EUROHOLD BULGARIA AD

INTERIM MANAGEMENT REPORT

AND FINANCIAL STATEMENTS

1 January – 31 December 2019

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INTERIM MANAGEMENT REPORT

containing information on important events occurred in the first nine months of 2019 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

For the period 1 January – 31 December 2019 Eurohold Bulgaria AD reported a financial result on a standalone base a loss of BGN 14.6 million. For comparison, the financial result realized for the comparable period of the previous year was a profit of BGN 1.7 million. The realized negative financial result for the reporting period was due to the reported less profits from operations with financial instruments in the amount not enough to cover the operating expenses of the company.

REVENUES

The revenues of the company over the reporting period amounted to BGN 7.5 million, of which dividend income in amount of BGN 0.7 million, profits from financial instruments and subsequent valuations totaling BGN 5.6 million, interest income BGN 0.6 million and other financial income (positive differences from changes in exchange rates) in amount of BGN 0.7 million.

For 2019 the main operating income of Eurohold Bulgaria AD was accounted by operations with financial instruments and subsequent valuations. For the fourth quarter of 2019, the company realized:

- BGN 4.66 million profits from financial instruments, of which:
  - ✓ BGN 4.53 million profit from the sale of a minority stake (9.99%) of the subsidiary of Eurolease Group - after the sale Eurohold Bulgaria owns 90.01% of the leasing sub-holding of Eurolease Group AD
  - ✓ BGN 0.13 million – other profits.
- BGN 0.95 million income from revaluation of debt instruments measured at fair value.

The revenues of the company for the comparable period 2018 amounted to BGN 24.1 million, of which dividend income in amount of BGN 0.2 million, profits from financial instruments and subsequent valuations totaling BGN 21.7 million, interest income BGN 1.5 million and other financial income (positive differences from changes in exchange rates) in amount of BGN 0.6 million.

For 2018 the main operating income of Eurohold Bulgaria AD was accounted by operations with financial instruments and subsequent valuations as the company realized:

- BGN 20.28 million profits from financial instruments, of which:
  - ✓ BGN 4.68 million profit from the sale of own receivables (reported value of BGN 1.34 million) and receivables from related parties (BGN 16.65 million);
  - ✓ BGN 14.95 million profit from redemption and repayment / cancellation of commercial loans in the form of Euro Corporate Securities – ECP;
  - ✓ BGN 0.65 million – other profits
- BGN 1.37 million income from revaluation of debt instruments measured at fair value.

EXPENSES

For the twelve months of the current year Eurohold Bulgaria managed to reduce slightly the operating expenses as they amounted to BGN 22.7 million compared to BGN 22.8 million as of 31.12.2018.

During the reporting period, there was a significant reduction in interest expenses by more than 22.8%, amounting to BGN 14.8 million, while in 2018 the interest expenses accrued by the company amounted to BGN 19.2 million. The 17.1% reduction in interest expense by BGN 4.4 million was mainly due to reducing the interest-bearing liabilities of the company and negotiating better interest rates.

Expenses on external services grew by 90.2%, amounting to BGN 4.4 million at the end of the reporting period, while in the comparable period it amounted to BGN 2.3 million.

Eurohold Bulgaria AD reports for 2019 losses from transactions with financial instruments and subsequent valuations of BGN 1.2 million, representing almost entirely the cost of revaluation of debt instruments, measured at fair value. For comparison, losses from financial instruments transactions and subsequent valuations of BGN 0.7 million were reported for 2018, of which the cost of revaluation of debt instruments measured at fair value was BGN 0.2 million and losses from operations with investments amounting to BGN 0.4 million.

The value of other financial expenses recorded a significant increase, reaching BGN 1 million and represented negative differences from changes in exchange rates during the period. For comparison, in 2018, BGN 0.05 million other financial expenses were reported.

Personnel expenses increased by 31.8% reaching BGN 0.6 million, due to the expansion of the holding activity and the recruitment of new qualified employees.

With the application of IFRS 16, Eurohold Bulgaria AD reported in the reporting period the cost of depreciation of assets with the right to use leased property under operating lease terms in the amount of BGN 0.7 million. In this regard, the Company's depreciation expenses increase from BGN 0.03 million for 2018 to BGN 0.7 million for 2019.

Net income / (Expenses) reported increased from BGN 0.4 million for 2018 to BGN 0.6 million for the current year. The amendment is mainly due to IFRS 16 lease income (reissuance of assets with use of assets) reported in the amount of BGN 0.3 million and expenses for interest on assets with use of rights in the amount of BGN 0.07 million.

ASSETS

As of 31st of December 2019 the company's assets increased by BGN 6.5 million and amounted to BGN 586 million compared to BGN 579.4 million as of the end of 2018.

The assets of Eurohold Bulgaria AD mainly represent investments in subsidiaries and other enterprises, amounting to BGN 581 million. At the end of 2019, compared to the end of 2018 they amounted to BGN 567.5 million. The growth of 2.4% is entirely due to an increase of BGN 16.3 million on the investment in the subsidiary Euroins Insurance Group AD. The increase is in connection with the purchase of part of the residual minority interest in the subsidiary insurance sub-holding, in connection with the concluded agreement for the acquisition of the residual minority interest, as well as in connection with an additional contribution of BGN 3.95 million from the current capital increase of Euroins Insurance Group AD made in February 2019.

In the fourth quarter of 2019, Eurohold Bulgaria AD concluded a contract for the sale of 9.99% of the capital of the subsidiary Eurolease Group, which combines the investments of the holding in the leasing business. As of 31 December 2019, as of the date of preparation of this report, the participation of Eurohold Bulgaria AD in Eurolease Group has been reduced to 90.01% of the capital.

Non-current assets include property, plant and equipment, and intangible assets. During the reporting period, non-current assets increased by BGN 2.7 million with the application of IFRS 16 effective from 1 January 2019 and the recognition of assets (property) with right to use amounting to 1 January 2019 by BGN 3 953 million. The value of the assets with rights to use as of 31 December 2019 amounts to BGN 2.6 million after the current part was written off and the depreciation of BGN 1.4 million was calculated.

Current assets reported a significant decrease during the reporting period, from BGN 11.9 million to BGN 2.1 million. The reason for this was the collected receivables on loans from third parties amounting to BGN 9.9 million.

EQUITY AND LIABILITIES

As of 31.12.2019 the total equity of Eurohold Bulgaria amounted to BGN 320.6 million compared to BGN 337.8 million at 31.12.2018 taking into account the decrease of 5% due to the realized loss in the current reporting year.

The company's liabilities amounted to BGN 265.4 million increasing for the period by 9.8%.

The change in liabilities was due to the following factors:

- Non-current liabilities amounted to BGN 164.8 million, decreasing by 8% compared to the end of 2018 (BGN 166.1 million). They are mainly formed by liabilities from loans from financial and non-financial institutions and from debt at the end of 2019 of BGN 161.1 million. During the reporting period, a decrease of BGN 10 million in loans from banking institutions was recorded due to their reporting in short-term liabilities, as well as an increase in the amount of debt on bonds (within the EMTN Program) by BGN 6.8 million.

Other long-term liabilities and liabilities to related parties account for a minor part of non-current assets and amounted to BGN 3.7 million.

- Current liabilities increased by BGN 25 million, amounting to BGN 101 million. Current liabilities from loans to financial and non-financial institutions amounted to BGN 42.6 million. In the same time the amount of related parties' liabilities increased by BGN 9.7 million at the end of the reporting period.

Liabilities mainly represented loan commitments, and the table below provides information on their size and structure of loans.

	Change %	31.12.2019 *000'BGN*	31.12.2018 *000'BGN*
Liabilities for financial and non-financial loans, including:	**5%**	**68 170**	**65 007**
- *Non-current liabilities to banks*	*-28%*	*25 531*	*35 549*
- *Current liabilities to banks*	*14%*	*10 509*	*9 253*
- *Other current borrowings (Euro Commercial Papers – ECPs) maturity 03.2020-04.2020 and annual interest rate 2,0%*	*59%*	*32 130*	*20 205*
Bond Loan Obligations (EMTN Programme), including:	**28%**	**166 405**	**129 832**
- *Non-current liabilities on bond loans*	*29%*	*165 616*	*128 832*
- *Current liabilities on bond loans (interests)*	*5%*	*789*	*752*
Liabilities to related parties	**26%**	**55 493**	**44 214**
- *Non-current*	-10%	1 538	**1 717**
- *Current*	22%	53 955	**44 214**
Total loans obligations	**21%**	**290 068**	**239 053**

Debenture loans are presented at amortized cost, net of treasury bonds, which are subsequently measured at fair value based on information from Bloomberg and other sources, reflecting the effect of profit or loss for the period. As of December 31, 2019, the Company owns 10,500 shares. repurchased own bonds from the EMTN Program in EUR, as of December 31, 2018 - 13 418 pcs. from the EMTN Program in EUR.

Information on the terms of the two bonds is publicly available on the Irish Stock Exchange, Debt section.

Liabilities for other current loans as of the end of 2019 amounting to BGN 32 million in the form of Euro Trading Papers (ECP) have a maturity of 03.2020 - 04.2020, an annual interest rate of 2.0%. and a total face value of EUR 16,500 thousand.

As of 31.12.2018, Euro Trading Papers (ECP) have a maturity of 03.2019 - 05.2019 and an annual interest rate in the range of 1.25% -4.0%. During the year 2018, the Company issued and repurchased two issues of ECPs with a total face value of EUR 15 600 thousand. At the end of 2018 both issues were terminated and deleted from the registers and as a result a profit of BGN 14 947 thousand was reported. As of December 31, 2018, the amount of Euro Trading Securities (ECP) liabilities was at an amount of BGN 20 million.

GUARANTEES PROVIDED

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

Business division	Amount in EUR'000 as at 31.12.2019	Amount in BGN'000 as at 31.12.2019	MATURITY (EUR'000) 2020	2021	2022	2023	2024	After 2024
Lease sub-holding								
For funding of lease operations	**11 962**	**23 396**	**3 443**	**3 828**	**2 282**	**1 033**	**972**	**404**
Automotive sub-holding								
Working capital loans	**1 822**	**3 564**	**1 822**	**-**	**-**	**-**	**-**	**-**
TOTAL:	**13 784**	**26 960**	**5 265**	**3 828**	**2 282**	**1 033**	**972**	**404**

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

Company from:	Contracted limit in EUR'000 as at 31.12.2019	Contracted limit in BGN'000 as at 31.12.2019	MATURITY(EUR'000) 2020	2021	2022
Automotive sub-holding	**9 400**	**18 385**	9 400	-	-
Automotive sub-holding	**340**	**665**	340	-	-
Automotive sub-holding	**712**	**1 392**	712	-	-
Automotive sub-holding	**1 050**	**2 054**	1 050	-	-
Energy sub-holding	**5 000**	**9 779**	5 000		
TOTAL:	**16 502**	**32 275**	**16 502**	**-**	**-**

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

Company/ Guarantor	Currency	Guaranteed liability	Guaranteed amount as at 31.12.2018 in original currency	Maturity date
Euroins Insurance Group AD	EUR	Issue of bonds (EMTN programme)	70 000 000	12/2022
Euroins Insurance Group AD	PLN	Issue of bonds (EMTN programme)	45 000 000	12/2021
EUROINS ROMANIA AsIGURARE REASIGURARE SA	EUR	Possible payment and/or compensation claims of the Beneficiary in connection with an offer	5 000 000	31.05.2020

IMPORTANT EVENTS FOR EUROHOLD BULGARIA AD OCCURRED IN THE PERIOD 1 JANUARY - 31 DECEMBER 2019

During the reporting period, the following important events took place, affecting the results in the financial statement of Eurohold Bulgaria AD as of 31.12.2019:

1 January – 31 December 2019

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1. EUROHOLD CONTINUES TO EXPAND SUSTAINABLY ITS OPERATIONS IN SOUTHEAST EUROPE IN THE THIRD QUARTER

The newly acquired insurers in the region contribute significantly to the revenue and profit growth of the holding

- Total revenue rose to BGN 1.16 billion (+33%)
- Operating profit (EBITDA) increased to BGN 25.4 million (+3%)
- Premium volume grew to BGN 617 million (+37%)

Eurohold Bulgaria AD, a leading independent business group operating in the CEE/SEE/CIS region, continued its upward trend, expanding its business at steady growth rate and improving its profitability, according to the holding's consolidated interim financial statement for the first nine months of 2019.

