

## September 2021

### „EUROHOLD BULGARIA” AD

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CREDIT RATING	Initial rating	Review	Review
Rating Committee date:	25.07.2017	03.09.2020	<b>17.09.2021</b>
Publication date:	27.07.2017	09.09.2020	<b>21.09.2021</b>
Long-term rating:	BBB-	BBB-	<b>BBB-</b>
Outlook:	stable	stable	<b>stable</b>
Short-term rating:	A-3	A-3	<b>A-3</b>
Long-term national-scale rating:	A (BG)	A (BG)	<b>A (BG)</b>
Outlook:	stable	stable	<b>stable</b>
Short-term national-scale rating	A-1 (BG)	A-1 (BG)	<b>A-1 (BG)</b>

- 1) Prior to the present publication, the credit rating and the rating outlook were disclosed to the rated entity. Following those disclosure amendments in the credit rating and the rating outlook have not been executed;
- 2) During the last two years, BCRA Credit Rating Agency has not provided ancillary services to the rated entity or a related third party;
- 3) \* For the full rating history, please see the chart at bottom of this document.

BCRA – CREDIT RATING AGENCY (BCRA) is the third qualified rating agency in the EU, registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council. The credit ratings, assigned by BCRA, are recognized throughout the EU and are fully alike with the other ratings, recognized by European Securities and Markets Authority (ESMA), without any territorial or other limitations.

At a session of the Rating Committee of BCRA, held on **17.09.2021** a report of the review of **Eurohold Bulgaria AD** credit rating has been discussed. The session was run by D.Sc. (Econ.) Kiril Grigorov, in his capacity as Chairman of Rating Committee. Following a discussion on changes in factors affecting the rating, the members of the Rating Committee **took the following decision:**

BCRA – Credit Rating Agency (BCRA) **affirms** the assigned ratings to a **Eurohold Bulgaria AD:**

- Long-term credit rating: **BBB-**, short-term credit rating: **A-3**;
- Long-term national-scale rating: **A (BG)**, short-term national-scale rating: **A- (BG)**;

**and maintains** the „stable“ outlook,

thus stating its opinion for an expected **general positive result** from the acquisition of the assets

of seven companies of CEZ Group in Bulgaria and addition of a new business line (Energy) in the main activities of the companies in the structure of Eurohold Bulgaria AD, **regardless of the significant obligations undertaken for the execution of the deal.**


The officially adopted by BCRA Methodology for assigning a credit rating to a group of companies and/or individual companies in a group:

[https://www.bcra-bg.com/files/Holding\\_Methodology\\_2016\\_en.pdf](https://www.bcra-bg.com/files/Holding_Methodology_2016_en.pdf)

The rating users can find information about each rating category, including the definition for default in the Global Scale published at the site of BCRA::

[https://www.bcra-bg.com/files/global\\_scale\\_en.pdf](https://www.bcra-bg.com/files/global_scale_en.pdf)

The report has been prepared and the rating - assigned, based on information made available by the rated company, Bulgarian National Bank, National Statistical Institute, BCRA<sup>1</sup> database, consultants and other public information sources.

	<b>CREDIT RATING</b> <b>„EUROHOLD BULGARIA“ AD</b> Long-term / short-term credit rating: <b>BBB- / A-3 (outlook: stable)</b> Long-term/ short-term national-scale rating: <b>A (BG) / A-1 (BG) (outlook: stable)</b> <b>September 2021</b>
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## ***Operating Environment***

### **Sovereign Risk**

The emergence of the worldwide COVID-19 pandemic and addressing the issue turned into one of the main priorities in Bulgaria as well as in all its political and economic partners. Due to the unprecedented crisis, an „emergency epidemic situation“ has been established.

The COVID-19 pandemic and the measures taken to limit the infection have adversely affected the economic activity in the country. According to preliminary data, there is a decline of the GDP of 4.2% following the growth of 3.7% in 2019. Following the decelerating trend observed in the Household consumption, lending, external sector, as well as inflation processes, in H1 of 2021, the dynamics reversed and the real growth reached an average of 3.1% on an annual basis. In 2020, the unemployment rate rose to 5.6% as of Q2 2021 (5.1% on average in 2020).

