

**Everybody has a story, we have a vision.**



**Eurohold Bulgaria AD  
Annual Consolidated Statement 2017**





***Eurohold Bulgaria AD has prepared an Annual Consolidated Financial Statement, including the results of the operations and the financial position of the Parent Company and the subsidiaries, an Activity Report presenting commentary and analysis of the consolidated financial statements and other material information about the financial position and results of the Group, as well as the Consolidated Non-Financial Statement of Eurohold Group for 2017.***

***Translation this annual consolidated report of Eurohold Bulgaria AD is available in Bulgarian and English.***

***The Bulgarian version is the original version. The English version is a convenience translation. We have made all possible reasonable efforts to avoid any inconsistency between the different language versions.***

***If there are any such discrepancies, however, the Bulgarian version will be authoritative.***

## TABLE OF CONTENTS

<b>SECTION A –</b>	<b>4</b>
<b>Independent Auditor’s Report</b>	<b>4</b>
<b>SECTION B –</b>	<b>14</b>
<b>Consolidated Financial Statement</b>	<b>14</b>
<b>SECTION C - Notes to the Consolidated Financial Statement for 2017</b>	<b>23</b>
<b>SECTION A –</b>	<b>67</b>
<b>Brief overview of 2017</b>	<b>67</b>
D1 KEY CONSOLIDATED INDICATORS	68
KEY CONSOLIDATED INDICATORS - CONTINUED	69
D2 SIGNIFICANT EVENTS FOR THE EUROHOLD GROUP IN 2017	71
D3. Brief overview of 2017 BY THE CHAIRMAN OF THE SUPERVISORY BOARD AND THE PRESIDENT OF THE MANAGEMENT BOARD	74
<b>SECTION E - ACTIVITY REPORT</b>	<b>76</b>
E1. VISION, BUSINESS PROFILE, MISSION, GOALS	77
E2. KEY FACTORS FOR GROWTH OF THE EUROHOLD GROUP	78
E3. Information for the Company	79
E4. MANAGEMENT BODIES CONTROL AUTHORITIES	83
E5. SHARE CAPITAL CAPITAL STRUCTURE	85
E6. MAIN SCOPE OF ACTIVITY BUSINESS OPERATIONS	88
E7. CAPITAL INVESTMENTS	7
E8. RESULTS FROM THE ACTIVITY	10
E9. OVERVIEW OF THE ACTIVITY OF SUBSIDIARY SUB-HOLDING STRUCTURES	19
E10 THE CURRENT TRENDS AND THE LIKE FUTURE DEVELOPMENT OF THE EUROHOLD GROUP	59
E11 CONSOLIDATED NON - FINANCIAL DECLARATION	65
E12 CORPORATE GOVERNANCE	99
E13 DESCRIPTION OF THE MAIN RISKS	100
E14 ADDITIONAL INFORMATION, LEGAL REQUIREMENTS FOR THE COMPANY	106
E15 OTHER INFORMATION	126
<b>SECTION F - Declaration on Corporate Governance</b>	<b>127</b>
<b>SECTION G - Declaration of Responsible Persons</b>	<b>127</b>

For additional  
information;  
on the following:

About Us  
Structure  
Corporate Governance  
Investor Information  
Communication and  
Media

please visit:  
[www.eurohold.bg](http://www.eurohold.bg)

- ♦ **SECTION A –**
- ♦ **Independent Auditor's Report**



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
EUROHOLD BULGARIA AD**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of **EUROHOLD BULGARIA AD** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How this key audit matter was addressed in our audit
<p><b>1. Insurance reserves assessment</b></p> <p><b>Insurance reserves as at 31 December 2017: BGN 595,835 thousand (31 December 2016: BGN 508,820 thousand)</b></p> <p><b>Note 42 to the consolidated financial statements</b></p> <p>Group insurance reserves amount to 54% from the total liabilities and include Unearned premium reserve (UPR), insurance reserves related to loss events and insurance claim payments (outstanding claim reserves) and other technical reserves.</p> <p>Outstanding claim reserves amount to 67% from the total insurance reserves as at 31 December 2017 and are calculated as the best estimate of the expected final expenses for each and every claim settlement as at the reporting date (Reserve for reported but not settled claims) and for the expected final expenses for settlement of incurred but not reported claims at the reporting date (Reserve for incurred but not reported claims).</p> <p>Calculation of insurance reserves includes applying significant judgment by the management mainly related to: trends in claims growth, assessment of input data appropriateness and necessity of relevant amendments to that data, judgment about frequency and influence of the claims and their relevant claim settlement expenses, as well as claims long term horizon.</p> <p>Because of these reasons, insurance reserves and disclosure of Group consolidated financial statements require and presume numerous estimates, assumptions and specific calculations, inclusive participation of experts.</p>	<p>In this area, our audit procedures along with others similar, include:</p> <ul style="list-style-type: none"> <li>• review of Group rules, accounting policies and procedures for setting up of insurance reserves in accordance with the legislative requirements;</li> <li>• assessment of the nature of the insurance portfolio nature and the accepted risks in order to determine the nature of the Group liabilities under its insurance contracts;</li> <li>• analysis of the models applied by the Group and the main assumptions compared to the best actuarial practices;</li> <li>• assessment of the types of insurance reserves, the completeness of the risks they cover, the basis and the methods used for the calculation of the reserves;</li> <li>• assessment of the disclosure in Group consolidated financial statements related to insurance reserves.</li> </ul>



Key audit matter	How this key audit matter was addressed in our audit
Therefore we determine this matter as key audit matter.	
<p><b>2. Impairment of Goodwill recognized in Business combination</b></p> <p><b>Goodwill as at 31 December 2017: BGN 189,813 thousand (31 December 2016: BGN 189,999 thousand)</b></p> <p><b>Note 33 to consolidated financial statements</b></p> <p>Review of the Goodwill acquired with Business combination is carried out on yearly basis with the help of external appraisers, hired by the Group. Assumptions are made based on future development of subsidiaries, taking into account their mid and long term business plans and planned future business activities within the Group. Key assumptions applied in calculations were determined separately for each Goodwill bearing Company, treated as separate unit generating Cash Flows and taking into account its business activity and risk specifics.</p> <p>These reasons as of above along with the application of significant judgments of the Group management and the considerable volatility related to used input data and the assumptions allowed when determining the fair values made us to define this matter as a key audit matter.</p>	<p>In this area, our audit procedures along with others similar, include:</p> <ul style="list-style-type: none"> <li>• review of the main assessment and assumptions, calculations and results from the impairment of the Goodwill review acquired with Business combination carried out by the Group with the help of independent external appraisers, hired by the Group;</li> <li>• assessment of the competence, independence and objectivity of the external appraisers, hired by the Group;</li> <li>• analysis of implementation of subsidiaries' forecast indicators from the previous year and comparison to their respective implementation during the reporting period as well as an assessment of appropriateness of Group's forecasts for its subsidiaries;</li> <li>• assessment of the disclosure adequacy in Group consolidated financial statements related to impairment of goodwill.</li> </ul>

#### Other Matters

The consolidated financial statements of **EUROHOLD BULGARIA AD** as at 31 December 2016 were audited by other auditor that issued unqualified audit report with an emphasis of matter paragraph dated 5 May 2017.



### **Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor's report, comprises the consolidated management report, including the corporate governance statement and consolidated non-financial statement prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

#### ***Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act***

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Consolidated Financial Statements and Auditor's Report Thereon* section, in relation to the consolidated management report, the Group corporate governance statement and the consolidated non-financial statement, we have also performed the procedures added to those required under ISAs in accordance with "*Guidelines about new and expanded auditor's reports and communications from the auditor's side*" of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

#### ***Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act***

Based on the procedures performed, our opinion is that:

- a) The information included in the consolidated management report referring to the financial year for which the consolidated financial statements have been prepared is consistent with those consolidated financial statements.
- b) The consolidated management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act.
- c) The Group corporate governance statement referring to the financial year for which the consolidated financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100(m), paragraph 8 of the Public Offering of Securities Act.
- d) The consolidated non-financial statement referring to the financial year for which the consolidated financial statements have been prepared is provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.



*Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100(m), paragraph 8 (3) and (4) of the Public Offering of Securities Act*

Based on the procedures performed and the knowledge and understanding obtained about Group's activities and the environment in which it operates, in our opinion, the description of the main characteristics of Group's internal control and risk management systems relevant to the financial reporting process, which is part of the consolidated management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

***Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act***

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Audit firm HLB Bulgaria OOD was appointed as a statutory auditor of the consolidated financial statements of **EUROHOLD BULGARIA AD** for the year ended 31 December 2017 by the general meeting of shareholders held on 30 June 2017 for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended 31 December 2017 represents first total uninterrupted statutory audit engagement for that group carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the audit committee of **EUROHOLD BULGARIA AD**, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Group.

**Audit Firm**  
**HLB Bulgaria OOD**

**Manager:**  
**Milena Hristova**

**Registered auditor, responsible for the audit:**  
**Vaska Gelina**  
**13 April 2018**



The image shows a handwritten signature in blue ink over a blue circular stamp. The stamp contains the text: "ОДИТОРСКО ДРУЖЕСТВО" (Audit Firm) at the top, "София" (Sofia) in the center, "Рег. № 017" (Reg. No 017) below the center, and "Ел Бл България ООД" (El Bl Bulgaria OOD) at the bottom.

- ♦ **SECTION B –**
- ♦ **Consolidated Financial Statement**

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# Annual Consolidated Financial Statement 2017

A-Independent  
Auditor's Report

B-Consolidated  
Financial Statement

C-Notes to the  
Consolidated Financial  
Statement

D-Brief  
Overview of  
2017

E-Consolidated  
Activity Report

F-Corporate  
Governance  
Statement

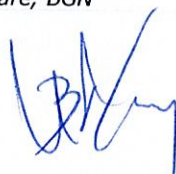
G-Statement of the  
Responsible  
Persons

## Eurohold Bulgaria AD Consolidated Statement of profit or loss For the year ended December 31, 2017

*In thousand BGN*

	Notes	2017	2016
<b>Revenue from operating activities</b>			
Revenue from Insurance business	3	1 005 026	843 652
Revenue from car sales and after sales	5	204 255	166 768
Revenue from Leasing business	6	25 374	21 524
Revenue from asset management and brokerage	8	3 882	5 032
Revenue from the activities of the parent company	10	2 179	16 398
		<b>1 240 716</b>	<b>1 053 374</b>
<b>Expenses of operating activities</b>			
Expenses of Insurance business	4	(919 175)	(799 671)
Cost of cars and spare parts sold		(182 089)	(147 117)
Expenses of Leasing business	7	(4 325)	(4 849)
Expenses of asset management and brokerage	9	(2 749)	(4 303)
Expenses of the activities of the parent company	11	(859)	(898)
		<b>(1 109 197)</b>	<b>(956 838)</b>
<b>Gross Profit</b>		<b>131 519</b>	<b>96 536</b>
Other income/(expenses), net	12	(6 037)	(4 712)
Other operating expenses	13	(67 889)	(56 916)
<b>EBITDA</b>		<b>57 593</b>	<b>34 908</b>
Financial expenses	14	(22 007)	(15 068)
Financial income	15	368	183
Foreign exchange gains/losses, net	18	(1 173)	(18)
<b>EBTDA</b>		<b>34 781</b>	<b>20 005</b>
Depreciation and amortization	16	(8 110)	(6 663)
<b>EBT</b>		<b>26 671</b>	<b>13 342</b>
Tax expenses	17	(2 256)	(3 118)
<b>Net income for the year</b>		<b>24 415</b>	<b>10 224</b>
Attributable to:			
Equity holders of the parent		18 174	8 474
Non-controlling interests		6 241	1 750
<i>Earnings per share, BGN</i>	43.3	0.125	0.068

Prepared by:

  
/I. Hristov/

11.4.2018

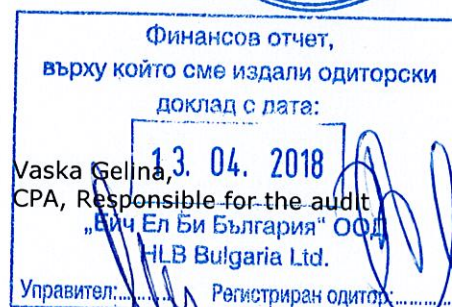
Audit firm  
HLB Bulgaria OOD

Milena Hristova,  
Manager



Signed on behalf of BoD:

   
/A. Minchev/ /H. Stoev/



These consolidated Financial Statements have been approved from the Board of Directors of Eurohold Bulgaria AD on 11.4.2018. The notes from page 22 to page 63 are an integral part of the annual consolidated financial statements.



## Annual Consolidated Financial Statement 2017

A-Independent Auditor's Report	B-Consolidated Financial Statement	C-Notes to the Consolidated Financial Statement	D-Brief Overview of 2017	E-Consolidated Activity Report	F-Corporate Governance Statement	G-Statement of the Responsible Persons
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### Eurohold Bulgaria AD Consolidated Statement of Other Comprehensive Income For the year ended December 31, 2017

<i>In thousand BGN</i>	Notes	2017	2016
<b>Profit for the year</b>	44	<b>24 415</b>	<b>10 224</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net (loss)/gain on financial assets available-for-sale		(486)	(170)
		<b>(486)</b>	<b>(170)</b>
Exchange differences on translating foreign operations		(599)	(619)
		<b>(599)</b>	<b>(619)</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>(1 085)</b>	<b>(789)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>23 330</b>	<b>9 435</b>
Attributable to:			
Equity holders of the parent		16 967	7 757
Non-controlling interests		6 363	1 678
		<b>23 330</b>	<b>9 435</b>

Prepared by:

/I. Hristov/

11.4.2018

Audit firm  
HLB Bulgaria OOD

Signed on behalf of BoD:

/A. Minchev/

/H. Stoev/

Milena Hristova,  
Manager



Финансов отчет,  
върху който сме издали одиторски  
доклад с дата:

**13. 04. 2018**

Vaska Gelina,  
CPA, Responsible for the Audit  
HLB Bulgaria Ltd.

Управител: ..... Регистриран одитор: .....

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## Annual Consolidated Financial Statement 2017

A-Independent  
Auditor's Report

B-Consolidated  
Financial Statement

C-Notes to the  
Consolidated Financial  
Statement

D-Brief  
Overview of  
2017

E-Consolidated  
Activity Report

F-Corporate  
Governance  
Statement

G-Statement of the  
Responsible  
Persons

### Eurohold Bulgaria AD Consolidated Statement of Financial Position As at December 31, 2017

<i>In thousand BGN</i>	<i>Notes</i>	<i>31.12.2017</i>	<i>31.12.2016</i>
<b>ASSETS</b>			
Cash and cash equivalents	19	45 945	100 948
Deposits at banks	20	11 171	27 662
Reinsurers' share in technical reserves	21.1	361 247	294 865
Insurance receivables	21.2	87 941	65 327
Trade receivables	22	27 474	21 572
Other receivables	23	30 822	62 829
Machinery, plant and equipment	24, 24.2-5	44 630	34 515
Intangible assets	26	2 198	1 739
Inventory	27	59 125	40 212
Financial assets	28	327 053	174 097
Deferred tax assets	29	13 184	14 910
Land and buildings	24, 24.1	20 090	16 207
Investment property	25	12 698	13 215
Investments in associates and other investments	30	4 724	171
Other financial investments	31	2 391	2 159
Non-current receivables	32	85 908	74 087
Goodwill	33	189 813	189 999
<b>TOTAL ASSETS</b>		<b>1 326 414</b>	<b>1 134 514</b>

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# Annual Consolidated Financial Statement 2017

A-Independent Auditor's Report	B-Consolidated Financial Statement	C-Notes to the Consolidated Financial Statement	D-Brief Overview of 2017	E-Consolidated Activity Report	F-Corporate Governance Statement	G-Statement of the Responsible Persons
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## Eurohold Bulgaria AD Consolidated Statement of Financial Position (continued) As at December 31, 2017

<i>In thousand BGN</i>	Notes	31.12.2017	31.12.2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	43.1	197 526	127 345
Treasury shares	43.1	(77)	(2 946)
Share Premium	43.2	49 568	39 736
General reserves		7 641	7 641
Revaluation and other reserves		(57 203)	(56 477)
Retained earnings/(losses)		(44 825)	(44 659)
Profit for the year	44	18 174	8 474
<b>Equity attributable to equity holders of the parent</b>		<b>170 804</b>	<b>79 114</b>
Non-controlling interests	45	43 702	36 145
<b>Total equity</b>		<b>214 506</b>	<b>115 259</b>
<b>Subordinated debts</b>	34	<b>26 058</b>	<b>77 253</b>
<b>LIABILITIES</b>			
Bank and non-bank loans	35	99 245	105 066
Obligations on bond issues	36	150 757	119 516
Non-current liabilities	37	30 087	32 937
Current liabilities	38	25 587	32 559
Trade and other payables	39	102 192	73 187
Payables to reinsurers	40	81 863	69 749
Deferred tax liabilities	41	284	168
		<b>490 015</b>	<b>433 182</b>
Insurance reserves	42	595 835	508 820
		<b>595 835</b>	<b>508 820</b>
<b>Total liabilities and subordinated debts</b>		<b>1 111 908</b>	<b>1 019 255</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 326 414</b>	<b>1 134 514</b>

Prepared by:

/I. Hristov/

11.4.2018

Audit firm  
HLB Bulgaria OOD

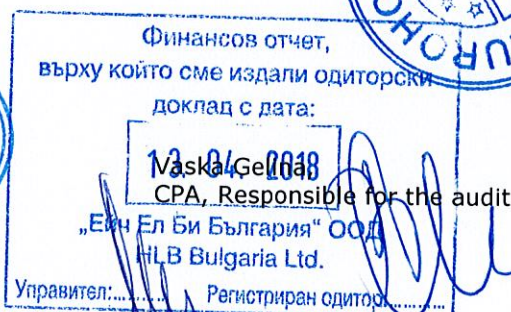
Milena Hristova  
Manager

Signed on behalf of BoD:

/A. Minchev/

Procurement:

/H. Stoev/



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## Annual Consolidated Financial Statement 2017

A-Independent  
Auditor's Report

B-Consolidated  
Financial Statement

C-Notes to the  
Consolidated Financial  
Statement

D-Brief  
Overview of  
2017

E-Consolidated  
Activity Report

F-Corporate  
Governance  
Statement

G-Statement of the  
Responsible  
Persons

### Eurohold Bulgaria AD Consolidated Statement of Cash Flows For the year ended December 31, 2017

<i>In thousand BGN</i>	<i>Notes</i>	<i>2017</i>	<i>2016</i>
<b>Cash flows from operating activities</b>			
<b>Profit for the year before tax:</b>		<b>26 671</b>	<b>13 342</b>
Adjustments for:			
Depreciation and amortization	16	8 110	6 663
Foreign exchange gain/(loss)		1 367	(84)
Dividend income		(101)	(84)
Change in insurance reserves		19 518	(4)
Increase in impairment loss		14 809	16 088
Revaluation of investments		(1 061)	437
Profit from the purchase of investments in subsidiaries		-	(5 117)
Profit from the sale of investments		(8 261)	(19 194)
Profit from transfer of property, plant and equipment		(314)	(183)
Net investment income (interest income and expenses)		13 406	9 339
Other non-cash adjustments		(2 915)	(4 046)
<b>Operating profit before change in working capital</b>		<b>71 229</b>	<b>17 157</b>
Change in trade and other receivables		14 284	(102 543)
Change in inventory		(18 913)	5 763
Change in trade and other payables and other adjustments		(42 156)	69 041
<b>Cash generated from operating activities</b>		<b>24 444</b>	<b>(10 582)</b>
Interest (paid)/received		4 244	5 893
Income tax paid		(968)	(1 324)
<b>Net cash flows from operating activities</b>		<b>27 720</b>	<b>(6 013)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(7 533)	(3 181)
Proceeds from the disposal of property, plant and equipment		20 366	4 644
Loans granted		(43 444)	(12 592)
Repayment of loans, including financial leases		65 620	7 921
Interest received on loans granted		2 283	697
Purchase of investments		(210 187)	(272 461)
Sale of investments		80 536	177 194
Dividends received		1 934	450
Effect of exchange rate changes		4	(75)
Other proceeds/(payments) from investing activities, net		(3 946)	7 480
<b>Net cash flows from investing activities</b>		<b>(94 367)</b>	<b>(89 923)</b>

These consolidated Financial Statements have been approved from the Board of Directors of Eurohold Bulgaria AD on 11.4.2018. The notes from page 22 to page 63 are an integral part of the annual consolidated financial statements.



# Annual Consolidated Financial Statement 2017

A-Independent Auditor's Report	B-Consolidated Financial Statement	C-Notes to the Consolidated Financial Statement	D-Brief Overview of 2017	E-Consolidated Activity Report	F-Corporate Governance Statement	G-Statement of the Responsible Persons
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## Eurohold Bulgaria AD

### Consolidated Statement of Cash Flows (continued) For the year ended December 31, 2017

*In thousand BGN*

	Notes	2017	2016
<b>Financing activities</b>			
Proceeds from issuance of shares		81 035	-
Proceeds from loans		188 305	261 308
Repayment of loans		(231 400)	(127 443)
Repayment of financial leases		(14 168)	(3 247)
Payment of interest, charges, commissions on investment loans		(8 477)	(5 972)
Dividends paid		(1 472)	(571)
Other proceeds/(payments) from financing activities, net		(2 179)	1 257
<b>Net cash flows from financing activities</b>		<b>11 644</b>	<b>125 332</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(55 003)</b>	<b>29 396</b>
Cash and cash equivalents at the beginning of the year	19	100 948	71 552
<b>Cash and cash equivalents at the end of the year</b>	19	<b>45 945</b>	<b>100 948</b>

Prepared by:



/I. Hristov/

11.4.2018

Signed on behalf of BoD:



/A. Minchev/



Procurator:

/H.Stoev/

Audit firm  
HLB Bulgaria OOD



Milena Hristova,  
Manager



Vaska Gelina,  
CPA, Responsible for the audit



# Annual Consolidated Financial Statement 2017

A-Independent  
Auditor's Report

B-Consolidated  
Financial Statement

C-Notes to the  
Consolidated Financial  
Statement

D-Brief  
Overview of  
2017

E-Consolidated  
Activity Report

F-Corporate  
Governance  
Statement

G-Statement of the  
Responsible  
Persons

## Eurohold Bulgaria AD Consolidated Statement of Changes in Equity For the year ended December 31, 2017

<i>In thousand BGN</i>	Share capital	Share premium	General reserves	Revaluation and other reserves	Retained earnings/ (losses)	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
<b>Balance as at 1 January 2016</b>	<b>127 237</b>	<b>38 714</b>	<b>7 641</b>	<b>(51 598)</b>	<b>(36 907)</b>	<b>85 087</b>	<b>24 075</b>	<b>109 162</b>
Dividends	-	-	-	-	(366)	<b>(366)</b>	-	<b>(366)</b>
Treasury shares	(2 838)	1 022	-	-	-	<b>(1 816)</b>	-	<b>(1 816)</b>
Change in non-controlling interests without change in control	-	-	-	(4 162)	(7 386)	<b>(11 548)</b>	10 392	<b>(1 156)</b>
Profit for the year	-	-	-	-	8 474	<b>8 474</b>	1 750	<b>10 224</b>
<b>Other comprehensive income:</b>								
Exchange differences on translating foreign operations	-	-	-	(583)	-	<b>(583)</b>	(36)	<b>(619)</b>
Change in the fair value of financial assets available-for-sale	-	-	-	(134)	-	<b>(134)</b>	(36)	<b>(170)</b>
Total other comprehensive income	-	-	-	<b>(717)</b>	-	<b>(717)</b>	<b>(72)</b>	<b>(789)</b>
Total comprehensive income	-	-	-	<b>(717)</b>	<b>8 474</b>	<b>7 757</b>	<b>1 678</b>	<b>9 435</b>
<b>Balance as of 31 December 2016</b>	<b>124 399</b>	<b>39 736</b>	<b>7 641</b>	<b>(56 477)</b>	<b>(36 185)</b>	<b>79 114</b>	<b>36 145</b>	<b>115 259</b>
<b>Balance as at 1 January 2017</b>	<b>124 399</b>	<b>39 736</b>	<b>7 641</b>	<b>(56 477)</b>	<b>(36 185)</b>	<b>79 114</b>	<b>36 145</b>	<b>115 259</b>
Issue of share capital	70 181	10 854	-	-	-	<b>81 035</b>	-	<b>81 035</b>
Dividends	-	-	-	-	(1 613)	<b>(1 613)</b>	(490)	<b>(2 103)</b>
Treasury shares	2 869	(1 022)	-	-	-	<b>1 847</b>	-	<b>1 847</b>
Change in non-controlling interests without change in control	-	-	-	481	(7 027)	<b>(6 546)</b>	1 684	<b>(4 862)</b>
Profit for the year	-	-	-	-	18 174	<b>18 174</b>	6 241	<b>24 415</b>
<b>Other comprehensive income:</b>								
Exchange differences on translating foreign operations	-	-	-	(734)	-	<b>(734)</b>	135	<b>(599)</b>
Change in the fair value of financial assets available-for-sale	-	-	-	(473)	-	<b>(473)</b>	(13)	<b>(486)</b>
Total other comprehensive income	-	-	-	<b>(1 207)</b>	-	<b>(1 207)</b>	<b>122</b>	<b>(1 085)</b>
Total comprehensive income	-	-	-	<b>(1 207)</b>	<b>18 174</b>	<b>16 967</b>	<b>6 363</b>	<b>23 330</b>
<b>Balance as of 31 December 2017</b>	<b>197 449</b>	<b>49 568</b>	<b>7 641</b>	<b>(57 203)</b>	<b>(26 651)</b>	<b>170 804</b>	<b>43 702</b>	<b>214 506</b>

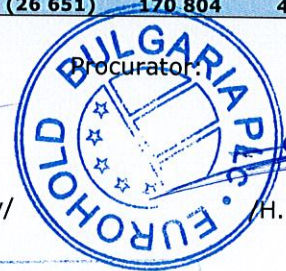
Prepared by:

/I. Hristov/

11.4.2018

Signed on behalf of BoD:

/A. Minchev/

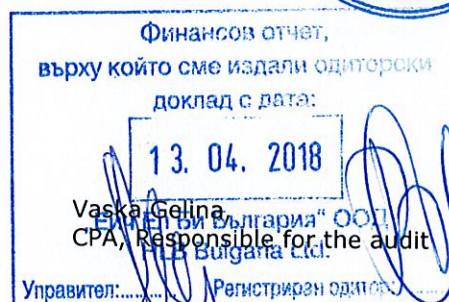


/H. Stoev/

Audit firm:  
HLB Bulgaria OOD



Milena Hristova,  
Manager



Vaska Gelina,  
CPA, Responsible for the audit

These consolidated Financial Statements have been approved from the Board of Directors of Eurohold Bulgaria AD on 11.4.2018. The notes from page 22 to page 63 are an integral part of the annual consolidated financial statements.



# Annual Consolidated Financial Statement 2017

A-Independent  
Auditor's Report

B-Consolidated  
Financial Statement

C-Notes to the  
Consolidated Financial  
Statement

D-Brief  
Overview of  
2017

E-Consolidated  
Activity Report

F-Corporate  
Governance  
Statement

G-Statement of the  
Responsible  
Persons

## Consolidated statement of profit or loss by Business Segments For the year ended December 31, 2017

In thousand BGN

		2017	2017	2017	2017	2017	2017	2017
			Insurance business	Automotive	Leasing business	Asset manage- ment and brokerage	Parent company	Elimination
Notes	Consolidated							
<b>Revenues from operating activities</b>								
3	Revenue from Insurance business	1 005 026	1 006 257	-	-	-	-	(1 231)
5	Revenue from car sales and after sales	204 255	-	214 285	-	-	-	(10 030)
6	Revenue from Leasing business	25 374	-	-	26 527	-	-	(1 153)
8	Revenue from asset management and brokerage	3 882	-	-	-	4 991	-	(1 109)
10	Revenue from the activities of the parent company	2 179	-	-	-	-	4 268	(2 089)
		<b>1 240 716</b>	<b>1 006 257</b>	<b>214 285</b>	<b>26 527</b>	<b>4 991</b>	<b>4 268</b>	<b>(15 612)</b>
<b>Expenses of operating activities</b>								
4	Expenses of Insurance business	(919 175)	(926 792)	-	-	-	-	7 617
	Cost of cars and spare parts sold	(182 089)	-	(182 101)	-	-	-	12
7	Expenses of Leasing business	(4 325)	-	-	(4 675)	-	-	350
9	Expenses of asset management and brokerage	(2 749)	-	-	-	(2 752)	-	3
11	Expenses of the activities of the parent company	(859)	-	-	-	-	(859)	-
		<b>(1 109 197)</b>	<b>(926 792)</b>	<b>(182 101)</b>	<b>(4 675)</b>	<b>(2 752)</b>	<b>(859)</b>	<b>7 982</b>
	<b>Gross Profit</b>	<b>131 519</b>	<b>79 465</b>	<b>32 184</b>	<b>21 852</b>	<b>2 239</b>	<b>3 409</b>	<b>(7 630)</b>
12	Other income/(expenses), net	(6 037)	-	40	(8 918)	24	-	2 817
13	Other operating expenses	(67 889)	(31 030)	(26 619)	(8 645)	(1 981)	(1 887)	2 273
	<b>EBITDA</b>	<b>57 593</b>	<b>48 435</b>	<b>5 605</b>	<b>4 289</b>	<b>282</b>	<b>1 522</b>	<b>(2 540)</b>
14	Financial expenses	(22 007)	(3 494)	(2 888)	-	-	(17 648)	2 023
15	Financial income	368	-	390	-	-	-	(22)
18	Foreign exchange gains/losses, net	(1 173)	-	-	-	-	(1 173)	-
	<b>EBTDA</b>	<b>34 781</b>	<b>44 941</b>	<b>3 107</b>	<b>4 289</b>	<b>282</b>	<b>(17 299)</b>	<b>(539)</b>
16	Depreciation and amortization	(8 110)	(1 380)	(2 506)	(4 161)	(56)	(7)	-
	<b>EBT</b>	<b>26 671</b>	<b>43 561</b>	<b>601</b>	<b>128</b>	<b>226</b>	<b>(17 306)</b>	<b>(539)</b>
17	Taxes	(2 256)	(1 880)	(343)	(16)	(17)	-	-
	<b>Net income for the year</b>	<b>24 415</b>	<b>41 681</b>	<b>258</b>	<b>112</b>	<b>209</b>	<b>(17 306)</b>	<b>(539)</b>

## Consolidated statement of profit or loss by Business Segments For the year ended December 31, 2016

In thousand BGN

		2016	2016	2016	2016	2016	2016	2016
			Insurance business	Automotive	Leasing business	Asset manage- ment and brokerage	Parent company	Elimination
Notes	Consolidated							
<b>Revenues from operating activities</b>								
3	Revenue from Insurance business	843 652	844 408	-	-	-	-	(756)
5	Revenue from car sales and after sales	166 768	-	177 060	-	-	-	(10 292)
6	Revenue from Leasing business	21 524	-	-	22 937	-	-	(1 413)
8	Revenue from asset management and brokerage	5 032	-	-	-	6 120	-	(1 088)
10	Revenue from the activities of the parent company	16 398	-	-	-	-	16 877	(479)
		<b>1 053 374</b>	<b>844 408</b>	<b>177 060</b>	<b>22 937</b>	<b>6 120</b>	<b>16 877</b>	<b>(14 028)</b>
<b>Expenses of operating activities</b>								
4	Expenses of Insurance business	(799 671)	(807 612)	-	-	-	-	7 941
	Cost of cars and spare parts sold	(147 117)	-	(147 207)	-	-	-	90
7	Expenses of Leasing business	(4 849)	-	-	(5 062)	-	-	213
9	Expenses of asset management and brokerage	(4 303)	-	-	-	(4 305)	-	2
11	Expenses of the activities of the parent company	(898)	-	-	-	-	(898)	-
		<b>(956 838)</b>	<b>(807 612)</b>	<b>(147 207)</b>	<b>(5 062)</b>	<b>(4 305)</b>	<b>(898)</b>	<b>8 246</b>
	<b>Gross Profit</b>	<b>96 536</b>	<b>36 796</b>	<b>29 853</b>	<b>17 875</b>	<b>1 815</b>	<b>15 979</b>	<b>(5 782)</b>
12	Other income/(expenses), net	(4 712)	-	30	(8 252)	8	-	3 502
13	Other operating expenses	(56 916)	(20 069)	(25 939)	(7 482)	(1 481)	(3 529)	1 584
	<b>EBITDA</b>	<b>34 908</b>	<b>16 727</b>	<b>3 944</b>	<b>2 141</b>	<b>342</b>	<b>12 450</b>	<b>(696)</b>
14	Financial expenses	(15 068)	(3 574)	(2 182)	-	-	(10 103)	791
15	Financial income	183	-	261	-	-	-	(78)
18	Foreign exchange gains/losses, net	(18)	-	-	-	-	(30)	12
	<b>EBTDA</b>	<b>20 005</b>	<b>13 153</b>	<b>2 023</b>	<b>2 141</b>	<b>342</b>	<b>2 317</b>	<b>29</b>
16	Depreciation and amortization	(6 663)	(1 403)	(2 525)	(2 679)	(48)	(8)	-
	<b>EBT</b>	<b>13 342</b>	<b>11 750</b>	<b>(502)</b>	<b>(538)</b>	<b>294</b>	<b>2 309</b>	<b>29</b>
17	Taxes	(3 118)	(2 806)	(340)	57	(29)	-	-
	<b>Net income for the year</b>	<b>10 224</b>	<b>8 944</b>	<b>(842)</b>	<b>(481)</b>	<b>265</b>	<b>2 309</b>	<b>29</b>

These consolidated Financial Statements have been approved from the Board of Directors of Eurohold Bulgaria AD on 11.4.2018. The notes from page 22 to page 63 are an integral part of the annual consolidated financial statements.



- ♦ **SECTION C - Notes to the Consolidated Financial Statement for 2017**

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# Notes to the Annual Consolidated Financial Statements for 2017

Found in 1996, Eurohold Bulgaria AD operates in Bulgaria, Romania and Macedonia. The company is an owner of a great number of subsidiaries in the insurance, financial service and car sale sectors.

## 1. DETAILS ABOUT THE ECONOMIC GROUP

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

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

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

The parent company has the following managing bodies: General Meeting of Shareholders, Supervisory Board /two-tier system/ and Management Board, with the following members as at 31.12.2017:

### Supervisory Board:

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

### Management board:

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

As at 31.12.2017, the Company is represented and managed by Kiril Ivanov Boshov and Asen Mintchev Mintchev – Executive Members of the Management Board, and Hristo Stoev – Procurator, jointly by the one of the executive members and the Procurator of the Company.

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.

As at 31.12.2017, the Audit Committee of the Company comprises the following members:  
Dimitar Stoyanov Dimitrov – Chairman;  
Ivan Georgiev Mankov – 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 2017	% of participation in the share capital 2016
<b>Euroins Insurance Group AD*</b>	<b>89.36%</b>	<b>89.36%</b>
<b>Indirect participation through EIG AD:</b>		
Insurance Company Euroins AD	98.21%	80.92%
Euroins Romania Insurance AD	98.50%	98.50%
Euroins Insurance AD Macedonia	93.36%	93.36%
Euroins Health Insurance EAD	-	100.00%
Euroins Life Insurance EAD	100.00%	100.00%
Insurance Company EIG Re AD	100.00%	100.00%
Euroins Ukraine AD	98.32%	99.29%

\*direct participation

In 2017 Euroins Health Insurance EAD was merged into Insurance Company EIG Re AD.

### Finance Sector

Company	% of participation in the share capital 2017	% of participation in the share capital 2016
<b>Euro Finance AD *</b>	<b>99.99%</b>	<b>99.99%</b>
<b>Eurolease Group EAD*</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Indirect participation through Eurolease Group EAD:</b>		
Eurolease Auto EAD	100.00%	100.00%
Eurolease Auto Romania AD	77.98%	77.98%
Eurolease Auto Romania AD through Euroins Romania Insurance AD	22.02%	22.02%
Eurolease Auto DOOEL, Macedonia	100.00%	100.00%
Eurolease Rent A Car EOOD	100.00%	100.00%
Eurolease Auto Retail EAD	100.00%	-
Autoplaza EAD	100.00%	100.00%
Sofia Motors EOOD	100.00%	100.00%

\*direct participation

In 2017 the company Eurolease Auto Retail EAD was established.

### Automobile Sector

Company	% of participation in the share capital 2017	% of participation in the share capital 2016
<b>Auto Union AD*</b>	<b>99.99%</b>	<b>99.99%</b>
<b>Indirect participation through AU AD:</b>		
Bulvaria Varna EOOD	100.00%	100.00%
N Auto Sofia AD	100.00%	100.00%
Espas Auto through N Auto Sofia EAD	51.00%	51.00%
EA Properties EOOD	51.00%	51.00%
Daru Car AD	99.84%	99.84%
Auto Italia EAD	100.00%	100.00%
Bulvaria Holding EAD	100.00%	100.00%
Star Motors EOOD	100.00%	100.00%
Star Motors DOOEL, Macedonia through Star Motors EOOD	100.00%	100.00%
Star Motopc SH.P.K. through Star Motors EOOD	100.00%	100.00%
Auto Union Service EOOD	100.00%	100.00%
Motobul EAD	100.00%	100.00%
Bopar Pro S.R.L., Romania through Motobul EOOD	99.00%	99.00%

\*direct participation

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

### 2.1 Basis for Preparation of the Financial Statement

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

### New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2017:

**Amendments to IAS 7: Disclosure Initiative** (issued on 29 January 2016), endorsed by the EU on 6 November 2017, published in the Official Journal on 9 November 2017

**Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses** (issued on 19 January 2016), endorsed by the EU on 6 November 2017, published in the Official Journal on 9 November 2017

The adoption of these amendments to the existing standards has not led to any changes in the Group's accounting policies.

### Standards, interpretations and amendments in standards that are issued by IASB and endorsed by EU but not yet effective

**Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** (issued on 12 September 2017), effective 1 January 2018, endorsed by the EU on 3 November 2017, published in the Official Journal on 9 November 2017;

**Clarifications to IFRS 15 Revenue from Contracts with Customers** (issued on 12 April 2017), effective 1 January 2018, endorsed by the EU on 31 October 2017, published in the Official Journal on 9 November 2017;

The Group plans to adopt IFRS 15 by using the modified retrospective application for the annual periods beginning on or after 1 January 2018. Thus, the Group will not apply the requirements of IFRS 15 to provide comparative period. In accordance with IFRS 15, revenue is recognised when the Group meets the requirements to transfer the service to the client. Therefore, the Group does not expect the application of IFRS 15 to cause significant differences in the period of revenue recognition.

**IFRS 16 Leases** (issued on 13 January 2017), effective 1 January 2019, endorsed by the EU on 31 October 2017, published in the Official Journal on 9 November 2017;

IFRS 16 establishes principles for recognition, measurement, presentation and disclosure of leases and requires the lessees to account all lease contracts in accordance with a single balance sheet model similar to the accounting of finance leases as per IAS 17. At the commencement date of the lease contract, the lessee will recognize a liability to make lease payments (i.e. lease liability) and an asset being the right to use the principal asset in the course of the lease period (i.e. right to use the asset). Lessees will have to recognise the lease interest expenses and the amortisation cost of the right to use the asset separately. Furthermore, the lessees will be required to re-measure the value of the lease liability upon occurrence of specific events (for example, change in the lease period, change in the future lease payments as a result of change of any index or percentage used for

defining those payments). In principle, the lessee will recognise the amount of repeated measurement of the lease payable as an adjustment of the right to use the asset.

Inherently, the accounting reporting in compliance with IFRS 16 in terms of lessors will not change significantly in comparison to the current accounting reporting as per IAS 17. Lessors will continue classify all lease contracts by applying the same classification principle as the one under IAS 17 and to differentiate two types of leases: operating and finance.

Furthermore, IFRS 16 requires lessees and lessors to make more detailed disclosures than those under IAS 17.

IFRS 16 applies to annual periods beginning on or after 1 January 2019. Its earlier application is allowed, however, not before the time when the entity starts applying IFRS 15. The lessee may choose to apply the standard by using either the full retrospective application method, or modified retrospective application method. The transitional provisions of the standard allow specific exemption.

In 2018 the Group will continue measure the potential effect of IFRS 16 on its separate financial statements.

**IFRS 9 Financial Instruments** (issued on 24 July 2014), effective 1 January 2018, endorsed by the EU on 22 November 2017, published in the Official Journal on 29 November 2017;

The Company plans to introduce the new standard at the fixed date of enforcement and will not recalculate the comparative information. In 2017 the Group has assessed the effects of the three aspects of IFRS 9. This assessment is based on the information available for the time being and may change if in 2018 – when IFRS 9 will be implemented, the Group does not expect significant effect on its statement of financial position and equity. It is expecting to continue measuring the fair value of all financial assets which are currently stated at fair value.

The Group has the intention to hold for the near future the investments it has (financial assets), being shares in other companies (minority shareholding), which are not traded on active market and do not have market price quotations.



Subsequently, they are measured and stated in the consolidated statement of financial position at fair value in other comprehensive income. No impairment losses for these investments are recognised in the profit or loss.

As an exception, in limited cases, with regard to closed type companies/entities for which the information about the fair value measurement is not updated enough or if there is a wide range of possible assessments of the fair value and the acquisition price is the best estimate of the fair value within the scope of this range, the acquisition price could turn out to be an appropriate estimate of the fair value.

The debentures held by the Group for the purposes of generating the contracted cash flows meet the criteria for measurement at amortised cost as per IFRS 9. Therefore, these instruments do not need to be reclassified.

The debentures held by the Group not only for the purposes of generating the contracted cash flows but also to sell significant part of them at relatively frequent time periods are expected to be measured at fair value through other comprehensive income in accordance with IFRS 9. Subsequently the company measures these financial assets at fair value and therefore, it believes that the application of IFRS 9 would not have significant effect.

Borrowings, trade and other receivables are held for the purposes of receiving contracted cash flows and are expected to result in cash flows being payments of principal and interests only. The Group has analysed the characteristics of contracted cash flows of these instruments and has reached to the conclusion that they all meet the criteria for measurement at amortized cost in accordance with IFRS 9. Therefore, these instruments do not need to be reclassified.

The Group will use the simplified approach and will state the expected impairment losses during the period of all trade and other receivables. The Group does not have any overdue receivables and therefore it believes that the application of the new impairment approach of IFRS 9 will not have significant effect.

**IFRS 15 Revenue from Contracts with Customers** (issued on 28 May 2014) including amendments to **IFRS 15**: Effective date of IFRS 15 (issued on 11 September 2016), effective 1 January 2018, endorsed by the EU on 22 September 2017, published in the Official Journal on 29 October 2017;

**Annual improvements to IFRS Standards 2014-2017 Cycle** (issued on 8 December 2017), effective 1 January 2018/1 January 2017, endorsed by the EU on 7 February 2018, published in the Official Journal on 8 February 2018;

**Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions** (issued on 20 June 2017), effective 1 January 2018, endorsed by the EU on 26 February 2018, published in the Official Journal on 26 February 2018;

**Amendments to IAS 40: Transfers of Investment Property** (issued on 8 December 2017), effective 1 January 2018, endorsed by the EU on 14 March 2018, published in the Official Journal on 15 March 2018;

**Amendments to IFRS 9: Payment features with negative compensation** (issued on 12 October 2017), effective 1 January 2019, endorsed by the EU on 22 March 2018, published in the official Journal on 26 March 2018;

**IFRIC 22: Foreign currency transactions and advance consideration** (issued on 8 December 2017), effective 1 January 2018, endorsed by the EU on 28 March 2018, published in the Official Journal on 3 April 2018.

**Standards and interpretations issued by IASB/ IFRIC, which are not yet endorsed by the EU for application**

The following new or revised standards, new interpretations and amendments to existing standards that at the reporting date are already issued by the International Accounting Standards Board have not yet been endorsed by the EU and therefore are not taken into account by the Group in preparing these financial statements.

**IFRS 17 Insurance Contracts** (issued on 18 May 2017), effective 1 January 2021;  
In May 2017 IASB published IFRS *Insurance Contracts* (IFRS 17) – a detailed new accounting standard on insurance contracts that establishes the principles of recognition and measurement, presentation and disclosure.

After its enforcement, IFRS will replace IFRS 4 *Insurance Contracts* (IFRS 4), which was published in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life insurance, non-life insurance, direct insurance and reinsurance), irrespective of the type of the entities that issue them, as well as with regard to specific guarantees and financial instruments with additional non-guaranteed income (participation by judgment).

There will be a few exceptions from the scope of application. The common purpose of IFRS 17 is to establish an accounting model of insurance contracts, which is more useful and more consistent for the insurers. In contrast to the requirements of IFRS 4, which are to a great extent based on the existing, previous, local accounting policies, IFRS 17 establishes a detailed model for insurance contracts that comprises all relevant accounting aspects. The general model is in the core of IFRS 17 supported by:

- Specific adaptation of contracts with features of direct participation (variable consideration approach);
- Simplified approach (premium allocation approach) mainly for short-term contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, whereas comparative information is required. Earlier application is allowed, provided the entity also applies IFRS 9 and IFRS 15 on or before the date of first time application of IFRS 17.

**IFRIC 23 Uncertainty over Income Tax Treatments** (issued on 7 June 2017), effective 1 January 2019;

**Amendments to IAS 28: Long-term interests in Associates and Joint Ventures** (issued on 12 October 2017), effective 1 January 2019;

**Annual improvements to IFRS Standards 2016-2017 Cycle** (issued on 12 December 2017), effective 1 January 2019.

## 2.2 Comparative Data

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

## 2.3 Consolidation

Consolidated financial statements comprise consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity as at 31.12.2017. These statements comprise the holding – parent company and all subsidiaries. A subsidiary is consolidated by the parent company through the direct or indirect holding of more than 50% of the voting shares in the capital or through the ability to manage its financial and operational policy for the purposes of obtaining economic benefits from its operations.

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

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

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



judgments to develop and apply the accounting policy.

### **Principles of Consolidation**

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

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

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

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

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

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

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

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

### **2.4 Functional and Reporting Currency**

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

## 2.5 Accounting Assumptions and Accounting Estimates

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

### Deferred tax assets

#### Tax loss

The assessment of probability for future taxable income for the utilisation of deferred tax assets is based on the last approved budget forecast adjusted with regard to material untaxable income and expenses and specific restrictions for carrying forward unused tax losses or credits. If a reliable estimate for taxable income suggests the probable use of deferred tax asset, in particular in case the asset may be used without time limit, then the deferred tax asset is recognised in full. The recognition of deferred tax assets that are subject to specific legal or economic restrictions or uncertainty should be judged by the management on case by case basis on the grounds of specific facts and circumstances.

### Inventories – Impairment

As at the end of the reporting period, the management reviews the available inventories – supplies, goods, in order to identify if there are inventories whose net realizable value is less than their book value. No indications for impairment of inventories have been found during the review as at 31.12.2017.

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

In accordance with the requirements of IAS 36, as at the end of the reporting period the management judges if there are indications that the value of an asset within the property, plant and equipment is impaired. In case such indications exist, the replacement cost of this asset is measured and the impairment loss is calculated. As at 31.12.2017, no impairment of property, plant, machinery and equipment has been stated.

### Actuarial valuations

When defining the current value of long-term employee benefits upon retirement, calculations of certified actuaries are used based on assumptions for mortality, staff turnover rate, future level of salaries and discount factor, which assumptions are estimated by the management as reasonable and appropriate for the Group.

### Impairment of goodwill

The Group makes a test for impairment of goodwill at least once a year. The refundable amounts from cash generating units are defined on the basis of their value in use or their fair value, without calculation of the sale cost. Such calculations require to use estimates as described in Note 33.

### Impairment of borrowings and receivables

The Group uses an adjustment account to report the impairment of difficultly collectible and uncollectible receivables from counterparties. The management judges the adequacy of this impairment on the basis of age analysis of receivables, previous experience about the level of derecognition of uncollectible receivables, and analysis of the counterparty's solvency, amendments of contractual payment terms and conditions, etc. If the financial position and performance of the counterparties become worse than the expected, the value of receivables that should be derecognised during the next reporting periods may be higher than the one expected as at the reporting date.

### Fair value of financial instruments

The management uses techniques to measure the fair value of financial instruments if 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, the management uses, to the maximum extent, market data and assumptions, that market stakeholders would adopt upon assessing a financial instrument. In case there are no applicable market data, the management uses its best estimate of assumptions that the market stakeholders would make. These assessments may differ from the actual prices that would be



defined in an arm's length transaction between informed and willing parties at the end of the reporting period.

## 2.6 Income

Group's income is recognized on the accrual basis and to the extent economic benefits are obtained by the Group and as far as the income may be reliably measured.

Upon sales of goods income is recognized when all material risks and benefits from the title of goods are transferred to the buyer.

Upon provision of services, income is recognized considering the stage of completion of the transaction as at the date of the balance sheet, if such stage may be reliably measured, as well as the costs incurred for the transaction.

Dividend income is recognized upon certifying the right to obtain them.

In the consolidated statement of profit or loss, dividends declared for the financial year by the subsidiaries are recognised as intra-account and are thus eliminated and are not taken in consideration upon calculation of the financial performance.

Eurohold Group generates financial income from the following activities:

- Operations with investments;
- Dividends;
- Interests from granted loans.

## 2.7 Expenses

Group's expenses are recognized at the time of occurrence thereof and on the accrual and comparability basis.

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

Financial expenses include: expenses incurred in relation to investment operations, losses from financial instruments operations and currency

operations, expenses on interest under granted bank loans and obligatory issues, as well as fees and commissions.

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

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

## 2.8 Interest

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

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

Transaction costs are the inherent costs directly attributable to the financial asset or liability acquisition, issue or derecognition.

Interest income and expenses stated in the consolidated statement of profit or loss include: interest recognized on the basis of effective interest rate under financial assets and liabilities carried at amortized value.

Unearned financial income (interest) is the difference between the gross and net investment in the lease, whereas the gross investment in a lease is the amount of minimum lease payments and the non-guaranteed residual value charged by the lessor. Interest income under lease operations (financial income) is distributed for the term of validity of the lease and is recognised on the basis of constant periodic rate of return of the lessor's net investment.

## 2.9 Fees and commissions

Fee and commission income and expenses which are an integral part of the effective interest rate for a financial asset or liability, are included in the calculation of the effective interest rate.

Other fee and commission income, including logistic services fees, insurance and other intermediation fees, is recognized upon providing the respective services.

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

## 2.10 Reporting by segments

An operating segment is a component of the Group, which deals with activities that can generate income and incur expenses related to transactions with any of the other Group's components.

