
# EUROHOLD BULGARIA AD

## INTERIM CONSOLIDATED MANAGEMENT REPORT AND FINANCIAL STATEMENTS

## 1 January – 31 December 2019

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# INTERIM CONSOLIDATED MANAGEMENT REPORT

## *containing information on important events that occurred during the financial year 2019 according to Art. 100o, paragraph 4, item 2 of POSA*

## *IMPORTANT EVENTS FOR THE EUROHOLD GROUP THAT OCCURRED IN THE PERIOD 1 JANUARY – 31 DECEMBER 2019*

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

## Q4 2019

### 1. EUROHOLD CONTINUES TOEXPAND SUSTAINABLY ITS OPERATIONS IN SOUTEAST 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.

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## 2. 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.

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## 3. 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***

Sofia, Nov 12th 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.

## 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**

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.

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## 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 $20^{th}$ 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 $20^{th}$ 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.

<u>Here is a short bio of each of the three experts:</u>

**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

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## 13. EUROHOLD TO BUY COMPANIES OF GERMAN ERGO IN CZECH REPUBLIC, ROMANIA AND BELARUS

EIG will acquire three ERGO divisions in Romania and the Czech Republic, specializing in life and non-life insurance, as well as one non-life insurance company in Belarus. Both parties have already signed agreements and the deal will be finalized after approval by the relevant regulatory authorities.

Under the terms of the agreement, EIG will acquire all the shares in the four ERGO divisions, including ownership of employee contracts, customer portfolio and IT systems.

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## 14. 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.

## 15. 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.

## 16. EUROINS INSURANCE GROUP INCREASED ITS PARTICIPATION IN THE CAPITAL OF RUSSIAN INSURANCE COMPANY EUROINS UP TO 48.61%

Euroins Insurance Group (EIG) increased its participation in the capital of Russian Insurance Company Euroins up to 48.61%, representing 244,002,300 shares, after on 01.02.2019 was registered in the unified state register of legal entities of Russia increase of the capital of the Russian insurance company. The increase was in amount of 121,500,000 rubles, which is fully subscribed by EIG.

# EUROHOLD BULGARIA

## *INTERIM CONSOLIDATED FINANCIAL RESULTS FOR THE FINANCIAL YEAR 2019 (unaudited)*

**The Eurohold Group continues to grow in FY 2019, with a significant 26% increase in consolidated revenue, consistent with the company's goals and strategies**

The achieved growth of revenue on consolidated level is due to the growth of all companies in the group of Eurohold over the period whith the insurance division Euroins Insurance Group having the best performance increasing by 33% of total insurance income (after intra-group eliminations), incl. gross written premiums up by 32%.

**Key ratios as of 31st of December 2019**

| Profit | Change % | Q4 2019 | Change Mln BGN | Q4 2018 |
|---|---|---|---|---|
| Revenue from operating activities | +26% | +329 | 1 592 | 1 263 |
| Gross profit | -4% | -5 | 128 | 133 |
| EBITDA | 0% | 0 | 51 | 51 |
| Net profit, including: | -53% | -9 | 8 | 17 |
| - *Net profit, attributable to the owners of the parent company* | *-57%* | *-8* | *6* | *14* |
| **Financial position** | **Change %** | **Q4 2019** | **Change Mln BGN** | **Q4 2018** |
| Total assets | +7% | +1025 | 1 497 | 1 395 |
| - *Cash and cash equivalents, time deposits* | *+48%* | *+30* | *93* | *63* |
| Equity, including: | -5% | -11 | 196 | 207 |
| - *Equity, attributable to the owners of the parent company* | *-4%* | *-7* | *162* | *169* |
| Total liabilities and subordinated debts, including | +10% | +113 | 1 301 | 1 188 |
| - *Insurance reserves* | *+11%* | *+74* | *750* | *676* |

## *BASIS FOR PREPARATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENT*

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

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

The inteirm consolidated financial statements have been prepared in accordance with the historical cost principle, except for investment properties and those financial instruments and financial liabilities that are measured at fair value.

The Group applies the following new standards, amendments and interpretations to IFRSs, developed and published by the International Accounting Standards Board, which have an effect on the financial statements and are binding for the annual period beginning on or after 1 January 2019, described in Notes to the Interim Consolidated Financial Statements for 2019, item 2.2 New Standards, Explanations and Amendments in effect since January 1, 2019.

The Group has adopted IFRS 16 from 1 January 2019, using a modified retrospective approach. 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.

Practically appropriate measures implemented

For the first time in applying IFRS 16, the Group used the following requirements as permitted by the standard:

- the application of a one discount rate to a leasing portfolio with relatively similar characteristics;
- relying on previous estimates of whether leasing was difficult as an alternative to implementation - reviewing impairment. There are no such contracts as of January 1, 2019;
- accounting for operating leases with a remaining term of less than 12 months as of 01.01.2019. as short-term leasing;
- изключване на първоначалните преки разходи за оценка на актива с право на ползване към датата на първоначалното им използване;
- use of previous valuations in determining the lease term when the contract contains options for extending or terminating the lease.

The Group has also chosen not to reassess whether the contract is or not at the date of initial application. For contracts concluded before the date of implementation of IFRS 16, the company relies on its assessment made in applying IAS 17 and interpretation 4 Determining whether the arrangement contains a Lease.

## *FINANCIAL RESULTS FROM ACTIVITIES OF EUROHOLD GROUP*

For the twelve months of 2019 Eurohold Bulgaria realised a net profit in amount of BGN 8 million compared to profit in amount of BGN 16 million for the comparable period. The net profit attributable to the owners of the parent company amontrd to BGN 6 million decreasing by 57%.

The decrease by 53% in net group profit was entirely due to the reported loss in the parent company on a non-consolidated basis.

At the same time, the consolidated gross profit decreasing by only 4% to BGN 128 million compared to BGN 133 million for FY 2018, while the consolidated EBITDA retained its level from 2018 amounting to BGN 51 million.

## *CONSOLIDATED OPERATING RESULTS BY SEGMENTS*

### *Consolidated operating income by segments*

Eurohold Bulgaria AD reports consolidated income related to the activities of its subsidiary sub-holding structures operating in the sectors: insurance, motor vehicles, leasing and investment intermediation. As of the date of this Interim Consolidated Management Report, the energy companies are not operating. The activity of the parent company on a non-consolidated basis is related to the investment in subsidiaries and their management, in this regard, the company does not conduct regular trading activities, and the amount of reported revenue depends on the occurrence of transactions in different reporting periods that do not have a permanent occurrence.

| 000'BGN | Insurance | Automotive | Leasing | Investment banking | Parent company | Group operating income |
|---|---|---|---|---|---|---|
| 31.12.2019 | 1 311 617 | 248 133 | 25 028 | 4 521 | 2 390 | 1 591 689 |
| 31.12.2018 | 987 201 | 223 332 | 25 180 | 4 322 | 23 125 | 1 263 160 |
| **Change %** | **33%** | **11%** | **-1%** | **5%** | **-90%** | **26%** |

According to the interim consolidated financial report for Q4'2019, the consolidated operating income of the Eurohold group increased by 26% to BGN 1.592 billion, while for the comparable period they amounted to BGN 1.263 million.

In the segment performance the highest growth of 33% or BGN 234.4 million was recorded in the operating income generated by the insurance sector, amounting at the end of period to BGN 1.312 million. Of these, the gross written premiums on consolidated level (Eurohold Group) amounted to BGN 848.1 million compared to BGN 642.7 million as of 31 December 2019, with an increase of 32% on this indicator.

The automotive business increased its income by BGN 24.8 million in the consolidated statement of the Eurohold Group, registering an 11% growth in realized income for the year 2019.

The leasing activity reported at a consolidated level a negligible decrease of its income in the amount of BGN 0.152 million, representing a decrease of 1%.

Investment banking and asset management activities increased by over 5%, with reported income amounting to BGN 4.5 million.

The parent company recorded a significant decrease of its income to 2.4 million compared to BGN 23.1 million for the year 2018.

### *Consolidated operating expenses by segments*

| 000' BGN | Insurance | Automotive | Leasing | Investment banking | Parent company | Group operating expenses |
|---|---|---|---|---|---|---|
| 31.12.2019 | (1 240 686) | (214 578) | (4 916) | (3 184) | (11) | (1 463 375) |
| 31.12.2018 | (928 424) | (194 093) | (4 288) | (2 539) | (576) | (1 129 920) |
| **Change %** | **34%** | **11%** | **15%** | **25%** | **(98)%** | **30%** |

The Group's operating expenses amounted to BGN 1.463 million representing a growth of 30% vs. comparable period.

Comparable to the growth of the business in the insurance activities, total operating expenses increased by the largest amount by BGN 312.3 million or 34%, amounting to BGN 1.241 billion.

Respectivelly, the reported expenses of the automobile activity also increased at a comparable rate to the growth of operating income for the period, amounting to BGN 214.6 million, representing an increase of 11%.

The leasing business reported in consolidated group report an increase of its operating expenses by BGN 0.6 million as they amounted to BGN 4.9 million at the end of the current period.

The operating expenses from investment banking and asset management activities also increased by BGN 0.6 million.

### *Consolidated operating result (gross profit) by segments*

| 000' BGN | Insurance | Automotive | Leasing | Investment banking | Parent company | Group's gross profit |
|---|---|---|---|---|---|---|
| 31.12.2019 | 70 931 | 33 555 | 20 112 | 1 337 | 2 379 | 128 314 |
| 31.12.2018 | 58 777 | 29 239 | 20 892 | 1 783 | 22 549 | 133 240 |
| **Change %** | **21%** | **15%** | **(4)%** | **(25)%** | **(89)%** | **(4)%** |

The consolidated gross profit from operating activities of the Eurohold Group amounted to BGN 128.3 million compared to BGN 133.2 million as at 31 December 2018. The group's gross profit decreased during the current period by 4%, representing BGN 4.9 million.

### *Other consolidated results*

| 000' BGN | Other income/expenses net | Financial income/expenses net | Depreciation expense | Tax expense | Total for the Group |
|---|---|---|---|---|---|
| 31.12.2019 | (77 302) | (21 706) | (20 511) | (778) | (120 297) |
| 31.12.2018 | (82 431) | (22 397) | (10 541) | (997) | (116 366) |
| **Change %** | **-6%** | **-3%** | **95%** | **-22%** | **3%** |

The net other income/expenses for the Group's activities decreased by 6% and amounted to BGN 77 million, while their amount for the comparable period amounted to BGN 82 million, including the following items:

- Other income/expense, presented net and representing the book value of assets sold in the leasing sector. The total net amount for 2019 is BGN (4.9) million compared to BGN 4.8 million for 2018;

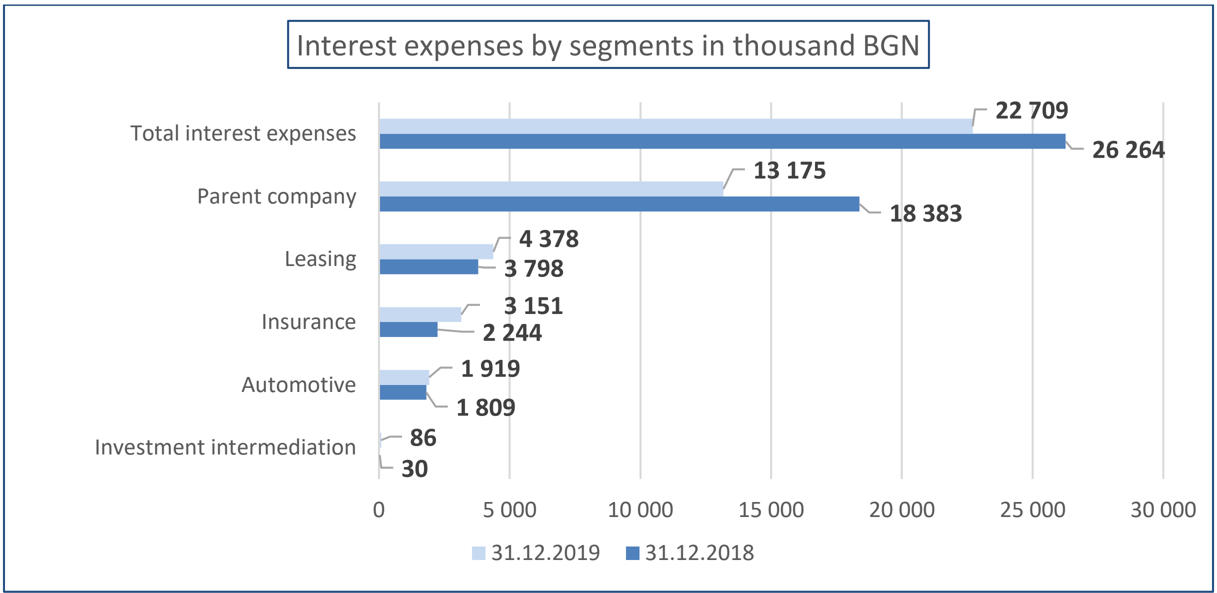
- Other operating expenses, incl. costs of materials, external services, remunerations, etc. expenses reported a total decrease of BGN 6.5 million, amounting to BGN 72 million for the reporting period. This decrease was due to the lower costs incurred for: external services with BGN 5 million; for materials with BGN 1.4 million; for other expenses with BGN 3 million. At the same time, remuneration costs increased by 3.5 million during the reporting period;

- (Accrued)/Recoverable impairment loss on financial assets changes net in a negative direction, with net amount of BGN 913 thousand for 2018, compared to BGN (434) thousand for 2019.

Financial income/expenses include: financial income, financial expenses and the net effect of changes in foreign exchange rates. For 2019, their total net amount was BGN 21.7 million, a decrease of 3% compared to the previous comparative period. The most significant part of financial income expense was financial expenses, which include interest expense, interest expense - usage rights and other financial expenses.

- The amount of interest expense includes the relevant costs of the insurance and car sectors as well as the parent company. For the period from 1 January to 31 December, 2019 the reported interest expenses amounted to BGN 18.2 million, a decrease of BGN 4.2 million.

- Interest expense for the leasing sector and for investment banking reported for the period was an operating expense because of the nature of its business, in relation to which it was attributed to the operating expenses of those segments. For further details, the graph below shows data on changes in interest expenses, including the leasing segment and investment banking.




As of 31 December, 2019, the Eurohold Group was able to significantly reduce its interest expenses by BGN 3.6 million (representing a decrease of 13.5%), from BGN 26.3 million to BGN 22.7 million.

As shown in the graph above, the largest interest expense was generated by the parent company in connection with the borrowing of interest-bearing borrowings for the purpose of the Group's expansion, incl. new acquisitions of insurance companies in the CEE region. During the reporting period, the parent company reduced its interest expenses by 28.3% (a decrease of BGN 5.2 million), which is mainly due to the reduction of interest-bearing liabilities of the company and the negotiation of better interest rates.

The automotive group also uses borrowed capital for working capital. The amount of these attracted funds is determined by the expansion of the automotive business, transactions with corporate customers, stock - cars and spare parts, etc. For the reporting period, the automotive group increased its interest expense negligibly by BGN 0.1 million.

The leasing business is accompanied by high levels of interest expense due to the specific nature of attracted financing. For the reporting period, the leasing activity reported BGN

4.4 million of interest expenses, with an increase of 15.3% on this indicator. This change is due to a new attracted funding resulting from business growth.

The insurance business does not require borrowing, so interest expense reported in this business line represent a loan resource of the parent company of the insurance group - Euroins Insurance Group. For the the year 2019, interest expense reported by the insurance sub-holding amounted to BGN 3.2 million, an increase by BGN 0.9 million versus the comparable period.

The interest expenses reported in the field of investment intermedistion are not generated by loan capital, they represent interest from brokerage and trading in securities and financial instruments, in this sense they are extremely small and insignificant.

- Interest expenses from assets with right of use. During the reporting period in connection with the application of IFRS 16, the Group reported interest expense on eligible assets of BGN 1.4 million.

- Depreciation expenses for Eurohold Group companies increased from BGN 10.5 million to BGN 20.5 million during the reporting period. The increase in depreciation expense in 2019 is mainly due to reported depreciation of assets with a right to use amounting to BGN 8 million.

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

The table below provides information on the incomes earned by the  subsidiaries as at 31 December, 2019 vs. 31 December, 2018. There is also a comparison of EBITDA earned by Eurohold subsidiaries, as well as the financial result before intragroup eliminations.

| Revenue | | | |
|---|---|---|---|
| **Sectors** | *Change* | Q4.2019 | Q4.2018 |
| | *%* | *'000 BGN* | *'000 BGN* |
| Insurance and Health assurance, including | *33%* | 1 312 921 | 988 994 |
| - - gross written premiums from insurance | *37%* | *848 346* | *617 081* |
| Automotive | *10%* | 257 100 | 234 318 |
| Leasing | *0%* | 27 162 | 27 081 |
| Asset management and brokerage | *6%* | 5 372 | 5 071 |
| **Total for the subsidiaries** | ***28%*** | **1 602 555** | **1 255 464** |
| Parent company | *-67%* | 7 858 | 24 007 |
| **Totalbefore eliminations** | ***26%*** | **1 610 413** | **1 279 471** |
| *Intragroup eliminations* | *15%* | *(18 727)* | *(16 311)* |
| **Total income** | ***26%*** | **1 591 686** | **1 263 160** |
| **EBITDA** | | | |
| **Sectors** | *Change* | Q4.2019 | Q4.2018 |
| | *%* | *'000 BGN* | *'000 BGN* |
| Insurance and Health assurance | *116%* | 32 584 | 15 057 |
| Automotive | *64%* | 15 785 | 9 597 |
| Leasing | *-2%* | 6 527 | 6 652 |
| Asset management and brokerage | *13%* | 831 | 956 |
| **Total for the subsidiaries** | ***73%*** | **55 727** | **32 262** |
| Parent company | *-88%* | 2519 | 20329 |
| **Totalbefore eliminations** | ***11%*** | **58 246** | **52 591** |
| *Intragroup eliminations* | *306%* | *-7 234* | *-1 782* |
| **Total EBITDA** | ***0%*** | **51 012** | **50 809** |

| Financial results | | | |
|---|---|---|---|
| **Sectors** | *Change* | Q4.2019 | Q4.2018 |
| | *%* | *'000 BGN* | *'000 BGN* |
| Insurance and Health assurance | *113%* | 21 118 | 9 910 |
| Automotive | *60%* | 5 513 | 3438 |
| Leasing | *-67%* | 404 | 1218 |
| Asset management and brokerage | *30%* | 580 | 834 |
| **Total for the subsidiaries** | ***79%*** | **27 615** | **15 400** |
| Parent company | *-979%* | -14 592 | 1 660 |
| **Totalbefore eliminations** | ***-24%*** | **13 023** | **17060** |
| *Intragroup eliminations* | *2591%* | *-5006* | *-186* |
| **Total** | ***-52%*** | **8 017** | **16874** |

Revenues from the activities of the companies in the Eurohold Group realized growth of 26%, marking an increase of BGN 330.9 million before accounting for the intragroup eliminations. As of 31.12.2019 their amount was BGN 18.7 million compared to BGN 16.3 million as of the end of 2018.

Earnings before interest, taxes,depreciation and amortization (EBITDA) increased by 11% or in digital terms by BGN 5.6 million before reporting intragroup eliminations to BGN 58.2 million.

The financial results of the Group companies before intragroup eliminations amounted to BGN 13 million, with a decrease of BGN 4 million on this indicator compared to the comparable period when the total financial result before eliminations amounted to BGN 17 million.

## *FINANCIAL CONDITION*

### Consolidated Assets

As of the end of 2019 Eurohold Group companies achieved an increase of consolidated assets by 7%, which at the end of the reporting period amounted to BGN 1.497 billion compared to BGN 1.395 billion at 31.12.2018.

The most significant change in consolidated assets was observed in: Cash, cash equivalents and time deposits; Receivables; Reinsurers' share of technical provisions; Financial assets; Inventoriesas well as in the value of Land and buildings.

At the end of the reporting period, the Eurohold Group has free cash and deposits in banks amounting to BGN 109.2 million, an increase of BGN 39.5 million, representing a growth of 56.7%. For comparison, as of the end of 2018 cash and deposits amounted to BGN 69.7 million.

Receivables increased by BGN 30.2 million for the reporting period reaching BGN 286.3 million, of which the current receivables amounted to BGN 210 million increasing by BGN 33.9 million vs. the end of the year 2018. The largest share of current receivables was accounted by receivables from insurance operations, amounting to BGN 134.2 million for the reporting period compared to BGN 99.4 million as of December 31, 2018. Non-current receivables amounted to BGN 76.1 million, a decrease of BGN 3.7 million. They mainly represent financial lease receivables amounting to BGN 51.7 million at the end of the current reporting period, while at the end of 2018 their amount was BGN 53.7 million.

As of the end of the reporting period, the share of reinsurers in technical reserves of the insurance companies in structure of EIG grew by BGN 46.8 million as they reached BGN 455.2 million, an increase of 11.5%.

As of 31 December 2019, the financial assets held by Eurohold Group companies reported a decrease by BGN 31.7 million compared to the end of 2018 as they amounted to BGN 258.3 million.

The inventories of the companies participating in the consolidation amounted to BGN 42.9 million, decreasing by BGN 17.8 million for the current reporting period, compared to the end of 2018, when they amounted to BGN 60.6 million.

In the interim consolidated financial statements as at 31 December 2019, the Group has presented the assets with the right to use in a similar position, giving detailed information about own and leased assets in the notes to the financial statements. The disclosed assets with rights of use were as follows:

- As of 1 January, 2019, the Group recorded acquired (leased) assets - land, buildings and structures with a usage right of BGN 61.3 million, of which BGN 15 million were written off during the reporting period, has been accrued and written off depreciation in the total amount of BGN 7.2 million, as a result of which as of 31.12.2019 the amount of assets - land, buildings and structures with the right of use amounted to BGN 39.1 million;

- As of 1 January 2019, the Group has subscribed acquired (leased) assets - vehicles with a usage right in the amount of BGN 0.189 million, of which BGN 0.109 million have been written off during the reporting period and accrued depreciation in the amount of BGN 0.033 million have been written off, as a result of which as of 31 December 2019, the assets - vehicles with the right of use amounted to BGN 0.047 million.

## Consolidated equity and liabilities

Total equity of Eurohold Bulgaria amounted to BGN 195.6 million, decreasing by BGN 11.7 million compared to 31.12.2018. The capital belonging to the parent company amounted to BGN 161.7 million, while the capital belonging to the non-controlling interest for the period amounted to BGN 33.9 million. For comparison, at the end of 2018, the capital belonging to the parent company was amounted to BGN 168.6 million, and the capital belonging to the non-controlling interest - of BGN 38.7 million.

The consolidated liabilities of the Eurohold Group amounted to BGN 1.301 billion as of 31.12.2019, reporting an increase of 9.5% compared to the previous period, when their value amounted to BGN 1.188 billion. The more significant consolidated liabilities of the Group represent liabilities under: subordinated debt, loans to banking and non-bank institutions and bond", non-current liabilities, current liabilities, trade and other liabilities, liabilities under reinsurance operations and insurance reserves.

In support of its equity, the Group holds subordinated debt instruments in the amount of BGN 19.6 million, which remain unchanged compared to 31.12.2018. The subordinated debt is to the insurance business in the form of a bond loan issued on 18 December 2014 and maturing on 18 December 2021.