Eurohold grew its total revenue to approximately BGN 1.16 billion in January-September, up 33% year-on-year (y-o-y). The company's operating profit (EBITDA) rose by 3% on the year to BGN 25.4 million while its net profit increased 7-fold compared to the year ago period to BGN 1.4 million. The total assets of the holding company stood at around BGN 1.44 billion in September 2019 or 3% higher compared to the end of 2018.

The strong growth of Eurohold's insurance business in Southeast Europe and the CIS region contributed exceptionally to the results achieved in the first nine months of the year. The holding's revenue from the insurance operations soared by 44% y-o-y to over BGN 962 million and the EBITDA generated by this segment grew by an annual 9% to BGN 18.2 million.

The gross written premiums of Euroins Insurance Group AD (EIG), Eurohold's insurance subholding, increased 37% on the year to BGN 617 million while EIG's January-September pre-tax profit rose 7% to BGN 14.2 million.

Almost all key EIG's subsidiaries recorded significant y-o-y premium growth, including most of the newly acquired by EIG insurance units in Eastern Europe and the CIS countries. The gross written premiums of Ukraine-based ETI, specialized in travel insurance, rose sharply by 47% to BGN 16.5 million generating pre-tax profit at the amount of BGN 3.9 million. Euroins Russia recorded 9% premium growth to BGN 40.4 million and pre-tax profit at the amount of BGN 1.6 million. Euroins North Macedonia achieved 26% annual growth in premium volume to BGN 20 million and 21% year-on-year increase in profit before taxes to BGN 1.3 million. Euroins Romania also reported a significant increase in premium - up by 29% on the year to over BGN 386 million. Euroins Bulgaria's premium volume rose by an annual 45% to nearly BGN 175 million and its pre-tax profit grew more than four times to BGN 6.2 million.

The leasing business of Eurohold, operating under Eurolease Group EAD brand, is the other main business line of the holding, that improved exceptionally its operating profitability. The operating profit generated by this segment went up by 29% y-o-y to BGN 5.3 million backed by a 7% year-on-year revenue growth to BGN 20 million.

"The operating figures achieved are valuation for good, consistent and stable management. We'll continue to pursue the development strategy we have chosen which includes acquisitions on our existing markets as well as takeovers on new markets if there are appropriate options. The successful deals we have signed for the last couple years, contributed largely to our business growth. We are satisfied that the expansion we have started in our new markets in the CIS countries since 2015, has already paid off. The three countries we are operating within this region (Russia, Ukraine and Georgia), generate more than 15% of the revenue and over 30% of the profit of EIG, our insurance subholding. The results achieved are a clear indicator that Eurohold is capable of acquiring, integrating and managing new businesses in new markets," Kiril Boshov, chairman of Eurohold Bulgaria's management board, commented.

2. EUROHOLD WILL CONTINUE TO PURSUE ITS STRATEGY FOR EXPANSION IN THE ENERGY SECTOR IN SEE. THE HOLDING WILL PROTECT THE DEAL WITH CEZ IN THE COURT

On 12th of November 2019 Eurohold Bulgaria AD will protect the interests of its more than 9000 shareholders after the decision of the Commission for Protection of Competition (CPC) to ban the deal for the purchase of CEZ Group's business in Bulgaria, following its responsibility and fulfilling its commitments towards them.

Eurohold has already filed an appeal in the Sofia Administrative Court. The Czech energy group has also taken administrative measures against the decision of Bulgaria's competition authority.

Eurohold intends to actively pursue its strategy for developing a leading regional utility company within the holding following the model of Euroins Insurance Group (EIG), one of the leading insurance groups in Southeast Europe (SEE). The company keeps its interest in the acquisitions of companies in the energy sector as it sees potential for diversification of its portfolio.

The special energy board of experienced international and Bulgarian experts, created by Eurohold, will continue to work for the implementation of the strategy for the development of the holding's utility business in SEE.

3. FITCH CONFIRMED THE CREDIT RATING OF EUROHOLD

On November 25, 2019, Fitch Ratings reviewed the rating of Eurohold Bulgaria. The confirmed rating is based on Eurohold Bulgaria's stated intention to continue its efforts to acquire the assets of CEZ Group in Bulgaria.

The company retains a negative outlook, which is mainly due to the fact that during the first period of the acquisition of CEZ's assets in Bulgaria, Eurohold will have less opportunities to distribute dividends.

Nevertheless, the rating agency points out that the acquisition of CEZ's assets in Bulgaria is positive for Eurohold and leads to high stability and predictability of profits. In this regard, the transaction has a positive impact on the Group's credit profile in the medium and long term.

4. ON 24TH OF OCTOBER 2019 THE COMMISSION FOR THE PROTECTION OF COMPETITION PROHIBITED CONCENTRATION

In connection with the ban on concentration by the Commission for Protection of Competition (CPC) in the transaction for acquisition of the business of CEZ Group in Bulgaria, Eurohold Bulgaria AD stated that as a public company with a large number of international and institutional investors, Eurohold will wait decision of the Company's Supervisory Board on further steps in the transaction and on the development of its investment strategy in the energy sector.

5. EUROHOLD FILED ADDITIONAL DOCUMENTS WITH THE CPC RELATED WITH THE IN-DEPTH PROBE INTO THE DEAL WITH CEZ

The holding company welcomes the decision of the competition authority and is ready to collaborate

On 15th of October 2019, with reference to the decision of the Commission for Protection of Competition (CPC) to launch an in-depth probe into the acquisition of CEZ Group's companies in Bulgaria, Eurohold Bulgaria filed additional documents with the antitrust regulator. The documents provide evidence about the applied regulatory requirements and provisions in the insurance and energy market, the restrictive provisions of Solvency II directive and the restrictive legal framework that regulates public companies as well as the rules that concern the control of the transactions between related parties.

Eurohold provided additional information about: the geographical extent of the researched markets in which the holding and its Bulgaria-based insurance subsidiaries (ZD Euroins AD and EIG Re EAD) operate; the products the insurers offer; the gross written premiums accumulated by them and the share of the insurance premiums in the holding's total revenue, the market shares of the insurers in the different insurance segments and others.

6. EUROHOLD WILL MANAGE THE ASSETS OF CEZ RESPONSIBLY AND INVEST IN INNOVATIONS IN FAVOR OF THE CONSUMERS

The holding company will develop a regional utility company

Sofia, Oct 9th 2019 - Eurohold Bulgaria, a leading independent business group, operating in the CEE/SEE/CIS region, plans to manage responsibly CEZ Group's companies in Bulgaria and aims at developing Eastern European Electric Company into a regional utility services provider after the completion of the deal with the Czech company. This is part of the holding's strategy for the development of the energy business of the group, presented today.

Eastern European Electric B.V. (EEE) is 100% owned by Eurohold and will consolidate the energy business of the holding. Bulgaria-based holding company's strategy for EEE is developed by its energy board that includes experts with solid international experience - Gary Levesly, Dan Catalin Stancu and Georgi Mikov (more than 25-year experience). The energy board supports the integration of the acquired CEZ Group's companies and will merge into part of the supervisory board of the companies within the group of EEE.

7. BULGARIA'S ANTITRUST BODY OPENED PROCEEDINGS CONCERNING EUROHOLD 'S PLANNED ACQUISITION OF CEZ GROUP'S SUBSIDIARIES IN BULGARIA

On 3th of October 2019, Bulgaria's Commission for Protection of Competition announced that it has opened proceedings concerning Eurohold Bulgaria's planned acquisition of CEZ Group's subsidiaries in Bulgaria.

Eurohold will acquire CEZ Group's companies in Bulgaria through Eastern European Electric Company B.V., a newly established Dutch-based company that is 100% owned by Eurohold Bulgaria and is especially established for the purpose of the deal with CEZ Group. Eastern European Electric Company B.V. will operate as a Eurohold's subholding and will take over the operations of all CEZ Group's subsidiaries in Bulgaria after obtaining the necessary regulatory approvals. It is set up in the Netherlands according to the requirements of the two global investment banks that will finance the transaction.

8. ANNOUNCEMENT FOR DIVIDEND PAYMENT

With reference to the adopted decision by the General Meeting of Shareholders of EUROHOLD BULGARIA AD, held on 30.06.2019, the Management Board of the Company approved the following conditions for dividend payment:

- Issue identification - ISIN BG1100114062
- Number of shares – 197 525 600
- Nominal value per share – BGN 1.00
- Total amount of dividend – BGN 2 469 070
- Gross dividend per share – BGN 0.0125
- Net dividend per share – BGN 0.011875
- Commercial Bank for payment of dividend - Unicredit Bulbank AD
- Date, according Article 115v, para 3 of POSA – 14.07.2019
- Initial date for dividend payment – 27.08.2019
- Final date for dividend payment – 27.11.2019
- Way of dividend payment - To shareholders whose securities accounts are located in personal accounts, the dividend will be paid through the branches of Unicredit Bulbank AD, to shareholders whose securities accounts are located in accounts with an investment intermediary, dividend will be paid by the investment firm in cooperation with the Central Depository.
- After expiration of the final date for payment of the dividend 27.11.2019, all shareholders which had not received their dividends for the year 2018 will have the right to receive their dividends from the company. Unclaimed and unreceived dividends after the expiry of the five-year limitation period shall be taken in the Company's Reserve Fund.

9. EUROHOLD HAS ALREADY SUBMITTED TO THE COMMISSION FOR PROTECTION OF COMPETITION (CPC)

Eurohold has already submitted to the Commission for Protection of Competition (CPC) the documents in relation with the acquisition of CEZ Group's subsidiaries in Bulgaria. On 20th of June 2019, Eurohold signed a contract with CEZ Group for the acquisition of Czech energy group's business in Bulgaria. The transaction is subject to approval from the Bulgarian antitrust body.

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10. EUROHOLD AGREED TO ACQUIRE CEZ GROUP'S ASSETS IN BULGARIA

On 20th of June 2019 Eurohold Bulgaria AD signed an agreement with CEZ Group, the Czech energy group, to acquire CEZ Group's assets in Bulgaria.

Eurohold Bulgaria AD will pay EUR 335 million for the acquisition of CEZ Group's assets in Bulgaria.

Eurohold Bulgaria AD will finance the acquisition through a combination of equity and debt financing.

Eurohold Bulgaria AD has mandated two global investment banks with significant experience in raising similar debt financing to arrange the funding for the transaction.