For management purposes, the Group is organised in business units on the basis of the products and services they offer and provide, and includes the following segments subject to reporting:

### Insurance:

- Insurance services

### Financial services:

- Lease services
- Investment intermediation

### Automobiles:

- Sale of new cars
- Car repair services
- Rent-a-car

### 2.10.1 Insurance activities

#### Recognition and measurement of insurance contracts

##### Non-life insurance premiums

Non-life insurance premiums are accounted on annual basis. Gross written premiums under non-life insurance are premiums under contracts for direct insurance or co-insurance, which are entered into during the year, although the

premiums may be fully or partially relate to a later accounting period. Premiums are disclosed gross of commissions payable to brokers.

The earned part of written insurance premiums, including for unexpired insurance contracts, is recognised as income. Written insurance premiums are recognised as at the date of entering into the insurance contract.

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

#### Health insurance premiums

Written health insurance premiums are recognised as income on the basis of the annual premium due by the insured individuals for the premium period beginning during the financial year, or the lump-sum premium payable for the whole period of cover for one year health insurance contracts entered into during the financial year.

Gross written premiums from health insurance are not recognised when the future cash inflows related thereto are uncertain. Written health insurance premiums are stated gross of commissions payable to agents.

#### Life insurance premiums

Written premiums from life insurance are recognised as income on the basis of the annual premium due by the insured persons for the premium period beginning during the financial year, or the lump-sum premium payable for the whole period of cover for policies entered into during the financial year.

Gross written premiums from are not recognised when the future cash inflows related thereto are uncertain. Written premiums are stated gross of commissions payable to agents.

#### Unearned premium reserve

Unearned premium reserve comprises that part of written gross insurance/ health insurance premiums that is calculated to be earned during the next or subsequent financial periods. Unearned premium reserve comprises the insurance premiums charged and recognised as income during the reporting period, less ceded premiums to reinsurers, which should be



recognised during the next financial year or during subsequent financial periods. The reserve is calculated individually for each insurance/health insurance contract by using a proportionate method on daily basis. The unearned premium reserve is calculated net of commissions to brokers, advertising and other acquisition costs.

#### Unexpired risk reserve

This reserve is established to cover risks for the time between the end of the reporting period and the date on which the respective insurance/health insurance contract expires, in order to cover payments and expenses that are expected to exceed the established unearned premium reserve.

#### Change of accounting policy

In 2016 the Insurance segment has changed its accounting policy with regard to the calculation of technical provisions under insurance contracts by applying new method for calculation of the technical provisions at group level, which is based on specific assumptions and accounting estimates.

The new method for calculation of technical provisions is introduced with view of the enforcement of the new regime for defining capital requirements to insurers – Solvency II, effective 1.1.2016, and with view of the recommendations given by the external independent auditors during the review of the balance sheets of the Group's insurance companies as at 30.6.2016. The change is aimed to introduce a common approach for evaluation of the reserve for incurred but not reported claims under all types of insurances for all Group companies in the Insurance segment.

This is the chain-ladder method which is based on the value of paid claims for sufficiently long period of time (usually 10 years). The amount of the reserve for incurred but not reported claims is calculated as a difference between the expected value of claims by years of event and the amount of reported claims as at the date of the consolidated financial statements.

In previous reporting periods, the Insurance segment has reported technical provisions under insurance contracts, in accordance with the respective regulatory requirements to the subsidiaries, depending on the jurisdiction they operate in.

As a result of the change in the accounting policy, the Group has recalculated the comparative information.

#### Compensations incurred under non-life insurance and health insurance and reserves for pending claims

Compensations incurred with regard to non-life insurance and health insurance comprise compensations and their administration costs payable during the financial year, together with the change in the pending claims reserve.

The management believes that the gross pending claims reserve and the respective share of the reinsurer's reserve are presented fairly based on the information available as at the date of the consolidated financial statements. The final liability will be changed as a result of subsequent information and events and may require material adjustment of the amount accrued initially. Adjustments in the pending claims reserve found during previous years are stated in the financial statements for the period in which such adjustments have been made, and are disclosed independently, if they are material. The methods used and the assessments made for the accrual of the reserve are subject to regular review.

#### Reinsurance

In its principal activity, Group's insurance companies cede risk to reinsurers with view of decreasing their potential net losses through risk differentiation.

Reinsurance activity does not release the direct obligations of the respective company to the insured persons.

Reinsurance assets comprise the balance payable by reinsurance companies for ceded insurance liabilities. The amounts to be reimbursed by reinsurers are calculated in a way similar to the way for calculation of the reserves for pending claims or for settled claims related to reinsurance policies.

Premiums and claims related to these reinsurance contracts are considered income and expenses in the same way as they would be considered if reinsurance was a direct activity, while taking into account the classification of reinsurance business' products.

Ceded (or accepted) premiums and reimbursed compensations (or paid claims) are stated in the consolidated statement of profit or loss and the consolidated statement of financial position as gross amounts.

Contracts which cede material insurance risk are accounted as insurance contracts. The amounts refundable under these contracts are recognised during the year of occurrence of the respective claim.

Premiums for long-term reinsurance contracts are accounted in parallel with the term of validity of the related insurance policies by using assumptions similar to those for the accounting of the respective policies.

The replacement cost of receivables under reinsurance contracts is subject to impairment review at each date of the consolidated statement of financial position. Such assets are impaired if there is objective evidence as a result of event that has occurred after their initial recognition.

#### Deferred acquisition expenses

Deferred acquisition expenses are the amount of acquisition expenses deducted upon calculating the unearned premium reserve. They are defined as that part of the acquisition costs under the contracts valid as at the end of the period, which are estimated as a percentage in the insurance technical schedule and relevant to the time between the end of the reporting period and the date of expiration of the term of validity of the insurance/ health insurance contract. Current acquisition expenses are recognised in full as an expense during the reporting period.

#### Acquisition expenses

Commission expenses comprise charged broker's commissions, expenses for share in the result, which are accrued in favour of the insured/ health insured persons in case of low claims ratio. Indirect acquisition costs comprise expenses for advertising and expenses incurred for entering into/ renewal of insurance/ health insurance contracts.

### 2.10.2 Lease activities

The lease activity of the Group is related to the lease of motor vehicles and other industrial equipment, real estates, etc. under financial and operating lease agreements.

Finance lease is an agreement by virtue of which the lessor gives the lessee the right to use an asset for an agreed time period for consideration. The lease is reported as finance lease when the lessor transfers with the agreement all substantial risks and benefits related to the ownership of the asset to the lessee.

Typical indicators reviewed by the Group to identify whether all substantial risks and benefits are transferred are as follows: present value of minimum lease payments in comparison to the beginning of the lease; term of validity of the lease in comparison to the economic life of the leased asset; whether the lessee will acquire the title of the leased asset at the end of the finance lease term of validity. All other leases that do not transfer substantially all risks and benefits of the ownership of the asset are classified as operating lease.

#### Minimum lease payments

Minimum lease payments are those payments that the lessee will make or may be obliged to make during the term of validity of the lease. From Group perspective, minimum lease payments also comprise the residual value of the asset guaranteed by a third party not related to the Group, provided such party is financially capable to perform its engagements under the guarantee or the repurchase agreement. In the minimum lease payments, the Group also comprises the price of exercising possible option that the lessee has to purchase the asset, whereas it is to a great extent certain at the beginning of the lease that the option will be exercised.



Minimum lease payments do not include amounts related to conditional leases, as well as service and tax expenses, which are paid by the Group and are subsequently re-invoiced to the lessee.

### Beginning of the lease and beginning of the term of validity of the lease

There is a difference between the beginning of the lease and the beginning of the term of validity of the lease. The beginning of the lease is the earlier than the two dates – of the lease agreement or the parties' binding with the main conditions of the lease. As at this date: the lease is classified as finance or operating lease; and in case of finance lease, the amounts that should be recognised at the beginning of the term of validity of the lease are defined. The beginning of the term of validity of the lease is the date on which the lessee may exercise its right to use the leased asset. This is also the date on which the Group initially recognizes the receivable under the lease.

### Initial and subsequent measurement

Initially the Group recognizes receivable under lease that is equal to its net investment, which comprises the present value of minimum lease payments and every non-guaranteed residual value for the Group. The present value is calculated by discounting the minimum lease payments due with an interest rate inherent to the lease. Initial direct expenses are included in the calculation of the receivable under finance lease. During the term of validity of the lease, the Group accrues financial income (interest income from finance lease) over the net investment.

### Receivables under finance lease

Received lease payments are considered a decrease of the net investment (repayment of principal) and recognition of financial income in a way that ensures permanent rate of return of the net investment. Subsequently, the net investment in financial leases is stated net, after offsetting individual and portfolio provisions for incollectibility.

## 2.10.3 Financial intermediation-related activity

The financial intermediation activity is related to transactions with financial instruments.

They are classified as held for trading.

Financial instruments are measured upon acquisition at cost, which comprises their fair value plus all transaction-related expenses.

Financial instruments are subsequently measured at fair value, which is the sales, stock exchange or market price.

The Group states its financial assets in the following way:

- Securities of Bulgarian issuers traded on BSE – Sofia AD – the mean weighted price of the transactions they have made on regulated market for the closest day of the last 30-days' period in which such securities have been traded in an amount not less than the amount of securities held by the subsidiary Euro-Finance AD. If there is not transaction made, the market price of the securities is defined on the basis of the "ask" rate announced on the regulated market for the respective session of the closest day of the last 30-days period;
- Shares in foreign currency of foreign issuers – at market prices of the foreign stock exchanges: FRANKFURT, XETRA, NASDAQ;
- Government securities issued by the Bulgarian government – the market price is the price quoted by the Bulgarian National Bank or the primary dealers of government securities within the meaning of Ordinance № 5/ 1998;
- Securities issued by Bulgarian non-governmental issuers – market price of REUTERS;
- Securities issued and guaranteed by foreign countries and securities issued by foreign non-governmental issuers – market price of REUTERS.

### Derivatives

Derivatives are off-balance financial instruments whose value is measured on the basis of interest rates, foreign exchange rates, or other market prices. Derivatives are effective means to manage the market risk and to limit the exposure to specific counterparty.

Most frequently used derivatives are:

- Currency swap;
- Interest swap;
- Floors and caps;
- Forward currency and interest contracts;
- Futures;
- Options.

The conditions and time periods under the contracts are defined by means of standard documents.

With regard to derivatives, the same procedures for control of market and credit risk are applied, as for the other financial instruments. They are aggregated with the other exposures for the purposes of monitoring the general exposure to a specific counterparty and are managed within the frames of the limits approved for the respective counterparty.

Derivatives are held both for trading and as hedging instruments used for the management of the interest and currency risk. Derivatives held for trading are measured at fair value and profits and losses are stated in the consolidated statement of profit or loss as a result of trade operations.

Derivatives used as hedging instruments are recognised in accordance with the accounting treatment of the hedged item.

Criteria for recognition of a derivative as a hedging instrument is the existence of documented evidence for the intention to hedge a specific instrument and such hedging instrument should ensure reliable basis for elimination of the risk.

When a hedged exposure is closed, the hedging instrument is recognised as held for trading at fair value. The profit and loss are recognised in the consolidated statement of profit or loss, analogically to the hedged instrument.

Hedging transactions that are terminated before the hedged exposure are measured at fair value and the profit or loss are stated for the period of existence of the hedged exposure.

## 2.11 Taxes

### Income tax

The current tax includes the tax amount, which should be paid over the expected taxable profit for the period on the basis of the effective tax rate or the tax rate applicable on the day of preparation of the consolidated statement of

financial position and all adjustments of due tax for previous years.

Current income taxes of the Bulgarian Group companies are defined in compliance with the requirements of the Bulgarian tax legislation – the Corporate Income Tax Act. The nominal tax rate in Bulgaria for 2017 is 10 % (2016: 10%).

The foreign subsidiaries are subject to taxation in accordance with the requirements of the respective tax legislations of the countries, with the following tax rates:

Country	Tax rate	
	2017	2016
Romania	16%	16%
Macedonia	10%	10%
Ukraine	18%	18%

### Deferred tax

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

The deferred tax is calculated on the basis of the tax rate that is expected to be effective upon the realization of the asset or the settlement of the liability. The effect from changes in the tax rates on the deferred tax is reported in the consolidated statement of profit or loss, except in cases when it concerns amounts, which are earlier accrued or reported directly in equity.

Deferred tax asset is recognised only to the amount to which it is expected to gain future profits against which unused tax losses or tax credit can be used. Deferred tax assets are decreased in accordance with the decrease of the probability for realisation of tax benefits.

As at 31.12.2017, the deferred income taxes of the Group companies are measured at a tax rate valid for 2018, which is in the amount of 10% for the Bulgarian companies, and for the foreign companies it is as follows:

Country	Tax rate for 2018
Romania	16%
Macedonia	10%
Ukraine	18%



## 2.12. Non-current assets

### 2.12.1 Property, plant, machinery and equipment

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

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

#### Initial acquisition

Fixed tangible assets are initially measured:

At acquisition cost, which includes: purchase price (including duties and non-refundable taxes), all direct costs for bringing the asset into working condition according to its purpose – for assets acquired from external sources;

At fair value: for assets obtained as a result of a charitable transaction;

At evaluation: approved by the court and all direct costs for bringing the asset into working condition according to its purpose – for assets acquired as a contribution of physical assets.

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

#### Subsequent measurement

The Group has chosen the cost model under IAS 16 – historic price of acquisition, less accrued amortisation and accumulated impairment losses, as an approach for subsequent book value of property, plant and equipment.

#### Subsequent expenses

Subsequent expenses for repairs and maintenance are stated in the consolidated statement of profit or loss at the time of

incurrence thereof, unless there is clear evidence that their incurrence will result in increased economic benefits from the use of the asset. In this case, these expenses are capitalized in the carrying amount of the asset.

#### Sales profits and losses

Upon sales of fixed assets, the difference between the book value and the sales price of the asset is reported as profit or loss in the consolidated statement of profit or loss.

Fixed tangible assets are derecognized from the balance sheet upon sale or when the asset is finally decommissioned and no further economic benefits are expected after derecognition thereof.

#### Amortisation methods

The Group applies the straight-line method of amortization. Amortization of assets begins from the month following the month of acquisition thereof. Land and assets in process of construction are not depreciated. The useful life by groups of assets depends on: the usual wear and tear, equipment specificity, future intentions for use and the probable moral aging.

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

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

#### Impairment

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

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

### 2.12.2 Fixed intangible assets

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

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

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

### 2.12.3 Investment property

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

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

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

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

### Short-term employee benefits

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

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

### Defined contribution plans

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

### Retirement benefits

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

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

## 2.14 Financial assets

### 2.14.1 Investments in non-current financial assets

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

Investments in associated companies are reported by using the equity method. By using the equity method, the investment in the associated



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

### 2.14.2 Investments in Financial Instruments

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

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

#### Cash

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

#### Term deposits in banks

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

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

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

Financial assets, which are usually acquired for

the purposes of selling in the near term, are classified as held for trading.

#### Investments Held-to-Maturity

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

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

#### Loans and Other Receivables

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

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

#### Financial Assets Available for Sale

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

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

### Derivative financial instruments

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

### 2.15 Inventories

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

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

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

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

### 2.16 Short-term receivables

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

### 2.17 Liability provisions

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

### 2.18 Equity

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

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

### 2.19 Earning per share

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

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

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

### 2.20 Liabilities

Financial liabilities are recognized during the loan period with the amount of gained proceeds,



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

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

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

## 2.21 Financial Risk Management

### Factors Determining Financial Risk

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

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

#### Currency risk

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

In case the local currency is exposed to a significant currency risk, its management

is achieved through investments in assets denominated in euro.

#### Interest risk

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

#### Credit risk

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

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

#### Liquidity risk

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

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

The table below analyses consolidated liabilities of Eurohold Bulgaria AD, grouped into relevant maturity periods and based on the residual value as at consolidated statement of financial position date to the liability settlement date based on the agreed non-discounted payments:

**Consolidated liabilities by remaining period**

<b>31.12.2017</b> <i>In thousand BGN</i>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Without maturity	Total
Subordinated debts	-	-	-	26 058	-	-	<b>26 058</b>
Bank and non-bank loans	209	905	24 322	73 809	-	-	<b>99 245</b>
Obligations on bond issues	-	-	947	149 321	489	-	<b>150 757</b>
Non-current liabilities	-	-	-	30 058	29	-	<b>30 087</b>
Current liabilities	1 894	1 622	22 071	-	-	-	<b>25 587</b>
Trade and other payables	25 359	22 339	54 210	284	-	-	<b>102 192</b>
Payables to reinsurers	-	-	81 863	-	-	-	<b>81 863</b>
Deferred tax liabilities	-	-	-	284	-	-	<b>284</b>
Insurance reserves	-	-	557 312	30 704	7 819	-	<b>595 835</b>
<b>Total</b>	<b>27 462</b>	<b>24 866</b>	<b>740 725</b>	<b>310 518</b>	<b>8 337</b>	-	<b>1 111 908</b>

<b>31.12.2016</b> <i>In thousand BGN</i>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Without maturity	Total
Subordinated debts	-	-	-	19 558	-	57 695	<b>77 253</b>
Bank and non-bank loans	556	11 351	22 104	71 015	40	-	<b>105 066</b>
Obligations on bond issues	237	-	6 517	112 762	-	-	<b>119 516</b>
Non-current liabilities	-	-	-	32 937	-	-	<b>32 937</b>
Current liabilities	3 959	182	28 418	-	-	-	<b>32 559</b>
Trade and other payables	18 047	12 384	42 080	676	-	-	<b>73 187</b>
Payables to reinsurers	-	-	69 749	-	-	-	<b>69 749</b>
Deferred tax liabilities	-	-	-	168	-	-	<b>168</b>
Insurance reserves	-	-	468 810	34 704	5 306	-	<b>508 820</b>
<b>Total</b>	<b>22 799</b>	<b>23 917</b>	<b>637 678</b>	<b>271 820</b>	<b>5 346</b>	<b>57 695</b>	<b>1 019 255</b>

**2.22 Measuring Fair Values**

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its

highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements, are categorized within the fair value hierarchy, described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

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



- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

### 2.23 Cash flows

Consolidated statement of cash flows shows the cash flows of the Group for the year in relation to the operating, investment and financial activity during the year, the change in cash and cash equivalents for the year, cash and cash equivalents at the beginning and at the end of the year.

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

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

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

### 3. Revenue from insurance business

	2017 <i>BGN '000</i>	2016 <i>BGN '000</i>
Gross premiums written from insurance	644 804	527 280
Received recoveries from reinsurers	160 347	135 483
Positive change in the gross provision for unearned premiums and unexpired risk reserve	72	5 332
Positive change in reinsurers' share in unearned premium reserve	29 057	15 365
Change in the reinsurers' share in other reserves	41 476	7 087
Positive change in other technical reserves	27	20 811
Recourse income	10 862	5 131
Fees and commissions income	68 399	66 142
Investment income	39 921	16 725
Income from purchase of investments in subsidiaries	-	5 117
Other revenue	10 061	39 179
	<b>1 005 026</b>	<b>843 652</b>

**4. Expenses of insurance business**

	2017	2016
	BGN '000	BGN '000
Current year paid claims, claims handling and prevention expenses	(346 831)	(313 044)
Change in the gross provision for unearned premiums and unexpired risk reserve	(47 211)	(21 061)
Share of reinsurers in the change of the unearned premium reserve	-	(2 482)
Change in other reserves	(47 371)	(5 380)
Change in the reinsurers' share in the other reserves	-	(17 063)
Premiums ceded to reinsurers	(288 745)	(231 937)
Acquisition expenses	(137 194)	(127 391)
Investment expenses	(17 611)	(9 903)
Goodwill write-off	(186)	-
Other expenses	(34 026)	(71 410)
	<b>(919 175)</b>	<b>(799 671)</b>

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

	2017	2016
	BGN '000	BGN '000
Revenue from sale of cars and spare parts	197 308	160 050
Revenue from after sales and rent-a-car services	6 947	6 718
	<b>204 255</b>	<b>166 768</b>

**6. Revenue from Leasing business**

	2017	2016
	BGN '000	BGN '000
Revenue from services	20 815	16 789
Interest income	4 489	4 717
Foreign exchange gains	12	13
Other financial revenue	58	5
	<b>25 374</b>	<b>21 524</b>

**7. Expenses of Leasing business**

	2017	2016
	BGN '000	BGN '000
Interest expenses	(3 558)	(3 856)
Foreign exchange losses	(84)	(41)
Other expenses	(683)	(952)
	<b>(4 325)</b>	<b>(4 849)</b>

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

	2017 BGN '000	2016 BGN '000
Interest income	478	399
Dividend income	101	84
Gains from sale of financial instruments	2 692	3 827
Foreign exchange gains, net	-	102
Other revenue	611	620
	<b>3 882</b>	<b>5 032</b>

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

	2017 BGN '000	2016 BGN '000
Interest expenses	(23)	(106)
Negative result from sales of financial instruments	(2 393)	(4 087)
Foreign exchange losses, net	(194)	-
Other expenses	(139)	(110)
	<b>(2 749)</b>	<b>(4 303)</b>

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

	2017 BGN '000	2016 BGN '000
Gains from sale of financial instruments	1 325	15 455
Interest revenue	853	899
Other revenue	1	44
	<b>2 179</b>	<b>16 398</b>

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

	2017 BGN '000	2016 BGN '000
Negative result from sales of financial instruments	(859)	(898)
	<b>(859)</b>	<b>(898)</b>

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

	2017 BGN '000	2016 BGN '000
Other income/(expenses), net	(6 037)	(4 712)
	<b>(6 037)</b>	<b>(4 712)</b>



**12.1. Other expenses**

	2017	2016
	<i>BGN '000</i>	<i>BGN '000</i>
Leasing business	(6 101)	(4 748)
	<b>(6 101)</b>	<b>(4 748)</b>

**12.2. Other revenue**

	2017	2016
	<i>BGN '000</i>	<i>BGN '000</i>
Automotive business	40	30
Asset management and brokerage	24	6
	<b>64</b>	<b>36</b>

**13. Other operating expenses**

	2017	2016
	<i>BGN '000</i>	<i>BGN '000</i>
Expenses on materials	(2 956)	(2 789)
Expenses on hired services	(26 721)	(18 585)
Employee benefits expense	(28 502)	(26 545)
Other expenses	(9 710)	(8 997)
	<b>(67 889)</b>	<b>(56 916)</b>

**13.1 Expenses on materials by segments**

	2017	2016
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	(476)	(429)
Automotive business	(2 179)	(2 101)
Leasing business	(252)	(214)
Asset management and brokerage	(40)	(40)
Parent company	(9)	(5)
	<b>(2 956)</b>	<b>(2 789)</b>

**13.2 Expenses on hired services by segments**

	2017	2016
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	(11 316)	(4 219)
Automotive business	(9 091)	(8 745)
Leasing business	(4 103)	(3 644)
Asset management and brokerage	(875)	(605)
Parent company	(1 336)	(1 372)
	<b>(26 721)</b>	<b>(18 585)</b>

The amounts for services provided by the registered auditors with regard to the independent financial audit of the Group's financial statements for 2017 are in the amount of BGN 742 thousand. Other services provided by the registered auditors to Group companies during the period are in the amount BGN 628

thousand and are related to review of the balance sheets of the Group insurance companies. (2016: independent financial audit: BGN 808 thousand; other services: BGN 648 thousand related to the review of the balance sheets of the Group insurance companies).

### 13.3 Employee benefits expense by segments

	2017 BGN '000	2016 BGN '000
Insurance business	(12 696)	(11 368)
Automotive business	(12 507)	(12 065)
Leasing business	(2 241)	(2 152)
Asset management and brokerage	(689)	(625)
Parent company	(369)	(335)
	<b>(28 502)</b>	<b>(26 545)</b>

### 13.4 Other expenses by segments

	2017 BGN '000	2016 BGN '000
Insurance business	(6 542)	(4 053)
Automotive business	(2 375)	(2 562)
Leasing business	(270)	(363)
Asset management and brokerage	(365)	(204)
Parent company	(158)	(1 815)
	<b>(9 710)</b>	<b>(8 997)</b>

### 14. Financial expenses

	2017 BGN '000	2016 BGN '000
Interest expenses	(21 430)	(14 647)
Other financial expenses	(577)	(421)
	<b>(22 007)</b>	<b>(15 068)</b>

#### 14.1 Financial expenses by segments

	2017 BGN '000	2016 BGN '000
Insurance business	(2 539)	(3 530)
Automotive business	(1 617)	(1 582)
Parent company	(17 274)	(9 535)
	<b>(21 430)</b>	<b>(14 647)</b>

#### 14.2 Other financial expenses by segments

	2017 BGN '000	2016 BGN '000
Automotive business	(487)	(421)
Parent company	(90)	-
	<b>(577)</b>	<b>(421)</b>

**15. Financial income**

	2017	2016
	<i>BGN '000</i>	<i>BGN '000</i>
Interest revenue	368	183
	<b>368</b>	<b>183</b>

**15.1 Financial income by segments**

	2017	2016
	<i>BGN '000</i>	<i>BGN '000</i>
Automotive business	368	183
	<b>368</b>	<b>183</b>

**16. Depreciation by segments**

	2017	2016
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	(1 380)	(1 403)
Automotive business	(2 506)	(2 525)
Leasing business	(4 161)	(2 679)
Asset management and brokerage	(56)	(48)
Parent company	(7)	(8)
	<b>(8 110)</b>	<b>(6 663)</b>

**17. Tax**

	2017	2016
	<i>BGN '000</i>	<i>BGN '000</i>
Income tax expense	(2 283)	(586)
Deferred tax	27	(2 532)
	<b>(2 256)</b>	<b>(3 118)</b>

**17.1 Tax by segments**

	2017	2016
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	(1 880)	(2 806)
Automotive business	(343)	(340)
Leasing business	(16)	57
Asset management and brokerage	(17)	(29)
	<b>(2 256)</b>	<b>(3 118)</b>

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

	2017	2016
	<i>BGN '000</i>	<i>BGN '000</i>
Parent company	(1 173)	(18)
	<b>(1 173)</b>	<b>(18)</b>



**19. Cash and cash equivalents**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Cash on hand	1 637	3 437
Cash at bank	43 511	96 758
Restricted cash	490	602
Cash equivalents	307	151
	<b>45 945</b>	<b>100 948</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	11 171	27 662
	<b>11 171</b>	<b>27 662</b>

**21.1 Reinsurers' share in technical reserves**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Unearned premium reserve	117 578	90 933
Unexpired risk reserve	-	23
Claims reserves, incl.:	240 509	201 039
<i>Reserves for incurred, but not reported claims</i>	<i>102 594</i>	<i>88 812</i>
<i>Reserves for reported, but not settled claims</i>	<i>137 915</i>	<i>112 227</i>
Other technical reserves	3 160	2 870
	<b>361 247</b>	<b>294 865</b>

**21.2 Receivables from insurance business**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Receivables from direct insurance	77 265	57 698
Receivables from recourse/subrogation	10 676	7 629
	<b>87 941</b>	<b>65 327</b>

**22. Trade receivables**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Trade receivables	26 576	21 058
Advances paid	614	358
Other	284	156
	<b>27 474</b>	<b>21 572</b>

**22.1. Trade receivables by segments**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	1 905	1 163
Automotive business	13 500	10 402
Leasing services	11 164	9 471
Asset management and brokerage	2	18
Parent company	5	4
	<b>26 576</b>	<b>21 058</b>

**23. Other receivables**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	16 547	40 684
Automotive business	3 688	4 347
Leasing services	758	1 293
Parent company	1 637	8 746
Prepaid expenses	2 868	3 607
Receivables under court procedures	3 311	2 970
Tax receivables	2 013	1 182
	<b>30 822</b>	<b>62 829</b>

**23.1. Tax receivables by segments**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	137	97
Automotive business	223	180
Leasing services	1 643	893
Parent company	10	12
	<b>2 013</b>	<b>1 182</b>

## 24. Property, plant and equipment

	Land plots	Buildings	Machinery and equipment	Vehicles	Furniture and fittings	Assets under constructi on	Other	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
<b>Cost</b>								
<b>At 1 January 2016</b>	<b>5 406</b>	<b>9 168</b>	<b>7 421</b>	<b>42 455</b>	<b>4 636</b>	<b>1 702</b>	<b>1 676</b>	<b>72 464</b>
Acquisition of a subsidiary	-	3 703	71	4 979	4	-	66	<b>8 823</b>
Additions	84	656	835	11 125	1 181	4 136	31	<b>18 048</b>
Disposals	-	(57)	(265)	(14 707)	(118)	(1 121)	(60)	<b>(16 328)</b>
Other changes	(4)	-	(136)	(108)	102	-		<b>(146)</b>
<b>At 31 December 2016</b>	<b>5 486</b>	<b>13 470</b>	<b>7 926</b>	<b>43 744</b>	<b>5 805</b>	<b>4 717</b>	<b>1 713</b>	<b>82 861</b>
<b>At 1 January 2017</b>	<b>5 486</b>	<b>13 470</b>	<b>7 926</b>	<b>43 744</b>	<b>5 805</b>	<b>4 717</b>	<b>1 713</b>	<b>82 861</b>
Additions	37	4 297	1 255	28 056	1 441	490	2 188	<b>37 764</b>
Disposals	(33)	(95)	(123)	(15 922)	(63)	(4 178)	(2 147)	<b>(22 561)</b>
<b>At 31 December 2017</b>	<b>5 490</b>	<b>17 672</b>	<b>9 058</b>	<b>55 878</b>	<b>7 183</b>	<b>1 029</b>	<b>1 754</b>	<b>98 064</b>
<b>Depreciation</b>								
<b>At 1 January 2016</b>	<b>-</b>	<b>1 405</b>	<b>5 856</b>	<b>18 029</b>	<b>3 986</b>	<b>5</b>	<b>958</b>	<b>30 239</b>
Acquisition of a subsidiary	-	1 081	61	1 021	4	-	59	<b>2 226</b>
Depreciation for the year	-	263	584	4 798	273	-	105	<b>6 023</b>
Disposals	-	-	(100)	(6 080)	(116)	-	(53)	<b>(6 349)</b>
<b>At 31 December 2016</b>	<b>-</b>	<b>2 749</b>	<b>6 401</b>	<b>17 768</b>	<b>4 147</b>	<b>5</b>	<b>1 069</b>	<b>32 139</b>
<b>At 1 January 2017</b>	<b>-</b>	<b>2 749</b>	<b>6 401</b>	<b>17 768</b>	<b>4 147</b>	<b>5</b>	<b>1 069</b>	<b>32 139</b>
Depreciation for the year	-	335	672	6 134	365	-	100	<b>7 606</b>
Disposals	-	(12)	(77)	(6 265)	(45)	-	(2)	<b>(6 401)</b>
<b>At 31 December 2017</b>	<b>-</b>	<b>3 072</b>	<b>6 996</b>	<b>17 637</b>	<b>4 467</b>	<b>5</b>	<b>1 167</b>	<b>33 344</b>
<b>Net book value:</b>								
<b>At 1 January 2016</b>	<b>5 406</b>	<b>7 763</b>	<b>1 565</b>	<b>24 426</b>	<b>650</b>	<b>1 697</b>	<b>718</b>	<b>42 225</b>
<b>At 1 January 2017</b>	<b>5 486</b>	<b>10 721</b>	<b>1 525</b>	<b>25 976</b>	<b>1 658</b>	<b>4 712</b>	<b>644</b>	<b>50 722</b>
<b>At 31 December 2017</b>	<b>5 490</b>	<b>14 600</b>	<b>2 062</b>	<b>38 241</b>	<b>2 716</b>	<b>1 024</b>	<b>587</b>	<b>64 720</b>

## 24.1. Land and buildings by segments

	31.12.2017 BGN '000	31.12.2016 BGN '000
Insurance business	9 918	9 187
Automotive business	10 172	7 020
	<b>20 090</b>	<b>16 207</b>



**24.2. Machinery and equipment by segments**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	385	275
Automotive business	1 632	1 204
Leasing business	45	46
	<b>2 062</b>	<b>1 525</b>

**24.3. Vehicles by segments**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	2 199	1 299
Automotive business	10 692	6 584
Leasing services	25 281	18 007
Asset management and brokerage	55	68
Parent company	14	18
	<b>38 241</b>	<b>25 976</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	214	260
Automotive business	3 033	1 992
Leasing services	38	36
Asset management and brokerage	16	11
Parent company	2	3
	<b>3 303</b>	<b>2 302</b>

**24.5. Assets under construction by segments**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	224	-
Automotive business	800	4 712
	<b>1 024</b>	<b>4 712</b>

**25. Investment property**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
<b>Net book value at 1 January</b>	<b>13 215</b>	<b>11 396</b>
Additions	68	-
Revaluation	(130)	1 840
Other changes	(455)	-
Depreciation	-	(21)
<b>Net book value as at the period end</b>	<b>12 698</b>	<b>13 215</b>

**26. Intangible assets**

	Software	Licenses	Other	Total
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
<b>Cost</b>				
<b>At 1 January 2016</b>	<b>7 106</b>	<b>155</b>	<b>1 436</b>	<b>8 697</b>
Acquisition of a subsidiary	59	-	22	81
Additions	358	-	28	386
Disposals	(1 428)	-	(3)	(1 431)
<b>At 31 December 2016</b>	<b>6 095</b>	<b>155</b>	<b>1 483</b>	<b>7 733</b>
<b>At 1 January 2017</b>	<b>6 095</b>	<b>155</b>	<b>1 483</b>	<b>7 733</b>
Additions	1 037	-	150	<b>1 187</b>
Disposals	(388)	(40)	(21)	<b>(449)</b>
<b>At 31 December 2017</b>	<b>6 744</b>	<b>115</b>	<b>1 612</b>	<b>8 471</b>
<b>Depreciation</b>				
<b>At 1 January 2016</b>	<b>5 183</b>	<b>154</b>	<b>682</b>	<b>6 019</b>
Acquisition of a subsidiary	58	-	-	58
Depreciation for the year	534	-	85	619
Disposals	(699)	-	(3)	(702)
<b>At 31 December 2016</b>	<b>5 076</b>	<b>154</b>	<b>764</b>	<b>5 994</b>
<b>At 1 January 2017</b>	<b>5 076</b>	<b>154</b>	<b>764</b>	<b>5 994</b>
Depreciation for the year	412	-	92	<b>504</b>
Disposals	(184)	(40)	(1)	<b>(225)</b>
<b>At 31 December 2017</b>	<b>5 304</b>	<b>114</b>	<b>855</b>	<b>6 273</b>
<b>Net book value:</b>				
<b>At 1 January 2016</b>	<b>1 923</b>	<b>1</b>	<b>754</b>	<b>2 678</b>
<b>At 1 January 2017</b>	<b>1 019</b>	<b>1</b>	<b>719</b>	<b>1 739</b>
<b>At 31 December 2017</b>	<b>1 440</b>	<b>1</b>	<b>757</b>	<b>2 198</b>

**27. Inventories by segments**

	31.12.2017	31.12.2016
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance business	248	206
Automotive business	53 249	35 739
Leasing business	5 628	4 267
	<b>59 125</b>	<b>40 212</b>

**28. Financial assets**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Financial assets held for trading	305 715	157 899
Available for sale financial assets	15 638	15 698
Other financial assets	5 700	500
	<b>327 053</b>	<b>174 097</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business, incl.:	294 500	146 795
<i>Government bonds</i>	<i>133 742</i>	-
Asset management and brokerage	11 215	11 104
	<b>305 715</b>	<b>157 899</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business, incl.:	15 638	15 698
<i>Government bonds</i>	<i>4 680</i>	<i>5 108</i>
	<b>15 638</b>	<b>15 698</b>

**28.3. Other financial assets by segments**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	5 700	500
	<b>5 700</b>	<b>500</b>

**29. Deferred tax asset**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	12 618	14 353
Automotive business	469	461
Leasing business	97	96
	<b>13 184</b>	<b>14 910</b>

**30. Investments in subsidiaries and associates**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Investments of the parent company	-	1
Investments of the subsidiaries	4 724	170
	<b>4 724</b>	<b>171</b>



**31. Other financial investments by segments**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	2 382	1 987
Parent company	9	172
	<b>2 391</b>	<b>2 159</b>

**32. Non-current receivables**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Finance lease receivables	45 414	40 558
Parent company	9 779	9 779
Subsidiaries	30 715	23 750
	<b>85 908</b>	<b>74 087</b>

**33. Goodwill**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Euroins Insurance Group AD	164 478	164 664
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	1 803
Eurolease Rent-a-Car EOOD	1 803	1 312
Sofia Motors EOOD	10	10
Euro-Finance AD	2 620	2 620
	<b>189 813</b>	<b>189 999</b>

The Group's management has performed the required procedures for making an impairment test of recognised goodwills with regard to the acquisition of subsidiaries, and for this purposes it has engaged external valuers and the group works in accordance with generally recognised international standards on auditing. During the test it is assumed that every separate company is a "cash flows generating unit". The financial budgets and other mid-term and long-term plans and intentions for the development and restructuring of the activities within the frames of the Group are used as a basis for estimating the cash flows (before tax). The recoverable value of each cash flow generating unit is measured on the basis of "value in use". The key assumptions used for the calculations are defined specifically for each company with goodwill treated as a separate cash flow generating unit and in accordance with the specificity of its activity, the business environment and the risks. The test result shows that the recoverable value of positive goodwill exceeds the book value and there are no indications for impairment of such goodwill.

**34. Subordinated debts by segments**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance and health insurance - issued	19 558	19 558
Insurance and health insurance - other	6 500	4 000
Parent company - other		53 695
	<b>26 058</b>	<b>77 253</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	-	9 166
Automotive business	17 382	18 783
Leasing business	47 768	33 529
Parent company	34 095	43 588
	<b>99 245</b>	<b>105 066</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business, incl.:	-	6 209
<i>Loans from non-bank financial institutions</i>	-	6 209
Automotive business, incl.:	4 918	7 154
<i>Bank loans</i>	4 918	7 154
Leasing business, incl.:	46 404	33 049
<i>Bank loans</i>	46 404	33 049
Parent company, incl.:	21 123	24 643
<i>Bank loans</i>	21 123	24 643
	<b>72 445</b>	<b>71 055</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business, incl.:	-	2 957
<i>Bank loans</i>	-	2 957
Automotive business, incl.:	12 464	11 629
<i>Bank loans</i>	12 222	11 629
<i>Loans from non-bank financial institutions</i>	242	-
Leasing business, incl.:	1 364	480
<i>Bank loans</i>	1 364	480
Parent company, incl.:	12 972	18 945
<i>Bank loans</i>	5 940	4 694
<i>Loans from non-bank financial institutions</i>	7 032	14 251
	<b>26 800</b>	<b>34 011</b>

**36. Bond obligations by segments**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Automotive business	4 769	6 585
Leasing business	20 863	23 880
Parent company	125 125	89 051
	<b>150 757</b>	<b>119 516</b>

**Issued bonds as at 31.12.2017**

	Cupon	Original currency	Maturity	Nominal, in <i>thousand</i>
<b>Automotive Business</b>				
Corporate bonds	4.50%	BGN	12.2022	6 800
<b>Leasing business</b>				
Corporate bonds	7.00%	EUR	11.2019	6 000
Corporate bonds	3.75%	EUR	7.2023	1 250
Corporate bonds	5.00%	BGN	2.2020	6 000
Corporate bonds	3m.Euribor + 3.95%	EUR	7.2021	5 800
<b>Parent company</b>				
EMTN Programme	6.50%	EUR	12.2022	70 000
EMTN Programme	8.00%	PLN	12.2021	47 000



**Issued bonds as at 31.12.2016**

	Cupon	Original currency	Maturity	Nominal, in thousand
<b>Automotive Business</b>				
Corporate bonds	4.50%	BGN	12.2027	6 800
<b>Leasing business</b>				
Corporate bonds	7.00%	EUR	11.2019	6 000
Corporate bonds	3.75%	EUR	7.2023	1 250
Corporate bonds	5.00%	BGN	2.2020	6 000
Corporate bonds	3m.Euribor + 3.95%	EUR	7.2021	5 800
<b>Parent company</b>				
EMTN Programme	8.00%	EUR	12.2022	47 000
EMTN Programme	8.00%	PLN	12.2021	45 000

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

	31.12.2017 BGN '000	31.12.2016 BGN '000
Automotive business	4 769	-
Leasing business	20 863	23 880
Parent company	124 178	88 882
	<b>149 810</b>	<b>112 762</b>

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

	31.12.2017 BGN '000	31.12.2016 BGN '000
Automotive business	-	6 585
Parent company	947	169
	<b>947</b>	<b>6 754</b>

**37. Non-current liabilities**

	31.12.2017 BGN '000	31.12.2016 BGN '000
Other non-current liabilities	10 198	17 736
Finance lease liabilities	19 885	15 201
Deferred revenue	4	-
	<b>30 087</b>	<b>32 937</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	11	137
Automotive business	9 336	6 898
Leasing business	811	451
Parent company	40	10 250
	<b>10 198</b>	<b>17 736</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Automotive business	7 166	4 830
Leasing business	12 719	10 371
	<b>19 885</b>	<b>15 201</b>

**38. Current liabilities**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Payables to employees	3 304	3 374
Social-security liabilities	1 619	1 163
Tax liabilities	5 707	5 576
Other current liabilities	9 792	19 427
Finance lease liabilities	4 449	2 373
Deferred revenue	270	432
Provisions	446	214
	<b>25 587</b>	<b>32 559</b>

**38.1. Payables to employees by segments**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	2 357	2 186
Automotive business	721	988
Leasing business	187	163
Parent company	39	37
	<b>3 304</b>	<b>3 374</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	1 325	766
Automotive business	209	286
Leasing business	75	102
Parent company	10	9
	<b>1 619</b>	<b>1 163</b>

**38.3. Tax liabilities by segments**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	2 644	1 811
Automotive business	2 351	2 604
Leasing business	394	791
Asset management and brokerage	46	33
Parent company	272	337
	<b>5 707</b>	<b>5 576</b>

**38.4. Other current liabilities**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	6 322	14 348
Automotive business	2 084	2 747
Leasing business	795	886
Asset management and brokerage	293	596
Parent company	298	850
	<b>9 792</b>	<b>19 427</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Automotive business	4 449	2 373
	<b>4 449</b>	<b>2 373</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Automotive business	270	432
	<b>270</b>	<b>432</b>

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

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	7 380	5 783
Automotive business	51 080	36 613
Leasing business	3 852	4 131
Asset management and brokerage	6	4
Parent company	39 874	26 656
	<b>102 192</b>	<b>73 187</b>

**40. Payables to reinsurers**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	81 863	69 749
	<b>81 863</b>	<b>69 749</b>

**41. Deferred tax liabilities**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Insurance business	104	-
Automotive business	120	102
Leasing business	60	66
	<b>284</b>	<b>168</b>

**42. Insurance reserves**

	31.12.2017 <i>BGN '000</i>	31.12.2016 <i>BGN '000</i>
Unearned premium reserve, gross amount	187 985	150 683
<i>Reinsurers' share in unearned premium reserve</i>	<i>(117 578)</i>	<i>(90 933)</i>
Unexpired risks reserve, gross amount	7 288	459
<i>Reinsurers' share in unexpired risks reserve</i>	<i>-</i>	<i>(23)</i>
Reserve for incurred but not reported claims, gross amount	165 038	149 772
<i>Reinsurers' share in reserve for incurred but not reported claims</i>	<i>(102 594)</i>	<i>(88 812)</i>
Reserve for reported but not settled claims, gross amount	231 443	199 131
<i>Reinsurers' share in reserve for reported but unsettled claims</i>	<i>(137 915)</i>	<i>(112 227)</i>
Other technical reserve	4 081	8 775
	<b>595 835</b>	<b>508 820</b>



### 43. Share capital and share premium

On 6 February 2017 the subscription of new shares from public offering of Eurohold Bulgaria AD was completed successfully. The amount received from subscribed and fully paid-in shares is BGN 34 000 000. The whole amount was paid-in by the major shareholder Starcom Holding AD. In aggregate, the capital of the company was increased from BGN 127 345 000 to BGN 161 345 000. The increase was registered in the Commercial Register on 28.03.2017.

On 18 December 2017 the subscription of new shares from public offering of Eurohold Bulgaria AD was completed successfully. The amount received from subscribed and fully paid-in shares is BGN 36 180 600. In aggregate, the capital of the company was increased from BGN 161 345 000 to BGN 197 525 600. The resulting reserve from issue of securities is in the amount of BGN 10 854 180. The increase of the capital was registered in the Commercial Register on 22 December 2017.

#### 43.1 Issued capital

	31.12.2017	31.12.2016
	BGN '000	BGN '000
Issued shares	197 526	127 345
Treasury shares (Shares held from subsidiaries)	(77)	(2 946)
<b>Share capital</b>	<b>197 449</b>	<b>124 399</b>
<b>Number of shares</b>	<b>197 525 600</b>	<b>127 345 000</b>

As at 31.12.2017 - 77 387 shares of Eurohold Bulgaria AD are held by the Eurohold Group companies (as at 31.12.2016 – 2 946 813 share).

The share capital is distributed as follows:

Share holders	%	Number of shares	Par value
Starcom Holding AD	54.20%	107 051 956	107 051 956
KJK Fund II Sicav-Sif Balkan Discovery	12.46%	24 616 873	24 616 873
Other companies	30.62%	60 472 589	60 472 589
Other individuals	2.72%	5 384 182	5 384 182
	<b>100.00%</b>	<b>197 525 600</b>	<b>197 525 600</b>

As at 31.12.2017 the shares held by the members of the Supervisory and the Management Boards are 79 400 shares (as at 31.12.2016 – 24 344 198 shares).

#### 43.2 Share premium

	31.12.2017	31.12.2016
	BGN '000	BGN '000
Share premium	49 568	39 736
	<b>49 568</b>	<b>39 736</b>

#### 43.3 Earnings per share

The net earning per share is calculated by dividing the profit for the year that may be attributed to the holders of Group's ordinary shares by the mean average number of ordinary outstanding shares during the year. The calculation is made on the basis of the consolidated statements of Eurohold Bulgaria AD.

**Earnings per share**

	31.12.2017	31.12.2016
Average shares, (number)	145 484 851	124 398 187
Net Profit attributable to equity holders of the Parent as of the end of reporting year (thousand BGN)	18 174	8 474
<b>Earnings per share, BGN</b>	<b>0,125</b>	<b>0,068</b>

**44. Net income for the year**

	31.12.2017 BGN '000	31.12.2016 BGN '000
Current result attributable to the shareholders	18 174	8 474
Current result attributable to the non-controlling interest	6 241	1 750
<b>Net income for the year</b>	<b>24 415</b>	<b>10 224</b>

**44.1. Net income for the year by segments**

	31.12.2017 BGN '000	31.12.2016 BGN '000
Insurance business	41 681	8 944
Automotive business	258	(842)
Leasing business	112	(481)
Asset management and brokerage	209	265
Parent company	(17 306)	2 309
Income attributable to the non-controlling interest	(6 241)	(1 750)
Intercompany eliminations of dividends and other	(539)	29
	<b>18 174</b>	<b>8 474</b>

**45. Non-controlling interests**

	31.12.2017 BGN '000	31.12.2016 BGN '000
Non-controlling interest attributable to current result	6 241	1 750
Non-controlling interest attributable to equity	37 461	34 395
	<b>43 702</b>	<b>36 145</b>

As at 31.12.2017 and 31.12.2016, the Group does not have any significant non-controlling participations.

**46. Changes in liabilities arising from financing activities**

<i>In BGN thousand</i>	<i>Note</i>	<b>1 January 2017</b>	Changes from financing cash flows		Non-cash adjustments		<b>31 December 2017</b>
			<b>Proceeds</b>	<b>Payments</b>	Effect of changes in foreign exchange rates	Other changes	
Share capital	43.1	<b>124 399</b>	70 181	-	-	2 869	<b>197 449</b>
Share premium	43.2	<b>39 736</b>	10 854	-	-	(1 022)	<b>49 568</b>
Retained earnings		<b>(44 659)</b>	-	(1 472)	-	1 306	<b>(44 825)</b>
Subordinated debts	34	<b>77 253</b>	2 500	(53 695)	-	-	<b>26 058</b>
Bank and non-bank loans	35	<b>105 066</b>	47 865	(58 697)	2	5 009	<b>99 245</b>
Bond obligations	36	<b>119 516</b>	137 940	(119 008)	1 144	11 165	<b>150 757</b>
<b>Total:</b>		<b>421 311</b>	<b>269 340</b>	<b>(232 872)</b>	<b>1 146</b>	<b>19 327</b>	<b>478 252</b>

**47. Contingent liabilities and engagements*****Litigations***

As at 31.12.2017, Eurohold Group companies are not a party to significant litigations.

***Warranties and provided guarantees***

Avto Union AD is co-debtor under bond loan with ISIN code BG2100006092 issued by Asterion Bulgaria AD and is jointly liable for its repayment. The nominal amount of the issue debt is EUR 7 500 000.

The general meeting of bondholders duly held on 08.09.2017 adopted a resolution for change of the parameters of the bond loan issued by Avto Union AD. The general meeting of bondholders decided to make the following changes of the parameters of the corporate bond issue with ISIN code BG2100025126, as follows:

- The term of validity of the issue is extended by 60 months from 10.12.2017 to 10.12.2022.
- Principal payments are changed as follows: repayment of BGN 2 000 000 of the principal until 10.06.2022 (inclusive, in equal instalments of BGN 250 000) and one final principal repayment in the amount of BGN 4 800 000 on 10.12.2022.

Decrease of the interest coupon of the bond loan to 4.5% per annual base.

***Dematerialized transactions***

During the reporting period the Group has not made any investment and financial transactions where no cash or cash equivalents have been used and which are not stated in the consolidated statement of cash flows.

**48. Related party transactions and balances**

The Group's related parties are as follows:  
Starcom Holding – major shareholder.

As at 31.12.2017, the Group has the following related party transactions:

	31.12.2017 BGN '000	31.12.2016 BGN '000
Loan receivables from Starcom Holding AD	314	6 095
Receivables under repo transactions from Starcom Holding AD	1 752	1 078
Other receivables from Starcom Holding AD	1	1
Loan payables to Starcom Holding AD	2 753	16 896
Other payables to Starcom Holding AD	98	2 205
Investments in debt instruments issued by Starcom Holding AD	13 077	-
Revenue from commissions – Starcom Holding AD	1	7
Interest revenue – Starcom Holding AD	466	177
Interest expenses – Starcom Holding AD	988	1 166

The members of the key management staff are disclosed in Annex 1. Remunerations and other short-term benefits of the key management staff for 2017 are current and are in the amount of BGN 1 869 040 comprising current remunerations (2016: BGN 961 521).