The main part of liabilities was debt on loans to banks and non-bank financial institutions and bond loans. As of the reporting date, total debt on borrowings amounted to BGN 298.1

million after a decrease of BGN 1.6 million compared to 31 December 2018, when they amounted to BGN 299.7 million. The non-current portion of these liabilities amounted to BGN 241.1 million, while at the end of 2018 their amount was BGN 242.1 million. Respectively, the current portion of loan commitments amounted to BGN 57 million compared to BGN 57.6 million at the end of 2018.

| Liabilities, bond issues and financial leasing: | % Change | 31.12.2019 '000 BGN | 31.12.2018 '000 BGN |
|---|---|---|---|
| **To banks and non-banking financial institutions, including:** | -1% | **140 566** | **142 167** |
| *- non-current liabilities* | -1% | *93 691* | *94 877* |
| *- current liabilities* | -1% | *46 875* | *47 290* |
| **Bond issues, including:** | 0% | **157 541** | **157 564** |
| *- non-current liabilities* | 0% | *147 388* | *147 224* |
| *- current liabilities* | 0% | *10 153* | *10 340* |
| **Financial leasing liabilities – non-current** | -1% | **298 107** | **299 731** |
| **Total liabilities, including:** | 0% | *241 079* | *242 101* |
| *- total non-current liabilities* | -1% | *57 028* | *57 630* |
| *- total current liabilities* | -1% | **140 566** | **142 167** |

The amount of non-current liabilities at the end of 2019 amounted to BGN 25.7 million, increasing by BGN 1 million compared to 2018. Non-current liabilities have included mainly non-current financial leasing liabilities of motor vehicles and leasing in the total amount of BGN 20.1 million, or BGN 18.8 million for the comparable period. Other non-current liabilities amounted to BGN 5.6 million, which decreased by BGN 0.3 million during the reporting period and come mainly from the motor vehicle segment.

*The table below summarizes the Group's financial liabilities on the financial leasing, including non-current and current liabilities:*

| Financial leasing obligations: | % Change | 31.12.2019 '000 BGN | 31.12.2018 '000 BGN |
|---|---|---|---|
| **Total financial leasing obligations, including:** | 2% | **26 509** | **26 090** |
| *- non-current liabilities* | 7% | *20 088* | *18 773* |
| *- current liabilities* | -12% | *6 421* | *7 317* |

Consolidated current liabilities increased by 21%, rising from BGN 35.3 million to BGN 42.9 million. This item includes the Group's liabilities to staff and insurance companies, tax and other current liabilities, current financial leasing liabilities (shown in table above), revenue for future periods and provisions. The increase in current liabilities is mainly due to the insurance business as a result of the consolidation of the insurance companies acquired at the end of 2018 in Georgia and Ukraine.

Trade and other payables amounted to BGN 138.3 million compared to BGN 108.3 million as of 2018. The increase of BGN 30 million was due to the following items and changes:

- Reduction of the amount of trade and other liabilities by BGN 9.5 million from BGN 108.3 million at the end of 2018 to BGN 98.8 million for the current period;
- Reporting for the first time of lease contracts - usage rights (application of IFRS 16 effective date January 1, 2019) amounting to BGN 39.5 million.

*The table below summarizes the total Group's lease obligations with usage rights, including non-current and current:*

| Group's lease obligations with usage rights: | % Change | 31.12.2019 '000 BGN | 31.12.2018 '000 BGN |
|---|---|---|---|
| **Total obligations on lease contracts – usage rights, including:** | **n/a** | **39 563** | **-** |
| *- non-current liabilities* | n/a | *34 545* | - |
| *- current liabilities* | n/a | *5 018* | - |

In connection with the growth of the insurance business, liabilities for reinsurance operations increased by 14%, from BGN 23.3 million to BGN 26.5 million by the end of the year 2019.

The amount of insurance reserves as of 31.12.2019 is BGN 749.7 million as for the current reporting period they increased by BGN 73.4 million compared to the end of 2018. The amount of insurance reserves also includes the share of reinsurers in the insurance reserves (represented in the assets of the consolidated statement of financial position), amounting to BGN 455.2 million at the end of 2019, and amounted to BGN 408.4 million for the comparable period.

# ACTIVITY OF THE SUBSIDIARIES FOR THE PERIOD

# 1 JANUARY – 31 DECEMBER 2019

## *EUROINS INSURANCE GROUP*

For FY 2019, Euroins Insurance Group (EIG, the Group) realized consolidated gross written premiums of BGN 848 million compared to BGN 643 million for the same period of 2018. EIG reported 2019 unaudited consolidated profit before taxes (PBT)of BGN 21.6 million, compared to BGN 10.4 million reported for 2018. The new acquisitions from the CIS region performed successfully and the contribution of the insurance company acquired in the end of the previous year in the Republic of Ukraine - European Travel Insurance / former name ERV / towards the profit was significant. The Company reports a 50% increase in its revenues to BGN 21.5 million and a profit of BGN 4 million before taxes. The subsidiary contributed with a 19% share in the total profit of the Group. EIG confirms its presence in the insurance markets of Central and Eastern Europe and through its associated participation in Euroins Russia, which reports gross written premiums of BGN 56 million and a profit of BGN 1.1 million.

The other Companies, including the presence of foreign markets through the freedom of services and freedom of establishment mechanisms, have sustained a positive development and trend in the recorded business. The Bulgarian non-life insurance company - IC Euroins AD, generates 29% of the Group's profit. The subscribed business of IC Euroins AD increased to BGN 243 million for 2019, of which the businesses in the Republic of Greece and the Republic of Poland were respectively 20% and 10%. Euroins Northern Macedonia, following its sustainable development strategy, also reported a positive result - 8% share in group profit.

On 4 October 2018 a decision has been voted by the Extraordinary General Meeting of the Shareholders of Euroins Insurance Group to increase the capital of the Group from BGN 483,445,791 to BGN 543,445,791 by way of issuing 60,000,000 ordinary, registered, materialized, non-privileged shares with nominal and issue value of 1 (one) Bulgarian lev per share, with 1 (one) voting right in the General Meeting of the Shareholders, with dividend right and liquidation quota. The newly issued shares have been entirely subscribed by the majority shareholder Eurohold Bulgaria AD. The increase has been entered in the Trade Register on 25 October 2018. On 5 October 2018 25% of the nominal value of the newly issued shares, BGN 15,000,000, have been paid in. Further BGN 3,950 thousand have been paid in in 2019.

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

- **Euroins Bulgaria**

For 2019 Euroins Bulgaria reported a total GWP of BGN 243 million compared to BGN 173 million for 2018. Reason for the growth of 41% is the direct insurance business written both locally in Bulgaria and in Greece and Poland. The Greek business has been written according to the EU directive for Freedom of establishment, while the Polish – according to the EU directive for Freedom of services.

Main non-motor lines of business reported growth: Accident and Travel (74%), Liability (10%) and Agriculture (12%). Credit and suretyship insurance business has more than doubled compared to 2018. MTPL grew by more than 40%, Motor Hull – by more than 12%. Rate increase in Bulgaria, business growth in Greece and start of the sales in Poland are behind the MTPL growth, where Euroins Bulgaria reported gross premiums of BGN 25 million.

Net earned premiums amount to BGN 118 million, while net incurred claims reach BGN 54 million.

As a result, Euroins Bulgaria reported profit for group purposes of BGN 6.3 million before taxation compared to profit of BGN 2.3 million in 2018. Main reason for the improvement is the stability of the incurred claims and their successful handling. But a contributing factor is also the decrease of acquisition and administrative ratio respectively with 1.8% and 0.7%.

The improved financial condition of the Company was also reaffirmed by the updated Long-Term Claims Paying Ability Rating assigned by BCRA, Credit Rating Agency, in January 2019. The assigned rating is "BBB-" with Stable long-term outlook.

All circumstances above would help the management of Euroins Bulgaria to focus on the challenges at the end of 2019 and the beginning of 2020, which are the introduction by way of enactment of the Bonus Malus system on the local MTPL insurance market and the operational start of the insurance branch in Greece, which as of the date of this report is already a fact.

The implementation of the Bonus Malus system is expected in 2020. It has been, however, part of the underwriting policy of Euroins Bulgaria ever since 2012 but its application has been limited only to drivers that are either current or former clients. With the introduction of the system on the entire market Euroins Bulgaria will be in position to perfect it and apply its conservative underwriting approach to all clients and thus improve its technical result.

### ➢ Euroins Romania

For 2019 Euroins Romania reported gross written premiums of BGN 530 million compared to BGN 425 million in 2018. The total growth is mainly down to the growth in MTPL of more than 25%. However, the non-Motor lines of business also grew: Accident (34%), Cargo (17%), Property (31%).

Net earned premiums amount to BGN 279 million and net claims incurred amount to BGN 178 million. An increase is observed of the reported claims, which is due to an increase of their number and a slight growth of the average claim paid, which is mainly due to the material damages and inflation, as well as certain legislation changes introduced last year but impacting the current one. In 2018 the Company has invested in a network of loss survey points as well as in a total remodeling of its strategy in claims handling process aiming to improve the customer service and to guarantee high level of customer satisfaction.

There is a decrease of both the acquisition cost ratio and administrative costs compared to 2018. The management has initiated full reorganization of the sales and claim handling processes as well as some back office functions, whose impact will be felt towards the end of the year.

### ➢ Euroins North Macedonia

For 2019 gross premiums written by Euroins Macedonia grew by 21% reaching BGN 26 million. Main business lines growing were Motor Hull by 10% and MTPL by 6%. The Company continues to strengthen its positions in Agricultural insurance with the written business growing significantly to reach BGN 6.6 million. There is a plan to enter the Health insurance market as well with the positive results expected to be seen next year.

Net claims incurred increased as a result of the business growing by 27%. In the same period net earned premiums grew by 20%.

Following the initiatives of the company management administrative cost ratio decreased from 7.8% (2018) to 7.4% (2019) and acquisition ratio retains its 2018 levels.

The profit for group purposes is BGN 1.6 million before taxation compared to a profit of BGN 1.3 million in 2018.

### ➢ Euroins Life

Gross premium income of Euroins Life for the period amounted to BGN 2.4 million reporting growth of nearly 30% compared to 2018.

However, The Company reports a loss for group purposes amounting to BGN 483 thousand before taxation compared to a loss of BGN 119 thousand in 2018. The main reason is the deterioration of the technical result and more precisely the decrease of net earned premiums and the increase of net claims incurred with the loss ratio increasing from 58.8% to 64.4% and increase in the acquisition ratio from 27.9% to 39%.

### ➢ Euroins Ukraine

For 2019 the Company has written gross premiums of BGN 17 million registering an increase of 7% compared to previous year. The management of Euroins Ukraine has focused on writing quality business that is profitable. As a result, there is also an improvement in the technical result. Despite that, however, the Company reported a loss for group purposes of BGN 1 million before taxation.

In addition, there are also the initiatives undertaken by the management to develop new risk management and claims handling processes as well as insurance fraud prevention measures, all of which should improve the performance of the Company in medium term.

- **EIG Re**

For 2019 EIG Re reported gross premiums of BGN 2.7 million registering decrease compared to 2018 due to restructuring of the inward reinsurance portfolio written by the Company in the period. However, the Company reported a profit for group purposes of BGN 737 thousand before taxation.

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

- **EEuropean Travel Insurance, Ukraine**

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

During 2019 the Company has written gross premiums of BGN 21.5 million, which represents an increase with 50% compared to 2018. The profit for group purposes amounts to BGN 4 million before taxation.

- **Euroins Georgia**

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

Insurance Company Euroins Georgia is specialized in Accident and Health. During 2019 these lines of business account for app. 32% of the insurance portfolio of the Company, while the rest is split between Motor Hull (29%), MTPL (18%), etc. Total gross premiums written in 2019 amount to BGN 10.5 million. The result for group purposes is a loss of 544 thousand before taxation. The main reason for the loss is the small premium earnings coming from the new business written predominantly in Motor Hull and Property in 2019 as well as the investments made in the development of own agency network as preparation for the launch of new insurance products on the Georgian market. The management of the

Company have a plan of measures established by the Board, which aims at improvement of the operational and financial performance and a 2020 at least on a break-even.

- **Euroins Russia**

Entering the Russian insurance market has been in line with the development strategy of the Group in Central and Eastern Europe.

During 2019 the Company has written gross premiums of app. BGN 56 million, a 14% increase compared to previous year. The Company reported a profit of BGN 1.1 million.

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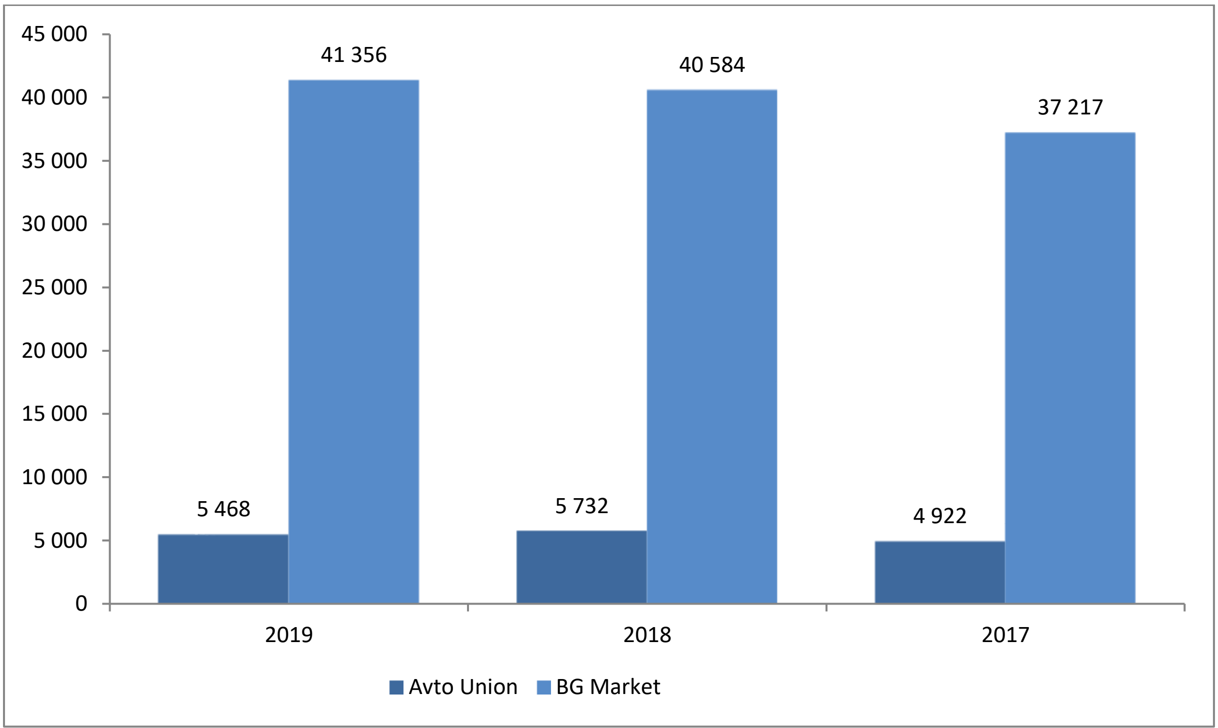
## *AVTO UNION*

The consolidated financial result of the Group for the period from 01.01.2019 until 31.12.2019 was a profit of BGN 5 513 thousand (2018 – a profit of BGN 3 438 thousand). The consolidated financial result for the parent company's owners for the same period was a profit of BGN 4 222 thousand, compared to the same period in 2018 when it was a profit of BGN 1 743 thousand.

The number of cars sold for Q4'2019 decreased by 4.6% compared to the same period of 2018. Revenues from sales of cars, spare parts, oils and fuels increased by 10.2%, and the revenues from service sales increased by 5.3%.




***Sales of new cars from Avto Union as of the end of December'2019 compared to those on the Bulgarian market as a whole, number of cars – Q4 YTD 2017, Q4 YTD 2018 and Q4 YTD 2019, source: ACM***

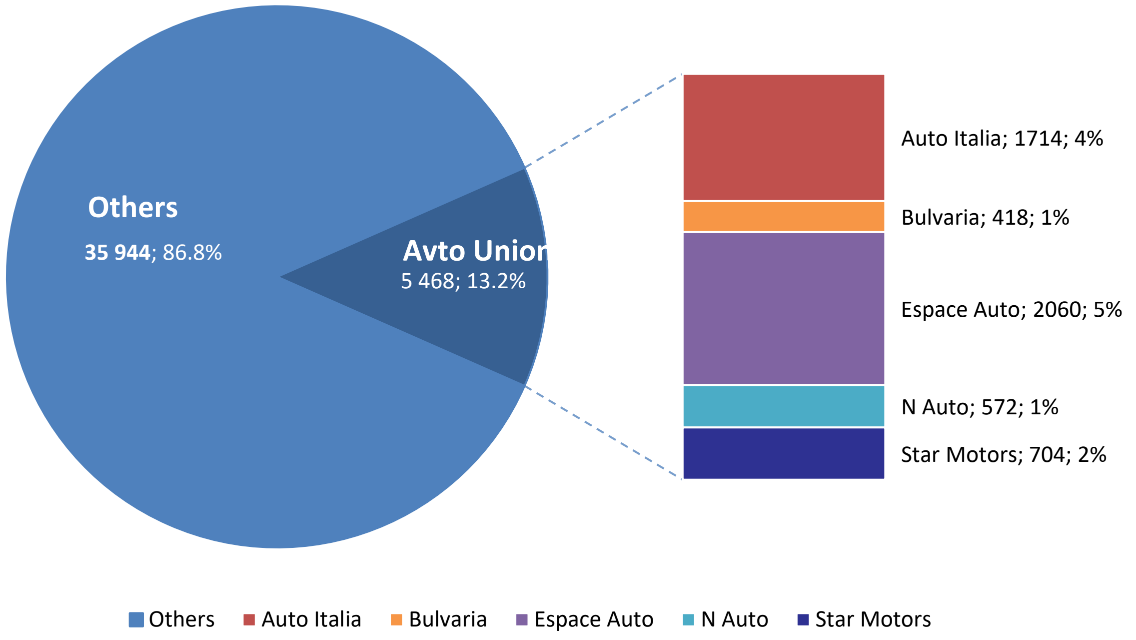
Operating expenses for FY 2019 remain at their 2018 level, with a fine growth of 0.2%. All types of operating expenses, with the exception of depreciation, are down compared to the same period last year, as a result of the actively implemented management policy to optimize costs in the automobile holding. Depreciation expenses at a glance were up 140% from the same period in 2018, but it’s due to the newly adopted IFRS 16 Leasing, applied by the Group as of 1 January 2019.

With the application of IFRS 16, the group Avto Union AD during the reporting period reported depreciation expenses for assets with the right to use leased property and buildings under operating lease terms were in the amount of BGN 2 923 thousand. In this regard, the Company's depreciation expenses increased from BGN 2 821 thousand for 2018 to BGN 6 874 thousand for 2019. The rest of the increase in depreciation expenses between 2019 and 2018 was due to an increased depreciation rate in some companies, as well as a larger depreciated fleet of companies with significantly increased rent-a-car business volume.

Decrease was recorded in personnel expenses, which decreased by 0.6% or BGN 81 thousand, other expenses which decreased by 30% or BGN 664 thousand, and expenses on materials which decreased by 45.5% or BGN 1 640 thousand. A large decrease of 15.7% or BGN 1 586 thousand was also observed in the Cost of services, which is however due to the newly adopted IFRS 16 Leasing, applied by the Group as of 1 January 2019.

An increase compared to the same period of the previous year was observed in financial expenses (an increase of 8.2% or BGN 272 thousand), which, however, was due to the new IFRS 16 Leasing, applied by the Group as of 1 January 2019. With the application of IFRS 16, the group Avto Union AD reported interest expenses on used assets with the right to use leased property and buildings under operating lease terms in the amount of BGN 603 thousand. In this regard, interest expenses of the company increased from BGN 2 543 thousand for 2018 to BGN 2 881 thousand for 2019. Financial income almost retained its levels for the same period of 2018, registering a slight increase of 0.8% or BGN 4 thousand.

For the period ending on 31.12.2019 the sales of new personal cars and light commercial vehicles realized by Avto Union - the automobile holding in the group of Eurohold Bulgaria, amounted to 5 468 units, compared to 5 732 units sold in the year 2018, which represents a decline of 4.6%. According to the Union of Automobile Importers in Bulgaria, for the year 2019 the new car market increased by 1.9% compared to 2018. During the reporting period Opel registered a growth of 10.6% for Sofia and retained its level for Varna. Espace Auto OOD registered sales decline for both of its brands compared to 2018 – by 25.4% for Renault and by 20.5% for Dacia. In N Auto EAD, there was a growth in sales by 1% for Nissan cars. Auto Italia EAD increased its sales of Fiat by 22.2%, but decreased sales of Alfa Romeo by 12%. In the Maserati car brand, Auto Italia AD recorded a decline by 43.5%. Star Motors marks a 5% growth in sales of new Mazda cars compared to the previous year.




***Number of cars sold and market share of automotive companies in the Auto Union Group for 2019*.**

| **Avto Union Group** | **Sales 2019** | **2018** | **% Change** |
|---|---|---|---|
| January – December (YTD) | 5 468 | 5 732 | -4.6% |
| By quarter: | | | |
| Q1 (January-March) | 1 015 | 1 282 | -20.8% |
| Q2 (April-June) | 1 638 | 1 895 | -13.6% |
| Q3 (July-September) | 1 592 | 1 298 | 22.7% |
| Q4 (October-December) | 1 223 | 1 257 | -2.7% |

At a constituent meeting held on 23.11.2018, it was decided to set up a subsidiary of Auto Italia EAD, namely **Auto Italia-Sofia EOOD**, the decision itself was entered in the Commercial Register on **16 January 2019**. The intention of the management is a division of the import and dealership activities of the FIAT, Maserati and Alfa Romeo brands - the newly established company performs the functions of a dealer for Sofia and Auto Italia EAD specializes in the functions of an importer for the brands in Bulgaria.

**On 11 February, 2019** an increase of the capital by BGN 550 thousand of "Benzin Finance" EAD was entered in the Commercial Register - thus the registered capital of the subsidiary of Motobul EAD has increased and reached the amount of BGN 1.050 thousand.

**On 22 March, 2019** Milen Asenov Christov was entered in the Commercial Register as Procurator of the subsidiary Auto Italia EAD.

**On 12 July, 2019** Auto Union AD signed another annex to the Framework Agreement for Issuing Bank Guarantees (for the purposes of its subsidiaries) with Municipal Bank AD, through which the parties agreed to reduce the credit limit granted to the Borrower in the form of bank guarantees. guarantees and documentary letters of credit by EUR 500,000.

Thus, the total limit for bank guarantees at the end of the reporting period granted for use by Auto Union AD and its subsidiaries amounts to EUR 750,000.

**On 31 October, 2019** the Board of Directors of Auto Union AD made a decision to sell one of its subsidiaries, namely - Bulvaria Holding EAD, signing a Preliminary contract with the potential buyer. Following the fulfillment of the conditions stipulated in the preliminary contract on 19 December , 2019, Auto Union AD transfers the shares to the new owner. On 31 December , 2019, the transfer of all shares from the capital of Bulvaria Holding EAD to VI Properties EOOD was entered in the Commercial Register.

**On 1 November, 2019** at an extraordinary general meeting of shareholders of Auto Union AD, a decision was made to select a new registered auditor to audit the individual and consolidated financial statements of the company for 2019. The selected auditor is Crow Bulgaria Audit EOOD, UIC 203465145.

For the FY 2018, the subsidiary company Espas Auto EOOD has distributed a dividend of BGN 893 thousand to its parent company (N Auto Sofia EAD). The dividend income was eliminated for the purposes of the consolidated financial statements as of 31.12.2019.

For the observed period, the subsidiary company Daru Car EAD has distributed a dividend of BGN 963 thousand to its parent company Avto Union AD. The dividend income was eliminated for the purposes of the consolidated financial statements as of 31.12.2019.

During the reporting period, Avto Union AD has purchased 20 shares by a partner in its subsidiary Daru Car AD, whereby Auto Union AD becomes the sole owner of the capital of Daru Car AD. Due to this fact, it was necessary to change the legal form of Dar Kar AD. As of 15.08.2019, the legal form of the company is EAD.