Eurohold has already set up an advisory board comprising of experts with solid international experience in power distribution business that will consult the process of integrating CEZ Bulgaria's operations into the structure of Eurohold. Additionally, Eurohold has secured that CEZ Bulgaria's current senior management, including the chief executive officer, will remain in the company in order to ensure a smooth transition period.

CEZ's assets in Bulgaria comprise power utility CEZ Distribution Bulgaria, power supplier CEZ Electro Bulgaria, licensed electricity trader CEZ Trade Bulgaria, IT services company CEZ ICT Bulgaria, solar park Free Energy Project Oreshetz, biomass-fired power plant Bara Group and CEZ Bulgaria.

Eurohold's acquisition of CEZ Group's assets in Bulgaria is expected to be finalized after obtaining regulatory approvals.

Morrison & Foerster in London is representing EuroHold, led on the corporate side by partner Gary Brown and associate Carlo Pia, and led on the finance side by partner Christopher Kandel and counsel John Burge. Stoeva, Tchompalov & Znepolski, led by partners Iordan Tchompalov and Irina Stoeva, and senior associate Miroslava Iordanova, is advising EuroHold on Bulgarian legal matters.

ČEZ is represented by Czech firm Skils s.r.o, with a team led by partners Karel Dřevínek and Vladimír Kykal, and associate Tomáš Bayer. Penkov, Markov & Partners, led by partner Ivan Markov, is advising ČEZ on Bulgarian legal matters.

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11. THE ENERGY ADVISORY BOARD CALLED BY EUROHOLD STARTED ITS ACTIVITY OFFICIALLY

Sofia, July 19th 2019 - The energy advisory board called by Eurohold Bulgaria AD with reference to the deal for the acquisition of CEZ Group's business in Bulgaria held its working meeting with the management of the holding company.

For the moment the energy board formed by Eurohold consists of three experts with solid international experience in the energy business and the distribution of electricity - Garry Levesley, Dan Catalin Stancu and Georgi Mikov. The three experts will support the company on the acquisition process of CEZ Group’s business in Bulgaria and will oversee the integration of CEZ assets into the structure of the Bulgarian holding. The board will also elaborate a strategy for the development of the energy company that will be set up within Eurohold and will consolidate the operations of CEZ’s subsidiaries in Bulgaria.

Here is a short bio of each of the three experts:

Garry Levesley

Garry Levesley is British and has over 40-year experience in the energy sector on a global level. He has been an executive vice president, operating and executive director for Europe and Central Asia of the US-based ContourGlobal, the majority shareholder of Bulgaria-based Maritsa East 3 Power Plant. As a senior manager of ContourGlobal Levesley has been working in Sofia since 2011 and has built an in-depth view over the development of the energy sector in Bulgaria. He has lead and closed the EUR 230-million acquisition of MW Maritsa East 3 Thermal Power Plant from Italy-based Enel and has participated directly in the development and implementation of the 3-year business plan that significantly improved the business operational KPI’s, safety performance and financial results of the Bulgarian power plant. He has started his career as a marine engineer on Shell’s oil and liquefied natural gas tankers. He has been a vice president, operating director and general director of AES Corporation, where he has consecutively managed several company’s power plants in 5 countries - Great Britain, Hungary, Kazakhstan, Russia and Ukraine. Levesley has also been a managing director of AES Drax power plant, the largest coal fired plant in Western Europe, producing 4000 MW. He has managed the construction of renewable and thermal power plants in Brazil, Nigeria, Togo, Ukraine, Poland, Romania, Italy and N. Ireland. Garry Levesley holds a BSc in Engineering from the Open University in Great Britain and has passed Executive Management Training at Darden Business School, University of Virginia.

Dan Catalin Stancu

Dan Catalin Stancu is Romanian and has 30-year experience in the energy sector in Romania, including employment in listed energy companies. He has been the group CEO and chairman of the board of the three electro distribution subsidiaries of Electrica Energetica SA. a listed company that generates more than EUR 1.2 billion annually and has over 9000 employees - Transylvania Nord, Transylvania Sud и Muntenia Nord, each of which accumulates over EUR 250 million annually and employs more than 2000 employees. He has sat on the board of E.ON Moldova and CEZ Oltenia S.A. Stancu has also been a board member of E.ON Romania where he has managed the strategic and corporate development of two of the company’s subsidiaries - - E.ON Distributie Romania и E.ON Renewables. He has graduated the Faculty of Energetics at the Polytechnic Institute of Bucharest. He holds a UK-diploma in Management from Codecs-Open University and EMBA in Management and Business Administration from Sheffield University.

Georgi Mikov

Georgi Mikov is Bulgarian and has 28-year experience in the energy sector in Bulgaria. He has been CEO of the National Electricity Company EAD (NEC) in 2009-2012. He has woked in Electro Distribution Stolichno and CEZ Distribution Bulgaria. He has been a member of the management board of CEZ Bulgaria EAD. He is an engineer in

Electroengineering. He holds an MBA degree in Business Administration from the American university in Bulgaria.

The number of the seats on Eurohold’s energy advisory board is expected to grow up to five. The names of the other two experts will be announced later.

12.FITCH PLACED EUROHOLD’S RATING UNDER OBSERVATION

1st July 2019 - With reference to the agreement that Eurohold Bulgaria AD signed to acquire CEZ’s assets in Bulgaria, Fitch Ratings, the international credit rating agency, placed Eurohold Bulgaria AD's Rating under observation.

Eurohold is publishing Fitch Ratings’ statement directly:

Fitch Ratings has placed Eurohold Bulgaria AD's (Eurohold) Long-Term Issuer Default Rating (IDR) and Insurance Company Euroins AD's (Euroins Bulgaria), Euroins Romania Asigurare Reasigurare S.A.'s, and Insurance Company EIG Re AD's Insurer Financial Strength (IFS) Ratings on Rating Watch Negative (RWN).

The RWN follows the announcement that Eurohold plans to acquire the Bulgarian assets of the Czech power utility company CEZ a.s. (CEZ assets) for EUR335 million (BGN655 million). The completion of the transaction is subject to approvals from the Bulgarian Competition Authority and the Bulgarian energy regulator.

KEY RATING DRIVERS

The RWN reflects Fitch's view that the proposed acquisition of CEZ assets could give rise to financial risks due to the expected high debt proportion in the financing structure as well as integration and execution risks.

The planned high debt proportion in the financing structure (minimum 75% of the acquisition price) could significantly reduce distributable earnings from CEZ assets especially in the initial period. However, power distribution, the largest and most profitable business in the transaction, is regulated and produces stable cash flows, and therefore the acquisition of CEZ assets should over time contribute to higher stability and predictability of Eurohold's earnings. This could contribute positively to the group's credit profile in the medium- to long-term.

Eurohold lacks previous management experience in power utilities and will therefore rely on current management of CEZ assets to ensure smooth operations. Fitch understands from management that Eurohold aims to retain the existing management team of CEZ assets. Additionally, Eurohold has formed an advisory board of energy experts, which is supporting the company on the acquisition process and will oversee the integration of CEZ assets during and after transaction closing.

However, we expect the integration will also require significant management resources from Eurohold. As a predominantly financial investor, Eurohold is also likely to look for cost-saving opportunities to further improve its return on investment, which could give rise to additional execution risks.

Fitch expects the transaction to be broadly neutral to Eurohold's insurance-related financial leverage ratio and capitalisation, which would exclude both the equity and debt financing relating to the acquisition of CEZ assets. Eurohold's capitalisation based on Fitch's Prism Factor Based Model was 'Weak' and the group's Fitch-calculated financial leverage stood at 65% at end-2018 (2017: 64%).

However, Fitch expects the transaction to increase financial leverage at consolidated Eurohold level due to the highly leveraged nature of the transaction. Fitch also believes Eurohold would provide additional support to the financing structure (with or without a legal obligation) if necessary to protect its investment. Such a scenario could put additional pressure on Eurohold's capitalisation and/or financial leverage.

Eurhold plans to issue EUR80 million (BGN156 million) preferred shares to partly fund the acquisition of CEZ assets. These shares would carry fixed dividends to be covered by Eurohold's net or retained earnings. Fitch expects this to be slightly negative for Eurohold's insurance-related fixed charge coverage ratio, which would have been 1.2x calculated on a pro-forma basis at end-2018 after inclusion of these expenses (end-2018 actual: 1.3x).

Fitch expects interest costs arising from financial debt related to the transaction to be covered by revenues generated by CEZ assets. However, Fitch sees high execution risk associated with the debt servicing capability of CEZ assets.

RATING SENSITIVITIES

Fitch will resolve the RWN on the regulatory approvals of the transaction and after completing its assessment of the standalone credit profile of CEZ assets and the final financing structure.

FULL LIST OF RATING ACTIONS

Insurance Company Euroins AD

--IFS Rating 'BB-' placed on RWN

Euroins Romania Asigurare Reasigurare S.A.

--IFS Rating 'BB-' placed on RWN

Insurance Company EIG Re AD

--IFS Rating 'BB-' placed on RWN

Eurohold Bulgaria AD

--Long-Term IDR 'B' placed on RWN

--Long-term senior debt 'B'/'RR4' rating placed on RWN

13.EUROHOLD BULGARIA LAUNCHES THE CAPITAL INCREASE PROCEDURE BY PUBLIC OFFERING OF 80 MILLION NEW SHARES

Eurohold Bulgaria AD is in the procedure of increasing its capital through public offering of nearly 80 million new shares. At its extraordinary session of the General Meeting of Shareholders, held on 22 of April,2019, a decision was taken to increase the company's capital up to BGN 277 million through issuing of preferred shares.

The public offering of a share issue of a capital increase provides for the subscription of a new issue of shares up to a maximum of 79,010,240 shares. The nominal value of each share is BGN 1.00 (one) and the issue price per share is 1.95 (one and 0.95 BGN). The maximum amount that Eurohold can raise in case the issue will be subscribed and paid up to a maximum amount is BGN 154,069,968 (one hundred and fifty four million sixty nine thousand nine hundred and sixty eight). The capital increase of Eurohold will be deemed successful if at least 25.3% (20 million) of the shares offered will be subscribed and paid in full.

The new preferred shares will not give voting rights to the general shareholders' meeting but will guarantee to their holders receiving dividend every year under the following scheme: 6% of the nominal value per share for the first five years after the entering of the issue in the Commercial Register; 3% of the nominal value between the sixth and the tenth year; and 1% after the tenth year of the entry.

All funds raised from the current public offering of shares will be fully utilized for the planned expansion of the company in new regulated business segments offering great opportunities for sustainable growth. The long-term investment strategy of the company includes investment in the energy sector, namely acquisition of CEZ's assets in Bulgaria.

The manager of the issue will be Euro-Finance AD, one of the largest investment intermediaries in Bulgaria.

14. EUROHOLD SUBMITTED AN INDIVIDUAL OFFER TO ACQUIRE CEZ GROUP'S ASSETS IN BULGARIA AND OBTAINED EXCLUSIVITY

On 1st of April 2019, after an in-depth research and analysis on the financial performance of the Bulgarian units of CEZ Group, the Czech power utility, Eurohold Bulgaria AD submitted a binding offer to acquire the assets of CEZ Group in Bulgaria.

Eurohold is participating in the procedure individually and is not in partnership with another candidate in the tender.

Eurohold will finance the transaction through own funds and additional funding to be extended by Western European banks.

