

The page features a decorative graphic consisting of several overlapping blue circles of varying sizes and shades, arranged in a diagonal pattern from the top right towards the bottom right. Two thin, light blue lines intersect to form a large 'V' shape that frames the circles.

**Eurohold Bulgaria AD**

**INTERIM MANAGEMENT  
REPORT AND FINANCIAL  
STATEMENTS**

**1 January – 31 December 2018**

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## **INTERIM MANAGEMENT REPORT**

*containing information on important events occurred in Q4'2018 in accordance with Art. 100o, para. 4, item 2 of the POSA*

### **Financial performance (Standalone base)**

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

#### **FINANCIAL RESULT**

As of 31<sup>st</sup> of December, 2018 Eurohold Bulgaria AD reported a positive financial result on standalone base in amount of BGN 1.7 million versus a loss of BGN 17.3 million for the comparable period last year.

#### **REVENUES**

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

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

#### **EXPENSES**

For the observed period the operating expenses increased by 6% as amounted to BGN 22.7 million compared to BGN 21.4 million as of 31.12.2017. The expenses growth was due to the increased interest expenses by BGN 1.7 million during the current period and increased cost for external services by BGN 1.2 million, while other financial expenses and losses from operations with financial instruments decreased significantly by BGN 1.7 million totally. All other operating expenses of the company were reduced or remained at the same level as the reported in the comparable period.

## ASSETS

As of 31<sup>st</sup> of December 2018 the company's assets increased by 3.9% and amounted to BGN 579.3 million compared to BGN 557.9 million as of the end of 2017.

The increase in assets is due to an increase in investments in subsidiaries by BGN 27.9 million, as well as due to the increased current assets by BGN 8.3 million.

For the observed period Eurohold Bulgaria AD has invested in its subsidiary Euroins Insurance Group AD, in two directions:

1. On 3 January 2018, the last installment of the subsidiary company Euroins Insurance Group AD amounting to BGN 1.963 million was made in accordance with the decision to increase the capital of the insurance sub-holding in 2015;
2. Acquisition of a share of its subsidiary insurance holding company Euroins Insurance Group (EIG) in connection with an agreement for the purchase of the 10.64% residual minority share held by the South Eastern Europe Fund L.P. (SEEF), managed by the Greek investment company Global Finance. Acquisition will take place in tranches. As of 31<sup>st</sup> of December 2018 Eurohold Bulgaria owns 91.84% of its subsidiary.

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

## EQUITY AND LIABILITIES

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

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

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

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

## **INFLUENCE OF THE IMPORTANT EVENTS ON FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018**

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

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

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

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

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

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 31<sup>st</sup> of May, 2018, Eurohold Bulgaria fully repaid a mezzanine loan - interest and principal.

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

The loan was used for the regional expansion of EIG.

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

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

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

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

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

### **1. Systematic risks**

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

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

#### **Macroeconomic risk**

The macroeconomic situation and the economic growth in Bulgaria and Europe are of main importance for the development of the Eurohold Bulgaria AD, and this includes also the governmental policies of the respective countries, and in particular the regulations

and decisions made by the respective Central Banks, which influence the monetary and interest rate policy, exchange rates, taxes, GDP, inflation, budget deficit and foreign debt, the unemployment rate and the income structure.

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

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

### **Political risk**

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

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

### **Unemployment**

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

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

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

### **Credit risk of the country**

The credit risk is the possibility for deterioration of the international credit ratings of given country. The low credit ratings of the country might lead to higher interest rates,

tougher financing conditions for the economic subjects, including Eurohold and its economic group.

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

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

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

### **Inflation risk**

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

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

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

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

### **Currency risk**

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

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

Changes in the different exchange rates did not materially affect the Company's operations until controlling interests were acquired in the countries of Romania, Macedonia and Ukraine. The financial results of these companies are denominated in local currency, Romanian leya (RON), Macedonian denarius (MKD) and Ukrainian hryvnia (UAH), the exchange rate of which is almost freely determined on the local currency market. Consolidated revenue of Eurohold Bulgaria AD will be exposed to currency risk depending on the movement of these currencies against the Euro.

### **Interest rate risk**

The interest risk is related to the possibility for change in the predominating interest levels in the country. Its influence is related to the possibility for decrease in the net income of the companies as a result of the increased interest rates, at which the Company finances its activity. Interest rate risk is included in the category of macroeconomic risks due to the fact that the main precondition for a change in interest rates is the emergence of instability in the financial system as a whole. This risk can be managed through balanced use of different sources of financial resource. A typical example of the emergence of this risk is the global economic crisis caused by the liquidity problems of large mortgage institutions in the United States and Europe, with the result that interest rate credit risk rewards were rethought and increased globally. The effect of this crisis had a tangible manifestation in Eastern Europe and the Balkans, expressed in limiting free access to borrowed funds.

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

## **2. Unsystematic risks**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Financial risk**

The financial risk is the additional uncertainty with regard to the investor in obtaining income, when the company uses borrowed or borrowed funds. This additional financial insecurity adds to the business risk. When part of the funds used for financing of the activity of the company are in the form of loans or debt securities, the repayment of these funds represents a fixed liability. The financial autonomy and financial indebtedness indicators take into account the ratio between own funds and attracted funds in the capital structure of the company. The high level of the financial autonomy ratio, respectively the low level of the financial indebtedness ratio, is a kind of guarantee to investors for the company's ability to pay its long-term liabilities on a regular basis. The indicators show how much of the total capital represents the attracted funds. The larger the share of long-term debt compared to equity, the greater the probability of problems with the payment of fixed obligations. The increase in the value of this indicator also shows an increase in the financial risk. Another set of indicators refers to the revenue stream that makes it possible to pay the Company's liabilities. An indicator that can be used is the coverage ratio of the fixed interest payable (interest). This indicator shows how many times fixed interest payments are included in the value of earnings before interest payments and taxation. It gives a good indication of the company's ability to pay its long-term liabilities. The effect of using borrowed funds (debt) to increase the final net income attributable to shareholders is called financial leverage. The benefit of financial leverage occurs when the company benefits from the attracted funds more than the costs (interest) on attracting them. The risk indicator in this case is the degree of financial leverage, which is expressed as the ratio of the income before interest and taxes to the income before the payment of taxes, the so called interest rate burden. The acceptable or "normal" degree of financial risk depends on business risk. If there is a small business risk for the firm, it may be expected that investors would agree to take a higher financial risk and vice versa.

