 50 thousand compared to profit of BGN 116 thousand for the comparable period.

During the reporting period Autoplaza reports gross profit of BGN 257 thousand compared to BGN 271 thousand at the end of June 2017.

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



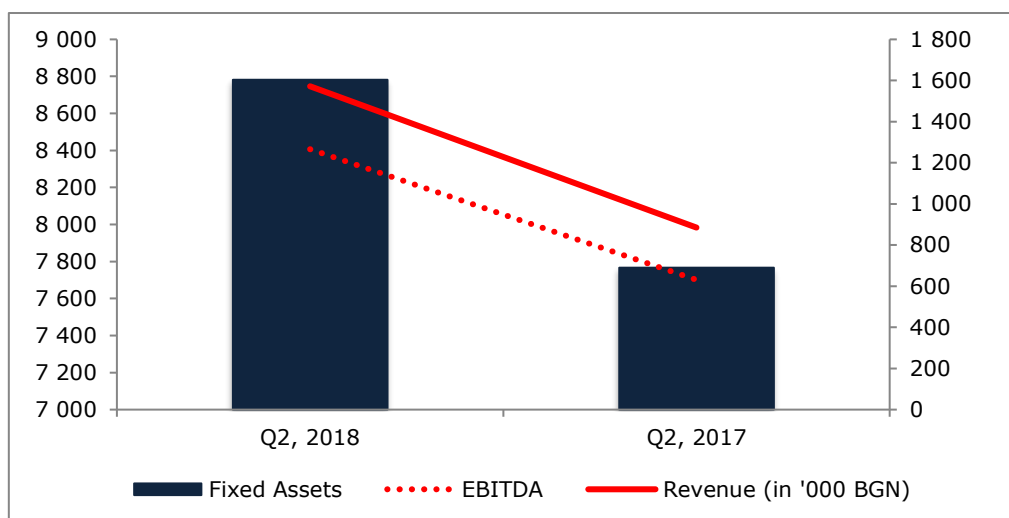
The total assets of the company amounted to BGN 2,289 thousand vs. BGN 2,523 thousand as of 31 December 2017.

#### ➤ Sofia Motors

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

The financial result of Sofia Motors at the end of second quarter of 2018 is profit of BGN 37 thousand compared to loss of BGN 3 thousand for the comparable period.

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



During the reporting period, the revenues from services increased by 77.63% compared to the second quarter of 2017. This trend is again due to the large number of transactions realized in the second half of 2017.

Total assets of the company as of 30 June 2018 amounted to BGN 9,772 thousand compared to BGN 8,593 thousand as at 31 December 2017.

The total liabilities of the company amounted to BGN 9,596 thousand compared to BGN 8,653 thousand for the comparable reporting period.

#### ➤ **Amigo Leasing**

By order of listing BNB-32591 dated March 20, 2018, EuroLease Auto Retail EAD was 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 the first quarter.

Amigo Leasing reports a loss of BGN 95 thousand - related to the expenses incurred in the preparation stage of business development.

For the period since the beginning of the business operations, the company has built a portfolio of financial leasing amounting to BGN 675 thousand and has provided loans amounting to BGN 76 thousand.

In June 2018, the company entered into a credit agreement with Bulgarian American Credit Bank AD for an amount of EUR 1.5 million. The funds will be used to finance the activities of Company.

## **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 30 June 2018, EURO-FINANCE AD is holding clients' financial assets in the amount of BGN 627 961 thousand, BGN 12 642 thousand thereof being ones under management.

The Company's net operating revenue for the first six months of the year 2018 amounts to BGN 857 thousand and is generated from:

- Interest revenue – BGN 412 thousand;
- Other operating revenue – BGN 445 thousand;

Those expenses for the period which are connected with the current servicing of the Company amount to BGN 819 thousand.

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

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

Name	30 June 2018	Equity share in %	31 Dec. 2017	Equity share in %
	amount in thousand BGN		amount in thousand BGN	
Cash, current accounts and short-term deposits	4 139	18.71%	4 528	20.31%
Equity securities (shares, rights, and the like)	5 599	25.31%	6 096	27.34%
Debt securities (bonds and treasury bills issued by governments and financial institutions)	198	0.89%	-	-
Debt securities of other issuers	2 393	10.82%	2 115	9.49%
Net receivables under repo transactions	9 592	43.36%	9 678	43.40%
Total:	21 921	99.08%	22 417	100.54%

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

Issuer	Number available	Unit value in BGN	Book value in BGN
Central Depository AD	1	476.20	476.20
EF Asset Management AD	79 840	2.51	200 701.79
Varengold Bank AG	413 000	6.83	2 819 074.69
Varengold Bank AG	206 500	5.63	1 163 171.22
Total:			4 183 424.00

During the latest reporting period EURO-FINANCE AD has constantly monitored the fulfilment of those requirements regarding capital adequacy and liquidity which ensue from Ordinance № 50 of the FSC on capital adequacy and liquidity of investment intermediaries and Regulation (EU) No. 575/2013 of the European Parliament and of the Council. No departures have been established. At any point in time the Company's own funds considerably exceeded the amount of capital requirements for covering all risks arising from the activity of EURO-FINANCE AD. As at 30 June 2018 the Company's own funds exceed by 68% 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)**

### **FINANCIAL RESULT**

As of 30th of June, 2018 Eurohold Bulgaria AD reported for the negative financial result on standalone base in amount of BGN 7.8 million versus a loss of BGN 7.5 million for the comparable period last year.

### **REVENUES**

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.

The revenues of the company over the reporting period increased by 6.6% amounting to BGN 2.7 million, of which BGN 0.9 million interest revenues, other financial revenues in amount of BGN 1 million, BGN 0.6 million revenues from financial operations and BGN 0.2 million represented revenues from dividend.

For comparison, as of the end of June, 2017 the company's revenues amounted to BGN 2.5 million, of which and interest revenues in amount of BGN 1.7 million, revenues from financial operations in amount of BGN 0.5 million and revenues from dividend in amount of BGN 0.3 million.

## **EXPENSES**

For the observed period the operating expenses increased by 4.9% as amounted to BGN 10.5 million compared to BGN 10 million as of 30.06.2017. The expenses growth was due to the increased interest expenses during the current period, while all other operating expenses decreased.

## **ASSETS**

As of 30th of June 2018 the company's assets increased by 3% and amounted to BGN 574.7 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 7.9 million, as well as due to the increased current assets by BGN 8.8 million.

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

1. On 3 January 2018, the last installment of the subsidiary company Euroins Insurance Group AD amounting to BGN 1,963 million was made in accordance with the decision to increase the capital of the insurance sub-holding in 2015;

2. Acquisition of a share of its subsidiary insurance holding company Euroins Insurance Group (EIG) in connection with an agreement for the purchase of the 10.64% residual minority share held by the South Eastern Europe Fund L.P. (SEEF), managed by the Greek investment company Global Finance.

During the reporting period, the current assets increased significantly mainly due to the increase of receivables from related parties by BGN 6.5 million and increased other receivables by BGN 2.2 million.

## **EQUITY AND LIABILITIES**

The total equity amounted to BGN 328.4 million, decreasing by the reported loss in the first six months of the current year. For comparison, as at 31.12.2017, the equity of Eurohold Bulgaria amounted to BGN 338 million.

The company's liabilities increased by 12% from BGN 219.9 million as at 31.12.2017 reached BGN 246.2 million.

For the period the non-current liabilities increased by 16.3% or BGN 27.8 million. The growth of non-current assets is due to an increase in the amount of Eurobonds (EMTN Program) from BGN 141.5 million to BGN 153.5 million, as well as due to the increase in the amount of loans received from financial and non-financial institutions from BGN 21.1 million as of 31.12.2017 to BGN 37 million in the current period.

The current liabilities decreased by BGN 1.5 million to BGN 53.1 million as of the end of reporting period. The bulk of current liabilities is current borrowings from financial and non-financial institutions, as well as the current portion of debenture obligations. During the reporting period total current liabilities on loans decreased by 5.4% to BGN 50.3 million, while as of 31.12.2017 they amounted to BGN 53.2 million.

## **DESCRIPTION OF THE KEY RISK FACTORS**

### **1. Systematic risks**

#### **Influence of the global economic and financial crisis**

The global financial crisis, which started in 2007, led in many countries (including the US, EU countries, Russia, and Japan) to a slowdown of economic growth and an increase in unemployment, limited access to sources of financing and a significant devaluation of financial assets worldwide. The financial crisis also caused significant disturbances on the global financial market which led to reduced confidence on financial markets and, thus, difficulties of entities in the financial sector with maintaining liquidity and raising financing.