The intention to acquire CEZ Group’s assets in Bulgaria is part of holding company’s long-term strategy to penetrate in new regulated business segments that provide large opportunities for growth. Simultaneously with the acquisition of CEZ Group’s assets in Bulgaria, Eurohold is analysing the opportunity to divest part of its assets outside the insurance business in order to focus on the segments with the highest potential.

On 17th of April 2019, Eurohold Bulgaria obtained exclusivity for the acquisition of CEZ Group’s assets in Bulgaria.

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.

The unemployment rate in Bulgaria is selling steadily to decline as a result of the achieved economic growth. According to the latest published NSI data, the unemployment rate in the country for the first quarter of 2019 is 5.0% or 0.7 percentage points lower than in the first quarter of 2018. The number of people unemployed equals 165.3 thousand or a decrease in the number of unemployed persons by 23.4 thousand compared to the first quarter of 2018. During the same period the unemployment rate decreased by 1.0 percentage points for men and women. by 0.5 percentage points for women. Of the total number of unemployed persons, 95.0 thousand (57.47%) are men and 70.3 thousand (42.53%) are women. Of all unemployed persons, 15.37% have tertiary education, 44.34% have secondary and 40.29% have primary or lower education. The unemployment rates by degrees are 2.4% for higher education, 4.0% for secondary education and 36.7% for primary and lower education respectively.

Source: 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 August 23, 2019, Fitch Ratings upgraded Bulgaria's credit rating outlook. The Agency affirmed Bulgaria's BBB long-term credit rating of BBB- in foreign and local currency and confirmed the country's BBB + credit rating ceiling as well as its short-term foreign and local credit rating "F2". Raising the outlook as positive reflects Fitch Ratings' assessment that indicators for the development of Bulgaria's foreign sector have improved significantly. The prolonged period of steady decline in the external debt-to-GDP ratio and positive current account trends led to a better performance of Bulgaria's external finances compared to the BBB group. Compared to other countries with similar ratings, the country's public finance indicators have a positive effect on raising the rating score. Government debt to GDP will continue to fall below that of BBB countries.

On November 29, 2019, the rating agency S&P Global Ratings evaluated the outlook for Bulgaria's credit rating as positive. At the same time, the agency upgraded its long-term and short-term foreign currency and local currency credit rating "BBB- / A-3". The strengthened outlook for Bulgaria's credit rating reflects S&P Global Rartings' expectation that fiscal and external indicators will continue to improve and that authorities will take further steps to strengthen the financial sector, where the level of non-performing loans remains high. The agency notes that in 2019, the country's economic recovery will continue with a growing contribution of domestic demand to net exports. Improvements are reflected in the labor market, thereby increasing disposable income and private consumption. Public investments financed through European funds will also be an important factor for economic recovery. At the same time, Bulgaria continues to face structural constraints on demographic challenges. Net emigration, especially in the skilled labor force and the aging population, poses challenges to economic policy and social cohesion opportunities.

Source: 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), Ukrainian hryvnia (UAH), and Georgian lary (GEL), 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 ofits 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 Bulgria 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 made outside the country, mainly from the insurance business in Romania, Macedonia, Ukraine, Georgia and Poland, as well as the leasing business in Macedonia, where each of the countries has a freely convertible currency whose relative price to other currencies are determined by free financial markets. A dramatic change in the macro-framework of any of the countries where the Company through its subsidiaries is active can have a negative effect on its consolidated results. In the end, however, the Company reports its consolidated financial results in Bulgaria, in Bulgarian leva, which in turn are pegged through a fixed exchange rate to the euro. On the other hand, the euro is also changing its value relative to other global currencies, but is significantly less exposed to drastic fluctuations.

Liquidity risk

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

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

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

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

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

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

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

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

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

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

RISK MANAGEMENT

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

- Market share, pricing policy and marketing researches for the development of the market and the market share;
- Active management of investments in different sectors;
- Comprehensive policy in asset and liabilities management aiming to optimize the structure, quality and return on assets;

- Optimization of the structure of raised funds aiming to ensure liquidity and decrease of financial expenses for the group;
- Effective management of cash flows;
- Administrative expenses optimization, management of hired services;
- Human resources management.

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

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

Risk management in the Group aims to:

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

Date: 28 September 2019

Asen Minchev,

Executive Member of the Management Board

EUROHOLD

Eurohold Bulgaria AD
Interim separate statement of profit or lost and other comprehensive income
For the year ended December 31, 2019

	Notes	2019 BGN '000	2018 BGN '000
Revenue from operating activities			
Dividend income	*3*	669	209
Gains from sale of investments and subsequent revaluation	*4*	5 602	21 652
Interest income	*5*	579	1 544
Other financial revenue	*6*	665	647
		7 515	**24 052**
Expenses on operating activities			
Interest expenses	*7*	(14 847)	(19 239)
Losses on sale of investments and subsequent revaluation	*8*	(1 187)	(661)
Other financial expenses	*9*	(996)	(50)
Hired services expenses	*10*	(4 442)	(2 336)
Salaries and related expenses		(585)	(444)
Depreciation	*13.1, 13.2*	(708)	(27)
(Expenses) / Revenue from impairment of financial assets, net	*11*	69	(13)
		(22 696)	**(22 770)**
Profit / (Loss) from operating activities		**(15 181)**	**1 282**
Other revenue/(expenses),net	*2.27,12*	589	378
Net Profit /(Loss)		**(14 592)**	**1 660**
Other comprehensive income		-	-
Total comprehensive income for the period		**(14 592)**	**1 660**
Earning / (loss) per share, BGN	*19.3*	*(0.074)*	*0.008*

Prepared by: Signed on behalf of BoD: Procurator:

/I. Hristov/ /A. Minchev/ /H.Stoev/

28.01.2020

Eurohold Bulgaria AD
Interim separate statement of financial position
As at December 31, 2019

	Notes	31.12.2019 BGN '000	31.12.2018 BGN '000
ASSETS			
Non-current assets			
Property, machinery and equipment	*13.1*	2 793	82
Intangible assets	*13.2*	14	-
		2 807	**82**
Investments			
Investments in subsidiaries and other companies	*14*	**581 007**	**567 465**
Current assets			
Loans granted to third parties	*15*	-	9 877
Related parties receivables	*16*	425	1 408
Other receivables	*17*	1 579	328
Cash and cash equivalents	*18*	138	282
		2 142	**11 895**
TOTAL ASSETS		**585 956**	**579 442**

Eurohold Bulgaria AD
Interim separate statement of financial position (continued)
As at December 31, 2019

	Notes	31.12.2019 BGN '000	31.12.2018 BGN '000
EQUITY AND LIABILITIES			
Equity			
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		80 423	81 393
Profit / (Loss) for the year		(14 592)	1 660
Total equity		**320 566**	**337 788**
Non-current liabilities			
Interest-bearing loans and borrowings	*20*	25 531	35 549
Bond liabilities	*21*	135 616	128 832
Non-current related parties' liabilities	*22*	1 538	1 717
Other non-current liabilities	*23*	2 152	6
		164 837	**166 104**
Current liabilities			
Interest-bearing loans and borrowings	*20*	42 639	29 458
Bond liabilities	*21*	789	752
Trade payables	*24*	1 781	384
Related parties liabilities	*25*	53 955	44 214
Other current liabilities	*26*	1 389	742
		100 553	**75 550**
Total liabilities		**265 390**	**241 654**
TOTAL EQUITY AND LIABILITIES		**585 956**	**579 442**

Prepared by: Signed on behalf of BoD: Procurator:

/I.Hristov/ /A.Minchev/ /H.Stoev/

28.01.2020

Eurohold Bulgaria AD
Interim separate statement of cash flows
For the year ended December 31, 2019

	Notes	2019 BGN '000	2018 BGN '000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit before tax		**(14 592)**	**1 660**
Adjusted for:			
Depreciation		708	27
Interest income	*5*	(579)	(1 544)
Interest expenses	*7*	14 847	19 239
Dividend income	*3*	(669)	(209)
(Gains)/ Losses from sale of investments, net		(4 623)	(19 838)
(Gains)/ Losses from revaluation of investments, net		208	(1 153)
Foreign exchange differences		302	(636)
(Expenses for)/reintegration of impairment of financial assets, net		(69)	13
Adjustments in working capital:			
Change in trade and other receivables		(1 399)	1 527
Change in trade and other payables, other adjustments		1 589	(1 683)
Net cash flows from operating activities		**(4 277)**	**(2 597)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for machinery and equipment		-	(4)
Payments for investments		(16 275)	(27 945)
Proceeds from sale of investments		7 263	-
Borrowings granted		(993)	(42 558)
Proceeds/ (payments) of borrowings		11 163	40 592
Proceeds from interests on loans		1 454	1 109
Dividends received		669	209
Other cash receipts/ payments from investing activities		-	-
Net cash used by investing activities		**3 281**	**(28 597)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans		43 136	99 377
Repayments of loans		(24 985)	(49 201)
Interest and commissions paid		(13 826)	(17 180)
Lease payments		(869)	(25)
Dividends paid		(2 417)	(1 700)
Other cash receipts/ payments from financing activities		(189)	(2)
Net cash generated/(used) by financing activities		**850**	**31 269**
Net increase/(decrease) in cash and cash equivalents		**(146)**	**75**
The effect of IFRS 9		*2*	*1*
Cash and cash equivalents at the beginning of the year	*18*	282	206
Cash and cash equivalents at the end of the period	*18*	**138**	**282**

Prepared by: Signed on behalf of BoD: Procurator:

/I.Hristov/ /A.Minchev/ /H.Stoev/

28.01.2020

These separate financial statements have been approved from the Board of Directors of Eurohold Bulgaria AD. The notes are an integral part of the separate financial statements for the period ended December 31, 2019.

Eurohold Bulgaria AD
Interim separate statement of changes in equity
For the period ended December 31, 2019

	Share capital	General reserves	Share premium	Retained earnings	Total Equity
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Balance as at 01 January 2017	**127 345**	**7 641**	**38 714**	**102 218**	**275 918**
Capital issue	70 181	-	10 854	-	**81 035**
Loss for the period	-	-	-	(17 306)	**(17 306)**
Dividends	-	-	-	(1 613)	**(1 613)**
Balance as at 31 December 2017 *	**197 526**	**7 641**	**49 568**	**83 299**	**338 034**
Adjustment upon initial application of IFRS 9	-	-	-	*(106)*	***(106)***
Balance as at 1 January 2018 (recalculated)	**197 526**	**7 641**	**49 568**	**83 193**	**337 928**
Profit for the year	-	-	-	1 660	**1 660**
Dividends	-	-	-	(1 800)	**(1 800)**
Balance as at 31 December 2018	**197 526**	**7 641**	**49 568**	**83 053**	**337 788**
Adjustment upon initial application of IFRS 16 – see Note 2.27				*(159)*	***(159)***
Balance as at 1 January 2019	**197 526**	**7 641**	**49 568**	**82 894**	**337 629**
Loss for the period	-	-	-	(14 592)	**(14 592)**
Dividends	-	-	-	(2 471)	**(2 471)**
Balance as at 31 December 2019	**197 526**	**7 641**	**49 568**	**65 831**	**320 566**

Prepared by: Signed on behalf of BoD: Procurator:

/I.Hristov/ /A.Minchev/ /H.Stoev/

28.01.2020

Notes to the interim separate financial statements for the period ended December 31, 2019

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

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 31.12.2019:

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

Management board:
Kiril Ivanov Boshov - Chairman, Executive Member;
Asen Mintchev Mintchev – Executive Member;
Velislav Milkov Hristov – Member;
Assen Emanouilov Assenov – Member;
Dimitar Kirilov Dimitrov – Member – terminated in December 2019;
Razvan Stefan Lefter – Member.