### **Currency risk**

As a whole, the activity of Eurohold Bulgaria AD on the territory of the Republic of Bulgaria does not generate currency risk due to the current currency board and the fixing of the national currency to the euro. Currency risk exists for the Group's investments abroad, mainly from the insurance sector in Romania, Macedonia and Ukraine, and a leasing line in Romania and Macedonia.

## Liquidity risk

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

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

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

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

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

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

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

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

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

Eurohold Bulgaria AD operates through its subsidiaries, which means that its financial results are directly dependent on the financial results, development and prospects of the subsidiaries. One of the main goals of Eurohold Bulgaria AD is to realize significant synergy between its subsidiaries as a consequence of the integration of the three business lines - insurance, leasing and car sales. Poor results of one or several subsidiaries could lead to a deterioration in financial results on a consolidated basis. This

in turn is also related to the share price of the Company, which may change as a result of the investors' expectations about the company's prospects.

## RISK MANAGEMENT

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

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

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

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

Risk management in the Group aims to:

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

Date: 30 January 2019

**Asen Minchev,**

*Executive Member of the  
Management Board*

**Eurohold Bulgaria AD**  
**Interim Separate Statement of profit or lost and other comprehensive income**  
**For the year ended December 31, 2018**

		2018	2017
	Notes	BGN '000	BGN '000
<b>Revenue from operating activities</b>			
Dividend income	3	209	265
Gains from sale of investments	4	21 576	1 325
Interest income	5	1 545	2 437
Other financial revenue	6	660	18
		<b>23 990</b>	<b>4 045</b>
<b>Expenses on operating activities</b>			
Interest expenses	7	(19 197)	(17 460)
Losses from sale of investments	8	(432)	(859)
Other financial expenses	9	(84)	(1 379)
Hired services expenses	10	(2 539)	(1 350)
Salaries and related expenses		(444)	(369)
Depreciation		(27)	(7)
		<b>(22 723)</b>	<b>(21 424)</b>
<b>(Loss) / Profit from operating activities</b>		<b>1 267</b>	<b>(17 379)</b>
Other revenue/(expenses),net	11	438	73
<b>Net (Loss) /Profit</b>		<b>1 705</b>	<b>(17 306)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>1 705</b>	<b>(17 306)</b>
<i>Earnings per share, BGN</i>	19.3	<i>0.009</i>	<i>(0.112)</i>

Prepared by:

Signed on behalf of BoD:

Procurator:

28.1.2019 /I. Hristov/

/A. Minchev/

/H.Stoev/

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

	<i>Notes</i>	31.12.2018 BGN `000	31.12.2017 BGN `000 <i>Restated*</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Machinery and equipment	<i>12</i>	82	16
Long-term receivables from related parties	<i>13</i>	-	5 118
Loans granted to third parties	<i>14.1</i>	-	9 759
		<b>82</b>	<b>14 893</b>
<b>Investments</b>			
Investments in subsidiaries and other companies	<i>15</i>	<b>567 465</b>	<b>539 520</b>
<b>Current assets</b>			
Loans granted to third parties	<i>14.2</i>	9 759	-
Receivables from related parties	<i>16</i>	1 181	1 579
Other current receivables	<i>17</i>	496	1 621
Cash and cash equivalents	<i>18</i>	302	204
		<b>11 738</b>	<b>3 404</b>
<b>TOTAL ASSETS</b>		<b>579 285</b>	<b>557 817</b>

\*The Company has initially applied IFRS 9 at 1 January 2018. The Company has also taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. Therefore, comparative information has not been restated. See Note 2.26 for further information.

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

	<i>Notes</i>	31.12.2018 BGN `000	31.12.2017 BGN `000 <i>Restated*</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19.1	197 526	197 526
Share premium	19.2	49 568	49 568
General reserves	19.2	7 641	7 641
Retained earnings		81 394	100 500
(Loss) / Profit for the year		1 705	(17 306)
<b>Total equity</b>		<b>337 834</b>	<b>337 929</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	20	35 549	21 123
Bond liabilities	21	128 725	141 542
Non-current related parties liabilities	22	1 716	2 576
Other non-current liabilities	23	6	40
		<b>165 996</b>	<b>165 281</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	20	29 421	52 239
Bond liabilities	21	763	947
Trade payables	24	399	589
Related parties liabilities	25	44 183	232
Other current liabilities	26	689	600
		<b>75 455</b>	<b>54 607</b>
<b>Total liabilities</b>		<b>241 451</b>	<b>219 888</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>579 285</b>	<b>557 817</b>

\*The Company has initially applied IFRS 9 at 1 January 2018. The Company has also taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. Therefore, comparative information has not been restated. See Note 2.26 for further information.