#### 49. Events after the end of the reporting period

By its decision of 17 January 2018, the Financial Supervision Commission of Romania (Autoritatea de Supraveghere Financiară) finally approved the acquisition of the insurance portfolio of the Romanian non-life insurance company ATE Insurance. It comprises only non-motor business and this transaction is actually part of Euroins Romania's long-term strategy to increase the company's non-motor business in particular.

On 25.09.2017 the Board of Directors of EIG adopted a resolution for acquisition of 14.144% of the capital of Euroins Russia. On 16.10.2017 the Board of Directors of EIG AD adopted a resolution for participation in procedure for Euroins Russia capital increase. On 21.12.2017, RUB 80,000 thousand are transferred in pursuance of this resolution. The increase is registered on 13 February 2018, thus making the participation of EIG 32.195%.

On 09.03.2018, Eurolease Group EAD issued corporate bond with ISIN code of issue BG2100004188 in the amount of BGN 1,500 thousand, with maturity in March, 2022 and fixed annual interest rate in the amount of 4,25%, payable at every six month period. The principal is repaid in 6 (six) equal instalments starting from 09.2019. The bond loan is issued for the purposes of supporting the subsidiaries' business.

Eurolease Auto EAD and Eurolease – Rent A Car EOOD sell receivables in aggregate amount of BGN 4 888 thousand to iLearn Limited, reg. № 606522 for the consideration of BGN 4 400 thousand. Agreements for these transactions are made in February 2018.

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



- ♦ **SECTION A –**
- ♦ **Brief overview of 2017**

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**D1 KEY CONSOLIDATED INDICATORS**

<b>Net profit</b> 2017 Thousand BGN <b>24 154</b> +139%   see page 97	<b>Revenues</b> 2017 BGN mln <b>1.241</b> +18%   see page -+98
<b>Total assets</b> 2017 BGN mln <b>1.326</b> +17%   see page 100	<b>Financial assets</b> 2017 Thousand BGN <b>327 053</b> + 88%   see page101
<b>Total net assets</b> 2017 Thousand BGN <b>214 506</b> + 116%   see page 102	<b>Liabilities</b> 2017 BGN mln <b>1.112</b> +9%   see page 102
<b>Rating</b> 2017 Fitch <b>B</b> Issuer Default Rating   see page.71	<b>Rating</b> 2017 Fitch <b>BB-</b> Insurer Financial Strength Rating - IFSR   see page.71

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration on Responsibility
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## KEY CONSOLIDATED INDICATORS - CONTINUED

Indicators		2017	Change*	2016
<b>CONSOLIDATED STATEMENT ON PROFIT OR LOSS</b>				
1. Accounting profit (before tax)	Thousand BGN	26 671	99.9%	13 342
2. Net profit attributable to the Group	Thousand BGN	18 174	114.5%	8 474
3. Revenues from operating activities	Thousand BGN	1 240 716	17,8%	1 053 374
<b>STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER</b>				
4. Equity, including non-controlling participation	Thousand BGN	214 506	86.1%	115 259
5. Liabilities	Thousand BGN	1,111 908	9,1%	1 019 255
6. Assets	Thousand BGN	1 326 414	16,9%	1 134 514
<b>INFORMATION ABOUT SHARES</b>				
Share capital (issued)	Thousand BGN	197 526	58.7%	127 345
Number of shares	Thousands	197 526	55.1%	127 345
Weighted average number of shares (number)	Thousands	145 485	17.0%	124 398
Net profit per share	BGN	0.125	83.8%	0.068
<b>COEFFICIENTS</b>				
Financial autonomy ratio		0,19	70.6%	0,11
Debt ratio		5,18	-41.4%	8,84
Gross return on revenue		2,15%	69.7%	1.27%
Net return on revenue		1,46%	82.1%	0.80%
Gross return on equity		12,43%	7.4%	11.58%
Net return on equity		8,47%	15.2%	7.35%
Gross return on liabilities		2,40%	83.2%	1.31%
Net return on liabilities		1,63%	96.6%	0.83%
Gross return on assets		2,01%	71.0%	1.18%
Net return on assets		1,37%	83.4%	0.75%

\*The calculated amendment is based on the result for 2017 compared to the comparable period 2016.

**KEY INDICATORS BY INDIVIDUAL BUSINESS LINES. DATA ARE BASED ON AUDITED CONSOLIDATED FINANCIAL STATEMENTS AT SUB-HOLDING LEVEL FOR 2017 AND 2016**

The presented data are in thousands of BGN.

INSURANCE	2017	2016	*Change
Written premiums	645 471	527 733	22.3%
Net premiums won	356 726	295 796	20.6%
Compensations paid	(346 817)	(313,401)	10.7%
Acquisition Costs	(137 340)	(128,143)	7.2%
Premiums ceded to reinsurers	(288 745)	(231,937)	24.5%
Change in the gross amount of the upcoming payments reserve - net of reinsurance	(5 613)	(6,719)	-16.5%
Administrative costs	(30 942)	(21,474)	44.1%
Net result	41 681	8 944	366%
Financial assets	355 338	231 357	53.6%
Total assets	1 079 955	930 246	16.1%
Equity	353 191	269 974	30.8%
Insurance provisions	596 267	510 367	16.8%
Other liabilities	130 497	149 905	-12.9%

\*The calculated amendment is based on the result for 2017 compared to the comparable period 2016.

Motor vehicles	2017	2016	* Change
Revenue from sale	214 285	177 060	21%
EBITDA	5 565	3 914	42.2%
Net result	258	(842)	130.6%
Inventories (motor vehicles in stock)	53 249	35 739	49%
Total assets	136 395	118 207	15.4%
Equity	18 603	19 560	-4.9%
Non-current liabilities	37 764	30 137	25.3%
Current liabilities	76 699	65 906	16.4%

\*The calculated amendment is based on the result for 2017 compared to the comparable period 2016.

Leasing	2017	2016	* Change
Operating income	16 979	13 950	21.7%
Profit before taxes	128	(538)	123.8%
Net result	112	(481)	123.3%
Leasing Portfolio	56 581	50 363	12.3%
Total assets	115 171	98 016	17.5%
Equity	16 234	16 104	0.8%
Non-current liabilities	89 472	72 669	23.1%
Current liabilities	9 465	9 243	2.4%

\*The calculated amendment is based on the result for 2017 compared to the comparable period 2016.

Investment intermediation and Asset Management -	2017	2016	*Change
Revenue from financial services	9 220	11 359	-18.8%
Profit before taxes	226	294	-23.1%
Net result	209	265	-21.1%
Current assets	20 460	16 383	24.9%
Total assets	27 256	18 631	46.3%
Equity	22 297	15 853	40.6%
Non-current liabilities	40	52	-23.1%
Current liabilities	4 864	2 680	81.5%

\*The calculated amendment is based on the result for 2017 compared to the comparable period 2016.



## ***D2 SIGNIFICANT EVENTS FOR THE EUROHOLD GROUP IN 2017***

2017 was filled with many important events for the development of both the ongoing activity of the Eurohold Bulgaria Group and its subsidiaries and their future strategic plans. Below is information about the more important of them arranged in chronological order, not their significance.

- In February 2017, Eurohold completed a capital increase procedure. The Group has accumulated additional BGN 34 million from its existing shareholders, significantly increasing its capital position. Its largest shareholder, Starcom Holding, retains its majority share. The Company's capital was increased from BGN 127 345 000 to 345 .

***Euroins Romania Asigurare Reasigurare, acquired the portfolio of non-life insurance policies of the Romanian ATE Insurance, owned by the largest bank in Greece - Piraeus Bank. The portfolio is 100% non-motor with a damage ratio of less than 5%. The deal was approved by Romanian financial supervision ASF on July 4, 2017 and ended very quickly, which again highlights the excellent reputation of Euroins Romania.***

***On 25 July 2017, the Bulgarian Credit Rating Agency (BCRA) awarded Eurohold Bulgaria a long-term credit rating "BBB-" with a stable perspective and short-term credit rating "A-3".***

***On October 30, 2017, Fitch Ratings awarded "B" long-term credit Rating (Long-Term Issuer Default Rating – IDR) to Eurohold Bulgaria AD. The rating perspective was assessed as stable, as well as the B'/RR4' credit rating of the company's program for Euro medium-term note (EMTN) amounting up to EUR 200 mln.***

***On October 30, 2017, Fitch Ratings awarded Euroins Romania's "Financial Insurer Financial Strength Rating" (IFSR),***

***the largest and most significant company in the insurance business of Eurohold Bulgaria AD. The outlook for the rating was assessed as stable.***



## SIGNIFICANT EVENTS FOR THE EUROHOLD GROUP IN 2017 - CONTINUED

- *Euro-Finance acquired 9.98% of the capital of Varengold Bank AG, Germany. The bank is targeting to corporate banking.*

*On November 30, 2017 Eurohold successfully placed bonds in the amount of 70 mln. Euro within the Euro Medium Term Note Programme (EMTN Programme) amounting up EUR 200 mln., traded on the Irish Stock Exchange. The new issue has a fixed annual interest coupon of 6.5% and a maturity of 5 years. More than 20 investors, including some of the world's largest asset management international companies participated in the offering. The majority of the funding was used for the full repayment of the first tranche of EMTN Programme, sold at the end of 2016, amounting to EUR 47 mill. and at a fixed interest coupon of 8%. The remaining amount of Eurobonds accumulated through a second tranche is used to develop the company's business.*

*Euroins Insurance Group acquired a significant stake in the Russian insurance company OOO Russian Insurance Company Evroins (<https://www.euro-ins.ru/>). The deal was signed on 16.11.2017. The transaction has already been approved by the regulatory authorities in Russia and is expected to be finalized in the first quarter of 2018. OOO RIC Euroins is specialized in the non-life segment of Russia and has been operating in the country since 2003 by offering in the portfolio you have more than 50 products. In 2016, the Russian company earned 21 million euros of premium income (40% growth on an annual basis). Through the capital increase EIG will acquire 49% of the insurer for EUR 3.6 mln., thus the company will be able to expand its activities in Russia.*

*At the end of 2017, Eurohold Bulgaria AD increased its capital with new BGN 36 180 600 through public offering of new shares, whereby the Group further increased its capital position. The increase was finalized in December 2017. The company's capital was increased from BGN 161 345 000 to BGN 197 525 600. The capital increase was entered in the Commercial Register on December 22, 2017. The newly issued shares were admitted to trading on the Bulgarian Stock Exchange - Sofia on January 9,, 2018*



## SIGNIFICANT EVENTS FOR THE EUROHOLD GROUP IN 2017 - CONTINUED

*By decision of the General Meeting of Shareholders in November 2017 Euroins AD was deregistered by the BSE and deregistered from the register of the public companies and other issuers of securities under Art. 30, para. 1 1, item 3 of Financial Supervision Commission Act, which is kept by the Financial Supervision Commission.*

**IC Euroins AD has successfully implemented its plans for a double capital increase of up to BGN 32.5 million and the company's capital ratios are well above the levels required by the Solvency II EU Directive. With the double increase of the capital, the Insurance Company Euroins AD already exceeds the key stability indicator in the insurance sector - the Solvency Capital Requirement (SCR). With the increase in the company's capital, the parent company**

**Euroins Insurance Group successfully finalized its plan to capitalize all its subsidiaries in order to meet the requirements of the the Solvency II EU Directive.**

*At its meeting held on December 6, 2017, the Management Board of the Warsaw Stock Exchange took a Decision No. 142/2017, which allowed to admit to trading on the Main Market 52 012 288 shares of the capital of Eurohold Bulgaria AD as of 8 December 2017. Upon completion of this procedure, all 161 345 000 shares of the company were admitted to trading on the Warsaw Stock Exchange.*

*On 26 February 2018, the Management Board of the WSE took a Decision No 160/2018 to admit the all 36 180 600 shares of the last capital increase of Eurohold Bulgaria AD for trading on the main market of the WSE. The resolution shall become effective on the date of its adoption. Upon completion of this procedure, all 97 525 600 shares of the company were admitted to trading on the Warsaw Stock Exchange.*



### **D3. BRIEF OVERVIEW OF 2017 BY THE CHAIRMAN OF THE SUPERVISORY BOARD AND THE PRESIDENT OF THE MANAGEMENT BOARD**

***To all interested parties***

#### ***What we do for the development of Eurohold Bulgaria AD***

*Over the years, we have been working to turn Eurohold Bulgaria into one of the leading Bulgarian companies operating in Central and Southeastern Europe, focusing on non-bank financial services and asset management. The shares of the Company are traded on the stock exchanges in Sofia and Warsaw. The company is the majority owner of Euroins Insurance Group (EIG), one of the largest independent insurance groups in the region. EIG operates in 8 European countries, with subsidiary insurance companies in four of them - Bulgaria, Romania, Macedonia and Ukraine. Since 2014 EIG has been active in Greece. The EIG Group serves more than 2.5 million customers, 1600 employees and annual revenues of € 350 million.*

***[www.eurohold.bg](http://www.eurohold.bg) [www.eig.bg](http://www.eig.bg)***

***on behalf of the Supervisory Board and the Management Board  
of Eurohold Bulgaria AD***



## WHAT WE DID IN 2017



**Asen Hristov, Chairman of the  
Supervisory Board of Eurohold Bulgaria  
AD:**

*Eurohold has become an increasingly recognizable name among investors interested in Central and Southeastern Europe. The bonds that we issued in 2017 triggered a strong interest, including investors from all major financial centers in Europe. We are convinced that we are going to have new successes on the capital market in Europe. In the past year, our insurance subsidiary Euroins Insurance Group (EIG) entered the Russian market, further expanding its market share in Central and Eastern Europe. EIG is the fastest-growing independent insurance group in the region. We will continue to explore the good opportunities for acquiring insurance companies with strong potential in the region. Our expectations for 2018 are positive. Estimates of the economies of the countries we operate are favorable and the projected economic growth will stimulate further demand for our products."*

**Asen Hristov**



**Kiril Boshov - Chairman of the  
Management Board of Eurohold Bulgaria  
AD:**

*"Revenues and profits from Eurohold's core business lines rose steadily in 2017. We expect this trend to continue in 2018, in view of the good economic prospects for the region, which in turn will also result in an increase in the company's profitability. Thanks to the expansion of its business in Russia and the start of offering services in Poland, Euroins Insurance Group (EIG) is already one of the leading independent insurance groups in Central and Eastern Europe with more than 2.5 million customers and revenues of EUR 350 million per year. "*

**Kiril Boshov**

## ♦ SECTION E - ACTIVITY REPORT

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*This Activity Report has been prepared in accordance with the provisions of article 100n, para. 7 and 8 of the Public Offering of Securities Act (POSA), art. 247 of the Commercial Act and art. 41 and 44 of the Accountancy Act and art. 32, paragraph 1, item 2 of Ordinance No. 2 dated 17.09.2003 for the prospects at public offering and access to trade on a regulated securities market and for disclosure of information by public companies and other issuers of securities.*

*The Annual Activity Report of the Eurohold Bulgaria AD presents a commentary and an analysis of the financial statements and other substantial information regarding the financial position and the results achieved from the operations of the parent company and its subsidiaries. The Consolidated Report also includes consolidated non-financial information. The report describes the position and the perspectives for development of the company as well as the main risks it is exposed to.*

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

## E1. VISION, BUSINESS PROFILE, MISSION, GOALS



**Our VISION is a reflection of our BUSINESS PROFILE, MISSION, and GOALS**



### BUSINESS PROFILE

**Eurohold Bulgaria is one of the leading public companies**, whose shares are traded on the Bulgarian Stock Exchange - Sofia and the Warsaw Stock Exchange / Giełda Papierów Wartościowych w Warszawie. The investment portfolio of the Holding includes subsidiaries operating in four areas - financial services (investment intermediation and investment banking), motor vehicle sales, leasing and insurance. Mutually complementary activities provide significant opportunities for a rapid growth of the market shares of the companies in the holding structure, cost optimization, enhancing competitiveness and, as a result, increasing Eurohold's profits.



### MISSION

**Eurohold's mission** is to maintain high financial stability and provide adequate return to its shareholders; to support the growth of its subsidiaries; to stimulate innovation and increase customer satisfaction; to ensure the required conditions for a continuous improvement in the synergy between its subsidiaries; to maintain high confidence in its relations with its customers, employees and shareholders.



### GOALS

**The main goals of Eurohold are:** To satisfy the needs of its customers by means of offering innovative and competitive products and services, to expand the markets in which it operates and to increase the market shares of each of its subsidiaries; to increase the amount of sales in combination with high profitability, to preserve the positive reputation of the company. Achieving the goals will lead to sustainable growth in earnings and profits.

## E2. KEY FACTORS FOR GROWTH OF THE EUROHOLD GROUP

**Business model** Strongly integrated structure in the "insurance" - "car" - leasing "direction to create sustainable value.  
Focus on a number of European countries for expansion.  
Established business culture and values

**Corporate Governance** In managing the Company, the members of the Board of Directors apply the best world practices in corporate management and strive to be among the leaders in imposing transparent corporate practices in Bulgaria.

The business model the company follows is built on basic principles such as guaranteeing the rights of all shareholders and their equal treatment.

**Capital** As at 31 December 2017 Eurohold Bulgaria has a share capital of BGN 197 525 600 and consolidated equity of the Group at the amount of BGN 170 804 thousand.

**Human capital** Many highly qualified managers and employees work in the organization of Eurohold Bulgaria.

Members of the management and supervisory bodies are Bulgarian and foreign persons, who have many years of experience in the business sectors in which the company operates

**Social responsibility** Throughout the Eurohold Group has a policy of implementing social responsibility for staff, environmental protection, stakeholders and society as a whole





## **E3. INFORMATION FOR THE COMPANY**

### **About the company.**

**EUROHOLD BULGARIA IS A LEADING BULGARIAN COMPANY OPERATING IN CENTRAL AND SOUTHEAST EUROPE FOCUSED ON BUSINESS, INSURANCE, LEASING, CAR SALES, INVESTMENT INTERMEDIATION AND ASSET MANAGEMENT.**

**SUCCESSFUL INTEGRATION OF THESE MUTUALLY COMPLEMENTARY ACTIVITIES SUPPORTS THE CREATION OF SUSTAINABLE AND COST-EFFECTIVE SALES CHANNELS AND LEADS TO SIGNIFICANT FINANCIAL AND OPERATIONAL SYNERGIES BEING REALIZED.**

***Eurohold Bulgaria is one of the largest independent financial groups in the region of central and south-eastern Europe. The Eurohold Group is a fast-growing holding company that extends both organically and through acquisitions.***

***Main scope of activity  
Investment activity related to the creation, acquisition and management of participations and financing of related enterprises.***

***Eurohold Bulgaria AD is a public joint-stock company under the provisions of POSA. The Company's shares are registered for trade on the main markets of the Bulgarian Stock Exchange Sofia AD, stock index 4EH. The Company's shares are registered for trade on 15 December 2011 also on the WARSAW STOCK EXCHANGE (WSE) - Poland with stock index EHG***

## History and business information

Eurohold Bulgaria AD is a holding company, incorporated on 12 December 2006 in the Republic of Bulgaria, which operates in compliance with the Bulgarian legislation. The company is the successor of the privatization fund "Agroinvest" AD, incorporated in 1996, which in 1998 was transformed into holding company Eurohold AD.

According to art. 2, paragraph 3 of the Statutes, the trade name of the company is written with Latin letters, as follows: EUROHOLD BULGARIA S.A.

Eurohold Bulgaria AD has been incorporated for an indefinite period of time, i.e. the Company is not limited by a specific term or other preclusive condition.

### Seat and management address:

The seat and the registered address of Eurohold Bulgaria AD is the following: Republic of Bulgaria, Sofia 1592, 43 Hristofor Kolumb blvd. where is located the head office of the Company. This is also the official mailing address of the Company.

<b>Business address:</b>	<b>Town of Sofia, 1592, 43 Hristofor Kolumb Blvd.</b>
<b>Telephone</b>	<b>02/ 9651 653</b> <b>02/ 9651 651</b>
<b>Fax</b>	<b>02/ 9651 652</b>
<b>E-mail</b>	investors@eurohold.bg; office@eurohold.bg
<b>Website:</b>	<b>www.eurohold.bg</b>

### Scope of business activity

The scope of business activities of the Company includes acquisition, management, assessment and sale of shares in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, assessment and sale of patents, concession of licenses for patent use to companies in which the company holds a share; funding companies, in which the company holds a share.

## Registration and capital

On 10.03.2018 Eurohold Bulgaria AD was re-registered in the Commercial Registry of the Registry Agency, according to the requirements of the Commercial Registry Act with a unique identification code (UIC) 175187337.

Eurohold Bulgaria AD is established with capital amounting to 50 002 586 BGN, divided into 50 002 586 ordinary registered non-preferred dematerialized shares, each with the right to one vote in the General Meeting of the Shareholders, right to a dividend and right to a liquidation quota, with a nominal value to 1 BGN per share. Since the incorporation of the Eurohold Bulgaria AD, up until now, there have been several increases of the Company capital by cash contributions; and as of the date of this report, the capital of the Company amounts to BGN 1197,525 600 600, divided into 197 525 600 shares each with the right to one vote, right to a dividend and right to a liquidation quota, with a nominal value to 1 BGN per share.

Since the registration of EUROHOLD BULGARIA AD as a business entity up until now there has been no change in the name of the Company. The scope of activity of the Company has not been changed.

The Company can participate in Bulgarian and foreign companies and organizations, regardless of their scope of business activity, under the conditions stipulated in the legislation and in the Company Statutes.

Eurohold Bulgaria AD has no registered branches in the country and abroad.

At its incorporation, Eurohold Bulgaria AD owned a number of subsidiaries, which operated in the insurance, leasing, real estate and tourist property management, industry, etc.

In 2010, the company began restructuring its investments.

The management of Eurohold Bulgaria defined as non-strategic the companies operating in the field of real estate, management of tourism and the industry, as a result of which they are sold.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	<b>E - Consolidated management report</b>	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	---	---	--

The Management of Eurohold Bulgaria PLC defines as strategic its investments in the companies operating in the field of insurance, leasing, automobiles, as well as Investment Intermediation and Asset Management. In order to optimize costs and achieve high

synergy between its strategic subsidiaries, it has been decided to incorporate sub-holding structures operating in the insurance sector, the leasing sector, the sale of motor vehicle and Investment Intermediation and Asset Management.





## Legal framework

**Eurohold Bulgaria AD operates in compliance with the Bulgarian and European regulatory legislation, the main normative acts that govern its activity are as follows:**

### Regulatory legislation such as:

- ♦ Commercial Act;
- ♦ International Financial Reporting Standards (IFRS)
- ♦ Public Offering of Securities Act
- ♦ Law on the Financial Supervision Commission
- ♦ Law on Measures Against Market Abuse with Financial Instruments
- ♦ Commission for Personal Data Protection,
- ♦ Measures against Money Laundering Act

### sub-statutory legislation such as:

- ♦ Ordinance No. 2 of September 17, 2003 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information by the public companies (title amended - SG, issue 63 of 12.08.2016)
- ♦ Ordinance No. 39 of 21 November 2007 on Disclosure of a Holding in a Public Company,
- ♦ Ordinance on the minimum contents of the letter of attorney granting rights to represent a shareholder at a general meeting of a company, which shares are subject to a public offering.

### Regulations such as:

- ♦ Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation)
- ♦ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)
- ♦ and others.



A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
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## E4. MANAGEMENT BODIES CONTROL AUTHORITIES

As of 31.12.2017 Eurohold Bulgaria AD has a two-tier management system: a Management Board which consists of six natural persons, and a Supervisory Board – consisting of five natural persons as follows:

Supervisory Board	Management Board	Procuracy
<ul style="list-style-type: none"> <li>• <b>Assen Milkov Hristov</b> – Chairman;</li> <li>• <b>Dimitar Stoyanov Dimitrov</b> – Vice-chairman;</li> <li>• <b>Kustaa Lauri Ayma</b> – Independent member;</li> <li>• <b>Radi Georgiev Georgiev</b> – Member;</li> <li>• <b>Lyubomir Hristov Stoev</b> Independent member</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Kiril Ivanov Boshov</b> – Chairman</li> <li>• <b>Assen Minchev Minchev</b> – Executive Member;</li> <li>• <b>Dimitar Kirilov Dimitrov</b> – Member.</li> <li>• <b>Velislav Milkov Hristov</b> – Member;</li> <li>• <b>Assen Emanuilov Assenov</b> – Member;</li> <li>• <b>Razvan Stefan Lefter</b> – Member.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Hristo Lyubomirov Stoev</b> – Procurator</li> </ul>

**Detailed information on the qualifications, professional experience and other significant participations of the members of the Supervisory and Management Board and Procurator of the Company can be found in the section "ADDITIONAL INFORMATION, LEGAL REQUIREMENTS FOR THE COMPANY" on page 192.**

Eurohold Bulgaria AD is represented by Chairman of the Management Board Kiril Ivanov Boshov and Executive Member of the MB Asen Minchev Minchev.

From 1 March 2016 the company is represented only together by an executive member of the management board and the procurator of the company Hristo Lyubomirov Stoev.

The activity of the Issuer does not depend on the individual professional experience or qualifications of other employees.

The Supervisory and Management Boards of Eurohold Bulgaria AD, in accordance with the Company's Articles of Association, are elected with a term of office of five years. In the event that the contracts of the members of the

Management and the Supervisory Board are not terminated explicitly before the expiration of their term of office, they shall automatically be deemed to be renewed for a further five-year term.

The members of the Management and Supervisory Boards are appointed under a management and control contract. The ongoing contracts of the members of the Management Board and the Supervisory Board shall have effect until the termination of the implementation of the position.

The management agreements concluded with Eurohold Holding AD or with one of its subsidiaries do not provide for compensations or remunerations which the persons would receive upon their early termination.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

Date of contract for control and for management		until date
<b>SUPERVISORY BOARD</b>		
Assen Hristov	27.11.2006	Until termination
Dimitar Stoyanov Dimitrov	27.11.2006	Until termination
Radi Georgiev	17.04.2015	Until termination
Kustaa Äimä	27.07.2017	Until termination
Lyubomir Stoev	27.07.2017	Until termination
<b>MANAGEMENT BOARD</b>		
Kiril Boshov	27.11.2006	Until termination
Asen Minchev	27.11.2006	Until termination
Asen Asenov	31.08.2009	Until termination
Velislav Hristov	22.10.2012	Until termination
Dimitar Kirilov Dimitrov	01.07.2012	Until termination
Razvan Lefterov	22.08.2017	Until termination

As of May 2009, an audit committee has been created in the company.

At the General Meeting of Shareholders held on 30.06.2017 in accordance with Art. 107 of the Independent Financial Audit Act (IFAA) (prom. SG issue No. 95 of 29.11.2016) a new Audit Committee has been elected for a term of service of three years.

In accordance with Art. 107 of the Independent Financial Audit Act (IFAA), the Audit Committee of Eurohold Bulgaria AD has adopted Operating Rules which regulate the activity of the Audit Committee. The operating rules define the functions, rights and

obligations of the Audit Committee on financial audit and internal control as well as its relationship with the registered auditor and the management bodies of the company and are described in detail in the Declaration on Corporate Governance.

The objective of the Audit Committee is to support the management of the company in fulfilling its obligations for the integrity of the unconsolidated and consolidated financial statements, assessing the effectiveness of the internal financial control systems and monitoring the effectiveness and objectivity of internal and external auditors.

#### Members of the Audit Committee:

#### Audit Committee

- Ivan Georgiev Mankov - Independent Member and Chairman of the Audit Committee
- Dimitar Stoyanov Dimitrov - Member of the Audit Committee
- Rositsa Mihaylova Pencheva - an independent member of the Audit Committee

## E5. SHARE CAPITAL CAPITAL STRUCTURE

### Share capital

As of the date of this report, the share capital of the Eurohold Bulgaria AD amounts to BGN 197 525 600, divided into 197 525 600 ordinary registered non-preferred dematerialized shares, each with the right to one vote, right to a dividend and right to a liquidation quota, with a nominal value to 1 BGN per share.

All shares issued by the Company are in circulation are from the same class and are fully paid in. The entire capital of the company is paid in cash and the capital is not increased by in-kind contributions and no shares are issued that do not constitute capital.

The shares of Eurohold Bulgaria AD are listed for trading on the Main Market of Bulgarian Stock Exchange - Sofia, Share Segment Standard, with stock index - 4EH and on the Warsaw Stock Exchange (Poland) with stock index EHG.

As at 31 December 2017 and as at the date of preparation of this activity report, the Company hasn't bought back and does not possess its own shares.

At the end of 2017, 77 387 shares of the capital of Eurohold Bulgaria are owned by subsidiaries. The shares have a nominal value of BGN 1 each.

All shares issued by Eurohold Bulgaria AD provide voting rights to their owners during the General Meeting of the Shareholders.

The competent body in relation to making decisions on the increase of the Company capital is the General Meeting of the Shareholders.

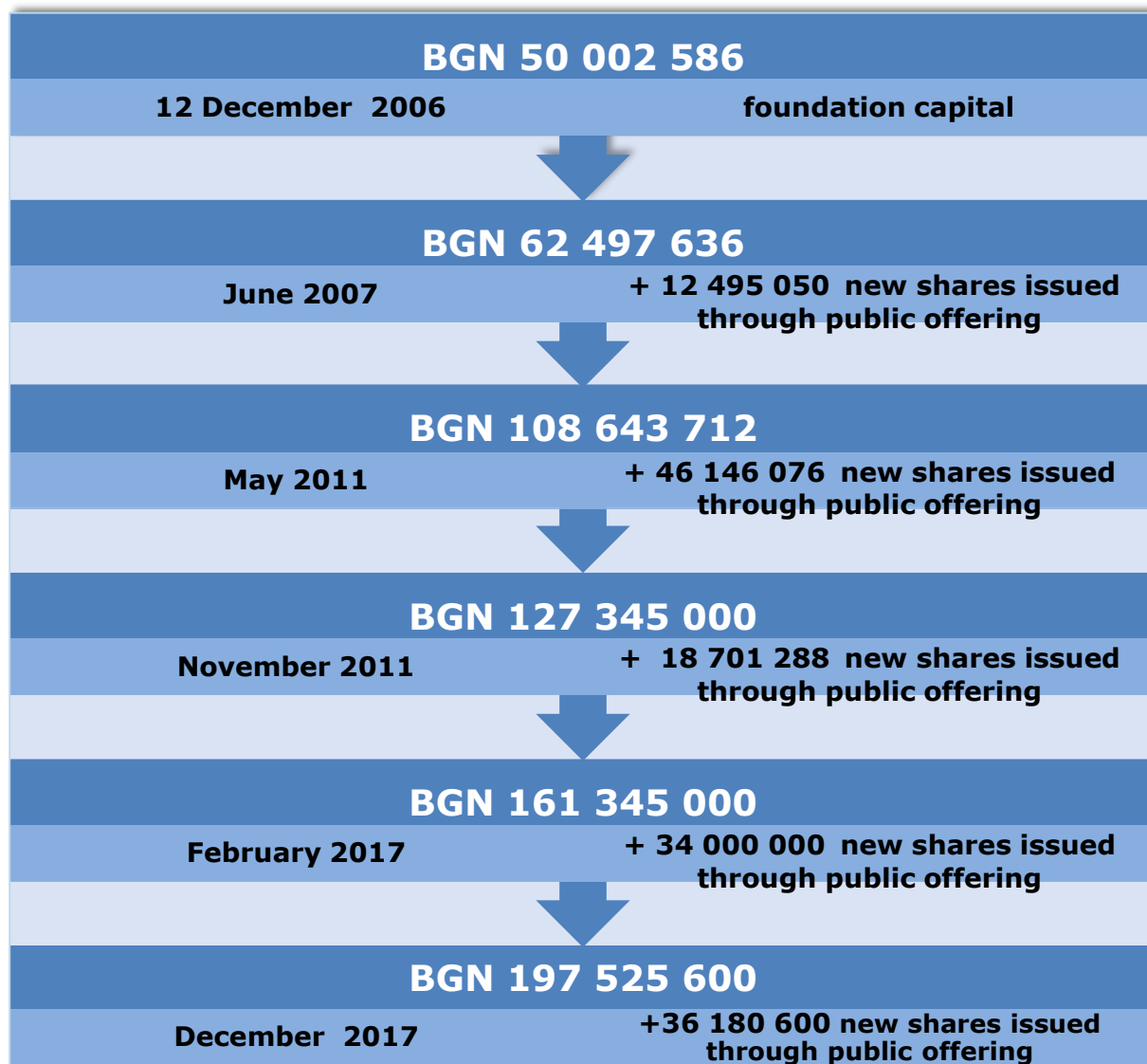
For the period since the incorporation of Eurohold Bulgaria AD until the date of the report, the company has successfully completed five subsequent increases in its share capital.

All share capital increases were made under the conditions of public offering of shares of the same type and class as the initially registered issue of shares with a nominal value of BGN 00 (one) each.

As a result of the new shares issued over the years, the share capital as at 31 December 2017 amounts to BGN 197 525 600. Within the 2017, are implemented two capital increases of the company ended in February and December respectively, as the funds accumulated from the nominal value of the issued new shares amounting to BGN 70 181 thousand and the new premium reserve of the issue amounts to BGN 10 854 thousand.

The accumulated funds from all realized increases of Eurohold Bulgaria AD of the capital including the two completed increases during the reporting period were used to support the subsidiaries and to reduce the long-term indebtedness of the company.

## Information on share capital increases by years



Eurohold Bulgaria AD as a public company carries out an increase of its share capital under the conditions of initial public offering of securities by issuing a new issue of shares under the terms of a public offering under the Public Offering of Securities Act.

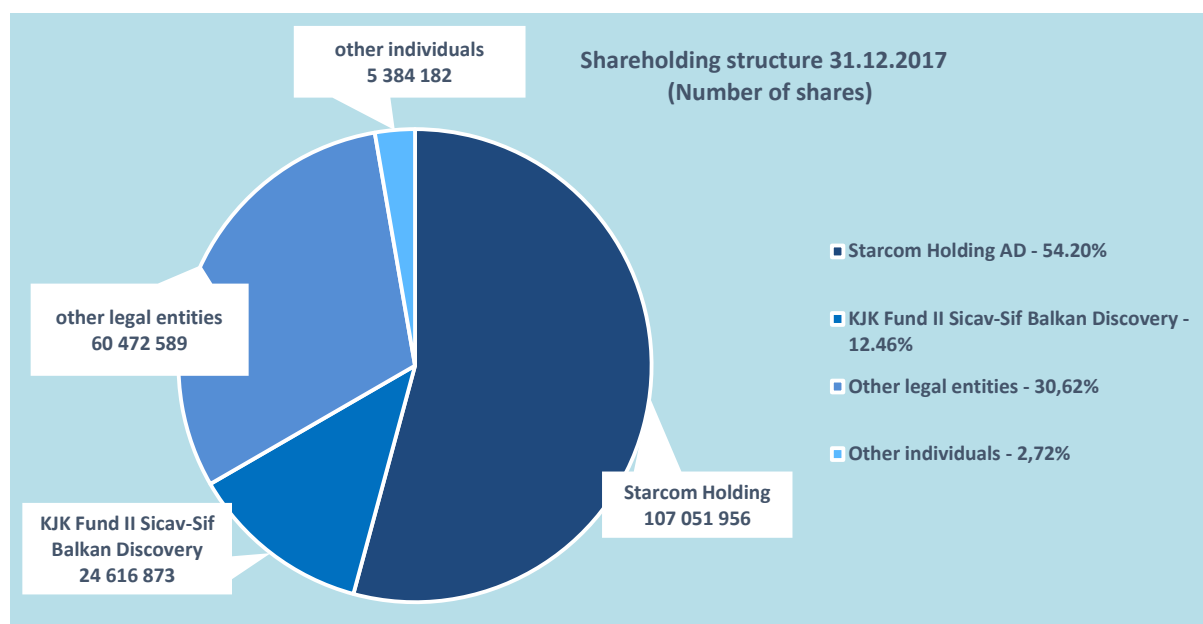
At the date of the current activity report, all issued shares of the company were admitted to trading on a regulated market of BSE-Sofia and Warsaw Stock Exchange (WSE) Poland.

## Capital Structure

As of the ending date of the fiscal 2017 year, there are two legal entities that hold nominally over 5 % of the voting shares.

There are no natural persons – shareholders, who hold directly more than 5 % of the voting shares as of 31.12.2017.





The majority shareholder of Eurohold Bulgaria AD is Starcom Holding AD. The majority shareholder does not have different voting rights. The company's seat and the registered address is Etropole, 191 Ruski Blvd.

As of the date of this report (after the capital increase), Starcom Holding AD controls the voting rights of 54.20% of the issued shares (57.36% as of 31.12.2016). Starcom Holding AD is the only entity which directly controls Eurohold Bulgaria AD.

The Chairman of the Supervisory Board of Eurohold Bulgaria AD, Assen Hristov, indirectly controls the Company. Assen Hristov is a majority shareholder and directly owns 51 % of the shares of Starcom Holding AD. In this manner, Assen Hristov controls directly the majority shareholder and indirectly Eurohold Bulgaria AD.

Sicav-Sif Balkan Discovery controls the voting rights of 12.46% of the issued shares (12.69% as of 31.12.2016).

KJK Fund II Sicav-Sif Balkan Discovery has no different voting rights.

Eurohold Bulgaria AD has not entered into arrangements with other parties, nor is aware of such arrangements which may result in a future change of the control over the Company.

In accordance with the provisions of Art. 114 et seq. of the POSA, any transaction between Eurohold Bulgaria AD and a shareholder with a direct or indirect controlling participation of 25 and more than 25 per cent of the votes in the general meeting of shareholders or, respectively, related to such shareholder, shall be approved by the shareholders in the general meeting of the Company if its value is 2% or more of the assets according the last prepared balance sheet of the Issuer. The controlling shareholder having a personal interest in such transaction (recognized as "interested party" by the law) is not entitled to vote at the general meeting of shareholders on this matter.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

## E6. MAIN SCOPE OF ACTIVITY BUSINESS OPERATIONS

### Main Scope of Activity

Eurohold Bulgaria AD is a holding company carrying out financial activity related to the acquisition, sale and management of participations and financing of related companies.

Eurohold manages and supports the business group's business through its strategy, risk, financing of associated enterprises, control, communication, legal advice, human resources, information systems and technologies and other functions.

The organizational structure of Eurohold is organized on three levels. Each of the three levels has its own specific functions, tasks and goals.

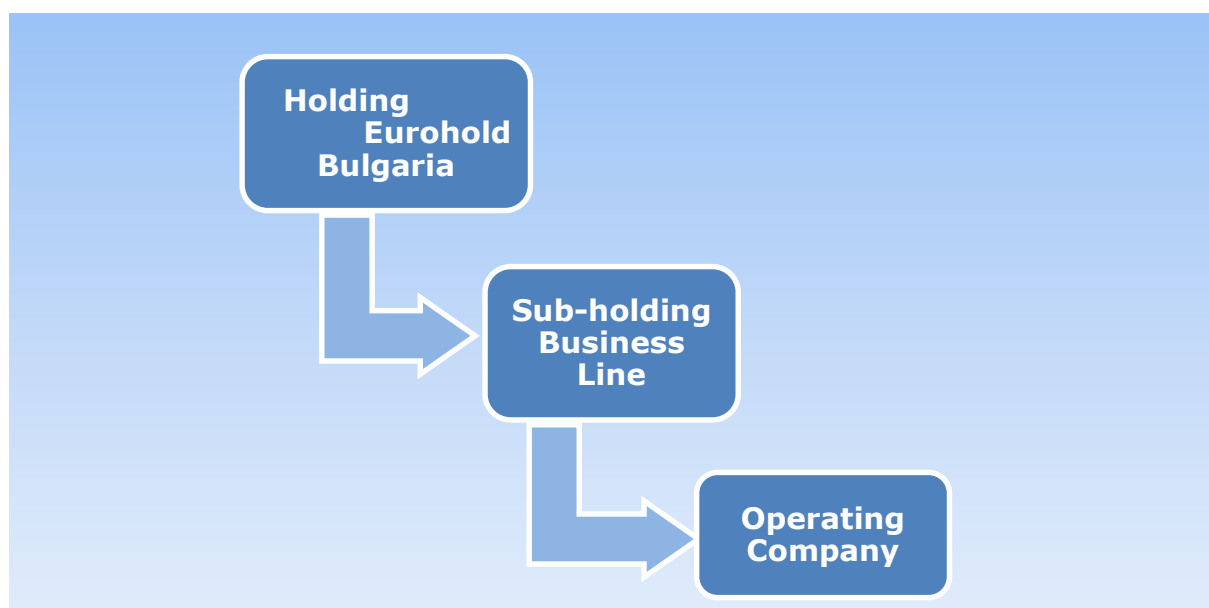
On the first level is the holding Eurohold Bulgaria.

At the second level, in order to optimize management, business processes and constant costs, Eurohold has created four subsidiaries - sub-holding structures in business lines.

Business lines are organized by type of business and market segments, namely: insurance, car sales, leasing and financial services (investment intermediation and investment banking).

Operating companies are grouped into the relevant sub-holding depending on the market on which they operate.

Eurohold Bulgaria AD together with its subsidiaries sub-holdings and operating companies form an economic group.



### Economic group

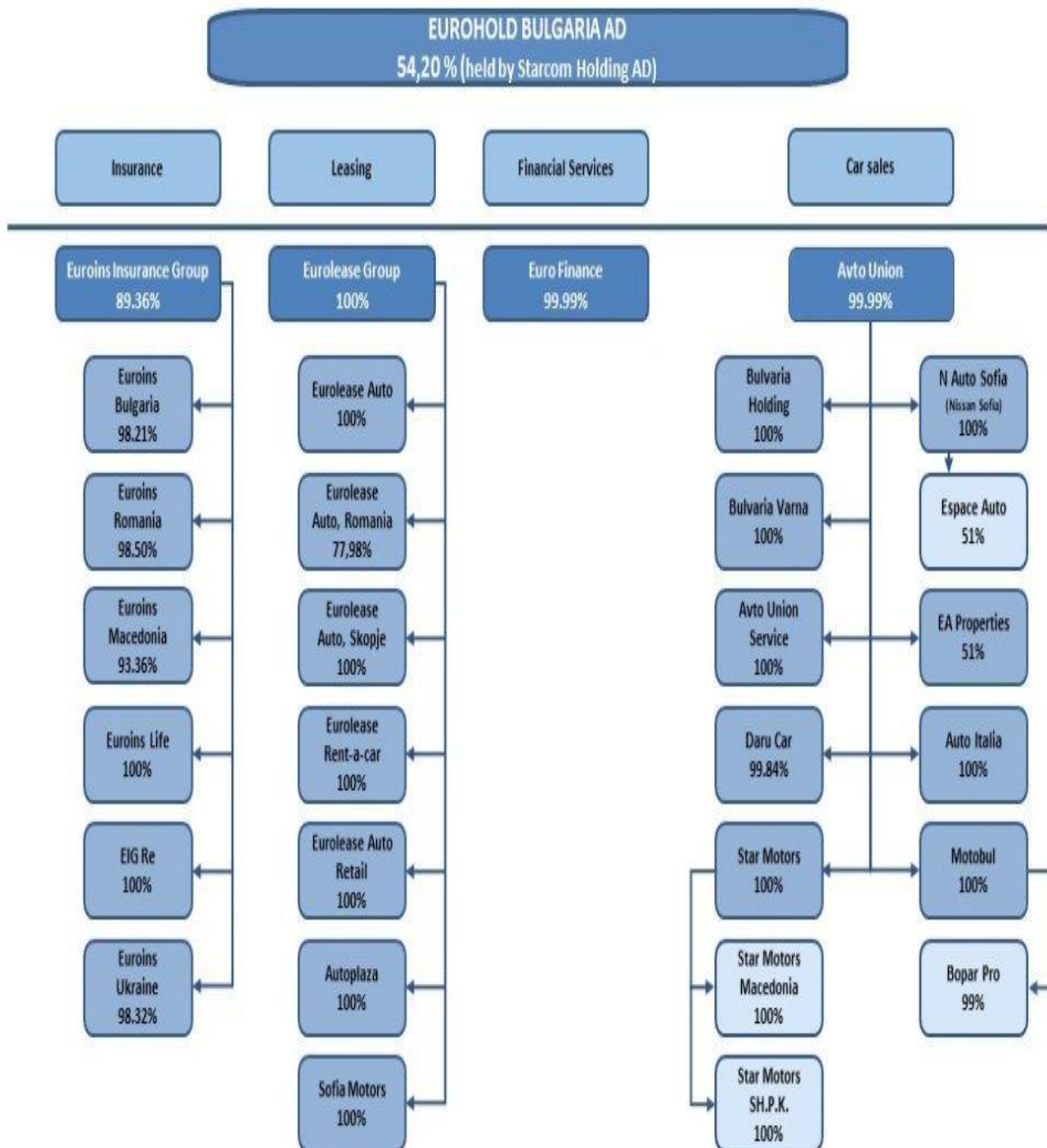
Eurohold Bulgaria is a holding company and together with its subsidiaries form an economic group.

Eurohold Bulgaria AD is part of the Group of its majority shareholder, Starcom Holding AD.

As of the date of this report, Starcom Holding AD does not holds controlling participations in

other companies. In this sense, Eurohold Bulgaria AD is the only asset and main business structure of the Group of Starcom Holding AD.

The structure of the Eurohold economic group as of 31.12.2017, together with all companies within it, is presented on the diagram below.



A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

### Countries in which the Eurohold Group is positioned. Main Markets of the Group.



Eurohold Bulgaria through its subsidiaries is positioned in the region of Central and Southeastern Europe.

- The main markets of which the Group operates are **Bulgaria, Romania, Macedonia, Ukraine and Greece;**
- **Italy, Spain, Poland** - Insurance services offered on principle - free provision of services;
- **Russia** - at the end of 2017 Euroins Insurance Group acquired a minority share of 14% in a Russian insurance company. As of 13.02.2018, the percentage participation in the capital of the company was increased to 32.19%.



A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	<b>E - Consolidated management report</b>	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	---	---	--

## Regional representation of the Eurohold Group's market positions, indicated by business lines



### Insurance market:

- ♦ Insurance - **Bulgaria**;
- ♦ Insurance - **Romania**;
- ♦ Insurance - **Macedonia**;
- ♦ Insurance - **Ukraine**;
- ♦ Voluntary health insurance- **Bulgaria**;
- ♦ Life Insurance - **Bulgaria**.



### Leasing market:

- ♦ Leasing of motor vehicles - **Bulgaria**
- ♦ Leasing of new motor vehicles - **Macedonia**



### Automobile market:

- ♦ Sale of motor vehicles, mopeds, spare parts, servicing and lubricating oils - **Bulgaria**;
- ♦ Sale of motor vehicles, service activity - **Macedonia**



### Investment intermediation and Asset Management -

- ♦ Investment intermediation and Asset Management - **Bulgaria**;
- ♦ Investment intermediation - **Germany**, through Euro-Finance as a member of the Stock Exchange in Frankfurt – Deutsche Börse Xetra;  
Euro-Finance AD owns 98% of Varengold Bank - **Germany**

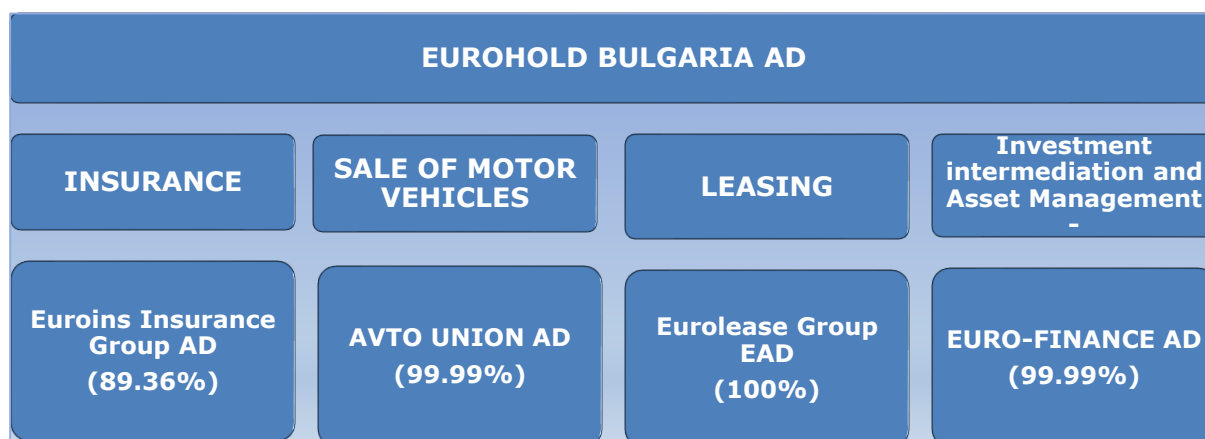
A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

## Business lines and sub-holdings (subsidiaries):

Eurohold Bulgaria AD owns a direct participation in four subsidiaries, which merging the business operations of the holding.

Subsidiaries are holding structures, combining investments in sectors

Eurohold Bulgaria Insurance, Sale of automobiles, Leasing and Investment Brokerage and Asset Management.



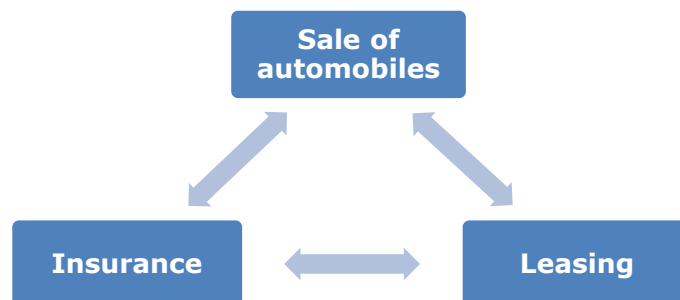
## Information about subsidiaries companies

Subsidiaries companies of Eurohold Bulgaria AD			
	Country of registration	Main activity	% of participation in the primary capital as of 31.12.2017.
<b>EUROINS INSURANCE GROUP AD</b>	<b>Bulgaria</b>	acquisition, management, assessment and sale of interest in Bulgarian and foreign companies; The company active develops its business in Bulgaria, Romania, Macedonia and Ukraine	<b>Eurohold Bulgaria AD - 89.36%</b>
<b>EUROLEASE GROUP EAD</b>	<b>Bulgaria</b>	participations management, financial leasing The company develops its business in Bulgaria, Romania, Macedonia	<b>EUROHOLD BULGARIA AD - 100%</b>
<b>AUTO UNION AD</b>	<b>Bulgaria</b>	import, sale and service of motor vehicles	<b>Eurohold Bulgaria AD - 99.98%</b>
<b>EURO-FINANCE AD</b>	<b>Bulgaria</b>	Providing and carrying out investment services and activities in the country and abroad	<b>Eurohold Bulgaria AD - 99.99%</b> <b>Insurance Company Euroins Bulgaria AD - 0.01%</b>

The complementary activities of Eurohold Group companies, respectively insurance, leasing and motor vehicle sales, allow the creation of integration synergies and the cross-selling of bundled services and products.