Also, the crisis on the global financial market may affect the non banking financial services sector and the sale of the range of products and services by the Group, particularly driven by the possible further decrease in unemployment and drop in disposable incomes. Deterioration in the regional financial system and markets coupled with corresponding low consumer consumption rates could seriously lower sales across all divisions of the Group and thus may also adversely affect the Group's outlook, results and financial situation.

#### **Risks related to the general macroeconomic, political and social situation, and government policy**

The macroeconomic situation and the growth rate in the Balkans (Bulgaria, Romania, Macedonia and Serbia) are of key importance to the development of the Group, as well as government policy, particularly the regulatory policy and the decisions taken by the respective National Banks affecting such external factors as money supply, interest rates and exchange rates, taxes, GDP, inflation rate, budget deficit and foreign debt, and unemployment rate and income structure.

Changes in the demographic structure, mortality or morbidity rate are also important elements affecting the Group's development. The above external factors, as well as other unfavorable political, military or diplomatic developments leading to social instability may lead to a curb on higher-level consumer expenditures, including limitation of funds allocated for insurance coverage, car buying and leasing.

#### **Political risk**

This is the risk arising from political processes in the country - the risk of political instability, changes in government principles, legislation and economic policy. Political risk is directly related to the likelihood of unfavorable changes in the direction of governmental long-term policies. As a result there is a danger of adverse changes in the business climate.

#### **Sovereign credit risk**

The credit risk relates to the possibility for worsening of the international credit ratings of Bulgaria, Romania, Macedonia and Serbia. The low credit ratings may lead to higher interest rates and more restrictive financing conditions for business enterprises, including for the Company.

At the end of 2015, Standard&Poor's Credit Rating Agency affirmed Bulgaria's long-term and short-term foreign and local currency sovereign credit ratings "BB+/B", outlook stable.

The ratings are supported by the low government debt and the moderate external indebtedness. The agency indicates as constraining factors the relatively low income-per-capita levels and the weak institutional settings. Standard&Poor's estimates that the financial sector continues to face important challenges, but notes that efforts are underway to mitigate risks, including an asset quality review in the banking system slated for 2016.

### **Inflation risk**

Inflation risk is associated with the possibility inflation to adversely impact real returns. Inflation may affect the amount of expenses of the Issuer as a large part of the company's liabilities are interest bearing. Servicing them is related prevailing current interest rates, which reflect levels of inflation in the country. Therefore, low inflation rates in the countries of operation, is seen as a significant factor in the Company.

### **Currency risk**

This risk is related to the possibility of devaluation of a local currency.

In the case of Bulgaria this is the risk of a premature collapse of the Monetary Board and the drastic change in corresponding fixed exchange rate of the national currency. The official government and central bank policy are expected to maintain the currency board country to the adoption of the euro area.

In Romania, Serbia and Macedonia the exchange rates are determined by free market forces and rare interventions by central banks are driven primarily by sharp market movements in FX rates, caused by one-time extrinsic factors.

Any significant devaluation of currencies in the region (Bulgaria, Romania, Macedonia and Serbian) can have a significant adverse effect on businesses in the country, including that of the Company. Risks exist when revenues and expenditures of a firm are derived in different currencies.

### **Interest rate risk**

Interest rate risk is related to the possibility of changes in the prevailing interest rates in a country. Its impact is most obvious on the Net Income of a firm, as in cases of increases in underlying interest rates, should the firm fund itself with leverage. Interest rate risks are part of general macro-economic risks, as it is most likely driven by instability and perceived risk in the overall financial system. This risk is best handled through the balanced use of multiple sources of funding. A typical example of this risk is the ongoing global economic crisis, caused by capital shortage and liquidity squeeze in large mortgage lenders and financial institutions in the U.S. and Europe. As a result of the crisis, the required interest rate premium were re-evaluated and consequently dramatically increased globally. The effect of the crisis on Balkans is very tangible and has hampered access to leverage.

Increases in general interest rate levels, *ceteris paribus*, would impact the cost of leverage used by the company in its business development efforts. In parallel, such changes could adversely impact the expenses of the Firm, as a large portion of the Firm's financial liabilities are interest bearing and have a floating interest rate component.

## **2. Unsystematic risks**

### **Risk relating to the business operations of the Company**

EuroHold Bulgaria AD is a holding company and any deterioration in the operating results, financial position and growth prospects of its subsidiaries may adversely affect financial position of the Company.

The Company is involved in managing assets and other companies and thus cannot be specifically attributed to being exposed to one particular industry segment. Broadly, the Company is focused on the industry segment – (1) non-banking financial service (leasing, insurance, asset management, brokerage and financial intermediation) and (2) new car sales and services. The main risk facing EuroHold is the possibility of decreasing revenue across business segments. This could possibly impact the dividends received. Correspondingly, this could have a negative effect on consolidated revenue growth and respectively return on equity.

The largest business risk comes from the largest business segment of the Company – namely the general insurance operations, as the subsidiaries operating in Bulgaria, Romania and Macedonia bring a very significant portion of the Firm's overall revenues.

The activities of all subsidiaries of the Company are adversely affected by continued increases in market prices of fuel and electricity that are subject to international supply and demand and are determined by factors far beyond the Firm's control.

The largest business risk comes from the largest business segment of the Company – namely the general insurance operations, as the subsidiaries operating in Bulgaria, Romania and Macedonia bring a very significant portion of the Firm's overall revenues.

The major risks in the leasing business stem from the needs of the regional leasing subsidiaries to raise sufficient leverage at favorable interest rates, which in turn leaves them room to grow and provides proper interest margins that drive profitability. The leading leasing subsidiary is EuroLease Auto which is the Bulgarian operating company. As such it has issued several tranches of public bonds traded on the Bulgarian Stock Exchange (BSE) and thus has publicly disclosed a lot of information, including certain risk considerations.

Eurohold's Brokerage and Asset management arm is Euro-Finance AD. The risks associated with financial intermediation, brokerage and asset management relate to the overall general financial markets condition and the inherent volatility, along with the investment awareness and activeness of the general audience.

The car-sales segment which is present only in Bulgaria and is hosted under the umbrella of Avto Union AD is active in new car sales and also provides after-sales services to customers. Along with that, it provides rent-a-car services under short and long-term operating lease contracts. The ability to sell certain brands is a result of having a valid license issued by the OEMs to market and sell a given brand on the local market. Should such licenses and agreement be revoked, the impact on sales and the financial position of the company could be materially negative. This is particularly important, given the ongoing global restructuring and repositioning of car brands and manufacturers. The business environment in the automotive industry could be dramatically impacted by purely internal

drivers related to general purchasing power, access to lease-financing, general business sentiment, inventory levels, etc.

Deterioration in the performance 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 equity markets reflect the business potential and total net assets of the Group as a whole.

### **Strategic development risks**

Future earnings and market value of the company depend on the strategy chosen by the senior management team of the company and its subsidiaries. Choosing the wrong strategy could lead to significant losses.

Eurohold seeks to manage the risk of strategic errors by continuous monitoring of various stages in the implementation of its marketing strategy and financial performance. It is absolutely crucial to be able to respond quickly if a sudden change is needed at some stage in the strategic development plan. Untimely or inappropriate changes in strategy may also have a significant negative impact on the Company's operating results and financial position.

### **Risks related to the management of the company**

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

- ◆ Poor investment management and liquidity management decisions by either top management or other senior employees;
- ◆ Inability to launch and execute new projects under development;
- ◆ Possible information system errors;
- ◆ Possible external control failures;
- ◆ Departure of key employees and inability to retain and hire qualified personnel;
- ◆ Possible jump in SG&A expense, leading to shrinkage in overall margins and profitability levels.

### **Financial risk**

Financial risk is the additional level of risk and uncertainty. This level of financial uncertainty adds an extra layer of risk business. When a part of the capital which a company uses to finance its development is borrowed, the company has taken on predictable and/or fixed financial obligations for periodic payments.

The larger the proportion of long-term indebtedness to equity, the greater will be the probability of default in the payment of future financial obligations. An increase in this proportion (leverage ratio) implies an increase in overall financial risk. Another group of indicators are related to the flow of revenues through which the payment of the company's obligations is possible. Another indicators is the so called debt-service coverage ratio, which is an indication of the free cash flow before interest and taxes, which in turn can be used to repay and service the currently due interest components of debt. This ratio is a good indicator of a firm's ability to service its financial liabilities.