Bulgaria has entered the current crisis with a stable fiscal position, accumulated reserves, and low government debt. The projected CFP balance was a cash deficit of BGN 3.5 bln or 3% (1% in 2019) of the projected GDP after the government-financed fiscal aid to the sectors most affected by the crisis. In the first half of 2021, budget revenues continue to grow at a slower pace than expenditures. General government debt rose to 25.1% of GDP by March 2021 due to financial needs arising from the anti-crisis fiscal measures and the decline in GDP but remained low in comparative terms.

The development of economic processes in the country, including in the context of the pandemic of COVID-19, have been analysed in detail by BCRA - Credit Rating Agency. A Rating Rationale of the Sovereign Rating assigned by BCRA to the Republic of Bulgaria is available at our official website:

[https://www.bcra-bg.com/files/rating\\_republic\\_of\\_bulgaria\\_apr\\_2021\\_bg.pdf](https://www.bcra-bg.com/files/rating_republic_of_bulgaria_apr_2021_bg.pdf)

### **Banking System**

On the 10th of July 2020, the Bulgarian lev was included in the Exchange Rate Mechanism II. In parallel, the ECB's decision to establish close cooperation with the BNB was announced. Starting October 1, 2020, the ECB commenced the direct supervision of the significant institutions in the Republic of Bulgaria. The Bulgarian banks that fulfil

the criteria are UniCredit Bulbank AD, DSK Bank AD, United Bulgarian Bank AD, Eurobank Bulgaria AD, and Raiffeisenbank (Bulgaria) EAD.


As of the end of 2020, the banking sector remained stable, albeit, the economic shocks. The capital ratios and liquidity of banks are at high levels being supported by the steady growth of the deposit base and the timely regulatory anti-crisis measures.

Lending to the non-financial sector has been slowing down in the conditions of uncertainty during 2020, largely for enterprises, while in the middle of 2021 there is a slight acceleration for both enterprises and households. Concurrently, the balance of the deferred liabilities under the *Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries – Financial Institutions* amounted to BGN 9.4 bln, or 13.3% of the total portfolio as of the end of June 2021, taking into account that since the end of March 2021, the opportunity to submit applications under this procedure has expired.

At the end of 2020, the reported financial result was BGN 815 mln, by 51.4% lower on an annual basis. The net income from interests, fees and commissions retained their importance but at an annual decline in both sources. At the same time, the value of the impairments incurred doubled compared to the same period in 2019. In the H1 of 2021, there was a partial recovery of the result of the banking system in opposite movements of these parameters, and the BNB decided the profit generated in 2020 (as well as the one for 2019) to be fully capitalized as a measure to further strengthen the capital of banks in the context of the COVID-19 crisis.

**Eurohold Bulgaria AD** is a holding joint-stock company established in 2006 through the merger of Eurohold AD and Starcom Holding AD. The company was a universal successor of the two merging companies, which were closed without liquidation.

The company is **public** under the terms of the Public Offering of Securities Act, as all shares are outstanding and registered for trading on the Main Market of the Bulgarian Stock Exchange - Sofia AD, Standard Shares segment, stock exchange code **4EN** and on the Warsaw Stock Exchange. , Main stock market, **stock exchange code EHG**.

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In the period under review, the **registered capital** of “Eurohold Bulgaria” AD is not changed and as of June 30, 2021 amounts at BGN 197 525 600, distributed in the same number of regular, registered, dematerialized shares with one vote, and right for dividend and liquidation quota, par value of BGN 1 each.

Following the Decision of the General Meeting of Shareholders of April 10, 2021, for the increase of the share capital of the company from BGN 197,525,600 to BGN 276,535,840, it is planned to issue new emitted shares, consisting of 79,010,240 dematerialized, registered, non-preferred shares, with the right to one vote at the General Meeting of Shareholders. The nominal value of each share is BGN 1.00 and its issue value is BGN 2.50. **The capital increase was performed in the period 09.06. - 07.07.2021**, through a public offering of shares on the BSE, as nearly 63 mln new shares were subscribed and paid, **or over BGN 157 mln were attracted, and the share capital as of 19.08.2021 amounts to BGN 260,500,000.**

The changes in the shareholders’ structure are not significant from the point of view of the majority ownership (*as of the end of June 2021 it is presented in the following table*). Bluebeard Investments Limited dropped out from the shareholders with more than 5% share, while the Specialized Logistics Systems AD and the pension funds of the Badeshte AD participate. After the capital increase and 47,258 thousand shares paid by Starcom Holding AD, the latter company retains its majority ownership (60.6% as of July 19, 2021).