Prepared by:

Signed on behalf of BoD:

Procurator:

28.1.2019 /I. Hristov/

/A. Minchev/

/H.Stoev/

**Eurohold Bulgaria AD**  
**Interim Separate Statement of cash flows**  
**For the year ended December 31, 2018**

	<i>Notes</i>	2018 BGN '000	2017 BGN '000 <i>Restated*</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>(Loss) / Profit before tax</b>		<b>1 705</b>	<b>(17 306)</b>
Adjusted for:			
Depreciation		27	7
Interest income	5	(1 545)	(2 437)
Interest expenses	7	19 197	17 460
Dividend income	3	(209)	(265)
(Gains)/ Losses from sale of investments, net		(21 229)	(466)
Foreign exchange differences		(615)	1 173
Adjustments in working capital:			
Change in trade and other receivables		1 523	(1 042)
Change in trade and other payables, other adjustments		(2 147)	(940)
<b>Net cash flows from operating activities</b>		<b>(3 293)</b>	<b>(3 816)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for investments		(27 945)	(54 000)
Receipts from the sale of investments		-	-
Borrowings granted		(42 558)	(11 800)
Proceeds from borrowings		40 592	43 946
Proceeds from interests		1 109	1 722
Dividends received		209	265
Other cash receipts/payments from investment activities		-	(124)
<b>Net cash used by investing activities</b>		<b>(28 593)</b>	<b>(19 991)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		-	81 035
Proceeds from loans		99 377	335 648
Repayments of loans		(49 201)	(384 142)
Interest and commissions paid, net		(16 490)	(7 339)
Dividends paid		(1 700)	(1 472)
Other cash receipts/ payments from financing activities		(2)	-
<b>Net cash generated/(used) by financing activities</b>		<b>31 984</b>	<b>23 730</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>98</b>	<b>(77)</b>
Cash and cash equivalents at the beginning of the year	<i>18</i>	204	281
<b>Cash and cash equivalents at the end of the year</b>	<i>18</i>	<b>302</b>	<b>204</b>

\*The Company has initially applied IFRS 9 at 1 January 2018. The Company has also taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. Therefore, comparative information has not been restated. See Note 2.26 for further information.

Prepared by:

Signed on behalf of BoD:

Procurator:

/I. Hristov/  
28.1.2019

/A. Minchev/

/H.Stoev/

**Eurohold Bulgaria AD**  
**Separate Statement of changes in equity**  
**For the year ended December 31, 2018**

	Share capital	General reserves	Share premium	Retained earnings	Total Equity
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
<b>Balance as at 1 January 2017</b>	<b>127 345</b>	<b>7 641</b>	<b>38 714</b>	<b>102 218</b>	<b>275 918</b>
Issue of share capital	70 181	-	10 854	-	<b>81 035</b>
Loss for the period	-	-	-	(17 306)	<b>(17 306)</b>
Dividends	-	-	-	(1 613)	<b>(1 613)</b>
Other comprehensive income for the year	-	-	-	-	-
<b>Balance as at 31 December 2017</b>	<b>197 526</b>	<b>7 641</b>	<b>49 568</b>	<b>83 299</b>	<b>338 034</b>
<i>Adjustment on initial application of IFRS 9, Note 2.26</i>	-	-	-	(105)	<b>(105)</b>
<b>Balance as at 1 January 2018</b>	<b>197 526</b>	<b>7 641</b>	<b>49 568</b>	<b>83 194</b>	<b>337 929</b>
Loss for the period	-	-	-	1 705	<b>1 705</b>
Dividends	-	-	-	(1 800)	<b>(1 800)</b>
Other comprehensive income for the year	-	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>197 526</b>	<b>7 641</b>	<b>49 568</b>	<b>83 099</b>	<b>337 834</b>

\*The Company has initially applied IFRS 9 at 1 January 2018. The Company has also taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. Therefore, comparative information has not been restated. See Note 2.26 for further information.

Prepared by:

Signed on behalf of BoD:

Procurator:

28.1.2019

/I. Hristov/

/A. Minchev/

/H.Stoev/

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

Founded in 1996, Eurohold Bulgaria AD operates in Bulgaria, Romania and Macedonia. The company is owner of a large number of subsidiaries within the sectors of insurance, financial services and car sales.

## 1. INFORMATION ABOUT THE GROUP

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

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

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

The governing bodies of the company are: the general meeting of shareholders, the supervisory board /two-tier system/ and the management board comprising the following members as at 31.12.2018:

### Supervisory board:

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

### Management board:

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

As at 31.12.2018, the Company is represented and managed by Kiril Ivanov Boshov and Assen Mintchev Mintchev – Executive Members of the Management Board, and Hristo Stoev – Procurator, jointly by the one of the executive members and the Procurator of the Company only.

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

As at 31.12.2018, the Audit Committee of the Company comprises the following members:  
Ivan Georgiev Mankov – Chairman;  
Dimitar Stoyanov Dimitrov – Member;  
Rositsa Mihaylova Pencheva – Member.

As at 31.12.2018, the Company has ten employees (31.12.2017: seven employees).

### 1.1 Scope of Activities

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

### 1.2. Types of Activities

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

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

**Insurance and Health Insurance line:**

- Insurance services
- Health insurance services
- Life insurance services

**Leasing line:**

- Leasing services
- Car rentals

• **Financial line:**

- Investment intermediation

**Automobile line:**

- Sales of new cars
- Car repairs

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

**2.1 Basis for Preparation of the Financial Statement**

The separate financial statements of Eurohold Bulgaria AD are prepared in compliance with the Accounting Act and all International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of the Standing Interpretation Committee (SIC), interpretations of the IFRS interpretation committee (IFRIC), which are effectively in force since 01 January 2018 and are adopted by the Commission of the European Union.

The company has considered all standards and interpretations applicable to its activity as at the date of preparation of the present financial statement. The adopted accounting policies are consistent with those applied during the previous reporting period.

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

As a holding company, Eurohold Bulgaria does not carry out regular business activity.

From 2015 to the end of 2018 Eurohold has invested considerable funds to support its subsidiaries, which report better and better results. The company expects that during the next reporting year it will start having return from the investments it has made during the recent years by distributing dividends from its subsidiaries.

The management of Eurohold has committed itself to working towards reducing the company's indebtedness as well as refinancing high-interest debt.