Integration synergies allow cost optimization across the three business lines and increased competitiveness, which in turn leads to increased profitability at all levels of the Eurohold Group

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--



### ***Integration synergies and cross-selling to offer bundled services and products***

Eurohold Bulgaria AD is an integrated holding company focused on the insurance, leasing, sale and servicing of motor vehicles as well as investment asset management. One of the unique competitive advantages of the Group, which predetermines the solid future of the Issuer and the companies of its economic group, is characterized by the advantages of integration synergies and cross-selling of Eurohold's three main business - insurance, leasing and motor vehicle sales.

The Eurohold Group can offer its customers a unique mix of related batch purchase products at very attractive prices and flexible conditions.

The natural connection between the businesses of the Eurohold Group companies and their strong integration results in unique competitive advantages over the other market participants and a constantly growing loyal customer base.

Over the years, Eurohold Bulgaria has become more and more successful in integrating and optimizing its operations and complementing businesses. The holding and its companies with their clear and integrated business model are in a position to take full advantage of the strong growth prospects characterizing the region and the sectors in which the Group operates.

### **Group business strategy**

- Maintaining a leading position in the CEE region in the field of insurance, leasing, car sales and investment intermediation and Asset Management, as well as enhancing profitability through cross selling opportunities.
- Promoting customer satisfaction and diverse customer base by offering innovative and competitive products.
- Promoting synergy and cross-selling across business segments by centralizing and optimizing operations, marketing, and business processes.
- Optimizing profitability by increasing sales volume, combined with optimizing inventory management.
- Expanding the markets in which it operates and increase the market shares of each subsidiary.
- Develop and use highly qualified managers and employees by providing opportunities for professional development and the implementation of performance-based compensation schemes for key personnel.
- Establish common goals in each business segment on negotiating better supplier terms, advertising and participating in public tenders.

## E7. CAPITAL INVESTMENTS

Since its incorporation, Eurohold Bulgaria has made many capital investments in its subsidiaries. As of 31.12.2017, the total value of Eurohold Bulgaria's investments in subsidiaries amounted to BGN 539 520 thousand, namely:

- Euroins Insurance Group (Insurance) - investments amounting to BGN 420 732 thousand
- Avto Union (Motor vehicles) - investments amounting to BGN 66 775 thousand
- Eurolease Group (Leasing) - investments amounting to BGN 27 368 thousand
- Euro-Finance (Investment Intermediation and Asset Management) - investments amounting to BGN 24 645 thousand.

### Structure of Investments in Subsidiaries:



Eurohold's subsidiaries have also invested considerable funds in the development of their operating companies. Since 2008 until the end of 2017 the total capital investments made by Eurohold Bulgaria and the companies of its economic group amount to BGN 937 018 thousand, respectively:

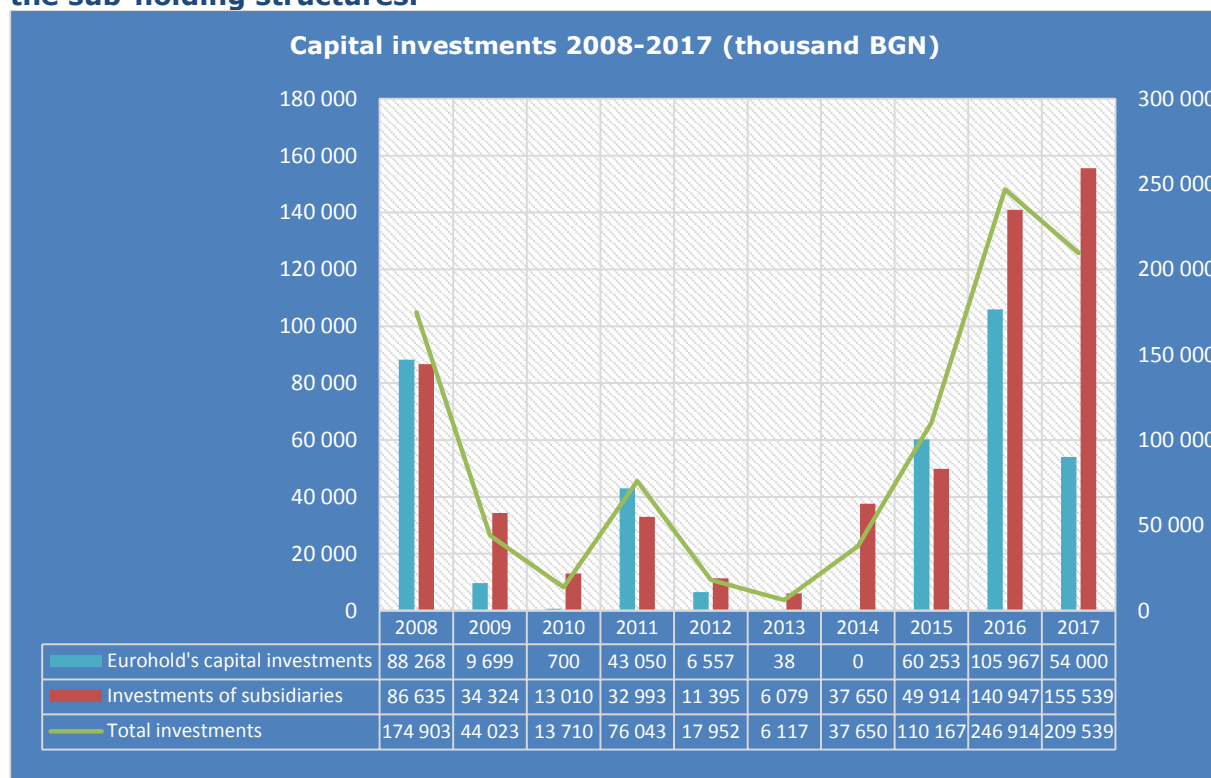
- Investments made by Eurohold Bulgaria at the amount of BGN 368 532 thousand.
- Investments made by subsidiaries amounting to BGN 568 486 thousand

Over the last two reporting years, the Eurohold Group has carried out total equity investments amounting to BGN 246 914 thousand for 2016 and BGN 209 539 thousand for 2017.

All investments made by Eurohold Bulgaria and its subsidiaries have been realized with the purpose of capital support of the companies, expansion of the activity through new acquisitions and increase of the market positions of the companies.

The following tables present a summary schedule for capital investment over the period 2008-2017 as well as detailed information on the investments made in 2016 and -2017.

## Information on the amount of capital investments made by Eurohold Bulgaria and the sub-holding structures.



## Capital investments made by Eurohold Bulgaria and the subsidiaries in 2016. and 2017:

Investment description	Ownership	Number of shares	Capital expenses (BGN)	Method of financing	Investor
<b>Capital Investments of Eurohold Bulgaria in 2016</b>					
EuroIns Insurance Group AD Capital Increase	89.36%	105 966 641	105 966 641	Own funds and borrowings	Eurohold Bulgaria AD
<b>Total</b>			<b>105 966 641</b>		
<b>Investments in subsidiaries in 2016</b>					
Euroins Romania Capital increase	98,15%	300 000 000	130 456 870	Own funds	EIG AD
EIG RE AD Share purchase	100%	10 968	450 000	Own funds	EIG AD
EIG RE AD Capital increase	100%	100 000	4 000 000	Own funds	EIG AD
Insurance Company Euroins Bulgaria AD Share purchase	80,92%	331 030	190 267	Own funds	EIG AD
PJSC "Euroins Ukraine IC Acquisition	99,29%	410 000	2 346 996	Own funds	EIG AD



Euroins Health Insurance Capital increase	100%	2 500 000	2 500 000	Own funds	EIG AD
Bulvaria Holding EAD Capital increase	100%	250 000	250 000	Own funds	Avto Union AD
Star Motors DOOEL Share purchase	100%		391 172	Own funds	Star Motors EOOD
Sofia Motors EOOD Share purchase	100%		10 000	Own funds	Eurolease Group EAD
Eurolease Auto Macedonia □ Capital increase	100%		352 049	Own funds	Eurolease Group EAD
<b>Total</b>			<b>140 947 354</b>		

Investment description	Ownership	Number of shares	Capital expenses (BGN)	Method of financing	Investor
<b>Capital Investments of Eurohold Bulgaria in 2017</b>					
EuroIns Insurance Group AD □ Capital Increase	82.12%	47 500	47 500 000	Own funds and borrowings	Eurohold Bulgaria AD
Euro-Finace AD □ Capital increase	100%	6 500	6 500 000	Own funds	Eurohold Bulgaria AD
<b>Total</b>			<b>54 000 000</b>		
<b>Investments in subsidiaries in 2017</b>					
Insurance Company Euroins Bulgaria AD Capital increase	98.21%	18 562 742	19 052 706	Own funds	EIG AD
Bulvaria Varna EOOD Capital increase	100%	25 000	250 000	Own funds	Avto Union AD
Star Motors DOOEL Capital increase	100%		195 583	Own funds	Star Motors EOOD
EA Properties EOOD Share purchase	51%		35 700	Own funds	Avto Union AD
Евролиъз Ауто Ритейл ЕАД Incorporation	100%	1 000 000	1 000 000	Own funds	Eurolease Group EAD
Eurolease Auto Macedonia □ Capital increase	100%		97 792	Own funds	Eurolease Group EAD
<b>Total</b>			<b>20 631 781</b>		

## E8. RESULTS FROM THE ACTIVITY

IN THIS SECTION ARE PRESENTED THE RESULTS OF THE ACTIVITY OF EUROHOLD GROUP BY MAJOR KEY INDICATORS FOR 2017 AND COMPARATIVE PERIOD IN 2016

THE DATA ARE BASED ON THE AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF EUROHOLD BULGARIA AD FOR 2017.

THE CONSOLIDATED FINANCIAL STATEMENTS OF EUROHOLD BULGARIA AD HAVE BEEN PREPARED IN ACCORDANCE WITH THE APPLICABLE INTERNATIONAL ACCOUNTING STANDARDS.

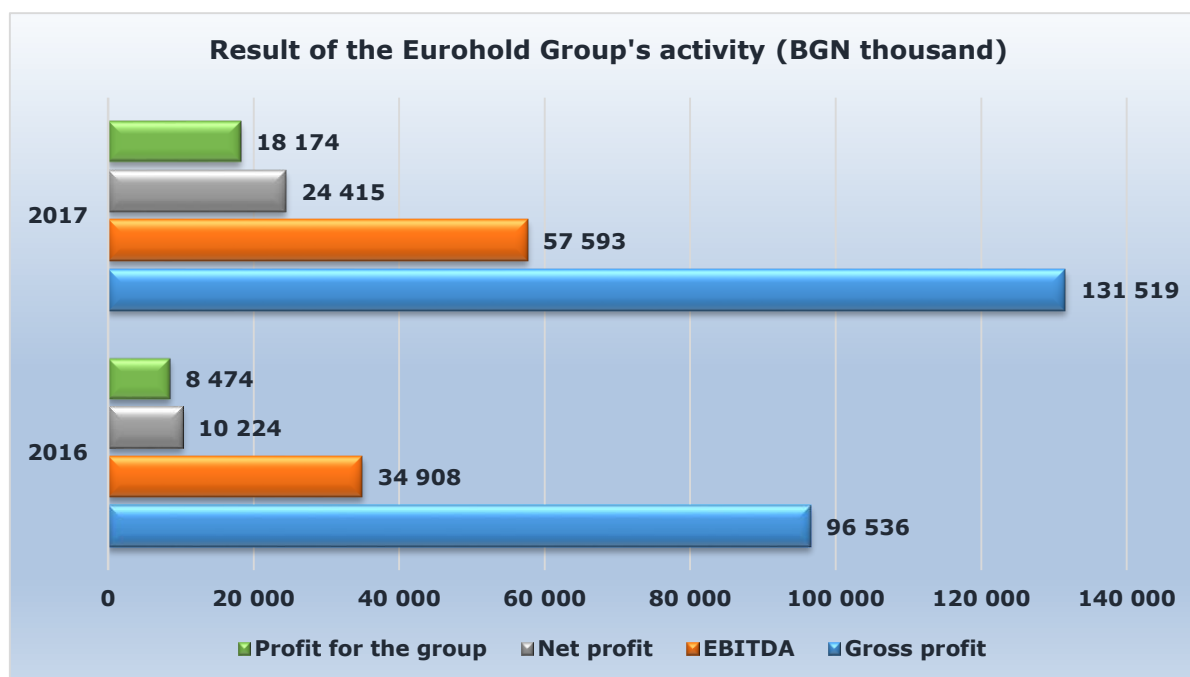
The Eurohold Group reports an extremely successful year, filled with a number of important events for the overall development of all business lines.

The insurance sub-holding, as a fast growing independent insurance group in the Central and Southeastern Europe region, has a leading role in contributing to the generated growth of consolidated earnings and profit.

The net profit generated for the reporting period to the amount of BGN 24.4 million reported an increase of 138.8% compared to a profit of BGN 10.2 million. The distribution of the net financial result is as follows: for the Group (the owners of the parent company) profit of BGN 18.2 million, respectively for non-controlling profit of 6.2 million BGN. For comparison in 2016, the Group realized a profit of BGN 8.5 million, while the relative result for the minority interest amounted to BGN 1.8 million profit.

### Consolidated financial result

**As of December 31, 2017, Eurohold Group reported a net consolidated profit of BGN 24.4 million.**



A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

Consolidated Gross Profit of the Eurohold Group as at 31 December 2017 increased significantly by 36.3% reaching BGN 131.5 million compared to BGN 96.5 million for the comparable period.

Consolidated earnings before interest, taxes and depreciation amounted (EBITDA) to BGN 57.6 million, marking an increase of 65% compared to 2016 when EBITDA amounted to BGN 34.9 million.

**The financial results of the sub-holding groups for 2017 and the comparable period unaffected by the consolidation effect are presented in the following table.**

Results by subholdings	2017	2016
Insurance	41 681	8 944
Automotive	258	(842)
Leasing	112	(481)
Investment intermediation and Asset Management -	209	265
Parent company	(17 306)	2,309

**\*Data are presented in thousands of BGN.**

For 2017, Eurohold Bulgaria's subsidiaries report a positive financial result from the growth of their activities, while in 2016 the automotive and leasing divisions have lost their overall business.

The insurance group ends in 2017, achieving a huge growth of 4.7 times its consolidated

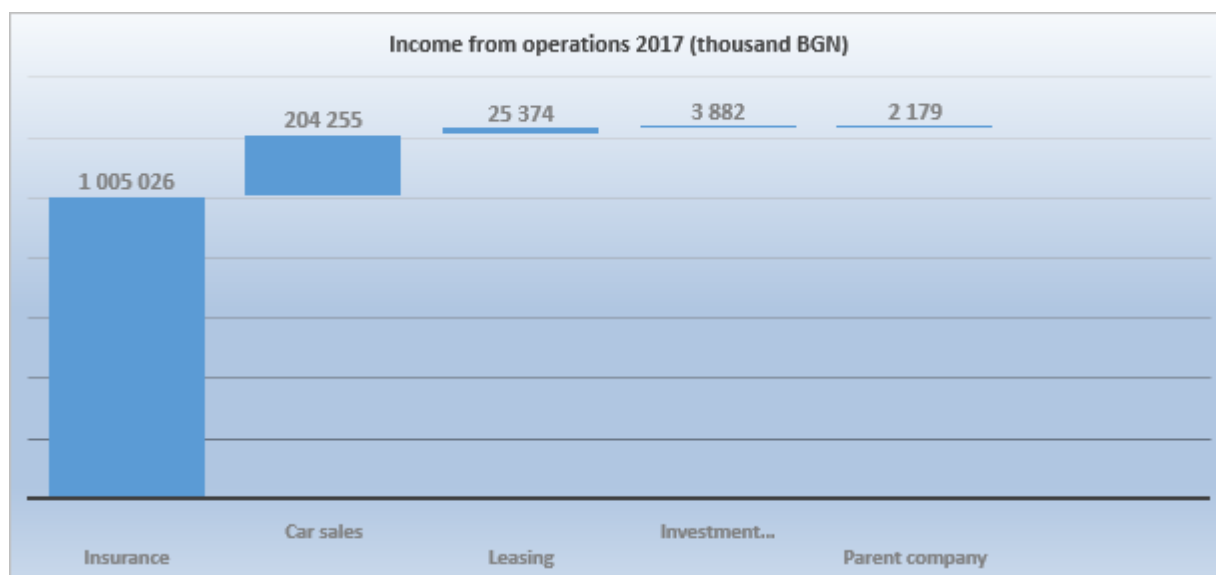
financial result, which for the current reporting period amounted to BGN 41.7 million.

## Revenues

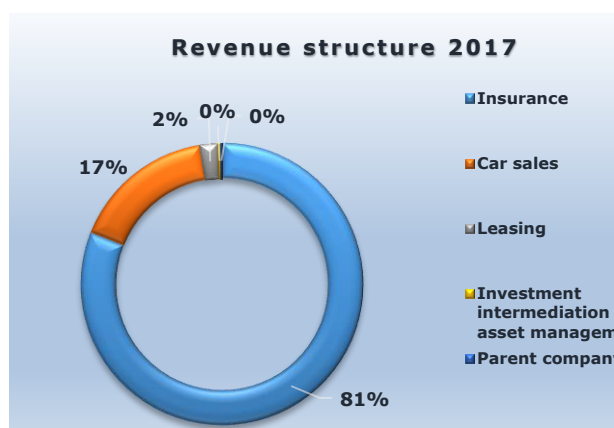
Revenues on a consolidated basis are formed from the activities of the subsidiaries and the main activity of the Parent Company, which are related to acquisition and management of interests and financing of subsidiaries.

The total revenue for the year 2017 at the consolidated level amounted to BGN 1.2 billion, which in absolute terms marked an increase of 17.8% compared to the realized consolidated revenues for 2016.

The main contribution to the growth of consolidated revenues was generated by the insurance business of the subsidiaries of Euroins Insurance Group in the amount of BGN 1 billion. Given the fact that for 2016 the insurance subholding accounts for revenues of BGN 843.7 million, the increase of the income reported by the insurance companies at Eurohold Group level for the current reporting period amounts to BGN 161.4 million or growth of 19.1%.



**Structure of revenues for 2017 r.**



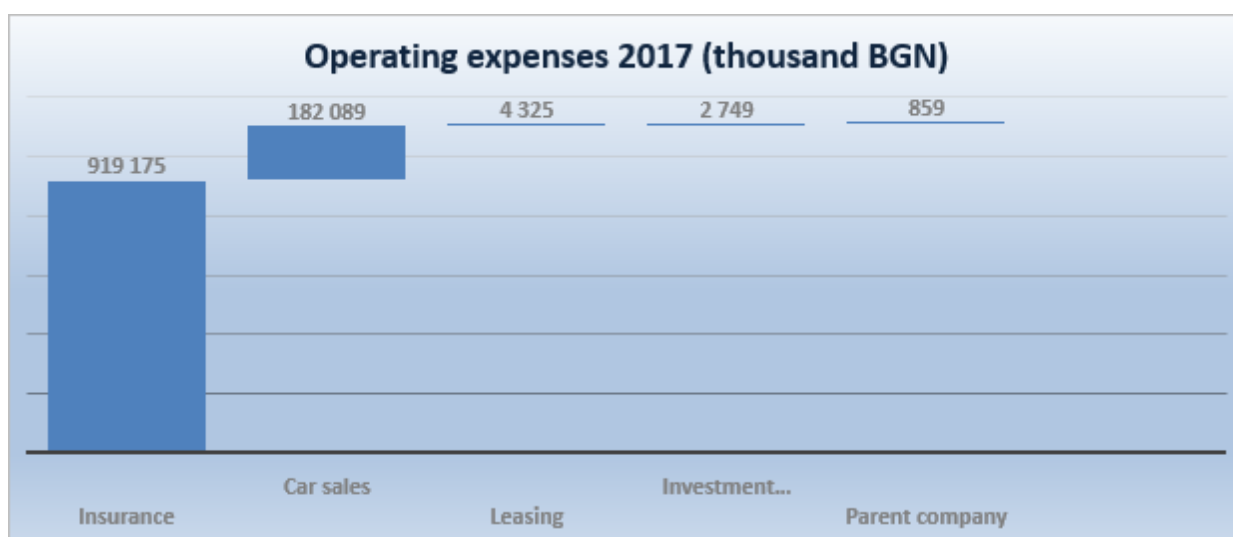
In the structure of earnings from core business, the insurance business accounts for 81% of total revenue, followed by the 17% share of the automobile segment and the leasing structure by 2% of the total consolidated income from the core business.

Revenues generated by investment brokerage and asset management 2017 as well as by the parent company are relatively small relative to the revenues of the other participants in the Group.

### Expenses

The Group reports for 2017 consolidated operating expenses amounting to BGN 1,109,197 thousand, an increase of 15.9% compared to 2016.

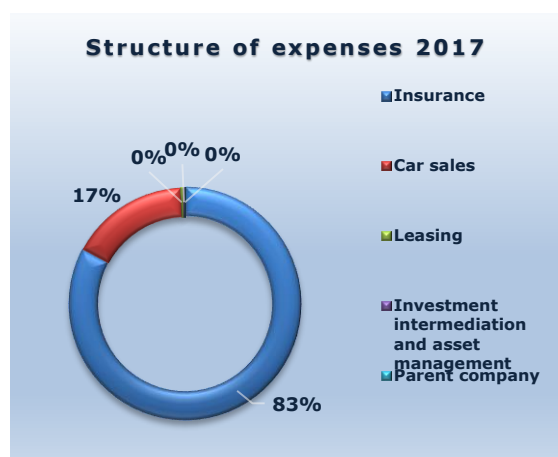
The expenses for the main activity of the insurance companies in the group amounted to BGN 919.2 million, which represents a 14.9% growth on a consolidated level compared to 2016. Against the Eurohold Group's level of growth (15.9%) compared with the growth rate of the insurance subholding (14.9%), it is evident that nearly 94% of the group cost growth is due to the growth of the insurance business.



### Structure of expenses

Structure of the expenses is identical to the revenue distribution and the flow is also

directly dependent on the type and size of the businesses concerned.



## Financial position on a consolidated basis

### Assets

Consolidated assets of the Eurohold group at 31 December 2017 increased by 16.9% reaching BGN 1.326 billion compared to BGN 1.135 billion at 31.12.2016.

Financial assets registered the largest growth for the current period, with the change of 87.9%, their amount being BGN 327 053 thousand compared to BGN 174 097 thousand in 2016. Financial assets include securities classified as short-term, held for trading and put up for sale and are mainly held by insurance companies in the course of their financial and investment activity.

An increase of 22.5% is recorded in the heading Reinsurers' share of technical provisions, which at the end of 2017 amounted to BGN 361 247 thousand compared to BGN 294 865 thousand for the comparable period.

Tangible assets also increased 38.6% to BGN 105 953 thousand. The increase in tangible assets is mainly due to the increase in inventories of motor vehicles in stock of motor vehicles' companies and transport vehicles in the leasing and automotive sectors.

Cash funds and deposits at the end of 2017 decreased to BGN 57 116 000, compared to the previous reporting period they amounted to BGN 128 610 000.

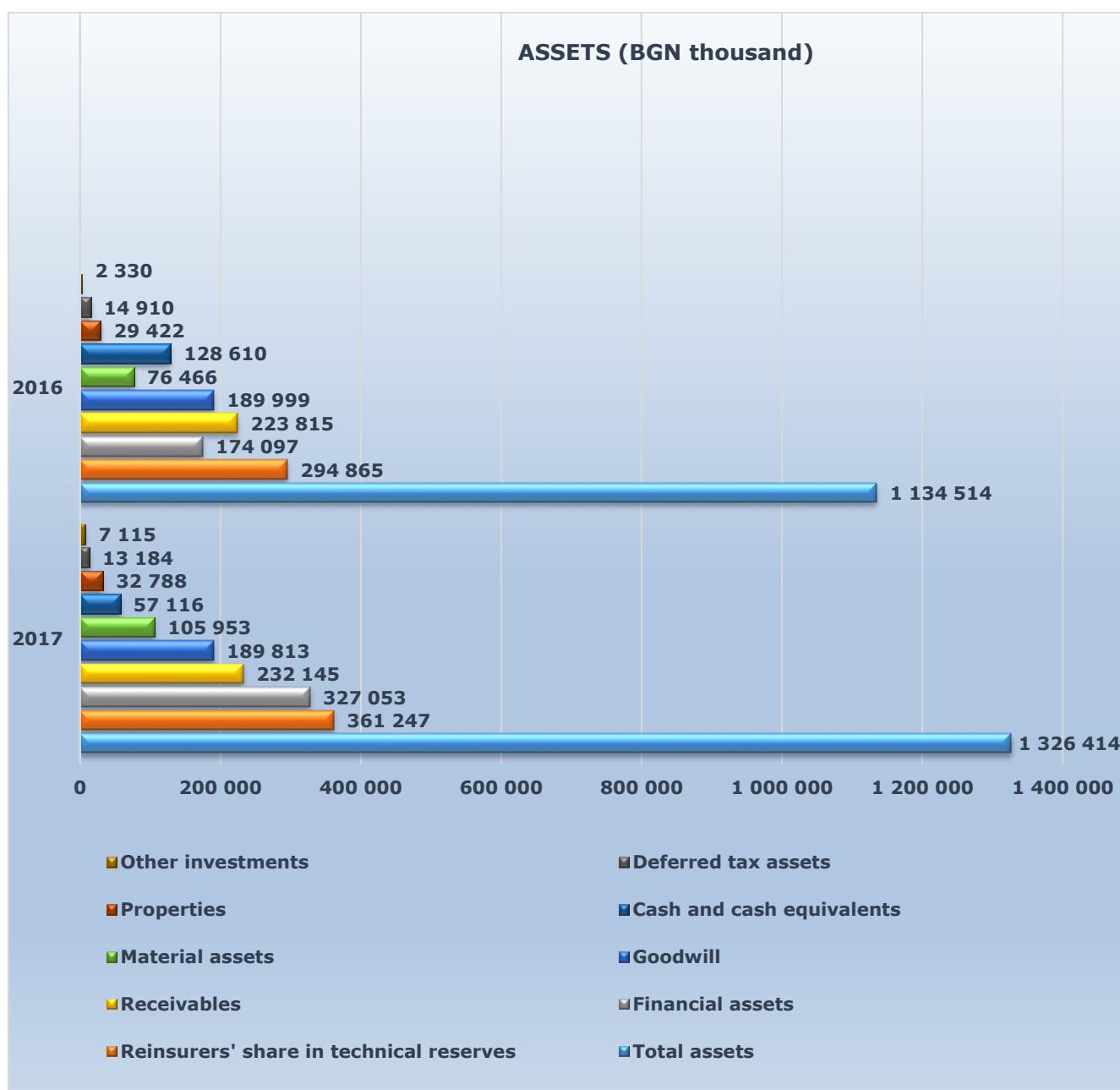
Receivables of the Group are divided into current and non-current, respectively, amounting to BGN 146 237 thousand and BGN 85 908 thousand.

The largest proportion of non-current receivables are receivables under finance leases of the leasing sub-holding as in 2017 they amounted to BGN 45 414 thousand while in 2016 they amounted to BGN 40 558 thousand.

With respect to current receivables, the largest share of receivables from insurance operations amounted to BGN 87 941 thousand compared to BGN 65 327 thousand at the end of 2016.

The other asset items did not experience significant changes, as at the end of the current reporting period they were close to those of the comparable period.





### Assets structure

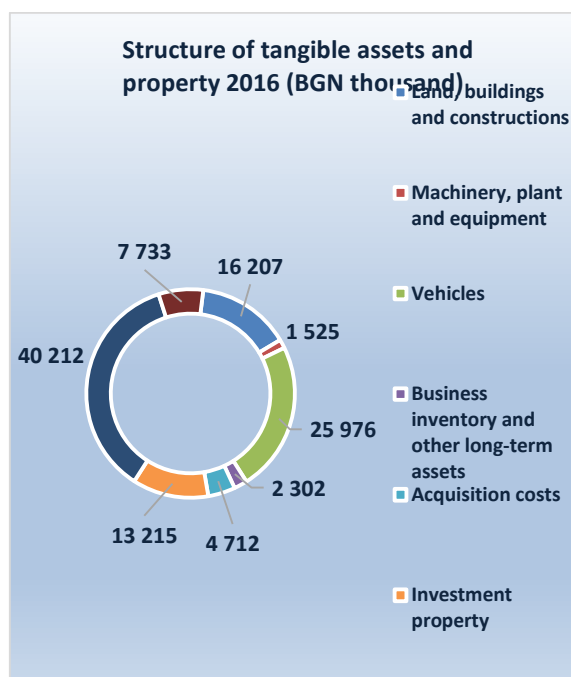
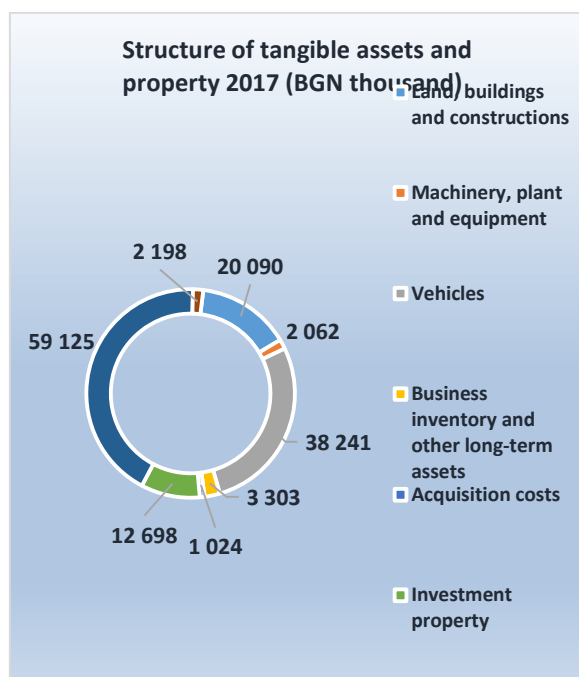
In the structure of assets, the largest share of 27.2% in the structure of assets is held by the reinsurers' share of technical provisions, followed by financial assets, which have a share in total assets of 24.7% and receivables holding a share of 17.5% of total assets.

The three balance sheet items, namely the share of reinsurers in technical provisions,

financial assets and receivables, are the most significant and in total cover 69.4% of the total assets of the Eurohold Group.

Commercial goodwill is 14% of the assets at the end of 2017, tangible assets are 8% of the total assets of the group, and the share of Cash and deposits is 4.3%.

## Structure of the fixed tangible assets



During the reported period, the total amount of tangible assets increased by 38.6 %. Their total value at the end of 2017 was BGN 105 953 thousand, and at the end of 2016 it amounted to BGN 76 466 thousand.

In the structure of the Tangible Assets for 2017 the transport and investment properties predominate.

Most important is the share of transport as a major asset in the automotive sector. Their value at the end of 2017 is BGN 38 241 thousand. (2016: BGN 25,976 thousand).

The investment properties decreased by 3.9% and at the end of 2017 they amounted to BGN 12,698 thousand (as of 31.12.2016 - BGN 13 215 thousand).

Eurohold Bulgaria AD, including the subsidiaries, do not have assets that are reported off-balance-sheet.

There are no environmental issues in the Group's activities, which could have an impact on the use of assets.

### Equity and liabilities

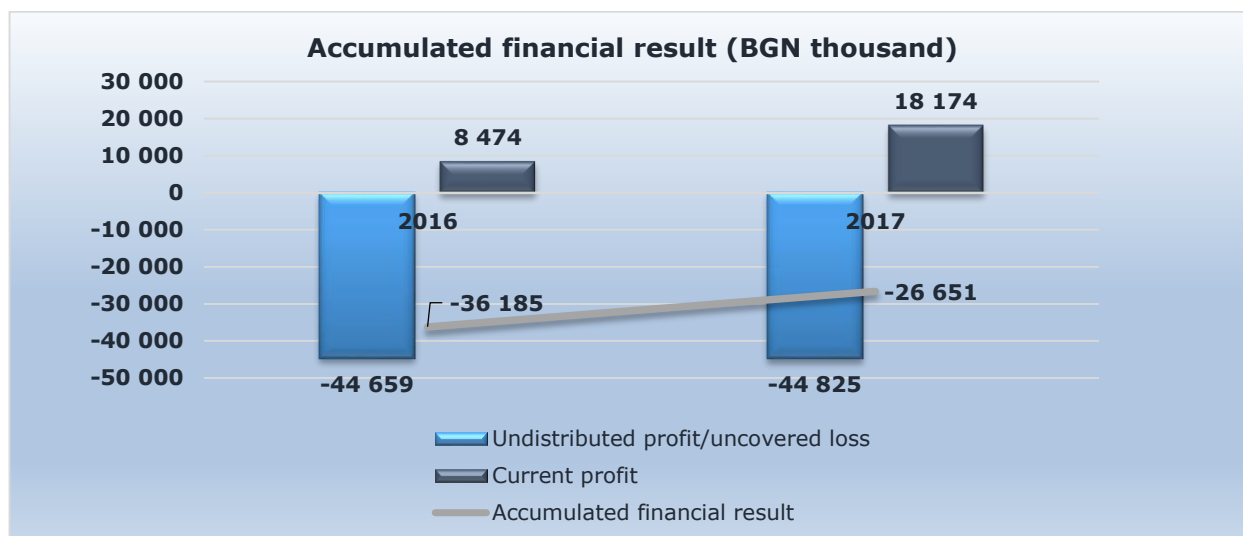
The equity of the Group is formed by share capital, reserves, accumulated profits and

minority interest. Reserves are divided into premium reserves, general reserves, reserve of ex-post assessments and specialized reserves.

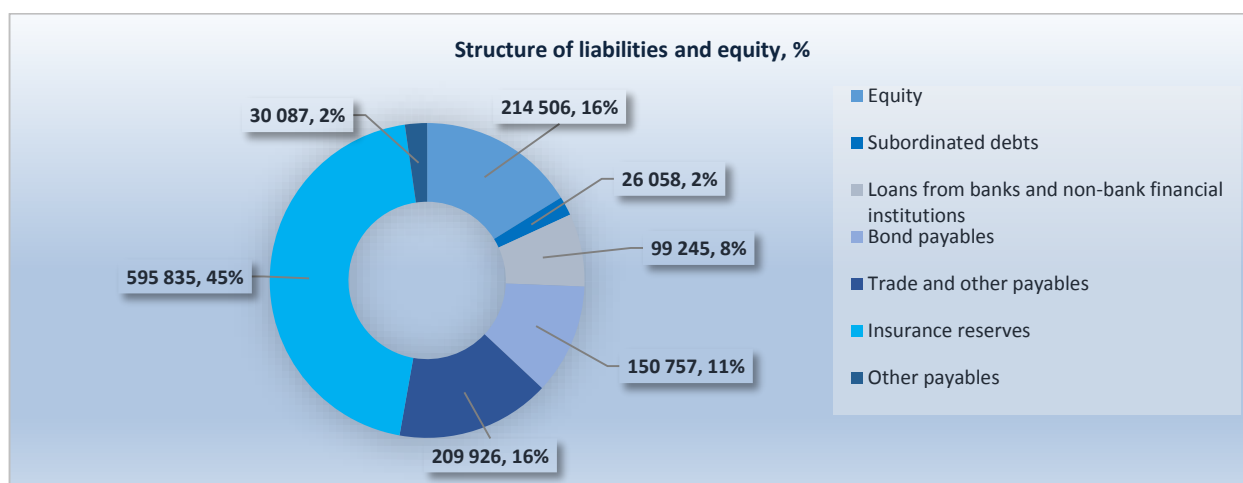
As of 31.12.2017, the equity belonging to the owners of the parent represents 14.90% of the balance sheet total, while the equity portion of the non-controlling interest is 3.3%. Total equity represents 16% of the total balance sheet total.

In absolute amount, the total capital at the end of 2017 is BGN 214,506 thousand, while in 2016 it amounts to BGN 115,259 thousand. The capital belonging to the owners of the parent company amounts to BGN 170 804 thousand and shows an increase of 115.9% compared to 2016 when it amounted to BGN 79 114 thousand.

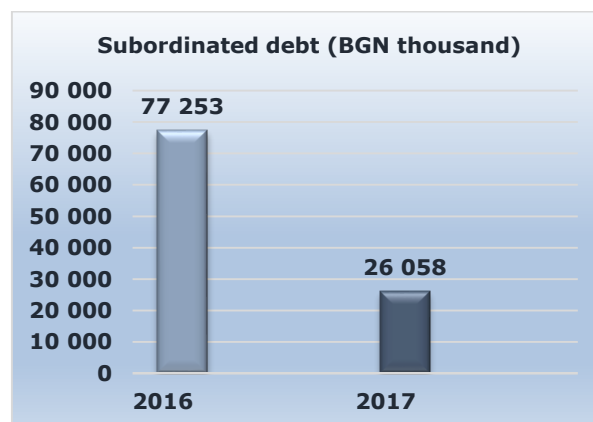
The accumulated financial result as at 31.12.2017 is negative at the amount of BGN 26 651 thousand. For comparison by the end of 2016, the accumulated financial result is negative at the amount of BGN 36,185 thousand. The accumulated financial result consists of a Retained Earnings / Uncovered Loss amounting to (BGN 44,825 thousand) and a current financial result of BGN 18,174 thousand.



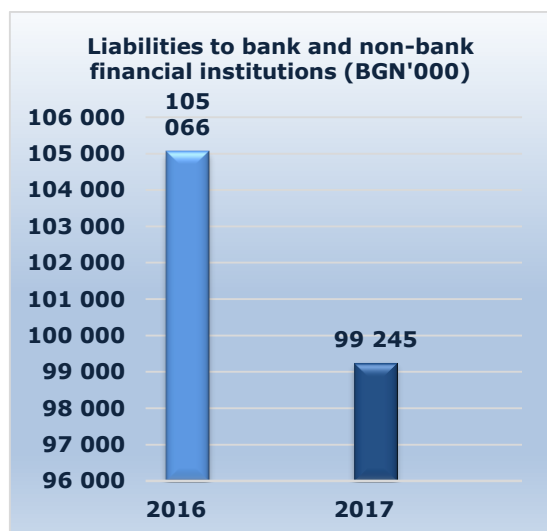
### Structure of liabilities and equity



Subordinated liabilities form 2% of the amount of liabilities and equity. In 2017 they decreased significantly from BGN 77 253 thousand at the end of 2016 to BGN 26 058 thousand or the reported decrease was 66.3%. Subordinated debts as of 31.12.2017 are under the liabilities of the Insurance Sector. The parent company repaid in full its subordinated debt in 2017, and at the end of the reporting period there are no obligations qualified as subordinates.

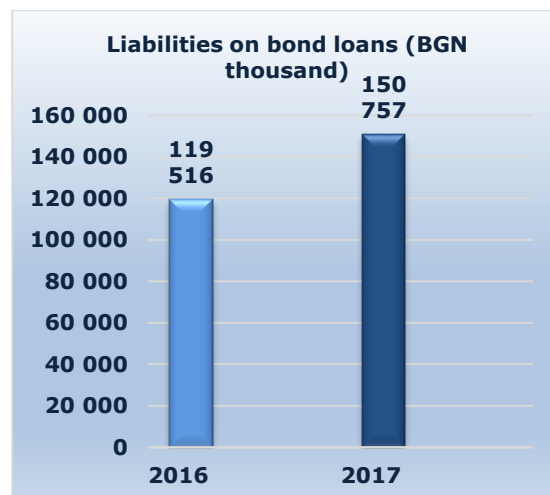


The liabilities under loans to banks and non-bank financial institutions form 8% of the amount of the liabilities and equity. In 2017 they decreased to BGN 99 245 thousand, compared to BGN 105,066 thousand at the end of 2016 or a decrease of 5.5%.



The debenture loans liabilities represent 11% of the total amount of the liabilities and equity.

Debt obligations on bond loans increased by 26% from BGN 119 516 thousand at the end of 2016 to BGN 150 757 thousand as of 31.12.2017. This growth is mainly due to the successfully issued unsecured Eurobonds (EMTN Program) that have been launched for trading on the Irish Stock Exchange. The funds collected were mainly re-directed to Euroins Insurance Group EAD (EIG) in order to realize the regional expansion of EIG.



A substantial part of the Group's liabilities represent the technical reserves of insurance companies. They form 45% of the total amount of the liabilities and equity. Their value at the end of 2017 is BGN 595 835 thousand, and by 2016 they amount to BGN 508 820 thousand.

Trade and other payables form 16% of the total liabilities and equity. Their value at the end of 2017 is BGN 209 926 thousand. Trade and other payables include current payables, trade and other payables, reinsurance liabilities and deferred tax liabilities.

The other non-current liabilities amounting to BGN 30 087 thousand form 2% of the amount of the liability and the equity.

### Cash flows

The Consolidated Cash Flow Statement is comprised of sections and items in which cash flows are accounted for by the business from which they are derived, and are aggregated into operating, investing and financing activities.

Negative cash flows from operating activities are mainly formed by excess payments to customers and suppliers over their proceeds. The main reason for this is the negative flows related to the nature of the business of the leasing group. The lease portfolio is amortized for an average of 50 months, with the repayment installments being reflected as a positive cash flow from operating activities in subsequent reporting periods.

During the periods considered, the Group companies generate sufficient and positive cash flow for the normal operation of their operations. The cash funds of the Eurohold group at the end of 2017 amounted to BGN 45 945 thousand, decreasing comparatively the



## E9. OVERVIEW OF THE ACTIVITY OF SUBSIDIARY SUB-HOLDING STRUCTURES

THIS SECTION CONTAINS INFORMATION ON THE ACTIVITIES OF THE SUBSIDIARIES OF EUROHOLD BULGARIA AD REGARDING THE ACTIVITY SURVEY AND KEY PERFORMANCE RESULTS FOR THE YEAR 2017 AND THE COMPARATIVE PERIOD 2016.

THE DATA ARE BASED ON THE AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE SUBSIDIARIES FOR THE YEAR 2017.

THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SUBSIDIARIES OF EUROHOLD BULGARIA AD HAVE BEEN PREPARED IN ACCORDANCE WITH THE APPLICABLE INTERNATIONAL FINANCIAL REPORTING STANDARDS.

### I. EUROINS INSURANCE GROUP AD. ABOUT THE COMPANY. BUSINESS REVIEW. RESULTS OF THE ACTIVITY

#### 1.1 About the company.

Euroins Insurance Group AD is a holding company that focuses on the Group's investment in the insurance sector. It is one of the largest private insurance groups.

As a leading Bulgarian insurance group, Euroins Insurance Group continues to develop its operations in Central and Eastern Europe (mainly in Bulgaria, Romania, Macedonia and Ukraine), while also entering southern Europe (Greece, Spain, Italy).

Euroins Insurance Group is the only independent insurer among the largest players in the region, which provides Group companies with more flexibility and local focus.

The Insurance Group offers a full range of insurance products in the field of general, health and life insurance.

The long-term strategic goal of Euroins Insurance Group is to achieve a diversified, profitable and sustainable market share in the Central and Southeastern Europe.

**Scope of activity** of Euroins Insurance Group includes acquisition, management, assessment and sale of shares in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, assessment and sale of patents,

concession of licenses for patent use to companies in which the company holds a share; funding companies, in which the company holds a share.

The company is entered in the Commercial

<b>Business address:</b>	<b>Town of Sofia, 1592, 43 Hristofor Kolumb Blvd.</b>
<b>Telephone</b>	<b>02/ 9651 651</b>
<b>Fax</b>	<b>02/ 9651 652</b>
<b>E-mail</b>	<b>eig@euroins.bg</b>
<b>Website:</b>	<b>www.eig.bg</b>

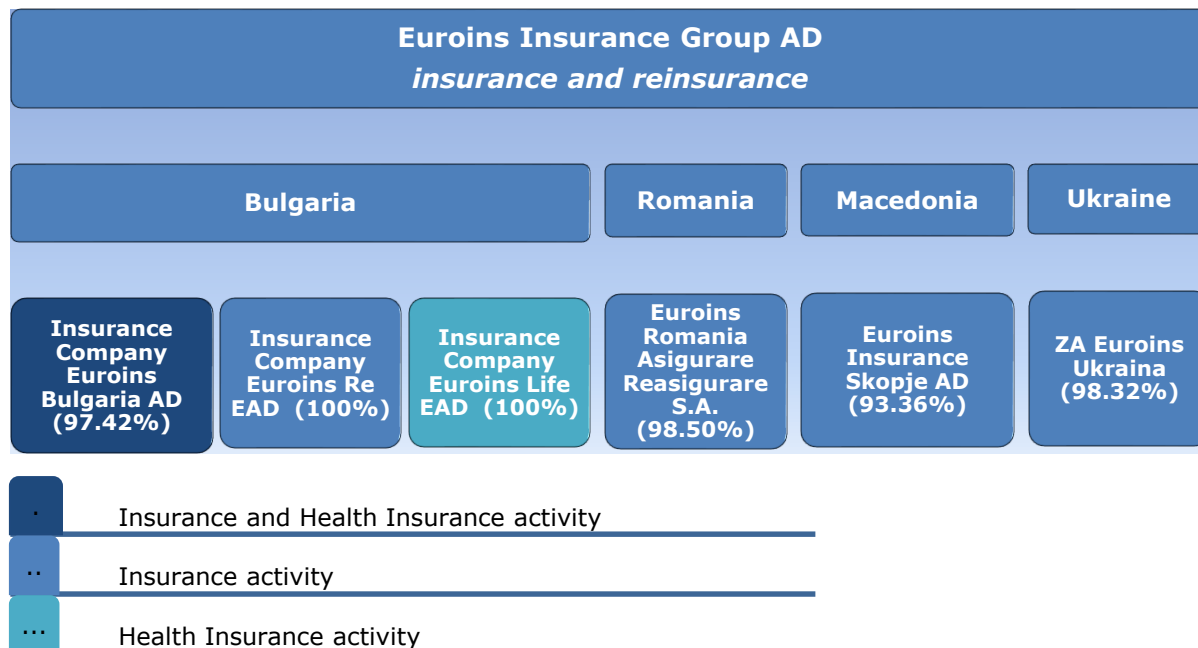
Register at the Registry Agency under UIC 175394058.

#### Seat and management address:

The registered office and address of the management of Euroins Insur Group AD is the Republic of Bulgaria, Sofia, 43 Hristofor Kolumb blvd. The administrative management and the principal place of business are at the same address. This is also the official mailing address.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

### Structure of the insurance line



In 2017, the insurance sub-holding acquired 14.144% of the capital of a Russian insurance company. By decision dated October 16, 2017, Euroins Insurance Group AD decided to participate in a procedure for increase of the capital of Euroins Russia. The increase was registered on 13 February 2018, with the participation increased to 32.195%. As of the date of this report, a Russian insurance company is called "RZD Euroins" OOD.

### Management Bodies

The management body of Euroins Insurance Group AD is a Board of Directors.

### Board of Directors

The Board of Directors includes 3 individuals.

Member of the Board of Directors	Function
Asen Milkov Hristov	Chairman of the Board of Directors
Kiril Ivanov Boshov	Executive member of the Board of Directors
Dominique Francois Joseph Victor Baudouin	Deputy-Chairman of the Board of Directors
Managing Director and representative of the company is Kiril Boshov.	

### Share capital Shareholder Structure

Since the company was formed, by the end of 2017, several increases in its share capital have been made.

Euroins Insurance Group ended in 2017 with a paid-in share capital amounting to BGN 481 482 622. The registered subscribed capital of the company amounts to BGN 483 445 791. The registered capital of the company

consisted of 483 445 791 shares of which 76 981 791 preferred shares each with a nominal value of BGN 1 and 406 464 000 unprivileged shares each with a nominal value of BGN 1.

The capital not paid on 31.12.2017 amounting to BGN 1 963 169 was paid on 03.01.2018 and entered in the Commercial Register on 11.01.2018. At the date of this report, the entire capital of Euroins Insurance Group AD has been paid up.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	<b>E - Consolidated management report</b>	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	---	---	--

**Information on Change of Share Capital. Amount of subscribed and paid-up capital at the end of each historical period.**

<b>2007</b>
<ul style="list-style-type: none"> <li>• <b>BGN 126 142 000</b></li> <li>• <b>foundation capital</b></li> </ul>
<b>2008</b>
<ul style="list-style-type: none"> <li>• <b>BGN 268 262 791</b></li> <li>• <b>an increase of the capital with a financial contribution amounting to BGN 142 120 791</b></li> </ul>
<b>2015</b>
<ul style="list-style-type: none"> <li>• <b>BGN 483 445 791</b></li> <li>• <b>an increase of BGN 215 262 791, of which a cash contribution at the end of 2015 BGN 19 600 000</b></li> </ul>
<b>2016</b>
<ul style="list-style-type: none"> <li>• <b>BGN 483 445 791</b></li> <li>• <b>paid-up cash contribution from the capital increase in 2015 to the amount of BGN 103 091 571</b></li> </ul>
<b>2017</b>
<ul style="list-style-type: none"> <li>• <b>BGN 481 482 622</b></li> <li>• <b>paid-up cash contribution from the capital increase in 2015 to the amount of BGN 90 528 260</b></li> </ul>
<b>2018</b>
<ul style="list-style-type: none"> <li>• <b>BGN 483 445 791</b></li> <li>• <b>paid-up cash contribution from the capital increase in 2015 to the amount of BGN 1 963 169</b></li> </ul>

As of the end of the financial year 2017, the shareholder structure of Euroins Insurance Group AD is as follows:

Shareholders	Participation	Number of shares	Nominal value (BGN)
<b>Eurohold Bulgaria AD</b>	<b>89.36%</b>	<b>432,007 159</b>	<b>432,007 159</b>
<b>Basildon Holding S.A.R.L.</b>	<b>10.64%</b>	<b>51,438 632</b>	<b>51,438 632</b>
<b>TOTAL</b>	<b>100 %</b>	<b>483,445 791</b>	<b>483,445 791</b>

\* Nominal value of subscribed capital.

There are no natural persons – shareholders, who hold directly more than 5 % of the voting shares.

All issued shares are of the same class and give one voting right.

The Company has not issued shares which do not represent capital. All shares issued by Euroins Insurance Group AD grant their holders the right to vote at the General Meeting of the Company.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
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## 1.2 Business review.