Shareholder	Share	
	30.6.2021	31.3.2020
Starcom Holding AD	59.71%	52.79%
KJK Fund II Sicav-Sif Balkan Discovery	14.23%	14.23%
Bluebeard Investments Limited	n/a	10.70%
Specialised Logistic Systems AD	7.03%	-
UPF, PPF, VPF „Badeshte“ (total)	6.10%	-
Other legal entities with less than 5% share	10.66%	19.91%
Other natural persons with less than 5% share	2.27%	2.37%

Starcom Holding AD performs the same scope of activity, namely acquisition, management, evaluations and sale of Bulgarian and foreign legal entities. At present, the capital is at the amount of 66.9 mln (paid in are BGN 46.9 mln) distributed among the following shareholders: Assen Milkov Hristov – 51%, Kiril Ivanov Boshov – 34% and Velislav Milkov Hristov – 15%. The investments of Starcom Holding in subsidiaries is limited to that of

Eurohold Bulgaria AD until November 2018 when a share of 67.1% of a banking institution in the Russian Federation was acquired (“Alma Bank” AD, now renamed “First Investment Bank” AD). At the end of 2019, Starcom Holding AD also acquired a majority share (82.23%) of the capital of Hanson Asset Management - an independent investment company based in London.

During the review period, Starcom Holding acquired (2020) 100% of the capital of Quintar Capital Limited, Hong Kong (formerly Varengold Capital Asset Management Limited) - an asset management company (and licensed by the Securities Commission and Hong Kong futures). The sole subsidiary joint-stock company Starcom Finance EAD (with a capital of BGN 50,000, fully paid in) is also registered in Bulgaria and subject of activity: financial leasing; warranty transactions; acquisition of receivables on loans, and other forms of financing (factoring, forfeiting, etc.); acquisition of participations in a credit institution or another financial institution; granting loans with funds that have not been raised through the public attraction of deposits or other repayable funds.

The second-largest shareholder in Eurohold Bulgaria - KJK Fund II Sicav-Sif Balkan Discovery - a fund specialised in investments in the Balkans, in 2014, acquired 12% of the shares and preserves around this level to date (14.23%).


As of 28.07.2021, 9.16% of the capital of Eurohold Bulgaria AD was acquired by Boston Management and Research - an asset management company.

Subsidiaries of Eurohold Bulgaria continue to hold an insignificant stake in the shares of the parent company.

Eurohold Bulgaria AD has a two-tier **management system** - Management Board (MB) and Supervisory Board (SB), whose members are unchanged during the review period. According to a decision of the GAM, as of 30.06.2021, the independent Member of the Supervisory Board, Ivaylo Krasimirov Angarski replaced Lubomir Christov Stoev. The members of the management bodies of the company are as follows:

**Supervisory Board** (terms of office 09.5.2022):

- Assen Milkov Christov – Chairman;
- Dimitar Stoyanov Dimitrov – Deputy Chairman;
- Radi Georgiev Radev – member;
- Luis Gabriel Roman – independent member
- Kustaa Lauri Äimä – independent member;

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- Lubomir Christov Stoev – independent member (released on 30.06.2021);
- Ivaylo Krasimirov Angarski (

**Management Board**, a term of office to 14.08.2022:

- Kiril Ivanov Boshov – Chairman, Executive member;
- Assen Minchev Minchev – Executive member;
- Velislav Milkov Christov – member;
- Assen Emanuilov Assenov – member;
- Dimitar Kirilov Dimitrov – member;
- Razvan Stefan Lefter – member.

The composition of the **Audit Committee** established in mid-2017 to support the work of the MB is unchanged:

- Ivan Georgiev Munkov – Chairman and independent member;
- Dimitar Stoyanov Dimitrov – member;
- Rossitsa Michailova Pencheva – independent member.

During the review period, the **structure of the rated company and the business lines** have not changed. The largest amount invested is in the **insurance business** - made through the companies of the sub-holding "Euroins Insurance Group AD" (EIG). The net value of the investment as of 31.06.2021 is at the amount of BGN 518.9 mln (an annual increase of 10.8%) and a share of 96.98%, (95.13% at the end of June 2020). Immediately right before the publication of the present review (announcement dated 10.09.2021), Eurohold Bulgaria AD notified its shareholders of an advanced stage of negotiations with the European Bank for Reconstruction and Development (EBRD) for a corporate-approved transaction for the sale of a minority stake in EIG. The planned investment of the EBRD in the insurance sub-holding is up to EUR 30 mln and should be realized through a raise of the capital of the insurance group, in which with an additional investment of EUR 12 mln Eurohold Bulgaria AD will also participate.