As at the date of these separate financial statements, the management has reviewed the Company's activity for 2018. With the continuous support of the capital by the majority shareholder and taking in consideration the expected return from the subsidiaries, the Management board expects that the Company will have enough financial resources to continue operating in future while applying the principle of going concern for the preparation of these interim separate financial statements.

**2.2 Comparative Data**

Eurohold Bulgaria AD presents comparative information for a single previous period. Whenever needed, comparative data are reclassified in order to achieve comparability between the changes in the presentation for the current year.

**2.3 Functional and Reporting Currency**

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

Upon initial recognition, a foreign currency transaction is recorded in the functional currency by applying to the amount in foreign currency the exchange rate at the time of the transaction or operation.

Cash, receivables and payables denominated in foreign currency are reported in the BGN equivalent on the basis of the exchange rate as at the date of the operation and are revaluated on annual basis using the official exchange rate of the Bulgarian National Bank on the last working day of the year.

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

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

#### 2.4 Accounting Assumptions and Accounting Estimates

Upon preparing the financial statement in compliance with IAS, the management is required to apply approximate 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. The units that suggest higher degree of subjective estimate or complexity or where assumptions and estimates are material for the separate financial statements .

#### 2.5 Income

The Company's income is recognized on the accrual basis and to the extent economic benefits are obtained by the Company and as far as the incomes may be reliably measured. Upon sales of goods incomes are recognized when all material risks and benefits from the title of goods are transferred to the buyer.

Upon provision of services, incomes are 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 incomes are recognized upon certifying the right to obtain them.

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

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

#### 2.6 Expenses

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

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

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

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

#### 2.7 Interest

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

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

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

## 2.8 Fees and Commissions

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

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

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

## 2.9 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 balance sheet and all adjustments of due tax for previous years.

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

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

Current income taxes are defined in compliance with the Bulgarian tax legislation – the Corporate Income Taxation Act.

The nominal tax rate for 2018 is 10% of the taxable profit (2017: 10%).

### Deferred Tax

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

The deferred tax is calculated on the basis of the tax rate that is expected to be effective upon the realization of the asset or the settlement of the liability.

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

### VAT

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

### Withholding tax

Pursuant to the Corporate Income Tax Act, payment of incomes to foreign individuals or legal entities is subject to withholding tax within the territory of the Republic of Bulgaria. Withholding tax is not due provided the foreign legal entity has proved grounds for application of the Agreements for Avoidance of Double Taxation before tax rate or applicable tax rate on the day of expiration of the tax payment term.

## 2.10 Fixed Assets

### 2.10.1 Fixed Tangible Assets

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

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

### Initial Acquisition

Fixed tangible assets are initially measured:

- at acquisition cost, which includes: purchase price (including duties and nonrefundable taxes), 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.

### Further Measurement

Further costs for repairs and maintenance are accounted in statement of financial position when the same criteria as at initial recognition are in place.

### Subsequent expenses

Subsequent expenses for repairs and maintenance are stated in the separate statement of financial position where the same criteria as at the initial acquisition exist.

### Sales profits and loss

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

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.

### 2.10.2 Amortization Methods

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

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

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

Buildings	25 years
Machinery and equipment	3–10 years
Vehicles	4–6 years
Fixtures and fittings	3–8 years
Computers	2–3 years

### 2.12.3 Impairment

Net book values of fixed tangible assets are subject to review for impairment, when events or changes in circumstances have occurred, which evidence that the net book value might permanently differ from their recoverable amount. If there are indicators that the estimated recoverable value is less than their net book value, the latter is adjusted up to the recoverable value of assets. Impairment losses are recognized as expense in the statement of profit or lost and other comprehensive income during the year of occurrence thereof.

### 2.11 Employment Benefits

#### Other long-term employee benefits

#### Defined contribution plans

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

**Defined benefit plans**

These are post-employment benefit plans other than defined contribution plans.

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

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

**Retirement benefits**

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

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

**Short-term employee benefits**

Payables for short-term employee benefits are measured on non-discounted basis and are stated as an expense when the related services are provided.

Liability is recognised for the amount that is expected to be paid as a short-term bonus in cash or profit distribution plans, provided the Company has legal or constructive obligation to pay such amount as a result of previous services rendered by an employee, and such obligation may be reliably measured.

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

**2.12 Financial Assets****2.12.1 Investments in subsidiaries, associates and joint ventures**

A subsidiary is a company that is subject to the control of the Company as an investor. Having control means that the investor is exposed to or has rights to the variable return of its shareholding in the investee and is able to influence this return by means of its powers over the investee.

Long-term investments, being shares in subsidiaries, are stated in the separate financial statements at acquisition price (cost), which is the fair value of paid consideration, including the direct expenses for acquisition of the investment.

These investments are not traded at stock exchanges.

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

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

Investments are derecognised upon transferring the pertaining rights to other entities upon occurrence of legal grounds to this effect thus

losing the control over the economic benefits from the investments. The revenue from their sales is stated in "financial revenue" or "financial expenses", respectively, in the separate financial statement for profit or loss and other comprehensive income.

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

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.

Investments that are not classified as subsidiaries and associates are stated at fair value classified as financial assets available for sale in accordance with the requirements of IAS 39. In case of investments in equity instruments that do not have quoted market price on active market and whose fair value may not be reliably measured, they are stated at acquisition price/ cost.

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

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

The revenue from their sale is stated under the item Gains from financial operations, or under the item Losses from financial operations, respectively,

in the separate financial statement for profit or loss and other comprehensive income.

### 2.12.2 Investments in Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, combining all three aspects of the accounting for financial instruments: classification and measurement, impairment and accounting for the hedge.