In the period ending 31.12.2019 a contract was concluded between MOTOBUL EAD in its capacity of Seller and AUTO UNION AD in its capacity of Buyer, under which AUTO UNION AD acquires from MOTOBUL EAD all shares in the capital of Benzin Finance EAD with UIC: 205373838. The actual transfer of the shares was made after the signing of an Additional Agreement between the parties to settle the sale price of the abovementioned shares, as well as the conditions for its payment. The sale was made in order to directly control Avto Union AD over its subsidiaries and to facilitate the holding structure.

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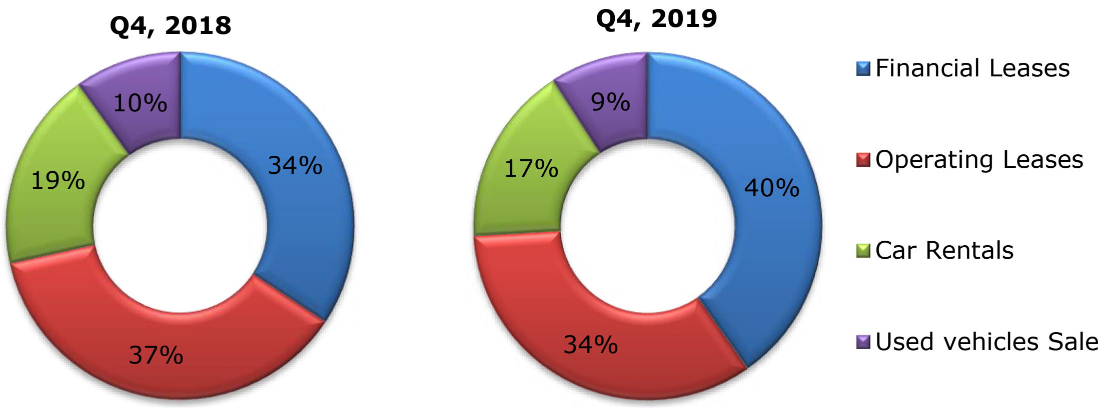
## *EUROLEASE GROUP*

For the reporting period Eurolease Group realizes consolidated profit of BGN 404 thousand compared to BGN 1,218 thousand for the fourth quarter of 2018.

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




The observed changes are caused by the following factors:

- During the reporting period the total revenues from the different lines of the business amount to BGN 20,768 thousand compared to BGN 18,608 thousand at the end of the fourth quarter of 2018.
- Financial leasing – the share of revenues from financial leasing increases due to the significant volume of new business generated during 2018 by Eurolease Auto EAD and the volume of new business generated by Amigo Leasing EAD. In absolute terms, the revenues from this line amount to BGN 8,406 thousand in comparison with BGN 6,384 thousand as at 31.12.2018.
- Operating lease – the revenues from this line increased slightly. As at 31.12.2019 they amount to BGN 7,055 thousand (compared to BGN 6,929 thousand as at 31.12.2018).
- Rent-a-car services - the amount of revenues decreases slightly to BGN 3,402 thousand compared to BGN 3,454 thousand at the end of December 2018.
- Sale of used cars - the share of revenues from the sale of used cars decreases slightly. In absolute terms, these revenues amount to BGN 1,905 thousand compared to BGN 1,841 thousand as of 31.12.2018.

An increase of 5.22% was also reported in operating expenses, as they amounted BGN 15,156 thousand at the end of the fourth quarter of 2019, compared to BGN 14,404 thousand for the same period in 2018.

Eurolease Group consolidated assets amount to BGN 125,557 thousand compared to BGN 137,585 thousand as at 31 Dec 2018.

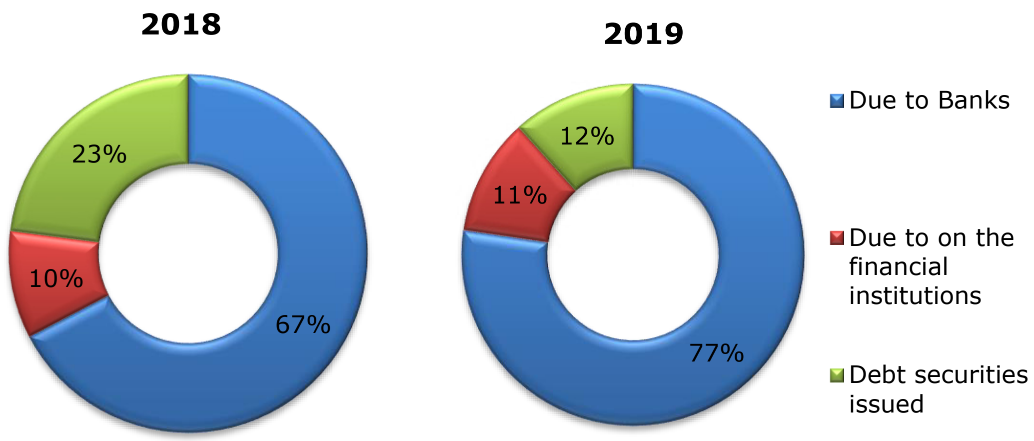
Consolidated net investment in finance leases increased slightly with 1.36%, to BGN 79,287 thousand compared to BGN 78,225 thousand as at the end of 2018.

As at the end of the reporting period Eurolease Group consolidated fixed assets amount at BGN 28,124 thousand compared to BGN 28,075 thousand at the end of 2018.

As of the end of December 2019 there were observed changes in the relative share of the type of funding used:

- Due to banks - amounted to BGN 80,487 thousand compared to BGN 78,303 thousand for the comparable reporting period.

- Due to other financial institutions - amounted to BGN 11,530 thousand as at 31 December 2019. The amount is payable by the subsidiary Eurolease Rent A Car to leasing companies that finance its activities;
- At the end of the fourth quarter of 2019, amounts due under debt securities issued are BGN 12,088 thousand compared to BGN 26,707 thousand as at 31 December 2018.




Stand-alone financial result of Eurolease Group is loss of BGN 647 thousand compared to loss of BGN 2,956 thousand at the end of relative reporting period of 2018. Total assets of the company are BGN 36,649 thousand.

### ➢ Eurolease Auto Bulgaria

The financial result of Eurolease Auto Bulgaria as at the fourth quarter of 2019 is profit of BGN 941 thousand in comparison with the result as at the fourth quarter of 2018 (BGN 2,031 thousand).

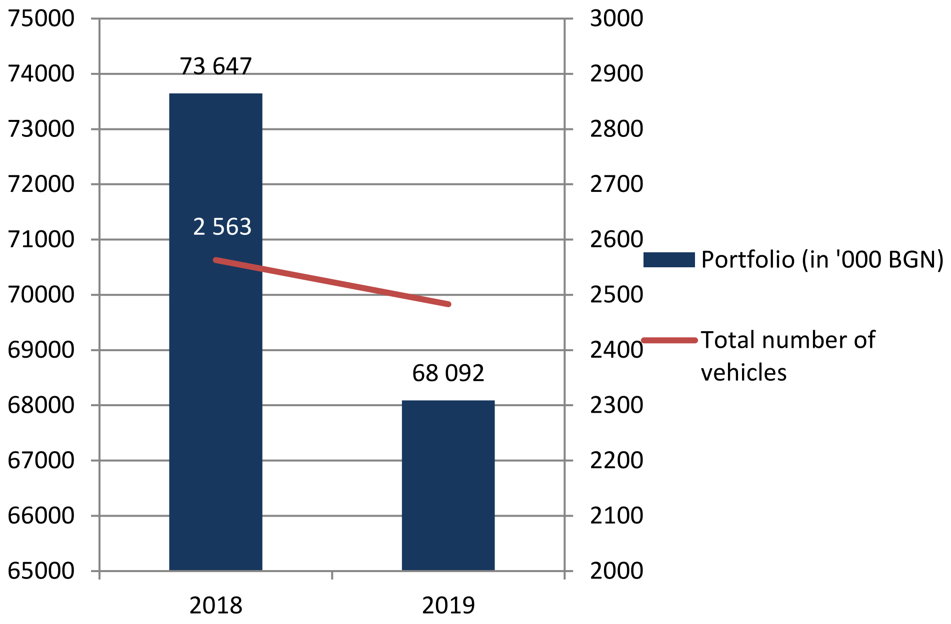
The interest income increases by 11.38% and as of the end of December 2019 it amounts to BGN 5.8 m. compared to BGN 5.2 m.  as at December 2018. The net interest expense amounted BGN 3 m. against BGN 2.8 m. a year earlier. As a result the net interest income reached BGN 2.8 m. in comparison with BGN 2.4 m. at the end of the fourth quarter of 2018.

The administrative expenses of the Company at the end of reporting period amount to BGN 2.2 m. and their amount remains almost unchanged in comparison with a year ago.

As of the end of December total assets of the Company amount to BGN 86.9 m. compared to BGN 101.4 m. at the end of December 2018.

The net investment in financial leasing amounts to BGN 68.1 m. in comparison with BGN 73.6 m. a year earlier.

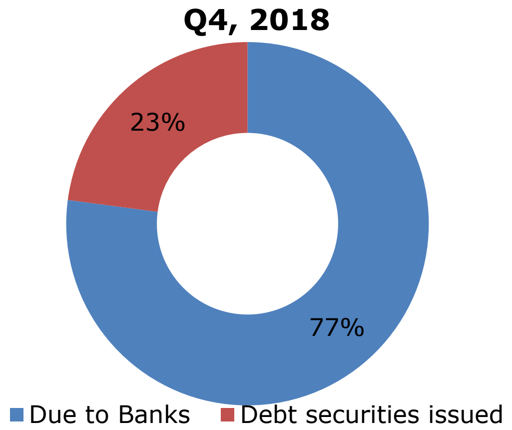
The following graph shows the movement in the net investment in a financial lease of the company for the specified period, together with the movement in the number of the leasing assets, part of the company's portfolio.

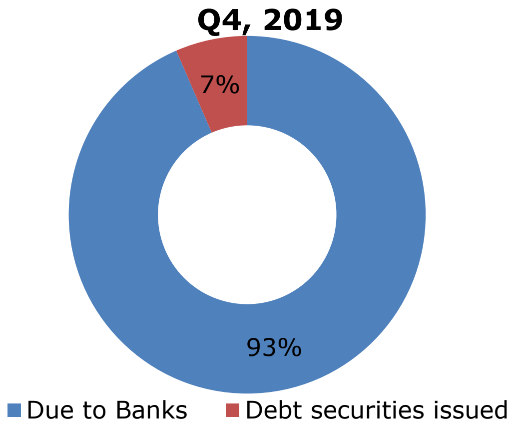



As at the end of December 2019, company's equity amounts to BGN 20.96 m. Its liabilities amount to BGN 65.91 m.

Eurolease Auto finances its activities through borrowed funds in the form of bank loans from local and international financing institutions and issuance of debt instruments. The following table shows the distribution of the funding used by the company.

The following table shows the distribution of the funding used by the Company as at 31.12.2019 and 31.12.2018:




During the reporting periods a slight change of the funding structure has occurred:

- Bank loans - at the end of December 2019 amount to BGN 57.14 m. compared to BGN 60.92 m. a year earlier;
- Company's liabilities under debt instruments issued declined to BGN 3.98 m. compared to BGN 18.11 m. thousand as at the fourth quarter of 2018.

## ➢ Eurolease Auto North Macedonia

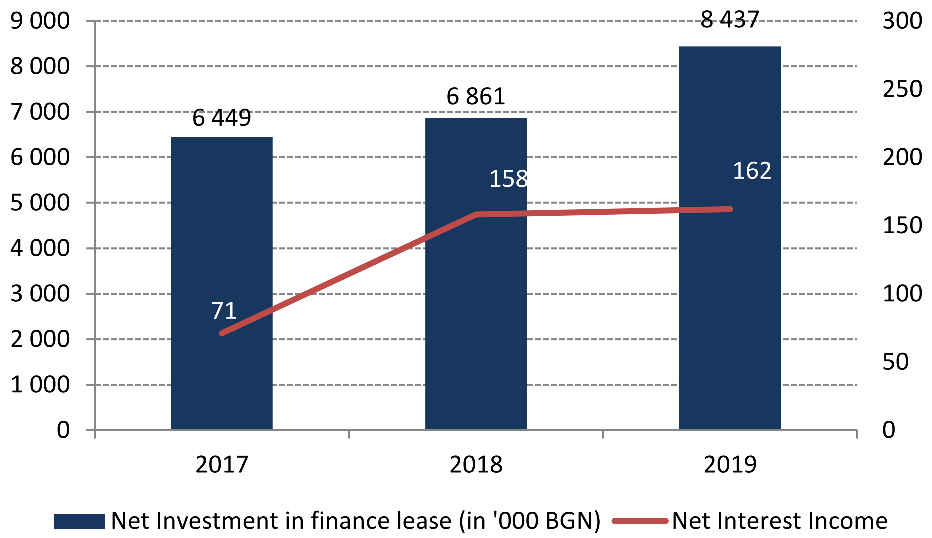
Eurolease Auto North Macedonia realized BGN 614 thousand interest income during 2019, up by 9.25% YoY (2018: BGN 562 thousand). Interest expense also grew to BGN 452 thousand compared to BGN 404 thousand in the previous year. As a result net interest income grew slightly to BGN 162 thousand compared to BGN 158 thousand a year earlier.

The uplift in fee and commission income also contributes to the company's positive results – it stands at BGN 140 thousand compared to BGN 113 thousand in the previous year. Administrative expenses of Eurolease Auto North Macedonia increased to BGN 354 thousnad (2018: BGN 329 thousand).

Company's net income stands at BGN 117 thousand in 2019 compared to BGN 52 thousand a year ago.

Net investment in finance lease increased 23% YoY and in the end of 2019 amounts at BGN 8.44m compared to BGN 6.86m in the end of 2018.

The following chart shows the change in net investment in financial lease, as well as the movement of Eurolease Auto North Macedonia`s net interest income.




As of 31.12.2019 company's total assets amount at BGN 10.2m compared to BGN 9.37m as of 31.12.2018. the most significant increase is that in net investment in finance lease.

Eurolease Auto North Macedonia liabilities to banks increased 18.8% YoY to reach BGN 7.77m.

## ➢ Eurolease Auto Romania

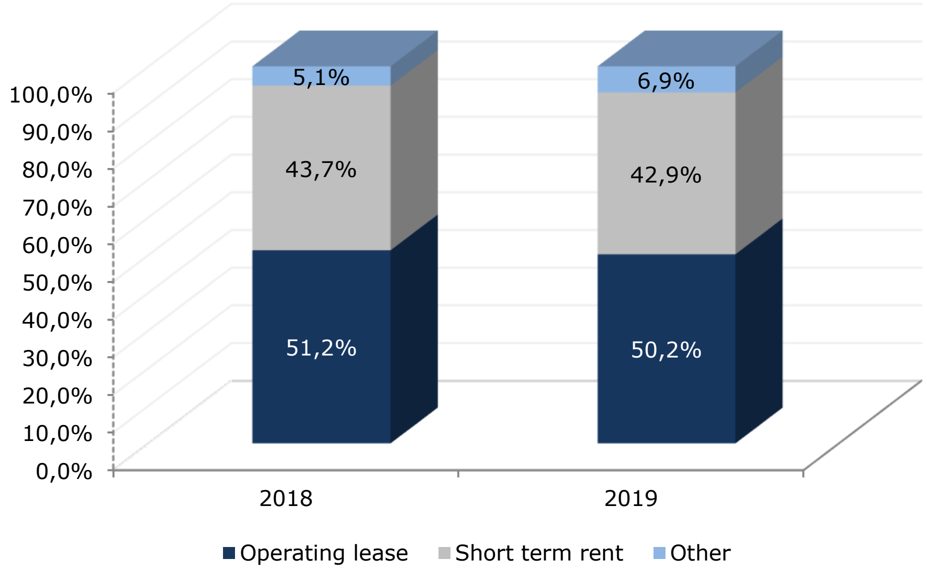
At the end of the reporting period Eurolease Auto Romania reports loss at BGN 51 thousand compared to loss at BGN 65 thousand for the relative reporting period of 2018.

The investment in the subsidiary is fully impaired in 2018.

## ➢ Eurolease Rent-a-car

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

The following chart shows the breakdown of company's revenues by business line in 2018 and 2019:



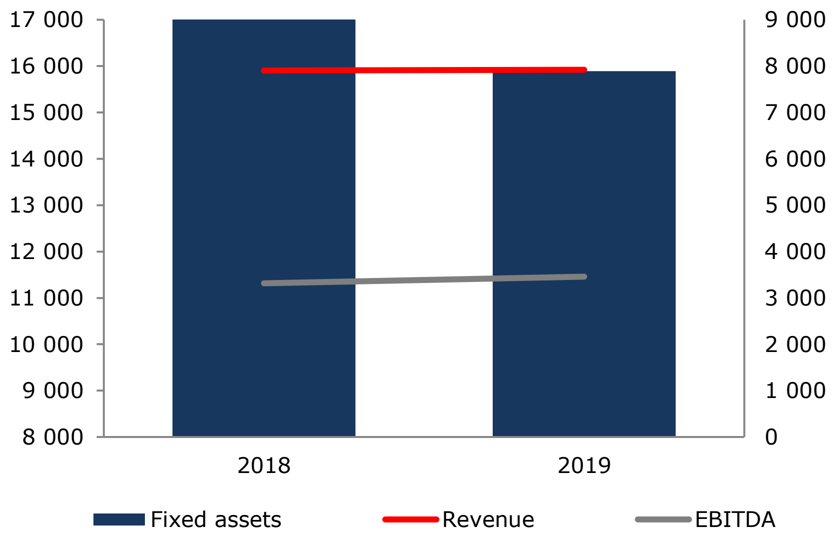

Eurolease Rent-a-Car operating lease revenue in 2019 remains relatively unchanged YoY at BGN 3.97m, the same being valid for short term rent a car services revenue amounting at BGN 3.40m.

Company's interest expenses slightly increased in 2019 to BGN 545 thousand (2018: BGN 537 thousand).

Eurolease Rent-a-Car administrative expenses decline to BGN 7.6m in 2019 compared to BGN 8.04m in the previous year.

The company realized a loss at BGN 278 thousand in 2019 compared to loss at BGN 293 thousand in 2018.

The chart below presents company's fixed assets, revenues and EBITDA in 2018 and 2019.



Eurolease Rent-a-Car total assets amount at BGN 18.89m compared to BGN 19.82m a year earlier.

Company's indebtness in 2019 declined as liabilities to financial and non-financial institutions stand at BGN 9.6m (2018: BGN 10.8m) and liabilities to banks amount at BGN 3.61m (2018: BGN 3.84m).

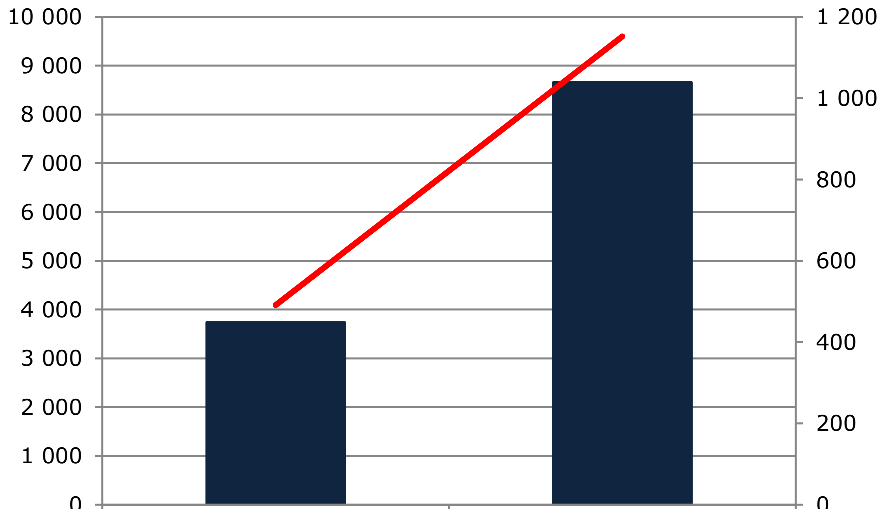
### ➢ Amigo Leasing

The company starts operations in the end of March 2018 and its main activity is financial lease of used cars and provision of loans to individuals. Amigo Leasing has a well developed branch network in 9 cities in Bulgaria. In 2019 the company grew significantly its finance lease portfolio and achieved positive results.

Amigo Leasing net income in 2019 is BGN 347 thousand compared to loss at BGN 87 thousnad a year ago. Interest income stands at BGN 1.59m compared to BGN 347 thousand in the previous year. Fees and commission income doubled to BGN 336 thousnad, the same being valid for administrative expenses that reach BGN 1.08m.

Company's assets increased to BGN 9.37m. The major uplift is in net investment in finance lese to reach BGN 8.66m.

The following chart shows the change in net investment in financial lease as well as the number of leased assets in the portfolio of Amigo Leasing in 2018 and 2019.




| | Q4, 2018 | Q4, 2019 |
|---|---|---|
| Net investment in finance lease | 3 739 | 8 663 |
| Leased assets | 491 | 1 152 |

Loans receivables stand at BGN 255 thousand in the end of Q4 2019 compared to BGN 218 thousnad in the end of 2018.

The company finances its activity with own funds, bank loans from Bulgarian American Credit Bank and Municipal Bank. Liabilities to banks amount at BGN 6.50m as of the end of 2019.

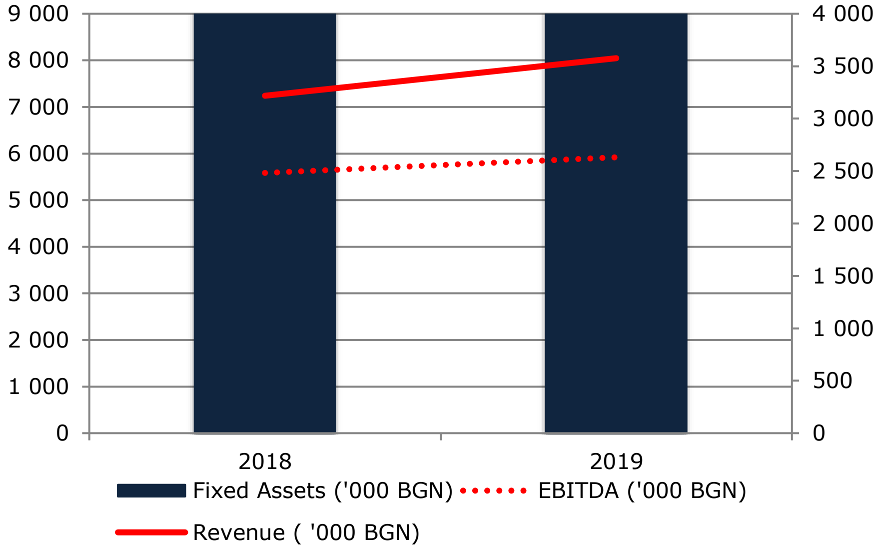
### ➢ Sofia Motors

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

At the end of the year the company launched its newest product under the brand Simpl that includes long term car rent and complete car care by a personal assistant.

The financial result of Sofia Motors as at the end of Q4 2019 is a loss of BGN 51 thousand compared to profit at BGN 5 thousand a year ago.

The chart below shows the relationship between the company's fixed assets, revenue and EBITDA. As at Q4 2019 the growth in revenues (11.12%) outpaces growth in non-current assets (2.29%).




Sofia Motors revenues increase by 7.41% YoY to reach BGN 2,958 thousand.

As at 31 Dec 2019 Sofia Motors assets stand at BGN 10,279 thousand compared to BGN 10,373 thousand as at the end of 2018.