The investments in the other three business lines, in the period of review, are unchanged, namely::

In the holding "Auto Union" AD that bond the activities of companies for **import, sale and service of cars, parts and consumables for them**, with a net investment value as of 30.06.2021 of BGN 66.8 mln and a share of 99.99%);

In **leasing activity** carried out through Eurolease Group AD - an investment of BGN 24.6 mln and a share of 90.01%.

In the activity of **investment intermediation and asset management**, carried out through Euro-Finance AD, the value of the investment also amounts to BGN 24.6 mln, which provides a share in the company of 99.99%.

In a previous review period, a **new business line** was included in the portfolio of activities of the rated company, namely "**Energy**", which at the end of June 2021 has an investment of BGN 2,000 in the Dutch-registered holding company "Eastern European Electric Company II". B.V. (100% share). The company is established for consolidating investments in the energy sector and has no activity developed so far. Following the period of the present review (July 22, 2021), Eurohold Bulgaria raised the capital of the subsidiary with a cash contribution of EUR 65.6 mln, and through its subsidiary (100%) Eastern European Electric Company BV, Eurohold Bulgaria acquired the CEZ's business in Bulgaria. The value of the deal amounts to EUR 335 mln and includes the acquisition of a 67% share in CEZ Distribution Bulgaria and CEZ Electro Bulgaria, as well as a 100% share in CEZ ICT Bulgaria, Free Energy Project Oreshets and Bara Group, CEZ Trade Bulgaria and CEZ Bulgaria. The acquisition was financed by a combination of own funds (mainly raised through capital increases) and complex external financing, including strategic investment and a syndicated loan with the participation of commercial banks and international financial institutions. The strategic investment is owned by Metric Capital Partners, as an exclusive financial consultant and exclusive manager and intermediary, the investment bank J.P. Morgan AG. In the syndicated loan J.P. Morgan AG participates as a leading and exclusive manager, underwriter and organizer. Participants in the union are Bank of China Luxembourg, Raiffeisenbank International, Raiffeisen Bank Bulgaria and UniCredit Bulbank - underwriters and authorized lead managers; The Black Sea Trade and Development Bank (BSTDB), DSK Bank, the European Bank for Reconstruction and Development (EBRD) and OTP Bank - authorized lead managers; Eurobank Bulgaria, International Investment Bank (IIB) and United Bulgarian Bank - lead managers.

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Although outside the review period, the **high significance of the investment made**, the way it is financed and the significant changes in the structure of the rated company, its activities and expected results are **taken into account for the rating assessment**.

Most distinctive changes in the financial condition of Eurohold Bulgaria for the review period based on the **Individual Financial Statements** are the following:

✓ the **Balance sum** retained its upward trend from the last ten years, wherein 2020 the reported growth was 8.2% on an annual basis (compared to the lower 1.1% in the previous year). For the first six months of 2021 the formed growth was 8.7% annually;

✓ On an individual basis, the company realized a new, high **net loss** from the activity for 2020, amounting to BGN 16.8 mln (after BGN 14.6 mln for 2019), and for the first half of 2021, a current loss of BGN 12.4 mln was formed (BGN 7.2 mln for the past corresponding period). The result remains significantly influenced by the **low levels of profits from operations with financial instruments** and revaluations maintained in the last two years but is also affected by a continued increase in **interest expenses** - by 22.3% on an annual basis for the first half of 2021. (and reached an amount of nearly BGN 10 mln), after an increase of 8.2% for 2020;

The **asset structure** of Eurohold Bulgaria AD remains unchanged, **dominated to an exceedingly high degree by investments** in its subsidiaries, remaining with a share in the assets of over 99% in the last two and a half years. Their increase (respectively the total assets) was formed in line with the growing investment in the insurance group (EIG).