Acceptable or “normal” level of financial risk is generally highly dependent on the business risk. In a low business risk environment, investors should generally be willing to take higher levels of financial risk.

### **Currency risk**

EuroHold operates in several Balkan countries (Bulgaria, Romania, Macedonia and Serbia), as the national currency of each of the countries, except Bulgaria, is a freely convertible currency, whose value relative to other currencies is determined by free markets forces. In Bulgaria, since 1996 the local currency has been pegged to the EURO. Abrupt change in macro-framework of any of the countries, where the Company actively pursues business opportunities, may have a negative effect on its consolidated results. Ultimately, however, EuroHold reports consolidated Financial Results in Bulgaria in Bulgarian leva (BGN), which in turn is pegged to the Euro, which also changes its value against other global currencies, but is significantly less exposed to dramatic price fluctuations.

### **Liquidity Risk**

Liquidity risk is linked to the ability of the Company to service its maturing financial liabilities fully and on time. Low financial indebtedness and capitalization alone do not guarantee uninterrupted debt servicing capacity. Liquidity risks can also arise from a substantial delay in customer payment of amounts due.

EuroHold aims to manage this risk through an optimal allocation of internal resources on a consolidated basis. The Group seeks adequate liquidity levels in order to meet liabilities coming due, both under normal and unexpected market conditions, in a way that minimizes bearing of extra costs or losses, and that takes away reputation risk from non-payment of obligations due.

All subsidiaries exercise proper financial planning and forecasting, taking into account amounts due within the next 90 days, including servicing of financial liabilities. This format of detailed planning minimizes or even completely eliminates the effects of unexpected events happening.

Company’s senior management endorses use of financial leverage by the subsidiaries to the extent it is used for new business development or as working capital facilities. The level of such borrowed money is strictly controlled and is kept within pre-approved limits, after careful consideration of the needs of the specific business segment and the economic effect of such leverage. The general policy of EuroHold is to raise capital in the form of debt and equity financing on a centralized basis and then distribute it to the respective subsidiaries either in form of equity or debt.

### **Risk related to the possible transactions between companies in the group with terms different from the market terms as well as related to the dependence on the group activity**

The relations with the related parties arise from contract for temporary financial aid to the subsidiary companies and regarding transactions related to the normal business activity of the subsidiary companies.

The risk from the possible transactions between the companies in the Group under terms that are different from the market terms is a risk from achieving low profitability from the provided inter-group financing. Another risk which can be taken in inter-group transactions

is failing to realize enough revenues and therefore good profit for the relevant company. On a consolidated level this can reflect negatively on the profitability of the whole group.

Transactions between the parent company and the subsidiary companies are constantly done inside the Holding which arise from their normal activity. All transactions with related parties are conducted under terms that are no different from the normal market prices, complying with IAS 24.

Eurohold Bulgaria AD operates through its subsidiary companies which means that its financial results are directly dependant on the financial results, the developments and the perspectives of the subsidiary companies. One of the main objectives of Eurohold Bulgaria AD is to realize significant synergies between its subsidiary companies due to the integration of the three business lines – insurance, leasing and car sales. Bad results of one or several subsidiary companies could lead to worsening of the consolidated financial results. This is related to the Issuer's share price which can change as a result of the expectations of the investors about the perspectives of the company.

## **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.

## **INFORMATION FOR TRANSACTIONS BETWEEN RELATED PARTIES IN THE FIRST SIX MONTHS OF 2018**

There were no significant transactions between related parties during the reporting period.

Date: 8 August 2018

**Asen Minchev,**

*Executive Member of the  
Management Board*

Management Board

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

<i>In thousand BGN</i>	<i>Notes</i>	30.6.2018	30.6.2017
<b>Revenue from operating activities</b>			
Revenue from Insurance business	3	458 635	539 127
Revenue from car sales and after sales	5	127 243	91 801
Revenue from Leasing business	6	11 560	12 612
Revenue from asset management and brokerage	8	1 761	1 416
Revenue from the activities of the parent company	10	1 258	1 004
		<b>600 457</b>	<b>645 960</b>
<b>Expenses of operating activities</b>			
Expenses of Insurance business	4	(423 076)	(508 700)
Cost of cars and spare parts sold		(114 610)	(80 553)
Expenses of Leasing business	7	(1 817)	(1 968)
Expenses of asset management and brokerage	9	(1 298)	(957)
Expenses of the activities of the parent company	11	(51)	(732)
		<b>(540 852)</b>	<b>(592 910)</b>
<b>Gross Profit</b>		<b>59 605</b>	<b>53 050</b>
Other income/(expenses), net	12	(2 644)	(4 461)
Other operating expenses	13	(37 605)	(31 265)
<b>EBITDA</b>		<b>19 356</b>	<b>17 324</b>
Financial expenses	14	(11 259)	(9 444)
Financial income	15	41	316
Foreign exchange gains/losses, net	18	944	7
<b>EBTDA</b>		<b>9 082</b>	<b>8 203</b>
Depreciation and amortization	16	(5 001)	(4 118)
<b>EBT</b>		<b>4 081</b>	<b>4 085</b>
Tax expenses	17	(2)	(159)
<b>Net income for the period</b>		<b>4 079</b>	<b>3 926</b>
Attributable to:			
Equity holders of the parent		1 938	2 011
Non-controlling interests		2 141	1 915

Prepared by:

Signed on behalf of BoD:

Procurator:

31.7.2018 /I. Hristov/

/A. Minchev/

/H.Stoev/

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

<i>In thousand BGN</i>	<i>Notes</i>	30.6.2018	30.6.2017
<b>Profit for the period</b>	44	<b>4 079</b>	<b>3 926</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		184	46
Exchange differences on translating foreign operations		1 234	(392)
<b>Other comprehensive income for the period, net of tax</b>		<b>1 418</b>	<b>(346)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>5 497</b>	<b>3 580</b>
Attributable to:			
Equity holders of the parent		3 235	1 715
Non-controlling interests		2 262	1 865
		<b>5 497</b>	<b>3 580</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

31.7.2018

/I. Hristov/

/A. Minchev/

/H.Stoev/

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

<i><b>In thousand BGN</b></i>	<i>Notes</i>	30.6.2018	31.12.2017
<b>ASSETS</b>			
Cash and cash equivalents	19	47 581	45 945
Deposits at banks	20	14 445	11 171
Reinsurers' share in technical reserves	21.1	383 818	361 247
Insurance receivables	21.2	85 202	87 941
Trade receivables	22	31 489	27 474
Other receivables	23	34 844	30 822
Machinery, plant and equipment	24, 24.2-5	51 516	44 630
Intangible assets	26	2 276	2 198
Inventory	27	51 461	59 125
Financial assets	28	302 365	327 053
Deferred tax assets	29	13 171	13 184
Land and buildings	24, 24.1	19 618	20 090
Investment property	25	13 259	12 698
Investments in associates and other investments	30	7 646	4 724
Other financial investments	31	2 395	2 391
Non-current receivables	32	107 616	85 908
Goodwill	33	189 813	189 813
<b>TOTAL ASSETS</b>		<b>1 358 515</b>	<b>1 326 414</b>

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

<i><b>In thousand BGN</b></i>	<i>Notes</i>	30.6.2018	31.12.2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	43.1	197 526	197 526
Treasury shares	43.1	(6 077)	(77)
Share Premium	43.2	49 568	49 568
General reserves		7 641	7 641
Revaluation and other reserves		(48 568)	(57 203)
Retained earnings/(losses)		(27 548)	(44 825)
Profit for the year	44	1 938	18 174
<b>Equity attributable to equity holders of the parent</b>		<b>174 480</b>	<b>170 804</b>
Non-controlling interests	45	42 027	43 702
<b>Total equity</b>		<b>216 507</b>	<b>214 506</b>
<b>Subordinated debts</b>	34	<b>28 058</b>	<b>26 058</b>
<b>LIABILITIES</b>			
Bank and non-bank loans	35	116 610	99 245
Obligations on bond issues	36	163 267	150 757
Non-current liabilities	37	31 534	30 087
Current liabilities	38	22 245	25 587
Trade and other payables	39	85 776	102 192
Payables to reinsurers and from direct insurance	40	64 305	81 863
Deferred tax liabilities	41	251	284
		<b>483 988</b>	<b>490 015</b>
Insurance reserves	42	629 962	595 835
		<b>629 962</b>	<b>595 835</b>
<b>Total liabilities and subordinated debts</b>		<b>1 142 008</b>	<b>1 111 908</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 358 515</b>	<b>1 326 414</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