### INVESTMENT PORTFOLIO

As at 31 December 2017, Euroins Insurance Group AD own a direct controlling interest in eight subsidiaries:

Insurance and health insurance			
	Country of registration	Main activity	% of participation in the primary capital as of 31.12.2017.
<b>EUROINS INSURANCE GROUP AD</b>	<b>Bulgaria</b>	<b>acquisition, management, assessment and sale of interest in Bulgarian and foreign companies; The company active develops its business in Bulgaria, Romania, Macedonia and Ukraine</b>	<b>Eurohold Bulgaria AD - 89.36%</b>
<b>INSURANCE COMPANY EUROINS AD</b>	<b>BULGARIA</b>	<b>Insurance and Health Insurance activity</b>	<b>EUROINS INSURANCE GROUP AD - 94.90%</b>
<b>EUROINS ROMANIA ASIGURARE REASIGURARE S.A.</b>	<b>Romania</b>	<b>Insurance activity</b>	<b>Euroins Insurance Group AD - 98.15% / 98.50% as of 04.10.2017</b>
<b>EUROINS OSIGURUVANJE AD</b>	<b>Macedonia</b>	<b>Insurance activity</b>	<b>Euroins Insurance Group AD - 93.36%</b>
<b>IC EIG RE EAD</b>	<b>Bulgaria</b>	<b>Insurance activity</b>	<b>Euroins Insurance Group AD - 100%</b>
<b>ZA EUROINS UKRAINA</b>	<b>Ukraine</b>	<b>Insurance activity</b>	<b>Euroins Insurance Group AD - 99.29% / 98.32% as of 04.10.2017</b>
<b>INSURANCE COMPANY EUROINS LIFE EAD</b>	<b>Bulgaria</b>	<b>Health Insurance activity</b>	<b>Euroins Insurance Group AD - 100%</b>

The efforts and investments made over the last few years in the insurance field ensure geographic expansion and stabilization of the market positions of the operating companies in the group.

Since its establishment in November 2007, Euroins Insurance Group has made numerous investments in acquiring new businesses in the CEE region by purchasing insurance companies and acquiring insurance business.

## Historical data on investments in the insurance field

### 2007

- EUROINS INSURANCE GROUP incorporation

### 2008

- Euroins AD acquirement of the company by way of contribution to the capital of EIG
- Euroins Health Insurance Acquisition through capital injection into EIG's capital

### 2008

- Euroins Romania Aesarere - Reasigurare SA, acquisition of the company through a contribution in the capital of EIG
- EuroIns Macedonia
- share purchase

### 2012

- United Health Insurance purchase of participation and merger of the company into Euroins Health Insurance

### 2013

- acquired the business of Interamerican Insurance and Life Insurance from the Dutch financial group Achmea, respectively
- Euroins AD acquires the entire insurance business
- Euroins Insurance Group acquires the life insurance company of Interamerican (now Euroins Life Insurance)

### 2013

- acquires the insurance business in Bulgaria and Romania of the international insurance company QBE, respectively
- IC Euroins acquires the entire insurance business of QBE in Bulgaria
- Euroins Romania Asigurare - Reasigurare S.A. acquires the entire insurance business of QBE in Romania

### 2015

- IC Euroins AD acquires the insurance business of HDI Insurance

### 2016

- Euroins Insurance Group AD acquires a qualifying holding in the HDI Strakhuvannya (now called ZA Euroins Ukraine) - the HDI Insurance business in Uzbekistan

### 2017

- Euroins Insurance Group acquires 14% of the capital of the Russian insurance company OOO RIC Euroins. At the date of this report the participation was increased to 32.19%.



A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

The Insurance Subholding has historically supported its subsidiaries by increasing their capital, and by 31.12.2017 the investments in

subsidiaries operating insurance companies are as follows:

Company	% participation	Value of the investment in thousands of BGN
<b>Euroins Romania Asigurare - Reasigurare S.A.</b>	98.50%	283 050
<b>Insurance Company Euroins AD</b>	98.21%	136 446
<b>Euroins Osiguruvanje AD</b>	93.36%	18 052
<b>ZA Euroins Ukraina</b>	99.32%	2 347
<b>Insurance Company Euroins Life EAD</b>	100%	3 576
<b>IC EIG RE EAD</b>	100%	16 125
<b>Total Investments in subsidiaries</b>		<b>459 596</b>

### Regulation of Insurance Activities

The insurance business is subject to regulation and control by the local financial regulator of the State of registration of the insurance company.

### Insurance market

Euroins Insurance Group as at 31 December 2017 operates through its subsidiaries on the insurance market in Bulgaria, Romania, Macedonia and Ukraine.

### Insurance market in Bulgaria. Types of insurance market

**Euroins Insurance Group operates in Bulgaria on the following insurance markets as follows:**

- Insurance and health insurance
- Life insurance

### Insurance and health insurance in Bulgaria

The insurance market in Bulgaria is represented to a large extent by the Euroins AD. The company has a full license for all types of insurance.

Euroins AD is active in the following types of insurance: motor, cargo, aviation, marine and property insurance, insurance of responsibilities, insurance of agricultural products. Euroins AD is also active in the health insurance of individuals.

Main geographic areas in which the Company operates:

- Bulgaria;
- Greece;
- Spain;
- Italy.

Euroins Bulgaria has been operating in Greece since 2014 under the Freedom of Services (FoS) Directive. In 2017, the Company decided to reschedule its operations in Greece by opening a Branch. In this respect, in February 2018, the Company received approval from the Branch Regulators and is currently reorganizing its activity from FoS to Branch. The types of insurance and the inherent risks that will be offered on the territory of Greece through the open office are: Accident (including industrial accidents and occupational diseases); "Land vehicles" (excluding rail vehicles); "Civil liability related to the possession and use of the vehicle"; Travel Assistance (Assistance); "Fire and natural disasters"; "Other Property Damage".

Part of the Company's strategy is to increase the non-nominative business in its portfolio, as this trend is also observed for 2017, where premiums written on non-motor insurance increased by 22% compared to 2016.

The goals the Company has put on markets in Greece, Spain and Italy is to penetrate into low-risk segments, which have a long-term low frequency and a quotient of damage. These low-risk segments are set out in the applicable signing rules, as all insurance queries that go beyond the predetermined criteria are concluded only under conditions agreed with "Euroins" AD.

The other representative on the Bulgarian market is OE EIG R, the company was acquired by Euroins Insurance Group in 2015 and holds a license to carry out all types of insurance. The company operates mainly on the Bulgarian market and has great potential for development.

Euroins Life is a licensed insurer in accordance with a decision of the Financial Supervision Commission, performing life insurance business and offering and concluding insurance contracts for the following types of insurance and for the following insurance risks:

- ▶ Life and rent insurance;
- ▶ Marriage and child insurance;
- ▶ Life insurance linked to an investment fund;
- ▶ Additional insurance.

As of 31.12.2017 Euroins Life operates only on the territory of the Republic of Bulgaria .

#### **Insurance market in Romania**

##### **Representative of the Romanian market is Euroins Romania Astirare-Reasigurare SA**

Euroins Romania Avesarere - Reasigurare SA offers a full range of non-life insurance products. The non-life insurance market in Romania focuses mainly on motor insurance .

In 2015 Euroins Romania Asigurare - Reasigurare CA started offering health insurance products, with a special focus on the employees. In this regard, Euroins Romania has hired a team of health insurance specialists to develop the new product line and develop a network of partnerships with hospitals in Romania.

#### **Insurance Market in Macedonia**

##### **Representative of the Macedonian market is Euroins Osiguruvanie AD**

Euroins Osiguruvanie AD is a subsidiary insurance company of Euroins Insurance Group in Macedonia, which offers a full range of insurance products other than life insurance.

#### **Insurance market in Ukraine**

##### **Representative of the Ukrainian market is CHAD "ZK Euroins Ukraine"**

ChAD ZK Euroins Ukraine offers a full range of non-life insurance products. The non-life insurance market in Ukraine focuses mainly on motor insurance, with compulsory Third Party Liability insurance and Casco insurance.

In 2017 ChAD ZK Euroins Ukraine is implementing its strategy to develop its motor portfolio through initiatives to raise entire sales teams and intermediaries with experience in business with strategic importance for Euroins Ukraine.

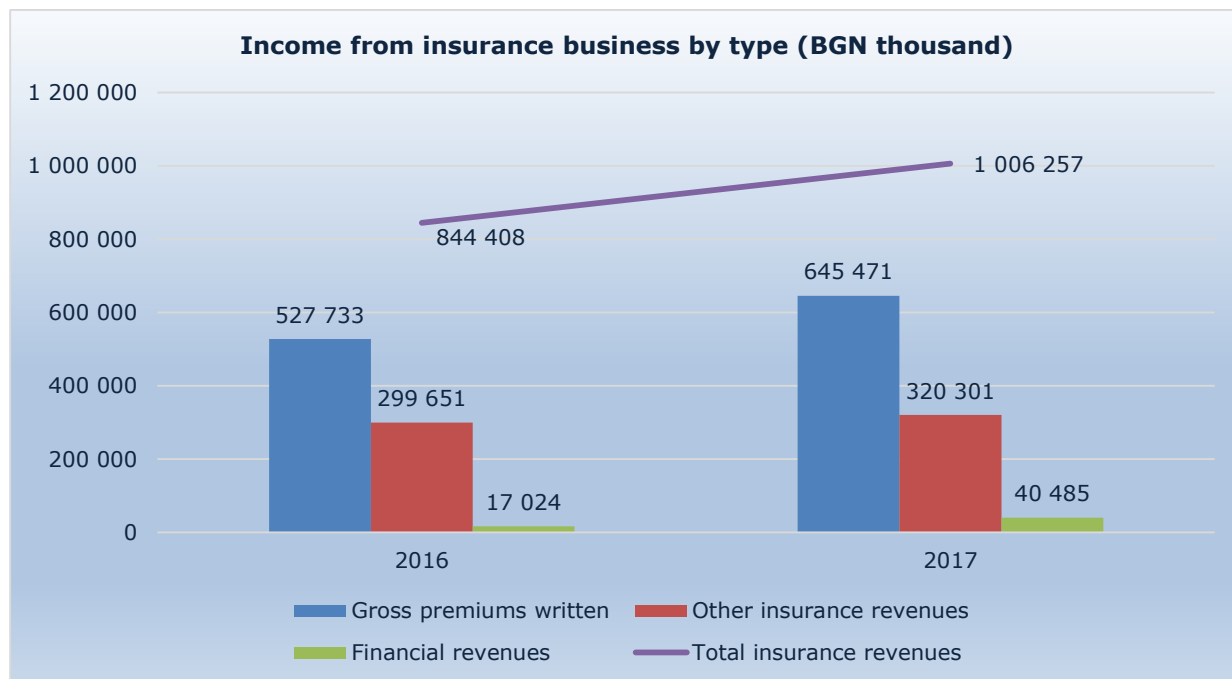
A major advantage of the Group Euroins Insurance Group AD is the well developed sales network covering the territory of each of the countries in which the subsidiaries of the Group operate. The network includes a mix of different sales channels (agencies, brokers, franchisors and insurance agents), allowing maximum flexibility and access to end customers. Another important advantage of Euroins Insurance Group AD is the joint work with the other two subsidiaries of Eurohold Bulgaria AD - EuroLease Group EAD and Avto Union AD. This allows the development of common products unique to the respective regional market. An important aspect of the competitiveness of Euroins Insurance Group AD is the centralization of the reinsurance and investment management activities after the separation of the insurance business into a separate subholding.

## **1.3 Result of the activity for 2017**

### **Financial result**

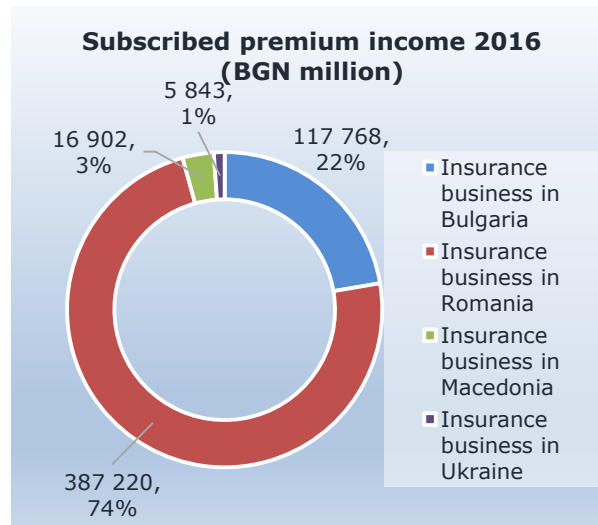
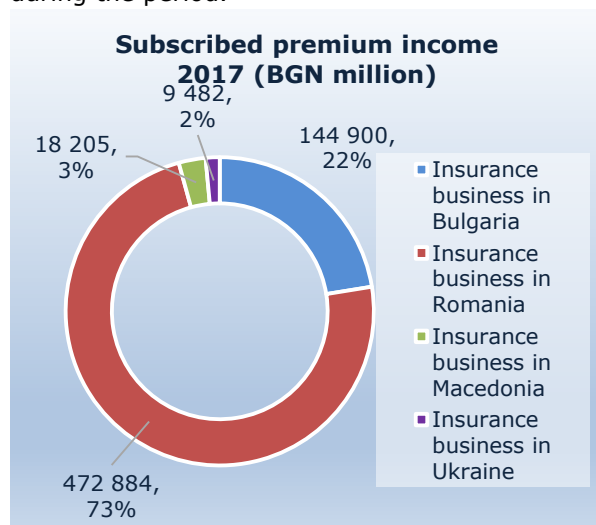
Euroins Insurance Group registered a growth of 19.1% in 2017 in realized earnings from insurance activity, which at the end of the

reporting period amounted to BGN 1 006 257 thousand compared to BGN 844 408 thousand for 2016 years.



The Euroins Insurance Group ends in 2017 with a premium income of BGN 645.5 million, compared to BGN 527.7 million in 2016. The significant increase of 22.32% is mainly due to the increase in the registered insurance business of Euroins Bulgaria by 23% and of Euroins Romania by 22%. Reported by Euroins Macedonia business increased by nearly 8% during the period.

The largest share in the total premium income for both reporting periods is the realized insurance business in Romania, representing 73% in 2017, followed by the Bulgarian business by 22%.



Businesses in Bulgaria including the written premium income of companies Euroins AD, OE EIG Re and Euroins Life increased by BGN 27.1

million. The growth of the Bulgarian business is entirely due to the activity of the largest

Bulgarian company in the portfolio of Euroins Insurance Group, namely Euroins AD.

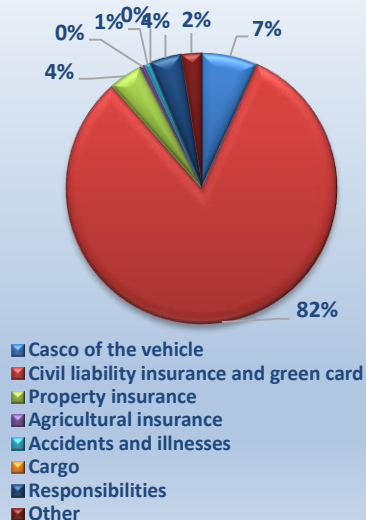
In recent years, Euroins Bulgaria has been continuously expanding its activities, both through organic growth and acquisitions (Interamerican, Kyu). The company also operates successfully in Greece, Italy and Spain, continuously improving the quality of its services in these countries, relying on increasing its partner and customer network, improved IT capabilities and market analysis and segmentation opportunities.

Euroins Bulgaria's growth is due to premiums from direct insurance as a result of the increase in brokerage business recorded both on the territory of Bulgaria and on the territory of Greece, Spain and Italy under the Freedom to Provide Services Directive within the European Union. Both Motor Third Party Liability and Major Non-Motor Lines such as Property, Accident and Illness, Responsibilities and Travel Assistance are marked by growth. It is important to note that with Euroins Bulgaria there is a growth of the direct insurance business at the expense of active reinsurance, which is a serious prerequisite for growth in the following periods.

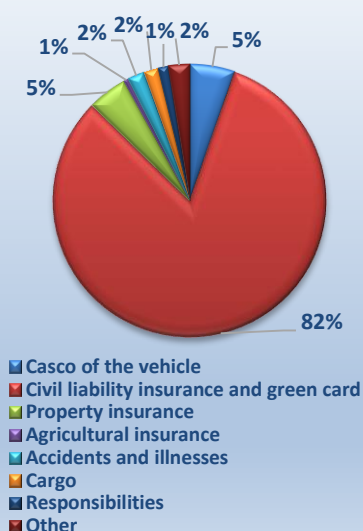
For another year, the insurance business in Romania is growing at the fastest pace, as in 2017 increased by BGN 87.7 million. Euroins Romania marks a new growth, mainly due to Motor Third Party Liability insurance and major non-motorized lines such as Accident, Freight during Carriage, Liability and Property, which are growing at even higher rates than last year's levels. The growth in Motor Third Party Liability Insurance is due to the work done in 2014 and 2015 on the re-segmentation of the company's core business. As a result, the company began to record business in new profitable segments by implementing a requirement for at least three criteria. As a result, the company began to record business in new profitable segments by implementing a requirement for at least three criteria.

There are no major changes in the group structure of premium income, with the largest share of Motor Third Party Liability and Green Card insurance, which has a share of 80% in 2017 compared to 82% in the comparative period. For the reporting period, the share of Responsible Insurance increased by 3%, with 1% growth being the Casco of motor vehicles Insurance income. At the same time, 1% reduces the share of Accidents and Illness and Property Insurance.

Premium income structure by line business 2017



Premium income structure by line business 201



The realized net financial result for 2017 amounts to BGN 41 681 thousand compared to the same period in 2016. The generated net profit is 8 944 thousand BGN. This exceptional growth is due, on the one hand, to the very good technical result, which only confirms the correct signing policy of the Group companies

**Realized net profit (thousand BGN)**

Year	Net profit (thousand BGN)
2016	8 944
2017	41 681

■ Net profit

The total consolidated assets of the Company increased by 16.1%, reaching BGN 1,080.0 million at the end of 2017, compared to BGN 930.2 million at the end of 2016. This change was due to an increase of 53.6% in Financial

**Assets (thousand BGN)**

Year	Assets (thousand BGN)
2016	930 246
2017	1 079 955

■ Assets (thousand BGN)

Insurance reserves on a consolidated basis, as an element of the Group's liabilities, increased by 16.8% from BGN 510.4 million at the end of 2016 to BGN 596.3 million in 2017.

of the reporting period amounted to BGN 350 252 thousand.

The equity of the owners of the parent company increased by 31.8% and at the end

More information about the Euroins Insurance Group and its subsidiaries can be found on the Company's website [www.eig.bg](http://www.eig.bg)



## II. Avto Union AD. About the company. Business review. Results of the activity

### 2.1 About the company.

Avto Union AD is a holding company which consolidates Eurohold Bulgaria's investments in the motor vehicle sector. Auto Union is the leading importer and dealer of cars - its portfolio includes 8 brands and 3 brands of scooters, with the largest portfolio of motor vehicle brands in Bulgaria. Avto Union is a unique combination of motor vehicle brands and capabilities. The strategy, supported by the automotive group for a variety of brands is supplemented by continuous improvement in the quality of complementary products and after sales service, as well as by offering new product packages which combine leasing and insurance and comply with the client's needs.

The scope of activity of Avto Union is import and production of goods, preparation of concepts for commercial activity, designing, purchasing, construction and furnishing of real estate, with the purpose of selling, transporting, commercial representation and mediation of local and foreign persons, advertising, commission, brokerage, publishing and printing activities, as well as any other activities not prohibited by law.

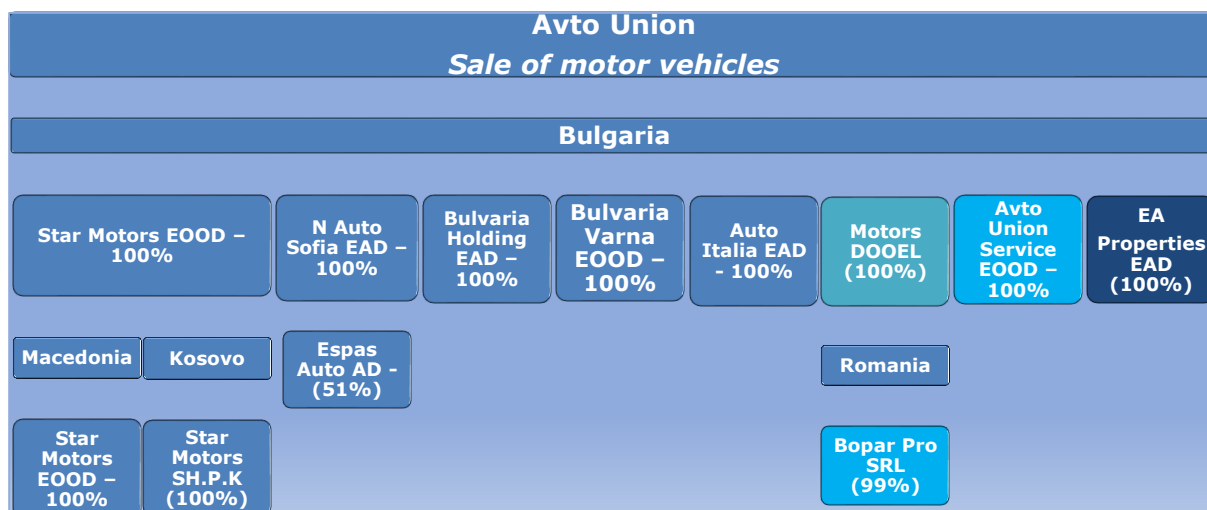
The Holding Company is entered in the Commercial Register at the Registry Agency under UIC 131361786.

#### Seat and management address:

The seat and the registered address of Eurohold Bulgaria AD is the following: Republic of Bulgaria, Sofia, 43 Hristofor Kolumb blvd. The administrative management and the principal place of business are at the same address. This is also the official mailing address.

<b>Business address:</b>	<b>Town of Sofia, 1592, 43 Hristofor Kolumb Blvd.</b>
<b>Telephone</b>	<b>02/ 9651 651</b>
<b>Fax</b>	<b>02/ 9651 652</b>
<b>E-mail</b>	<b>investors@avtounion.bg</b>
<b>Website:</b>	<b>www.avto-union.bg</b>

### Structure of the automotive sector





•	import and service of motor vehicles
••	import and sale of motor oils
•••	purchase and sale of real estate
••••	repair and service of motor vehicles/sales of spare parts

Avto Union includes automotive, motorcycle and scooter sales, warranty and after-sales service support, service, including paint and paint service, original spare parts, lubricants, fuel and accessories. Avto Union AD, through its subsidiaries, acts as an official importer and dealer of some automobile brands and is also an official distributor of lubricants and alternative spare parts in Bulgaria.

### Management Bodies

The management body of Avto Union AD is a Board of Directors.

#### Board of Directors

The Board of Directors includes 3 individuals.

Member of the Board of Directors	Function
Asen Milkov Hristov	Chairman of the Board of Directors
Kiril Ivanov Boshov	Member of the Board of Directors
Asen Emanuilov Asenov	Member of the Board of Directors and Executive Director
Executive Director and representing the company is Assen Assenov.	

As of February 5, 2015, a procurator of Avto Union AD, namely Georgi Demirev, was registered in the Commercial Register. As procurator Demirev has the powers of law, namely according to Art.22. 22. (1) of the Commercial Law : The Procurator has the right to carry out all actions and transactions that are related to the exercise of the trade, to represent the trader, to authorize other persons to carry out certain actions. He can not authorize someone else with his legal rights. He has no right to alienate and burden real estate.

### Share capital Shareholder Structure

Since the establishment of the company until the end of 2017, several acquisitions of the share capital of Avto Union AD, which as at 31.12.2017 amounted to BGN 40 000 000, were carried out. The registered capital of the company consisted of 80,008 shares, each with a nominal value of BGN 500.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	<b>E - Consolidated management report</b>	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
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**Information on Change of Share Capital. Amount of subscribed and paid-up capital at the end of each historical period.**

<b>2005</b>	<ul style="list-style-type: none"> <li>•BGN 19 558 500</li> <li>•foundation capital</li> </ul>
<b>2010</b>	<ul style="list-style-type: none"> <li>•BGN 22 121 500</li> <li>•an increase by apportionment receivable in amount of BGN 2 563 000</li> </ul>
<b>2011</b>	<ul style="list-style-type: none"> <li>•BGN 390 54 362</li> <li>•an increase with a cash contribution of BGN 2 850 000</li> </ul>
<b>2012</b>	<ul style="list-style-type: none"> <li>•BGN 40 004 000</li> <li>•an increase by apportionment receivable in amount of BGN 2 563 000</li> </ul>

### Shareholder Structure

As at the closing date of the financial year there is one legal entity that holds 99.99% of the voting shares.

All issued shares are of the same class and give one voting right.

There are no natural persons – shareholders, who hold directly more than 5 % of the voting shares.

Shareholders	Participation	Number of shares	Nominal value (BGN)
<b>Eurohold Bulgaria AD</b>	99.99%	80 001	40 000 500
<b>Kiril Boshov</b>	0.01%	7	3 500
<b>TOTAL</b>	100 %	80 008	40,004 000

The Company has not issued shares which do not represent capital. All shares issued by Avto

Union AD grant their holders the right to vote at the General Meeting of the Company.

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## 2.2 BUSINESS OVERVIEW

### INVESTMENT PORTFOLIO

As of December 31, 2017, Avto Union AD holds a direct controlling interest in eight subsidiaries:

Sale of automobiles	Country of registration	Main activity	% of participation in the primary capital as of 31.12.2017.
"N AUTO SOFIA" EAD	Bulgaria	import, sale and service of motor vehicles	"Avto Union" AD - 100%
"BULVARIA HOLDING" EAD	Bulgaria	import, sale and service of motor vehicles	"Avto Union" AD - 100%
"BULVARIA VARNA" EOOD	Bulgaria	import, sale and service of motor vehicles	"Avto Union" AD - 100%
STAR MOTORS EOOD	Bulgaria	import, sale and service of motor vehicles	"Avto Union" AD - 100%
"STAR MOTORS" DOOEL	Macedonia	import, sale and service of motor vehicles	Star Motors Ltd. - 100%
"STAR MOTORS" SH.P.K.	Macedonia	import, sale and service of motor vehicles	"Star Motors" DOOEL - 100%
AUTO ITALIA EAD	Bulgaria	import, sale and service of motor vehicles	"Avto Union" AD - 100%
MOTOBUL EAD	Bulgaria	Import, sale of motor oils	"Avto Union" AD - 100%
"BOPAR PRO" SRL	Romania	Trade of spare parts and accessories	Motobul EAD - 99%
"DARU KAR" AD	Bulgaria	import, sale and service of motor vehicles	"Avto Union" AD - 99.84%
ESPAS AUTO OOD	Bulgaria	import and service of motor vehicles	H Auto Sofia AD - 51%
EA PROPERTIES EOOD	Bulgaria	Real estate purchase and sale	Espas Auto Ltd. - 100%
"AUTO UNION SERVICE" LTD.	Bulgaria	Repair and servicing of automobiles	"Avto Union" AD - 100%

### Capital Investments

At the end of 2010 Eurohold Bulgaria AD, in the process of restructuring the activities of its subsidiaries, decided that all operating companies in the automotive sector should be consolidated by Avto Union AD, as a result of which it made a number of changes in the structure of its automobile business.

The aim of this restructuring is to optimize operating costs and achieve better segmentation of the market, leading to an increase in customer service and satisfaction and an increase in the market share of automotive companies.

The restructuring leads to more efficient cash flow management, optimizing the structure of attracted funds for automotive companies, optimizing administration, management, outsourcing, etc. Over the years, the restructuring of the automotive business and the achievement of an optimized structure has been accompanied by various business operations such as acquisitions, sales, mergers, etc.

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### Historical data on the more significant investments in the automotive sector

#### 06.2009

- **AVTO UNION** Purchase of 100% of the capital of the holding company, together with its operating companies, namely:
  - Auto Italy (exclusive importer of Fiat and Lancia)
  - Milano Motors (exclusive distributor of Alfa Romeo)
  - Transport Auto (exclusive importer of Maserati)
  - Star Motors EOOD (exclusive importer of Mazda)
  - Bulvaria Holding EAD (importer of Opel and Chevrolet)
  - Motobul (the exclusive importer of Castrol and BP)
  - Bulvaria Rent-a-car

#### 2009

- Autoplaza EAD (second-hand car trade) purchase of Eurohold Bulgaria
- Espas Auto EOOD (now Avto Union Service Ltd) purchase of participation

#### 2010

- Cargo Express EAD (now Bulvaria Varna) purchase of participation
- Nissan Sofia (now N Auto EAD) purchase of participation
- Scandinavia Motors EAD purchase purchase (in December 2012 the company is merged with Bulvaria Holding EAD)
- Eurolease Rent-a-Car purchase of participation;

#### 2011

- Daru Car AD (Authorized Service Center for BMW, Mini, Rover, Land Rover and Mahindra) Purchase of participation
- the merger of Bulvaria Rent A Car EOOD into Eurolease Rent A Car EOOD was carried out. Eurolease Rent A Car EOOD becomes a franchise representative of the AVIS and BUDGET trademarks

#### 2012

- Milan Motors EOOD, Transport Auto EOOD are merging into Auto Italy EAD
- in February Eurolease Rent A Car Ltd was sold to EuroLease Group EAD

#### 2013

- sells Autoplaza EAD to EuroLease Group EAD

#### 2014

- EA Properties EOOD establishment

#### 2017

- purchase of 51% of the shares of EA Properties OOD. The seller of the shares is the subsidiary company Espas Auto OOD.



The Automobile Subholding has historically supported its subsidiaries by increasing their capital, and by 31.12.2017 the investments in

subsidiaries operating car companies are as follows:

Company	% participation	Value of the investment in thousands of BGN
Motobul EAD	100%	15 734
N Auto Sofia EAD	100%	11 047
Daru Car OOD	99.84%	9 779
Auto Italia EAD	100%	9 620
Bulvaria Varna EOOD	100%	8 667
Bulvaria Holding EAD	100%	5 660
Star Motors EOOD	100%	1 500
Avto Union Service EOOD	100%	300
EA Properties EOOD	51%	35
Total Investments in subsidiaries		62 342

### Automotive market

Auto Union JSC is a holding company that brings together the investments of Eurohold Bulgaria AD in the automobile sector, operating on the Bulgarian automotive market and on the Macedonian market where it offers

Mazda brand through its subsidiary Star Motors.

In the following chart, companies are represented by automotive brands, lubricants and fuels sold by Avto Union subsidiaries.



## Sale of new cars, motorcycles and scooters

Auto Italy - **official importer of Fiat, Fiat Professional, Maserati, Alfa Romeo and Piaggio, Vespa and Gilera** scooters for Bulgaria

Star Motors - **official importer of Mazda** for Bulgaria

Nissan Sofia - **dealer of Nissan** for Sofia and Veliko Tarnovo

Espas Auto - **dealer of Renault and Dacia** for Sofia, Pazardjik, Blagoevgrad and Veliko Tarnovo

Bulvaria Holding - **dealer of Opel** in Sofia and a Saab authorized service center

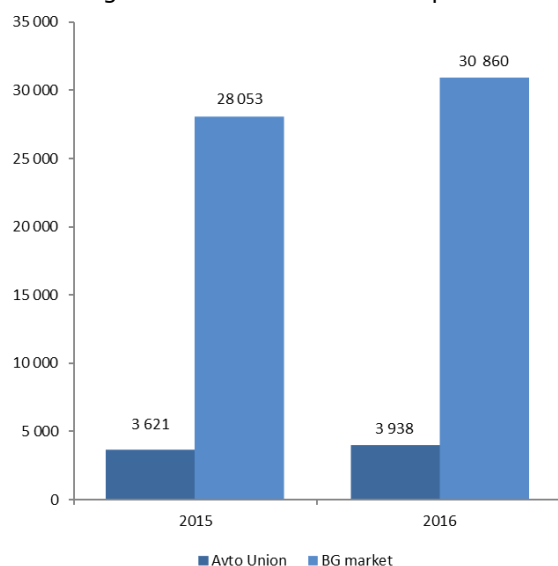
Bulvaria Varna - **dealer of Opel** in Varna

## Sale of original spare parts, lubricants, fuels and accessories

Motobul - **official distributor for Bulgaria of BP, Castrol and Orlen Oil, as it offers fuel** through business partnerships at leading gas stations in the country .

## Showrooms and Service

Avto Union has showrooms for individual brands throughout the country. They are built according to the manufacturers' requirements



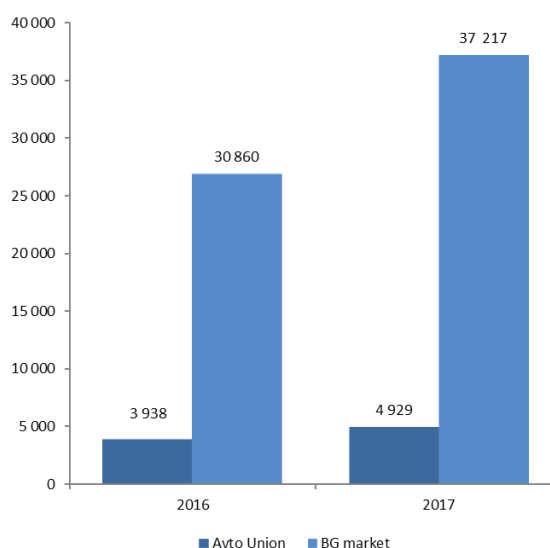
and standards. The showrooms of every importer or dealer, part of Avto Union, are tailored to the most up-to-date trends in design and functionality in automotive business. The main offices of Avto Union are located in the major cities of Bulgaria - Sofia, Pazardjik, Plovdiv, Stara Zagora, Varna, Burgas, Veliko Tarnovo, Blagoevgrad.

Avto Union's services include state-of-the-art equipment and qualified staff and offer the full range of after-sales services: general mechanical and specialist repairs, diagnostics, maintenance and maintenance of all brands of vehicles. The main task of Avto Union in terms of after-sales service is to provide quality and fast service to its customers.

## 2.3 RESULTS FROM THE ACTIVITY FOR 2017

### Motor vehicle market

Based on data of the Union of the Automobile Importers in Bulgaria the market of new vehicles and light-duty trucks has registered a growth of 20.6% for the period 01.01.2017 - 31.12.2017 compared to the same period in 2016

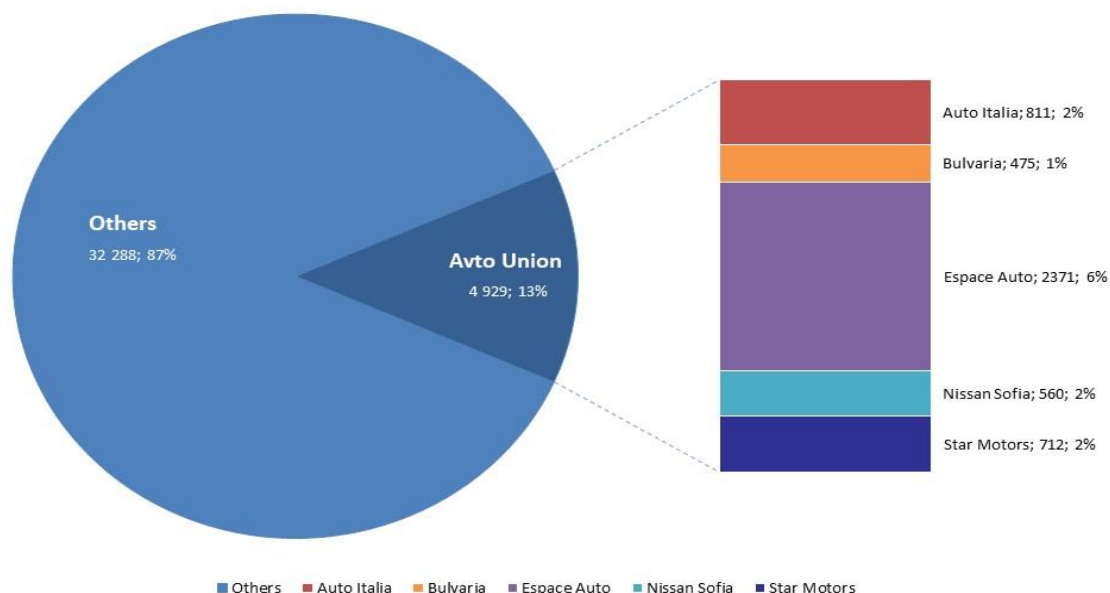


*Sales of new vehicles by Avto Union Group compared to the Bulgarian market - 2015, 2016 and 2017,*

*Source: Union of Importers of Automobiles in Bulgaria*

For the period ended 31.12.2017 the sales of new vehicles and light-duty trucks realized by Avto Union – the automotive holding in the group of Eurohold Bulgaria, amount to 4 929 vehicles compared to 3 938 vehicles sold

during 2016, which represents a growth of 25.2%.



### ***Number of cars sold and market share of automotive companies in the Avto Union group for 2017.***

The number of vehicles sold in the twelve months of 2017 increased by 25.2 % compared to the same period of 2016.

Avto Union	Sales		
	2017	2016	% Growth
January – December (YTD)	4 929	3 938	25.2%
Quarterly:			
first quarter (January – March)	1 023	769	33.0%
second quarter (April – June)	1 262	1 129	11.8%
third quarter (July – September)	1 178	918	28.3%
fourth quarter (October – December)	1 466	1 122	30.7%

During the period considered Opel has registered a growth of 2% for town of Varna and 25% for city of Sofia. Espas Auto OOD increased its sales in Dacia by 23.2% and Renault by 19.4% as compared to 2016. In the case of N Auto AD, there was an increase in sales of 45% for Nissan brand vehicles. Auto Italy EAD increased its sales with all its brands - at Fiat with 59%, at Alfa Romeo by 165%,

and at Maserati - by 48.6%. Star Motors EOOD indicates a slight increase of 2.2% on sales of new Mazda vehicles compared to last year - the reported number for the twelve months of 2017 was 712, compared to 697 in 2016.

In 2017 the companies from the automotive holding concluded fleet deals for 1,276 vehicles in total for the amount of at least 29.7

million BGN, with the ratio for the previous year is 1,351 vehicles for 30 million BGN, respectively.

### Financial result

The consolidated financial result Avto Union Group for the period from 01.01.2017 to 31.12.2017 is a profit of BGN 258 thousand. (2016 - loss of 842 thousand BGN). The consolidated financial result for the owners of the parent company for the same period is a loss of 957 thousand BGN, which compared to 2016, it is a loss of 1 382 thousand BGN.

The long-term assets increased by 6%. This is mainly due to the newly acquired investment property and the newly constructed showroom during the recent years, in particular to the increase of related capital expenses.

Revenues from sales of cars, spare parts and oils increased by 21.5% in 2017 compared to 2016, with revenue from service provision increasing by 9.8%. Total business revenue increases by 21.0% in 2017.

Over the period considered, operating costs also increased their level from the previous

2016, but their growth rate was much lower than that of revenue, accounting for only 2.3%.

For the period from 01.01.2017 to 31.12.2017 the gross profit of the automobile subholding amounted to BGN 32.184 thousand and for the same period last year it was BGN 29,853 thousand, which represents a growth of 7.8%.

The amount of the income from interest on loans granted is BGN 390 thousand, and for 2016 it is BGN 261 thousand. The expenses for the overall activity of the group amount to BGN 32,013 thousand. (For 2016: BGN 30,646 thousand), of which interest expenses on borrowings amounted to BGN 2,010 thousand. (For 2016: 577 thousand BGN.).

Auto Union formed a negative financial result for 2017 at the amount of BGN 957 thousand, and for 2016 it was also negative and amounted to BGN 1,382 thousand.

### Structure of income and expenses on consolidated basis:

Revenues	2017		2016	
	Thousand BGN	share	Thousand BGN	share
Operating income	205 973	96%	170 386	96%
Other gains and losses	8 312	4%	6 674	4%
<b>Financial income</b>	430	0%	291	0%
<b>Total revenue</b>	<b>214 715</b>	<b>100%</b>	<b>177 351</b>	<b>100%</b>
Operating expenses	211 226	99%	175 671	99%
Financial expenses	2 888	1%	2 182	1%
<b>Total expenses</b>	<b>214 114</b>	<b>100%</b>	<b>177 853</b>	<b>100%</b>

### Net profit

The result of the Company on a consolidated

basis in 2017 is a profit in the amount of BGN 3.22 per share.

Earnings per share	2017	2016
	Thousand BGN	Thousand BGN
Net outcome of activity	23 872	23 179
Outcome of the financial activity	-2 458	-1 891
Financial outcome before tax	601	-502
Costs/savings for taxes	-343	-340
<b>Net financial result</b>	<b>258</b>	<b>-842</b>
Number of shares	80 008	80 008
Average number of shares (thousand)	80 008	80 008
<b>Net result per share, BGN</b>	<b>3,22</b>	<b>(10.52)</b>

### Financial position on a consolidated basis

The amount of the assets increased by 15.4% in 2017 compared to 2016. The long-term assets decreased by 5%. This is mainly due to the decrease in long-term trade and other receivables, and in particular those from related parties, which results from the improvement and more effective

implementation of the internal management policy on receivables management.

Short-term assets increased by 36%, with inventories increasing by 49%. This is due to increased sales in 2017, as well as to significant year-end deliveries in some companies due to planned car sales in the first quarter of 2018. As of 31.12.2017, cash increased by 24% compared to the same period in 2016 and amounted to BGN 1 576 thousand at the end of the reporting period.

#### Dynamics of assets:

ASSETS	2017	change	2016
	Thousand BGN		Thousand BGN
<b>Fixed Assets</b>			
Property, plant and equipment	26 329	23%	21 492
Intangible assets	666	-9%	728
Investment properties	3 266	0%	3 266
Positive goodwill	22 466	0%	22 466
Deferred tax asset	469	2%	461
Trade and other receivables	4 103	-65%	11 646
<b>Total fixed assets</b>	<b>57 299</b>	<b>-5%</b>	<b>60 059</b>
<b>Short-term assets</b>			
Inventories	53 249	49%	35 739
Trade and other receivables	24 271	15%	21 136
Cash and short-term deposits	1 576	24%	1 273
<b>Total current assets</b>	<b>79 096</b>	<b>36%</b>	<b>58 148</b>
<b>Total assets</b>	<b>136 395</b>	<b>15%</b>	<b>118 207</b>

As at 31.12.2017 the equity of the group decreases by 5%, which is due to the

accumulation of the net result for the year to the retained loss of the holding.



**Dynamics of liabilities:**

LIABILITIES	2017		2016
	Thousand BGN	change	Thousand BGN
<b>Long-term liabilities</b>			
▪ Interest-bearing loans	15 850	(5%)	16 675
▪ Bond issue	6 800	n/a	-
▪ Expenses on employees retirement benefit provisions	25	0%	25
▪ Finance lease liabilities	10 071	44%	6 979
▪ Deferred tax liabilities	120	18%	102
▪ Trade and other payables	4 898	(23%)	6 356
	<b>37 764</b>	<b>25%</b>	<b>30 137</b>
<b>Short-term liabilities</b>			
▪ Trade and other payables	59 239	33%	44 530
▪ Interest-bearing loans	12 477	7%	11 641
▪ Bond issue	18	(100%)	7 009
▪ Finance lease liabilities	4 965	82%	2 726
	<b>76 699</b>	<b>16%</b>	<b>65 906</b>
<b>Capital</b>			
▪ Fixed capital	40 004	0%	40 004
▪ Reserves	(6 232)	0%	(6 232)
▪ Unallocated loss	(15 169)	7%	(14 212)
▪ Equity	<b>18 603</b>	<b>(5%)</b>	<b>19 560</b>
▪ Non-controlling interest	3 329	28%	2 604
<b>Total equity and liabilities</b>	<b>136 395</b>	<b>15%</b>	<b>118 207</b>

As at 31.12.2017 the equity of the group decreases by 5%, which is due to the accumulation of the net result for the year to the retained loss of the holding.

Long-term liabilities for the period increased by 25% mainly due to the change in the maturity of the debenture loan of BGN 6,800,000 from non-current to current liabilities by renegotiation of the terms of the issue decision for which the General Meeting of Shareholders bondholders. Long-term loans are down by 5% and financial lease liability increases by 44%, driven by increased sales over the period under review. Long-term loans reduce their level by 5% and the financial leasing obligation increases by 44%, which is

determined by the increased sales during the period under review.

Short-term liabilities increased by 16%, mainly due to an increase in Trade and other payables and finance lease liabilities, both as a result of sales growth in 2017.

The increase in the non-controlling interest by 28% is due to the profit growth of the subsidiary company Espas Auto OOD, of which shares of Auto Union AD through indirectly indirect ownership 51%.

More information about the Auto Union subsidiary and its subsidiaries and the results of their activities can be found on the company's website [www.avto-union.bg](http://www.avto-union.bg).

\*/ 2016: 2016 / 2017: 2017 / 2018: 2018 / 2019: 2019 / 2020: 2020 / 2021: 2021 / 2022: 2022 / 2023: 2023 / 2024: 2024 / 2025: 2025 / 2026: 2026 / 2027: 2027 / 2028: 2028 / 2029: 2029 / 2030: 2030 / 2031: 2031 / 2032: 2032 / 2033: 2033 / 2034: 2034 / 2035: 2035 / 2036: 2036 / 2037: 2037 / 2038: 2038 / 2039: 2039 / 2040: 2040 / 2041: 2041 / 2042: 2042 / 2043: 2043 / 2044: 2044 / 2045: 2045 / 2046: 2046 / 2047: 2047 / 2048: 2048 / 2049: 2049 / 2050: 2050 / 2051: 2051 / 2052: 2052 / 2053: 2053 / 2054: 2054 / 2055: 2055 / 2056: 2056 / 2057: 2057 / 2058: 2058 / 2059: 2059 / 2060: 2060 / 2061: 2061 / 2062: 2062 / 2063: 2063 / 2064: 2064 / 2065: 2065 / 2066: 2066 / 2067: 2067 / 2068: 2068 / 2069: 2069 / 2070: 2070 / 2071: 2071 / 2072: 2072 / 2073: 2073 / 2074: 2074 / 2075: 2075 / 2076: 2076 / 2077: 2077 / 2078: 2078 / 2079: 2079 / 2080: 2080 / 2081: 2081 / 2082: 2082 / 2083: 2083 / 2084: 2084 / 2085: 2085 / 2086: 2086 / 2087: 2087 / 2088: 2088 / 2089: 2089 / 2090: 2090 / 2091: 2091 / 2092: 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### III. Eurolease Group EAD ABOUT THE COMPANY. BUSINESS OVERVIEW. RESULTS FROM THE ACTIVITY

#### 3.1 ABOUT THE COMPANY

Leasing Sub-Holding Eurolease Group is a company that brings together Eurohold's investment in the Balkan leasing sector.

The companies from the Eurolease Group offer financial and operating lease of new and used vehicles, new and used passenger and lightweight commercial vehicles, trucks and buses.

The Group offers financial leasing, operating leasing and rent-a-car services as well as sale of re-purchased second-hand cars of proven origin. Car rental activities are carried out by the company Eurolease - Rent A Car, which operates under the trademarks of AVIS and BUDGET. The long-standing experience in providing operating leases to major international and local companies as well as established niche markets for rent-a-car services provide the Group with market leadership.

Leasing Sub-leasing companies offer financial and operational leasing services to legal entities, corporate clients and individuals. In this way, EuroLease Group able to cover the whole spectrum of potential customers and to create competitive advantages.

The Group offers financial leasing of new cars and light commercial vehicles, operating leasing and rent-a-car services, as well as sale and lease of re-purchased second-hand cars of proven origin.

**The subject of activity of Eurolease Group EAD** is consulting, commercial representation and brokerage and any other business activities not expressly prohibited by law.

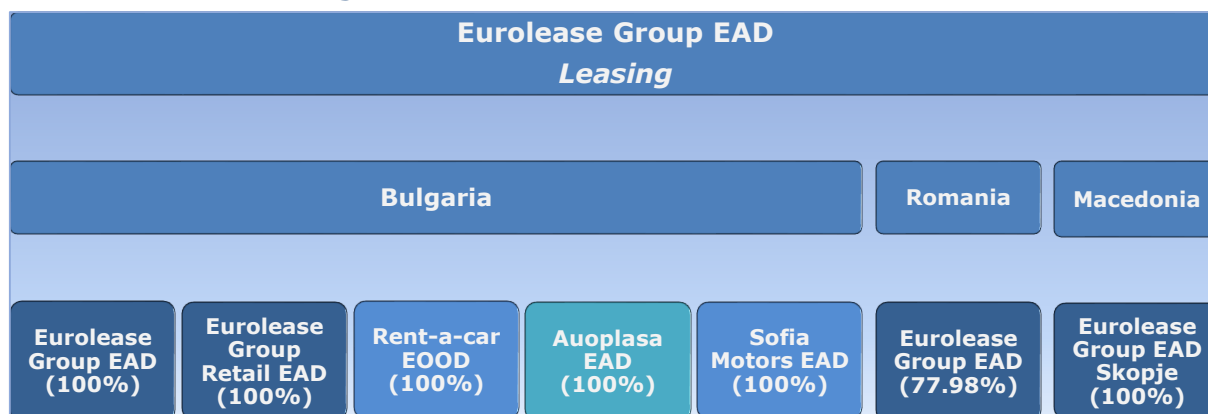
The Holding Company is entered in the Commercial Register at the Registry Agency under UIC 202304242.

#### Seat and management address:

The seat and the registered address of Eurohold Bulgaria AD is the following: Republic of Bulgaria, Sofia, 43 Hristofor Kolumb blvd. The administrative management and the principal place of business are at the same address. This is also the official mailing address.

<b>Business address:</b>	<b>Town of Sofia, 1592, 43 Hristofor Kolumb Blvd.</b>
<b>Telephone</b>	<b>02/ 9651 651</b>
<b>Fax</b>	<b>02/ 9651 652</b>
<b>E-mail</b>	<b>investors@euroleasegroup.bg</b>
<b>Website:</b>	<b>www.euroleasegroup.com</b>

#### Structure of the leasing direction



A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
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·	Financial leasing
··	operating lease
...	sales of used cars

The leasing group provides a full range of financial and operational leasing services, car rental and sale of used cars to individuals and legal entities.

The group offers:

- ◆ Financial leasing for certain motor vehicle brands, tailored to the specific characteristics of the vehicle and the customer;
- ◆ Eurolease Rent-A-Car offers operating leasing and short-term rental of cars under AVIS and Budget trademarks;

- ◆ The Group also carries out the sale of used vehicles of proven origin through its subsidiary Autoplaza EAD.

### Management Bodies

The managing body of Eurolease Group EAD is a Board of Directors.

### Board of Directors

The Board of Directors includes 3 individuals.