Company's liabilities as at Q4 2019 amount at BGN 10,087 thousand compared to BGN 10,130 thousand for the comparable period a year ago.

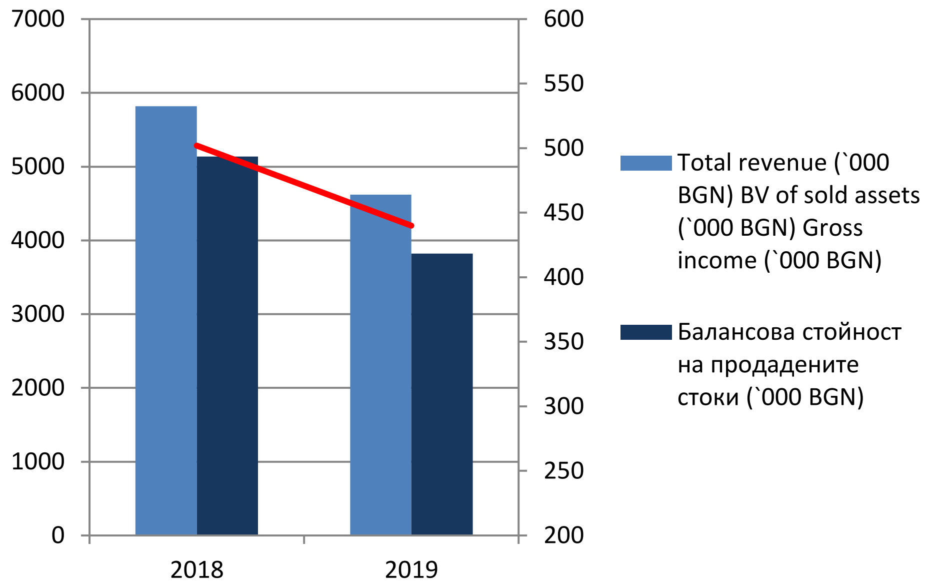
- **Autoplaza**

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

The financial result of Autoplaza as at the end of Q4 2019 is profit at BGN 9 thousand compared to net income at BGN 40 thousand a year ago.

Autoplaza managed to realize gross income from car sales at BGN 440 thousand compared to BGN 502 thousand as at the end of Dec 2018.

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




Company's assets amount at BGN 3,269 thousand compared to BGN 2,414 thousand as at 31.12.2018.

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## *EURO-FINANCE*

EURO-FINANCE is an investment intermediary, a member of the Frankfurt Stock Exchange, providing a direct access to Xetra® through the EFOCS trade platform. The Company also offers trade in currencies, indexes, shares and precious metals by way of contracts for difference through the EF MetaTrader 5 platform.

EURO-FINANCE AD has preserved its leading position on the Bulgarian capital market, realizing almost 1/5 of the total turnover on the Bulgarian Stock Exchange (BSE). However, it moved one position down, taking the 3rd place in the rank list of intermediaries as regards the turnover realized on the Exchange. The table below shows the changes in the basic indicators.

During the reporting period, Euro-Finance AD continued to follow the activities included in the development program in the direction of developing online customer service, increasing the funds under management and participating in projects related to corporate consulting and restructuring.

The company realized net incomes from core operations in the amount of BGN 2 352 thousand for FY 2019, generated by:

· Interest revenue - BGN 462 thousand;

· Other revenue from main activities – BGN 1 890 thousand;

The expenses for the reported period, related to the day-to-day operations of the company, amounted to BGN (1 751) thousand.

The General Assembly of the shareholders of EURO-FINANCE AD held on 12.08.2019 took a decision on decreasing the capital of the investment intermediary from BGN 40 000 000 (forty million) to BGN 14 100 002 (fourteen million one hundred thousand and two) through cancellation of 25 899 998 ordinary registered dematerialized shares, each of them giving the right to 1 (one) vote at the General Assembly of the shareholders, the right to a dividend and a liquidating dividend, the par value of each share being BGN 1.00, after their being acquired by the company on the grounds of Art. 187a, para. 1, item 1 of the Commercial Law.

The purpose of the said decrease is as follows: The amount of the registered capital of EURO-FINANCE AD has been determined disproportionately to the regulatory requirements for an investment intermediary, even if the latter holds a full licence. Overcapitalization and low profitability of capital are present. In order to overcome these circumstances, which are negative ones for the company, it is economically expedient to have the capital of EURO-FINANCE AD decreased in compliance with the requirements of Art. 11, paras 1 and 2 of the Law on Markets in Financial Instruments.

The decrease in capital does not affect the capital adequacy or liquidity of EURO-FINANCE AD as the capital base remains unchanged, and there are no cash outflows connected with the decrease in capital.

It is through its Decision No. 44-IP dated 16.01.2020 that the Financial Supervision Commission approved the decrease in the capital of EURO-FINANCE AD. The said Decision was entered in the Commercial Register and the Register of Non-profit Legal Entities on 24.01.2020.

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## EUROHOLD BULGARIA (Standalone base)

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

### FINANCIAL RESULT

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 31$^{st}$ 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 |

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# DESCRIPTION OF MAIN RISKS AND UNCERTAINTIES

## 1. Systematic risks

### Influence of the international environment

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

### Macroeconomic risk

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

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

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

### Political risk

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

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

### Unemployment

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

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

### Credit risk of the country

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

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

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

### 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 lari (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 abroad, mainly from the insurance sector in Romania, Macedonia and Ukraine, and a leasing line in Romania and Macedonia.

## Liquidity risk

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

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

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

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

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

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

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

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

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

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

## RISK MANAGEMENT

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

- Market share, pricing policy and marketing researches for the development of the market and the market share;
- Active management of investments in different sectors;

- Comprehensive policy in asset and liabilities management aiming to optimize the structure, quality and return on assets;
- Optimization of the structure of raised funds aiming to ensure liquidity and decrease of financial expenses for the group;
- Effective management of cash flows;
- Administrative expenses optimization, management of hired services;
- Human resources management.

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

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

Risk management in the Group aims to:

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

Date: 25 February 2020

**Asen Minchev**,

*Executive Member of the Management Board*

## Eurohold Bulgaria AD
## Interim Consolidated Statement of profit or loss
### For the year ended December 31, 2019

| *In thousand BGN* | *Notes* | 2019 | 2018 |
|---|---|---|---|
| **Revenue from operating activities** | | | |
| Revenue from insurance business | *3* | 1 311 617 | 987 201 |
| Revenue from car sales and after sales | *5* | 248 133 | 223 332 |
| Revenue from leasing business | *6* | 25 028 | 25 180 |
| Revenue from asset management and brokerage | *8* | 4 521 | 4 322 |
| Revenue from the activities of the parent company | *10* | 2 390 | 23 125 |
| | | **1 591 689** | **1 263 160** |
| **Expenses of operating activities** | | | |
| Expenses of insurance business | *4* | (1 240 686) | (928 424) |
| Cost of cars and spare parts sold | | (214 578) | (194 093) |
| Expenses of leasing business | *7* | (4 916) | (4 288) |
| Expenses of asset management and brokerage | *9* | (3 184) | (2 539) |
| Expenses of the activities of the parent company | *11* | (11) | (576) |
| | | **(1 463 375)** | **(1 129 920)** |
| **Gross Operating Profit** | | **128 314** | **133 240** |
| Other income/(expenses), net | *12* | (4 900) | (4 816) |
| Other operating expenses | *13* | (71 968) | (78 528) |
| (Accrued)/recovered impairment loss on financial assets, net | *14* | (434) | 913 |
| **EBITDA** | | **51 012** | **50 809** |
| Financial expenses | *15* | (20 357) | (23 182) |
| Financial income | *16* | 112 | 166 |
| Foreign exchange gains/(losses), net | *17* | (1 461) | 619 |
| **EBTDA** | | **29 306** | **28 412** |
| Depreciation and amortization | *18* | (20 511) | (10 541) |
| **EBT** | | **8 795** | **17 871** |
| Tax expenses | *19* | (778) | (997) |
| **Net profit for the period** | | **8 017** | **16 874** |
| Net profit, attributable to: | | | |
| Equity holders of the parent | | 5 511 | 14 385 |
| Non-controlling interests | | 2 506 | 2 489 |

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

25.02.2020

These interim consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD.
The notes are an integral part of the interim consolidated financial statements.

## Eurohold Bulgaria AD
## Interim Consolidated Statement of other comprehensive income
### For the year ended December 31, 2019

| ***In thousand BGN*** | *Note* | 2019 | 2018 |
|---|---|---|---|
| **Net profit for the period** | *45* | **8 017** | **16 874** |
| **Other comprehensive income** | | | |
| *Other comprehensive income to be reclassified subsequently to profit or loss:* | | | |
| Net loss from change in the fair value of financial assets through other comprehensive income | | 1 994 | (7) |
| Net loss from change in the fair value of available-for-sale financial assets | | - | - |
| | | **1 994** | **(7)** |
| Exchange differences on translating foreign operations | | (3 583) | 138 |
| | | | |
| **Other comprehensive income for the period, net of tax** | | **(1 589)** | **131** |
| **Total comprehensive income for the period, net of tax** | | **6 428** | **17 005** |
| | | | |
| Total comprehensive income, attributable to: | | | |
| Equity holders of the parent | | 4 064 | 14 494 |
| Non-controlling interests | | 2 364 | 2 511 |
| | | **6 428** | **17 005** |

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

25.02.2020

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

| *In thousand BGN* | *Note* | 31.12.2019 | 31.12.2018 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | *20* | 91 582 | 49 540 |
| Time Deposits at banks | *21* | 17 704 | 20 157 |
| Reinsurers' share in technical reserves | *22.1* | 455 189 | 408 377 |
| Insurance receivables | *22.2* | 134 214 | 99 448 |
| Trade receivables | *23* | 49 603 | 37 518 |
| Other receivables | *24* | 26 345 | 39 262 |
| Machinery, plant and equipment | *25, 25.2-5* | 52 707 | 51 467 |
| Intangible assets | *27* | 3 828 | 3 274 |
| Inventory | *28* | 42 867 | 60 622 |
| Financial assets | *29* | 258 320 | 290 023 |
| Deferred tax assets | *30* | 14 532 | 14 676 |
| Land and buildings | *25, 25.1* | 53 998 | 15 043 |
| Investment property | *26* | 14 680 | 20 209 |
| Investments in associates and other investments | *31* | 12 126 | 12 698 |
| Other financial investments | *32* | 2 394 | 2 403 |
| Non-current receivables | *33* | 76 137 | 79 826 |
| Goodwill | *34* | 190 458 | 190 458 |
| **TOTAL ASSETS** | | **1 496 684** | **1 395 001** |

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

25.02.2020

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

| *In thousand BGN* | *Notes* | 31.12.2019 | 31.12.2018 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued capital | *44.1* | 197 526 | 197 526 |
| Treasury shares | *44.1* | (1 353) | (77) |
| Share Premium | *44.2* | 49 568 | 49 568 |
| General reserves | | 7 641 | 7 641 |
| Revaluation and other reserves | | (60 084) | (55 632) |
| Retained earnings/(losses) | | (37 115) | (44 781) |
| Profit for the year | *45* | 5 511 | 14 385 |
| **Equity attributable to equity holders of the parent** | | **161 694** | **168 630** |
| Non-controlling interests | *46* | 33 927 | 38 692 |
| **Total equity** | | **195 621** | **207 322** |
| **Subordinated debts** | *35* | **19 558** | **19 558** |
| **LIABILITIES** | | | |
| Bank and non-bank loans | *36* | 140 566 | 142 167 |
| Obligations on bond issues | *37* | 157 541 | 157 564 |
| Non-current liabilities | *38* | 25 719 | 24 745 |
| Current liabilities | *39* | 42 874 | 35 330 |
| Trade and other payables | *40* | 138 326 | 108 308 |
| Payables to reinsurers | *41* | 26 513 | 23 265 |
| Deferred tax liabilities | *42* | 242 | 396 |
| | | **531 781** | **491 775** |
| **Insurance reserves** | *43* | 749 724 | 676 346 |
| | | **749 724** | **676 346** |
| **Total liabilities and subordinated debts** | | **1 301 063** | **1 187 679** |
| **TOTAL EQUITY AND LIABILITIES** | | **1 496 684** | **1 395 001** |

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

25.02.2020

These interim consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD.
The notes are an integral part of the interim consolidated financial statements.

## Eurohold Bulgaria AD
## Interim Consolidated statement of cash flows
### For 2019

| *In thousand BGN* | *Note* | 2019 | 2018 |
|---|---|---|---|
| **Operating activities** | | | |
| **Profit for the period before tax:** | | **8 795** | **17 871** |
| Adjustments for: | | | |
| Depreciation and amortization | *18* | 20 511 | 10 541 |
| Foreign exchange gain/(loss) | | 1 464 | (948) |
| Dividend income | | (88) | (90) |
| Change in insurance reserves | | 26 878 | 33 262 |
| Increase in impairment loss on assets | | 14 649 | 6 055 |
| Revaluation of investments | | (8 150) | (475) |
| Profit from the purchase of investments in subsidiaries | | - | 742 |
| Profit from sales of investments | | (10 992) | (33 029) |
| Profit from the transfer of property, plant and equipment | | - | (397) |
| Net investment income (interest income and expense) | | 7 147 | 12 894 |
| Other non-monetary adjustments | | (496) | 5 318 |
| **Operating profit before change in working capital** | | **59 718** | **51 744** |
| Change in trade and other receivables | | (42 291) | (12 402) |
| Change in inventory | | 17 755 | (1 497) |
| Change in trade and other payables and other adjustments | | (20 453) | (39 845) |
| **Cash generated from operating activities** | | **14 729** | **(2 000)** |
| Interest (paid)/received | | 4 184 | 3 356 |
| Income tax paid | | (524) | (379) |
| **Net cash flows from operating activities** | | **18 389** | **977** |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | (5 643) | (5 076) |
| Proceeds from the disposal of property, plant and equipment | | 20 881 | 3 311 |
| Loans granted | | (61 746) | (43 662) |
| Repayment of loans, including financial leases | | 49 821 | 75 794 |
| Interest received on loans granted | | 3 118 | 1 882 |
| Purchase of investments | | (127 934) | (136 210) |
| Sale of investments | | 158 976 | 104 540 |
| Dividends received | | 4 816 | 4 222 |
| Effect of exchange rate changes | | (314) | 164 |
| Other proceeds/(payments) from investing activities, net | | 1 689 | (2 437) |
| **Net cash flows from investing activities** | | **43 664** | **2 528** |

Prepared by: /Ivan Hristov/

Signed on behalf of BoD: /Asen Minchev/

Procurator: /Hristo Stoev/

25.02.2020

These interim consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD.
The notes are an integral part of the interim consolidated financial statements.

## Eurohold Bulgaria AD
## Interim Consolidated statement of cash flows (continued)
### For 2019

| *In thousand BGN* | *Note* | 2019 | 2018 |
|---|---|---|---|
| **Financing activities** | | | |
| Proceeds from issuance of shares | | - | - |
| Proceeds from loans | | 92 078 | 116 188 |
| Repayment of loans | | (74 604) | (73 505) |
| Repayment of financial leases | | (12 969) | (22 495) |
| Payment of interest, charges, commissions on investment loans | | (21 262) | (20 554) |
| Dividends paid | | (3 274) | (2 827) |
| Other proceeds/(payments) from financing activities, net | | 20 | 3 283 |
| **Net cash flows from financing activities** | | **(20 011)** | **90** |
| **Net increase / (decrease) in cash and cash equivalents** | | **42 042** | **3 595** |
| Cash and cash equivalents at the beginning of the period | *20* | 49 540 | 45 945 |
| **Cash and cash equivalents at the end of the period** | ***20*** | **91 582** | **49 540** |

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

25.02.2020

## Eurohold Bulgaria AD
## Interim Consolidated Statement of Changes in Equity
### For the period ended December 31, 2019

| *In thousand BGN* | Share capital | Share premium | General reserves | Revaluation and other reserves | Retained earnings/ (losses) | Equity attributable to equity holders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2017 (Restated) *** | **197 449** | **49 568** | **7 641** | **(57 203)** | **(26 952)** | **170 503** | **43 606** | **214 109** |
| Adjustment upon initial application of IFRS 9 | - | - | - | - | (11 584) | **(11 584)** | 85 | **(11 499)** |
| Adjustment for initial application of IFRS 15 | - | - | - | - | (2 102) | **(2 102)** | - | **(2 102)** |
| **Balance as at 1 January 2018 (Restated)** | **197 449** | **49 568** | **7 641** | **(57 203)** | **(40 638)** | **156 817** | **43 691** | **200 508** |
| Dividends | - | - | - | - | (1 800) | **(1 800)** | (1 127) | **(2 927)** |
| Change in non-controlling interest due to transactions without change of control | - | - | - | 1 462 | (2 343) | **(881)** | (6 383) | **(7 264)** |
| Profit for the Year | - | - | - | - | 14 385 | **14 385** | 2 489 | **16 874** |
| **Other comprehensive income:** | | | | | | | | |
| Revaluation reserve from recalculations in the foreign currency presentation | - | - | - | 115 | - | **115** | 23 | **138** |
| Changes in the fair value of financial assets through other comprehensive income | - | - | - | (6) | - | **(6)** | (1) | **(7)** |
| Total other comprehensive income | **-** | **-** | **-** | **109** | **-** | **109** | **22** | **131** |
| Total comprehensive income | **-** | **-** | **-** | **109** | **14 385** | **14 494** | **2 511** | **17 005** |
| **Balance as at 31 December 2018** | **197 449** | **49 568** | **7 641** | **(55 632)** | **(30 396)** | **168 630** | **38 692** | **207 322** |
| Adjustment for initial application of IFRS 16 | - | - | - | - | (1 007) | **(1 007)** | (71) | **(1 078)** |
| **Balance as at 1 January 2019** | **197 449** | **49 568** | **7 641** | **(55 632)** | **(30 396)** | **168 630** | **38 692** | **207 322** |
| Treasury shares repurchased | (1 276) | - | - | - | - | **(1 276)** | - | **(1 276)** |
| Dividends | - | - | - | - | (2 471) | **(2 471)** | (857) | **(3 328)** |
| Change in non-controlling interest due to transactions without change of control | - | - | - | 1 438 | (7 684) | **(6 246)** | (6 201) | **(12 447)** |
| Profit for the period | - | - | - | - | 5 511 | **5 511** | 2 506 | **8 017** |
| **Other comprehensive income:** | | | | | | | | |
| Revaluation reserve from recalculations in the foreign currency presentation | - | - | - | (3 333) | - | **(3 333)** | (250) | **(3 583)** |
| Changes in the fair value of financial assets through other comprehensive income | - | - | - | 1 886 | - | **1 886** | 108 | **1 994** |
| Total other comprehensive income | **-** | **-** | **-** | **(1 447)** | **-** | **(1 447)** | **(142)** | **(1 589)** |
| Total comprehensive income | **-** | **-** | **-** | **(1 447)** | **5 511** | **4 064** | **2 364** | **6 428** |
| **Balance as at 31 December 2019** | **196 173** | **49 568** | **7 641** | **(55 641)** | **(36 047)** | **161 694** | **33 927** | **195 621** |

Prepared by: Signed on behalf of BoD: Procurator:

/Ivan Hristov/ /Asen Minchev/ /Hristo Stoev/

25.02.2020

## Consolidated statement of profit or loss by Business Segments
### For the period ended December 31, 2019

| *In thousand BGN* | Note | 2019 Consolidated | 2019 Insurance business | 2019 Automotive | 2019 Leasing business | 2019 Asset manage-ment and brokerage | 2019 Parent company | 2019 *Elimination* |
|---|---|---|---|---|---|---|---|---|
| **Revenue from operating activities** | | | | | | | | |
| Revenue from insurance business | 3 | 1 311 617 | 1 312 921 | - | - | - | - | *(1 304)* |
| Revenue from car sales and after sales | 5 | 248 133 | - | 257 100 | - | - | - | *(8 967)* |
| Revenue from leasing business | 6 | 25 028 | - | - | 27 162 | - | - | *(2 134)* |
| Revenue from asset management and brokerage | 8 | 4 518 | - | - | - | 5 372 | - | *(854)* |
| Revenue from the activities of the parent company | 10 | 2 390 | - | - | - | - | 7 858 | *(5 468)* |
| | | **1 591 686** | **1 312 921** | **257 100** | **27 162** | **5 372** | **7 858** | ***(18 727)*** |
| **Expenses of operating activities** | | | | | | | | |
| Expenses of insurance business | 4 | (1 240 686) | (1 249 466) | - | - | - | - | *8 780* |
| Cost of cars and spare parts sold | | (214 578) | - | (214 941) | - | - | - | *363* |
| Expenses of leasing business | 7 | (4 916) | - | - | (5 190) | - | - | *274* |
| Expenses of asset management and brokerage | 9 | (3 181) | - | - | - | (3 181) | - | *-* |
| Expenses of the activities of the parent company | 11 | (11) | - | - | - | - | (34) | *23* |
| | | **(1 463 372)** | **(1 249 466)** | **(214 941)** | **(5 190)** | **(3 181)** | **(34)** | ***9 440*** |
| **Gross profit** | | **128 314** | **63 455** | **42 159** | **21 972** | **2 191** | **7 824** | ***(9 287)*** |
| Other income/(expenses), net | 12 | (4 900) | - | 15 | (5 442) | 173 | - | *354* |
| Other operating expenses | 13 | (71 968) | (30 871) | (26 336) | (9 526) | (1 560) | (5 374) | *1 699* |
| (Accrued)/recovered impairment loss on financial assets, net | 14 | (434) | - | (53) | (477) | 27 | 69 | *-* |
| **EBITDA** | | **51 012** | **32 584** | **15 785** | **6 527** | **831** | **2 519** | ***(7 234)*** |
| Financial expenses | 15 | (20 357) | (3 958) | (3 602) | (55) | (39) | (14 942) | *2 239* |
| Financial income | 16 | 112 | - | 489 | - | - | - | *(377)* |
| Foreign exchange gains/(losses), net | 17 | (1 461) | - | - | - | - | (1 461) | *-* |
| **EBTDA** | | **29 306** | **28 626** | **12 672** | **6 472** | **792** | **(13 884)** | ***(5 372)*** |
| Depreciation and amortization | 18 | (20 511) | (7 049) | (6 874) | (6 055) | (191) | (708) | *366* |
| **EBT** | | **8 795** | **21 577** | **5 798** | **417** | **601** | **(14 592)** | ***(5 006)*** |
| Tax expenses | 19 | (778) | (459) | (285) | (13) | (21) | - | *-* |
| **Net profit for the period** | | **8 017** | **21 118** | **5 513** | **404** | **580** | **(14 592)** | ***(5 006)*** |

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

| *In thousand BGN* | Note | 2018 Consolidated | 2018 Insurance business | 2018 Automotive | 2018 Leasing business | 2018 Asset manage-ment and brokerage | 2018 Parent company | 2018 *Elimination* |
|---|---|---|---|---|---|---|---|---|
| **Revenue from operating activities** | | | | | | | | |
| Revenue from insurance business | 3 | 987 201 | 988 994 | - | - | - | - | *(1 793)* |
| Revenue from car sales and after sales | 5 | 223 332 | - | 234 318 | - | - | - | *(10 986)* |
| Revenue from leasing business | 6 | 25 180 | - | - | 27 081 | - | - | *(1 901)* |
| Revenue from asset management and brokerage | 8 | 4 322 | - | - | - | 5 071 | - | *(749)* |
| Revenue from the activities of the parent company | 10 | 23 125 | - | - | - | - | 24 007 | *(882)* |
| | | **1 263 160** | **988 994** | **234 318** | **27 081** | **5 071** | **24 007** | ***(16 311)*** |
| **Expenses of operating activities** | | | | | | | | |
| Expenses of insurance business | 4 | (928 424) | (936 924) | - | - | - | - | *8 500* |
| Cost of cars and spare parts sold | | (194 093) | - | (194 312) | - | - | - | *219* |
| Expenses of leasing business | 7 | (4 288) | - | - | (4 686) | - | - | *398* |
| Expenses of asset management and brokerage | 9 | (2 539) | - | - | - | (2 541) | - | *2* |
| Expenses of the activities of the parent company | 11 | (576) | - | - | - | - | (661) | *85* |
| | | **(1 129 920)** | **(936 924)** | **(194 312)** | **(4 686)** | **(2 541)** | **(661)** | ***9 204*** |
| **Gross profit** | | **133 240** | **52 070** | **40 006** | **22 395** | **2 530** | **23 346** | ***(7 107)*** |
| Other income/(expenses), net | 12 | (4 816) | - | 105 | (7 653) | 50 | - | *2 682* |
| Other operating expenses | 13 | (78 528) | (36 392) | (30 543) | (9 521) | (1 645) | (3 004) | *2 577* |
| (Accrued) / recovered impairment loss on financial assets, net | 14 | 913 | (621) | 29 | 1 431 | 21 | (13) | *66* |
| **EBITDA** | | **50 809** | **15 057** | **9 597** | **6 652** | **956** | **20 329** | ***(1 782)*** |
| Financial expenses | 15 | (23 182) | (2 416) | (3 299) | - | - | (19 278) | *1 811* |
| Financial income | 16 | 166 | - | 381 | - | - | - | *(215)* |
| Foreign exchange gains/(losses), net | 17 | 619 | - | (17) | - | - | 636 | *-* |
| **EBTDA** | | **28 412** | **12 641** | **6 662** | **6 652** | **956** | **1 687** | ***(186)*** |
| Depreciation and amortization | 18 | (10 541) | (2 243) | (2 821) | (5 392) | (58) | (27) | *-* |
| **EBT** | | **17 871** | **10 398** | **3 841** | **1 260** | **898** | **1 660** | ***(186)*** |
| Tax expenses | 19 | (997) | (488) | (403) | (42) | (64) | - | *-* |
| **Net profit for the period** | | **16 874** | **9 910** | **3 438** | **1 218** | **834** | **1 660** | ***(186)*** |

These interim consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD.
The notes are an integral part of the interim consolidated financial statements.