/I. Hristov/  
31.7.2018

/A. Minchev/

/H.Stoev/

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

<i><b>In thousand BGN</b></i>	<i>Notes</i>	30.6.2018	30.6.2017
<b>Cash flows from operating activities</b>			
<b>Profit for the period before tax:</b>		<b>4 081</b>	<b>4 085</b>
Adjustments for:			
Depreciation	16	5 001	4 118
Foreign exchange gain/loss		(21)	90
Impairment of assets		45	52
Interest expense		12 590	10 987
Interest revenue		(5 762)	(6 227)
Dividend revenue		(113)	(159)
Other non-cash adjustments		(4 980)	(4 511)
<b>Operating profit before change in working capital</b>		<b>10 841</b>	<b>8 435</b>
Change in trade and other receivables		17 273	(69 145)
Change in inventory		7 677	3 162
Change in trade and other payables and other adjustments		(5 065)	82 817
<b>Cash generated from operating activities</b>		<b>30 726</b>	<b>25 269</b>
Interest (paid)/received		149	1 149
Income tax paid		(468)	(585)
<b>Net cash flows from operating activities</b>		<b>30 407</b>	<b>25 833</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(4 228)	(2 204)
Proceeds from the disposal of property, plant and equipment		1 249	3 882
Loans granted		(23 064)	(2 322)
Repayment of loans, including financial leases		18 549	9 144
Interest received on loans granted		781	296
Purchase of investments		(110 313)	(295 308)
Sale of investments		76 835	288 925
Dividends received		49	188
Effect of exchange rate changes		121	1 099
Other proceeds/(payments) from investing activities, net		(1 819)	(483)
<b>Net cash flows from investing activities</b>		<b>(41 840)</b>	<b>3 217</b>

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

<b><i>In thousand BGN</i></b>	<i>Notes</i>	30.6.2018	30.6.2017
<b>Financing activities</b>			
Proceeds from issuance of shares		-	34 000
Proceeds from loans		133 957	216 438
Repayment of loans		(106 136)	(227 786)
Repayment of financial leases		(8 916)	(5 274)
Payment of interest, charges, commissions on investment loans		(6 716)	(3 471)
Dividends paid		(244)	-
Other proceeds/(payments) from financing activities, net		1 124	(352)
<b>Net cash flows from financing activities</b>		<b>13 069</b>	<b>13 555</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1 636</b>	<b>42 605</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 year</b>	19	<b>47 581</b>	<b>143 553</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

31.7.2018 /I. Hristov/

/A. Minchev/

/H.Stoev/

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

<i>In thousand BGN</i>	Share capital	Share premium	General reserves	Revaluation and other reserves	Retained earnings/(losses)	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
<b>Balance as at 1 January 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 31 December 2017</b>	<b>197 449</b>	<b>49 568</b>	<b>7 641</b>	<b>(57 203)</b>	<b>(26 651)</b>	<b>170 804</b>	<b>43 702</b>	<b>214 506</b>
<b>Balance as at 1 January 2018</b>	<b>197 449</b>	<b>49 568</b>	<b>7 641</b>	<b>(57 203)</b>	<b>(26 651)</b>	<b>170 804</b>	<b>43 702</b>	<b>214 506</b>
Treasury shares	(6 000)	-	-	-	-	<b>(6 000)</b>	-	<b>(6 000)</b>
Dividends	-	-	-	-	(1 800)	<b>(1 800)</b>	(244)	<b>(2 044)</b>
Change in non-controlling interests without change in control	-	-	-	7 338	903	<b>8 241</b>	(3 693)	<b>4 548</b>
Profit for the period	-	-	-	-	1 938	<b>1 938</b>	2 141	<b>4 079</b>
<b>Other comprehensive income:</b>								
Exchange differences on translating foreign operations	-	-	-	1 100	-	<b>1 100</b>	134	<b>1 234</b>
Change in the fair value of financial assets available-for-sale	-	-	-	197	-	<b>197</b>	(13)	<b>184</b>
Total other comprehensive income	-	-	-	<b>1 297</b>	-	<b>1 297</b>	<b>121</b>	<b>1 418</b>
Total comprehensive income	-	-	-	<b>1 297</b>	<b>1 938</b>	<b>3 235</b>	<b>2 262</b>	<b>5 497</b>
<b>Balance as of 30 June 2018</b>	<b>191 449</b>	<b>49 568</b>	<b>7 641</b>	<b>(48 568)</b>	<b>(25 610)</b>	<b>174 480</b>	<b>42 027</b>	<b>216 507</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

31.7.2018

/I. Hristov/

/A. Minchev/

/H.Stoev/

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

In thousand BGN

		30.6.2018	30.6.2018	30.6.2018	30.6.2018	30.6.2018	30.6.2018	30.6.2018
	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	458 635	459 396	-	-	-	-	(761)
Revenue from car sales and after sales	5	127 243	-	131 630	-	-	-	(4 387)
Revenue from Leasing business	6	11 560	-	-	12 261	-	-	(701)
Revenue from asset management and brokerage	8	1 761	-	-	-	2 138	-	(377)
Revenue from the activities of the parent company	10	1 258	-	-	-	-	1 834	(576)
		<b>600 457</b>	<b>459 396</b>	<b>131 630</b>	<b>12 261</b>	<b>2 138</b>	<b>1 834</b>	<b>(6 802)</b>
<b>Expenses of operating activities</b>								
Expenses of Insurance business	4	(423 076)	(426 828)	-	-	-	-	3 752
Cost of cars and spare parts sold		(114 610)	-	(114 628)	-	-	-	18
Expenses of Leasing business	7	(1 817)	-	-	(1 998)	-	-	181
Expenses of asset management and brokerage	9	(1 298)	-	-	-	(1 299)	-	1
Expenses of the activities of the parent company	11	(51)	-	-	-	-	(51)	-
		<b>(540 852)</b>	<b>(426 828)</b>	<b>(114 628)</b>	<b>(1 998)</b>	<b>(1 299)</b>	<b>(51)</b>	<b>3 952</b>
<b>Gross Profit</b>		<b>59 605</b>	<b>32 568</b>	<b>17 002</b>	<b>10 263</b>	<b>839</b>	<b>1 783</b>	<b>(2 850)</b>
Other income/(expenses), net	12	(2 644)	-	-	(3 446)	19	-	783
Other operating expenses	13	(37 605)	(18 876)	(13 911)	(4 073)	(785)	(943)	983
<b>EBITDA</b>		<b>19 356</b>	<b>13 692</b>	<b>3 091</b>	<b>2 744</b>	<b>73</b>	<b>840</b>	<b>(1 084)</b>
Financial expenses	14	(11 259)	(1 179)	(1 401)	-	-	(9 560)	881
Financial income	15	41	-	47	-	-	-	(6)
Foreign exchange gains/losses, net	18	944	-	-	-	-	944	-
<b>EBTDA</b>		<b>9 082</b>	<b>12 513</b>	<b>1 737</b>	<b>2 744</b>	<b>73</b>	<b>(7 776)</b>	<b>(209)</b>
Depreciation and amortization	16	(5 001)	(979)	(1 342)	(2 634)	(35)	(11)	-
<b>EBT</b>		<b>4 081</b>	<b>11 534</b>	<b>395</b>	<b>110</b>	<b>38</b>	<b>(7 787)</b>	<b>(209)</b>
Taxes	17	(2)	-	-	-	(2)	-	-
<b>Net income for the period</b>		<b>4 079</b>	<b>11 534</b>	<b>395</b>	<b>110</b>	<b>36</b>	<b>(7 787)</b>	<b>(209)</b>