*Investments in subsidiaries:*

Company – Net Investment amount (BGN'000)	As of 30.6. 2020	Change for the period	As of 30.6. 2021	Share % в комп.
Euroins Insurance Group AD	468 403	+50 471	518 874	96.98%
Auto Union AD	66 775	-	66 775	99.99%
Eurolease Group EAD	24 635	-	24 635	90.01%
Euro-Finance AD	24 645	-	24 645	99.99%
Eastern European Electric Company II B.V.	-	+2	2	100.0%
<b>Total:</b>	<b>584 458</b>	<b>+50 473</b>	<b>634 929</b>	<b>-</b>

For the other groups of assets of the company, the changes during the review period are insignificant.

The **structure of liabilities** with the largest and increasing share of liabilities, continue to be those on **bond loans** (from 51.4% at the end of 2019 to 63.1% at the end of June 2021). Their value increased by a significant 42.6% on an annual basis in 2020 (or by BGN 58.2 mln in absolute value), and in the first six months of 2021, it increased by another 12.9% (or BGN 25.1 mln). The total **loan liabilities** (from financial and non-financial institutions) in 2020 decreased by 9.5% on an annual basis (or by BGN 6.5 mln in absolute value), and the trend retained in the first half of 2021 (with a decrease of 10.0%, or BGN 6.1 mln). **Liabilities to related parties** have been significantly reduced. Part of loan obligations at the end of 2020 have been converted into **subordinated term debt** to the majority owner (Starcom Holding), agreed for an indefinite period but at least five years. The liability at the end of June 2021 amounted to BGN 32.8 mln.


Increased loan liabilities, formed against the background of reduced equity, resulted in negative changes in **total indebtedness and credit dependence**, calculated on an individual basis. The coverage of interest payments by earnings before interests, taxes, and depreciation (EBITDA) is negative.

**The receivables from related parties remain minor** compared to the obligations to them, albeit their decline in the review period.

**The trade and other obligations** are slightly volatile and do not affect the total book value of the company.

**On a consolidated basis**, the consolidated assets of the enterprises in the rated holding company retained a constant growth rate, maintained in the last ten years, and registered an annual growth of 7.6% in 2020 (after 8.8% and 4.8% for the previous two years), and the first six months of 2021. A new increase of 6.5% was realized, after which the total value of assets at the end of June 2021 exceeded BGN 1.7 bln (BGN 1.5 bln as of the end of December 2019).

**The equity** declined significantly due to the high loss value registered in 2020 (BGN 43.8 mln for the owners) but the owner Starcom Holding has provided subordinated term debt (tier 1 capital,

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unissued debt instruments) to support. As a result, the total amount of capital and subordinated debt instruments remained unchanged (approximately BGN 211.5 mln). Following the review period, the company further increased its share capital through the issuance and placement of new shares to BGN 260.5 mln (from BGN 197.6 mln at the end of June 2021).

More specific changes in the **assets structure** are the following:

- Maintained a stable level in the value of **cash, cash equivalents and deposits with banks**, with a decrease of 14.2% on an annual basis for 2020, offset by their increase of 22.1% for the first six months of 2021;
- Continued increase of **receivables**, formed mainly in the insurance business of the group and increase their share to total assets (up 50.3% at the end of 2021g.). *Receivables from reinsurers* remain the largest share in this group, as part of technical provisions (33.5% of total assets);
- Significant increase in the value of **financial assets** held - by 30.6% on an annual basis for 2020, followed by new 3.3% for the first half of 2021. The result is from an increase in government securities (for 2020 by a significant 49.8%), in the value of capital investments (by 37.6%) and the strong growth of other financial assets reported at depreciated value (by 142.5%). A decrease is observed only in the value of corporate bonds held, which already accounted for a smaller share in total financial assets (6.2% at the end of 2020). Another more characteristic change in the structure of the latter is the growing share of government securities (from 26.0% at the end of 2019 to 29.9% at the end of 2020). The most significant structural change for the review period is the gradual increase in the share of capital investments - from 35.4% at the end of 2019 to 37.3% at the end of 2020 and 44.6% at the end of June 2021.
- The value of goodwill for the acquisition of subsidiaries is unchanged in size and was continuing to decrease as a share in the total assets - from 12.6% at the end of 2019, to 11.0% at the end of June 2021.


In the review period, the assets generated and managed by the Insurance business preserve their leading role. "Car Trade and Car Service" business

is important in forming the value of assets by FTA and inventories, and the Leasing business – by FTA (vehicles) and receivables from clients (leasing agreements). Both last-mentioned sectors have been affected by the Covid-19 pandemic crisis, and in 2020, in addition to revenue (sales), they lost value in assets (expressed mainly in inventories and vehicles).