# Notes to the Interim Consolidated Financial Statements for 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 ECONOMIC GROUP

Eurohold Bulgaria AD (parent company) is a public joint stock company established by virtue of article 122 of the Public Offering of Securities Act and article 261 of the Commerce Act.

The parent company is registered in Sofia City Court under corporate file 14436/2006 and is established by merger of Eurohold AD registered under corporate file № 13770/1996 as per the inventory of Sofia City Court and Starcom Holding AD registered under corporate file № 6333/1995 as per the inventory of Sofia City Court.

The seat and registered address of Eurohold Bulgaria AD are as follows: city of Sofia, 43 Christopher Columbus Blvd.

The parent company has the following managing bodies: General Meeting of Shareholders, Supervisory Board /two-tier system/ and Management Board, with the following members as at 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 Parent 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 Parent Company’s internal control, risk management and financial reporting system.

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

### 1.1 Scope of Activities

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

### 1.2 Structure of the economic group

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

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

**Insurance Sector**

| Company | % of participation in the share capital 31.12.2019 | % of participation in the share capital 31.12.2018 |
|---|---|---|
| **Euroins Insurance Group AD (EIG AD) *** | **94.41%** | **91.84%** |
| ***Indirect participation through EIG AD:*** | | |
| Insurance Company Euroins AD, Bulgaria | 98.28% | 98.27% |
| Euroins Asigurare Reasigurare S.A., Romania | 98.51% | 98.51% |
| Euroins Insurance AD, Northern Macedonia | 93.36% | 93.36% |
| Euroins Health Insurance EAD, Bulgaria | 100.00% | 100.00% |
| Insurance Company EIG Re AD, Bulgaria | 100.00% | 100.00% |
| Euroins Ukraine PrAT, Ukraine | 92.62% | 98.36% |
| Euroins Ukraine PrAT, Ukraine through European Travel Insurance PrAT, Ukraine | 5.74% | |
| Euroins Claims M.I.K.E., Greece | 100.00% | 66.00% |
| Euroins Georgia AD, Georgia | 50.04% | 50.04% |
| European Travel Insurance PrAT, Ukraine | 99.99% | 99.99% |

*direct participation

**Automobile Sector**

| Company | % of participation in the share capital 31.12.2019 | % of participation in the share capital 31.12.2018 |
|---|---|---|
| **Avto Union AD (AU AD)*** | **99.99%** | **99.99%** |
| ***Indirect participation through AU AD:*** | | |
| Avto Union Service EOOD, Bulgaria | 100.00% | 100.00% |
| N Auto Sofia EAD, Bulgaria | 100.00% | 100.00% |
| Espace Auto OOD, Bulgaria through N Auto Sofia EAD | 51.00% | 51.00% |
| EA Properties EOOD, Bulgaria | 51.00% | 51.00% |
| Daru Car AD, Bulgaria | 100.00% | 99.84% |
| Auto Italy EAD, Bulgaria | 100.00% | 100.00% |
| Auto Italy – Sofia EOOD, Bulgaria through Auto Italy EAD (established on 16.01.2019) | 100.00% | |
| Bulvaria Varna EOOD, Bulgaria | 100.00% | 100.00% |
| Bulvaria Holding EAD, Bulgaria | 100.00% | 100.00% |
| Bulvaria Sofia EAD, Bulgaria | 100.00% | 100.00% |
| Star Motors EOOD, Bulgaria | 100.00% | 100.00% |
| Star Motors DOOEL, Northern Macedonia through Star Motors EOOD | 100.00% | 100.00% |
| Star Motors SH.P.K., Kosovo through Star Motors EOOD | 100.00% | 100.00% |
| Motohub OOD, Bulgaria | 51.00% | 51.00% |
| Motobul EAD, Bulgaria | 100.00% | 100.00% |
| Benzin Finance EAD, Bulgaria | 100.00% | 100.00% |
| Bopar Pro S.R.L., Romania through Motobul EAD | 99.00% | 99.00% |

*direct participation

**Finance Sector**

| Company | % of participation in the share capital 31.12.2019 | % of participation in the share capital 31.12.2018 |
|---|---|---|
| **Euro-Finance AD, Bulgaria*** | **99.99%** | **99.99%** |

*direct participation

| Company | % of participation in the share capital 31.12.2019 | % of participation in the share capital 31.12.2018 |
|---|---|---|
| **Eurolease Group EAD*** | **90.01%** | **100.00%** |
| ***Indirect participation through Eurolease Group EAD:*** | | |
| Eurolease Auto EAD, Bulgaria | 100.00% | 100.00% |
| Eurolease Auto Romania AD, Romania | 77.98% | 77.98% |
| Eurolease Auto Romania AD through Euroins Insurance Romania AD | 20.45% | 22.02% |
| Eurolease Auto DOOEL, Northern Macedonia | 100.00% | 100.00% |
| Eurolease Rent A Car EOOD, Bulgaria | 100.00% | 100.00% |
| Amigo Leasing EAD, Bulgaria | 100.00% | 100.00% |
| Autoplaza EAD, Bulgaria | 100.00% | 100.00% |
| Sofia Motors EOOD, Bulgaria | 100.00% | 100.00% |

*direct participation

**Energy sector**

| Company | % of participation in the share capital 31.12.2019 | % of participation in the share capital 31.12.2018 |
|---|---|---|
| **Eastern European Electric Company II B.V., The Netherlands** | **100.00%** | **-** |
| ***Indirect participation through Eastern European Electric Company II B.V.*** (established on 25.07.2019) | | |
| Eastern European Electric Company II B.V., The Netherlands (established on 26.07.2019) | 100.00% | - |

* direct participation

Currently, the energy sector companies are not active.

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

### 2.1 Basis for Preparation of the Interim Consolidated Financial Statement

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

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

The inteirm consolidated financial statements have been prepared in accordance with the historical cost principle, except for investment properties and those financial instruments and financial liabilities that are measured at fair value.

### 2.2 New Standards, Explanations and Amendments in effect since January 1, 2019

*The Group applies the following new standards, amendments and interpretations to IFRSs, developed and published by the International Accounting Standards Board, which have an effect on the financial statements and are binding for the annual period beginning on or after 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 Group 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.

*The Group 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 Group's financial statements for the annual period beginning 1 January 2019 but do not have a significant impact on the Group'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"*** – the Group remeasures it's previously held interest in a joint operation when it obtains control of the business.

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

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

***IAS 23 "Borrowing costs"*** – the Group 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 Group

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 Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group'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 Group 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:

- o 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
- o 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 Group 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 Group 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 Group 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 Group 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 Group. They are not expected to have a material impact on the Group's financial statements.

Management anticipates that all relevant pronouncements will be adopted in the Group'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 Comparative data

The Group retains the presentation of the information in the financial statements during the periods. Where necessary, comparative information is reclassified to reflect the changes occurring in the current year.

## 2.4 Consolidation

The interim consolidated financial statements include a interim consolidated statement of financial position, an interim consolidated statement of profit or loss and other comprehensive income, an interim consolidated cash flow statement and an interim consolidated statement of changes in equity as of 31 December 2019. These statements include the Parent Company and all subsidiaries. A subsidiary is consolidated by the Parent Company by holding, directly or indirectly, more than 50% of the voting shares of the capital or by the ability to manage its financial and operating policies in order to obtain economic benefits from its activities.

The full consolidation method is applied. Reports are aggregated in order, with items such as assets, liabilities, property, income and expense aggregated. All domestic transactions and balances between the group companies are eliminated. There is elimination of counter-elements: capital, financial, trade, goodwill on the acquisition date.The non-controlling interest in the net assets of the subsidiaries is determined by the shareholder structure of the subsidiaries at the date of the consolidated statement of financial position.

For business combinations covering enterprises or businesses under common control, the Group has opted to apply the purchase method in accordance with IFRS 3 Business Combinations. The Group has made an accounting policy choice regarding these transactions as they are currently outside the scope of IFRS 3 and do not contain guidance for them in existing IFRSs. According to IAS 8, in the absence of a standard or explanation that is specifically applicable to an operation, other event or condition, management uses its own judgment to develop and apply accounting policies.

### *Principles of consolidation*

Business combinations are accounted for using the purchase method. This method requires the acquirer to recognize, separately from goodwill, acquired acquiree's identifiable assets, liabilities assumed and participation that does not constitute control in the acquiree. Costs that are not directly related to the acquisition are attributable to profit or loss for the period.

The identifiable assets acquired and the liabilities assumed and contingent liabilities in a business combination are measured at fair value at the acquisition date regardless of the extent of the non-controlling interest. The

Group has the ability to measure participations that do not represent control of the acquiree either at fair value or as a pro rata share in the identifiable net assets of the acquiree.

The excess of the acquisition cost over the acquirer's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree is recognized as goodwill. If the cost of acquisition is lower than the investor's interest in the fair values of the net assets of the company, the difference is recognized directly in the consolidated statement of profit or loss and other comprehensive income for the period.

Self-recognized goodwill on the acquisition of subsidiaries is tested for impairment at least annually. Impairment losses on goodwill are not reversed. Gains or losses on disposal (disposal) of a subsidiary of the Group also include the carrying amount of the goodwill, the deductible for the (released) company.

Each recognized goodwill is identified as belonging to an object generating cash proceeds when a business combination is realized, and this object is applied when carrying out the impairment tests. In determining the cash-generating entities, the entities that were expected to benefit from future business combinations in the business combination and for which the goodwill itself arose.

***Transactions with non-controlling interest***

Non-controlling operations are treated by the Group as transactions with entities owning the equity instruments of the Group. The effects of the sale of units of the Parent Company without loss of control to non-controlling interests are not treated as components of the Group's current profit or loss but as movements in the components of its equity. Conversely, in the case of purchases by the Parent Company of non-controlling interests of any non-controlling interests, any difference between the amount paid and the corresponding share of the net book value of the subsidiary's net assets is recognized directly in the consolidated statement of comprehensive income. changes in equity, usually to the "unallocated profit / (uncovered loss)" line.

When the Group ceases to have control and significant influence, any remaining minority investment as a share in the capital of the company concerned is remeasured at fair value, the difference to carrying amount being recognized in current profit or loss, respectively all amounts previously recognized in other components of comprehensive income are accounted for, as in the case of a direct exemption operation, of all those associated with the initial investment (in the subsidiary or associate).

## 2.5 Functional and reporting currency

The functional and reporting currency of the Group is the Bulgarian Lev. The data in the consolidated report and its annexes are presented in thousands of BGN. From 1 January 1999, the Bulgarian lev has a fixed exchange rate to the euro: BGN 1,95583 for 1 euro. Cash, receivables and payables denominated in foreign currencies are reported in BGN on the exchange rate at the date of the transaction and are revalued on an annual basis using the official exchange rate of the BNB on the last working day of the year.

## 2.6 Accounting assumptions and approximate accounting estimates

The preparation of consolidated financial statements in accordance with IFRS adopted by the EU requires the Group's management to apply approximate accounting estimates and assumptions that affect the reported assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date. Although the assessments are based on the knowledge of the current events management, the actual results may differ from the accounting estimates used.

**Significant judgments**

**Deferred tax assets**
**Tax loss**
The assessment of the probability of future taxable income for the use of deferred tax assets is based on the last approved estimate, adjusted for significant non-taxable income and expense, and specific restrictions on the transfer of unused tax losses or loans. If a reliable estimate of taxable income implies the probable use of a deferred tax asset, particularly in cases where the asset can be used without a time limit, the deferred tax asset is recognized as a whole. Recognition of deferred tax assets that are subject to certain legal or economic constraints or uncertainties is judged by the management on a case-by-case basis based on the specific facts and circumstances.

**Revenue from contracts with customers**

When recognizing revenue under contracts with customers, the management makes various judgments, estimates and assumptions that affect the reported revenue, expense, assets and liabilities under contracts. Additional information is disclosed in attachment 2.7 Revenues

**Uncertainty of accounting estimates**

**Evaluation of the pending payment reserve**

The Reserve for Outstanding Payments includes RBNS claims as at the date of the consolidated financial statements as well as unrecognized claims (IBNRs).

Liabilities on claimed but unpaid claims are individually assessed for each claim based on the best estimate of expected cash outflows for them.

The assessment of the liabilities for the IBNR is based on the assumption that the Group's experience in the development of claims from past years can be used to predict the future development of claims and their ultimate obligations. The development of claims is analyzed by year of event. Additional qualitative judgment is made to assess the extent to which past trends may not be applicable in the future.

The nature of the business makes it difficult to accurately determine the likely outcome of a particular damage and the overall amount of damage sustained. Any damage claimed is individually reviewed due to the circumstances, the information provided by damage experts and the historical data on the amount of such damage. Estimates of damage are reviewed and updated regularly with new information available. Reserves are based on the current available information.

The final amount of liabilities, however, may differ as a result of subsequent events and catastrophic cases. The impact of many circumstances that determine the final cost of settling the damage is difficult to predict. Difficulties in assessing reserves vary from one business class to another, depending on the insurance contracts, the complexity, the volume and the significance of the damage, the date of occurrence of the damage and the delay in making the claim.

The reserve for incurred but unproven damages is calculated on the basis of statistical and actuarial methods. The key method used or a combination of methods depends on the business class and the observed historical level of the loss ratio. The biggest share in this reserve is Motor Third Party Liability (civil liability of a motor vehicle).

The actuarial method used to determine technical provisions since 2016 is in line with generally accepted actuarial practices and a unified approach to assessing the provision for unsecured and unannounced civil liability insurance claims for all companies in the Group. The methodology is based on the Chain-Pillar method, which is based on the number of damages claimed for a period of not less than 3 years. The amount of the provision for unforeseen damage has been calculated on the basis of the expected number of claims and the average amount of damage.

The number of damages expected to be delayed is calculated on the Chain-Pillar Method based on the actuarial triangles Claims Damages - Paid Damages and the Pending Payout Reserve at the Date of the Consolidated Financial Statement.

**Claims on recourse claims**

Claims on recourse claims by insurance companies and other individuals (physically and legally) are recognized as an asset and income when recourse is made to the extent that future economic benefits to the Group are expected. Receivables are reviewed on an individual basis on recognition and subsequently on any impairment indications.

The Group has the practice of settling claims on regressions from insurance companies by offsetting its claims on recourse claims.

**Share of reinsurers in technical provisions**

The insurance companies of the Group are a party to quota reinsurance contracts that provide for the transfer of a share in the existing technical reserves upon the entry into force of the contract. IFRS does not provide for specific reporting requirements for such contracts. Due to the specific nature of this type of contract, the Group has made an analysis of the degree of risk transfer to the reinsurer and the results show that there is such a transfer, contracts meet the objective criteria for reinsurance. For the analysis, a commonly agreed stochastic model was used and the accepted reinsurer risk limit of 1%.

The Group has adopted an accounting policy for accounting for reinsurance contracts that at the date of entry into force of the contract, the Group recognizes the reinsurers share of the technical provisions as an asset and the corresponding change in the reinsurer's share of the technical provisions in the consolidated statement of profit or loss and other comprehensive income; other comprehensive income, and the liabilities to reinsurers under these contracts are recorded in the subsequent periods of the contracts.

During the term of the contracts in subsequent periods, the Group will remit to the reinsurers the respective percentage of premiums and damages on motor vehicle insurance. Upon termination or termination of reinsurance contracts, the reinsurers' share of the technical provisions will be released or transferred to another reinsurer. The terms of these contracts are indefinite and, by their nature, the contracts are indefinite. Due to the conventions relating to the future development of the contracts and their cash flows, the management of the Group considers that the adopted accounting policy is appropriate.

**Inventories - Impairment**

At the end of the reporting period, the management reviews the available inventories - materials, commodities to determine whether there are those with a net realizable value below their carrying amount. During this review as of 31.12.2019 there were no indications for impairment of inventories.

**Impairment of property, plant and equipment**

In accordance with IAS 36, at the end of the reporting period, an estimate is made as to whether there is any indication that the value of an asset in property, plant and equipment is impaired. In the case of such indications, the recoverable amount of the asset is calculated and the impairment loss is determined. As of 31.12.2019 there is no impairment of property, plant and equipment.

**Actuarial assessments**

In determining the present value of long-term employee retirement liabilities, calculations of certified actuaries based on mortality assumptions, staff turnover rates, future salary levels, and discount factors have been used, which assumptions have been judged by management to be reasonable and relevant for the Group.

**Impairment of goodwill**
The Group performs an impairment test of goodwill at least once a year. The recoverable amounts of the units that generate cash are determined on the basis of the value in use or the fair value, net of the cost of the sale. These calculations require the use of estimates as described in Note 34.

**Impairment of loans and receivables and net investment in finance leases**

**•Net investment in finance leases**

In determining the impairment of finance lease receivables, the Group is based on a three-tier approach that seeks to reflect the deterioration in the credit quality of the financial instrument. At each reporting date after the initial recognition, the Group assesses to what extent the financial asset that is the subject of the impairment test is at which stage. The stage defines the relevant impairment requirements. The Group uses a 5-point credit rating system for each transaction, with the criteria of the system being used to consider both the lease asset, transaction parameters (initial installment, term, residual value) and the financial status of the individual client.

**•Cash and cash equivalents**

The Group categorizes the banks in which it holds cash on the basis of their rating agencies (Moody's, Fitch, S & P, BCRA) and, depending on it, applies a different percentage for the expected credit losses for 12 months.

**•Loans receivables**

The Group has loan receivables that are categorized depending on whether the borrower has a rating, and whether or not the receivables from such loans are overdue.

**•Litigation and claims**

The Group's court and assignment receivables are categorized in Group 3, respectively as such, they are individually reviewed by the management and each such receivable is assigned an individual impairment.

**Fair value of financial instruments**

The management uses techniques to measure the fair value of financial instruments in the absence of quoted prices in an active market. Details of the assumptions used are presented in the notes on financial assets and liabilities. In applying valuation techniques, management uses the market data and assumptions that market participants would use when evaluating a financial instrument. When no applicable market data is available, management uses its best estimate of the assumptions that market participants would make. These estimates may differ from the actual prices that would have been determined in a fair market transaction between informed and willing parties at the end of the reporting period.

## 2.7 Revenues

Revenue from contracts with customers is recognized when the control of the goods or services is transferred to the client in an amount that reflects the remuneration the Group expects to be entitled to in exchange for those goods or services.

The Group recognizes revenue when (or is) satisfied the obligation to perform, under the terms of the contract, by transferring the promised product or service to the client. An asset (product or service) is transferred when (or as) a customer has control over that asset.

Clients' contracts typically include a single performance obligation:
•Sales of cars (spare parts);
•Car Services.

Sales are made under contracts with clients. Sales contracts with customers meet the criteria set out in IFRS 15. Typically, the Group expects to collect the remuneration for contracts with clients.

The following table provides information on the Group's accounting policy for recognition of revenue and time to satisfy obligations for the execution of contracts with clients under IFRS 15 and IAS 18.

| **Type of product / service** | **Nature and timing of fulfillment of performance obligations, including essential payment arrangements** | **Recognition of income under IFRS 15 (effective from 1 January 2018)** | **Recognition of income under IAS 18 (applicable before 1 January 2018)** |
|---|---|---|---|
| Car sales | Performance obligations satisfied at a certain point.<br>Customers receive control when:<br>1 / the client has a legal right of ownership;<br>2 / The Group has transferred the physical possession of the asset;<br>3 / the client carries significant risks and benefits from the asset;<br>4 / The Group has an existing payment entitlement.<br>The asset is derecognised at the time the control is transferred to the sold asset.<br>Invoices are payable within 30-40 days. | Revenue from the sale of vehicles is recognized by the liability method at a specified time, in accordance with IFRS 15, when the control of the vehicle is transferred to the customer. This is usually done by passing the vehicles and the physical knowledge of them to the customer and the buyer has accepted the goods in accordance with the sales contract.<br>The transaction price can be defined as a market price, reduced by discounts (net of taxes), which may include fixed remuneration and variable remuneration.<br>The allocation of the transaction price to the performance obligations is based on unit sales prices (market). | Revenue from sales is recognized when significant risks and rewards are transferred to the buyer when the customer has accepted the goods and has reasonably confirmed the resulting receivables.<br>Revenue is recognized when the amount of revenue can be reliably determined when the Group may obtain future economic benefits. |
| Revenue from sales of short-term assets (spare parts and accessories) | Delivery occurs when the assets have been shipped to the customer, the risks of potential losses have been passed on to the buyer and / or he has taken the assets in accordance with the sales contract. The usual payment term is up to 30 days after delivery. | Revenues from sales of short-term assets are recognized when the control of the assets sold is transferred. Delivery occurs when the assets have been shipped to the client, the risks of potential losses are passed on to the buyer and either he has accepted the assets in accordance with the sale contract. | Revenue is recognized when the significant benefits and risks of ownership of the assets are transferred to the buyer. It is considered that significant risks and rewards have been passed on to the buyer when the customer has accepted the assets without objection. |

| Type of product / service | Nature and timing of fulfillment of performance obligations, including essential payment arrangements | Recognition of income under IFRS 15 (effective from 1 January 2018) | Recognition of income under IAS 18 (applicable before 1 January 2018) |
|---|---|---|---|
| Revenue from services | The control is transferred when the service is performed. Receipt is due immediately. | Revenue from services is recognized using the liability method over time. If, at the end of the reporting period, the service contract is not fully realized, revenue is recognized on the basis of the actual service provided by the end of the reporting period as a proportion of the total services to be provided as the client receives and consumes the benefits simultaneously . This is determined on the basis of actual time spent or reported time for work, in relation to the total expected time of service. | Revenue from provision of services is recognized on the basis of the stage of completion of the transaction at the reporting date. The stage of completion of the transaction is determined in proportion to the term of the contract for which the services are agreed. When the outcome of the transaction (the contract) can not be reliably measured, revenue is recognized only to the extent that the expenses incurred are recoverable. |
| Extended warranties | Separate obligation to implement. They are deferred if the Group is the principal of the extended guarantees.<br>It is analyzed whether the Group is a principal or an agent. | The Group has found that, when selling extended warranties, the Group companies providing extended guarantees have the role of agent and the way of reporting extended guarantees changed. The Group considers that all sales of extended warranties and repairs should be accounted for at the expense of the manufacturer or the insurance company Car-Guarantie Vesrsiherung AG (whichever is the principal). | They were not a separate obligation. The sale was only reported as income from a commodity without distributing the portion of the extended warranty |

IFRS 15 does not have a material effect on the Group's accounting policies with respect to the other types of income it recognizes.