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

In thousand BGN

		30.6.2017	30.6.2017	30.6.2017	30.6.2017	30.6.2017	30.6.2017	30.6.2017
	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	539 127	540 003	-	-	-	-	(876)
Revenue from car sales and after sales	5	91 801	-	95 349	-	-	-	(3 548)
Revenue from Leasing business	6	12 612	-	-	13 113	-	-	(501)
Revenue from asset management and brokerage	8	1 416	-	-	-	1 931	-	(515)
Revenue from the activities of the parent company	10	1 004	-	-	-	-	2 627	(1 623)
		<b>645 960</b>	<b>540 003</b>	<b>95 349</b>	<b>13 113</b>	<b>1 931</b>	<b>2 627</b>	<b>(7 063)</b>
<b>Expenses of operating activities</b>								
Expenses of Insurance business	4	(508 700)	(511 794)	-	-	-	-	3 094
Cost of cars and spare parts sold		(80 553)	-	(80 562)	-	-	-	9
Expenses of Leasing business	7	(1 968)	-	-	(2 082)	-	-	114
Expenses of asset management and brokerage	9	(957)	-	-	-	(958)	-	1
Expenses of the activities of the parent company	11	(732)	-	-	-	-	(813)	81
		<b>(592 910)</b>	<b>(511 794)</b>	<b>(80 562)</b>	<b>(2 082)</b>	<b>(958)</b>	<b>(813)</b>	<b>3 299</b>
<b>Gross Profit</b>		<b>53 050</b>	<b>28 209</b>	<b>14 787</b>	<b>11 031</b>	<b>973</b>	<b>1 814</b>	<b>(3 764)</b>
Other income/(expenses), net	12	(4 461)	-	-	(5 154)	-	-	693
Other operating expenses	13	(31 265)	(14 978)	(11 708)	(3 699)	(772)	(960)	852
<b>EBITDA</b>		<b>17 324</b>	<b>13 231</b>	<b>3 079</b>	<b>2 178</b>	<b>201</b>	<b>854</b>	<b>(2 219)</b>
Financial expenses	14	(9 444)	(1 196)	(1 604)	-	-	(8 335)	1 691
Financial income	15	316	-	327	-	-	-	(11)
Foreign exchange gains/losses, net	18	7	-	-	-	-	7	-
<b>EBTDA</b>		<b>8 203</b>	<b>12 035</b>	<b>1 802</b>	<b>2 178</b>	<b>201</b>	<b>(7 474)</b>	<b>(539)</b>
Depreciation and amortization	16	(4 118)	(672)	(1 358)	(2 056)	(28)	(4)	-
<b>EBT</b>		<b>4 085</b>	<b>11 363</b>	<b>444</b>	<b>122</b>	<b>173</b>	<b>(7 478)</b>	<b>(539)</b>
Taxes	17	(159)	(147)	(10)	-	(2)	-	-
<b>Net income for the period</b>		<b>3 926</b>	<b>11 216</b>	<b>434</b>	<b>122</b>	<b>171</b>	<b>(7 478)</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 H1.2018.

# Notes to the Interim Consolidated Financial Statements for H1.2018

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 at 30.6.2018:

### Supervisory Board:

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

### Management board:

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

As at 30.6.2018, the Company is represented and managed by Kiril Ivanov Boshov and Asen Mintchev Mintchev – Executive Members of the Management Board, and Hristo Stoev – Procurator, jointly by the one of the executive members and the Procurator of the Company.

### 1.1 Scope of activities

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

### 1.2 Structure of the economic group

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

### Companies involved in the consolidation and percentage of participation in equity

#### Insurance Sector

Company	% of participation in the share capital 30.6.2018	% of participation in the share capital 2017
<b>Euroins Insurance Group AD*</b>	<b>90.74%</b>	<b>89.36%</b>
<b>Indirect participation through EIG AD:</b>		
Insurance Company Euroins AD	98.22%	98.21%
Euroins Romania Insurance AD	98.50%	98.50%
Euroins Insurance AD Macedonia	93.36%	93.36%
Euroins Life Insurance EAD	100.00%	100.00%
Insurance Company EIG Re AD	100.00%	100.00%
Euroins Ukraine AD	98.32%	98.32%

\*direct participation

**Finance Sector**

Company	% of participation in the share capital 30.6.2018	% 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%
Eurolease Auto Retail EAD	100.00%	100.00%
Autoplaza EAD	100.00%	100.00%
Sofia Motors EOOD	100.00%	100.00%

\*direct participation

In 2017 the company Eurolease Auto Retail EAD was established.

**Automobile Sector**

Company	% of participation in the share capital 30.6.2018	% 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%
Sofia Auto Bulvaria OOD	51.00%	-
Star Motors EOOD	100.00%	100.00%
Star Motors DOOEL, Macedonia through Star Motors EOOD	100.00%	100.00%
Star Motopc SH.P.K. through Star Motors EOOD	100.00%	100.00%
Auto Union Service EOOD	100.00%	100.00%
Motobul EAD	100.00%	100.00%
Bopar Pro S.R.L., Romania through Motobul EOOD	99.00%	99.00%

\*direct participation

**2. SUMMARY OF THE GROUP'S ACCOUNTING POLICY****2.1 Basis for Preparation of the Financial Statement**

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

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

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

**2.2 Comparative Data**

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

**2.3 Consolidation**

Consolidated financial statements comprise consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity as at 30.6.2018.

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

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

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

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

### **Principles of Consolidation**

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

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

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

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

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

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

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

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

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

## 2.4 Functional and Reporting Currency

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

## 2.5 Accounting Assumptions and Accounting Estimates

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

### Deferred tax assets

#### Tax loss

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

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

### Inventories – Impairment

As at the end of the reporting period, the management reviews the available inventories – supplies, goods, in order to identify if there are inventories whose net realizable value is less than their book value. No indications for impairment of inventories have been found during the review as at 30.6.2018.

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

In accordance with the requirements of IAS 36, as at the end of the reporting period the management judges if there are indications that the value of an asset within the property, plant and equipment is impaired. In case such indications exist, the replacement cost of this asset is measured and the impairment loss is calculated. As at 30.6.2018, 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 30.6.2018, 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:

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

### **Impairment**

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

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

### **2.12.2 Fixed intangible assets**

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

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

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

### **2.12.3 Investment property**

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

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

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

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

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

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

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

#### **Defined contribution plans**

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

#### **Retirement benefits**

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

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

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

### **2.14 Financial assets**

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

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

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

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

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

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

**Cash**

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

**Term deposits in banks**

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

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

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

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

**Investments Held-to-Maturity**

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

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

**Loans and Other Receivables**

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

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

**Financial Assets Available for Sale**

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

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

**Derivative financial instruments**

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

### 2.15 Inventories

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

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

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

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

### 2.16 Short-term receivables

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

### 2.17 Liability provisions

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

### 2.18 Equity

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

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

### 2.19 Earning per share

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

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

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

### 2.20 Liabilities

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

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

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

## 2.21 Financial Risk Management

### Factors Determining Financial Risk

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

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

#### Currency risk

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

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

#### Interest risk

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

#### Credit risk

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

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

#### Liquidity risk

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

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

## 2.22 Measuring Fair Values

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

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

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

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

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

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

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

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

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

## 2.23 Cash flows

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

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

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

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

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

## 3. Revenue from insurance business

	30.6.2018 BGN '000	30.6.2017 BGN '000
Gross premiums written from insurance	299 137	359 134
Received recoveries from reinsurers	74 229	69 290
Positive change in the gross provision for unearned premiums and unexpired risk reserve	6 754	66
Positive change in reinsurers' share in unearned premium reserve	5 218	40 780
Change in the reinsurers' share in other reserves	17 433	6 117
Positive change in other technical reserves	-	7 724
Recourse income	4 747	3 111
Fees and commissions income	19 966	30 645
Investment income	14 239	18 594
Other revenue	16 912	3 666
	<b>458 635</b>	<b>539 127</b>

**4. Expenses of insurance business**

	30.6.2018	30.6.2017
	BGN '000	BGN '000
Current year paid claims, claims handling and prevention expenses	(192 211)	(172 753)
Change in the gross provision for unearned premiums and unexpired risk reserve	(11 128)	(60 559)
Share of reinsurers in the change of the unearned premium reserve	-	(6)
Change in other reserves	(29 778)	(9 195)
Change in the reinsurers' share in the other reserves	-	(5 089)
Premiums ceded to reinsurers	(98 811)	(154 585)
Acquisition expenses	(70 636)	(74 549)
Investment expenses	(8 335)	(8 638)
Other expenses	(12 177)	(23 326)
	<b>(423 076)</b>	<b>(508 700)</b>

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

	30.6.2018	30.6.2017
	BGN '000	BGN '000
Revenue from sale of cars and spare parts	123 405	87 924
Revenue from after sales and rent-a-car services	3 838	3 877
	<b>127 243</b>	<b>91 801</b>

**6. Revenue from Leasing business**

	30.6.2018	30.6.2017
	BGN '000	BGN '000
Revenue from services	9 285	10 345
Interest income	2 234	2 250
Foreign exchange gains	2	5
Other financial revenue	36	12
	<b>11 560</b>	<b>12 612</b>