As at 31.12.2019, 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 31.12.2019, the Audit Committee of the Company comprises the following members:
Ivan Georgiev Mankov– Chairman;
Dimitar Stoyanov Dimitrov – Member;
Rositsa Mihaylova Pencheva – Member.

As at 31.12.2019, the Company has fifteen employees (31.12.2018: ten 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

Energy line: Currently, the energy line companies are not active.

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 2019 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 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 activities.

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.

New standards, amendments and interpretations to existing standards that are effective for annual periods beginning on or after 1 January 2019

The Company has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2019:

IFRS 16 „Leases" This standard replaces the current guidance in IAS 17 "Leases" and is a far-reaching change in accounting by lessees in particular.
Under IAS 17, lessees were required to make a distinction between a finance lease (on Statement of financial position) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use-asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.
For lessors, the accounting stays almost the same.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The modified retrospective approach requires that the cumulative effect of the application be recognized on the date of initial application in the opening balance of equity. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

For leases previously classified as finance leases the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Note 2.27 Changes in significant accounting policies summarize the effect of the adoption of IFRS 16 on 1 January 2019.

The Company has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2019 but do not have a significant impact on the Company's financial results or position:

IFRS 9 "Financial Instruments" (amended), Prepayment features with negative compensation, effective from 1 January 2019, adopted by the EU;

IAS 28 "Investments in associates and joint ventures" (amended) Long-term interests in associates and joint ventures effective from 1 January 2019, not yet adopted by the EU;

IAS 19 "Employee benefits" (amended) Plan amendment, curtailment or settlement - effective from 1 January 2019, not yet adopted by the EU;

IFRIC 23 "Uncertainty over income tax treatments" effective from 1 January 2019, not yet adopted by the EU.

Annual Improvements to IFRSs 2015-2017 effective from 1 January 2019, not yet adopted by the EU

These amendments include minor changes to:

IFRS 3 "Business combinations" – a company remeasures it's previously held interest in a joint operation when it obtains control of the business.

IFRS 11 "Joint arrangements" – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 "Income taxes" – a company accounts for all income tax consequences of dividend payments in the same way.

IAS 23 "Borrowing costs" – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2019 and have not been adopted early by the Company. Information on those expected to be relevant to the Company's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

IFRS 17 "Insurance Contracts" effective from 1 January 2021 (likely to be extended to 1 January 2022), not yet adopted by the EU.
IFRS 17 was issued in May 2017 as replacement for IFRS 4 "Insurance Contracts". It requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment, and
- a contractual service margin, representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts.

The Company does not expect these amendments to affect the financial position and results after their implementation.

Amendments to ***IAS 1 and IAS 8: Determination of materiality*** (issued October 31, 2018), effective January 1, 2020

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout

International Financial Reporting Standards, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The Company does not expect these amendments to affect the financial position and results after their implementation.

Amendments to IFRS 3 (Issued: 22 October 2018), effective from 1 January 2020
The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.
The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

The Company does not expect these amendments to affect the financial position and results after their implementation.

Amendments to ***IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture***. The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.
In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

The Company does not expect these amendments to affect the financial position and results after their implementation.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), effective from 1 January 2020
The International Accounting Standards Board (IASB) plans to make changes to IFRSs to reflect the disclosure requirements introduced by the Interest Rate Benchmark Reform - Part I (Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and valuation and IFRS 7 Financial Instruments: Disclosures).

The amendments in Interest Rate Benchmark Reform clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

The Company does not expect these amendments to affect the financial position and results after their implementation.

At the date of authorisation of these financial statements, certain **new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2019** and have not been applied early by the Company. They are not expected to have a material impact on the Company's financial statements. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.
A list of the changes in the standards is provided below:

IFRS 17 "Insurance Contracts" effective from 1 January 2021 (likely to be extended to 1 January 2022), not yet adopted by the EU.

Amendments to ***IFRS 3*** Definition of a Business – (Issued: 22 October 2018), effective from 1 January 2020.

Amendments to ***IAS 1 and IAS 8*** Definition of Material – (Issued: 31 October 2018), effective from 1 January 2020.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)(Issued: 26 September 2019), effective from 1 January 2020.

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 recognized 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

The presentation of the non-consolidated financial statements in accordance with International Financial Reporting Standards requires management to make the best estimates, accruals and reasonable assumptions that affect the reported amounts of assets and liabilities, income and expense and disclosure of contingent receivables; liabilities at the reporting date. These estimates, accruals and assumptions are based on the information available at the date of the unconsolidated financial statements, which is why the future factual results could be different from them (as in a financial crisis, uncertainties are more significant).

2.5 Income

Revenue in the Company is recognized at an amount that reflects the remuneration the Company expects to be entitled to in exchange for the goods or services transferred to the customer.

To determine whether and how to recognize revenue, the Company uses the following 5 steps:

1. Identify the contract with a client;
2. Identify performance obligations;
3. Determining the transaction price;
4. Distribution of the transaction price to the execution obligations;
5. Recognition of revenue upon satisfaction of performance obligations.

The Company recognizes as contract liabilities remuneration received in respect of unmet performance obligations and presents them as other liabilities in the separate statement of financial position. Similarly, if the Company meets a performance obligation before receiving the remuneration, it recognizes in the separate statement of financial position either as asset under the contract or receivable, depending on whether or not something other than a specified time is required to receive the remuneration.

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 granted to subsidiaries.

2.6 Expenses

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

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

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 Separate statement of profit or lost 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 cost 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 2019 is 10% of the taxable profit (2018: 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.

At the date of preparation of these interim separate financial statements in connection with the conclusion of a real estate (office) lease located in London, United Kingdom, the Company is in the process of VAT registration in that country.

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 Property, plant and equipment, right-of-use assets

2.10.1.1 Property, plant and equipment

Property, plant and equipment (fixed tangible assets) are measured at acquisition cost, less the amount of accrued amortization and possible impairment losses.

The company has fixed 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) and all direct costs for bringing the asset into working condition according to its purpose: for assets acquired from external sources;
- at fair value: for assets obtained as a result of a charitable transaction;
- at evaluation: approved by the court and all direct costs for bringing the asset into working condition according to its purpose – for assets acquired as a contribution of physical assets.

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

Subsequent measurement
The approach chosen by the Company for the subsequent measurement of machines and equipment is the cost model under IAS 16 - historical cost less accumulated depreciation and accumulated impairment losses.

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 item "Other revenue/(Expenses), net".

Fixed tangible assets are derecognized from the statement of financial position upon sale or when the asset is finally decommissioned and no further economic benefits are expected after derecognition.

2.10.1.2 Right-of-use assets

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

2.10.2 Intangible assets

Intangible assets are presented in the separate financial statements at cost less accumulated amortization and any impairment losses.

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

The carrying amount of intangible assets is reviewed for impairment when there are events or changes in circumstances that indicate that the carrying amount could exceed their recoverable amount.

2.10.3 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
Software	2 years
Right-of-use-assets	over the shorter of the asset's life and the lease term on a straight line basis

2.10.4 Impairment

Net book values of fixed tangible and intangible 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 recognized 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 recognized 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 recognized 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 recognized 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 recognizes 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 recognized 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 derecognized 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.

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

Investments in associates and other companies are derecognized 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 Financial Instruments

Classification and measurement

Under 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 represent 'only principal and interest payments' on the outstanding amount of the principal.

Impairment

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

Instruments that fall under the new requirements include loans and other financial assets measured at amortized cost / fair value through other comprehensive income, trade receivables, contract assets recognized and measured under IFRS 15, and credit commitments and some financial guarantee contracts (with the issuer) that are not reported at fair value through profit or loss.
Recognition of credit losses is no longer dependent on the occurrence of a credit loss event. Instead, the Company considers a wider range of information in assessing credit risk and assessing expected credit losses, including past events, current conditions, reasonable and supportive forecasts that affect the expected future cash flow of the instrument.

In implementing this forward-looking approach, a distinction is made between:

- financial instruments whose credit quality has not significantly deteriorated since the initial recognition or have low credit risk (Phase 1), and
- financial instruments whose credit quality has deteriorated significantly since the time of initial recognition or where the credit risk is not low (Phase 2)
- "Phase 3" covers financial assets that have objective evidence of impairment at the reporting date. None of the Company's financial assets fall into this category. 12-month expected credit losses are recognized for the first category, while the expected losses over the life of the financial instruments are recognized for the second category.

Expected credit losses are determined as the difference between all contractual cash flows attributable to the Company and the cash flows it is actually expected to receive ("cash deficit"). This difference is discounted at the original effective interest rate (or the effective interest rate corrected to the credit).

The calculation of expected credit losses is determined on the basis of the probability-weighted estimate of credit losses over the expected period of the financial instruments.

Trade and other receivables, contracted assets

The Company uses a simplified approach to accounting for trade and other receivables as well as contract assets and recognizes impairment losses as expected credit losses over the entire period. They represent the expected shortfall in contractual cash flows, given the possibility of default at any time during the term of the financial instrument. The Company uses its accumulated experience, external indicators and long-term information to calculate the expected credit losses through customer allocation by industry and time structure of receivables and using a maturity of provisions.

2.13 Short-Term Receivables

Receivables are measured at amortized cost, which usually corresponds to the nominal value. Impairment is envisaged to meet the expected loss on the basis of an individual assessment of the individual arrangements on the basis of a management-based 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 analyzed 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 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 capitalization, 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.

2.19 Liabilities

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

Financial liabilities are recognized over the period of the loan by the amount of receipts received, the principal, less the transaction costs. In subsequent periods, financial liabilities are measured at amortized cost equal to the capitalized value when applying the effective interest method. In the unconsolidated profit and loss account and other comprehensive income, loan costs are recognized over the period of the loan.

Current liabilities, such as payables to suppliers, subsidiaries and associates and other payables, are measured at amortized cost that is usually in line with the nominal value.

2.20 Leases

Accounting policy applied until 31.12.2018

Until 31 December 2018 leases of property, plant and equipment where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Accounting policy applied from 01.01.2019

The company as a lessee

As of January 1, 2019, the Company assesses whether the contract represents or contains elements of a Lease if, under this agreement, the right to control the use of an asset for a specified period of time is transferred for consideration. If it is established that the lease agreement recognizes the Company as an asset with a right of use and a corresponding obligation at the date on which the leasing asset is available for use by the Company.

A reassessment of whether a contract represents or contains elements of a lease is made only if the terms and conditions of the contract change.

Leasing assets and liabilities are initially measured at present value.

Leasing liabilities include the net present value of the following lease payments:

- fixed payments (including substantially fixed payments) minus any lease incentive receivables;
- variable lease based on an index or interest initially measured by the index or rate at the commencement date;
- amounts expected to be paid by the Company under guarantees of residual value;
- the cost of exercising a purchase option if the Company has reason to exercise that option, and
- payments of penalties for termination of the lease if the lease term reflects the fact that the Company exercises this option.

Lease payments that are made under reasonably defined extension options are also included in the liability measurement. The valuation of a lease contract with an option to extend the lease term should be taken plus 1 year to the fixed period. The Company acknowledges that this is the minimum for which there is assurance that an option contract may be extended.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The Company applies a three-step approach in determining the incremental borrowing rate based on:

- Yield of 10-years Government Bonds calculated as an average for the the last 3 years;
- financing spread adjustment - loans to new enterprises, non-financial corporations in local currency, to determine the initial initial interest rate for a period of 3 years (for real estate) or the average interest rate on financial leasing to unrelated persons for the last 3 years (for vehicles);
- specific lease adjustment related to the specific asset (at the discretion of each individual asset).