Member of the Board of Directors	Function
Asen Emanuilov Asenov	Chairman of the Board of Directors
Ivailo Emilov Petkov	Executive member of the Board of Directors
Annie Dimitrova Bachvarova	Deputy-Chairman of the Board of Directors
The Company is represented by the Executive Member of the Board of Directors - Ivaylo Petkov and the Chairman of the Board of Directors Assen Assenov.	

### Share capital Shareholder Structure

At present, the share capital of Eurolease Group EAD amounts to BGN 27 241 488,

consisting of 27 241 488 shares with a nominal value per share of BGN 1.

**Information on Change of Share Capital. Amount of subscribed and paid-up capital at the end of each historical period.**

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
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**2012**

- **BGN 50 000**
- foundation capital

**2013**

- **BGN 26 741 488**  
**increase through the merger of BG Autodesk Holding BV** (merging Eurohold's investment in the leasing business up to now) in Eurolease Group EAD, where the net asset value of the transforming company amounts to BGN 26 691 488

**2015**

- **BGN 27 241 488**
- an increase with a cash contribution of BGN 500 000

**Shareholder Structure**

At the end of the financial year, the sole owner of the capital of Eurolease Group EAD is Eurohold Bulgaria AD.

There are no natural persons – shareholders, who hold directly more than 5 % of the voting shares.

All issued shares are of the same class and give one voting right.

Shareholders	Participation	Number of shares	Nominal value (BGN)
<b>Eurohold Bulgaria AD</b>	<b>100%</b>	<b>27 241 488</b>	<b>27 241 488</b>
<b>TOTAL</b>	<b>100 %</b>	<b>27 241 488</b>	<b>27 241 488</b>

The Company has not issued shares which do not represent capital. All shares issued by EuroLease Group EAD provide their voting rights to the General Meeting of the Company.

**INVESTMENT PORTFOLIO**

As at 31 December 2017, Eurolease Group EAD holds a direct controlling interest in seven subsidiaries:

**3.2 Business Review**

Sale of automobiles	Country of registration	Main activity	% of participation in the primary capital as of 31.12.2017.
"EUROLEASE AUTO" EAD	Bulgaria	Financial leasing	EUROLEIS GROUP EAD - 100%
"EUROLEYS RENT A CAR" EOOD	Bulgaria	Rental of cars	Eurolease Group EAD - 100%
"AUTOPLASA" EAD	Bulgaria	Sales of used cars;	Eurolease Group EAD - 100%
EUROLEASE AUTO EAD SKOPJE	Macedonia	Financial leasing	Eurolease Group EAD - 100%
"SOFIA MOTORS" LTD	Bulgaria	Renting of motor vehicles	Eurolease Group EAD - 100%
"EUROLEASE AUTO RETAIL" EAD	Bulgaria	Financial leasing	Eurolease Group EAD - 100%
"EUROLEASE AUTO" SA - ROMANIA	Romania	Financial leasing	Eurolease Group EAD - 77.98%

**Capital Investments**

In 2009 Eurohold Bulgaria AD started the restructuring of its leasing investments. Initially, Eurohold structured its leasing companies in the holding company BG

Autodesk Holding BV, the Netherlands. In 2012 , it establishes the company Eurolease Group EAD as in 2013 it decided to merge the subsidiary - BG AutoLaz Holding BV Netherlands in Eurolease Group EAD under the conditions of universal succession. At this

point in the portfolio of BG AutoLasing Netherlands BV Holland accounted for 100% of the shares in Eurolease Auto EAD - Bulgaria, Eurolease Auto SA - Romania, Eurlise Auto EAD - Macedonia, which under the control of Eurolease Group EAD.

In the course of restructuring its operating leases to optimize operating costs and achieve better segmentation of the market, leading to increased customer service and satisfaction,

as well as an increase in the market share of leasing companies. The restructuring leads to more efficient cash flow management, optimizing the structure of attracted funds for automotive companies, optimizing administration costs, management, outsourcing, etc.

A number of business operations such as acquisitions, sales, mergers, etc. have been executed in the leasing line.

#### Historical data on the more significant investments in the leasing line

##### 2012

- Eurolease Group EAD - establishment

##### 2013

- acquisition of Eurolease Auto EAD, Eurolease Auto Skopje AD and holder of 70.54% of the capital of Eurolease Auto Romania
- through the merger of BG AutoLease Holding BV with all its assets in Eurolease Group EAD

##### 2012

- at the end of December Eurolease Rent A Car EOOD was sold to EuroLease Group EAD

##### 2013

- sells Autoplaza EAD to EuroLease Group EAD

##### 2016

- purchase of Sofia Motors EOOD

##### 2017

- purchase of Sofia Motors EOOD

The leasing sub-holding has historically supported its subsidiaries by increasing their capital, and by 31.12.2017 the investments in

subsidiaries operating leasing companies are as follows:

Company	% participation	Value of the investment in thousands of BGN
"EUROLEASE AUTO" EAD	100%	23 569
"EUROLEYS RENT A CAR" EOOD	100%	4 889
"AUTOPLAZA" EAD	100%	450
EUROLEASE AUTO EAD SKOPJE	100%	1 634
"SOFIA MOTORS" LTD	100%	10
"EUROLEASE AUTO RETAIL" EAD	100%	1 000
"EUROLEASE AUTO" SA - ROMANIA	77.98%	2 449
<b>Total Investments in subsidiaries</b>		<b>34 001</b>



## Regulating the Leasing Activity

Bulgarian subsidiaries of Eurolease Group EAD providing financial leasing services are subject to supervision by the Bulgarian National Bank, which is responsible for overseeing compliance with the regulatory framework. Eurolease Auto EAD and Eurolease Auto Retail EAD are subject to regulation by the Consumer Protection Commission, the National Social Security Institute, the State Agency for National Security and the Financial Supervision Commission (FSC).

Eurolease Auto EAD Skopje is subject to supervision by the Ministry of Finance of Macedonia, as the company is licensed by the Ministry of Finance under the Lease Act and is required to provide regular reports to the National Bank of Macedonia.

## Leasing market

Eurolease Group EAD is a holding company uniting the investments of Eurohold Bulgaria AD in the leasing sector, operating mainly on the Bulgarian and Macedonian markets.

The Leasing Group provides a full range of financial and operational leasing, car rental and sale of used cars to individuals and legal entities, namely:

- ▶ Financial leasing for certain motor vehicle brands, tailored to the specific characteristics of the vehicle and the customer;
- ▶ Operational leasing and short-term rental of cars under the trademarks of AVIS and Budget;
- ▶ The Group also carries out the sale of used vehicles of proven origin.

## Financial leasing

The Group provides financial leasing services for both new and used cars, including cars and light commercial vehicles, for small and medium enterprises and private individuals. The leasing operations of Eurolease Group EAD are carried out by EuroLease Auto Bulgaria and Eurolease Auto Makedonia, focusing on the development of products offering flexible repayment plans and interest rates that are tailored to the client's risk profile. Eurolease Auto EAD (Bulgaria) is the oldest non-banking associate leasing company in Bulgaria. The newly created company in June 2017, EuroLease Auto Retail EAD started a financial leasing activity on used cars offered by Auftopas EAD.

As of 31 December 2017 The Eurolease Group has a leasing portfolio of over BGN 56.6 million, registering a growth of 12.3% compared to the end of 2016, when it amounted to BGN 50.4 million.

## Rental cars

Eurolease Group EAD also provides car leasing and car fleet services through its Eurolease Rent-A-Car subsidiary, working under the international brands Avis and Budget, and Sofia Motors. Eurolease Group EAD is one of the key players in the car rental market. The car rental offers both individual and corporate customers. Short-term car rental is provided primarily to individual customers on a daily, weekly or monthly basis, while long-term car rental is provided primarily to corporate customers and negotiated on a case-by-case basis.

As of 31 December 2017 Eurolease Rent-a-Car Ltd fleet includes around 700 vehicles.

## Sales of used cars;

The Group, through the subsidiary Autoplaza EAD, sells used cars of proven origin and quality which have been leased to retail clients as well as to corporate customers. Autoplaza EAD is not related to a specific brand of cars and acquires most of its inventory from other companies in the group through separate purchases. The management's expectations are that Autoplaza EAD will continue to develop its business on the basis of increased demand for used cars between 5 and 10 years and the comprehensive service that the company offers to its customers.

## 3.3 RESULTS OF THE LEASING MANAGEMENT ACTIVITY.

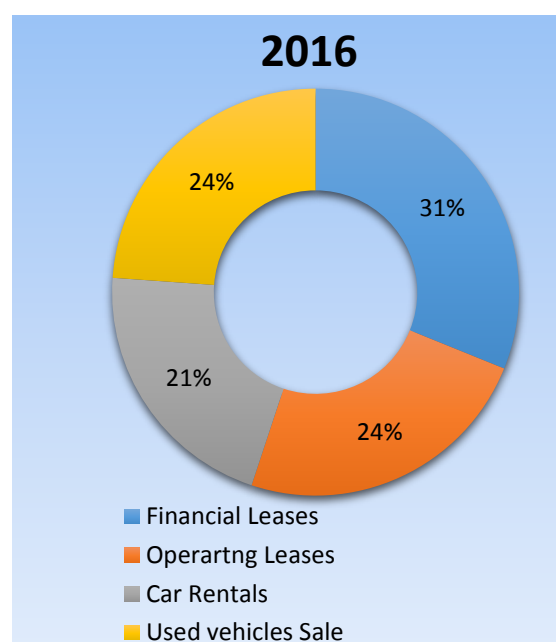
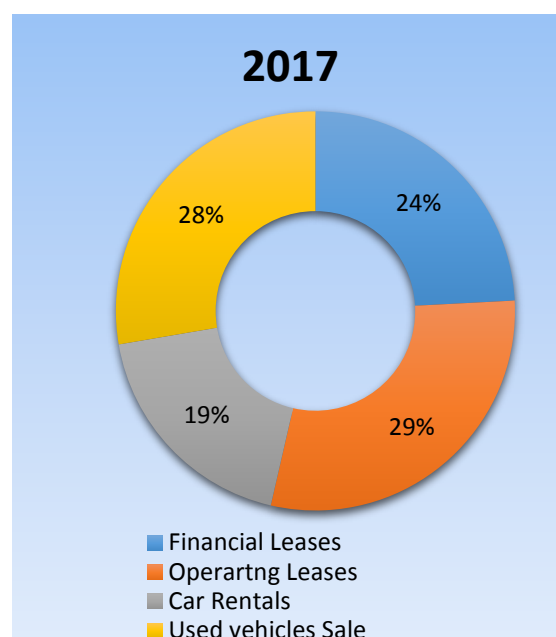
The activities of EuroLease Group EAD are related to supporting the activities of its subsidiaries by providing expert advice in the field of operational management. The company provides assistance to companies in finding competitive financial resources for the performance of their business activities.

In 2017 EuroLease Group EAD continued its efforts to negotiate new credit lines for each of the companies belonging to the Group, with a total amount of negotiated financing of approximately EUR 14 million.

## Revenues

The consolidated revenues of the company are formed by the different business lines of the

subholding, namely: revenue from financial and operating leases, short-term rental of cars and sale of used cars, the distribution of which is shown in the following graph.



Source of revenue	2017	share	2016	share
Financial leasing	4 900	24%	5 301	31%
Operating lease	5 940	29%	4 081	24%
Short-term rental of cars	3 798	19%	3 581	21%
Sales of used cars;	5 613	28%	4 066	24%
<b>Total</b>	<b>20 251</b>		<b>17 029</b>	

The observed change is conditioned by the following factors:

- Financial leasing - a general decline in interest rates on the market, as evidenced by the drop in consolidated interest

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

earnings to BGN 4,900,000 from BGN 5,301,000 in 2016, as well as the decrease of interest costs by 3.96% to 3 BGN 908 thousand from BGN 4,069 thousand in 2016

- ▶ Operating leases - the increase in 2017 is due to the significant increase in the number of long-term rental cars.
- ▶ Short-term rent - the amount of revenue remains relatively unchanged. Revenues from operating lease and short-term rentals are reflected in other operating income, with an increase of 42.44% in 2017 and reaching BGN 11 492 thousand compared to

BGN 8 068 thousand in 2016. The significant changes in operating income are attributable both to the increased number of vehicles leased under operating leases and to the consolidation of the results of the subsidiary Sofia Motors EOOD, acquired at the end of 2016, to the results of the Eurolease Group.

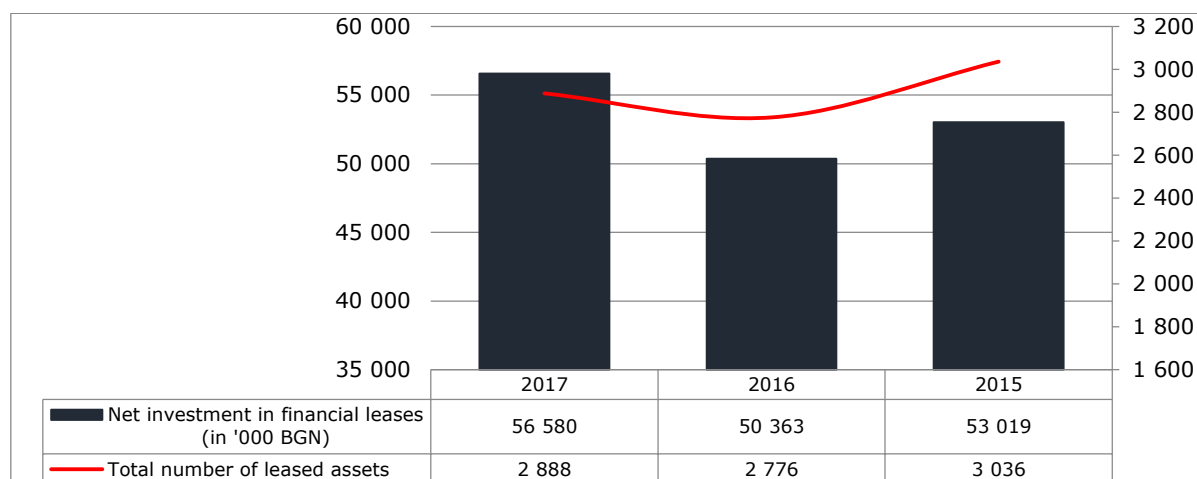
- ▶ Sale of second-hand cars - the increase in their relative share in Eurolease Group's total revenues is 4%, due to the increased sales volume in the subsidiary Autoplaza.

An increase of 27.57% is also observed in operating expenses, which amounted to BGN 12,395 thousand at the end of 2017 compared to BGN 9,716 thousand for the same period in 2016.

Assets at consolidated level amounted to BGN 115 171 thousand compared to BGN 98 016 thousand as at 31 December 2016.

Consolidated net investment in finance leases increased by 12.34% to BGN 56 580 thousand. compared to BGN 50 363 thousand. towards the end of 2016.

The following chart shows the movement in the net investment in a financial lease of the sub-holding for the past three years, along with the movement in the number of leasing items, part of the company's portfolio.



At the end of 2017, tangible fixed assets at the consolidated level amounted to BGN 25,436,000, an increase of 40.39% compared to BGN 18,118,000 at the end of 2016. The increase is due to the increase in the number of newly acquired cars that the subsidiaries Eurolease Rent A Car EOOD and Sofia Motors EOOD have provided to their clients under the terms of the long-term lease.

By the end of 2017 there was an increase in the relative share of financing through bank loans at the expense of issued debt instruments.



On 06.07.2017 EuroLease Group EAD issued a corporate bond with the ISIN code of issue BG2100012173, amounting to BGN

More information about Eurolease Group Subsidiaries and its subsidiaries can be found on the company's website [www.euroleasegroup.com](http://www.euroleasegroup.com).



A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

## IV. EURO-FINANCE AD BUSINESS OVERVIEW. RESULTS FROM THE ACTIVITY

### 4.1 About the company

Euro-Finance is the largest investment intermediary in Bulgaria in terms of share capital. The company has a full license from the Financial Supervision Commission to provide financial and investment services within the European Union and third countries

Euro-Finance AD is an investment intermediary with a 24-year history. The company is a well-known name of the Bulgarian financial market, serving the investment and financial needs of individual, corporate and institutional investors.

Euro-Finance JSC offers a wide range of investment products - stock trading, fixed income instruments, derivatives, FOREX deals, contracts for differences (CFDs), Repo deals and more. The company maintains long-standing relationships with a number of international financial institutions. Euro-Finance AD is the first Bulgarian licensed investment intermediary, a full member of the stock exchange in Frankfurt and is the only non-banking financial intermediary participating in the international SWIFT payment system

**The subject of activity of Euro-Finance AD** is Investment Services and Activities in the Country and Abroad, namely: (1) Acceptance and transmission of orders in relation to securities, including brokerage for transactions in securities; (2) execution of orders for the purchase or sale of securities on behalf of clients; (3) own-account securities transactions; (4) management, in accordance with a contract concluded with the client, of an individual portfolio including securities, at its own discretion, without any special orders of the client; (5) provision of individual investment advice to a client, either on his own initiative or at the request of the client, in respect of one or more transactions in securities; (6) underwriting of securities and/or offering for initial sale of securities under the terms of an unconditional and irrevocable obligation to subscribe/acquire the securities on its own account;

(7) offering for the initial sale of securities without an unconditional and irrevocable obligation to acquire the securities on its own account; provision of additional services at home and abroad, namely: (1) storing and administering securities on behalf of clients, including custodian activity (holding of securities and money of clients in a depository institution) and related services such as management of the money received/the provided collateral; (2) granting of loans for transactions in securities, provided that the person providing the loan participates in the transaction under terms and conditions established by an ordinance; (3) company consultations on capital structure, industrial strategy and related matters, and advice and services relating to mergers and acquisitions; (4) transactions in foreign payment instruments insofar as they relate to investment services (5) investment research and financial analysis or other forms of general recommendation relating to securities transactions (6) services relating to the activity of assuming securities issues and/or offering for initial sale of securities under the terms of an unconditional and irrevocable obligation to subscribe / acquire the own-account securities and / or offer for the initial sale of securities without unconditional and non-cancellable has an obligation to acquire the securities for its own account, as well as the execution of transactions with foreign funds for cash and non-cash payment and other commercial transactions, related to the implementation of the aforementioned activities.

The Company is entered in the Commercial Register at the Registry Agency under UIC 831136740.

## Seat and management address:

The seat and the address of management of Euro-Finance AD is the Republic of Bulgaria, Sofia, 43 Hristofor Kolumb blvd. The administrative management and the principal place of business are at the same address. This is also the official mailing address.

<b>Business address:</b>	<b>Town of Sofia, 1592, 43 Hristofor Kolumb Blvd.</b>
<b>Telephone</b>	<b>02/ 980 56 57</b>
<b>Fax</b>	<b>02/ 981 14 96</b>
<b>E-mail</b>	<b>office@eurofinance.bg</b>
<b><u>Website:</u></b>	<b>www.eurofinance.bg</b>

## Management Bodies

The governing body of Euro-Finance AD is the Board of Directors.

### Board of Directors

The Board of Directors includes 3 individuals.

Member of the Board of Directors	Function
<b>Asen Milkov Hristov</b>	Chairman of the Board of Directors
<b>Kiril Ivanov Boshov</b>	Deputy-Chairman of the Board of Directors
<b>Vasil Stefanov Stefanov</b>	Member of the Board of Directors
<b>Toma Manolov Kavroshilov</b>	Executive Member of the Board of Directors
<b>Pavel Nikolaevich Nikolov</b>	Executive Member of the Board of Directors
<b>Milena Vasilyeva Avramova</b>	Executive Member of the Board of Directors
<b>The company is represented together by two of the executive members of the Board - Toma Kavurshiov, Pavel Nikolov and Milena Avramova.</b>	

## Share capital

### Shareholder Structure

At present, the subscribed share capital of Euro-Finance AD amounted to BGN 40 000

000, consisting of 40 000 000 shares with a nominal value per share of BGN 1, of which at the date of the activity report the unpaid capital amounting to 19 399 998.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

**Information on Change of Share Capital. Amount of subscribed and paid-up capital at the end of each historical period.**

<b>1994</b>
•BGN 1 500 000 •foundation capital
<b>2007</b>
•BGN 14 100 000 •an increase with a cash contribution of BGN 13 500 000
<b>2017</b>
•BGN 40 000 000 •an increase with a cash contribution of BGN 25 900 000, of which at the date of the activity report there is unpaid capital amounting to BGN 19 399 998

## Shareholder Structure

As of the end of the financial year, two shareholders of the capital of the company are shareholders in the capital of Euro-Finance AD.

There are no natural persons – shareholders, who hold directly more than 5 % of the voting shares.

All issued shares are of the same class and give one voting right.

Shareholders	Participation	Number of shares	Nominal value (BGN)
<b>Eurohold Bulgaria AD</b>	99,99%	39,996 000	39,996 000
<b>Insurance Company Euroins AD</b>	0,01%	4 000	4 000
<b>TOTAL</b>	<b>100 %</b>	<b>40,000 000</b>	<b>40,000 000</b>

The Company has not issued shares which do not represent capital. All shares issued by Euro-Finance AD provide their voting rights to the General Meeting of the Company.

Euro-Finance AD is a member of the Bulgarian Stock Exchange and the only Bulgarian member of the Deutsche Börse Group registered to carry out investment intermediary activities in Germany. The company is also licensed to operate as an investment firm in the UK and Romania.

## 4.2. BUSINESS OVERVIEW

### INVESTMENT PORTFOLIO

Euro-Finance AD does not have investments in subsidiaries. As at 31 December 2017 and at the date of this consolidated report, Euro-Finance owns 9.98% of Varengold Bank, Germany.

### Adjustment

Euro-Finance AD is a licensed investment intermediary acting in accordance with the European Union (EU) legislation. Euro-Finance AD is a licensed investment intermediary with a full license issued by FSC, authorized to operate on the territory of the EU and third parties.

Euro-Finance AD is regulated by the Financial Supervision Commission on European Legislation, and the company is a member of a number of institutions, exchanges, associations and associations.

As a licensed investment intermediary in a country of the European Union (EU), Euro-Finance AD fully complies with the regulations and requirements related to transactions with financial instruments within the EU under the MiFID II Directive.

At present, about 70 investment intermediaries operate on the Bulgarian

market, 36 of which are banks and the other 47 are non-bank financial institutions. The main advantages of Euro-Finance AD are related to its license and the possibility to offer the full range of financial services throughout the European Union as well as to its long-standing experience on the local market and its highly qualified staff.

The company's business meets the highest standards in the field of financial and investment services.

The company offers direct access to the Bulgarian Stock Exchange - Sofia through its EFOCS platform as well as the Deutsche Börse Xetra Stock Exchange in Frankfurt.

### Market - Investment Intermediation and Asset Management:

- ♦ Euro-Finance AD realized gross revenues from its main activity in 2017 at the amount of BGN 2,259 thousand, accounting for a growth of 24% compared to 2016 when the gross revenues amounted to BGN 1,823 thousand.

### Euro-Finance offers the following types of services:

- ♦ Trade in over 260 instruments including currency trading (Forex), gold, silver, oil, stocks, indexes.
- ♦ Direct access to financial instruments listed on the Deutsche Börse Xetra;
- ♦ M & A, investment consulting services as an internal consultant and a third party consultant.
- ♦ Member of the Deutsche Borse Group, with a 20-year history of successfully completed local and cross-border deals;

As an investment intermediary Euro-Finance AD offers its clients activities such as brokerage services, asset management, investment banking, merger and acquisition consulting, and other investment services for corporate and institutional clients.

### Investment brokerage

Euro-Finance AD offers management services for financial assets, mainly for individual and institutional investors based in Bulgaria. Euro-Finance AD offers three types of individual investment portfolios (conservative, balanced and aggressive). These portfolios are based on the client's risk characteristics and the asset structure that are actively managed by the

company in line with the client's specific needs, as these assets typically include investments in shares, bonds, alternative investments, and money resources. Balanced portfolios can be invested up to 60% in shares and alternative investments, and aggressive portfolios can be invested up to 100% in shares and alternative investments. Euro-Finance AD calculates value added risk, using both analytical and historical methods and using stress tests.

### Investment banking

Euro-Finance AD has a well-developed internal and external infrastructure in order to offer complete solutions and investment services to institutional clients. On behalf of the institutional clients Euro-Finance AD carries out the following investment services:

- ♦ management and placement (public offering) of shares and derivative securities;
- ♦ management, takeover and offering (public/private offering) of debt and equity instruments;
- ♦ creation of the auctions market for the purchase of securities;
- ♦ assistance in preparing prospectuses for public offering of securities on the local market;
- ♦ market research; and
- ♦ consultancy services, including company rating, restructuring, mergers and acquisitions, financial analysis, debt analysis, capital structure, investment projects and credit counseling.

### Consulting services

Euro-Finance AD offers consulting services in Bulgaria and has the opportunity to provide financial, legal and operational consultations on a wide range of transactions, including mergers and divisions, privatizations, acquisitions and sales of private companies, etc. Euro-Finance JSC also has experts who produce independent assessments of companies, on the basis of which the clients are given the opportunity to consider a wide variety of risk factors in the planning of strategic business decisions.

### Custody services

Euro-Finance JSC acts as a local and global custodian of securities by offering custody services to pension insurance companies, investment schemes, fund managers, insurance companies and other institutional

investors. Euro-Finance is a member of Central Depository AD, Sofia. Internationally, the long-term cooperation of Euro-Finance with leading foreign deposit banks enables customers to take advantage of the whole range of depository and custodian services for securities registered on foreign markets.

### The company provides the following custody services:

- ◆ Storing and keeping a register of dematerialized securities and government securities in a local or foreign depository institution;
- ◆ Transactions in financial instruments by client order;
- ◆ Storing cash;
- ◆ Make payments on behalf of and on behalf of the client;
- ◆ Receiving current income on financial instruments held on behalf of clients (dividends, coupon payments, etc.);
- ◆ Distribution of dividends in the form of shares, splitting, increase in the capital of a company through rights or through the distribution of additional shares, etc.

### Specialized software

Euro-Finance AD works with specialized software EFOCS (online platform), direct trading software on the Bulgarian Stock Exchange - Sofia and the Deutsche Börse Group. Through this platform, investors can simultaneously trade in different markets and to monitor the status of their assets in real time.

Euro-Finance AD also launched EF MetaTrader 5 in 2011, which became a popular trading platform. Euro-Finance AD was the first investment intermediary in Bulgaria to provide MetaTrader 5 for real trading, the latest version of MetaTrader. EF MetaTrader 5 Client Terminal offers customers a variety of trading options with a wide range of features. The system has platforms adapted for mobile phones and tablets running iOS and Android OS.

### Key clients

The products of Euro-Finance AD are aimed at individual, corporate and institutional investors. Euro-Finance's clients include leading Bulgarian insurance companies and pension funds as well as foreign investment funds. At the date of this report, Euro-Finance AD has approximately 34,000 clients, of which approximately 96% are individual clients and 4% are corporate and institutional clients.

The clients of Euro-Finance AD can be divided into the following groups:

- ◆ Individuals with limited financial experience - clients with limited investment experience, which Euro-Finance AD advises in order to reduce their exposure to market risks;
- ◆ Individuals with good financial resources - Investors who, either alone or assisted by investment firms, manage their own financial assets more actively and efficiently.
- ◆ Companies - companies that, according to their business, use specific financial services to minimize risk, streamline cash flow management, acquire units or control other companies, and engage in speculative direct deals;
- ◆ Institutional investors - mutual funds, insurance companies and other entities that use brokerage services, storage services, consulting services for investment consulting, etc.



### 4.3. RESULTS FROM THE ACTIVITY FOR 2017

Euro-Finance AD reports a growth of almost 45% in the number of transactions in financial instruments in the country. The total turnover in BGN from transactions in financial instruments for 2017 increases almost twice to

BGN 1,150 million compared to 2016. During the current reporting period, the company again ranks first in turnover on the Bulgarian Stock Exchange (BSE), taking the third place, realizing almost 1/5 of the total turnover of the organized market. The table below shows the change of key indicators.

Activity	2017	2016
Accepted orders for purchase and sale of financial instruments in the country *	4,681	5,232
including. filed through EFOCS	3,261	3,732
Completed orders	2,356	2,521
Transactions in financial instruments in the country **	4,458	3,250
including. on an organized market	4,090	2,806
on a non-organized market	368	444
Total turnover in BGN	1,150,775.433	604,729,221

Note: Information does not include:

\* repurchase orders (only financial instruments with ISIN BG \*)

\*\* executed transactions (excluding repo transactions) (includes transactions with fine settlement instruments in the country)

In line with the growth of all stock indices in the country, the turnover of the BSE in 2017 increased by nearly 70% compared to 2016. It should be noted that some of the measures for reviving trade on BSE, described in the

Strategy for development of the capital market in the country, for example the trading of government securities on the floor of the stock exchange, were implemented during the year.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

Trading data on a regulated market in the country (according to BSE-Sofia AD)	2017	2016
Number of concluded deals	79,629	58,442
Turnover in BGN	705,850,935	416,003,870
Capitalization in BGN	23,620,968.144	9,682,518.005
SOFIX	677,45	586,43
BGBX 40	132,00	111,30
BG TR30	555,98	459,19
BG REIT	116,10	108,11

Source: BSE

In 2017 EuroFinance PLC continued its efforts to develop and promote the segment of services focused on transactions with foreign financial instruments, focusing on updating its EFOCS e-commerce platform .

Frankfurt's main index, DAX, grew by nearly 13% from the beginning of the year, supported by strong economic growth in euro

area countries, political stabilization in the region following the key elections in France, the Netherlands and Germany, and the ECB's policy of monetary incentives.

**The following table provides summarized information about the company's activities related to transactions in the Frankfurt Stock Exchange, Germany.**

Activity	2017	2016
Accepted orders for the purchase / sale of Deutsche Boerse financial instruments	1,328	1,688
including. Passed through EFOCS	669	1,234
Completed orders	1,008	665
Transactions concluded	1,100	1,203
Total turnover in BGN	3,430,613	25,086,260

**The table below gives summarized data on the turnover in BGN of the concluded in 2017. transactions with shares and bonds in the country and abroad.**

Activity	2017	2016
Total turnover in BGN of transactions with shares and bonds in the country and abroad *	1,159,646.221	554,692,660

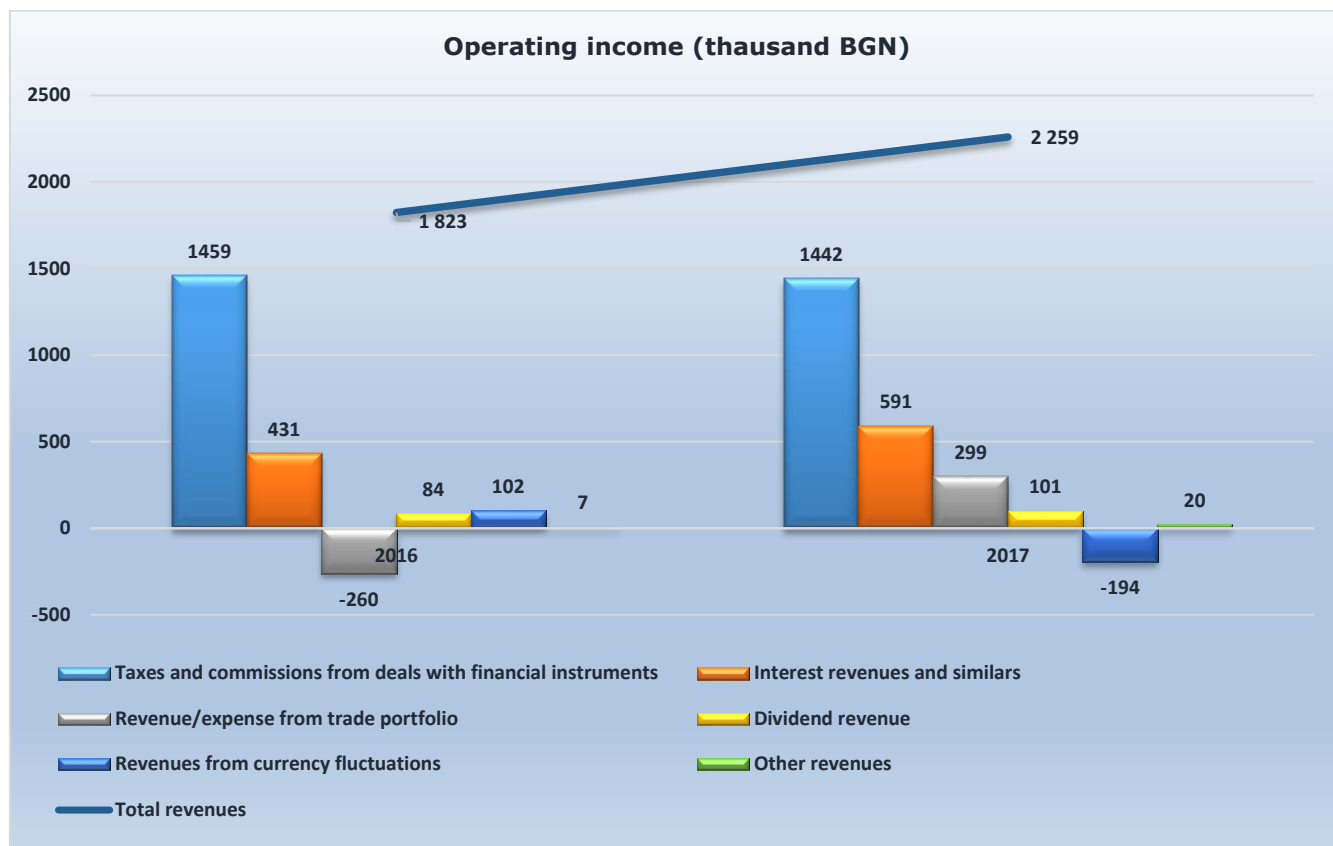
\* Note: The information does not include the turnover of repurchase agreements concluded during the year

### Financial result of the activity

In 2017 Euro-Finance AD realized net operating income of BGN 2,259 thousand,

which increased by 23.92% compared to 2016 year-on-year. BGN 1,823 thousand

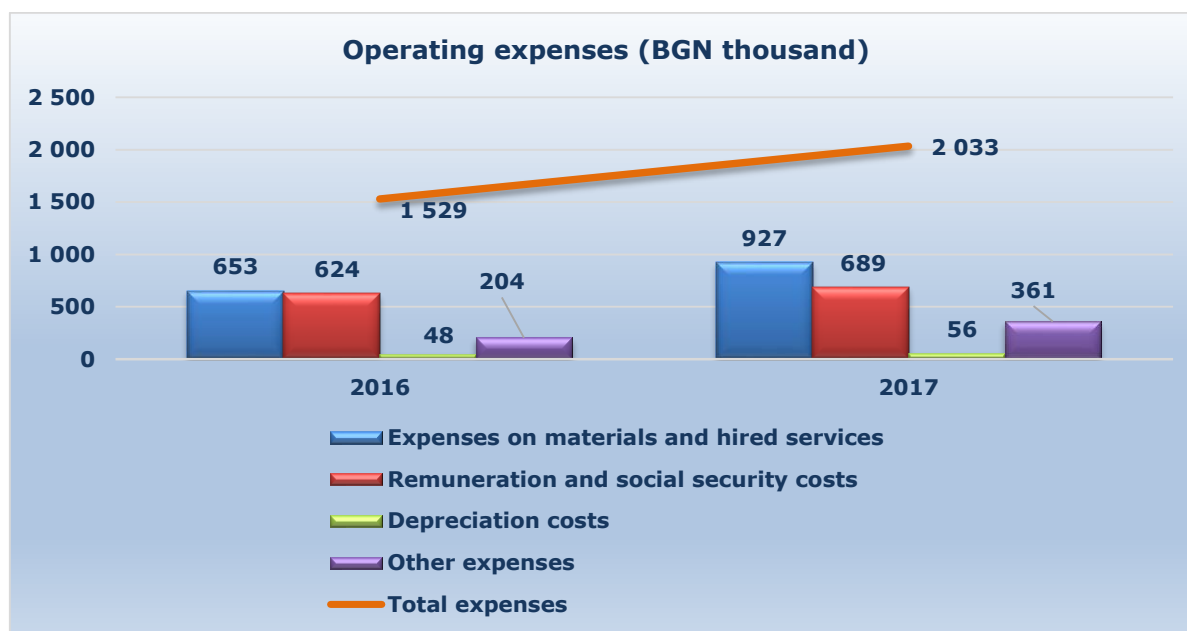
The following chart provides information on the revenue generated for the company related to its core business as an investment firm.



The largest share of revenues in both periods was realized by fees and commissions from transactions in financial instruments, which account for almost 64% of total revenues.

The result of transactions with financial assets from trading portfolio increases by more than 200% from BGN -260 thousand in 2016 to BGN 299 thousand in 2017. Interest income and similar revenue rose from 37% in 2017

The expenses related to the current servicing of the company increased by 33% for the reporting period and amounted to BGN 2 033 thousand, for comparison in 2016 they amounted to BGN 1 529 thousand.



The largest share of operating costs is the cost of materials and external services, which represent 45.6% of the total and show an increase of 42% for the reporting period. As of 31.12.2017, wage costs represent 34% of the total expenditure and the other costs 17.8%.

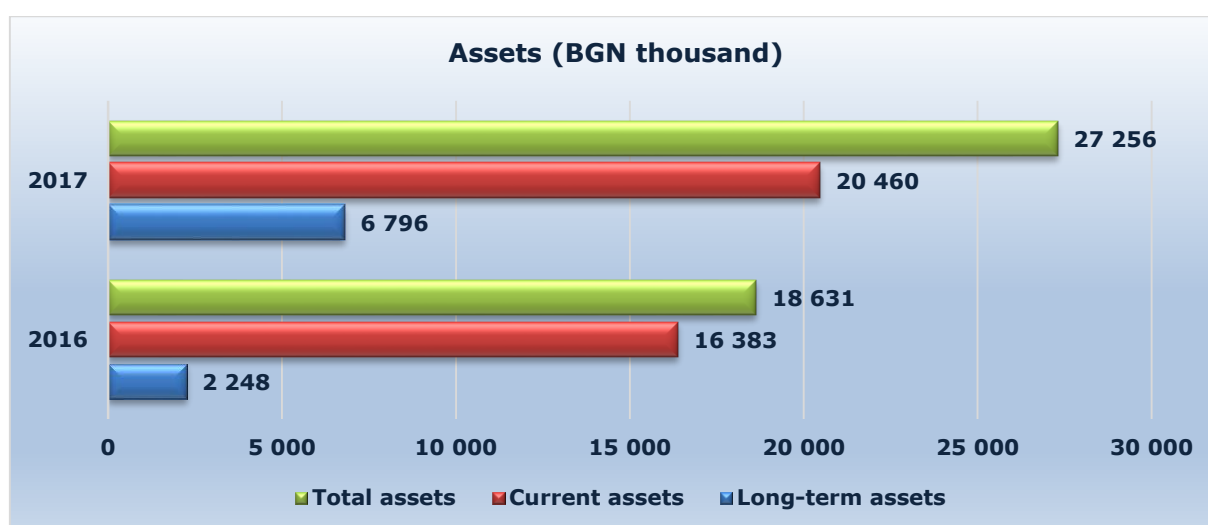
The net result of Euro-Finance for 2017 is a profit of BGN 209 thousand.

### Financial position

The company's assets increased significantly by 46.3% to BGN 27 256 thousand. For non-current assets, growth is in the segment of

long-term financial assets. In 2017 Euro-Finance has acquired a 9.98% stake in the capital of the German bank Varengold Bank AG. The value of the investment amounts to BGN 4 559 thousand.

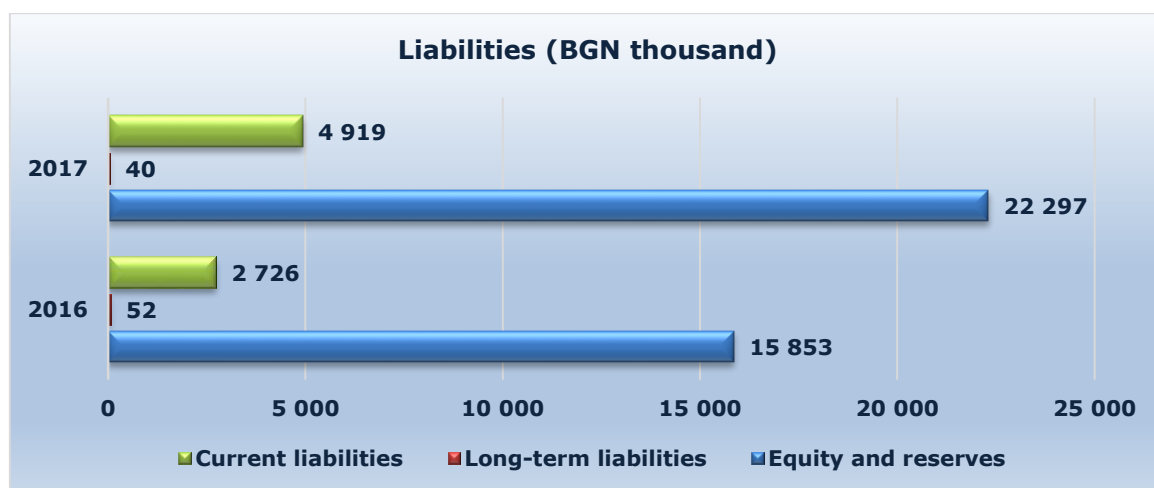
The change in the current assets amounting to BGN 4 077 thousand is mainly due to the increase in the available cash amounting to BGN 9 101 thousand compared to BGN 5 143 thousand at the end of 2016. Other short-term assets representing short-term financial assets increased by 35%. The remaining long-term and short-term assets did not form a material change in the company's assets as at the end of the reporting period.





In connection with a decision of the General Meeting of Shareholders, in 2017 an increase of the share capital of the company was made to BGN 40 000 000. Cash contributions from the shareholders amounting to BGN 6 500 thousand were made. At the end of the

reporting period, BGN 19 400 000 of the new shares subscribed were not paid, which should be made within two years from the date of the increase of the increase in the Commercial register. The share capital as at 31 December 2017 amounted to BGN 22 297 thousand.



The company's expectations for the prospects for the Bulgarian capital market in 2018 are that it will be directly dependent on the performance of the Bulgarian economy and the successful implementation of the measures set out in the Strategy for Development of the Bulgarian Capital Market.

In an operational plan, the activity of Euro-Finance AD will be aimed at finding the

optimum balance between the risk and the liquidity of the investments.

More information about Euro-Finance AD can be found on the company's [website www.eurofinance.bg](http://www.eurofinance.bg)

\* 1. 2017 / 2016 / 2015 / 2014 / 2013 / 2012 / 2011 / 2010 / 2009 / 2008 / 2007 / 2006 / 2005 / 2004 / 2003 / 2002 / 2001 / 2000 / 1999 / 1998 / 1997 / 1996 / 1995 / 1994 / 1993 / 1992 / 1991 / 1990 / 1989 / 1988 / 1987 / 1986 / 1985 / 1984 / 1983 / 1982 / 1981 / 1980 / 1979 / 1978 / 1977 / 1976 / 1975 / 1974 / 1973 / 1972 / 1971 / 1970 / 1969 / 1968 / 1967 / 1966 / 1965 / 1964 / 1963 / 1962 / 1961 / 1960 / 1959 / 1958 / 1957 / 1956 / 1955 / 1954 / 1953 / 1952 / 1951 / 1950 / 1949 / 1948 / 1947 / 1946 / 1945 / 1944 / 1943 / 1942 / 1941 / 1940 / 1939 / 1938 / 1937 / 1936 / 1935 / 1934 / 1933 / 1932 / 1931 / 1930 / 1929 / 1928 / 1927 / 1926 / 1925 / 1924 / 1923 / 1922 / 1921 / 1920 / 1919 / 1918 / 1917 / 1916 / 1915 / 1914 / 1913 / 1912 / 1911 / 1910 / 1909 / 1908 / 1907 / 1906 / 1905 / 1904 / 1903 / 1902 / 1901 / 1900 / 1899 / 1898 / 1897 / 1896 / 1895 / 1894 / 1893 / 1892 / 1891 / 1890 / 1889 / 1888 / 1887 / 1886 / 1885 / 1884 / 1883 / 1882 / 1881 / 1880 / 1879 / 1878 / 1877 / 1876 / 1875 / 1874 / 1873 / 1872 / 1871 / 1870 / 1869 / 1868 / 1867 / 1866 / 1865 / 1864 / 1863 / 1862 / 1861 / 1860 / 1859 / 1858 / 1857 / 1856 / 1855 / 1854 / 1853 / 1852 / 1851 / 1850 / 1849 / 1848 / 1847 / 1846 / 1845 / 1844 / 1843 / 1842 / 1841 / 1840 / 1839 / 1838 / 1837 / 1836 / 1835 / 1834 / 1833 / 1832 / 1831 / 1830 / 1829 / 1828 / 1827 / 1826 / 1825 / 1824 / 1823 / 1822 / 1821 / 1820 / 1819 / 1818 / 1817 / 1816 / 1815 / 1814 / 1813 / 1812 / 1811 / 1810 / 1809 / 1808 / 1807 / 1806 / 1805 / 1804 / 1803 / 1802 / 1801 / 1800 / 1799 / 1798 / 1797 / 1796 / 1795 / 1794 / 1793 / 1792 / 1791 / 1790 / 1789 / 1788 / 1787 / 1786 / 1785 / 1784 / 1783 / 1782 / 1781 / 1780 / 1779 / 1778 / 1777 / 1776 / 1775 / 1774 / 1773 / 1772 / 1771 / 1770 / 1769 / 1768 / 1767 / 1766 / 1765 / 1764 / 1763 / 1762 / 1761 / 1760 / 1759 / 1758 / 1757 / 1756 / 1755 / 1754 / 1753 / 1752 / 1751 / 1750 / 1749 / 1748 / 1747 / 1746 / 1745 / 1744 / 1743 / 1742 / 1741 / 1740 / 1739 / 1738 / 1737 / 1736 / 1735 / 1734 / 1733 / 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## ***E10 THE CURRENT TRENDS AND THE LIKE FUTURE DEVELOPMENT OF THE EUROHOLD GROUP***

### **Trends in activity**

Eurohold Bulgaria AD as a holding company whose activity is directed at investments in companies and their management does not carry out independent business activity. Such activity develops the operating companies of the economic group.

Eurohold Bulgaria is fully focused on developing and supporting the business of its core business lines - insurance, cars, leasing and investment intermediation and asset management as well as to their expansion by increasing their market shares and / or by new acquisitions of companies from the region of Central and Southeastern Europe operating in the business sectors of the holding. In this respect, the development trends of Eurohold Bulgaria's activities are directly and fundamentally related to the development trends of the companies of the holding's economic group.

### **Development trends common to the Eurohold Group**

The Eurohold Group has significant growth potential based on the following types of growth factors:

- ❖ Integration synergies and development of cross-selling for bundled services;
- ❖ Organic opportunities and growth-enhancing opportunities;
- ❖ Fundamental, market and macroeconomic.

### **Integration synergies and cross-selling to offer bundled services and products**

#### ***Joint products - advantages***

One of the main advantages of the Eurohold Group is the close cooperation between its main strands, generating a growing and stable source of revenue. As a consequence of integrating the three business lines - insurance, car sales and leasing, Eurohold Bulgaria aims to realize significant synergy. The Group has exceptional

opportunities to increase the market shares of its subsidiaries by introducing new, cross-linked value-added products rather than by lowering product prices, as is the strategy of major competitors. Offering joint products and combining sales points leads to offering "All Under One Roof" - passenger cars, insurance, leasing. The cross-product offering among insurance, leasing and auto-dealer customers reduces the total cost of developing new products, advertising, and marketing. The mutually complementary activities provide higher opportunities for a rapid increase in market shares. The internal model of work is based on the idea that each business strand will achieve independent financial profitability and cost optimization and serve as a source of business for other industries.

### **Organic opportunities and growth-enhancing opportunities**

The Eurohold Group has historically grown on the basis of phased organic growth and the acquisitions of existing companies in the region. In the last 3 years, the Group has successfully acquired and integrated several companies, thus expanding its geographic reach and diversification.

Eurohold Bulgaria AD also targets several acquisition opportunities that make sense in the overall development strategy of the Eurohold Group.

At the end of 2017, Euroins Insurance Group acquired a minority stake of 14% in a Russian insurance company. As of 13.02.2018, the percentage participation in the capital of the company was increased to 32.19%.

Backed by an internally successful integrated organization, the Group expects to expand organically its regional market share in all sectors and countries in which it operates, as a result of the unique product mix proposed.

### **Fundamental, market and macroeconomic trends**

The current and planned geographic scope of Eurohold Bulgaria includes the region of Central and Southeastern Europe. Currently, the Issuer actively operates in Bulgaria, Romania, Macedonia, Ukraine and Greece. Eurohold is also present on the markets in Italy, Spain and Poland, where he offers insurance services on the principle of freedom to provide services. From 2018 Eurohold is also present on the Russian market.

With a consumer base of more than 100 million users, the Southeast Europe region is a highly attractive development market. Fundamentally, the region is still underdeveloped, significantly lagging behind the economies, sectors and consumers of Western Europe. Real household income in this region is significantly lower, where consumption remains low. However, the trend is to gradually increase incomes in these regions.

The accession of Bulgaria to the EU is a positive attitude among foreign investors. Their increased confidence in the country is also conditioned by the achievement of macroeconomic stability, maintaining long-term growth of GDP, low inflation, confidence in the country's monetary system.

## **Trends in Business Development**

### **1. INSURANCE DIRECTION**

#### **Development potential of Euroins Insurance Group:**

Euroins Insurance Group AD has significant development potential, which is generated by fundamental, market and internal factors:

- ❖ Fundamental - gradual convergence of the standards of the Eastern European countries with those of Western Europe, growth of incomes, growth of lending and demand for more diverse products, growth in the demand for all insurance products.
- ❖ Market - Target growth and profitability levels, gradual transition to more technically profitable insurance products, deeper insurance penetration and density.
- ❖ Domestic for the company - Euroins Insurance Group has already implemented or plans to implement the following initiatives, which will improve its market position and financial parameters:

- ▶ Exposure limitation to insurance premiums - price positioning at the top of the market;
- ▶ Development of insurance not related to road vehicles;
- ▶ Additionally implementation of franchise, bonus-malus and other pricing;
- ▶ Improving the collection of receivables;
- ▶ Remuneration of points of sale based on a balanced point system;
- ▶ Reductions in acquisition costs and commissions;
- ▶ Optimization of the cost of damage;
- ▶ Optimization of administrative costs.