**7. Expenses of Leasing business**

	30.6.2018	30.6.2017
	BGN '000	BGN '000
Interest expenses	(1 687)	(1 830)
Foreign exchange losses	(12)	(12)
Other expenses	(111)	(126)
	<b>(1 817)</b>	<b>(1 968)</b>

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

	30.6.2018 BGN '000	30.6.2017 BGN '000
Interest income	356	191
Dividend income	91	-
Positive result from sales of financial instruments	686	934
Gains from sale of financial instruments	279	27
Other revenue	349	264
	<b>1 761</b>	<b>1 416</b>

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

	30.6.2018 BGN '000	30.6.2017 BGN '000
Interest expenses	(13)	(17)
Negative result from sales of financial instruments	(1 232)	(891)
Other expenses	(53)	(49)
	<b>(1 298)</b>	<b>(957)</b>

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

	30.6.2018 BGN '000	30.6.2017 BGN '000
Gains from sale of financial instruments	570	507
Interest revenue	688	497
	<b>1 258</b>	<b>1 004</b>

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

	30.6.2018 BGN '000	30.6.2017 BGN '000
Negative result from sales of financial instruments	(51)	(732)
	<b>(51)</b>	<b>(732)</b>

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

	30.6.2018 BGN '000	30.6.2017 BGN '000
Other income/(expenses), net	(2 644)	(4 461)
	<b>(2 644)</b>	<b>(4 461)</b>

**12.1. Other expenses**

	30.6.2018	30.6.2017
	BGN '000	BGN '000
Leasing business	(2 663)	(4 461)
	<b>(2 663)</b>	<b>(4 461)</b>

**12.2. Other revenue**

	30.6.2018	30.6.2017
	BGN '000	BGN '000
Asset management and brokerage	19	-
	<b>19</b>	<b>-</b>

**13. Other operating expenses**

	30.6.2018	30.6.2017
	BGN '000	BGN '000
Expenses on materials	(1 412)	(1 349)
Expenses on hired services	(14 180)	(12 268)
Employee benefits expense	(16 916)	(14 508)
Other expenses	(5 097)	(3 140)
	<b>(37 605)</b>	<b>(31 265)</b>

**13.1 Expenses on materials by segments**

	30.6.2018	30.6.2017
	BGN '000	BGN '000
Insurance business	(309)	(295)
Automotive business	(974)	(878)
Leasing business	(111)	(149)
Asset management and brokerage	(15)	(22)
Parent company	(3)	(5)
	<b>(1 412)</b>	<b>(1 349)</b>

**13.2 Expenses on hired services by segments**

	30.6.2018	30.6.2017
	BGN '000	BGN '000
Insurance business	(6 751)	(5 493)
Automotive business	(4 680)	(4 045)
Leasing business	(1 780)	(1 776)
Asset management and brokerage	(313)	(246)
Parent company	(656)	(708)
	<b>(14 180)</b>	<b>(12 268)</b>

**13.3 Employee benefits expense by segments**

	30.6.2018 BGN '000	30.6.2017 BGN '000
Insurance business	(8 065)	(6 895)
Automotive business	(7 076)	(6 016)
Leasing business	(1 221)	(1 059)
Asset management and brokerage	(338)	(361)
Parent company	(216)	(177)
	<b>(16 916)</b>	<b>(14 508)</b>

**13.4 Other expenses by segments**

	30.6.2018 BGN '000	30.6.2017 BGN '000
Insurance business	(3 751)	(2 295)
Automotive business	(867)	(536)
Leasing business	(319)	(108)
Asset management and brokerage	(93)	(138)
Parent company	(67)	(63)
	<b>(5 097)</b>	<b>(3 140)</b>

**14. Financial expenses**

	30.6.2018 BGN '000	30.6.2017 BGN '000
Interest expenses	(10 890)	(9 140)
Other financial expenses	(369)	(304)
	<b>(11 259)</b>	<b>(9 444)</b>

**14.1 Financial expenses by segments**

	30.6.2018 BGN '000	30.6.2017 BGN '000
Insurance business	(1 073)	(413)
Automotive business	(708)	(797)
Parent company	(9 109)	(7 930)
	<b>(10 890)</b>	<b>(9 140)</b>

**14.2 Other financial expenses by segments**

	30.6.2018 BGN '000	30.6.2017 BGN '000
Automotive business	(347)	(276)
Parent company	(22)	(28)
	<b>(369)</b>	<b>(304)</b>

**15. Financial income**

	30.6.2018 BGN '000	30.6.2017 BGN '000
Interest revenue	41	316
	<b>41</b>	<b>316</b>

**15.1 Financial income by segments**

	30.6.2018 BGN '000	30.6.2017 BGN '000
Automotive business	41	316
	<b>41</b>	<b>316</b>

**16. Depreciation by segments**

	30.6.2018 BGN '000	30.6.2017 BGN '000
Insurance business	(979)	(672)
Automotive business	(1 342)	(1 358)
Leasing business	(2 634)	(2 056)
Asset management and brokerage	(35)	(28)
Parent company	(11)	(4)
	<b>(5 001)</b>	<b>(4 118)</b>

**17. Tax**

	30.6.2018 BGN '000	30.6.2017 BGN '000
Income tax expense	(2)	(159)
	<b>(2)</b>	<b>(159)</b>

**17.1 Tax by segments**

	30.6.2018 BGN '000	30.6.2017 BGN '000
Insurance business	-	(147)
Automotive business	-	(10)
Asset management and brokerage	(2)	(2)
	<b>(2)</b>	<b>(159)</b>

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

	30.6.2018 BGN '000	30.6.2017 BGN '000
Automotive business	944	7
Parent company	-	-
	<b>944</b>	<b>7</b>

**19. Cash and cash equivalents**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Cash on hand	1 824	1 637
Cash at bank	45 348	43 511
Restricted cash	70	490
Cash equivalents	339	307
	<b>47 581</b>	<b>45 945</b>

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

	30.6.2018 BGN '000	31.12.2017 BGN '000
Insurance business	14 445	11 171
	<b>14 445</b>	<b>11 171</b>

**21.1 Reinsurers' share in technical reserves**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Unearned premium reserve	122 868	117 578
Unexpired risk reserve	-	-
Claims reserves, incl.:	260 950	240 509
<i>Reserves for incurred, but not reported claims</i>	<i>108 891</i>	<i>102 594</i>
<i>Reserves for reported, but not settled claims</i>	<i>152 059</i>	<i>137 915</i>
Other technical reserves	-	3 160
	<b>383 818</b>	<b>361 247</b>

**21.2 Receivables from insurance business**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Receivables from direct insurance	69 092	69 720
Receivables from reinsurers or cedants	9 179	7 545
Recourse receivables	6 931	10 676
	<b>85 202</b>	<b>87 941</b>

**22. Trade receivables**

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Trade receivables	26 192	26 576
Advances paid	4 716	614
Other	581	284
	<b>31 489</b>	<b>27 474</b>

**22.1. Trade receivables by segments**

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	2 095	1 905
Automotive business	14 705	13 500
Leasing services	9 195	11 164
Asset management and brokerage	33	2
Parent company	164	5
	<b>26 192</b>	<b>26 576</b>

**23. Other receivables**

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	13 968	16 547
Automotive business	4 460	3 688
Leasing services	985	758
Parent company	6 639	1 637
Prepaid expenses	6 066	2 868
Receivables under court procedures	1 626	3 311
Tax receivables	1 100	2 013
	<b>34 844</b>	<b>30 822</b>

**23.1. Tax receivables by segments**

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	148	137
Automotive business	173	223
Leasing services	712	1 643
Parent company	67	10
	<b>1 100</b>	<b>2 013</b>