The Company applies IFRS 9 for future periods beginning on or after 1 January 2018. The Company has not restated comparative information that continues to be reported under IAS 39. The differences arising from the adoption of IFRS 9 are recognized directly in retained earnings. (Note 2.26)

#### (a) Classification and assessment

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

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

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

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

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

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

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

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

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

## (b) Impairment

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

### 2.13 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, based on a management model of expected credit losses.

### 2.14 Cash and cash equivalents

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

### 2.15 Liability Provisions

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

### 2.16 Tax and Deferred Tax Liabilities

Current tax liabilities and current tax receivables are recognized in the statement of financial position as tax calculated on taxable income for the year adjusted for the tax on taxable income for previous years and paid taxes.

## 2.17 Equity

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

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

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

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

## 2.18 Liabilities

Financial liabilities include loans (borrowings), liabilities to suppliers and other counterparties.

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 statement of profit or lost and other comprehensive income, loan expenses are recognized during the loan term period.

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

## 2.19 Earning per share

The basic earnings per share are calculated by dividing the net profit or loss for the period that is subject to distribution among shareholders –

holders of ordinary shares, by the average weighted number of ordinary shares held during the period.

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

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

### 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. On the basis of this approach and applying high level of conservatism, the management has judged not to recognise deferred tax asset for tax losses to be carried forward to the interim separate financial statement for 2018/2017.

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

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

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

In 2018 and 2017 the Company has not reported impairment losses of investments in subsidiaries.

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

The Company uses an adjustment account to report the impairment of difficultly collectible and uncollectible receivables from counterparties. The management judges the adequacy of this impairment on the basis of age analysis of receivables, previous experience about the level of derecognition of uncollectible receivables, and analysis of the counterparty's solvency, amendments of contractual payment terms and conditions, etc. If the financial position and performance of the counterparties become worse than the expected, the value of receivables that should be derecognised during the next reporting periods may be higher than the one expected as at the reporting date. In 2018 and 2017 the Company has reported impairment losses of borrowings and receivables 13 BGN thousand (Note 11.1) / 105 BGN thousand (see Note 2.26).

### **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, to the maximum extent, the management uses market data and assumptions that market stakeholders would assumed 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.

## **2.21 Consolidated financial statements of the Company**

The Company has started the process of preparation of its interim consolidated financial statements for 2018 in accordance with IFRS effective for 2018, which statements also comprise these separate financial statements. In accordance with the scheduled dates, the company expects that its interim consolidated statements will be approved by the Company's management board for publication not later than 28.2.2019 and then the statements will be made available to third persons.

## **2.22 Financial Risk Management**

### **2.22.1 Factors Determining Financial Risk**

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

mitigating the possible adverse effects on the Company's financial result.

The Company is exposed to currency risk through payments in foreign currency and through its assets and liabilities, which are denominated in foreign currency.

### **Currency risk**

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

The Company has borrowings in foreign currencies – EURO and Polish zloty. As the BGN/ EUR exchange rate is fixed at 1.95583, the currency risk caused by the euro expositions of the Company is minimum.

The Company makes payments under a bond loan in Polish zloty. There is a significant risk of change in the exchange rates under this borrowing. Therefore, the Company's exposition to changes in the Polish zloty exchange rate is possible, although the Company could hedge its exposition through derivatives, such as swaps, in case of occurrence of future excessive fluctuations. The effect on EBT for 2017 in case of +1% change in the Polish zloty exchange rate is currency operations loss of BGN 235 thousand, and in case of -1% change of the Polish zloty exchange rate is currency operations gain of BGN 186 thousand, respectively.

### **Interest Risk**

The Company's policy is aimed at minimising the interest risk with regard to long-term funding. Therefore, the long-term borrowings are with fixed interest rates. All investments in Company's bonds are paid on the basis of fixed interest rates.

### **Credit Risk**

Credit risk is mainly related to trade and financial receivables. The amounts stated in the 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.

The credit risk in terms of cash and cash equivalents, cash on the monetary market of derivative financial instruments is considered minor as the counterparties are banks with good reputation and high credit rating.

### **Liquidity Risk**

Liquidity risk is the risk that the company may encounter difficulties in servicing its financial obligations when they become payable. Policy in this field is aimed at ensuring that there will be enough cash available to service its maturing obligations, including in exceptional and unforeseen conditions.

The management's objective is to maintain continuous balance between continuity and flexibility of financial resources by using adequate forms of funding. The company's management is responsible for managing the liquidity risk and involves maintaining enough cash available, arranging adequate credit lines, preparation of analysis and update of cash flows estimates.

### **2.23 Capital risk management**

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

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

### **2.24 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:

In 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 Company.

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 Company 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 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
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company's management believe that under the existing circumstances, the estimates of financial assets and liabilities as stated in the separate statement of financial position are as reliable, adequate and fair as possible for the purposes of the financial reporting.

## 2.25 Cash Flows

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

cash equivalents at the beginning and at the end of the year.

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

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

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

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

## 2.26 Changes in Significant Accounting Policies

The Company has initially adopted IFRS 9 on 1 January 2018. The Company benefits from the exception in paragraph 7.2.15 of IFRS 9 from the restatement of prior periods in respect of the classification and measurement requirements of IFRS 9 (including impairment). Therefore, the comparative information was not recalculated.

The following table summarizes the tax-free effect of the transition to IFRS 9 on the opening balances of the interim separate statement of financial position.