The transaction price is the amount of the consideration the Group expects to be entitled to in exchange for the customer's transfer of the promised goods or services, except for amounts collected on behalf of third parties (eg value added tax). The consideration promised in the contract with the client may include fixed amounts, variable amounts, or both.

The Group examines whether there are other promises in client contracts that are separate performance obligations for which part of the transaction price should be allocated.

When determining the transaction price, account is taken of the impact of variable remuneration, including price discounts, the existence of significant components of funding, non-monetary remuneration and remuneration payable to the client (if any).

In the contracts of the Group companies there are discounts that the client receives at the sale and which are reported as a reduction of the total price. In accordance with the requirement of IFRS 15, all discounts are reported as a reduction in sales revenue, at the same time as recognizing the sale proceeds of the goods for which the respective discounts are due. The policy of recognition of due price discounts applied so far does not differ from the requirements of IFRS 15.

The Group has reviewed its accounting policies and has assessed the areas in which there are changes from the application of IFRS 15.

➢*Free goods*

For a large number of contracts, the Group provides free of charge to its customers free of charge (in the form of accessories, tires, alarms, etc.).

The provision of additional goods (in the form of an alarm, tires or accessories) is a separate obligation to perform.

In accordance with IFRS 15, the Group recognizes these free goods as variable remuneration, thereby reducing the fixed price of the products on the price list if they are provided additionally and free of charge.

➢*Sales with redemption capability*

Revenue is recognized when the vehicle is sold, but the estimate of the redemption option is deducted from revenue and recognized as deferred income, as well as a liability to the customer for redemption. Similarly, the estimate of the value of the vehicle to be returned is reduced by the cost of the sale and is also deferred.

The group has estimated that in 2019, no contractual obligations in relation to a redemption option.

***Approach for recognizing major types of revenue under customer contracts***

Revenue from sale is realized by the following:

- ➢car sales;
- ➢car leasing;
- ➢services, repair services;
- ➢sales of spare parts.

### Revenue from car sales

Revenue from the sale of vehicles is recognized by the method of meeting the obligations at a specific time in accordance with IFRS 15 when the control of the good is transferred to the customer.

This is usually the case with the passing of the cars and the physical knowledge to them by the customer and the buyer has accepted the goods in accordance with the sales contract.

For most contracts, there is a fixed unit price for each contract, taking into account the discounts provided to the client. The group is able to determine the distribution of the total contract price (delivery, order) for each site based on the scope of the goods / services under the contract that form the performance obligations.

The distribution of the transaction price to the performance obligations is based on unit sales prices (contractual or market).

### Revenue from services

Revenue from provision of services is recognized in the period in which the services are provided. The group transfers control over the service over time and therefore satisfies the obligation to execute and recognizes revenue over time. If, by the end of the reporting period, the service contract has not been fully implemented, revenue is recognized using the inputs method based on actual time spent on work, over the total expected service delivery time.

In cases where the services provided by the Group exceed the payment, an asset is recognized under the contract. If payments exceed the services provided, a liability under a contract is recognized.

### Revenue from sales of current assets

Revenues from sales of short-term assets and material are recognized when the control of the assets sold is transferred. Delivery occurs when the assets have been shipped to the customer, the risks of potential losses are transferred to the buyer and / or he has accepted the assets in accordance with the sale contract.

### Principal or agent

The Group is the principal when controlling the promised product or service before transferring it to the customer. The Group is an agent if the Group's obligation to perform is to arrange the delivery of the goods or services from a third party.

The signs that it is the principal includes:

- The Group has the primary responsibility for implementing the promise to provide a particular good or service;
- There is a risk to the Group's inventory before the specific good or service is transferred to the customer or after the transfer of the client's control;
- The Group has discretion in determining the price of the particular good or service.

*Transactions where it is the principal*

The Group is the principal in the following transactions:

- Sales of cars;
- Sales of spare parts;
- Additional Services;
- Sales of oils.

The Group is an agent for the following transactions:

- Sales of extended guarantees;
- Sale of fuel with cards;
- Extended warranty repair services.

The Group has established that it is an agent in the sale of extended warranties and in the sale of fuels through cards. The Group accepts that all repairs carried out should be accounted for at the expense of the manufacturer / insurer party to the contracts for these guarantees.

*Extended warranties*

In the case of car sales, an extended warranty can be purchased, which can be purchased separately.

The extended guarantees are a separate performance obligation, which should be deferred if the Group is the principal. If the extended guarantees are issued by the manufacturer, the Group is an agent and should account for the revenue from these sales as an agent on a net basis.
The group has found to be an agent and has changed its way of reporting on extended guarantees.

### Other revenues/income

Other income includes operations that are incidental to the Group's core activities and are income or income that are recognized under other standards and are outside the scope of IFRS 15.

The following table provides information about the material conditions and related policies for recognizing other earnings.

| **Income** | **IFRS / IAS - Applicable to Recognition of Revenue (Income)** | **Recognition approach** |
|---|---|---|
| Net gain on the sale of property, plant and equipment and intangible assets | IAS 16<br>IAS 38 | Gains or losses arising on the disposal of a property, plant, equipment or intangible asset as a result of a sale are included in profit or loss when the asset is derecognised. The asset is derecognised at the time the control is transferred to the sold asset. |
| Rental income | IAS 17 | Lease income from operating leases is recognized as income on a straight-line basis over the lease term unless the Group's management considers that another systematic basis reflects the timing model in which the lessor's benefit is reduced leased asset. |
| Surplus assets and asset liquidation | Conceptual framework | Revenues from surplus assets are recognized when surpluses are established. |
| Income from insurance events | Conceptual framework | Revenue is recognized when the Group's right to receive the payment is established. |
| Income from penalties | | Revenue is recognized when the Group's right to receive the payment is established. |
| Income from write-off of liabilities | IFRS 9 | Revenue from write-offs is recognized when the liability expires or the creditor waives its rights. |

### Interest income

Interest income is accounted for using the effective interest method, which is the percentage that accurately discounts the expected future cash payments for the expected term of the financial instrument or for a shorter period, where appropriate, to the carrying amount of the financial asset. Interest income is included in the financial income in the consolidated statement of profit or loss and other comprehensive income.

**Dividend income** shall be recognized when the right to receive them is established. In the consolidated statement of profit or loss and other comprehensive income, the dividends declared for the financial year by the subsidiaries are recognized as internal estimates and eliminated and therefore do not participate in the formation of the financial result.
The financial revenue generated by Eurohold Group generated stems from:

- investment operations;
- positive differences from operations with financial instruments and currency exchange operations;
- fee and commission income;
- dividends;
- interest on loans granted.

### 2.8 Expenses

Expenses in the Group are recognized at the time they are incurred and based on the principles of accrual and comparability.

Administrative expenses are recognized as expenses incurred during the year that are related to the management and administration of the Group companies, including expenses related to administrative staff, management staff, office and other external services.

Financial costs include: costs arising from investment operations, negative financial operations and currency exchange rate differences, interest expense on bank and commercial loans and debt securities, and charges for fees and commissions.

Prepayments (deferred expenses) are deferred for recognition as current expense over the period in which the contracts to which they relate are met.

Other operating income and expenses include items of a minor nature in respect of the core business of the Group companies.

### 2.9 Interests

Interest income and expense are recognized in the consolidated statement of profit or loss and other comprehensive income using the effective interest method. The effective interest rate is the one that accurately discounts the expected future cash payments and proceeds over the life of the financial asset or liability to the carrying amount of the asset or liability. The effective interest rate is determined at the initial recognition of the financial asset or liability and is not subsequently adjusted.

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

Transaction costs are intrinsic costs directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the interim consolidated statement of profit or loss and other comprehensive income includes: Interest recognized on an effective interest rate basis on financial assets and liabilities measured at amortized cost.

Unprofitable financial income (interest) represents the difference between the gross and net investment in the lease, the gross investment in the lease being the amount of the minimum lease payments and the unguaranteed residual value accrued to the lessor. Interest income from lease transactions (financial income) is allocated over the term of the lease and is recognized on a constant periodic rate of return on the lessor's net investment.

### 2.10 Fees and commissions

Fees and commissions income and expense that are an integral part of the effective interest rate for a financial asset or liability are included in the calculation of the effective interest rate.

Other fee and commission income, including fees for logistics services, insurance and other intermediation, are recognized through the performance of the related services.
Other charges for fees and commissions related mainly to banking services are recognized on receipt of the related services.

### 2.11 Segment Reporting

An operating segment is a component of the Group that engages in revenue-generating activities and costs, including income and expense, that relate to transactions with each other of the Group's other components.

For management purposes, the Group is organized into business units based on the products and services they provide and includes the following reportable segments:

**Insurance:**
- Insurance Services

**Financial services:**
- Lease services
- Investment intermediation

**Car sales:**
- Sale of new cars
- Auto services
- Rental services

**Energy:**

- Establishment, participation, management and control of energy companies. At present, companies in this segment are not operating.

#### 2.11.1 Insurance business

**Recognition and measurement of insurance contracts**

**Non-life insurance premiums**
Non-life insurance premiums are booked on an annual basis.
Gross gross premiums written for non-life insurance are the premiums under the direct insurance or co-insurance contracts that were concluded during the year, although the premiums may be wholly or partly related to a later accounting period. Premiums are reported gross of commissions paid by intermediaries.

The portion of the insurance premiums written, including unexpired insurance contracts, is recognized as income. Subscribed insurance premiums are recognized at the date of the insurance contract.

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

**Health insurance premiums**
Subscribed health insurance premiums are recognized as income on the basis of the annual premium payable by insured persons for the premium period beginning in the financial year or the one-time premium payable for the entire coverage period for annual health insurance contracts concluded during the financial year.

Gross written health insurance premiums are not recognized when future cash receipts are not certain. The recorded health insurance premiums are shown gross of commissions due to agents.

**Life insurance premiums**
Subscribed life insurance premiums are recognized as income on the basis of the annual premium payable by the insured persons for the premium period commencing in the financial year or the one-time premium payable over the entire policy coverage period concluded during the financial year.

Gross written premiums are not recognized when future cash receipts are uncertain. Subscribed premiums are shown gross of commissions due to agents.

**The unearned premium reserve**
The carry-over reserve consists of the portion of gross written insurance / health insurance premiums that is calculated to be earned in the next or further financial periods. The carry-over provision includes accrued and recognized insurance premiums during the reporting period less the premiums written to reinsurers that are to be recognized in the next financial year or subsequent financial periods. The reserve is calculated separately for each insurance / health insurance contract using a proportional daily basis method. The carry-over provision is calculated as net of commission to intermediaries, advertising and other acquisition costs.

**Reserve for unexpired risks**
The reserve is formed to cover risks for the time between the end of the reporting period and the expiry date of the relevant insurance / health insurance contract in order to cover the payments and expenses expected to exceed the prepaid reserve.

**Compensations arising from general insurance and health insurance and pending damages**
Compensations incurred in respect of non-life insurance and health insurance include benefits and processing costs payable during the financial year together with the amendment to the pending loss reserve.

Management is of the opinion that the gross prudential reserve and the relevant share of the reinsurers' reserves are fairly presented on the basis of the information available to them at the date of the consolidated financial statements, the final obligation will change as a result of subsequent information and events and may require material adjustment of the amount initially charged. Corrections to the pending loss reserve established in previous years are recognized in the consolidated financial statements for the period in which the adjustments are made and disclosed separately if they are material. The methods to be used and the estimates to be made when calculating the reserve are reviewed on a regular basis.

**Reinsurance**
In its normal course of business, the insurance companies in the Group assign a risk to reinsurers in order to reduce their potential net losses through risk diversification. Reinsurance does not cancel the direct liability of the company concerned to the insured.

Reinsurance assets include the balances due from reinsurance companies for ceded insurance liabilities. Recovery values from reinsurers are valued in a similar way as for outstanding claims reserves or terminated claims related to reinsured policies.

Premiums and losses relating to these reinsurance contracts are treated as income and expense in the same way as would be considered if reinsurance was a direct business, taking into account the classification of reinsurance business products.

Coupled (or accepted) premiums and reimbursed benefits (or paid damages) are reported in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position as gross amounts.

Contracts where substantial insurance risk is transferred are accounted for as insurance contracts. Recoverable amounts are recognized in the same year as the corresponding loss.

Premiums on long-term reinsurance contracts are accounted for in parallel with the period of validity of related insurance policies, using similar assumptions as those for accounting for the relevant policies.

The recoverable amount of receivables under reinsurance contracts is reviewed for impairment at each date of the consolidated statement of financial position. Such assets are valued if objective evidence exists as a result of an event occurring after its initial recognition.

**Deferred acquisition costs**
Deferred acquisition costs represent the amount of the acquisition cost deducted in the calculation of the carry-over provision reserve. They are defined as the portion of the acquisition cost under the end-of-period contracts as a percentage of the insurance technical plan and relating to the time between the end of the reporting period and the expiry date of the insurance / health insurance contract. Current acquisition costs are recognized as an expense during the reporting period.

**Acquisition costs**
Costs of commissions include accrued commissions to intermediaries, costs of participating in the result that are charged to the insured / health insured persons at a low loss rate. Indirect acquisition costs include advertising costs and costs arising from the conclusion or renewal of insurance / health insurance contracts.

### 2.11.2 Leasing activity

The leasing activity of the Group is related to leasing of transport equipment, industrial equipment, real estate, etc., under contracts for financial and operational leasing.

A finance lease contract is an arrangement under which the lessor grants the lessee the right to use a particular asset for an agreed term for remuneration. Leases are accounted for as finance when the lessor transfers to the lessee all significant risks and rewards incidental to the ownership of the asset.

Typical indicators that the Group considers to determine whether all material risks and rewards are transferred include: the present value of the minimum lease payments as compared to the beginning of the lease; the term of the lease relative to the economic life of the leased asset; and whether the lessee will acquire ownership of the leased asset at the end of the lease term. All other leasing contracts that do not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases.

**Minimum lease payments**
Minimum lease payments are those payments that the lessee will make or may be required to make during the lease term. From the point of view of the Group, the minimum lease payments also include the residual value of the asset guaranteed by a third party not party to the Group, provided that that party is financially capable of meeting its commitment under the guarantee or redemption agreement. In the minimum lease payments, the Group also includes the cost of exercising any option that the lessee holds to purchase the asset, and at the beginning of the lease it is highly certain that the option will be exercised.
Minimum lease payments do not include contingent rentals, as well as service and tax charges that are paid by the Group and subsequently re-invoiced to the lessee.

**Beginning of the lease contract and beginning of the lease term**
A distinction is made between the start of the lease and the commencement of the lease term. Start of the lease is the earlier of the two dates - the lease agreement or the engagement of the parties to the basic terms of the lease. At that date: the lease is classified as a finance or operating lease; and in the case of a finance lease, the amounts to be recognized at the start of the lease term are determined. The start of the lease term is the date from which the lessee can exercise the right to use the leased asset. This is also the date on which the Group initially recognized the lease receivable.

**Initial and post evaluation**
Initially, the Group recognizes a lease receivable equal to its net investment that includes the present value of the minimum lease payments and any unguaranteed residual value for the Group. The present value is calculated by discounting the minimum lease payments payable with the interest rate inherent in the lease.
Initial direct costs are included in the calculation of the finance lease receivable. During the term of the lease, the Group charges financial income (interest income under finance leases) to the net investment.

**Receivables under finance leases**
Lease payments received are treated as a reduction in the net investment (repayment of principal) and recognition of financial income in a way that ensures a constant rate of return on the net investment. Subsequently, net investment in finance lease contracts is net, net of individual and portfolio provisions for uncollectability.

### 2.11.3 Financial intermediation activity

Financial Intermediation is related to transactions with financial instruments. They are classified as financial assets as part of an investment portfolio or as part of a trading portfolio.Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not have a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted for transaction costs that are reported as current expenses.

### Financial assets at fair value through profit or loss

Financial assets for which a business model "held for contractual cash flows" or a business model "held for collection and sale" is not applicable, as well as financial assets whose contractual cash flows are not only principal and interest payments are reported at fair value through profit or loss. All derivative financial instruments are reported in this category except for those that are designated and effective as hedging instruments and for which hedge accounting requirements apply.

Changes in the fair value of assets in this category are reflected in profit or loss. The fair value of financial assets in this category is determined using either quoted market prices or using valuation techniques in the absence of an active market.
This category classifies the securities from the trading portfolio and the equity instruments of the investment portfolio of the firm.

According to the Risk Management Rules of the investment intermediary, subsequent valuation of financial instruments from the trading book is made on a daily basis, at easily accessible closing prices from an independent source such as stock prices or prices from market information systems, quotes from independent brokers with good reputation. In the market valuation, the more conservative of the Buy and Sell rates is used unless the investment intermediary is significant to the market participant for the respective financial instrument and can close its position at an average market price.

When market valuation is not possible, the company uses a model to evaluate its positions and portfolios.

A subsequent valuation of its assets in the trading book under the following procedures:

/1/ For Bulgarian and foreign shares and rights admitted to trading on a regulated securities market in the Republic of Bulgaria as well as Bulgarian shares and rights admitted for trading on a regulated market in Member States:
a/ at the last price of a transaction concluded with them, announced in the stock exchange bulletin, if the volume of the transactions concluded with them for the day is not less than 0.02 per cent of the volume of the respective issue or reaches the estimated volume.
b/ if a price can not be determined under (a) - the arithmetic mean of the highest bid price or short selling respectively of the orders that are valid at the time of closing the regulated market on the estimated day , and the last price of a transaction concluded with the relevant securities for the same day.
c/ in the event that for the valuation day there are no deals with securities of the respective issue, the average of the highest bid or short selling offer respectively, valid at the moment of closing the regulated market for the assessed day, and the weighted average price of the last prices of the transactions concluded with the relevant securities and the traded volumes within the last 30-day period.
d/ If it is not possible to apply the valuation methods in a-c as well as for the non-traded shares, the post evaluation shall be based on the net book value of the assets.
/2/ For units of collective investment undertakings not traded on a regulated market, including in cases of temporary suspension of redemption:
a/ at the last announced redemption price.
b/ at the last designated and announced issue value per unit, less the amount of the unit-redemption and redemption costs provided for under the fund rules, in cases where the collective investment scheme has not reached the minimum amount of the net asset value.
/3/ for derivative financial instruments - in the order indicated in /1/, and in case of impossibility to apply this method of valuation - by an appropriate model for valuation of derivative financial instruments.
/4/ for Bulgarian and foreign bonds, as well as government securities issued pursuant to BNB Ordinance No. 5 - by the method of discounted future net cash flows with a discount factor consisting of a risk-free rate and a risk premium.
/5/ for foreign securities admitted for trading on internationally recognized and liquid regulated securities markets abroad:
a) at the last price of a transaction concluded with them on the relevant market on the day of valuation;
b) if it is not possible to apply the valuation method under "a", the valuation shall be made at the "buy" or "sell" price, upon closing of the market on the day of the valuation announced in the electronic securities price information system;
c) if it is impossible to apply the assessment method under letter b) the valuation shall be made at the last price of a transaction concluded with them within the last 30-day period;
/6/ In cases where there is no trading on a regulated market in working days for the country, the valuation valid for the day of the last trading session shall be accepted. In the subsequent assessment of bonds under the first sentence, the accrued interest for the respective days shall also be reported.

Price sources are regulated securities markets - the Bulgarian Stock Exchange and foreign regulated markets where the relevant securities are traded.

Quotation sources can be recognized by world news agencies such as REUTERS, BLOOMBERG, and so on.

**Derivatives**
Derivatives are off-balance sheet financial instruments the value of which is determined on the basis of interest rates, exchange rates or other market prices. Derivatives are an effective tool for managing market risk and limiting exposure to a counterparty.

The most commonly used derivatives are:
- foreign exchange swap;
- interest rate swap;
- forward foreign exchange and interest rate contracts;

- futures;
- options.

All derivative financial instruments used for hedging are initially recognized at fair value and subsequently measured at fair value in the statement of financial position.

For derivatives, the same procedures for controlling market and credit risk apply as for other financial instruments. They aggregate with other exposures to monitor the total exposure to a counterparty and are managed within the limits approved for the counterparty.

Derivatives are held for trading purposes as well as hedging instruments used to manage interest rate and currency risk. Derivatives held for trading are measured at fair value and gains and losses are reported in the consolidated statement of profit or loss and other comprehensive income as a result of trading transactions.

## 2.12 Taxes

**Income tax**

Current tax comprises the amount of tax to be paid on the expected taxable profit for the period based on the effective tax rate applicable at the date of preparation of the consolidated statement of financial position and any adjustments to past tax payable.

Current taxes on profits of Bulgarian companies in the Group are determined in accordance with the requirements of Bulgarian tax legislation - the Corporate Income Tax Act. The nominal tax rate for Bulgaria in 2019 is 10% (2018: 10%).Subsidiaries abroad are taxed according to the requirements of the relevant tax laws by country at the following tax rates:

| Country | Tax rate | |
|---|---|---|
| | 2019 | 2018 |
| Romania | 16% | 16% |
| Northern Macedonia | 10% | 10% |
| Ukraine | 18% | 18% |
| Georgia | 15% | 15% |
| Greece | 29% | 29% |

**Deferred tax**

Deferred tax is calculated by applying the balance sheet method to all temporary differences between the carrying amount of the financial statements and the amounts for tax purposes.

Deferred tax is calculated on the basis of the tax rate that is expected to be incurred when the asset is realized or the liability is settled. The effect on deferred tax on change in tax rates is recognized in the consolidated statement of profit or loss and other comprehensive income except when it relates to amounts previously accrued or accounted for directly in equity.

A deferred tax asset is recognized only to the extent that it is probable that future profits will be available against which unused tax losses or tax credit can be utilized. Deferred tax assets are reduced in line with the decrease in probability of tax benefits.

As at 31.12.2019 the deferred taxes on the profits of the Group companies are assessed at a rate valid for 2019, which for the Bulgarian companies is 10% and for the subsidiaries abroad is as follows:

| Country | Tax rate for 2019 |
|---|---|
| Romania | 16% |
| Northern Macedonia | 10% |
| Ukraine | 18% |
| Georgia | 15% |
| Greece | 29% |

## 2.13. Non-current assets

### 2.13.1 Property, plant and equipment, rights of use

#### 2.13.1.1 Property, plant and equipment

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

The Group 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.

**Initial acquisition**
Initial valuation of tangible fixed assets is carried out:

At acquisition cost, which includes: the purchase price (including customs duties and non-recoverable taxes), all direct costs of bringing an asset into working condition in accordance with its intended purpose - for assets acquired from external sources;

At fair value: for those received as a result of a free transaction;

Under assessment: accepted by the court, and all direct costs of bringing an asset into working condition in accordance with its purpose - for assets received as an in-kind contribution.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are included in the acquisition cost (cost) of that asset. All other borrowing costs are reported as current in profit or loss for the period.