## 24. Property, plant and equipment

	Land plots	Buildings	Machinery and equipment	Vehicles	Furniture and fittings	Assets under construction	Other	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
<b>Cost</b>								
<b>At 1 January 2017</b>	<b>5 486</b>	<b>13 470</b>	<b>7 926</b>	<b>43 744</b>	<b>5 805</b>	<b>4 717</b>	<b>1 713</b>	<b>82 861</b>
Additions	37	4 297	1 255	28 056	1 441	490	2 188	<b>37 764</b>
Disposals	(33)	(95)	(123)	(15 922)	(63)	(4 178)	(2 147)	<b>(22 561)</b>
<b>At 31 December 2017</b>	<b>5 490</b>	<b>17 672</b>	<b>9 058</b>	<b>55 878</b>	<b>7 183</b>	<b>1 029</b>	<b>1 754</b>	<b>98 064</b>
<b>At 1 January 2018</b>	<b>5 490</b>	<b>17 672</b>	<b>9 058</b>	<b>55 878</b>	<b>7 183</b>	<b>1 029</b>	<b>1 754</b>	<b>98 064</b>
Additions	-	42	393	16 287	242	1 211	29	<b>18 204</b>
Disposals	(207)	(160)	(23)	(7 317)	(69)	(1 198)	-	<b>(8 974)</b>
<b>At 30 June 2018</b>	<b>5 283</b>	<b>17 554</b>	<b>9 428</b>	<b>64 848</b>	<b>7 356</b>	<b>1 042</b>	<b>1 783</b>	<b>107 294</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>
Depreciation for the period	-	209	376	3 864	249	-	50	<b>4 748</b>
Disposals	-	(62)	(27)	(1 762)	(81)	-	-	<b>(1 932)</b>
<b>At 30 June 2018</b>	<b>-</b>	<b>3 219</b>	<b>7 345</b>	<b>19 739</b>	<b>4 635</b>	<b>5</b>	<b>1 217</b>	<b>36 160</b>
<b>Net book value:</b>								
<b>At 1 January 2017</b>	<b>5 486</b>	<b>10 721</b>	<b>1 525</b>	<b>25 976</b>	<b>1 658</b>	<b>4 712</b>	<b>644</b>	<b>50 722</b>
<b>At 1 January 2018</b>	<b>5 490</b>	<b>14 600</b>	<b>2 062</b>	<b>38 241</b>	<b>2 716</b>	<b>1 024</b>	<b>587</b>	<b>64 720</b>
<b>At 30 June 2018</b>	<b>5 283</b>	<b>14 335</b>	<b>2 083</b>	<b>45 109</b>	<b>2 721</b>	<b>1 037</b>	<b>566</b>	<b>71 134</b>

## 24.1. Land and buildings by segments

	30.6.2018	31.12.2017
	BGN '000	BGN '000
Insurance business	9 597	9 918
Automotive business	10 021	10 172
	<b>19 618</b>	<b>20 090</b>

**24.2. Machinery and equipment by segments**

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	525	385
Automotive business	1 512	1 632
Leasing business	46	45
	<b>2 083</b>	<b>2 062</b>

**24.3. Vehicles by segments**

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	5 944	2 199
Automotive business	11 658	10 692
Leasing services	27 366	25 281
Asset management and brokerage	47	55
Parent company	94	14
	<b>45 109</b>	<b>38 241</b>

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

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	215	214
Automotive business	2 988	3 033
Leasing services	66	38
Asset management and brokerage	14	16
Parent company	4	2
	<b>3 287</b>	<b>3 303</b>

**24.5. Assets under construction by segments**

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	332	224
Automotive business	705	800
	<b>1 037</b>	<b>1 024</b>

**25. Investment property**

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
<b>Net book value at 1 January</b>	<b>12 698</b>	<b>13 215</b>
Additions	-	68
Revaluation	561	(130)
Other changes	-	(455)
<b>Net book value as at the period end</b>	<b>13 259</b>	<b>12 698</b>

**26. Intangible assets**

	Software	Licenses	Other	Total
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
<b>Cost</b>				
<b>At 1 January 2017</b>	<b>6 095</b>	<b>155</b>	<b>1 483</b>	<b>7 733</b>
Additions	1 037	-	150	<b>1 187</b>
Disposals	(388)	(40)	(21)	<b>(449)</b>
<b>At 31 December 2017</b>	<b>6 744</b>	<b>115</b>	<b>1 612</b>	<b>8 471</b>
<b>At 1 January 2018</b>	<b>6 744</b>	<b>115</b>	<b>1 612</b>	<b>8 471</b>
Additions	390	-	49	<b>439</b>
Disposals	(72)	(1)	(35)	<b>(108)</b>
<b>At 30 June 2018</b>	<b>7 062</b>	<b>114</b>	<b>1 626</b>	<b>8 802</b>
<b>Depreciation</b>				
<b>At 1 January 2017</b>	<b>5 076</b>	<b>154</b>	<b>764</b>	<b>5 994</b>
Depreciation for the year	412	-	92	<b>504</b>
Disposals	(184)	(40)	(1)	<b>(225)</b>
<b>At 31 December 2017</b>	<b>5 304</b>	<b>114</b>	<b>855</b>	<b>6 273</b>
<b>At 1 January 2018</b>	<b>5 304</b>	<b>114</b>	<b>855</b>	<b>6 273</b>
Depreciation for the period	198	-	55	<b>253</b>
Disposals	-	-	-	<b>-</b>
<b>At 30 June 31</b>	<b>5 502</b>	<b>114</b>	<b>910</b>	<b>6 526</b>
<b>Net book value:</b>				
<b>At 1 January 2017</b>	<b>1 019</b>	<b>1</b>	<b>719</b>	<b>1 739</b>
<b>At 1 January 2018</b>	<b>1 440</b>	<b>1</b>	<b>757</b>	<b>2 198</b>
<b>At 30 June 2018</b>	<b>1 560</b>	<b>-</b>	<b>716</b>	<b>2 276</b>

**27. Inventories by segments**

	30.6.2018	31.12.2017
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	228	248
Automotive business	49 087	53 249
Leasing business	2 146	5 628
	<b>51 461</b>	<b>59 125</b>

**28. Financial assets**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Financial assets held for trading	275 057	305 715
Available for sale financial assets	15 493	15 638
Other financial assets	11 815	5 700
	<b>302 365</b>	<b>327 053</b>

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

	30.6.2018 BGN '000	31.12.2017 BGN '000
Insurance business, incl.:	263 584	294 500
<i>Government bonds</i>	121 627	133 742
Asset management and brokerage	11 473	11 215
	<b>275 057</b>	<b>305 715</b>

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

	30.6.2018 BGN '000	31.12.2017 BGN '000
Insurance business, incl.:	15 493	15 638
<i>Government bonds</i>	4 436	4 680
	<b>15 493</b>	<b>15 638</b>

**28.3. Other financial assets by segments**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Insurance business	11 815	5 700
	<b>11 815</b>	<b>5 700</b>

**29. Deferred tax asset**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Insurance business	12 607	12 618
Automotive business	467	469
Leasing business	97	97
	<b>13 171</b>	<b>13 184</b>

**30. Investments in subsidiaries and associates**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Investments of the parent company	3 463	-
Investments of the subsidiaries	4 183	4 724
	<b>7 646</b>	<b>4 724</b>

**31. Other financial investments by segments**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Insurance business	2 386	2 382
Parent company	9	9
	<b>2 395</b>	<b>2 391</b>

**32. Non-current receivables**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Finance lease receivables	47 692	45 414
Parent company	9 779	9 779
Subsidiaries	50 145	30 715
	<b>107 616</b>	<b>85 908</b>

**33. Goodwill**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Euroins Insurance Group AD	164 478	164 478
Motobul EAD	12 538	12 538
Bulvaria Varna EOOD	5 591	5 591
Daru Car OOD	1 461	1 461
Eurolease Group EAD	1 312	1 312
Eurolease Rent-a-Car EOOD	1 803	1 803
Sofia Motors EOOD	10	10
Euro-Finance AD	2 620	2 620
	<b>189 813</b>	<b>189 813</b>

**34. Subordinated debts by segments**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Insurance business - issued	19 558	19 558
Insurance business - other	8 500	6 500
	<b>28 058</b>	<b>26 058</b>

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

	30.6.2018 BGN '000	31.12.2017 BGN '000
Insurance business	17	-
Automotive business	16 896	17 382
Leasing business	55 536	47 768
Parent company	44 161	34 095
	<b>116 610</b>	<b>99 245</b>

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

	30.6.2018 BGN '000	31.12.2017 BGN '000
Automotive business, incl.:	4 455	4 918
<i>Bank loans</i>	4 455	4 918
Leasing business, incl.:	54 358	46 404
<i>Bank loans</i>	54 358	46 404
Parent company, incl.:	37 015	21 123
<i>Bank loans</i>	37 015	21 123
	<b>95 828</b>	<b>72 445</b>