Applicable Rates at Eurohold Bulgaria AD:

	Buildings - Bulgaria	Buildings - UK
Incremental borrowing rate	4,05 %	1,31 %

The entity is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The Company adopts the threshold for recognition right-of-use assets of BGN 10,000.00, taking the price of the asset as new.

The company as a lessor
Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance.

Operating lease income, when the company is a lessor, is recognized as income on a straight-line basis over the term of the lease. The Company did not require adjustments in accounting for the assets held as lessor as a result of the adoption of the new lease standard. Eurohold Bulgaria AD has no assets for sale under finance leases.

Note 2.27 Changes in significant accounting policies summarize the effect of the adoption of IFRS 16 on 1 January 2019.

2.21 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 utilization 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 recognized 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 recognize deferred tax asset for tax losses to be carried forward to the separate financial statement for 2019.

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 recognized 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.

The Company uses external appraisals to determine the fair values of investments in subsidiaries for each calendar year.

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 derecognized during the next reporting periods may be higher than the one expected as at the reporting date.

Fair value of financial instruments

The management uses techniques to measure the fair value of financial instruments if here 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.

2.22 Consolidated financial statements of the Company

The Company has started the process of preparation of its interim consolidated financial statements for 2019 in accordance with IFRS effective for 2019, which statements also comprise these interim 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 30.04.2020 and then the statements will be made available to third persons.

2.23 Financial Risk Management

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.

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.

Interest Risk
The Company's policy is aimed at minimizing 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.

2.24 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.

2.25 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.

2.26 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.

2.27 Changes in significant accounting policies

The Company adopts IFRS 16 by applying a modified retrospective approach on 01.01.2019. According to this method on the date of the cumulative effect of its application is recognized at the date of initial application in the opening balance sheet and no comparative information is recalculated.

a) Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease contract.

The company has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and *Interpretation 4 Determining whether an Arrangement contains a Lease*.

b) Initial application effect of IFRS 16

BGN'000	**1 January 2019**
Right-of-use assets – Buildings (*Note 13*)	2 194
Lease liabilities	2 353
- *Текущи (Приложения 13; 2.27 (c); 26)*	*770*
- *Нетекущи (Приложения 13; 2.27 (c); 23)*	*1 583*
Retained earnings / uncovered (loss) adjustment	(159)

The effect of IFRS 16 on profit or loss for the period - see *Note 2.27 (e).*
Details of accounting policies under IFRS 16 and IAS 17 - see *Note 2.20.*

c) Measurement of lease liabilities

BGN'000	**1 January 2019**
Future operating lease commitments disclosed as at 31.12.2018	2 438
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2 353
Finance lease liabilities recognized as at 31.12.2018 (*Notes 22 и 25.3*)	68
- low-value leases not recognized as a liability	-
- short-term leases not recognized as a liability	-
- adjustments as a result of a different treatment of extension and termination options	-
Lease liabilities as at 01.01.2019	**2 421**
- Current lease liabilities	783
- Non-current lease liabilities	1 638

d) Amounts recognised in the statement of financial position

The Company has elected to present the right-of-use assets in a single line item with similar own assets, but provides detailed information on own and leased assets in the notes to the financial statements.

	31.12.2019 *BGN'000*	01.01.2019 *BGN'000*
Property, plant and equipment incl.		
- Right-of-use assets- Buildings (*Note 13*)		
	2 599	**2 353**
Lease liabilities		
- Current (*Notes 13; 2.27 (c); 26*)	543	770
- Non-current (*Notes 13; 2.27 (c); 23*)	2 137	1 583
	2 680	**2 353**

Additions right-of-use assets in 2019 - 3 953 BGN'000 (*Note 13.1*)
Disposed right-of-use assets in 2019 - 816 BGN'000 (*Note 13.1*)

e) Amounts recognised in the statement of profit or loss/ statement of profit or loss and other comprehensive income

	31.12.2019	31.12.2018
	BGN'000	*BGN'000*
Income from sublease of right-of-use assets under operative lease agreement – incl. in Other income / (Other expenses) (*Note 12*)	**333**	238
Rent expenses – incl.in Hired services expenses (*Note 10*)	**-**	**(739)**
Depreciation of Right-of-use assets	**(662)**	-
• Property (*Note 13.1*)	(662)	-
Interest expenses – incl. in Other income/ (Other expenses) (*Note 12*)	**(72)**	-

f) The total cash flow for leasing in 2019 is as follows:

The total cash outflow for leases in 2019 – BGN 854 thousand
The total cash inflow from operating leases in 2019 – BGN 302 thousand

g) Measurement of right-of-use assets

The related right-of-use assets (buildings) are valued on 01.01.2019 by the modified retrospective approach, the cumulative effect of the change being reflected in the equity. Assets under finance lease are recognized in the statement of financial position as at 31 December 2018.

h) The Company as lessor

The company subleases part of leased property. As an interim lessor, it should classify any lease as finance or operating, based on the transfer of risks and rewards to the property. The Company does not have any leasing contracts classified as finance leases. Based on preserve the risks and rewards on the lessor, the Company has no changes in the reporting of the operating lease income.

3. Dividend income	2019	2018
	BGN'000	*BGN'000*
Euro-Finance AD	669	209
	669	**209**

4. Gains from sale of investments and revaluations		
	2019	2018
	BGN'000	*BGN'000*
Gains from sale of investments	4 657	20 278
Income from revaluation of investments	945	1 374
	5 602	**21 652**

In 2019, gains on investment and financial instruments include:
- BGN 4 530 thousand profit from the sale of a minority stake in Eurolease Group EAD (*Note 14*)
- BGN 127 thousand - other profits.

In 2018, the gains on investments and financial instruments include:
- BGN 4 683 thousand profit from the sale of own receivables (reported value of BGN 1 342 thousand) and acquired receivables from related parties *(Notes 25.2 and 25.3);*
- BGN 14 947 thousand profit from redemption and repayment / cancellation of commercial loans in the form of Euro Corporate Securities - ECP *(Notes 21);*
- BGN 648 thousand - Other gains.

5. Interest income

	2019	2018
	BGN'000	*BGN'000*
Interest income – from related parties loans	3	838
Interest income – from third parties loans	576	706
	579	**1 544**

5.1 Interest income on loans to related parties

	2019	2018
	BGN'000	*BGN'000*
Auto Union AD	-	340
Euro Insurance Group AD	2	92
Starcom Holding AD	-	405
Eurolease Group EAD	1	1
	3	**838**

6. Other financial revenue

	2019	2018
	BGN'000	*BGN'000*
Foreign exchange gains	665	647
	665	**647**

7. Interest expense

	2019	2018
	BGN'000	*BGN'000*
Interest expense – loans and borrowings	1 945	7 860
Interest expense – bonds, EMTN program	11 164	11 088
Interest expense – from related parties loans	1 715	276
Interest expense – from third parties loans	23	15
	14 847	**19 239**

7.1. Interest expense on borrowings and related parties leasing

	2019 *BGN'000*	2018 *BGN'000*
Starcom Holding AD	154	5
Euroins Insurance Group AD	365	-
Auto Union AD	23	-
Auto Union Service EOOD	5	-
Eurolease Group EAD	-	1
EUrolease Auto EAD	850	251
incl. Leasing	*5*	*2*
Motobul EAD	304	19
Star Motors EOOD	14	-
	1 715	**276**

8. Losses from transactions with financial instruments and revaluations

	2019 *BGN'000*	2018 *BGN'000*
Losses on transactions of investments	11	355
Losses on transactions of investments – related parties	23	85
Losses on transactions of debt reassessment measured at fair value	1 153	221
	1 187	**661**

8.1 Losses from transactions with financial instruments – related parties

	2019 *BGN'000*	2018 *BGN'000*
Euro-finance AD	23	85
	23	**85**

9. Other financial expenses

	2019 *BGN'000*	2018 *BGN'000*
Foreign exchange losses	967	11
Other financial expenses – related parties	6	17
Other financial expenses	23	22
	996	**50**

9.1 Other financial expenses – related parties

	2019 *BGN'000*	2018 *BGN'000*
Euro-finance AD	6	17
	6	**17**

10. Hired services expenses

	2019 *BGN'000*	2018 *BGN'000*
Hired services expenses	4 433	2 335
Hired services expenses – related parties	9	1
	4 442	**2 336**

10.1 Hired services expenses – related parties

	2019 *BGN'000*	2018 *BGN'000*
Eurolease auto EAD	7	-
Auto Italia EAD	2	-
Bulvaria Holding EAD	-	1
	9	**1**

11. (Accrued) / Recoverable impairment loss on financial assets, net

	2019 *BGN'000*	2018 *BGN'000*
Recoverable loss from impairment of financial assets	85	21
Accrued loss from impairment of financial assets	(16)	(34)
	69	**(13)**

12. Other revenue/(expenses), net

	2019 *BGN'000*	2018 *BGN'000*
Other (expenses)	(341)	(219)
Other (expenses) – related parties	(6)	(5)
(Interest expenses) on right-of-use assets (*Note 2.27 (d)*)	(72)	-
Other revenue, incl.	742	362
Rent income (sublease of right-of-use assets-Note 2.27 (d))	*333*	*238*
Other revenue – related parties	266	240
	589	**378**

12.1 Other expenses – related parties

	2019 *BGN'000*	2018 *BGN'000*
IC Euroins AD	(1)	(2)
Motobul EAD	(5)	(3)
	(6)	**(5)**

12.2 Other revenue – related parties

	2019	2018
	BGN'000	*BGN'000*
IC Euroins AD	54	43
Star Motors EOOD	5	5
Euroins Romania	135	135
Bulvaria Varna EOOD	5	5
Auto Union Service EOOD	26	26
Daru Car AD	25	21
Auto Italia EAD	5	5
Eurolease Auto EAD	11	-
	266	**240**

13. Fixed assets

13.1 Property, machinery and equipment

	Right-of-use assets – Property*	Vehicles	Equipment	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Cost:				
At 1 January 2018	**-**	**20**	**65**	**85**
Additions	-	90	3	**93**
At 31 December 2018	**-**	**110**	**68**	**178**
Additions	3 953	154	10	**4 117**
Disposals	(816)	(20)	-	**(836)**
At 31 December 2019	**3 137**	**244**	**78**	**3 459**
Depreciation:				
At 1 January 2018	**-**	**6**	**63**	**69**
Accrued depreciation	-	24	3	**27**
At 31 December 2018	**-**	**30**	**66**	**96**
Accrued depreciation	662	41	5	**708**
Depreciation - written off	(124)	(14)	-	**(138)**
At 31 December 2019	**538**	**57**	**71**	**666**
Carrying value:				
At 1 January 2018	**-**	**14**	**2**	**16**
At 31 December 2018	**-**	**80**	**2**	**82**
At 31 December 2019	**2 599**	**187**	**7**	**2 793**

**See Note 2.27.*

13.2 Intangible assets

	Software	Acquisition costs	Total
	BGN'000	*BGN'000*	*BGN'000*
Cost:			
At 1 January 2019			
Additions	3	11	**14**
At 31 December 2019	**3**	**11**	**14**
Depreciation:			
At 1 January 2019	**-**	**-**	**-**
Accrued depreciation	-	-	**-**
At 31 December 2019	**-**	**-**	**-**
Carrying value:			
At 1 January 2019	**-**	**-**	**-**
At 31 December 2019	**3**	**11**	**14**

14. Investments in subsidiaries

	Value as at 1.1.2019	Increase	Decrease	Value as at 31.12.2019	Share capital of the subsidiary	% control in the subsidiary
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*%*
Euroins Insurance Group AD	448 677	16 275	-	464 952	543 446	94.41%
Avto Union AD	66 775	-	-	66 775	40 004	99.99%
Euro-Finance AD	24 645	-	-	24 645	14 100	99.99%
Eurolease Group EAD	27 368	-	(2 733)	24 635	27 241	90.01%
Eastern European Electric Company II B.V.	-	-	-	-	2	100.00%
	567 465	**13 815**	**-**	**581 007**	**-**	**-**

In 2019, Eurohold Bulgaria AD sold a minority stake representing 9.99% of the capital of Eurolease Group EAD. Profit realized is BGN 4 530 thousand - *(Note 4).*

In 2018 Eurohold Bulgaria AD signed an agreement for the acquisition of the residual minority share of 10.64% of its subsidiary insurance holding company - Euroins Insurance Group AD. The Company has agreed to buy shares from South Eastern Europe Fund L.P. (SEEF), managed by the Greek investment company Global Finance. After finalizing the deal, Eurohold will own 100% of the capital of Euroins Insurance Group AD.