**Subsequent assessment**
The Group's approach to subsequent balance sheet valuation of property, plant and equipment is the cost model under IAS 16, the historical cost of acquisition, less accumulated depreciation and accumulated impairment losses.

**Subsequent costs**
Subsequent repair and maintenance costs are recognized in the consolidated statement of profit or loss and other comprehensive income at the time they are performed unless there is clear evidence that their performance will result in increased economic benefits from the use of the asset. Then these costs are capitalized at the asset's carrying amount.

**Gains and losses on sale**
In the case of a sale of tangible fixed assets, the difference between the carrying amount and the sale price of the asset is recognized as a gain or loss in the consolidated statement of profit or loss and other comprehensive income.

Write-off of tangible fixed assets on the balance sheet is at the time of sale or when the asset is definitively disposed of and after the write-off is not expected to have any other economic benefits.

#### 2.13.1.2 Rights of use

The Group presents the right of 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.

### 2.13.2 Intangible assets

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

The Group applies a straight-line method of depreciation of intangible assets over a specified useful life of 5-7 years.

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.

### 2.13.3 Investment property

An investment property is one that is held for the purpose of rental income or capital gain, or both, but not for sale in the ordinary course of business of the Group or for the use of services or administrative needs.

Investment property is measured at present fair value with each change reflected in profit or loss.

### 2.13.4 Depreciation methods

The Group applies a straight-line depreciation method. Depreciation of assets begins in the month following the month of acquisition. The land and assets under construction are not depreciated. Useful life by group of assets is consistent with: physical wear and tear, specifics of the equipment, future intentions for use, and the assumed obsolescence.

The defined useful life by group of assets is as follows:

| **Asset group** | **Useful life in years** |
|---|---|
| Buildings | 25-46 |
| Machinery and equipment | 3-10 |
| Vehicles | 4-6 |
| Business inventory | 3-19 |
| Computers | 2-5 |
| Software | 2 |
| Rights of use | over the shorter of the asset's life and the lease term on a straight line basis |

### 2.13.5 Impairment

The carrying amounts of non-current assets are reviewed for impairment when there are events or changes in circumstances that indicate that the carrying amount could be permanently different from their recoverable amount. If there are such indicators that the estimated recoverable amount is lower than their carrying amount, the latter is adjusted to the recoverable amount of the assets.

Impairment losses are recognized as an expense in the consolidated statement of profit or loss and other comprehensive income in the year of their occurrence.

### 2.14 Pension and other payables to employees and social legislation staff

The employment and social security relations with the employees of the Group are based on the provisions of the Labor Code and the provisions of the current insurance legislation for the companies operating in Bulgaria, the Romanian Code - for the companies in Romania, the labor legislation for the companies in Ukraine , of labor law for companies in Northern Macedonia.

**Short-term employee benefits**
Liabilities for short-term employee benefits are measured on an undiscounted basis and are recognized as an expense when the related service is provided. Liabilities are recognized for the amount expected to be paid on a short-term cash bonus or profit-sharing plan if the Group has a legal or constructive obligation to pay that amount as a result of past service provided by an employee and the liability may be evaluate reliably. The Group recognizes as an obligation the undiscounted amount of estimated expense paid annual leave expected to be paid to employees in exchange for their work for the past reporting period.

**Defined contribution plans**
A defined contribution plan is a post-employment benefit plan whereby the Group pays contributions to another person and has no legal or constructive obligation to pay additional amounts afterwards. The Government of Bulgaria is responsible for providing pensions under defined contribution plans. Expenses on the Group's commitment to transfer contributions to defined contribution plans are recognized in profit or loss on an ongoing basis.

**Termination benefits**
Termination benefits are recognized as an expense when the Group has committed itself clearly, without any real possibility of withdrawal, with a formal detailed plan either to terminate a business relationship before the normal retirement date or to provide termination benefits as a result of a proposal , made to encourage voluntary departure.

Termination benefits for voluntary departure are recognized as an expense if the Group has made a formal offer for voluntary termination, and it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are due more than 12 months after the end of the reporting period, they are discounted to their present value.

### 2.15 Financial assets

#### 2.15.1 Investments in non-current financial assets

Undertakings in which the Group holds between 20% and 50% of the voting rights and may have significant influence but not exercise control functions are considered as associates.

Investments in associates are accounted for using the equity method. Under the equity method, an investment in an associate is recognized in the consolidated statement of financial position at cost plus any changes in the Group's share of the associate's net assets after the acquisition. The goodwill associated with the associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of  profit or loss reflects the share of the associate's operating results. The share of the profit is displayed on the face of the report.

### 2.15.2 Investments in financial instruments

- **Recognition and derecognition**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual terms of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards are transferred.

Financial liabilities are derecognized when the obligation specified in the contract is fulfilled is derecognized or expires.

- **Classification and initial measurement of financial assets**

Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not have a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted for transaction costs that are reported as current expenses. The initial measurement of trade receivables that do not have a significant financial component represents the transaction price under IFRS 15.

Depending on the method of subsequent reporting, financial assets are classified into one of the following categories:

- debt instruments at amortized cost;
- Financial assets at fair value through profit or loss;
- Financial assets at fair value through other comprehensive income, with or without reclassification in profit or loss, whether they are debt or equity instruments.

The classification of financial assets is determined on the basis of the following two conditions:

- the business model of the Financial Assets Management Group;
- the characteristics of the contractual cash flows of the financial asset.

All income and expenses relating to financial assets recognized in profit or loss are included in financial expenses, financial income or other financial items, except for impairment of trade receivables, which is presented in line with other expenses in the consolidated statement of profit or loss and other comprehensive income.

- **Subsequent valuation of financial assets**

**Debt instruments at amortized cost**

Financial assets are measured at amortized cost if the assets meet the following criteria and are not designated for fair value through profit or loss:

- The Group manages the assets within a business model that aims to hold the financial assets and to collect their contractual cash flows;
- According to the contractual terms of the financial asset at specific dates, cash flows arise, which are only principal payments and interest on the outstanding amount of the principal.

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest method. Discarding is not done when its effect is insignificant. The Group classifies in this category the cash and cash equivalents / cash, trade and other receivables as well as listed bonds that previously had been classified as held-to-maturity financial assets in accordance with IAS 39.

**Financial assets at fair value through profit or loss**

Financial assets for which a business model "held for contractual cash flows" or a business model "held for collection and sale" is not applicable, as well as financial assets whose contractual cash flows are not only principal and interest payments are reported at fair value through profit or loss. All derivative financial instruments are reported in this category except for those that are designated and effective as hedging instruments and for which hedge accounting requirements apply (see below).

Changes in the fair value of assets in this category are reflected in profit or loss. The fair value of financial assets in this category is determined by quoted prices in an active market or by using valuation techniques in the absence of an active market.

**Financial assets at fair value through other comprehensive income**

The Group recognizes financial assets at fair value in other comprehensive income if the assets meet the following conditions:

- The Group manages assets within a business model that aims to hold the financial assets to collect contractual cash flows and sell them; and
- According to the contractual terms of the financial asset at specific dates, cash flows arise, which are only principal payments and interest on the outstanding amount of the principal.

Financial assets at fair value through other comprehensive income include:

- Equity securities that are not held for trading and which the Group irrevocably has chosen at initial recognition to recognize in this category.
- Debt securities where the contractual cash flows are only principal and interest and the Group's business model is aimed at both the collection of contractual cash flows and the sale of financial assets.

With the exemption from equity instruments of this category, any value recognized in the revaluation reserve of the instruments is reclassified to retained earnings.

In the case of debt-reliefs in this category, any value recorded in the revaluation reserve of the instruments is reclassified to profit or loss for the period.

- **Classification and measurement of financial liabilities**

The financial liabilities of the Group include borrowings, liabilities under finance leases, trade and other financial liabilities.

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the Group has designated a financial liability as measured at fair value through profit or loss.

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for derivatives and financial liabilities that are designated for measurement at fair value through profit or loss (except for derivative financial instruments that are designated and effective as hedging tool).

All interest-related expenses and, if applicable, changes in the fair value of the instrument that are recognized in profit or loss are included in financial expenses or financial income.

- **Derivative financial instruments and hedge accounting**

Derivative financial instruments are measured at fair value through profit or loss except for derivatives designated as hedging instruments for cash flow hedges that require specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic link between the hedged item and the hedging instrument;

- the effect of credit risk is not an essential part of the changes in value that result from this economic relationship;
- the hedging relationship's hedge ratio is the same as the one resulting from the amount of the hedged item that the Group actually hedges and the amount of the hedging instrument that the Group actually uses to hedge this amount of hedged items.

All derivative financial instruments used for hedge accounting are initially recognized at fair value and are reported at fair value in the consolidated statement of financial position.

To the extent that hedging is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included in the hedge of the cash flow in equity. Any inefficiency in the hedging relationship is recognized immediately in profit or loss.

At the moment when the hedged item affects profit or loss, the gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as a reclassification adjustment to other comprehensive income. However, if a non-financial asset or liability is recognized as a result of the hedged transaction, gains or losses previously recognized in other comprehensive income are included in the initial measurement of the hedged item.

If the forecast transaction is no longer expected to occur, any related gain or loss recognized in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to be effective, hedge accounting is discontinued and the related gain or loss is recognized as a reserve in equity until the estimated transaction.

### 2.16 Inventory

Materials and goods are valued at shipping cost. Their value is the sum of all purchase costs and other costs incurred in delivering them to their current location and status.

The write-off of materials and commodities upon their consumption is based on a specific or weighted average value depending on the segments.

The net realizable value of the inventories is stated at the sale price, less the completion costs and costs incurred to realize the sale and is determined with respect to marketing, obsolescence and development at expected sales prices.

When the inventory value of inventories is higher than the net realizable value, it is reduced to the net realizable value. The decrease is recorded as other current expenses.

### 2.17 Provisions for liabilities

Liabilities provisions include expected costs associated with guarantees, restructuring, etc.

### 2.18 Tax liabilitities and deffered tax

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

### 2.19 Equity and earnings per share

#### 2.19.1 Equity

The share capital of the Parent Company is presented at its nominal value in accordance with the court decisions for its registration.

Equity that does not belong to the economic group / non-controlling interest / forms part of the net assets, including the net result for the year of the subsidiaries, which can be attributed to holdings not directly or indirectly owned by the Company- mother.

#### 2.19.2 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to shareholders, holders of ordinary shares by the weighted average number of ordinary shares outstanding for the period.

The weighted average number of shares is the number of ordinary shares outstanding at beginning of period, adjusted by the number of repurchased ordinary shares issued during the period multiplied by the average time factor. This factor expresses the number of days the specific shares were held in relation to the total number of days during the period.

In capitalization, bonus issue or split, the number of ordinary shares that are outstanding at the date of this event is adjusted to reflect the proportional change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the submitted the earliest period. Reduced earnings per share are not calculated as there are no dilutive potential issued shares.

### 2.20 Liabilities

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 consolidated statement of profit or loss and other comprehensive income, loan costs are recognized over the period of the loan.

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

Deferred income is recognized as liabilities includes payments received in respect of earnings for subsequent years

### 2.21 Financial Risk Management

#### Factors that determine the financial risk

In carrying out its activities, the Group companies are exposed to a variety of financial risks: market risk (including currency risk, changes in the fair value of financial instruments under the influence of market interest rates and price risk), credit risk, liquidity risk and risk of change of future cash flows as a result of changes in market interest rates.

The overall risk management program focuses on the unpredictability of financial markets and aims to reduce any adverse effects on the Group's financial performance.

**Currency risk**
The Group is exposed to currency risk through payments in foreign currency and through its assets and liabilities denominated in foreign currency. Foreign currency exposures result in gains or losses that are reflected in the consolidated statement of profit or loss and other comprehensive income. These exposures comprise the Group's cash assets that are not denominated in the currency used in the financial statements of resident companies.

In cases where the local currency is exposed to significant currency risk, its management is achieved through investments in Euro denominated assets.

**Interest rate risk**
The Group is exposed to interest rate risk in relation to the bank and trade credits used as part of the borrowings are variable interest rate agreed as basic interest (EURIBOR / LIBOR), increased by a certain margin. Variable interest rate loans are denominated in euro. Interest rates are listed in the relevant appendices.

**Credit risk**
The credit risk of the Group is mainly related to trade and financial receivables.

Amounts presented in the consolidated statement of financial position are on a net basis and exclude provisions for uncollectible receivables assessed as such by management on the basis of past experience and current economic conditions.

**Liquidity risk**
Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they become due. The policy in this area is aimed at ensuring that sufficient liquidity is available to service the obligations when they become due, including in extraordinary and unforeseen situations. The objective of the management is to maintain a constant balance between the continuity and flexibility of financial resources through the use of adequate forms of funding.

Liquidity risk management is the responsibility of the Group's management and includes maintaining sufficient cash, negotiating adequate credit lines, preparing analysis and updating cash flow projections.

### 2.22 Determination of fair values

Fair value is the price that would have been obtained on the sale of an asset or paid on the transfer of an obligation in a typical transaction between market participants at the valuation date.

Fair value measurement implies that the transaction for the sale of the asset or the transfer of the liability is carried out:

•the underlying market for that asset or liability;
or
•in the absence of a major market - the most profitable market for that asset or liability.

The main or most advantageous market should be available to the Group.

In measuring the fair value of a non-financial asset, the ability of a market participant to generate economic benefits by using the asset to maximize its value or by selling it to another market participant that will use it in such a way is taken into account. The Group uses cost-appropriate valuation methods, for which there is sufficient available fair value measurement data, using as much as possible the relevant observable hypotheses and minimizing the use of non-observable ones.

All assets or liabilities that are measured at fair value or disclosed in the consolidated financial statements are categorized according to a fair value hierarchy described as follows and based on the lowest rank of observable assumptions that are significant for the fair value measurement as a whole:

- Level 1 - Adjusted (unadjusted) active market prices for identical assets or liabilities to which the Group may have access at the measurement date;
- Level 2 - Valuation techniques for which observable lower rank hypotheses that are relevant for fair value measurement are directly or indirectly observable;
- Level 3 - Valuation techniques for which observable lower case scenarios that are relevant for fair value measurement are unobservable.

External valuers have been used to measure the fair value of significant assets such as goodwill and investment property.

### 2.23 Judgements that are crucial for the application of the Group'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 borrowings and receivables
The Group uses an adjustment account to report the impairment of difficultly collectible and uncollectible receivables from counterparties. The management judges the adequacy of this impairment on the basis of age analysis of receivables, previous experience about the level of derecognition of uncollectible receivables, and analysis of the counterparty's solvency, amendments of contractual payment terms and conditions, etc. If the financial position and performance of the counterparties become worse than the expected, the value of receivables that should be 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.

### 2.24 Cash flows

The consolidated statement of cash flows shows the cash flows of the group 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.

### 2.25 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 Group as a lessee

As of January 1, 2019, the Group 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 Group as an asset with a right of use and a corresponding obligation at the date on which the leasing asset is available for use.

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 Group under guarantees of residual value;
- the cost of exercising a purchase option if the Group has reason to exercise that option, and
- payments of penalties for termination of the lease if the lease term reflects the fact that the Group 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 Group 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 Group 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 - Romania | Buildings - UK | Buildings - Greece | Buildings- Georgia | Buildings - Macedonia | Vehicles |
|---|---|---|---|---|---|---|---|
| Incremental borrowing rate | 4,05 % | 4,54 % | 1,31 % | 4,54 % | 7,03 % | 4,05% | 5,34 % |

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

### The Group 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. (*Note 2.11.2*).

## 2.26 Changes in significant accounting policies

The Group 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.

### 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 Group 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*.

| **3. Revenue from insurance business** | 2019<br>*BGN'000* | 2018<br>*BGN'000* |
|---|---|---|
| Gross premiums written from insurance | 848 088 | 642 716 |
| Received recoveries from reinsurers | 238 885 | 182 826 |
| Positive change in the gross provision for unearned premiums and unexpired risk reserve | - | 7 147 |
| Positive change in reinsurers' share in unearned premium reserve | 34 833 | 21 181 |
| Change in the reinsurers' share in other reserves | 26 395 | 21 871 |
| Positive change in other technical reserves | 9 573 | 13 |
| Recourse income | 22 558 | 12 415 |
| Fees and commissions income | 90 861 | 52 444 |
| Investment income | 34 753 | 26 349 |
| Income from the purchase of investments in subsidiaries | - | 742 |
| Other revenue | 5 671 | 19 497 |
| | **1 311 617** | **987 201** |

### 4. Expenses of insurance business

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Paid claims, claims handling and prevention expenses | (508 227) | (396 549) |
| Change in the gross provision for unearned premiums and unexpired risk reserve | (47 787) | (25 639) |
| Change in other technical reserves | (45 967) | (49 028) |
| Change in the reinsurers' share in the other reserves | (7 325) | (632) |
| Premiums ceded to reinsurers | (368 741) | (262 894) |
| Acquisition expenses | (198 609) | (150 279) |
| Investment expenses | (12 685) | (16 024) |
| Other expenses | (51 345) | (27 379) |
| | **(1 240 686)** | **(928 424)** |

### 5. Revenue from car sales and after sales

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Revenue from sale of cars and spare parts | 237 979 | 209 985 |
| Revenue from after sales and rent-a-car services | 4 902 | 5 805 |
| Gains from sale of financial assets and instruments | 5 252 | 7 542 |
| | **248 133** | **223 332** |

### 6. Revenue from leasing business

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Revenue from services | 18 304 | 20 017 |
| Interest income | 6 359 | 4 970 |
| Gains from sale of financial assets and instruments | 245 | 110 |
| Foreign exchange gains | 4 | 3 |
| Other financial revenue | 116 | 80 |
| | **25 028** | **25 180** |

### 7. Expenses of leasing business

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Interest expenses | (4 378) | (3 798) |
| Losses from sales of financial assets and instruments | (220) | (286) |
| Foreign exchange losses | (76) | (24) |
| Other expenses | (242) | (180) |
| | **(4 916)** | **(4 288)** |

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

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Interest income | 443 | 640 |
| Dividend income | 88 | 90 |
| Gains from sale of financial assets and financial instruments | 3 315 | 2 634 |
| Foreign exchange gains, net | - | 329 |
| Other revenue | 675 | 629 |
| | **4 521** | **4 322** |

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

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Interest expenses | (86) | (30) |
| Losses from sales of financial assets and financial instruments | (2 549) | (2 318) |
| Foreign exchange losses,net | (3) | - |
| Other expenses | (546) | (191) |
| | **(3 184)** | **(2 539)** |

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

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Gains from sale of financial assets and financial instruments | 1 072 | 21 652 |
| Interest revenue | 576 | 1 111 |
| Other revenue | 742 | 362 |
| | **2 390** | **23 125** |

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

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Losses from sales of financial assets and financial instruments | (11) | (576) |
| | **(11)** | **(576)** |

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

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Other income/(expenses), net | (4 900) | (4 816) |
| | **(4 900)** | **(4 816)** |

**12.1. Other expenses**

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Automotive business | - | (13) |
| Leasing business | (5 088) | (4 971) |
| | **(5 088)** | **(4 984)** |

### 12.2. Other income

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Automotive business | 15 | 118 |
| Asset management and brokerage | 173 | 50 |
| | **188** | **168** |

### 13. Other operating expenses

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Expenses on materials | (2 979) | (4 353) |
| Expenses on hired services | (25 477) | (30 921) |
| Employee benefits expenses | (36 681) | (33 171) |
| Other expenses | (6 831) | (10 083) |
| | **(71 968)** | **(78 528)** |

### 13.1 Expenses on materials by segments

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Insurance business | (744) | (499) |
| Automotive business | (1 902) | (3 527) |
| Leasing business | (302) | (298) |
| Asset management and brokerage | (26) | (23) |
| Parent company | (5) | (6) |
| | **(2 979)** | **(4 353)** |

### 13.2 Expenses on hired services by segments

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Insurance business | (8 293) | (14 169) |
| Automotive business | (7 745) | (9 317) |
| Leasing business | (4 497) | (4 419) |
| Asset management and brokerage | (502) | (682) |
| Parent company | (4 440) | (2 334) |
| | **(25 477)** | **(30 921)** |

### 13.3 Employee benefits expenses by segments

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Insurance business | (17 464) | (14 722) |
| Automotive business | (14 596) | (14 677) |
| Leasing business | (3 243) | (2 644) |
| Asset management and brokerage | (793) | (684) |
| Parent company | (585) | (444) |
| | **(36 681)** | **(33 171)** |

**13.4 Other expenses by segments**

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Insurance business | (4 370) | (7 002) |
| Automotive business | (1 554) | (2 218) |
| Leasing business | (351) | (448) |
| Asset management and brokerage | (219) | (200) |
| Parent company | (337) | (215) |
| | **(6 831)** | **(10 083)** |

**14. (Accrued) / recovered impairment loss on financial assets, net**

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| (Accrued) impairment loss on financial assets | (1 235) | (1 097) |
| Recoverable impairment loss on financial assets | 801 | 2 010 |
| | **(434)** | **913** |

**14.1 (Accrued) impairment loss on financial Assets by segments**

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Insurance business | - | (659) |
| Automotive business | (290) | (91) |
| Leasing business | (891) | (313) |
| Asset management and brokerage | (38) | - |
| Parent company | (16) | (34) |
| | **(1 235)** | **(1 097)** |

**14.2 Recovered impairment loss on financial assets by segments**

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Insurance business | - | 76 |
| Automotive business | 237 | 168 |
| Leasing business | 414 | 1 744 |
| Asset management and brokerage | 65 | 21 |
| Parent company | 85 | 1 |
| | **801** | **2 010** |

## 15. Financial expenses

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Interest expenses | (18 245) | (22 436) |
| Interest expenses – Right of use assets | (1 374) | - |
| Other financial expenses | (738) | (746) |
| | **(20 357)** | **(23 182)** |

## 15.1 Interest expenses by segments

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Insurance business | (3 151) | (2 244) |
| Automotive business | (1 919) | (1 809) |
| Parent company | (13 175) | (18 383) |
| | **(18 245)** | **(22 436)** |

## 15.2 Interest expenses – right of use assets by segments

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Insurance business | (730) | - |
| Automotive business | (484) | - |
| Leasing business | (55) | - |
| Asset management and brokerage | (33) | - |
| Parent company | (72) | - |
| | **(1 374)** | **-** |

## 15.3 Other financial expenses by segments

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Automotive business | (721) | (724) |
| Parent company | (17) | (22) |
| | **(738)** | **(746)** |

## 16. Financial income

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Interest revenue | 112 | 166 |
| | **112** | **166** |

## 16.1 Financial income by segments

| | 2019 | 2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Automotive business | 112 | 166 |
| | **112** | **166** |

**17. Foreign exchange gains/(losses), net**

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Automotive business | - | (17) |
| Parent company | (1 461) | 636 |
| | **(1 461)** | **619** |

**18. Depreciation and amortization by segments**

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Insurance business incl. | (7 008) | (2 243) |
| *Right of use assets* | *(4 358)* | *-* |
| Automotive business incl. | (6 583) | (2 821) |
| *Right of use assets* | *(2 636)* | *-* |
| Leasing business incl. | (6 055) | (5 392) |
| *Right of use assets* | *(274)* | *-* |
| Asset management and brokerage incl. | (157) | (58) |
| *Right of use assets* | *(118)* | *-* |
| Parent company incl. | (708) | (27) |
| *Right of use assets* | *(662)* | *-* |
| | **(20 511)** | **(10 541)** |

**19. Tax expenses**

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Income tax expense | (1 142) | (825) |
| Deferred tax | 364 | (172) |
| | **(778)** | **(997)** |