**Interim separate statement of financial position**

<i>In BGN thousand</i>	1.1.2018 Restated	<i>Adjustment on initial application of IFRS 9</i>	31.12.2017
Long-term receivables from related parties	5 118	(11)	5 129
Long-term loans granted to third parties	9 759	(20)	9 779
Investments in other companies	-	(9)	9
Receivables from related parties	1 579	(14)	1 593
Other current receivables	1 621	(49)	1 670
Cash and cash equivalents	204	(2)	206
	<b>18 281</b>	<b>(105)</b>	<b>18 386</b>
<b>Retained earnings</b>	<b>100 500</b>	<b>(105)</b>	<b>100 605</b>

**3. Dividend income**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Euro-Finance AD	209	265
	<b>209</b>	<b>265</b>

**4. Gains from sale of investments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Gains from sale of investments	21 576	1 325
	<b>21 576</b>	<b>1 325</b>

**5. Interest income**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Interest income – from related parties loans	838	1 584
Interest income – from third parties loans	707	853
	<b>1 545</b>	<b>2 437</b>

**5.1 Interest income from related parties**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Avto Union AD	340	674
Euroins Insurance Group AD	92	910
Starcom Holding AD	405	-
Eurolease Group EAD	1	-
	<b>838</b>	<b>1 584</b>

**6. Other financial revenue**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Foreign exchange gains	660	18
	<b>660</b>	<b>18</b>

**7. Interest expense**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Interest expense – loans and borrowings	6 507	5 401
Interest expense – bonds, EMTN programme	11 066	10 809
Interest expense – from related parties loans	257	1 064
Interest expense – from third parties loans	1 367	186
	<b>19 197</b>	<b>17 460</b>

**7.1 Interest expense - from related parties loans**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Starcom Holding AD	5	877
Eurolease Group EAD	1	1
Eurolease Auto EAD	251	186
	<b>257</b>	<b>1 064</b>

**8. Losses on sale of investments**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Losses on sale of investments	347	859
Losses on sale of investments - related parties	85	-
	<b>432</b>	<b>859</b>

**8.1. Losses on sale of investments - related parties**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Euro-Finance AD	85	-
	<b>85</b>	-

**9. Other financial expenses**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Foreign exchange losses	45	1 191
Other financial expenses – related parties	17	114
Other financial expenses	22	74
	<b>84</b>	<b>1 379</b>

**9.1 Other financial expenses – related parties**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Euro-Finance AD	17	114
	<b>17</b>	<b>114</b>

**10. Hired services expenses**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Hired services expenses	2 538	1 347
Hired services expenses – related parties	1	3
	<b>2 539</b>	<b>1 350</b>

Hired services expenses comprise expenses for office, advertising, consultancy and other services.

The amounts for services charged for the year are for services provided by statutory registered auditor for independent financial audit of the Company's financial statements for 2018 and are in the amount of BGN 45 thousand. No other services have been provided by the statutory registered auditor during the period.

**10.1 Hired services expenses – related parties**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Eurolease Auto EAD	-	1
Bulvaria Holding EAD	1	2
	<b>1</b>	<b>3</b>

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

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
Impairment loss on trade receivables and contract assets	(13)	-
Other expenses	(188)	(165)
Other expenses – related parties	(5)	(3)
Other revenue	404	-
Other revenue – related parties	240	241
	<b>438</b>	<b>73</b>

**11.1 Other revenue – related parties**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
IC Euroins AD	43	24
Star Motors EOOD	5	5
IC Euroins Romania	135	158
Bulvaria Varna EOOD	5	5
Auto Union Service EOOD	26	22
Daru Car AD	21	22
Auto Italy EAD	5	5
	<b>240</b>	<b>241</b>

**11.2 Other expenses – related parties**

	2018 <i>BGN'000</i>	2017 <i>BGN'000</i>
IC Euroins AD	(2)	(2)
Motobul EAD	(3)	(1)
	<b>(5)</b>	<b>(3)</b>

**12. Machinery and equipment**

	Vehicles <i>BGN'000</i>	Fixtures and fittings <i>BGN'000</i>	Total <i>BGN'000</i>
<b>Cost:</b>			
At 1 January 2017	<b>20</b>	<b>63</b>	<b>83</b>
Additions	-	2	2
At 31 December 2017	<b>20</b>	<b>65</b>	<b>85</b>
Additions	90	3	93
<b>At 31 December 2018</b>	<b>110</b>	<b>68</b>	<b>178</b>
<b>Depreciation:</b>			
At 1 January 2017	<b>2</b>	<b>60</b>	<b>62</b>
Accrued depreciation	4	3	7
At 31 December 2017	<b>6</b>	<b>63</b>	<b>69</b>
Accrued depreciation	24	3	27
<b>At 31 December 2018</b>	<b>30</b>	<b>66</b>	<b>96</b>
<b>Carrying value:</b>			
<b>At 1 January 2017</b>	<b>18</b>	<b>3</b>	<b>21</b>
<b>At 31 December 2017</b>	<b>14</b>	<b>2</b>	<b>16</b>
<b>At 31 December 2018</b>	<b>80</b>	<b>2</b>	<b>82</b>

**13. Long-term receivables from related parties**

	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i> <i>Restated*</i>
<b>Loan principal</b>		
Avto Union AD	-	5 118
	-	<b>5 118</b>

\*Note 2.26

**14.1 Non-current loans granted to third parties**

	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i> <i>Restated*</i>
Loans granted	-	9 759
	-	<b>9 759</b>

**14.2 Current loans granted to third parties**

	31.12.2018	31.12.2017
	<i>BGN'000</i>	<i>BGN'000</i>
Loans granted	9 759	-
	<b>9 759</b>	<b>-</b>

**15. Investments in subsidiaries and other companies****15.1 Investments in subsidiaries**

	Value as at 1.1.2018	Increase	Decrease	Value as at 31.12.2018	Share capital of the subsidiary	% control in the subsidiary
	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	%
Euroins Insurance Group AD	420 732	27 945	-	448 677	543 446	91.84%
Avto Union AD	66 775	-	-	66 775	40 004	99.99%
Euro-Finance AD	24 645	-	-	24 645	40 000	99.99%
Eurolease Group EAD	27 368	-	-	27 368	27 241	100.0%
	<b>539 520</b>	<b>27 945</b>	<b>-</b>	<b>567 465</b>	<b>-</b>	<b>-</b>

Eurohold Bulgaria AD exercises direct control over the aforementioned companies.