#### **Key Success Factors:**

- ▶ Effective use of capital - optimizing reinsurance, providing adequate reserves;
- ▶ Insurance risk management - rigorous insurer pricing, pricing and product design, tailored to risk;
- ▶ Optimizing asset performance through balanced quality, diversification, liquidity and return, matching assets and liabilities;
- ▶ Effective processing and management of insurance claims;
- ▶ Using an integrated management information system;
- ▶ Optimizing Business Processes;
- ▶ Developing innovative products tailored to the needs of the target segments;
- ▶ Identifying valuable segments of customers, competitive pricing;
- ▶ Managing distribution channels through continuous tracking of results, effective motivation schemes, employee training;
- ▶ Effective advertising with which to build the image of an interesting brand;
- ▶ Establishing long-term partnerships - cooperation with leasing and auto-leasing companies, banking institutions.

The main objective of Euroins Insurance Group is to achieve a 10% market share in the Central and Eastern European region in the insurance sector, as well as to expand the portfolio of the insurance business by offering a complete range of insurance products - general insurance, life insurance and health insurance

The operating companies of Euroins Insurance Group follow a marketing policy aimed at developing and offering innovative and diverse products and services. In order to offer flexible service and satisfy the needs of the clients from the appropriate insurance services, different product ranges and combined insurances have been developed.

Due to the diverse nature of business operations of Eurohold, Euroins Insurance Group benefits from the synergies between companies within the Group.

Through its merger and acquisition business, the Group benefits from:

- ◆ New clients;
- ◆ High-quality management and workforce;
- ◆ Valuable relationship with the management teams of the acquired companies;
- ◆ New distribution channels.

In addition, the company has built a strong internal integration team that will have a great value in future acquisitions.

## 2. AUTOMATIC DIMENSION

### Potential for Development of Auto Union:

Auto Union AD predicts preservation of its market share as a result of:

- ❖ Excellent opportunities to develop existing customer base of individuals and legal entities;
- ❖ Increase corporate customers.

Expectations for the future development of the automotive market in Bulgaria are based on an increase in the rate of recovery of the local economy and an increase in the growth of new car sales in the country. On the other hand, the obsolete fleet is a prerequisite for increase in the sales to corporate customers, for which it is no profitable to maintain an outdated fleet.

### Key Success Factors:

- ▶ Diversified product portfolio - with a wide range of brands (8 cars, 3 scooters). Auto Union AD covers all segments of the automotive market in Bulgaria, offering adequate solutions for both corporate and individual customers; brand diversification

also protects the group from a force majeure situation that would affect certain brands (for example, 'Toyota's global crisis' in 2009/2010);

- ▶ Joint products - synergic links with the insurance company Euroins AD and EuroLease Auto EAD allow Auto Union AD to offer its customers exclusive and unique package product (eg Casco 4x4, Mazda Cash Leasing, etc.);
- ▶ Optimized Group Costs - Built-in budgets to optimize marketing costs, surveys, ad group placements / airtime, and more.

### Segment strategy

The development of new product offerings of Auto Union AD focuses on increasing sales of cars and the after-sales services offered (repair and service), further strengthening the portfolio of brands, improving customer satisfaction and completing new customer service centers. In support of its strategic goals, Avto Union Group aims to:

- ▶ increased its market share in new car sales in Bulgaria by expanding its mid-range portfolio and luxury cars;
- ▶ offer a greater variety of brands and car models to achieve greater customer satisfaction;
- ▶ achieve market recognition for its products and services, and attract qualified sales and repair specialists;
- ▶ increase revenue generated by post-sale activities and the sale of spare parts and accessories;
- ▶ participates in more public auctions to provide vehicle leasing solutions to a wider range of governmental organizations; and
- ▶ monitors market trends, sales and customer requirements for various services to improve the quality and scope of the services offered.

The competitive power of the group is based on the high level of service and the strong synergy between the different activities in Eurohold Bulgaria (insurance, leasing and sale of vehicles) aiming at higher productivity and profitability of the subsidiaries. The close cooperation of the Auto Union companies with the other major business areas of Eurohold Bulgaria - insurance and leasing, gives the opportunity to offer complex services to its clients and to achieve lasting sales growth, and hence a significant improvement of the financial indicators.

### 3. LEASING RANGE

#### Development potential of Eurolease Group EAD:

The markets that EuroLease Group EAD is currently operating are quite dynamic and underdeveloped, opening up growth opportunities for experienced market players such as Eurolease Group EAD, which has a well-defined business strategy and a broad knowledge of the local market.

Eurolease Auto EAD (the company operating on the leasing market in Bulgaria) started trading in 2004 and since then has managed to reach one of the leading positions in the market. The company continues to improve its business and develop the range of products it offer. The company is expected to continue to grow along with growth in the market.

The Macedonian market is relatively small and underdeveloped. At present, banks still offer credit for the purchase of a car, which limits the business opportunity for leasing companies. However, the general trend is for banks to stop offering such products, turning leasing companies into major players in financing car purchases. The banking sector in the country as a whole is underdeveloped and offers room for significant growth in the coming years. The leasing market is expected to develop in parallel with the banking sector, which offers excellent growth opportunities.

#### Key Success Factors:

Future growth of Eurolease Auto EAD is based on the following factors:

- ▶ Achieving great synergies with other subsidiaries of Eurohold Bulgaria AD;
- ▶ Offering comprehensive services;
- ▶ Flexibility in products to meet customer needs and expectations;
- ▶ Fast and high quality service.

The main factors influencing the competitiveness of Eurolease Group EAD are the number of new vehicles sold on the domestic market, the prices, the financial resources of the customers and the ability of Eurolease Group EAD to attract customers through unique products. The company relies

on customer-oriented and efficient services as well as its ability to offer interconnected products in partnership with other members of the Group of Eurohold Bulgaria AD, applying the all-in-one model. Thus, the company aims to be competitive against companies offering lower prices.

Eurolease's strategic goal is to make the Group one of the leading lessors in every country in which it operates. To this end, Eurolease Group EAD strives to build a strong and sustainable brand based on the provision of high quality and wide-ranging services. The goal is to increase its reputation as an innovative and flexible partner to a variety of customers and to offer new, specific products and services in cooperation with the Group's insurance and automobile companies.

#### In support of its strategic goal, EuroLease Group EAD has focused its efforts on:

- ▶ providing new and long-term financing lines at competitive rates to increase the net interest margin in the Eurolease Group;
- ▶ promoting organic growth in several markets;
- ▶ acquisition and development of strategic leasing companies;
- ▶ offering fast and flexible customer endorsement (which is one of the biggest advantages to the leasing companies owned by banks);
- ▶ encouraging the simplicity of their dealings with dealers, including simplified document processing, vehicle payment and vehicle registration services;
- ▶ offering a well-balanced package of products - insurance, registration, extended warranty, etc. that better meet customer needs;
- ▶ expanding your supply for car brands that are not included in the portfolio of Auto Union AD;
- ▶ continue to improve loan approval procedures and risk assessment procedures in order to better define the duration of each lease and the amount of the down payment required to reduce exposure to non-performing leases;
- ▶ further penetration of existing markets with an emphasis on Macedonia, where the car leasing market is relatively underdeveloped; and

- ▶ working closely with the Euroins Insurance Group AD and the Auto Avion Group to take advantage of cross selling opportunities and combinations of products that can be offered together.

Eurolease Group EAD plays a key role in the Group's overall strategy as it links car dealers and insurers through package leasing proposals. Some of the best-selling products offered by EuroLease Group EAD, developed in cooperation with Euroins Insurance Group and Avto Union AD, include package leasing schemes with free insurance offered for the first year.

The long-standing experience in providing operating leases to major international and local companies as well as established niche markets for rent-a-car services provide the Group with market leadership.

#### 4. DIRECTORATE INVESTMENT INTERMEDIATE AND ASSET MANAGEMENT

##### Competitive position

Euro-Finance AD meets significant competition from local and international competitors. The company competes on the basis of various factors, including products and services, customer-friendliness, innovation, reputation and price. Euro-Finance AD competes mainly in the activity of asset management with commercial banks, private banking companies, investment brokerage firms and brokerage houses. In addition, any trend towards consolidation of the global financial services industry may create stronger competitors with more developed ranges of products and services, greater access to capital, and greater efficiency and price formation.

##### Key Success Factors:

- ▶ Full license to offer the full range of financial products available on European financial markets;
- ▶ 24 years of experience in financial markets;
- ▶ Highly qualified management and operating staff - brokers and investment advisers licensed by FSC, BSE and the Frankfurt Stock Exchange (FSE);

- ▶ Access to all major international securities markets;
- ▶ The only Bulgarian financial institution member of the FSE;
- ▶ The only Bulgarian non-bank financial institution participating in SWIFT;
- ▶ Among the three non-banking financial institutions participating in ESROT (Electronic System for Registering and Serving the Trade in Government Securities);
- ▶ Use of modern software systems;
- ▶ High capitalization as a guarantee in times of economic downturns.

##### Group goals and strategies related to development trends

##### Main current goals

The main activity of Eurohold Bulgaria AD is dictated by its main goals, and namely:

- ▶ To satisfy the needs of its customers by means of offering innovative and competitive products and services;
- ▶ To increase the amount of sales in combination with high profitability;
- ▶ To ensure the required conditions for a continuous improvement in the synergy between its subsidiaries;
- ▶ To expand the markets of operation and to increase the market shares of each of its subsidiaries;
- ▶ To recruit highly qualified management and employees;
- ▶ To provide better opportunities for professional development and growth for each employee within the Group.

##### Mid-term goals and strategies

The objectives, which Eurohold Bulgaria AD's management has set mid-term are focused on the three subholdings - insurance, leasing and automotive, as well as in managing the Group's cash through the investment intermediary Euro-Finance.



**Main strategic goals are:**

- Stable increase of market shares in all sectors and markets the Group operates in;
- To continue expansion strategy in the region;
- To achieve a loyal and diverse client base.

To achieve these strategic goals, the Company has developed current objectives and development policies. They are focused mainly on the improvement of the integration, profitability and financial position of the Group.

- Real consolidation of the companies on sub-holding structure level under a common management.
- Establishment of common positions on sub-holding level with regard to negotiating better delivery conditions, advertising and participation in public procurements, which significantly affects the reduction of costs for these segments;

- Realizing synergies from centralization and optimization of Eurohold businesses;
- Implementation of a system for additional incentives for the insurance agents of Insurance Company Euroins AD who refer customers to the car dealers and leasing companies;
- Changing the insurance portfolio towards reduction of the car insurance share and decrease of acquisition costs;
- Achievement of a stable market share by the insurance companies on all markets;
- Continuing the conservative policy of the insurance companies in maintaining the investment portfolio;
- Development and realization of new competitive products under the main business segments – insurance, automotive and leasing.

**E11 CONSOLIDATED NON - FINANCIAL DECLARATION****ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT OF THE EUROHOLD GROUP FOR 2017**

**EUROHOLD BULGARIA AS ONE OF THE LARGEST INDEPENDENT FINANCIAL GROUPS IN THE REGION OF CENTRAL AND SOUTHEASTERN EUROPE PUTS CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT AT THE HEART OF ITS ACTIVITY.**

**EUROHOLD BULGARIA SELECTS AN INTEGRATED APPROACH OF REPORTING NON-FINANCIAL INFORMATION ALONG WITH THE FINANCIAL ONE TO BETTER ARTICULATE THE RELATIONSHIP BETWEEN THE GROUP'S ACTIVITIES IN THE AREA OF SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT, FINANCIAL ACTIVITY, HOLDING BUSINESS STRATEGY, PROCESS MANAGEMENT AND RESULTS FROM THEM.**

**1. Our commitment and sustainability approach**

The Eurohold Group is a reliable partner and sustainable integrated structure. Eurohold has its own internal policies, standards and practices for sustainable business growth, ethics, collegiality and good faith, which are accepted by companies throughout the economic group.

Due to the multifarious structure and the presence of foreign companies registered in Central and Southeastern Europe, sustainability management is done directly by the management bodies of each company. The activities in this direction are carried out after preliminary coordination with the management bodies of Eurohold Bulgaria.

The understanding of Eurohold's corporate governance for sustainable development is a fundamental principle underpinned by the structure and corporate values of the holding.

The Eurohold Group has a unified model of process management as an organizational structure built on sub-holding levels depending on the specific business requirements, regulations and regulations.

Eurohold's commitment is to create responsible social behavior towards company employees and customers, to the needs of society and environmental care.

The economic group offers services in the field of insurance, car sales, leasing, as well as investment intermediation and asset management. Customers of the holding structure are both private individuals and small and medium corporate entities and corporations. Consumers rely on our experience, knowledge, abilities and flexibility to offer them solutions that meet the most up-to-date demands of society.

The Eurohold brand is a recognizable brand for innovation, creating unique integrated products and loyalty to customers, suppliers, employees and all stakeholders both in Bulgaria and in all countries where the group has a presence.

In 2017, the companies in the group not only remained stable on the market but also increased their market share, which speaks for the trust of consumers and business partners.

The steady trend of the growth of Eurohold Group's market positions is the consequence of our strategy of putting customer needs at the center of everything we do.

**The business strategy and core values** of the whole group in the area of sustainable development are based on the understanding of creating shared value aimed at:

- The business

- Management and employees

- Protection of the environment

- The interests and needs of customers and society as a whole

## 2. Our Mission, Vision and Values in Sustainable Development

The Eurohold Group operates in the field of services, which favors the creation of a uniform standard aimed at steady development in all companies.

**OUR GROUP MISSION** is to offer complex, quality and fast service to our customers. We strive to be a constantly growing group to be the market leader in the services it offers. That is why we are dedicated to the continuous development of our products and services according to the needs of our customers and society as a whole. The Group strategically aims to offer such solutions in its product portfolio that provide customers with security and stability in their everyday business and operations.

**OUR GROUP VISION** is to be a responsible, flexible and transparent partner. We guarantee our customers quality service and quick response to their individual needs. Building a long-term and lasting relationship with clients, partners and employees is a key concern for us. We have developed clear policies and policies to ensure sustainable business practices.

**OUR VALUES** The success of the group is based on a firm commitment to our core values. All activity and relationship with partners is based on the five values that distinguish the group and help us to preserve the trust of our clients, as well as being among the leaders in the business sectors in which we operate, namely:

- ▶ Integrity;
- ▶ Reliability;
- ▶ Liability;
- ▶ Correctness;
- ▶ Job satisfaction and team spirit.

### 3. MANAGEMENT

#### Managing bodies of Eurohold Bulgaria AD and its subsidiaries and companies

##### EUROHOLD BULGARIA

###### Supervisory Board

*Assen Hristov - Chairman of the Supervisory Board*  
*Dimitar St. Dimitrov - Deputy Chairman of the National Assembly*

*Radi Georgiev - Member of the Management Board*  
*Kustaa Äimä - Independent Member of the Supervisory Board*  
*Lyubomir Stoev - Independent member of the Supervisory Board*

*The company is represented only together by an executive member of the Managing Board and the procurator of the company Hristo Stoev.*

###### Management Board

*Kiril Boshov - Chairman of the MB and representative of the company*  
*Asen Minchev - Executive Member of the Management Board/*  
*Velislav Hristov - Independent Member of the National Assembly*

*Asen Asenov - Member of the Management Board*  
*Dimitar K. Dimitrov - Independent Member of the Management Board*  
*Razvan Lefter - Independent Member of the Management Board*  
*Procurator Hristo Stoev*

##### INSURANCE

###### Board of Directors

*Assen Hristov - Chairman of the Board of Directors*  
*Kiril Boshov - Executive Member of the Board of Directors*  
*Dominic Viktor Francois Joseph Bodeen - Deputy Chairman of the BD*

*The Company is represented by the Executive Member of the Board of Directors Kiril Boshov*

##### Automotive

###### Board of Directors

*Asen Hristov - Chairman of the Board of Directors*  
*Kiril Boshov - Chairman of the Board of Directors*  
*Asen Asenov - Executive Member of the Board of Directors*

*The Company is represented by the Executive Member of the Board of Directors Asen Asenov*

##### Subholding Leasing

###### Board of Directors

*Ivaylo Emilov Petkov - Executive Member of the Board of Directors*  
*Asen Asenov - Chairman of the Board of Directors*  
*Ani Bachvarova - Deputy Chairperson BD*

*The Company is represented by the Executive Member of the Board of Directors Ivaylo Petkov*

##### Subholding Investment Intermediation and Asset Management

###### Board of Directors

*Kiril Boshov - Deputy Chairman of the Board of Directors*  
*Asen Hristov - Chairman of the Board of Directors*  
*Vasil Stefanov - Member of the Board of Directors*  
*Milena Avramova - Executive Member of the Board of Directors*  
*Toma Kavroshilov - Executive Member of the Board of Directors*  
*Pavel Nikolov - Executive Member of the Board of Directors*

*The company is represented together by two of the executive members of the BD*

## DIVERSITY POLICY

Eurohold Bulgaria has not adopted a policy of diversity of the members of the Supervisory and Management Boards, as well as of the Board of Directors of the companies of the economic group of Eurohold.

However, the Eurohold Group adheres to the principles of:

- ▶ equality,
- ▶ impartiality,
- ▶ avoiding any form of discrimination; and
- ▶ provides the same opportunities,

by seeking to achieve a gender balance in management and supervisory bodies.

The leading factors in choosing a new member of the Managing and Supervisory Board must ensure that it possesses appropriate qualifications, experience and knowledge of the

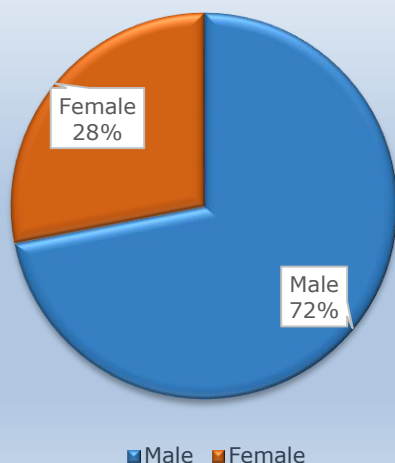
specifics, regulations and requirements of the sector in which the company operates and meet the conditions under the Articles of Association of the Company.

These principles also apply to the Supervisory and Management Boards and the Board of Directors of the Group's subsidiaries and operating companies.

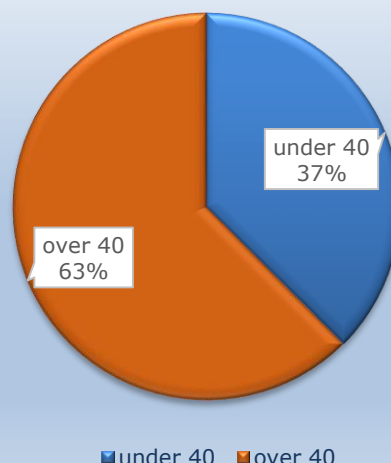
To date, 97 individuals have been elected to the companies of the Eurohold Group for members of the Supervisory and Management Boards, Directors' Councils and Managers, of whom 74 are men and 23 are female. By age distribution, members with experience and professional qualifications over 40 years predominate.

### Distribution of governing bodies by sex and age.

**Managing bodies in the Eurohold Group, distribution by sex, 2017**



**Managing bodies in the Eurohold Group, distribution by age, 2017**





## 4. MANAGEMENT SYSTEM

The management system is specific to each sub-holding and is built in accordance with the nature, scale and complexity of the risks associated with the operation in applying the principles of legality, expediency and effectiveness.

The management system is adequate, built in accordance with the regulatory requirements for each direction, and the following summary can be valid for all Eurohold Group companies.

- ▶ There is an adequate and transparent organizational structure in line with the normative requirements for the particular business;
- ▶ Responsibilities are clearly and appropriately allocated;
- ▶ An effective information delivery system is in place;
- ▶ The management system meets the requirements of the guidelines for the management system of the European Insurance and Occupational Pensions Authority (EIOPA) - valid for insurance companies Euroins Insurance Group (valid for the insurance field);
- ▶ The management system is periodically reviewed;
- ▶ Eurohold Bulgaria as a public company has adopted, adheres to and is guided by internationally accepted and applied principles of corporate governance. The holding has imposed these principles on the entire economic structure. The subsidiaries and the operating companies understand and share the principles of good corporate governance by pursuing policies to achieve optimal relationships between the Company's practices and its internal regulations.

The management system of each company in the economic structure of Eurohold is the main responsibility of its governing bodies. The necessary internal organizational structure is provided to ensure that all processes, as well as the services and products provided by the companies, are in compliance with the applicable regulations.

The Management Board is the competent authority that monitors the adequacy of a management system and takes the necessary measures in case of identified weaknesses or inefficiencies of system elements.

**At a group level, the following policies and internal normative documents have been developed and implemented:**

### ❖ **Ethical Code of Conduct for Group Employees.**

Its aim is to develop and validate the standards of professional ethics. The document reflects the principles of honesty, honesty and good faith in the group as guiding ideas and basic principles as well as the highest requirements regarding the personal and professional ethics of employees. The Code also addresses the issue of the ban on accepting and offering unlawful payments and benefits.

The management of Eurohold Bulgaria and all companies in the holding structure respect the national anti-corruption legislation and in no way stimulate, support or encourage corruption schemes and practices. Ethical group standards are applied by all companies and in each country where the group is involved.

### ❖ **A policy to prevent conflicts of interest and to ensure fidelity.**

It sets out the criteria for disclosure of potential sources of conflict of interest and the principles to prevent conflicts of interest in group companies as well as the procedure for detecting conflicts of interest and ensuring the confidence of policy-makers in the particular the company.

❖ **Information security policy.**

The information security policy has the following main objectives:

- ▶ ensuring confidentiality of information by applying approved access restrictions and disclosure;
- ▶ ensuring continuity of business processes and preserving integrity, accessibility of information during its storage and processing;
- ▶ minimize information security risks;
- ▶ providing the necessary resources to maintain the Information Security Management System (ISMS) and to continually improve and improve its effectiveness;
- ▶ achieving accountability of information by introducing access control and rights to information resources;
- ▶ informing employees about their responsibilities and obligations with regard to information security.

❖ **Instruction on the conditions and ways of collecting, processing, storing and protection of personal data.**

This instruction sets out the conditions and ways of collecting, processing, storing and protecting the personal data of employees and customers of the entire group.

All companies organize and take measures to protect personal data from accidental or unlawful destruction, unauthorized access, alteration or dissemination, and other unlawful forms of processing. The measures taken are consistent with the state of the art technological achievements and the risks associated with the nature of the data to be protected.

The Instruction aims to regulate the maintenance, maintenance and protection of registers storing personal data to the employees and customers of the Eurohold Group companies which are the administrators of personal data within the meaning of Art. 3, para. 1 of the Personal Data Protection Act (LPPD) and are entered in the register of the personal data controllers to CPDP.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

## 5. OUR PRODUCTS AND SERVICES

The Eurohold Group operates on the basis of an inherent and synergistic approach, offering through its subsidiaries sub-holding structures products and services in the fields of insurance, vehicle sales, leasing, investment intermediation and asset management.

Subsidiaries' operating companies offer all types of products and services that are specific to the particular market. In this sense, the Eurohold Group can offer a full range of solutions for private clients, small and medium legal entities and corporate clients.

Insurance	Sale of automobiles	Leasing	Investment intermediation and Asset Management -
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Insurance	<input type="checkbox"/> Sales of New Cars	<input type="checkbox"/> Financial leasing	<input type="checkbox"/> Investment brokerage
<input type="checkbox"/> Health insurance	<input type="checkbox"/> Car Repairs Services	<input type="checkbox"/> Operating lease	<input type="checkbox"/> Investment banking
<input type="checkbox"/> Life insurance	<input type="checkbox"/> Sales of spare parts;	<input type="checkbox"/> Rent-a-car services	<input type="checkbox"/> Asset Management.
		<input type="checkbox"/> Sales of used cars;	

The complementary activities of Eurohold Group companies, respectively insurance, leasing and motor vehicle sales, allow the creation of integration synergies and the cross-selling of bundled services and products.

Integration synergies provide an opportunity to optimize spending across the three strands and increase their competitiveness, which in turn leads to increased profitability at all levels of the Eurohold Group.

## 6. DETERMINATION OF KEY GROUPS OF INTERESTED PARTIES

To respond to emerging changes, technological innovation and innovation and ever-widening digitization, we identify key stakeholders and actively interact with them.

The stakeholders are both external to the company and domestic, namely: investors,

- ▶ employees,
- ▶ customers,
- ▶ providers,
- ▶ brokers and agents,

- ▶ creditors,
- ▶ other counterparties,
- ▶ local community and
- ▶ other interested parties.

An analysis of stakeholder expectations is an important process for Group Managers. To respond adequately to this challenge, our ability to adapt, to identify the risks and the opportunities that matter to our key stakeholders depend on success in our business.

## 7. CREATING VALUE

### What we do to create value

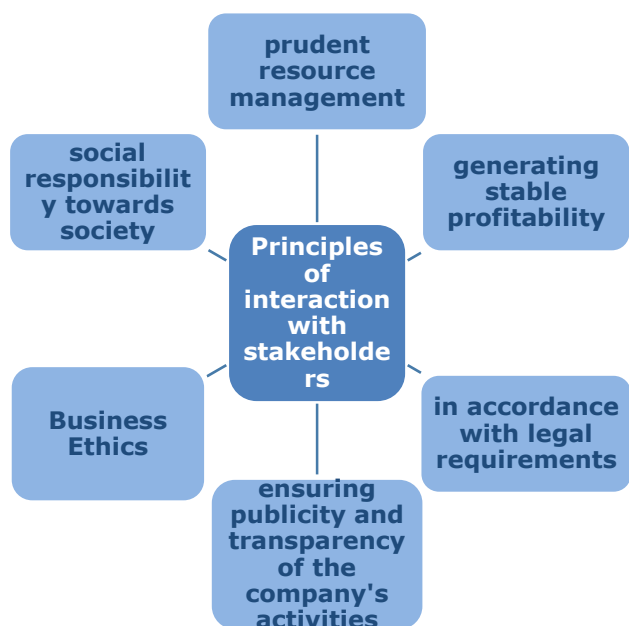
The process of value creation passes through three stages, namely:

- ▶ First of all, we analyze and define our key themes, which helps us to focus our efforts on areas where the greatest value can be created.
- ▶ Secondly, we define interaction with stakeholders on priority key themes.

- ▶ The third stage of the creation of the task is to identify the risk factors that influence the creation of value, as well as to take management decisions to deal with them.

Group policy towards stakeholders is built on principles that are respected by companies across the economic group.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--



through business activities and interactions to obtain products and services that create value for the organization and stakeholders.

#### What we achieve

We increase our operating revenues by reducing administrative costs, striving to maintain operational efficiency and improve processes and return on investment. We build the necessary support and development by investing in our employees, developing technology and introducing innovative business processes. Creating value is based on good business relationships. In everything we do, we are committed to the responsibilities and responsibilities the group has made to all stakeholders, which includes responsible action everywhere, following our core values, mission and vision.

#### How do we value

As a highly integrated structure, Eurohold creates value through its business model by using different types of capital that transforms

## 8. BUSINESS MODEL

The business model built in the Eurohold Group is based mainly on synergies and relationships between sub-holding structures, using different types of capital through which companies create new innovative, competitive and combined products and services, continuously monitoring consumer behavior to meet all the needs of stakeholders. The aim is to offer products of different price ranges, as this is most pronounced in the automotive undercarriage, which offers low, medium and high-end cars both in terms of price and equipment.

The Group can offer customers one-stop-shop for car sales, leasing and insurance, saving them time and providing them advantageous, attractive and innovative conditions on the basis of combined products.

The group uses the highest technology by developing online platforms available on the companies' websites to provide customer care, meet their needs and save time. Thus, customers are given the opportunity to choose and configure the level of vehicle equipment and the terms of its purchase, leasing and insurance package, depending on the combinations offered.



## 9. TYPES OF CAPITAL

### Financial capital

- Our group financial capital is a combination of equity capital, cash flows generated by the core business, external financing from capital markets and financial institutions.

### Production capital

- The Group offers services and products for which the material technical base for providing the points of sale is extremely important, as well as the highest level of information and technical equipment.

### Human Resources

- The success of Eurohold, as well as the whole group, depends on the diligence and professionalism of its employees. Therefore, the group continues to invest in the professional and personal development of its employees. We strive to encourage our employees to engage in activities that will allow them to fully realize their potential and fulfill their professional ambitions.

### Intellectual capital

- Our corporate procedures, management and organizational experience, skills and modeling, technology, acquisition systems and intellectual property serve us to develop the best solutions for customers to deliver innovative and combined products and services.

### Social capital

- We build and maintain collaborative relationships with our key stakeholders by investing in strategic partnerships, supporting community programs, supporting various causes and sporting events, and building trust with suppliers. Customer relationships are at the core of our business and we strive to exceed their expectations.

### Natural capital

- Group business is not considered to be intensive using natural resources. However, Eurohold and its subsidiaries have introduced practices for environmental protection and reduction of electricity, water, gas and paper costs.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

## 10. BUSINESS ENVIRONMENT

Understanding the business environment in which a company operates is key to its business development. Keeping track of market trends, risk assessment and development opportunities help us to respond adequately to the challenges and create value for key stakeholders.

We perfectly know the business environment in which we operate. Our companies have many years of experience in the sectors in which they operate. They rank among the top three and top eight in market share in the country of registration. In all countries where the Group has a market share, the market is very developed and innovative. Group companies are among the leaders in the development of new products and online platforms.

On the basis of the joint products developed between the three insurance, automotive and leasing sub-industries, a high level of operational cost savings, advertising and marketing costs, personnel costs and others is achieved, which in turn leads to the possibility of providing more favorable conditions consumers and customers.

### Regulated Business Environment

It can be said that the activities of the Eurohold Group are highly regulated, with almost all companies in the group being supervised or reporting to the local financial regulator in the consolidated accounts of the sub-holding company whose assets fall and hence in the consolidated accounts of Eurohold Bulgaria AD.

- ❖ Eurohold Bulgaria AD as a public company within the meaning of the Public Offering of Securities Act, whose shares are registered for trading on the main market of "BSE-Sofia" AD with stock exchange code 4EN and Warsaw Stock Exchange (WSE) - Poland with EHG is a supervised person of the Financial Supervision Commission.

- ❖ The insurance companies of Euroins Insurance Group are supervised by the financial regulator of the respective country of registration, in compliance with all laws and regulations, regulations and regulations concerning the insurance activity in the respective country.
- ❖ The Automotive Sub-Holding Auto Union is accountable to the Financial Supervision Commission on a regular basis on the basis of unconsolidated and consolidated financial statements and activity reports and all other accompanying statements and documents in its capacity as issuer of debt securities that are admitted to trading on a regulated market, observing the requirements of the Public Offering of Securities Act. Operating car companies report to the regional dealer about sales and operating results.
- ❖ The operating companies in Bulgaria of the Leasing Sub-Holding EuroLease Group, offering finance leases, as non-bank financial institutions are BNB supervised entities. Eurolease Group and Eurolease Auto are also accountable to the Financial Supervision Commission on a regular basis on the basis of unconsolidated and consolidated financial statements and business reports and all other accompanying statements and documents in their capacity as issuers of debt securities that are admitted to trading on a regulated market, observing the requirements of POSA.
- ❖ The investment intermediary Euro-Finance is a supervised person of the Financial Supervision Commission as a regulator exercising control over the activity of the investment intermediaries in Bulgaria.

## 11. CONSIDERATION OF THE BUSINESS ENVIRONMENT BY DIRECTIONS.

## Business Environment of the Insurance Sector

### Insurance market in Bulgaria

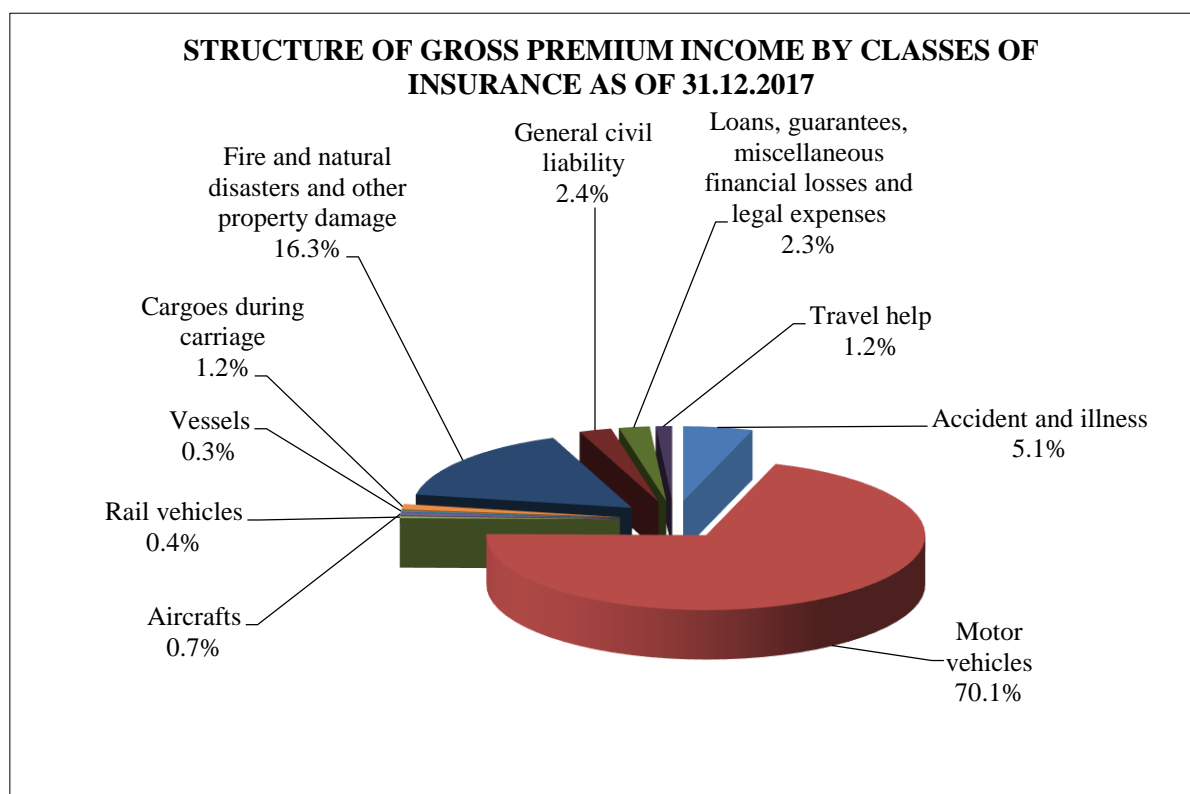
The insurance sector is one of the sectors in the economy, which is developing very dynamically and has been characterized in the last few years by several specifics:

- ▶ Trend in revenue growth on gross premiums written;
- ▶ High degree of market concentration;
- ▶ Entering new market participants;
- ▶ Consolidation of the market through acquisitions and acquisitions;
- ▶ Concentration of insurance portfolios;

- ▶ Distribution channels are dominated by insurance brokers;
- ▶ Enhanced role of regulator.

The structure of the portfolio of the Bulgarian insurance market is characterized by a typical predominance in the years of motor insurance, which as of 31.12.2017 represents 70.1% of the total premium income. In the field of motor insurance, traditionally prevailing in the insurance market is insurance against Third party liability, which is related to the possession and use of motor vehicles, with 38% market share, which is about 6% higher than the share of vehicle Casco Insurance with a market share of 32.1%.

The chart shows the share of insurances in the portfolio of the non-life insurance market as of 31.12.2017, according to preliminary data of the Financial Supervision Commission:



### Life Insurance Market in Bulgaria

As of 31.12.2017 Euroins Life operates only on the territory of the Republic of Bulgaria and at the end of the reporting period a license has been obtained for carrying out activities also on the territory of France through the right to freedom to provide services.

Negotiations with an insurance broker have begun, with the start of insurance policies in France in 2018.

The Company offers and concludes insurance contracts for the following types of insurance and for the following insurance risks:

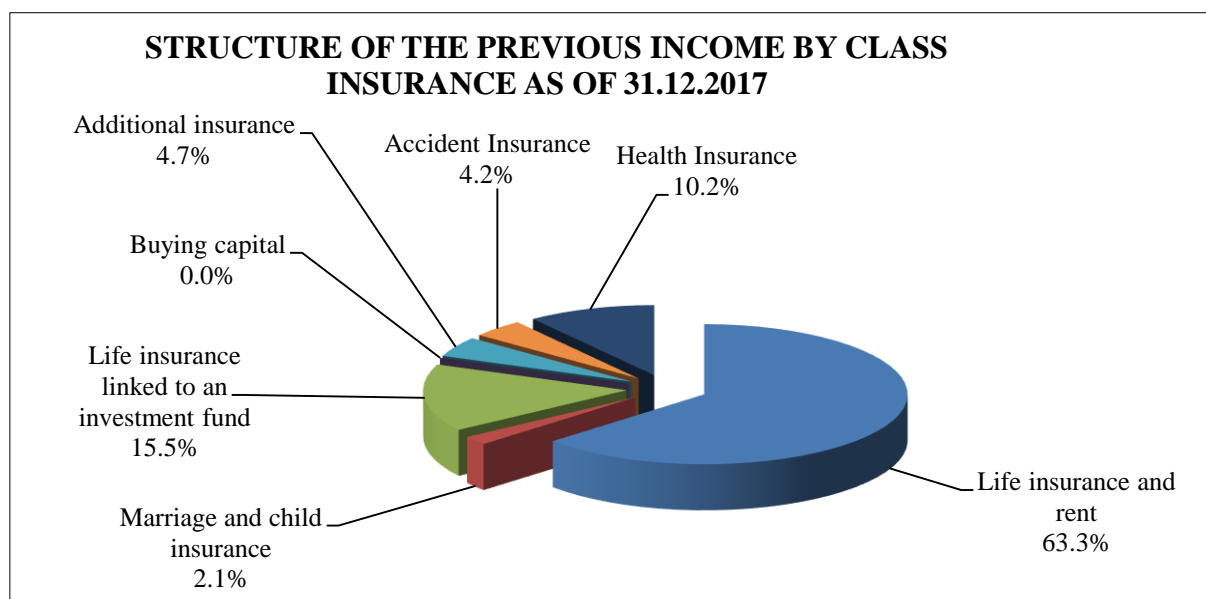
- ▶ Life and rent insurance;
- ▶ Marriage and child insurance;
- ▶ Life insurance related to an investment fund;

#### ▶Additional insurance.

The number of insured persons under current life and life insurance contracts at the end of the year is 22,664.

This indicator is a growth of 70.74% compared to 2016. Under Additional Insurance the number of persons is 22 584, an increase of 71.10% compared to 2016. The total number of insured persons as at 31.12.2017 is 22 687 and is by 69.55% more than the number of persons as at 31.12.2016. This change is due to an increase in the number of persons under group risk.

The chart shows the share of insurances in the portfolio of the life insurance market as of 31.12.2017, according to preliminary data of the Financial Supervision Commission:



### Insurance market in Romania

The insurance market in Romania reached RON 9.7 billion

in 2017, which is 3.5% more than in the previous year.

The total insurance market has increased to RON 7.7 billion,

reaching almost the same volume of gross premiums written as in 2016.

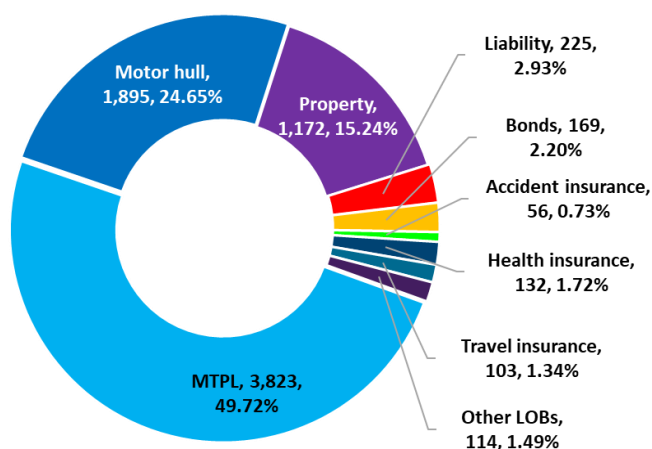
The market is characterized by a high concentration of the top 10 insurers (88.73% of the market), while the size of the other 21 insurers is up to 11.27% of the market.

On the general insurance market, the concentration is even higher, with 96.59% of gross premiums written by the top 10 companies.

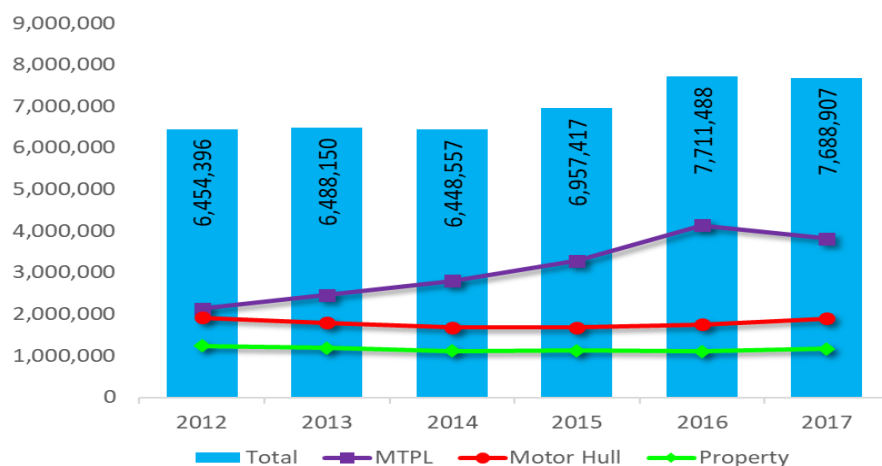
The largest share of the insurance market is held by Third Party Liability insurance (49.7% of the market), Casco (by 24.6%) and Property (by 15.2%).

The charts below show the share of each business line in the overall portfolio of the general insurance market in 2017 and market developments over the past 6 years (values in KRON):

Lines of business in total GWP in 2017



GWP evolution (KRON)



Source: Financial Supervisory Authority

The Romanian market has one of the smallest penetration rates in Europe:

1.13% in 2017, with a decreasing trend compared to 2016. (1.23%).

The fall in penetration is due to a higher GDP growth than the increase in gross premiums written in the insurance sector.

The insurance density is 494 RON / inhabitant, 4% more than 2016 (475 RON).

### Insurance Market in Macedonia

Euroins Osiguruvanie AD is a subsidiary insurance company of Euroins Insurance Group in Macedonia, which offers a complete range of insurance products other than life insurance.

According to statistics compiled by the Macedonian Insurance Supervision Agency, the Macedonian insurance market consists of 16 insurance companies, including 16 non-life insurance companies and five life insurance companies.

The non-life insurance market is growing by 1.6% in 2017 compared to 2016. Euroins Osiguruvanie AD is ranked eighth on the Macedonian non-life insurance market with a market share of 8.2% in 2017 compared to 7, 2% by 2016, according to statistics published by the Macedonian Insurance Supervision Agency.

## ZK Euroins Ukraina

The non-life insurance market in Ukraine focuses mainly on motor insurance, with compulsory Third Party Liability insurance and Casco insurance.

ZK Euroins Ukraina offers its products to individuals and legal entities.

In 2017 ZK Euroins Ukraina realizes its strategy for development of its motor portfolio through initiatives for recruitment of whole sales teams and intermediaries with experience in business with strategic importance for IC Euroins Ukraina.

ZK Euroins Ukraina distributes its insurance products through its own network of 97 offices.

ZK Euroins Ukraina has a network of agents and brokers and works with banks on bank-insurance arrangements.

ZK Euroins Ukraina develops relationships with local clients, both individuals and legal entities, through cooperation with partners, including car dealers, banks and travel agencies through regional subsidiaries.

## Automotive business environment

Auto Union unites companies that are importers and dealers of new cars (cars, trucks, motorcycles and industrial machines); service centers; Official importer of lubricants Castrol

and Olean Oil, sale of fuel at wholesale and retail..

## Bulgarian automotive market

Bulgaria is the third in the European Union to increase sales of new cars in 2017, according to data from the Association of European Automobile Manufacturers (ACEA).

In 2017, 37,227 new cars were sold, with the ratio of New to Used Cars being approximately 1:7.

In the last few years, we have seen a steady trend of rebuilding new car sales - by more than 15% on an annual basis.

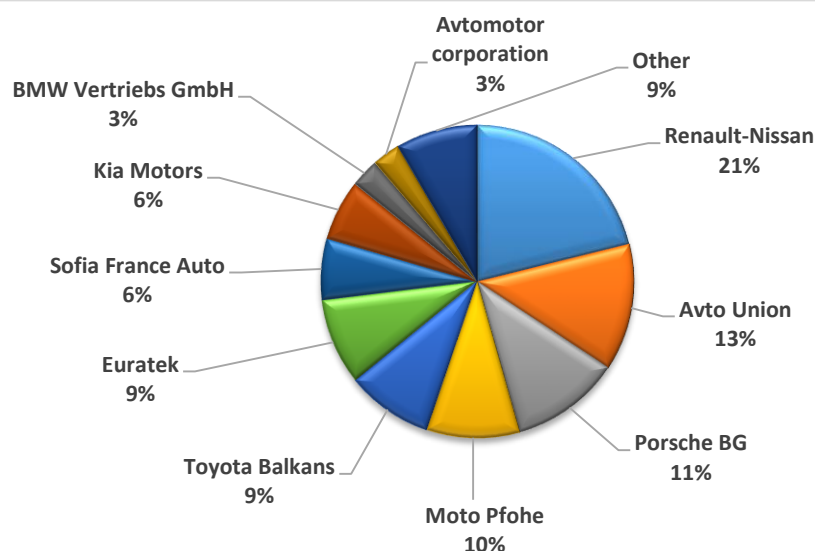
The issue of the levels of harmful emissions emitted by cars is being discussed more and more, in this respect, incentives for electric and hybrid cars have begun in Bulgaria.

Major markets in Western Europe recorded a decline in sales of new diesel cars at the expense of gasoline and electric.

This trend is expected to affect the market in Bulgaria in the coming years.

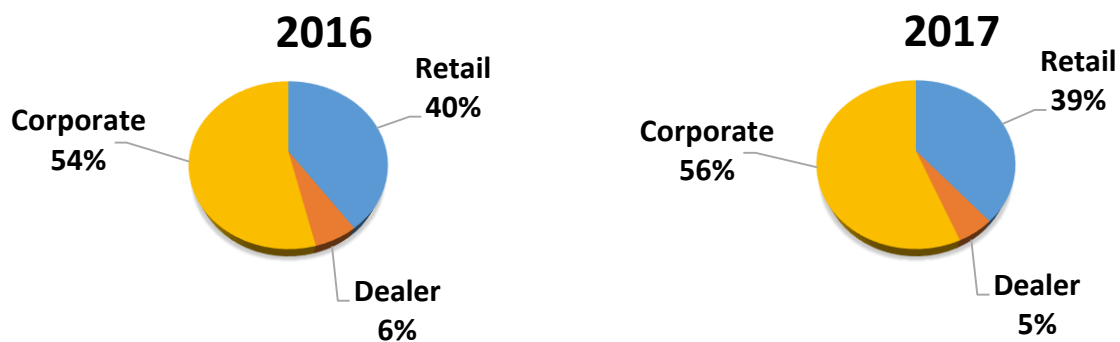
## Market Share of Avto Union

In 2017 Auto Union remained with the highest market share of new motor vehicles sold – 13%. / according to the data of Union of Importers of Automobiles in Bulgaria)



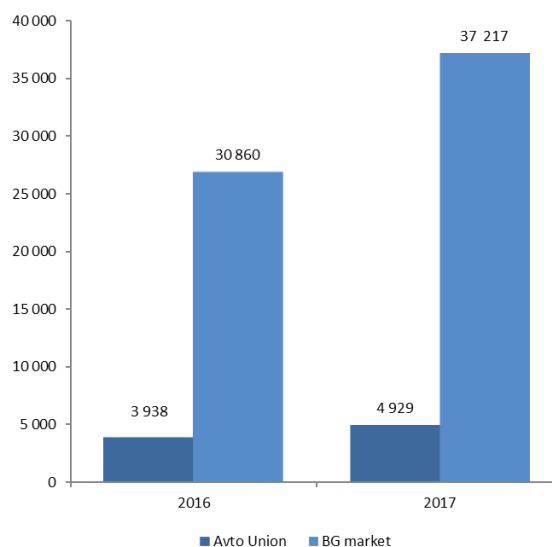
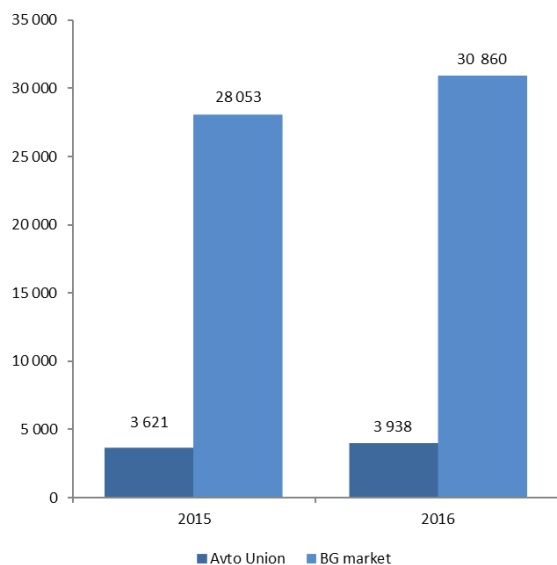


A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	<b>E - Consolidated management report</b>	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	---	---	--



In the last two years there has been a strong growth in the sales of new cars in Bulgaria, and this trend is valid for the Avto Union Group.

Autun Union's sales are up 25.2% in 2017, which is above average growth for the Bulgarian market (20.6%).



In 2017, the largest market share of Auto Union's companies has ESPA Auto with sales of 2 371 Renault and Dacia cars.

A statistical analysis of the customer structure shows that over half (56%) of the group's

sales are from the corporate segment, followed by private customers by 39%, sales to dealers account for 5%. For comparison, in 2016, corporate customers accounted for 54% of sales, private customers 40%, and sales to dealers were 6%.

## Leasing range business environment

### Leasing market in Bulgaria

Eurolease Group EAD, through its subsidiaries, operates in three different areas - financial leasing; operative leasing and rent-a-car services; sale of second-hand cars.

**Financial leasing** - On the territory of Bulgaria, this market is highly competitive and by 31.12.2017 there are 47 actively operating companies that offer the financial leasing service.

According to data of the BNB, at the end of 2017 the financial lease receivables in the market amounted to BGN 3.43 billion, while 68% or 2.35 billion leva were in the segment automobiles.

Of the total finance lease receivables, 12% are from individuals and households, and 88% from legal entities (including state institutions).

In the last three years, the market has been characterized by declining interest rates and increased price competition among its participants.

Leasing companies that are part of banking groups are dominating.

Other major players are companies that are part of automotive dealers' structures and independent leasing companies (captive leasing).