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

	30.6.2018 BGN '000	31.12.2017 BGN '000
Insurance business, incl.:	17	-
<i>Bank loans</i>	17	-
Automotive business, incl.:	12 441	12 464
<i>Bank loans</i>	11 929	12 222
<i>Loans from non-bank financial institutions</i>	512	242
Leasing business, incl.:	1 178	1 364
<i>Bank loans</i>	1 178	1 364
Parent company, incl.:	7 146	12 972
<i>Bank loans</i>	7 146	5 940
<i>Loans from non-bank financial institutions</i>	-	7 032
	<b>20 782</b>	<b>26 800</b>

**36. Bond obligations by segments**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Automotive business	13 681	4 769
Leasing business	20 372	20 863
Parent company	129 214	125 125
	<b>163 267</b>	<b>150 757</b>

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

	30.6.2018 BGN '000	31.12.2017 BGN '000
Automotive business	13 516	4 769
Leasing business	20 372	20 863
Parent company	124 081	124 178
	<b>157 969</b>	<b>149 810</b>

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

	30.6.2018 BGN '000	31.12.2017 BGN '000
Automotive business	165	-
Parent company	5 133	947
	<b>5 298</b>	<b>947</b>

**37. Non-current liabilities**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Other non-current liabilities	6 398	10 198
Finance lease liabilities	25 136	19 885
Deferred revenue	-	4
	<b>31 534</b>	<b>30 087</b>

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

	30.6.2018 BGN '000	31.12.2017 BGN '000
Insurance business	18	11
Automotive business	5 593	9 336
Leasing business	783	811
Parent company	4	40
	<b>6 398</b>	<b>10 198</b>

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

	30.6.2018 BGN '000	31.12.2017 BGN '000
Automotive business	12 582	7 166
Leasing business	12 554	12 719
	<b>25 136</b>	<b>19 885</b>

**38. Current liabilities**

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Payables to employees	3 708	3 304
Social-security liabilities	1 830	1 619
Tax liabilities	4 545	5 707
Other current liabilities	10 700	9 792
Finance lease liabilities	463	4 449
Deferred revenue	446	270
Provisions	553	446
	<b>22 245</b>	<b>25 587</b>

**38.1. Payables to employees by segments**

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	2 417	2 357
Automotive business	1 017	721
Leasing business	233	187
Parent company	41	39
	<b>3 708</b>	<b>3 304</b>

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

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	1 308	1 325
Automotive business	375	209
Leasing business	129	75
Parent company	18	10
	<b>1 830</b>	<b>1 619</b>

**38.3. Tax liabilities by segments**

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business		
Automotive business		
Leasing business		
Asset management and brokerage		
Parent company		

**38.4. Other current liabilities by segments**

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	7 717	6 322
Automotive business	895	2 084
Leasing business	871	795
Asset management and brokerage	141	293
Parent company	1 076	298
	<b>10 700</b>	<b>9 792</b>

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

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Automotive business	463	4 449
	<b>463</b>	<b>4 449</b>

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

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	128	-
Automotive business	318	270
	<b>446</b>	<b>270</b>

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

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	3 390	7 380
Automotive business	54 582	51 080
Leasing business	3 037	3 852
Asset management and brokerage	3	6
Parent company	24 764	39 874
	<b>85 776</b>	<b>102 192</b>

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

	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Payables to reinsurers	60 346	77 807
Payables from direct insurance	3 959	4 056
	<b>64 305</b>	<b>81 863</b>

**41. Deferred tax liabilities**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Insurance business	69	104
Automotive business	122	120
Leasing business	60	60
	<b>251</b>	<b>284</b>

**42. Insurance reserves**

	30.6.2018 BGN '000	31.12.2017 BGN '000
Unearned premium reserve, gross amount	199 243	187 985
<i>Reinsurers' share in unearned premium reserve</i>	<i>(122 868)</i>	<i>(117 578)</i>
Unexpired risks reserve, gross amount	539	7 288
<i>Reinsurers' share in unexpired risks reserve</i>	<i>-</i>	<i>-</i>
Reserve for incurred but not reported claims, gross amount	174 992	165 038
<i>Reinsurers' share in reserve for incurred but not reported claims</i>	<i>(108 891)</i>	<i>(102 594)</i>
Reserve for reported but not settled claims, gross amount	250 210	231 443
<i>Reinsurers' share in reserve for reported but unsettled claims</i>	<i>(152 059)</i>	<i>(137 915)</i>
Other technical reserve	4 978	4 081
	<b>629 962</b>	<b>595 835</b>

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

	30.6.2018 BGN '000	31.12.2017 BGN '000
Issued shares	197 526	197 526
Treasury shares (Shares held from subsidiaries)	(6 077)	(77)
<b>Share capital</b>	<b>191 449</b>	<b>197 449</b>
<b>Number of shares</b>	<b>197 525 600</b>	<b>197 525 600</b>

As at 30.6.2018 - 6 077 067 shares of Eurohold Bulgaria AD are held by the Eurohold Group companies (as at 31.12.2017 – 77 387 shares).

The share capital is distributed as follows:

Share holders	%	Number of shares	Par value
Starcom Holding AD	54.55%	107 740 952	107 740 952
KJK Fund II Sicav-Sif Balkan Discovery	12.46%	24 616 873	24 616 873
Other companies	30.52%	60 291 557	60 291 557
Other individuals	2.47%	4 876 218	4 876 218
	<b>100.00%</b>	<b>197 525 600</b>	<b>197 525 600</b>

<b>43.2 Share premium</b>	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Share premium	49 568	49 568
	<b>49 568</b>	<b>49 568</b>
<b>44. Net income for the year</b>	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Current result attributable to the shareholders	1 938	18 174
Current result attributable to the non-controlling interest	2 141	6 241
<b>Net income for the year</b>	<b>4 079</b>	<b>24 415</b>
<b>44.1. Net income for the year by segments</b>	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Insurance business	11 534	41 681
Automotive business	395	258
Leasing business	110	112
Asset management and brokerage	36	209
Parent company	(7 787)	(17 306)
Income attributable to the non-controlling interest	(2 141)	(6 241)
Intercompany eliminations of dividends and other	(209)	(539)
	<b>1 938</b>	<b>18 174</b>
<b>45. Non-controlling interests</b>	30.6.2018 <i>BGN '000</i>	31.12.2017 <i>BGN '000</i>
Non-controlling interest attributable to current result	2 141	6 241
Non-controlling interest attributable to equity	39 886	37 461
	<b>42 027</b>	<b>43 702</b>

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

At the end of 2017, the companies in the Eurohold Group carried out an assessment of the effects of the three aspects of IFRS9, based on information available on 31.12.2017. On the basis of this assessment and in order to minimize the effect of the entry into force of the new standard, receivables totaling BGN 4,888 thousand were sold at the beginning of 2018.

An agreement with an external consultant has been signed to investigate and confirm the effects of the valuations at 31.12.2017 and there is no indication of significant impact on the consolidated statement of financial position and equity as of the date of this report.

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

## 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:*

### **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;

30.07.2018

**Asen Minchev,**

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

## ADDITIONAL INFORMATION TO THE INTERIM FINANCIAL REPORT OF EUROHOLD BULGARIA FOR Q2'2018

*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	107 740 952	54,55%
3.	KJK Fund II Sicav-Sif Balkan Discovery	24 616 873	12.46%

- 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.**

#### **Non-current liabilities to related parties**

	30.6.2018 BGN'000	31.12.2017 BGN'000
<b>Loans principal</b>		
Eurolease Auto EAD	2 591	2 576
	<b>2 591</b>	<b>2 576</b>
<b>Financial lease liabilities</b>		
Eurolease Auto EAD	48	-
	<b>48</b>	<b>-</b>

#### **Current liabilities to related parties**

##### **Interest payables**

	30.6.2018 BGN'000	31.12.2017 BGN'000
Eurolease Auto EAD	17	157
Eurolease Group EAD	8	8
	<b>25</b>	<b>165</b>

##### **Current borrowings**

	30.6.2018 BGN'000	31.12.2017 BGN'000
Starcom Holding AD	-	18
Eurolease Group EAD	16	16

	<b>16</b>	<b>34</b>
<b>Other payables</b>		
	30.6.2018	31.12.2017
	<i>BGN'000</i>	<i>BGN'000</i>
Eurolease Auto EAD	63	17
Sofia Motors EOOD	-	9
Bulvaria Holding EAD	-	7
	<b>63</b>	<b>33</b>

Date:  
30.07.2018 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: 30.07.2018 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 Q2'2018, 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 Q2'2018 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