The objects of the subsidiaries are as follows:

- Euroins Insurance Group AD - acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies. The company is active in Bulgaria, Romania, Macedonia and Ukraine. Business Line - Insurance Market.
- Auto Union AD - import, sale and service of automobiles. Business line - automotive market.
- Euro-Finance AD - Providing and carrying out investment services and activities in the country and abroad. Business Line - Investment Intermediation and Asset Management.
- Eurolease Group EAD - participatory management, financial leasing. The company operates in Bulgaria, Romania, Macedonia. Business Line - Leasing Market.

**Impairment of investments in subsidiaries**

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

Calculations are made by the management with the assistance of external independent licensed valuers who have appropriate qualification and experience. As a basis to forecast the cash flows before tax, the management has used financial forecasts made by the respective subsidiaries for a five-year period, as well as other medium- and long-term plans and intentions for their development. The key assumptions used for the calculations are defined particularly for each subsidiary and in accordance with its specific business, business environment and risks, expected future economic benefits, as well as the positions on Bulgarian and foreign markets, etc. As a result of the calculations made, no need to recognize additional impairment of specific investments in subsidiaries was found during the reporting period.

**15.2 Investments in other companies**

	Value as at 31.12.2017	Adjustment on initial application of IFRS 9	Value as at 1.1.2018	Value as at 31.12.2018
	BGN'000	BGN'000	BGN'000	BGN'000
Sevko AD	9	(9)	-	-
	<b>9</b>	<b>(9)</b>	<b>-</b>	<b>-</b>

\*See Note 2.26

**16. Receivables from related parties**

	31.12.2018 BGN'000	31.12.2017 BGN'000 Restated*
<b>16.1 Interest receivables</b>		
Avto Union AD	-	685
Euroins Insurance Group AD	741	658
Eurolease Group EAD	1	-
	<b>742</b>	<b>1 343</b>

\*See Note 2.26

**16.2 Other receivables**

	31.12.2018 BGN'000	31.12.2017 BGN'000 Restated*
Auto Italia EAD	1	2
Avto Union Service EOOD	-	31
Bulvaria Varna EOOD	1	12
Daru Car AD	16	36
IC Euroins AD	7	51
IC Euroins Romania	19	95
Eurolease Auto EAD	1	1
Star Motors EOOD	-	5
Autoplaza EAD	1	3
IC Euroins Skopje	2	-
	<b>48</b>	<b>236</b>

\*See Note 2.26

**16.3 Loans granted to related parties**

	31.12.2018 BGN'000	31.12.2017 BGN'000
Euroins Insurance Group AD	315	-
Eurolease Group EAD	76	-
	<b>391</b>	<b>-</b>

**17. Other current receivables**

	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i> <i>Restated*</i>
Interest receivables	119	294
Tax receivables	65	10
Other receivables	312	1 317
	<b>496</b>	<b>1 621</b>

\*See Note 2.26

**18. Cash and cash equivalents**

	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i>
Cash at banks	176	179
Cash in hand	32	17
Short-term deposits	96	10
<i>Adjustment on application of IFRS 9</i>	<i>(2)</i>	<i>(2)</i>
	<b>302</b>	<b>204</b>

**19. Share capital and reserves****19.1 Share capital****Share capital**

	31.12.2018 <i>BGN</i>	31.12.2017 <i>BGN</i>
Issued shares	197 525 600	197 525 600

The share capital is distributed as follows:

Share holders	%	Number of shares	Par value
Starcom Holding AD	52.88%	104 448 874	104 448 874
KJK Fund II Sicav-Sif Balkan Discovery	14.23%	28 116 873	28 116 873
Other companies	30.54%	60 320 875	60 320 875
Other individuals	2.35%	4 638 978	4 638 978
	<b>100.00%</b>	<b>197 525 600</b>	<b>197 525 600</b>

As at 31.12.2018 the company has 77 387 shares held by subsidiaries at Eurohold Group(as at 31.12.2017 – 77 387 shares).

**19.2 Reserves**

	31.12.2018 <i>BGN</i>	31.12.2017 <i>BGN</i>
Share premium	49 568	49 568
General reserves	7 641	7 641
	<b>57 209</b>	<b>57 209</b>

**19.3 Earnings per share**

	31.12.2018	31.12.2017
Average shares, (number)	197 525 600	154 325 290
Net Profit/(Loss) as of the end of reporting year (thousand BGN)	1 705	(17 306)
<b>Earnings / (loss) per share, BGN</b>	<b>0,009</b>	<b>(0,112)</b>

**20. Interest-bearing loans and borrowings****Non-current interest-bearing loans and borrowings**

	31.12.2018	31.12.2017
	<i>BGN'000</i>	<i>BGN'000</i>
International Investment Bank	35 549	21 123
	<b>35 549</b>	<b>21 123</b>

**Current interest-bearing loans and borrowings**

	31.12.2018	31.12.2017
	<i>BGN'000</i>	<i>BGN'000</i>
Accession Mezzanine	-	7 032
International Investment Bank	9 253	5 940
Other entities	20 168	39 267
	<b>29 421</b>	<b>52 239</b>

**Analysis of interest-bearing loans and borrowings**

Bank	Type	Currency	Size contracted	Principal as of 31.12.2018	Principal as of 31.12.2017	Interest rate	Maturity date	Security
Accession Mezzanine	Loan - Principal	EUR	15,000,000 €	- €	3 510 000 €	8.70%	4.2018	Pledge on subsidiary shares; related party guarantee
International Investment Bank	Loan - Principal	EUR	15,000,000 €	12,600,000 €	13,800,000 €	6.0%+ EURIBOR	12.2021	Pledge on subsidiary shares
International Investment Bank	Loan - Principal	EUR	10,000,000 €	10,000,000 €	- €	6.0%+ EURIBOR	3.2025	Pledge on subsidiary shares

The long-term bank loan agreements contain clauses that require to maintain specific financial ratios. The Company's management controls the performance of these financial ratios on current basis through communication with the respective bank – creditor.