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 capitalization.

Calculations are made by the management with the assistance of external independent licensed valuators 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.

The Company is in process of valuation by external independent licensed fair value valuers of investments in subsidiaries. As at the date of the separate interim financial statements, no impairment conditions were found.

15. Loans granted to third parties, short-term	31.12.2019 *BGN’000*	31.12.2018 BGN’000
Loans granted	-	9 897
Impairment	-	(20)
	-	**9 877**

16. Receivables from related paries

16.1 Interest receivables	31.12.2019 *BGN’000*	31.12.2018 BGN’000
Euroins Insurance Group AD	-	743
Eurolease Group EAD	2	1
	2	**744**
Impairment	-	(1)
	2	**743**

16.2 Other receivables	31.12.2019 *BGN’000*	31.12.2018 BGN’000
Auto Union service EOOD	12	-
Auto Italia EAD	8	1
Bulvaria Varna EOOD	7	1
Daru car AD	46	16
IC Euroins AD	146	7
Eurolease Auto EAD	3	1
Star Motors EOOD	12	-
Autoplaza EAD	2	1
Euroins Insurance S.C.Skopje	2	2
Euro Insurance Group AD	84	-
Motobul EAD	11	10
Starcom Holding AD	-	219
Euroins Romania	-	19
Auto Union AD	58	-
Espas Auto OOD	2	-
Eurolease Group EAD	35	-
	428	**277**

Impairment	(5)	(2)
	423	**275**

16.3 Loans granted to related parties

	31.12.2019 *BGN'000*	31.12.2018 BGN'000
Euroins Insurance Group AD		316
Eurolease Group EAD		76
		392
Impairment		(2)
		390

17. Other receivables

	31.12.2019 *BGN'000*	31.12.2018 BGN'000
Tax receivables	256	16
Other receivables	1 359	395
	1 615	**411**
Impairment	(36)	(83)
	1 579	**328**

18. Cash and cash equivalents

	31.12.2019 *BGN'000*	31.12.2018 BGN'000
Cash at banks	113	156
Cash in hand	25	32
Short-term deposits	-	96
	138	**284**
Impairment	-	(2)
	138	**282**

19. Share capital and reserves

19.1 Share capital

Share capital

	31.12.2019 *BGN'000*	31.12.2018 *BGN'000*
Issued shares	197 525 600	197 525 600

As at 31.12.2019 the share capital is distributed as follows:

Share holders	%	Number of shares	Par value
Starcom Holding AD	52.92%	104 527 671	104 527 671
KJK Fund II Sicav-Sif Balkan Discovery	14.23%	28 116 873	28 116 873
Blubeard Investments Limited	10.79%	21 305 098	21 305 098
Other legal entities	19.85%	39 208 526	39 208 526
Other individuals	2.21%	4 367 432	4 367 432
	100.00%	**197 525 600**	**197 525 600**

19.2 Reserves

	31.12.2019	31.12.2018
	BGN'000	*BGN'000*
Share premium	49 568	49 568
General reserves	7 641	7 641
	57 209	**57 209**

19.3 Earnings per share

	31.12.2019	31.12.2018
Average shares, (number)	197 525 600	197 525 600
Net Profit/(Loss) as of the end of reporting year (thousand BGN)	(14 592)	1 660
Earnings / (loss) per share, BGN	**(0,074)**	**0,008**

20. Interest-bearing loans and borrowings

Non-current interest-bearing loans and borrowings

	31.12.2019	31.12.2018
	BGN'000	*BGN'000*
International Investment Bank	25 531	35 549
	25 531	**35 549**

Current interest-bearing loans and borrowings

	31.12.2019	31.12.2018
	BGN'000	*BGN'000*
International Investment Bank	10 509	9 253
Other*	32 130	20 205
	42 639	**29 458**

Analysis of interest-bearing loans and borrowings

Bank	Type	Curren-cy	Size contracted	Principal as of 31.12.2019	Principal as of 31.12.2018	Interest rate	Maturity date	Security
Inter-national Investment Bank	Loan - Principal	EUR	15,000,000 €	9,000,000 €	12,600,000 €	6.0%+ EURIBOR	12.2021	Pledge on subsidiary shares; related party guarantee
Inter-national Investment Bank	Loan - Principal	EUR	10,000,000 €	9,240,000 €	10,000,000 €	6.0%+ EURIBOR	3.2025	Pledge on subsidiary shares

*As at 31.12.2019, the other loans are in the form of Euro Trading Papers (ECP), with a maturity of 03.2020-04.2020, with an annual interest rate of 2.0% and total nominal EUR 16 500 thousand.
As at 31.12.2018, Euro Trading Papers (ECP) have a maturity of 03.2019-05.2019 and an annual interest rate in the range of 1.25% -4.0%. During the period 2018 the Company issued and repurchased two ECP issues with a total nominal value of EUR 15 600 thousand. At the end of 2018, both issues were terminated and deleted from the registers, resulting in a profit of BGN 14 947 thousand. *(Note 4).*

21. Bond liabilities

Non - current bond liabilities	31.12.2019 *BGN'000*	31.12.2018 *BGN'000*
EMTN Programme in EUR	115 023	108 530
EMTN Programme in PLN	20 593	20 302
	135 616	**128 832**

Current bond liabilities	31.12.2019 *BGN'000*	31.12.2018 *BGN'000*
EMTN Programme in EUR	49	15
EMTN Programme in PLN	740	737
	789	**752**

Bond liabilities are recognized at amortized cost, net of redeemed own bonds measured at fair value through profit / (loss) based on information from Bloomberg and other sources. As at December 31, 2019, the Company holds 10 500 repurchased own shares of the EMTN Program in EUR, as at 31.12.2018 – 13 418 from the EMTN Program in EUR.

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

Loans principal	31.12.2019 *BGN'000*	31.12.2018 *BGN'000*
Eurolease Auto EAD – loan granted	1 400	1 662
Eurolease Auto EAD – leases	138	55
	1 538	**1 717**

23. Other non-current liabilities

	31.12.2019 *BGN'000*	31.12.2018 *BGN'000*
Retirement benefit obligations	15	6
Lease liabilities – right-of use (*Note 2.27.(d)*)	2 137	-
	2 152	**6**

24. Trade payables

	31.12.2019 *BGN'000*	31.12.2018 *BGN'000*
Trade payables	1 781	384
	1 781	**384**

25. Current liabilities to related parties

25.1 Interest payables

	31.12.2019 *BGN'000*	31.12.2018 *BGN'000*
Starcom Holding AD	24	5
Auto Union AD	23	-
Eurolease Auto EAD	620	84
Euroins Insurance Group AD	365	-
Motobul EAD	153	19
Auto Union Service EOOD	5	-
Star Motors EOOD	14	-
	1 204	**108**

25.2. Current borrowings

	31.12.2019 *BGN'000*	31.12.2018 *BGN'000*
Euroins Insurance Group AD	14 131	-
Starcom Holding AD	6 740	937
Eurolease Auto EAD*	2 113	11 963
Motobul EAD	5 323	5 323
Auto Union AD	1 200	-
Auto Union AD*	871	-
Auto Union Service EOOD*	314	-
Star Motors EOOD	950	-
	31 642	**18 223**

*Liabilities under receivables transfer agreements. See *Note 4.*

25.3 Other payables

	31.12.2019 BGN'000	31.12.2018 BGN'000
Starcom Holding AD	20 536	20 536
IC Euroins AD	47	1
Eurolease Auto EAD	453	401
Eurolease Auto EAD - leases	38	13
IC EIG RE EAD	32	-
Motobul EAD	3	-
Avto Union AD	-	250
Avto Union AD*	-	3 370
Avto Union Services EOOD*	-	362
Star Motors EOOD*	-	950
	21 109	**25 883**

*Liabilities under receivables transfer agreements. See *Note 4.*

26. Other current liabilities

	31.12.2019 BGN'000	31.12.2018 BGN'000
Payables for acquisition of investments	16	18
Interest payables	51	8
Tax payables	215	293
Payables to employees and social security institutions	81	46
Dividends payables	249	211
Dividends payables – related parties – Starcom Holding AD	101	101
Lease liabilities – right-of-use (*Note 2.27. (d)*)	543	-
Other liabilities	133	65
	1 389	**742**

27. Contingent, liabilities and commitments

Litigations

As at 31.12.2019 against the Company has no substantial legal proceedings instituted.