More specific changes in the **liabilities structure** could be noted:

- **Insurance reserves and liabilities for reinsurance operations** continue to grow, taking into account the growth of the group's insurance business. They remain with the most significant share in the total liabilities - from 63.4% at the end of June 2021 (60.2% as of 31.12.2019) (62.4% as of 31.12.2020);
- The review period is characterized by an increase in liabilities on **loans from banks and non-bank financial institutions and on bond loans** - by a total of 13.2% on an annual basis at the end of 2020 (after a slight change in the previous 2019) and by another 14.3% for the first half of 2021. In 2021, the growth is a result of the funds raised from bonds placed by the parent company. The increase in credit dependence is due to the **increased amount of the liabilities and is considered in the context of a general provision of resources for further increase of investments in the insurance group and the new business line (Energy)**;
- In 2020 and the first half of 2021, there was a decelerating trend in the amount of **current, trade and other liabilities** was formed - by BGN 22.6 mln (or by 16.2%) for 2020 and by BGN 17.1 mln (or by 14.6%) for the first six months of 2021.
- A steady descending trend in **non-controlling interest**;

In the review period, the total amount of **consolidated operating income** of the companies in the Group annually decreased by 1.4% in 2020, followed by a significant increase in the first half of 2021 - by 20.0% compared to the past corresponding period. In 2020, the decrease was mainly due to the car business, which was most significantly affected by the Covid crisis (with a 33.5% decline in sales) but was almost completely covered by the continuing growth of sales in the insurance industry. The latter remains the most significant, accounting for a share of 88% of

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operating revenues (compared to 83% in 2019) and recorded growth of 4.5% in 2020 and 18.9% in the first half of 2021. The amount of **gross profit from operating activities** for 2020 decreased significantly (by 42.4%), and for the first half of 2021 increased by 14.8% (compared to the last corresponding period). The relatively weak restraint on operating costs cannot compensate for the significantly reduced gross profit and the latter translates into a significant reduction in profit before financial expenses, depreciation, and taxes. Its amount for 2020 remains positive but is much lower than the level of interest expenses. The latter, together with the high amount of depreciation costs (BGN 20.7 mln for 2020), determine the **significant amount of net loss** of BGN 43.5 mln for 2020. In the first half of 2021, there are positive changes, leading to the current net result from the activity - loss of BGN 3.4 mln.

The observed key financial indicators do not change significantly, more distinctive are the following:

- The substantial ascending trend in the **credit dependence** – to a level of 3.09 at the end of June 2021, (after 2.50 at the end of 2020 and 1.55 at the end of 2019) as a result of the simultaneous growth in the amount of the attracted loan resource and reduction of the value of equity;
- The level of **total indebtedness** maintains the trend of an insignificant annual increase, reaching 0.88 at the end of June 2021. (0.86 at the end of 2019);
- decreasing **coverage of interest payments** from the earnings before interest, taxes, depreciation and amortization (EBITDA), as a direct effect, with a relatively small increase in interest rate levels;
- maintained relatively good levels of **current liquidity**, with slight improvement during the review period

In the structure of Eurohold Bulgaria AD, the insurance activity retains its high importance and its determining role for the overall results. The Insurance Group (EIG) realized a relatively high amount of net loss for 2020 (BGN 28.0 million, after BGN 16.2 million profit for the previous year), which is transferred to the total consolidated result of the rated company. The results of the EIG remain highly dependent on the results of the insurance company operating in Romania

(although the continued development of the group's activities in new markets raises the expectations for future differentiation from this dependence).

A significant additional effect on the condition of the company has the Covid-19 crisis (with a negative effect mainly on the car business), as well as the actions for realization of the investment intentions for expansion.


The acquisition of CEZ's assets in Bulgaria, finalized after the review period, is considered in the rating assessment. The effects expected from BC\$RA - Credit Rating Agency are for a general significant increase in the value of the balance sum, operating income, and general improvement in the levels of leverage and liquidity of Eurohold Bulgaria AD.

Based on the financial data of the subsidiaries in the group of Eurohold Bulgaria AD on sales revenues, assets, financial results and others, as key companies in the holding, remain the companies Euroins Insurance Group AD and Auto Union AD. With the development of the group's activity in the Energy business, the assessment of the financial condition and the activity of the companies joining Eurohold Bulgaria AD (in the third quarter of 2021), the energy business will become essential for the rating assessment and will become leading in terms of importance for the group.