The maturity of other current borrowings is 03.2019-05.2019 and the interest rate is within the range 1,25%-4,0%.

**21. Bond liabilities**

<b>Non-current bond liabilities</b>	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i>
EMTN Programme in EUR	108 423	120 700
EMTN Programme in PLN	20 302	20 842
	<b>128 725</b>	<b>141 542</b>

<b>Current bond liabilities</b>	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i>
EMTN Programme in EUR	737	800
EMTN Programme in PLN	26	147
	<b>763</b>	<b>947</b>

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

**22. Non-current liabilities to related parties**

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

The loans are unsecured and are due until 01.01.2021. at an annual rate of 7%.

**23. Other non-current liabilities**

	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i>
Non-current loans from third parties	-	36
Retirement benefit obligations	6	4
	<b>6</b>	<b>40</b>

**24. Trade payables**

	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i>
Trade payables	399	589
	<b>399</b>	<b>589</b>

**25. Current liabilities to related parties**

<b>25.1 Interest payables</b>	31.12.2018 <i>BGN'000</i>	31.12.2017 <i>BGN'000</i>
Starcom Holding AD	5	-
Eurolease Auto EAD	84	157
Eurolease Group EAD	-	8
	<b>89</b>	<b>165</b>

**25.2. Current borrowings**

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

**25.3 Other payables**

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

**26. Other current liabilities**

	31.12.2018	31.12.2017
	<i>BGN'000</i>	<i>BGN'000</i>
Payables for acquisition of investments	18	18
Interest payables	8	14
Tax payables	293	272
Payables to employees and social security institutions	46	49
Dividends payables	211	184
Dividends payables – related parties – Starcom Holding AD	101	34
Other liabilities	12	29
	<b>689</b>	<b>600</b>

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

No adjustment and non-adjustment events that require additional disclosure have occurred after the end of the reporting period until the date of approval of the interim separate financial statements for publication.

## 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:*

#### **1 January, 2019**

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

#### **31 December, 2018**

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

#### **27 December, 2018**

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

#### **27 December, 2018**

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

#### **27 December, 2018**

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

#### **21 December, 2018**

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

#### **18 December, 2018**

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

#### **14 December, 2018**

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

#### **7 December, 2018**

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

#### **30 November, 2018**

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

#### **23 November, 2018**

Interim Consolidated Financial Report for Q3'2018:

1. Interim Consolidated Financial Statements as of 30<sup>th</sup> of September, 2018, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q3'2018;

3. Interim Consolidated Management Report;
4. Interim Consolidated Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declarations;

### **1 November, 2018**

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

### **30 October, 2018**

Interim Financial Report for Q3'2018:

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

### **28 September, 2018**

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

### **28 September, 2018**

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

### **21 September, 2018**

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

### **12 September, 2018**

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

### **30 August, 2018**

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

### **30 August, 2018**

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

### **9 August, 2018**

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

### **9 August, 2018**

Interim Consolidated Financial Report for H1'2018:

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

6. Additional Information;
7. Information according to Annex 9;
8. Declarations;

### **30 July, 2018**

Interim Financial Report for H1'2018:

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

### **4 July, 2018**

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

### **2 July, 2018**

Announcement for dividend payment;

### **2 July, 2018**

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

### **22 June, 2018**

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

### **11 June, 2018**

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

### **8 June, 2018**

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

### **5 June, 2018**

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

### **31 May, 2018**

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

### **30 May, 2018**

Interim Consolidated Financial Report for Q1'2018:

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

**29 May, 2018**

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

**30 April, 2018**

Interim Financial Report for Q1'2018:

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

**19 April, 2018**

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

**18 April, 2018**

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

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

**17 April, 2018**

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

**4 April, 2018**

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

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

**7 March, 2018**

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

**7 March, 2018**

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

**27 February, 2018**

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

**2 February, 2018**

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

**1 February, 2018**

Interim Consolidated Financial Report for Q4'2017:

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

**1 February, 2018**

Interim Financial Report for Q4'2017:

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

**9 January, 2018**

Notification pursuant to Article 148b of POSA;

**4 January, 2018**

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

**2 January, 2018**

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

30.01.2019

**Asen Minchev,**

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

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

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

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

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

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

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

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

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

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

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

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

	<b>Shareholder</b>	<b>Number of shares</b>	<b>% participation</b>
1.	Starcom Holding AD	104 448 874	52,88%
3.	KJK Fund II Sicav-Sif Balkan Discovery	28 116 873	14.23%

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

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

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

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

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

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

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

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

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

**3. Other payables**

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

*Date:*  
30.01.2019 г.

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

## INFORMATION ACCORDING TO ANNEX 9

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

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

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

- 3. Conclusion or execution of significant transactions**

There are no significant transactions during the observed period.

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

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

There has no change in company auditors.

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

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

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

*Date:*30.01.2019 г.

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

**DECLARATION**  
**in accordance with article 100o, paragraph 4, item 3 of**  
**Public Offering of Securities Act**

The undersigned,

1. Kiril Boshov – Chairman of the Management Board of Eurohold Bulgaria AD
2. Asen Minchev – Executive member of the Management Board of Eurohold Bulgaria AD
3. Ivan Hristov – Chief Accountant of Eurohold Bulgaria AD (complier of the financial statements)

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

1. The set of interim financial statements for Q4' 2018, composed in accordance with the applicable accounting standards, contain true and fair information regarding the assets and liabilities, the financial standing and the profit of Eurohold Bulgaria AD;

2. The interim management report of Eurohold Bulgaria AD for Q4' 2018 contains credible review of the information under article 100o, paragraph 4, item 2 of Public Offering of Securities Act.

**Declarers:**

1. Kiril Boshov

2. Asen Minchev

3. Ivan Hristov