Warranties and provided guarantees

The Company is a co-debtor of received bank loans of related parties as follows:

Business division	**Amount in EUR'000 as at 31.12.2019**	**Amount in BGN'000 as at 31.12.2019**	**MATURITY (EUR'000)**					
			2020	**2021**	**2022**	**2023**	**2024**	**After 2024**
Lease sub-holding								
For funding of lease operations	**11 962**	**23 396**	**3 443**	**3 828**	**2 282**	**1 033**	**972**	**404**
Automotive sub-holding								
Working capital loans	**1 822**	**3 564**	**1 822**	**-**	**-**	**-**	**-**	**-**
TOTAL:	**13 784**	**26 960**	**5 265**	**3 828**	**2 282**	**1 033**	**972**	**404**

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

Company from:	Contracted limit in EUR'000 as at 31.12.2019	Contracted limit in BGN'000 as at 31.12.2019	MATURITY(EUR'000) 2020	2021	2022
Automotive sub-holding	**9 400**	**18 385**	9 400	-	-
Automotive sub-holding	**340**	**665**	340	-	-
Automotive sub-holding	**712**	**1 392**	712	-	-
Automotive sub-holding	**1 050**	**2 054**	1 050	-	-
Energy sub-holding	**5 000**	**9 779**	5 000		
TOTAL:	**16 502**	**32 275**	**16 502**	**-**	**-**

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

Company/ Guarantor	Currency	Guaranteed liability	Guaranteed amount as at 31.12.2018 in original currency	Maturity date
Euroins Insurance Group AD	EUR	Issue of bonds (EMTN programme)	70 000 000	12/2022
Euroins Insurance Group AD	PLN	Issue of bonds (EMTN programme)	45 000 000	12/2021
EUROINS ROMANIA AsIGURARE REASIGURARE SA	EUR	Possible payment and/or compensation claims of the Beneficiary in connection with an offer	5 000 000	31.05.2020

28. Transactions and balances with related parties

The Company's related parties are as follows:
Starcom Holding AD – major shareholder

Subsidiaries of Eurohold Bulgaria AD

- **Euroins Insurance Group AD (EIG) – subsidiary of Eurohold Bulgaria AD**
- Euroins Insurance AD – subsidiary of EIG
- Euroins Romania Asiguarare AD – subsidiary of EIG
- Euroins Osigurovanje AD Macedonia – subsidiary of EIG
- Insurance Company Euroins Life EAD – subsidiary of EIG
- Insurance Company EIG Re AD – subsidiary of EIG
- Euroins Ukraine AD – subsidiary of EIG
- Euroins Ukraine AD – through European Travel Insurance, Ukraine
- Euroins Claims I.K.E. Greece - subsidiary of EIG
- IC Euroins Georgia JSC - subsidiary of EIG
- European Travel Insurance - subsidiary of EIG
- IC Euroins, Russian Federation - associated of EIG

- **Avto Union AD (AU) – subsidiary of Eurohold Bulgaria AD**
- Avto Union Service EOOD – subsidiary of AU
- N Auto Sofia EAD – subsidiary of AU
- Espace Auto OOD – subsidiary of N Auto Sofia EAD
- EA Properties OOD – subsidiary of AU
- Daru Car AD – subsidiary of AU
- Auto Italia EAD – subsidiary of AU
- Auto Italia – Sofia EOOD - subsidiary of Auto Italia EAD (established on 16.01.2019) – subsidiary of AU
- Bulvaria Varna EOOD – subsidiary of AU
- Bulvaria Holding EAD – subsidiary of AU
- Bulvaria Sofia EAD - subsidiary of Bulvaria Holding EAD till 31.12.2019. Non-related company.
- Star Motors EOOD – subsidiary of AU
- Star Motors DOOEL – subsidiary of Star Motors EOOD

- Star Motors SH.P.K. – subsidiary of Star Motors EOOD
- Motohub OOD - subsidiary of AU
- Motobul EAD – subsidiary of AU
- Benzin Finance EAD - subsidiary of Motobul EAD
- Bopar Pro S.R.L Romania – subsidiary of Motobul EAD

- **Eurolease Group EAD (ELG) – subsidiary of Eurohold Bulgaria AD**
- Eurolease Auto EAD – subsidiary of ELG
- Eurolease Auto Romania AD – subsidiary of ELG
- Eurolease Auto Skopje AD – subsidiary of ELG
- Eurolease Rent-a-Car EOOD – subsidiary of ELG
- AutoPlaza EAD – subsidiary of ELG
- Sofia Motors EOOD – subsidiary of ELG
- Amigo Leasing EAD – subsidiary of ELG

- **Euro-Finance AD – subsidiary of Eurohold Bulgaria AD**

- **Eastern European Electric Company II B.V, The Netherlands - subsidiary of Eurohold Bulgaria AD** (established on 26.07.2019)
- Eastern European Electric Company II B.V, The Netherlands (established on 26.07.2019) – subsidiary of Eastern European Electric Company II B.V, The Netherlands

The related parties' transactions

The related parties' transactions for 2019 and 2018 are disclosed in Notes 3, 5.1, 7.1, 8.1, 9.1, 10.1, 12.1 and 12.2. The conditions under which these transactions have been made are not different from those of the arm's length transactions.

The related parties accounts are disclosed in Notes 22, 25 and 26.

29. 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 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:

30 December, 2019
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

27 December, 2019
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

23 December, 2019
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

17 December, 2019
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

17 December, 2019
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

17 December, 2019
Notification according art. 148b of POSA;

11 December, 2019
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

2 December, 2019
Eurohold continues to expand sustainably its operations
in Southeast Europe in the third quarter (News Release);

29 November, 2019
Interim Consolidated Financial Report for Q3'2019:
1. Interim Consolidated Financial Statements as of 30th of September,2019, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q3'2019;
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. Declaration from the responsible persons;

12 November, 2019

Eurohold will continue to pursue its strategy for expansion in the energy sector in SEE (News Release);

30 October, 2019
Interim Financial Report for Q3'2019:
1. Interim Financial Statements as of 30th of September,2019, IFRS;
2. Notes to the Interim Financial Statements for Q3'2019;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

24 October, 2019
Eurohold accepts the decision of Bulgaria's competition authority
as a positive assessment for the financial strength of the holding (News Release);

15 October, 2019
Eurohold filed additional documents with the CPC related with the in-depth probe into the deal with CEZ (News Release);

9 October, 2019
Eurohold will manage the assets of CEZ responsibly and invest in innovations in favor of the consumers (News Release);

3 October, 2019
Bulgaria's antitrust body opened proceedings concerning Eurohold 's planned acquisition of CEZ Group's subsidiaries in Bulgaria (News Release);

25 September, 2019
Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.

13 August, 2019
Eurohold grows sharply revenue and improves profitability in H1 2019 (News Release);

13 August, 2019
Interim Consolidated Financial Report for H1'2019:
1. Interim Consolidated Financial Statements as of 30th of June,2019, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q1'2019;
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. Declaration from the responsible persons;

30 July, 2019
Interim Financial Report for H1'2019:
1. Interim Financial Statements as of 30th of June,2019, IFRS;
2. Notes to the Interim Financial Statements for Q1'2019;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;

8. Declaration from the responsible persons;

19 July, 2019
The energy advisory board called by Eurohold started its activity officially (News Release);

1 July, 2019
Notification for dividend payment;

1 July, 2019
Minutes from the regular session of GMS of Eurohold Bulgaria, held on 30th of June, 2019;

1 July, 2019
Fitch placed Eurohold’s rating under observation (News Release);

20 June, 2019
Eurohold agreed to acquire CEZ Group’s assets in Bulgaria (News Release);

14 June, 2019
Notification for shareholding change;

29 May, 2019
Eurohold Bulgaria AD launched an invitation for the Annual session of GMS scheduled for 30th of June, 2019;

27 May, 2019
Eurohold increases revenue and profit in the 1st quarter of 2019 (News Release);

27 May, 2019
Interim Consolidated Financial Report for Q1’2019:
1. Interim Consolidated Financial Statements as of 31st of March,2019, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q1’2019;
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. Declaration from the responsible persons;

30 April, 2019
Interim Financial Report for Q1’2019:
1. Interim Financial Statements as of 31st of March,2019, IFRS;
2. Notes to the Interim Financial Statements for Q1’2019;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

30 April, 2019
Annual Consolidated Financial Report for the year ended on 31 December 2018:
1. Annual Consolidated Financial Report as of 31 December 2018, IFRS;
2. Notes to the Annual Consolidated Financial Statements;
3. Independent Auditor’s Report;
4. Consolidated management Report for 2018;

5. Corporate Governance Declaration;
6. Annual Consolidated Financial Report – FSC forms;
7. Independent Auditor's Declaration;
8. Declaration from the responsible persons;

25 April, 2019
Eurohold fully cooperates in the probe launched by Bulgaria's financial regulator (News Release);

23 April, 2019
Minutes from the extraordinary session of GMS of Eurohold Bulgaria, held on 22^{nd} of April, 2019;

22 April, 2019
Eurohold's shareholders approved a capital hike (News Release);

17 April, 2019
Eurohold obtained exclusivity for the acquisition of CEZ Group's assets in Bulgaria (News Release);

1 April, 2019
Eurohold submitted an individual offer to acquire CEZ Groups assets in Bulgaria (News Release);

31 March, 2019
Annual Financial Report for the year ended on 31 December 2018:
1. Annual Financial Report as of 31 December 2018, IFRS;
2. Notes to the Annual Financial Statements;
3. Independent Auditor's Report;
4. Management Report for 2018;
5. Corporate Governance Declaration;
6. Annual Financial Report – FSC forms;
7. Independent Auditor's Declaration;
8. Declaration from the responsible persons;

19 March, 2019
Eurohold plans to increase its share capital by some 80 million new shares (News Release);

19 March, 2019
Eurohold Bulgaria AD launched an invitation for the extraordinary session of GMS scheduled for 22^{nd} of April, 2019;

7 March, 2019
Bulgaria's Euroins acquires Germany's ERGO subsidiaries in Romania, the Czech Republic and Belarus (News Release);
1 March, 2019
Eurohold continued its upward trend in 2018 (News Release)

1 March, 2019
Interim Consolidated Financial Report for Q4'2018:
1. Interim Consolidated Financial Statements as of 31^{st} of December,2018, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q4'2018;
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. Declaration from the responsible persons;

30 January, 2019

Interim Financial Report for Q4’2018:
1. Interim Financial Statements as of 31st of December,2018, IFRS;
2. Notes to the Interim Financial Statements for Q4’2018;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

1 January, 2019

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

28.01.2020

Asen Minchev,

Executive Member of the Management Board
of Eurohold Bulgaria AD

ADDITIONAL INFORMATION
TO THE INTERIM FINANCIAL REPORT OF EUROHOLD BULGARIA FOR Q4’2019

in accordance with art. 33, par. 1of 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 2019.

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

	Shareholder	***Number of shares***	***% participation***
1.	Starcom Holding AD	104 527 671	52.92%
2.	KJK Fund II Sicav-Sif Balkan Discovery	28 116 873	14.23%
3.	Blubeard Investments Limited	21 305 098	10.79%
4.	Specialized Logistic Systems AD	10 255 574	5.19%

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.**

	Shareholder	***Number of shares***	***% participation***
1.	Dimitar Stoyanov Dimitrov	200	-
2.	Assen Emanuilov Assenov	67 400	0.03%

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.**

The related parties' transactions for 2019 and 2018 are disclosed in Notes 3, 5.1, 7.1, 8.1, 9.1, 10.1, 12.1 and 12.2. The conditions under which these transactions have been made are not different from those of the arm's length transactions.

The related parties accounts are disclosed in Notes 22, 25 and 26.

Date:
28.01.2020 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**

   On 20th of June, 2019 Eurohold Bulgaria AD signed an agreement with CEZ Group, the Czech energy group, to acquire CEZ Group's assets in Bulgaria. Eurohold Bulgaria AD will pay EUR 335 million for the acquisition of CEZ Group's assets in Bulgaria.

   On 24th of October, 2019, the Commission for Protection of Competition in Bulgaria issued a ban on concentration in the transaction for the acquisition of the business of CEZ Group in Bulgaria.

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's 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:28.01.2020

Asen Minchev,
Executive Director of Eurohold Bulgaria AD

EUROHOLD

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

The undersigned,

1. Kiril Boshov – Chairman of the Management Board of Eurohold Bulgaria AD
2. Asen Minchev – Executive member of the Management Board of Eurohold Bulgaria AD
3. Ivan Hristov – Financial Controller of Eurohold Bulgaria AD (complier of the financial statements)
4. Hristo Stoev – Procurator of Eurohold Bulgaria AD

hereby DECLARE that to our best knowledge:

1. The set of interim financial statements for Q4' 2019, 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' 2019 contains credible review of the information under article 100o, paragraph 4, item 2 of Public Offering of Securities Act.

Declarers:

1. Kiril Boshov

2. Asen Minchev

3. Ivan Hristov

4. Hristo Stoev