The subsidiaries of Eurohold Bulgaria AD: ZD Euroins AD and ZD EIG Re EAD (subsidiaries of Euroins Insurance Group AD), Eurolease Auto EAD (a subsidiary of Eurolease Group EAD) and Auto Union AD, BCRA assigns individual ratings.

*The rating would be positively affected by improvement in the financial results and increases in equity, increase in the revenues and market share of the companies in the group, decrease in the levels of indebtedness, credit dependence, and improvement in the levels of coverage of interest payments.*

*A negative impact on the rating would have the opposite effect on the above-mentioned changes.*

	<b>CREDIT RATING</b> <b>„EUROHOLD BULGARIA“ AD</b> Long-term / short-term credit rating: <b>BBB- / A-3 (outlook: stable)</b> Long-term/ short-term national-scale rating: <b>A (BG) / A-1 (BG) (outlook: stable)</b> <b>September 2021</b>
	<b>95, Evlogi &amp; Hristo Georgievi Blvd., fl. 1</b> 1142 Sofia

### Key Financial Indicators:

#### Consolidated

Indicator	6.2021	2020	2019**	2018***	2017***	2016
Assets	1 732 529	1 627 137	1 512 497	1 390 249	1 326 414	1 134 514
change	6.5%	7.6%	8.8%	4.8%	16.9%	14.7%
Liabilities (incl. subordinated debt)	1 607 813	1 492 194	1 320 460	1 189 674	1 112 305	1 019 255
change	7.7%	13.0%	11.0%	7.0%	9.1%	15.7%
Equity (incl. non-controlling participation)	124 716	134 943	192 037	200 575	214 109	115 259
change	-7.6%	-29.7%	-4.3%	-6.3%	85.8%	5.6%
Operating revenues (incl. from activity of the parent company)	923 403	1 579 130	1 600 809	1 263 160	1 240 716	1 053 374
change (compared to last corresponding period)	20.0%	-1.4%	26.7%	1.8%	17.8%	14.8%
Gross result from operating activity	58 304	70 708	122 702	124 744	131 439	96 536
change of operating result	14.8%	-42.4%	-1.6%	-5.1%	36.2%	-578.0%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	18 260	1 465	45 350	46 665	57 513	34 908
change EBITDA	12.8%	-96.8%	-2.8%	-18.9%	64.8%	-
Net financial result	-3 463	-43 543	2 707	11 088	24 335	9 435
Change net result	-	-	-75.6%	-54.4%	157.9%	-111.6%
- incl. for the owners of the parent company	-3 783	-43 807	480	9 105	18 103	7 757
Operating profitability	6.31%	4.48%	7.66%	9.88%	10.59%	9.16%
Net profitability of the income	-	-	-	0.87%	1.95%	0.89%
Profitability of equity	-	-	-	5.53%	11.40%	8.87%
Credit dependence *	3.09	2.50	1.55	1.49	1.17	1.95
Leverage	0.88	0.87	0.86	0.84	0.82	0.83
Coverage of interest payment (EBITDA/interest expenses)	1.42	0.07	2.39	2.08	2.68	2.38
Current liquidity	1.13	1.21	1.08	1.09	1.13	1.07

\* Calculated as the ratio of liabilities on loans from credit institutions and on bond loans to equity

\*\* Recalculated for the 2020 report; \*\*\* Recalculated for the 2019 report; \*\*\*\* Recalculated for the 2018 report.

The table does not show negative values for profitability indicators.

#### Rating History:

CREDIT RATING	Initial rating	Review	Review	Review	Review
Rating Committee date:	25.07.2017	22.08.2018	27.08.2019	03.09.2020	17.09.2021
Publication date:	27.07.2017	27.08.2018	29.08.2019	09.09.2020	21.09.2021
Long-term rating:	BBB-	BBB-	BBB-	BBB-	BBB-
Outlook:	stable	stable	in development	stable	stable
Short-term rating:	A-3	A-3	A-3	A-3	A-3
Long-term national-scale rating:	A (BG)	A (BG)	A (BG)	A (BG)	A (BG)
Outlook:	stable	stable	in development	stable	stable
Short-term national-scale rating	A-1 (BG)	A-1 (BG)	A-1 (BG)	A-1 (BG)	A-1 (BG)