**19.1 Tax expenses by segments**

| | 2019 BGN'000 | 2018 BGN'000 |
|---|---|---|
| Insurance business | (459) | (488) |
| Automotive business | (285) | (403) |
| Leasing business | (13) | (42) |
| Asset management and brokerage | (21) | (64) |
| | **(778)** | **(997)** |

**20. Cash and cash equivalents**

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Cash on hand | 4 707 | 1 569 |
| Deposits up to 3 months | 86 018 | 46 660 |
| Restricted cash | 649 | 596 |
| Cash equivalents | 337 | 844 |
| *Impairment* | *(129)* | *(129)* |
| | **91 582** | **49 540** |

**21. Time deposits at banks by segments**

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Insurance business | **17 744** | 20 197 |
| *Impairment* | *(40)* | *(40)* |
| | **17 704** | **20 157** |

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**22.1 Reinsurers' share in technical reserves**

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Unearned premium reserve | 170 949 | 139 095 |
| Claims reserves, incl.: | 283 381 | 265 621 |
| *Reserves for incurred, but not reported claims* | *96 852* | *102 066* |
| *Reserves for reported, but not settled claims* | *186 529* | *163 555* |
| Reserve for unexpired risks | 859 | - |
| Other technical reserves | - | 3 661 |
| | **455 189** | **408 377** |

**22.2 Receivables from insurance business**

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Receivables from direct insurance | 95 240 | 70 298 |
| Receivables from reinsurers or sedants | 12 267 | 18 514 |
| Receivables from recourse/subrogation | 26 707 | 10 636 |
| | **134 214** | **99 448** |

**23. Trade receivables**

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Trade receivables | 23 228 | 15 830 |
| *Impairment* | *(824)* | *(935)* |
| Financial lease receivables | 22 660 | 21 383 |
| Advances paid | 4 430 | 1 259 |
| *Impairment* | - | *(20)* |
| Other | 110 | 1 |
| *Impairment* | *(1)* | - |
| | **49 603** | **37 518** |

**23.1. Trade receivables by segments**

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Insurance business | 1 248 | 870 |
| Automotive business | 15 839 | 11 718 |
| *Impairment* | *(751)* | *(881)* |
| Leasing business | 5 686 | 3 148 |
| *Impairment* | *(62)* | *(49)* |
| Asset management and brokerage | 139 | 13 |
| Parent company | 316 | 81 |
| *Impairment* | *(11)* | *(5)* |
| | **22 404** | **14 895** |

**24. Other receivables**

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Insurance business | 14 906 | 19 525 |
| *Impairment* | *(577)* | *(577)* |
| Automotive business | 3 782 | 3 395 |
| *Impairment* | *(28)* | *(166)* |
| Leasing business | 1 968 | 2 713 |
| *Impairment* | - | *(111)* |
| Parent company | 920 | 10 284 |
| *Impairment* | *(23)* | *(98)* |
| Prepaid expenses | 3 231 | 2 078 |
| Receivables under court procedures | 2 181 | 2 275 |
| *Impairment* | *(1 479)* | *(1 347)* |
| Tax receivables | 1 464 | 1 293 |
| *Impairment* | - | *(2)* |
| | **26 345** | **39 262** |

**24.1. Tax receivables by segments**

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | *BGN'000* | *BGN'000* |
| Insurance business | 203 | 138 |
| Automotive business | 684 | 931 |
| *Impairment* | - | *(2)* |
| Leasing business | 321 | 208 |
| Parent company | 256 | 16 |
| | **1 464** | **1 291** |

## 25. Property, plant and equipment

| | Land, plots | Land, plots-rights of use | Buildings | Buildings-rights of use | Machinery and equipment | Vehicles | Vehicles-rights of use | Furniture and fittings | Assets under construction | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| **Cost** | | | | | | | | | | | |
| **At 1 January 2018** | **5 490** | **-** | **17 672** | **-** | **9 058** | **55 878** | **-** | **7 183** | **1 029** | **1 754** | **98 064** |
| Acquisition of a subsidiary | - | - | 912 | - | 168 | 68 | - | 35 | 17 | - | **1 200** |
| Additions | - | - | 161 | - | 784 | 26 238 | - | 1 341 | 229 | 168 | **28 921** |
| Disposals | (386) | - | - | - | (766) | (19 622) | - | (650) | (346) | - | **(21 770)** |
| Other changes | 50 | - | 448 | - | - | - | - | (16) | - | - | **482** |
| Transfer to investment properties | - | - | (5 931) | - | - | - | - | - | - | - | **(5 931)** |
| **At 31 December 2018** | **5 154** | **-** | **13 262** | **-** | **9 244** | **62 562** | **-** | **7 893** | **929** | **1 922** | **100 966** |
| **At 1 January 2019** | **5 154** | **-** | **13 262** | **-** | **9 244** | **62 562** | **-** | **7 893** | **929** | **1 922** | **100 966** |
| Additions | 16 | 215 | 1 142 | 61 037 | 1 295 | 19 484 | 189 | 888 | 237 | 1 265 | **85 768** |
| Disposals | - | - | (625) | (14 973) | (589) | (13 691) | (109) | (1 056) | (401) | (589) | **(32 033)** |
| Write-offs for sale to subsidiaries | - | - | - | - | - | - | - | - | - | (2) | **(2)** |
| **At 31 December 2019** | - | - | (1 064) | - | (884) | (164) | - | (619) | (4) | (1) | **(2 736)** |
| **Depreciation** | | | | | | | | | | | |
| **At 1 January 2018** | **-** | **-** | **3 072** | **-** | **6 996** | **17 637** | | **4 467** | **5** | **1 167** | **33 344** |
| Depreciation for the period | - | - | 433 | - | 783 | 8 160 | | 527 | - | 105 | **10 008** |
| Disposals | - | - | (64) | - | (772) | (7 317) | | (674) | - | (1) | **(8 828)** |
| Other changes | - | - | (68) | - | - | - | | - | - | - | **(68)** |
| **At 31 December 2018** | **-** | | **3 373** | **-** | **7 007** | **18 480** | | **4 320** | **5** | **1 271** | **34 456** |
| **At 1 January 2019** | **-** | **-** | **3 373** | **-** | **7 007** | **18 480** | | **4 320** | **5** | **1 271** | **34 456** |
| Depreciation for the period | - | 91 | 499 | 7 884 | 810 | 9 744 | 67 | 579 | - | 180 | **19 854** |
| Disposals | - | - | (11) | (825) | (430) | (5 375) | (34) | (122) | - | (22) | **(6 819)** |
| Other changes | - | - | (105) | - | - | - | - | 1 | - | 105 | **1** |
| Write-offs for sale to subsidiaries | - | - | (740) | - | (864) | (79) | - | (550) | - | (1) | **(2 234)** |
| **At 31 December 2019** | **-** | **91** | **3 016** | **7 059** | **6 523** | **22 770** | **33** | **4 228** | **5** | **1 533** | **45 258** |
| **Net book value:** | | | | | | | | | | | |
| **At 1 January 2018** | **5 490** | **-** | **14 600** | **-** | **2 062** | **38 241** | **-** | **2 716** | **1 024** | **587** | **64 720** |
| **At 1 January 2019** | **5 154** | **-** | **9 889** | **-** | **2 237** | **44 082** | **-** | **3 573** | **924** | **651** | **66 510** |
| **At 31 December 2019** | **5 170** | **124** | **9 699** | **39 005** | **2 543** | **45 421** | **47** | **2 878** | **756** | **1 062** | **106 705** |

### 25.1. Land and buildings by segments

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 5 959 | 5 170 |
| Automotive business | 8 910 | 9 873 |
| | **14 869** | **15 043** |

### 25.2. Land and buildings by segments – Rights of use

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 20 323 | - |
| Automotive business | 13 544 | - |
| Leasing business | 1 577 | - |
| Asset management and brokerage | 1 086 | - |
| Parent company | 2 599 | - |
| | **39 129** | **-** |

### 25.3 Machinery and equipment by segments

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 1 289 | 787 |
| Automotive business | 1 215 | 1 404 |
| Leasing business | 39 | 46 |
| | **2 543** | **2 237** |

### 25.4. Vehicles by segments

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 4 564 | 5 145 |
| Automotive business | 14 360 | 10 991 |
| Leasing business | 26 286 | 27 826 |
| Asset management and brokerage | 24 | 40 |
| Parent company | 187 | 80 |
| | **45 421** | **44 082** |

**25.5. Vehicles by segments – rights of use**

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Automotive business | 47 | - |
| | **47** | **-** |

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

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 950 | 1 151 |
| Automotive business | 2 811 | 2 935 |
| Leasing business | 137 | 126 |
| Asset management and brokerage | 35 | 10 |
| Parent company | 7 | 2 |
| | **3 940** | **4 224** |

**25.7. Assets under construction by segments**

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 24 | 228 |
| Automotive business | 732 | 696 |
| | **756** | **924** |

**26. Investment property**

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| **Net book value at 1 January** | **20 209** | **12 698** |
| Acquired upon purchase of subsidiaries | - | 1 170 |
| Acquired | 121 | 294 |
| Disposals | (2 311) | |
| Revaluation / (Impairment) | (73) | 116 |
| Transfer from buildings | - | 5 931 |
| Write-offs on sale of subsidiaries | (3 266) | - |
| **Net book value as at the period end** | **14 680** | **20 209** |

## 27. Intangible assets

| | Software | Licenses | Other | Total |
|---|---|---|---|---|
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| **Cost** | | | | |
| **At 1 January 2018** | **6 744** | **115** | **1 612** | **8 471** |
| Acquisition of a subsidiary | 409 | - | 15 | **424** |
| Additions | 1 106 | - | 151 | **1 257** |
| Disposals | (52) | (1) | (147) | **(200)** |
| Other changes | 61 | - | - | **61** |
| **At 31 December 2018** | **8 268** | **114** | **1 631** | **10 013** |
| **At 1 January 2019** | **8 268** | **114** | **1 631** | **10 013** |
| Additions | 1 315 | 5 | 310 | **1 630** |
| Disposals | (439) | - | (30) | **(469)** |
| **At 31 December 2019** | **1 315** | **5** | **310** | **1 630** |
| **Amortization** | | | | |
| **At 1 January 2018** | **5 304** | **114** | **855** | **6 273** |
| Amortization for the period | 431 | - | 102 | **533** |
| Disposals | (45) | - | (22) | **(67)** |
| **At 31 December 2018** | **5 690** | **114** | **935** | **6 739** |
| **At 1 January 2019** | **5 690** | **114** | **935** | **6 739** |
| Amortization for the period | 569 | - | 88 | **657** |
| Disposals | (20) | - | (30) | **(50)** |
| **At 31 December 2019** | **6 143** | **114** | **955** | **7 212** |
| | | | | |
| **Net book value:** | | | | |
| **At 1 January 2018** | **1 440** | **1** | **757** | **2 198** |
| **At 1 January 2019** | **2 578** | **-** | **696** | **3 274** |
| **At 31 December 2019** | **2 905** | **5** | **918** | **3 828** |

## 28. Inventories by segments

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Insurance business | 483 | 373 |
| Automotive business | 39 193 | 57 492 |
| Leasing business | 3 191 | 2 757 |
| | **42 867** | **60 622** |

### 29. Financial assets by segments

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| **Government bonds** measured at FVTPL, incl.: | 66 192 | 138 688 |
| *Insurance business* | *66 192* | *138 291* |
| *Asset management and brokerage* | *-* | *397* |
| **Government bonds** measured at OCI, incl.: | 1 606 | 1 156 |
| *Insurance business* | *1 606* | *1 156* |
| **Total government bonds** | **67 798** | **139 844** |
| **Corporate bonds** measured at FVTPL, incl.: | 64 571 | 59 777 |
| *Insurance business* | *62 677* | *59 192* |
| *Asset management and brokerage* | *1 894* | *585* |
| **Total corporate bonds** | **64 571** | **59 777** |
| **Capital investments** measured at FVTPL, incl.: | 97 010 | 82 250 |
| *Insurance business* | *88 278* | *80 640* |
| *Leasing* | *-* | *158* |
| *Asset management and brokerage* | *8 732* | *1 452* |
| **Total capital investments** | **97 010** | **82 250** |
| **Other financial assets** measured at amortised cost, incl.: | 29 023 | 8 297 |
| *Insurance business* | *28 824* | *282* |
| *Asset management and brokerage* | *199* | *8 015* |
| *Impairment* | *(82)* | *(145)* |
| **Total other financial assets** | **28 941** | **8 152** |
| | **258 320** | **290 023** |

### 30. Deferred tax assets

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 13 933 | 14 154 |
| Automotive business | 500 | 421 |
| Leasing business | 99 | 101 |
| | **14 532** | **14 676** |

### 31. Investments associates and other investments

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 7 487 | 6 070 |
| Asset management and brokerage | 4 639 | 6 628 |
| | **12 126** | **12 698** |

### 32. Other financial investments by segments

| | 31.12.2019<br>BGN'000 | 31.12.2018<br>BGN'000 |
|---|---|---|
| Insurance business | 2 394 | 2 403 |
| Parent company | 9 | 9 |
| *Impairment* | *(9)* | *(9)* |
| | **2 394** | **2 403** |

### 33. Non-current receivables

| | 31.12.2019<br>BGN'000 | 31.12.2018<br>BGN'000 |
|---|---|---|
| Finance lease receivables | 51 699 | 53 738 |
| Subsidiaries | 24 461 | 26 089 |
| *Impairment* | *(23)* | *(1)* |
| | **76 137** | **79 826** |

### 34. Goodwill

| | 31.12.2019<br>BGN'000 | 31.12.2018<br>BGN'000 |
|---|---|---|
| Euroins Insurance Group AD | 165 123 | 165 123 |
| Motobul EAD | 12 538 | 12 538 |
| Bulvaria Varna EOOD | 5 591 | 5 591 |
| Daru Car OOD | 1 461 | 1 461 |
| Eurolease Group EAD | 1 312 | 1 312 |
| Eurolease Rent-a-Car EOOD | 1 803 | 1 803 |
| Sofia Motors EOOD | 10 | 10 |
| Euro-Finance AD | 2 620 | 2 620 |
| | **190 458** | **190 458** |

### 35. Subordinated debts by segments

| | 31.12.2019<br>BGN'000 | 31.12.2018<br>BGN'000 |
|---|---|---|
| Insurance and health insurance - issued | 19 558 | 19 558 |
| | **19 558** | **19 558** |

The subordinate debt of the insurance business is in the form of a bond loan ,dated December 18, 2014. The bond loan is issued in the form of 100 materialized, subordinated, unsecured as of the emission date bonds with nominal value of EUR 100 thousand each. The loan has contracted amount of EUR 10,000 thousand (BGN 19,958 thousand) and maturity date 18.12.2021. The interest rate consists of floating and fixed interest component – 13% plus 3M Euribot, due at the end of each quarter.

Under the terms of the bond loan there is a clause the interest rate to be reduced to 9.75% plus Euribor if a guarantee by Eurohold Bulgaria AD is issued. Such guarantee was issued on March 18, 2015, which reduced the interest rate.

### 36. Bank and non-bank loans by segments

| | 31.12.2019<br>BGN'000 | 31.12.2018<br>BGN'000 |
|---|---|---|
| Insurance business | 9 745 | 17 |
| Automotive business | 14 294 | 19 045 |
| Leasing business | 80 487 | 78 303 |
| Parent company | 36 040 | 44 802 |
| | **140 566** | **142 167** |

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

| | 31.12.2019<br>BGN'000 | 31.12.2018<br>BGN'000 |
|---|---|---|
| Insurance business, incl. | 9 593 | - |
| *Loans from non-bank financial institutions* | *9 593* | *-* |
| Automotive business, incl.: | 2 727 | 2 272 |
| *Bank loans* | *2 684* | *2 272* |
| *Loans from non-bank financial institutions* | *43* | *-* |
| Leasing business, incl.: | 55 840 | 57 056 |
| *Bank loans* | *55 840* | *57 056* |
| Parent company, incl.: | 25 531 | 35 549 |
| *Bank loans* | *25 531* | *35 549* |
| | **93 691** | **94 877** |

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

| | 31.12.2019<br>BGN'000 | 31.12.2018<br>BGN'000 |
|---|---|---|
| Insurance business, incl.: | 152 | 17 |
| *Bank loans* | *64* | *17* |
| *Loans from non-bank financial institutions* | *88* | *-* |
| Automotive business, incl.: | 11 567 | 16 773 |
| *Bank loans* | *11 567* | *16 070* |
| *Loans from non-bank financial institutions* | *-* | *703* |
| Leasing business, incl.: | 24 647 | 21 247 |
| *Bank loans* | *24 647* | *21 247* |
| Parent company, incl.: | 10 509 | 9 253 |
| *Bank loans* | *10 509* | *9 253* |
| | **46 875** | **47 290** |

### 37. Bond obligations by segments

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Automotive business | 14 147 | 13 634 |
| Leasing business | 9 899 | 20 380 |
| Parent company | 133 495 | 123 550 |
| | **157 541** | **157 564** |

### 37.1 Bond obligations – long-term, by segments

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Automotive business | 13 058 | 12 746 |
| Leasing business | 1 624 | 11 654 |
| Parent company | 132 706 | 122 824 |
| | **147 388** | **147 224** |

### 37.2 Bond obligations – short-term, by segments

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Automotive business | 1 089 | 888 |
| Leasing business | 8 275 | 8 726 |
| Parent company | 789 | 726 |
| | **10 153** | **10 340** |

### 38. Non-current liabilities

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Other non-current liabilities | 5 631 | 5 972 |
| Finance lease liabilities | 20 088 | 18 773 |
| | **25 719** | **24 745** |

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

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Insurance business | 5 | 7 |
| Automotive business | 4 661 | 5 131 |
| Leasing business | 950 | 828 |
| Parent company | 15 | 6 |
| | **5 631** | **5 972** |

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

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Automotive business | 12 932 | 11 069 |
| Leasing business | 7 156 | 7 704 |
| | **20 088** | **18 773** |

### 39. Current liabilities

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Payables to employees | 4 399 | 3 979 |
| Social-security liabilities | 2 798 | 1 912 |
| Tax liabilities | 6 620 | 6 063 |
| Other current liabilities | 21 388 | 12 145 |
| Finance lease liabilities | 6 421 | 7 317 |
| Deferred revenue | 214 | 687 |
| Provisions | 1 034 | 3 227 |
| | **42 874** | **35 330** |

### 39.1. Payables to employees by segments

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 3 017 | 2 699 |
| Automotive business | 994 | 1 007 |
| Leasing business | 331 | 233 |
| Parent company | 57 | 40 |
| | **4 399** | **3 979** |

### 39.2. Social-security liabilities by segments

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 2 264 | 1 339 |
| Automotive business | 393 | 422 |
| Leasing business | 117 | 145 |
| Parent company | 24 | 6 |
| | **2 798** | **1 912** |

**39.3. Tax liabilities by segments**

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 4 608 | 2 574 |
| Automotive business | 1 483 | 2 564 |
| Leasing business | 259 | 557 |
| Asset management and brokerage | 55 | 75 |
| Parent company | 215 | 293 |
| | **6 620** | **6 063** |

**39.4. Other current liabilities by segments**

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 18 359 | 7 883 |
| Automotive business | 1 309 | 2 507 |
| Leasing business | 1 073 | 1 269 |
| Asset management and brokerage | 172 | 158 |
| Parent company | 475 | 328 |
| | **21 388** | **12 145** |

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

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Automotive business | 3 497 | 3 706 |
| Leasing business | 2 924 | 3 611 |
| | **6 421** | **7 317** |

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

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 62 | 103 |
| Automotive business | 152 | 584 |
| | **214** | **687** |

**39.7. Provisions - by segments**

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 764 | 2 951 |
| Automotive business | 270 | 276 |
| | **1 034** | **3 277** |

### 40. Trade and other payables

#### 40.1. Trade and other payables by segments

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 7 107 | 6 275 |
| Automotive business | 49 869 | 57 291 |
| Leasing business | 3 477 | 2 542 |
| Asset management and brokerage | 21 | 31 |
| Parent company | 38 289 | 42 169 |
| | **98 763** | **108 308** |

#### 40.2. Leasing liabilities – rights of use, by segments

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 20 292 | - |
| *Short-term* | *2 215* | *-* |
| *Long-term* | *18 077* | *-* |
| Automotive business | 13 898 | - |
| *Short-term* | *2 162* | *-* |
| *Long-term* | *11 736* | *-* |
| Leasing business | 1 594 | - |
| *Short-term* | *-* | *-* |
| *Long-term* | *1 594* | *-* |
| Asset management and brokerage | 1 099 | - |
| *Short-term* | *98* | *-* |
| *Long-term* | *1 001* | *-* |
| Parent company | 2 680 | |
| *Short-term* | *543* | *-* |
| *Long-term* | *2 137* | *-* |
| | **39 563** | **-** |

### 41. Payables to reinsurers

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | 26 513 | 23 265 |
| | **26 513** | **23 265** |

### 42. Deferred tax liabilities by segments

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Insurance business | - | 223 |
| Automotive business | 135 | 79 |
| Leasing business | 107 | 94 |
| | **242** | **396** |

### 43. Insurance reserves

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Unearned premium reserve, gross amount | 262 747 | 218 027 |
| *Reinsurers' share in unearned premium reserve* | *(170 949)* | *(139 095)* |
| Unexpired risks reserve, gross amount | 199 | 147 |
| *Reinsurers' share in unexpired risks reserve* | *(859)* | *-* |
| Reserve for incurred but not reported claims, gross amount | 166 134 | 171 780 |
| *Reinsurers' share in reserve for incurred but not reported claims* | *(96 852)* | *(102 066)* |
| Reserve for reported but not settled claims, gross amount | 315 979 | 275 507 |
| *Reinsurers' share in reserve for reported but unsettled claims* | *(186 529)* | *(163 555)* |
| Other technical reserve | 4 665 | 10 885 |
| *Reinsurers' share in other technical reserves* | *-* | *(3 661)* |
| | **749 724** | **676 346** |

### 44. Share capital and share premium

#### 44.1 Share capital

| | 31.12.2019 BGN'000 | 31.12.2018 BGN'000 |
|---|---|---|
| Issued shares | 197 526 | 197 526 |
| Treasury shares | (2 464) | (77) |
| **Share capital** | **195 062** | **197 449** |
| **Number of shares** | **197 525 600** | **197 525 600** |

As at December 31, 2019, 1 352 567 shares of Eurohold Bulgaria AD are held by companies in Eurohold Group (31 December 2018 – 77 387 shares).

The share capital at 31 December 2019 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 companies | 19.85% | 39 208 526 | 39 208 526 |
| Other individuals | 2.21% | 4 367 432 | 4 367 432 |
| **Total** | **100.00%** | **197 525 600** | **197 525 600** |

**44.2 Share premium**

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Share premium | 49 568 | 49 568 |
| | **49 568** | **49 568** |

**45. Net profit for the year**

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Current result attributable to the shareholders | 5 511 | 14 385 |
| Current result attributable to the non-controlling interest | 2 506 | 2 489 |
| | **8 017** | **16 874** |

**45.1. Net profit for the year by segments**

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Insurance business | 21 118 | 9 910 |
| Automotive business | 5 513 | 3 438 |
| Leasing business | 404 | 1 218 |
| Asset management and brokerage | 580 | 834 |
| Parent company | (14 592) | 1 660 |
| Pfofit/(Loss) attributable to the non-controlling interest | (2 506) | (2 489) |
| Intercompany eliminations of dividends and other | (5 006) | (186) |
| | **5 511** | **14 385** |

**46. Non-controlling interests**

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Non-controlling interest attributable to profit | 2 506 | 2 489 |
| Non-controlling interest attributable to equity | 31 421 | 36 203 |
| | **33 927** | **38 692** |

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

The Management Board of Eurohold Bulgaria AD is not aware of other significant events occurring after the reporting period.

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 consolidated 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 consolidated 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