#### **The key factors influencing the leasing market in the automotive segment are:**

- ▶ Volume of sales generated by dealers new and used cars;
- ▶ Cost of the proposed financing to the final customer;
- ▶ Creating sustainable partnerships with suppliers and developing joint leasing products;
- ▶ Quality of the service provided, as well as additional services that create added value for the client.

The finance lease market is highly sensitive to the volume of car sales and the cost of financing.

A strong competitive environment creates risky preconditions for changing the financing criteria of leasing companies.

This in turn would also increase the likelihood of a change in the amount of overdue or non-performing receivables.

**Operational Leasing and Rent-a-Car Services** - The operating leasing and rent-a-car services market in Bulgaria is relatively new and is still considered to be developing.

According to unofficial data, the market currently maintains around 15,000 vehicles under operating leases and 3,000 cars serving car rental services.

Although many of the world's brands are on the market, it has not yet reached its full potential and offers mainly basic products such as short and long-term car rental.

The main users of the rent-a-car service in Bulgaria are foreign persons visiting the country for tourism or business purposes.

Since, over the last few years, operating leases have gained popularity among individuals and small companies, most of the clients of this service remain large companies, often affiliates of international companies.

#### **The key factors influencing the operating lease and rent-a-car services market:**

- ▶ Number of foreign tourists visiting the country;
- ▶ Easy end-user access to car rental offers;
- ▶ The need to renew the fleet of users of operating leases;
- ▶ Final price of the service provided;
- ▶ Quality of service.

The operating lease and rent-a-car market is mainly influenced by the number of potential customers that companies can attract.

Contrary to the financial leasing market, that of operating leases and car rentals is not so strongly influenced by price.

Consumers are willing to pay a higher price in order to get a high quality service.

Rental services are also influenced by developments in the technology sector.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

Over the last few years, the number of bookings made on mobile devices has increased significantly.

#### **Sale of second-hand motor vehicles -**

Globally, the automotive market is one of the main economic indicators for the development of a particular country.

The reason for this is that mobility of people and goods is very important for the economy.

Bulgaria is one of the first places in Europe by number of registered cars, compared to the population - about 3 million cars.

However, statistics show that just over 45% of all registered cars are over 20 and only 7% are under 5 years of age.

According to the Ministry of the Interior, the number of registered cars in the country is over 220 thousand in one year

- between 10-15% of them are factory new, making the number of sales on used cars market about 200 thousand annually.

The mix of used second-hand cars consists of those used by operating leases, new imports (mainly from Germany and Italy), cars of individuals or legal entities, and others.

The most popular are middle class cars with an average age of more than 10 years.

The market is characterized by many small entrants.

Customers of used cars are diverse in their gender, age, social background, etc. As the most serious risks in the selection and purchase of second-hand cars, the quality of the car and its service history are highlighted.

#### **Key factors affecting sales of second-hand cars:**

- Need to renew vehicles over 20 years of age;
- Availability of information about the origin and service history of the offered cars;
- The balance between price and the technical condition that the supplier provides.

The second-hand car market is most sensitive to the latter because purchasing a second-

hand car is dictated by the user's desire to maximize benefit at a reasonable price.

The companies in the Eurolease Group structure are active participants in the markets in which they operate.

In order to be adequate to current trends and to serve their customers, companies continuously monitor market signals that indicate both development opportunities and likely threats.

In terms of technological development, a leasing group strives to follow the market trends, and in this respect, in 2017, new and online platforms have been upgraded and / or built to update the group's vision and message while being easy to use on mobile devices.

#### **EURO-FINANCE BUSINESS ENVIRONMENT**

Euro-Finance as an investment intermediary operates on the capital market in Bulgaria.

The company offers direct access to the Bulgarian Stock Exchange - Sofia through its EFOCS platform as well as the Deutsche Börse Xetra Stock Exchange in Frankfurt.

Along with banks, EU capital markets cover several thousand small and large investment intermediaries that provide advice to their clients, help companies capitalize on capital markets, manage assets and provide market liquidity, thus facilitating investment across the EU .

The Bulgarian capital market is still small, but to date it has developed and is already mature.

In recent years, legislation has changed several times and is currently in line with European directives.

From January 3, 2018, a new legal framework in the field of markets for financial instruments MIFID II enters into force in Bulgaria, which will be implemented within the European Union (EU).

The number of transactions on a regulated market in 2017 increased by 36% to 79,629 compared to the previous 2016. The realized turnover of BSE-Sofia is 705 850 935 BGN, marking a growth of nearly 70% compared to 2016.

The realized turnover of BSE-Sofia is 705 850 935 BGN, marking a growth of nearly 70% compared to 2016.

As of the date of this report, there are 70 active investment intermediaries on the Bulgarian market, including 23 banks and 47



non-financial institutions. According to the statistics published by the Bulgarian Stock Exchange, Euro-Finance AD ranks third in terms of turnover on BSE-Sofia in 2017, and

for 2016 the company was ranked second and in 2015 ranked first.

## 12. CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Eurohold Bulgaria AD has imposed a group policy on social responsibility in the holding structure, to which all companies in its economic group adhere.

Continuous efforts to improve the economic environment through open dialogue with stakeholders and the active contribution of companies from the Eurohold economic group to society are the core of group corporate responsibility.

The group is convinced of the importance and benefits of corporate responsibility that is related to protecting people, their well-being, and protecting the environment.

All companies in the holding structure support the implementation of CSR principles in their activities, realizing that their long-term development depends to a large extent on it.

Corporate Responsibility is accomplished through the following actions:

- ▶ Dialogue with stakeholders through actions and initiatives that identify problems and promote appropriate solutions;
- ▶ Improving corporate governance to ensure the transparency of the entire organization.
- ▶ We value proactivity and innovation as a valuable resource to ensure group competitiveness;
- ▶ Environmental care aimed at climate change and contributing to sustainable growth.
- ▶ Prudent handling of the resources we provide is an important measure of our environmental concern.
- ▶ Employee care as a valuable resource and basis for achieving Eurohold's goals.
- ▶ The group strives to provide excellent working conditions, stimulate active internal communication.
- ▶ Social benefits are part of the motivation program that we are trying to provide for the care and recognition of people.
- ▶ Their safety and satisfaction are of great importance to us.
- ▶ Strict compliance with legislation along with the implementation of standards, policies, internal rules and procedures.

### **13. Measuring progress on corporate responsibility and sustainability. Objectives and outcomes in the area of social responsibility and sustainable development.**

#### **13.1. Products and services**

Eurohold Bulgaria AD does not carry out direct activity related to sustainable development and customer relationships.

This activity is developed by subsidiaries and is geared towards developing new products to meet all the needs and needs of consumers and customers of products and services provided by companies.

Eurohold has organized its business in this way by creating the opportunity to develop unique products built on synergic links and complementary suggestions from sub-holding structures to respond adequately to the growing needs of its customers.

#### **WE OFFER PRODUCTS AND SERVICES DIRECTED TO OUR CUSTOMERS**

##### ***Caring for the clients of the insurance, automobile and leasing sub-holdings.***

The operating companies of Euroins Insurance Group AD, Auto Union AD and Eurolease Group EAD follow a marketing policy aimed at developing and offering innovative and diverse products and services.

Companies continuously monitor the insurance, leasing and car needs of all potential customer groups.

In order to offer flexible service and meet the needs of customers through appropriate insurance, leasing and car sales schemes, they develop different product ranges and combined services complementing their product portfolio.

With the business model set up, the Group can offer customers one-stop-shop for car sales, leasing and insurance, saving them time and giving them advantageous, attractive and innovative conditions on the basis of combined products.

Each of the companies in the structure of Eurohold has an independent branch network, through which it performs its activity, in order to ensure higher quality of service and ensure maximum customer satisfaction, the products

of each of the companies are also available in the representative offices of the others.

All three companies have made efforts and developed online platforms available on the company's websites to cater for customers, meet their needs and save time, and choose and configure the level of vehicle equipment and the terms of its purchase, leasing and insurance, depending on the combination options.

The main actions of the Group are flexibility, loyalty to clients and partners, fast and quality service, realization of ideas for new products and services.

This ensures a high level of service and professionalism in the offered services - from assistance to vehicle selection by the Avto Union companies, by negotiating the leasing conditions of the Eurolease Group operating companies according to the client's needs, to the choice of a profitable insurance package offered by the subsidiaries of Euroins Insurance Group companies.

##### ***With care for the clients of Euro-Finance AD***

The investment intermediary Euro-Finance has a full license, issued by FSC, authorized to operate on the territory of the EU and third countries.

The company's business meets the highest standards in the field of financial and investment services.

The company offers direct access to the Bulgarian Stock Exchange - Sofia through its EFOCS platform as well as the Deutsche Börse Xetra Stock Exchange in Frankfurt.

Euro-Finance developed EFOCS (online platform), direct trading software on the Bulgarian Stock Exchange - Sofia and the Deutsche Börse Group.

Through this platform, investors can simultaneously trade in different markets and to monitor the status of their assets in real time.

For its clients, Euro-Finance developed and launched EF MetaTrader 5 which became a popular platform for real trading.

EF MetaTrader 5 Client Terminal offers customers a variety of trading options with a wide range of features.

Through the platform for international markets EF MetaTrader 5 Euro-Finance offers trade with over 260 instruments.

By gaining access to a wide range of markets and trading tools, as well as to the latest generation of professional platforms, customers have everything they need to successfully realize their investment goals.

Customers have the ability to trade in the aforementioned financial instruments on terms of trade valid for the interbank market.

The system has platforms adapted for mobile phones and tablets running iOS and Android OS.

In its over 20 years of history, the company's top priority is the application of best practices and principles in the sector, as well as the professional attitude towards the client.

## 13.2. EMPLOYEES

Business success of Eurohold and the whole group depends on the diligence, motivation, engagement and professionalism of its employees, knowledge, skills and ambition to develop.

Employees are the face of any company.

### Staff Structure:

Staff,	Total number	women	% of women	men	% of men
2016	1 925	996	51.7%	995	48.3%
2017	2 169	1 047	48.3%	1 122	51.7%

The application of the principle of gender equality can be observed in the group structure of the staff.

The distribution of staff by gender (women and men) is almost proportional, with women

Therefore, the group continues to invest in the professional and personal development of its employees, striving to retain and attract quality and team-oriented staff.

The Eurohold Group is an employer of 2,169 employees.

Principles relating to the selection, training, evaluation and remuneration of staff to whom the principles are retained are developed and adopted:

- ▶ Selection of job applicants based on their personal qualities, knowledge, experience and competence, based on a careful assessment of their knowledge and qualifications;
- ▶ Ensuring equal opportunities for training and career development for all employees;
- ▶ Creating a work environment that evaluates, recognizes and rewards efforts and achievements.

The entire Eurohold group applies a non-discriminatory policy that seeks to provide a working environment where there is no bullying, extortion or discrimination (especially ethnicity, gender, religion, membership of national minorities, trade unions, etc.).

At the end of 2017, Eurohold Bulgaria's team included a total of 2,169 employees, compared to 1,925 at 31.12.2016, showing that the Group's staff increased by 12.7%.

dominating over men in 2016 by 3.4%, whereas by the end of 2017 this percentage has turned to the benefit of men.

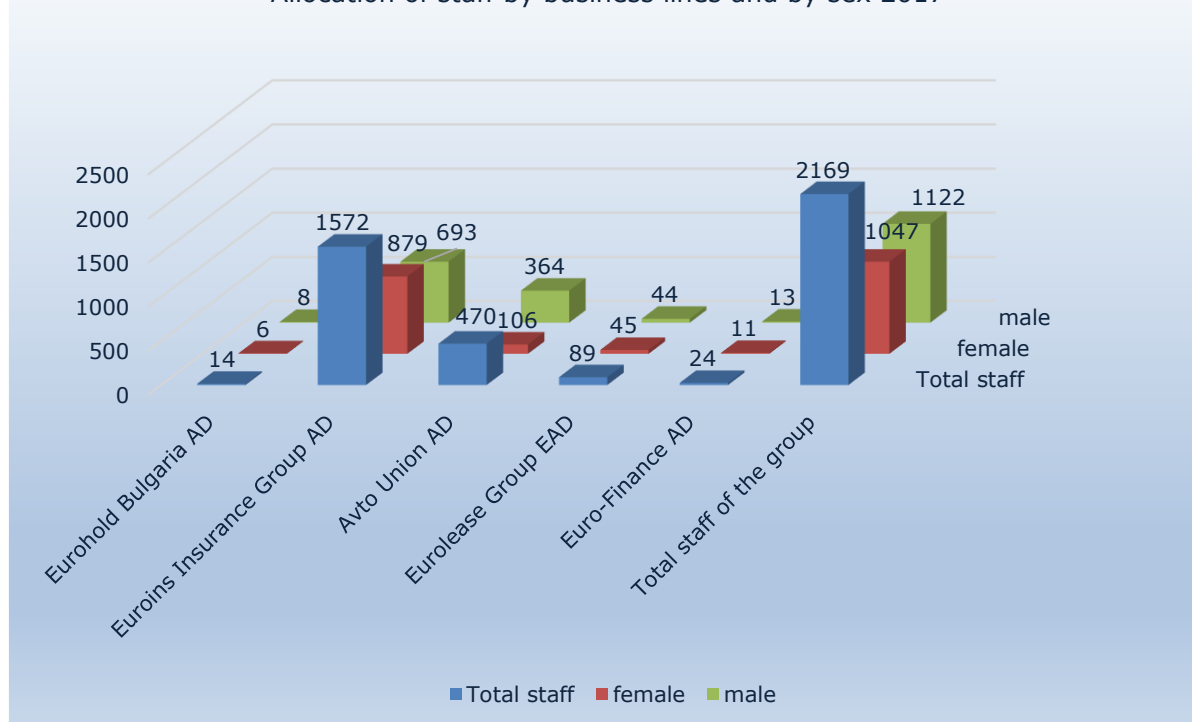


### Busy in business groups

The tables below show the breakdown of staff by business groups in 2016 and 2017. The largest number of employees were

employed in the insurance field Euroins Insurance Group, followed by Avto Union and Eurolease Group.

Allocation of staff by business lines and by sex 2017



In 2017, the insurance sector personnel increased by 16% compared to the previous reporting period due mainly to staff growth in insurance companies in Romania (20.3%) and Ukraine (by 89.3%).

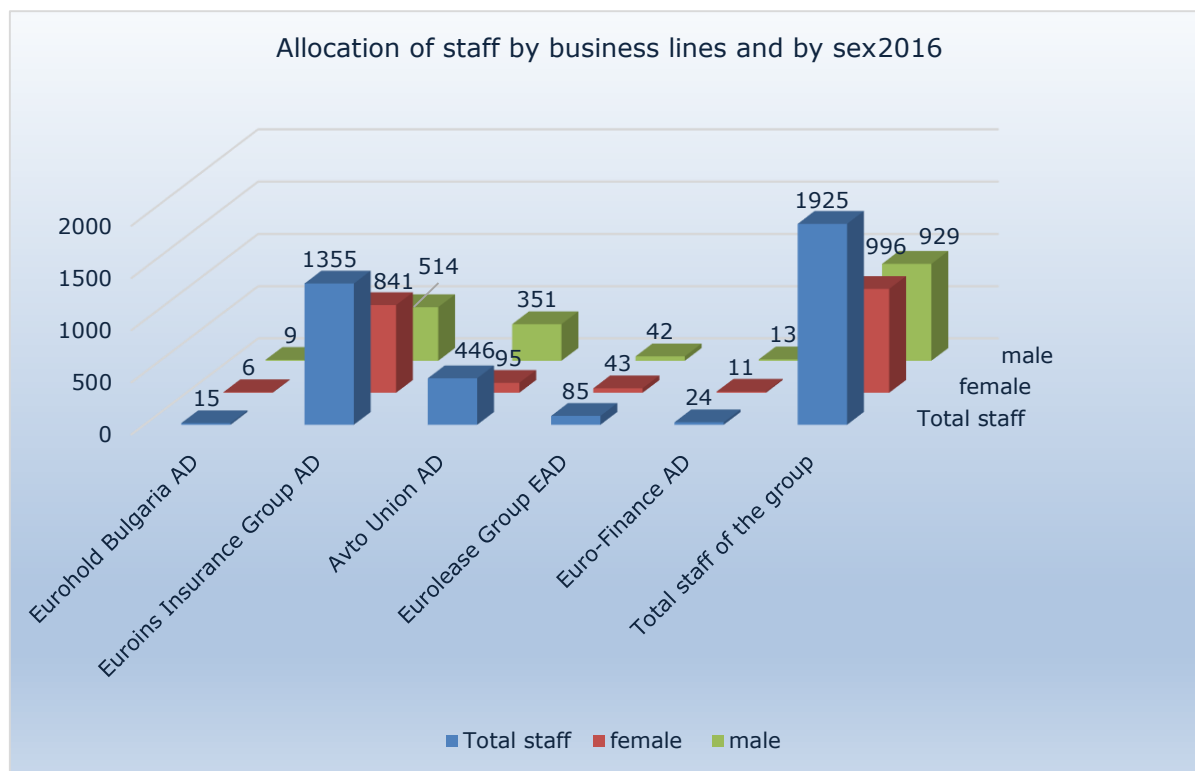
The motor vehicle group also reported staff growth of 5.4%.

The distribution of staff by gender is dependent on the sector in which the company operates.

In the insurance sector, most women are employed - 879 representing 56% of all staff, compared to 693 men.

In the automotive sector, most men - 364 representing 77.5% of all Auto Union employees - are the busiest car sales and self-service activity, while women employed in car companies are 106.

In the other business strands of the Eurohold Group, the distribution of women to men is almost proportional.



### Geographic distribution

The bulk of Eurohold's investments are concentrated in Bulgaria, which is also leading Bulgaria as a leading country in terms of number of employees.

In Bulgaria, 50.8% of the staff of the Eurohold Group are employed, as in 2017 the number of employees is 1 102, of which 500 are women representing 45.4% and the employed men are 602.

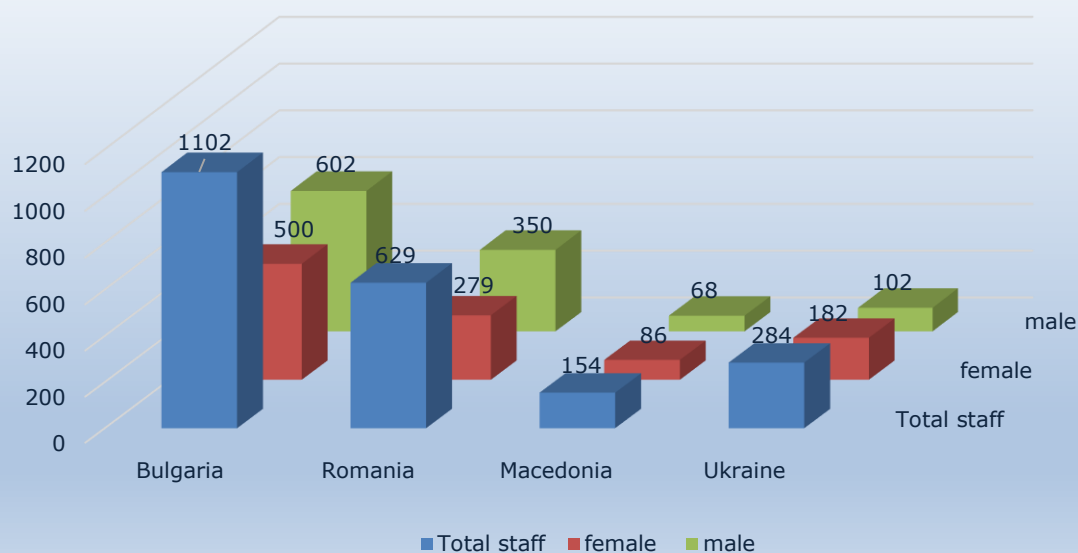
Of Eurohold's investment abroad, Romania is the country's leading number of staff.

Officials in Romania are 629, of whom 279 are women and 350 are men.

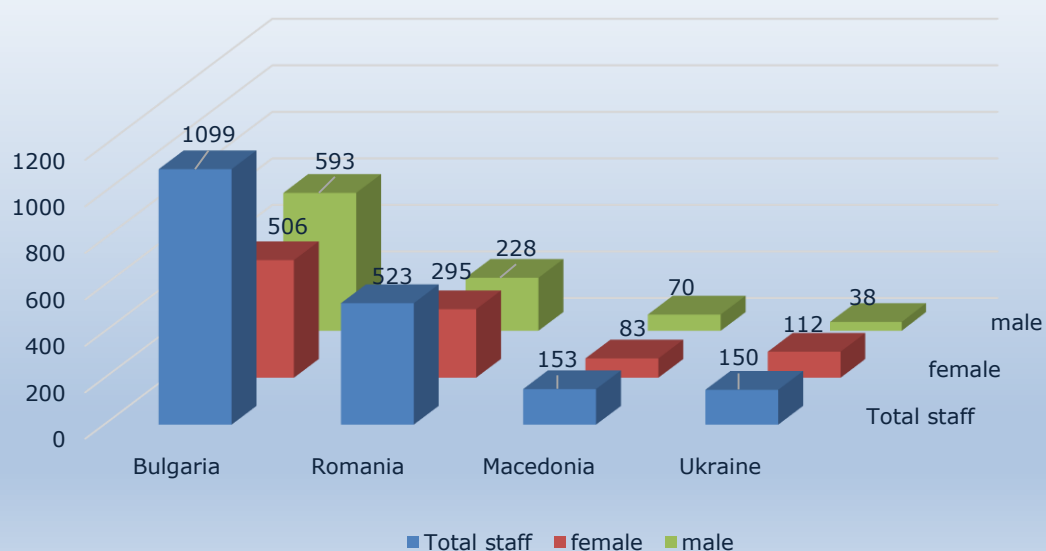
Staff in Ukraine have 284 people, including 182 women and 102 men.

Accordingly, 154 people were found in Macedonia, including 86 women and 68 men.

Allocation of staff by country and by sex 2017

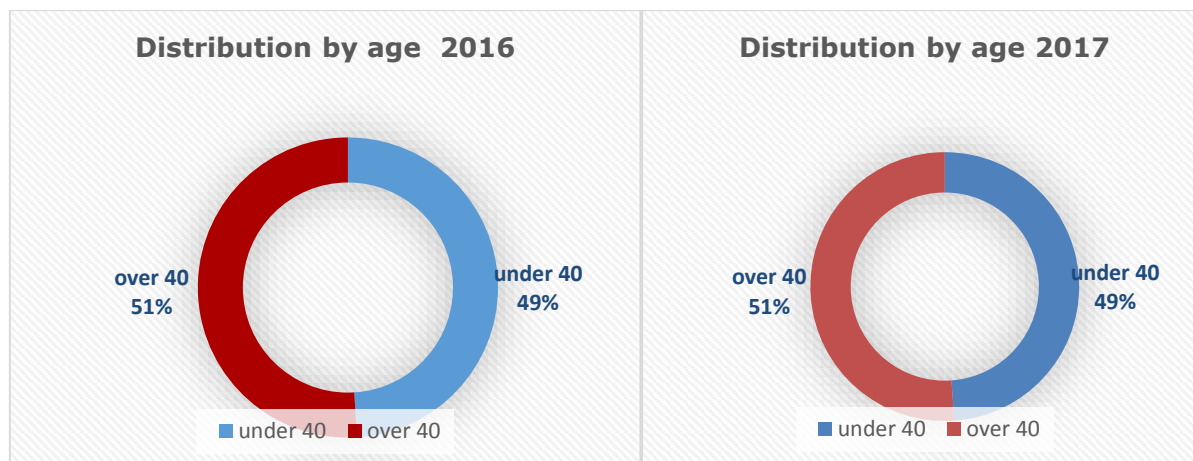


Geographical allocation of staff by country and by sex 2016



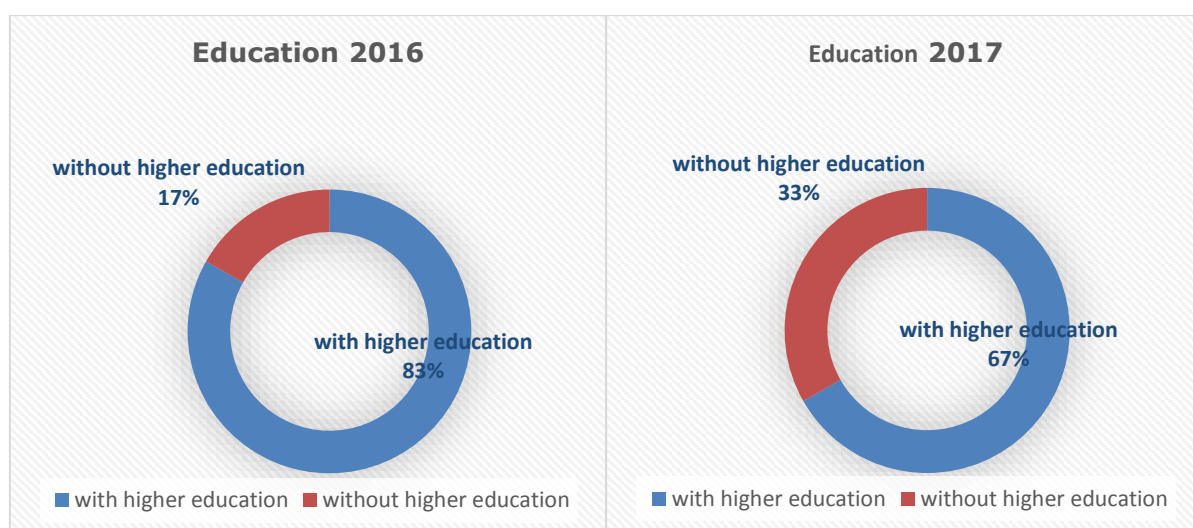
## Distribution by age and acquired level of education

Graph 1: Distribution of staff by age



In 2017, employees under the age of 40 represent up to 49% (1 060 employees) of the Group's staff, there was no change in the age distribution of the staff during the reporting period.

Eurohold Bulgaria strives to keep its loyal and experienced employees aged over 40, representing 51% of all employees (1 122 employees) as of 31.12.2017.



In 2017, 67% of the company's employees had higher education, while in 2016, with higher education, 83% of the Group's staff or higher qualified employees declined by 16% in one year. The decrease in the percentage of higher education employees is due to the fact that Euroins Romania has recruited in 2017

new employees (more than 80 employees, mostly in the liquidation departments, the sales department and other junior employees) without higher education.

The company considers this to be an investment in the future, especially given the

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

low unemployment rate in Bucharest, the region and the labor market in Romania.

An important prerequisite for achieving the business goals and prosperity of the company is the availability of a sufficient number of qualified staff, motivated, stable and loyal.

In this connection, it is not the easy task of recruiting new employees, especially for narrowly specialized and / or key positions that have encountered many difficulties in 2017.

Recently there has been a shortage of human capital and companies are finding it harder to find the necessary staff - both quantitatively and qualitatively - with the necessary knowledge and skills.

That is why emphasis should also be put on the efforts to maintain good staff, especially managerial and highly specialized expert positions, which have already acquired and proved high professional qualifications, enrolled in the team and in the general company policy and culture.

The turnover is an indicator of the level of staff satisfaction, which is formed by several components:

- ▶ Nature of work, proper organization and reasonable volume;
- ▶ Atmosphere in the team and the company, assuming superior / subordinate;
- ▶ Salary, adequate to the functions and competitive with the labor market;
- ▶ Additional benefits and incentives;
- ▶ Growth in the hierarchy and upgrading skills;
- ▶ Meetings and conversations to make them feel relevant and to know their problems, aspirations and intentions in time.

To eliminate the risk of "head hunting", it is necessary to provide optimal conditions for the above components.

Solving the problem of turnover can not be achieved through single actions or short-term initiatives, but with the implementation of an overall mechanism (program) to preserve employees, especially key ones.

The process of finding a replacement requires a lot of time and money and is not sure whether it will end with success.

### Career development

The Eurohold Group is guided by the belief that attracting, evaluating and integrating new employees is the starting point for a long-term, mutually beneficial partnership.

That is why the Group focuses on the utilization and development of the talents of talented young people who have shown their vigor and professionalism.

The recruitment procedure focuses on the objectivity, personal merits and qualities of the candidates, and is based on previously developed criteria that meet the vision and values of the company.

### Training

Eurohold management and its subsidiaries believe that they need to continuously invest in employee development and, in this connection, plan to conduct various training programs in the short run, with the help of which employees enrich and update their knowledge.

Most often due to the nature of the business, such trainings are carried out in the insurance and automotive sectors.

Trainings are accessible to all employees regardless of their position and allow employees to be continuously prepared on all matters directly related to their work.

The training courses according to the topic are internally organized by the organization or external organized by different professional organizations.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

Internal trainings	
Number of internal trainings	On average, for one year, there are two external trainings, where necessary and more. The topic is selected by a team responsible for staff training according to the current questions.
Number of attending staff.	More than 90% of the staff of the particular company are present in external trainings with a common theme. External trainings with more specific themes are attended by all employees who are directly interested in the training.
Internal trainings	
Number of internal trainings	Internal trainings in each of the companies are held at a different frequency, depending on their activity and necessity, for example when introducing a new product, new procedures and rules, change in organization, etc. Average internal training takes place between 4 and 6 per year.
Number of attending staff.	The internal trainings are attended by all interested employees.

### Developing the potential of employees.

The Eurohold Group strives to encourage our employees to engage in activities that will allow them to fully realize their potential and fulfill their professional ambitions.

It also emphasizes the development of qualities that allow employees to grow throughout the organization.

When searching for a position for a particular position, the opportunities for offering the position of internal staff are reviewed first, and then, if no choice is made, external personnel are sought.

### Internal communication.

Governing bodies of an economic structure are aware that internal communication is an important condition for effective work in each company.

The holding and the companies strive to create good internal communication between the departments, employees and management that will contribute to the general and social goals of the company.

Three main forms of communication are encouraged :

Vertical - Up, Vertical - Down, and Horizontal.  
Vertical-up communication aims to reveal the views and problems of employees to the

management, vertical - down the leadership to inform employees about the vision, goals and plans of the company, horizontal communication takes place between employees by encouraging the exchange of information.

The organization of the management system ensures direct reporting of the key functions as well as the right of access to the information resource and all employees of the persons performing key control functions.

At this time, communication is through emails to interested employees, and group mails are used when it comes to all staff.

The Eurohold structure has an archive system with employee access levels.

In this way, every interested employee gets the necessary information.

### Remuneration, social benefits, and other motivating factors

One of the Group's main goals is to retain high-quality employees, so we strive to apply an adequate and timely assessment.

The Group uses working tools to identify employees' expectations regarding the factors that motivate them.

- Besides the good remuneration for the employees, it is of great importance the



A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

approval of the work they get from their managers.

- ▶ Companies are trying to keep employees feeling that they are important and belong to a common purpose community.
- ▶ At all levels, continuous improvement is being done to improve working conditions, which also includes the opportunities for social contacts, the employer's understanding of personal engagements and problems.
- ▶ Companies provide additional social benefits to their employees, some being common to all companies, others are specific to one of the companies at the discretion of the management.

The social benefits received by employees are in the form of:

- vouchers for food worth BGN 60;
- additional health insurance;
- discounts on the use of products and services offered by companies in the group;
- discount at the gourmet restaurant at the headquarters for food payment;
- organized annual prophylactic examinations in specialized medical centers;
- organizing during the summer vacation months of a summer daycare room for the employees' children;
- and others.

Social benefits are an important tool for motivating employees to help their employees and their families.

- ▶ **Healthy and safe environment.** Healthy and safe working conditions are a priority of the campaign.
- ▶ Investing in quality equipment, constantly improving dynamic office culture, healthy and safe work environment.
- ▶ All companies have concluded contracts with specialized foreign companies, which carry out inspections and give instructions according to the Health and Safety at Work Act (HSWA).

### Healthy and safe environment.

The Group strives to provide the most good and safe working conditions.

To achieve this, companies comply with all legal provisions relating to the protection of the health and safety of employees by maintaining procedures and policies for that purpose.

The manuals encourage employees in the proactive attitude towards protecting safety and maintaining a healthy working environment.

### Measuring parameters

Important statistics that the Group companies maintain and observe about employees.

- ▶ In 2017 at the Group level there are no employees dismissed due to corruption or other abuses.
- ▶ There are no accidents at work.
- ▶ No complaints have been received on labor law matters.

## 13.3. SUPPLIERS

The companies in the Eurohold structure carry out business operations with many and diverse suppliers.

The procedures for selecting partners that the Group applies are guided by its core principles of fairness, transparency and, of course, objective evaluation criteria such as price, quality, regular supplies, previous experience, etc.

Companies are admitted and adhered to Rules for Assessment, Conclusion, Registration, Storage and Control of Contracts.

These rules define the terms and conditions for the conclusion, the way of registration, storage, control over the performance and evaluation of outsourcing service contracts for their qualification as contracts for the transfer of activities in order to comply with and implement "Policy for the transfer of activities to external contractors."

The procedures for selection and evaluation of suppliers are carried out with full transparency and objective criteria - price, quality, regular deliveries, previous experience, etc., observing and observing local and European regulations on transfer of business.

When selecting suppliers, priority is given to those who respect the environmental and social responsibility principles adopted by the group.

### 13.4. Protection of the environment

Eurohold considers its support for policies related to environmental protection and development as part of the Group's important activities.

The pursuit is through various practices in this direction and to contribute daily, monthly and annually to the improvement of the world and the nature in which we live.

All employees of the company know and engage in various activities in this area and have the opportunity to offer new initiatives. With regard to environmental policies, the company has developed different systems to support them.

Different practices related to environmental protection are applied daily to the Group companies, such as:

- ▶ Saving paper used in the office using copiers that identify each employee and collect statistical information about the paper and toner it consumes;
- ▶ On each floor in the business building of Eurohold, where the central offices of all companies are located, are containers for separate collection of paper;
- ▶ The group offers its customers the opportunity to refuse to issue a paper invoice.
- ▶ Even the leasing group committed this campaign to launching the project "The mouse will return the booklet", with the idea that the reduced cost of issuing invoices be returned to society in the form of children's books;
- ▶ Promoting the use of electronic means of communication in day-to-day operations of the company and minimizing paper documents;
- ▶ Eurolease Auto has developed a "My Leasing" client module through which end-users can see all the leased contract documents at any time;

- ▶ The Eurohold business building is equipped with drinking water purification machines, which significantly reduce the consumption of plastic bottles with water;
- ▶ Use of biodegradable materials in automotive companies;
- ▶ Auto Union companies have signed contracts with specialized companies for the recycling of packaging and used engine oils.;
- ▶ In order to minimize the waste of resources and reduce electricity consumption, Eurohold maintains regular maintenance and regularly prevents all of its heating, ventilation and air conditioning systems in the business building, and for better and more professional management has concluded contract on all maintenance activities of the building stock with a specialized company in the field of investment property management.

As companies operating in the field of services, the greatest attention is paid to reducing the use of paper and its separate collection.

With these practices, the Group supports the negative effects of deforestation, which in turn leads to the extinction of various plant and animal species, erosion and soil destruction, drop in groundwater levels, atmospheric pollution with substances produced in paper production.

For Eurohold and its subsidiaries and companies, the conservation of natural resources is important, therefore encourages employees to reduce paper waste. For this purpose, in the short term, the idea is to introduce fully separate waste collection and to introduce rules for their regulation.

For this purpose, in the short term, the idea is to introduce fully separate waste collection and to introduce rules for their regulation.

The Holding undertakes to continuously monitor, evaluate and optimize its environmental performance and strictly comply with all local, national and international legislation requirements

### 13.5. ABOUT THE SOCIETY

The Eurohold Group is firmly convinced that the growth and long-term sustainability of the business are strongly linked to the overall well-being and development of the community in which it operates.

The Corporate Social Responsibility and Sustainability Strategy reflects our mission, vision and values.

All companies in the Group support various public causes, but the most active are the insurance company.

#### EUROINS AD

In the field of Corporate Social Responsibility, IC Euroins AD remains active and demonstrates its dedication and responsible behavior to the benefit of its clients, employees, partners and society as a whole. The company continues its long-term projects and has continuously launched new initiatives to improve the welfare of the society and the future of the country.

The Company believes that not only the achievement of positive financial results is important, but also the attitude of the Euroins AD to all the problems of the people, the contribution to different spheres of the public life, which contributes to sustainable development and well-being.

Euroins AD and its representatives are actively involved in local and foreign initiatives related to the enhancement of the financial culture, more road safety, sports events and activities for a healthier way of life and others.

Part of the initiatives of the Insurance Company Euroins AD in the reporting year 2017 are:

#### **Causes and Campaigns**

- ❖ Every day, as a result of catastrophes and health problems, hundreds of people in Bulgaria have a life-saving need for blood and blood products that are only available through blood donation.
- ❖ For this reason, in 2017, for the 8th consecutive year, two "Thank you" campaigns were organized in the

Company for the promotion of blood donation among the employees with the cooperation of the Bulgarian Blood Donor Alliance and the National Center for Transfusion Hematology.

- ❖ Through it, it is once again demonstrated the commitment of the Company and the employees to socially responsible causes ;
- ❖ As a result of the demographic crisis and the aging population in Bulgaria, the number of lonely, elderly people increases each year.
- ❖ For a consecutive year, Euroins AD supports the national campaign aimed at helping lonely, elderly people "Easter for Everyone" under the patronage of the Ombudsman of the Republic of
- ❖ Bulgaria - Maya Manolova;
- ❖ Good relations are maintained with the National Foundation "Sveti Nikola", which donates funds every year and supports orphans with severe physical disabilities, mainly from the region of Northern Bulgaria;
- ❖ The company has actively participated in the national campaign "3500 Lives" organized by the International Automobile Association FIA and the Union of Bulgarian Motorists (SBA) by distributing posters in all the offices of the Company in the country

#### **Sport**

- ❖ Euroins AD supports fruitful cooperation for many years and supports many sports clubs, some of which are:
- ❖ "Bulgarian ski club of journalists" - participation in the national and world skiing championship for journalists;
- ❖ Vitosha Alpine Club Association - organizer of the tour "Tour of Vitosha - 100 km";
- ❖ At the Marek Union Ivconi Oleibol Club - town of
- ❖ Dupniza;
- ❖ Bulgarian Triathlon Federation - organizer of the European Triathlon Championship for Adolescents and Girls;
- ❖ The organizers of the Championship of Applied Cycling in town of
- ❖ Yambol under the heading "Youth for Traffic Safety";
- ❖ Bulgarian Tennis Federation - organizers of the world tennis tournament ATP 250;

- ❖ "Trail System" Association - "White Avalanche - Ski, Bike & Surf" for participation in the World Frisbee Ski Championships for Adolescents in Fiberbrunn, Austria;
- ❖ many others.

### Society

- ❖ The company is a long-time partner and supports the National Commercial Banking High School - Sofia, the organizers of the Summer Children's Camp "Art Vacations of Vitosha" - "Music Play".
- ❖ Euroins AD is a partner of 24 Hours newspaper in a public debate entitled "For 100 more lives".
- ❖ Representatives of the Company took an active part in the debate.
- ❖ The main focus of the discussion was the new drivers' sanctions, adopted at the end of 2016, driving after drinking, driving without a license, speeding or participating in races.
- ❖ IC Euroins AD was a partner in a conference, organized by Centio company on "Cyber Safety".
- ❖ At the conference, a representative of the Company spoke to the audience about the benefits the product provides to the Euroins AD - Cyber Insurance.
- ❖ Close contacts are maintained with the Bulgarian Public Relations Association, the Union of Bulgarian Motorists, the Vassilevi Automobile School - organizers of the mission safety karate competition, the television education program "Consumer basket" - BNT 2 and others.
- ❖ The company, together with Postbank, hosted the annual meeting of financial PR specialists.
- ❖ The company was the official insurer of BDVO Summer Camp 2017 IP of the Wing Comb, along with Postbank and Medical University of Varna.
- ❖ In October 2010 Euroins AD took part in the competition "Insurers for the Society 2017", organized by Bulgarian Association of Insurance Brokers and ABZ, where it won second place with its cause for assistance to orphans with severe physical disabilities from the town of Veliko Tarnovo.
- ❖ In the same month, a team of employees of the Company took part in the "Safety Mission" road safety charity organized by Vassilevi Motorcycle in favor of Holiday Heroes, who donated the funds raised

during the Christmas holidays of families in need.

- ❖ Mission Safety won first prize at the annual Road Safety Awards organized by the Road Safety Awards 2017 Foundation.
- ❖ This year, funds were earmarked for printing the book by Miroslav Mindov "Everything in Life is a Theater".

### Other initiatives that the Company has supported over the years are:

- ❖ the international music festival "Bohemi" Bansko and Bansko Beat,
- ❖ ONE LOVE musical tour - under the slogan "One Love across Borders" takes place on the territory of Bulgaria and Republic of Macedonia,
- ❖ National cinema festival for cinematography "The Golden Eye" in the town of Popovo.
- ❖ Car race "Crazy Race" under the slogan "Stop aggression on the roads - Become one of us!",
- ❖ "Annual Road Safety Awards", organized by the Foundation "Annual awards for road safety", initiative "Mission Protect Your Home", organized by Bulgarian Association of Insurance Brokers, insurers, BRC and Fire Safety Region Sredets, as well as Sredets Municipality,
- ❖ <http://nagradi.org/>
- ❖ "B2b Media Annual Awards" for Best Entrepreneurs, Most Innovative Companies, Most Creative Corporate Offices, and Socially Responsible Campaigns Using Innovative Thinking.

### Euroins Bulgaria - initiatives in Greece

#### SPORT

- ❖ Main Sponsors of Christ and Zafiris Volikakis (brothers), who are Greek champions in cycling. Donation of uniforms with our logo on them plus economic support for cycling races. They are preparing for TOKYO 2020.
- ❖ Main Sponsors of Panagiotis Paraskevopoulos. He is the first Greek Driver of Disabled Racing Driver (Go-Kart Racing Driver).
- ❖ He competes with physically normal drivers by using his hands instead of his feet.
- ❖ He is also chair of the Association for People with Special Needs in Argolida, Greece.
- ❖ Sponsors of the football team P.A.S.A. Irodotos in Alikarnassos, Crete Island.

Our logo is present on both the uniforms and the playing field. Sponsors of the basketball team for girls, Sporting, based in Athens, Greece. Our logo is present on both the uniforms and the basketball court.

- ❖ Sponsors of the local football team on the island of Evia "A.O. Koskinon".
- ❖ Donation of 50% of the total cost of their uniforms with our logo on them.

## HEALTH

Donation of medical equipment at the hospital of Vardas (Vouprasia, Peloponnese, Greece). We support Patras Hospice (for sick people) by providing financial support according to their proven needs.

We also financially support the Cancer Center in Northern Greece.

**PREVENTION:** The donation of alcohol troopers in the traffic police departments in Greece.

In particular, on the island of Crete, Argolis, Patras and Thessaloniki.

The aim is to be an active part of the prevention of car accidents due to drunkenness.

## EDUCATION:

Complete restoration of the school in Tolo, Primary School:

the basketball court is reconstructed and the rest of the yard is equipped with outdoor play facilities available to all children of all ages.

It is also a donated and integrated microphone installation, and fifteen benches for students have also been purchased.

A donation of computers was also made, which led to the creation of a special computer training room.

Donation from a professional photocopy RICOH MP 2800 at the 1st Professional School in Kerassini (Piraeus, Athens) along with a computer.

The school can not provide students with the school material until our company makes the donation.

## CHILDREN IN NEED

Sponsors at the "Smile of the Child" Association for Children in Need.

It is the largest association in Greece on children (supports children in poverty, violence, children with health problems and missing children).

We support the daily care department in Vrochitsa Ilia (Peloponnese), where children are in need (for various reasons).

## PEOPLE WITH SPECIAL NEEDS

Vocational Education Center Merina (Patra).

In 2017, 130 people with special needs were registered.

We are the sponsors of Merina in terms of monetary support and the insurance of the Center's bus.

Our logo is placed on the back of the bus.

## Euroins Romania Asigurare - Reasigurare SA for society

Social Responsibility of Euroins Romania Asigurare - Reasigurare is determined by care and respect for clients and society.

Company policy towards social responsibility is guided by the values, responsibility and solidarity of the company that we translate into projects aimed at the public.



The important role the company plays on the Romanian market and concerns about business development are doubled by the desire to be active in society.

In the field of Corporate Social Responsibility, Euroins Romania Asigurare - Reasigurare proves commitment and responsible behavior in favor of clients, employees, partners and society as a whole.

Euroins Romania Asigurare - Reasigurare supported various social projects, educational initiatives and cultural events and supported charitable organizations and associations that help disadvantaged children with social, physical, mental and/ or mental difficulties to reintegrate them into society.

### Public Causes and Campaigns:

#### Education event.

As part of the Global Money Week, Euroins Romania Asigurare - Reasigurare is actively committed to meeting the needs of students at Alexandru Ioan Cuza University, sharing the importance of insurance products in today's economic environment.

Thus, on March 30, 2017, under the supervision of the Romanian Financial Supervisory Authority, Euroins Romania Asigurare - Reasigurare organized a special place where all the students of the "A.Y.

Kuz" Academy received brochures and direct information from insurance specialists to expand their knowledge of the risks and to protect themselves when purchasing different types of insurance products.

As part of the Global Money Week event, Euroins Romania Asigurare - Reasigurare donated a large quantity of books to Ion Gica Primary School.

The moment is important for the school, as in recent years they have not received any new books to fill their library fund.

#### 1000 km charity challenge for the Balkans.

Balkan 1000 - charity sport event, supported by Euroins Romania Asigurare - Reasigurare. The sporting event takes place for another year, with athletes taking a distance of 1050 kilometers across Bulgaria and Romania from 29 October to 8 November.

This is a powerful charity concept that provides a platform for recruiting 7 social projects in both countries.

Promotes open-air sports as an alternative to a healthy lifestyle.

He also pays attention to environmental behavior by planting rare trees along the route.

The aim of the benevolent ultramarathon is to support three social causes - "Against Discrimination"; "For Children Deprived of Parental Care," and "About the Family Center for Premature Children and Their Parents".

The main sponsors of the event were UniCredit, Euroins Romania Asigurare - Reasigurare and Spetema Coffee.

#### Free spirit of Ruse - Giurgiu.

Regional Initiative "Free Spirit" is a unique cross-border sporting event in Romania and Bulgaria, organized by the local authorities in Giurgiu and Ruse in September.

The beginning was given to the city of Ruse and hundreds of athletes from more than 10 countries went on a march, passing 15 kilometers to the point of arrival in Giurgiu.

Every year the start of the race is an alternative to each city to give the race freshness and competitiveness.

Euroins Romania supported this cross-border sporting event, as an episode of the main sponsors and the only company presenting branded communication materials.

Every edition of the free spirit event in Giurgiu-Rousse has been a great success, attracting many professionals and lovers from Romania, Bulgaria, USA, Japan and France.

#### Continuous support for the Center for Disabled Children

Euroins is committed to maintaining Corabia Center for Social Teaching and Treatment in Bucharest, where children with disabilities are located.

Here, children with Down syndrome, ADHD and other disabilities receive specific treatment and therapy through education.

For these special children Euroins Romania makes a donation of fruits and promotional materials.



An impressive artistic and artistic show has created the children from this center with the support of their teachers.

Our team had the privilege of being invited to watch the performance and to congratulate the children for their great job.

Euroins Romania is committed to visiting children with special needs in every convenient case and to provide the necessary support.

### Euroins Ukraine

Euroins Ukraine Insurance Company in 2017 was the main sponsor of the second stage of the World Championship, under the auspices of the International Federation of Motor Vehicles (FIM), which took place from 5 to 7 May 2017, town of Chernivtsi.

It should be noted that before '25 in this city are held the first world motocross races.

The Minister of Youth and Sports of Ukraine Igor Zhdanov awarded a certificate for "Significant contribution to the development and support of motorcycling sport in Ukraine and the promotion of a healthy lifestyle" of the executive director of Euroins Ukraine - Alexander Volkov and the deputy chairman of the Managing Board Euroins Ukraine Yanko Nikolov.

### Euroins Osiguruvanie SA Skopje

It has been present on the Macedonian market for 10 years, and we have been striving all the years to contribute to the development of society and to help those social groups most in need of support.

For us, the corporate social responsibility is not a marketing tool, but a way to keep the causes we believe in.

### **SPORT**

In 2017 we continued the practice of previous years to allocate funds for the promotion of various sports.

Some of our initiatives were related to the maintenance of the Trilogy Racing Team Trilogy Club and the sponsorship of several tournaments of the best Macedonian kickboxer Dimitar Georgiev.

For the third consecutive year, we were an insurer and sponsor of the children's summer camp for handball "Kiril Lazarov", which gathers children from both Macedonia and different European countries.

In support of the development of handball in Macedonia, Euroins Insurance provided scholarships to seven children who stood out with extraordinary talent in this sport.

### **Society**

Euroins Insurance together with the Mountain Sports Club - Drachevo "Philip Chakarov" helped build a zip-line in the mountain.

We participated in a campaign to raise financial culture, together with the National Bank of the Republic of Macedonia, the Ministry of Finance and the Insurance Supervision Agency, which ended with "Financial Culture Day".

### **Other**

In recent years, Euroins employees have repeatedly participated in charity team and individual sports competitions, leading to the promotion of healthy lifestyles among our employees.

Euroins supported the ONE LOVE musical tour - entitled "One Love across Borders", which took place on the territory of Bulgaria and the Republic of Macedonia.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

## E12 CORPORATE GOVERNANCE

### IMPLEMENTATION OF CORPORATE GOVERNANCE

EUROHOLD BULGARIA ADHERES TO THE RECOMMENDATIONS GIVEN IN THE NATIONAL CORPORATE GOVERNANCE CODE (2007), WHICH IN ESSENCE FOLLOWS THE FRAMEWORK GIVEN BY THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (2004) ON INTERNATIONALLY ACCEPTED AND APPLIED PRINCIPLES OF CORPORATE GOVERNANCE. THE COMPANY IS GUIDED BY BEST PRACTICES IN CORPORATE GOVERNANCE. THE COMPANY IS LED BY THE BEST PRACTICES IN THE FIELD OF CORPORATE GOVERNANCE. GOOD CORPORATE GOVERNANCE IS A SET OF RELATIONSHIPS BETWEEN THE MANAGEMENT BODY OF THE COMPANY, ITS SHAREHOLDERS AND ALL STAKEHOLDERS - EMPLOYEES, TRADING PARTNERS, COMPANY CREDITORS, POTENTIAL FUTURE INVESTORS AND SOCIETY AS A WHOLE.

IF THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE ARE NOT, OR ARE THREATENED WITH, NOT BEING MET; THE COMPANY UNDERTAKES TO DISCLOSE TIMELY INFORMATION ABOUT THIS. THE COMPANY UNDERTAKES TO PUBLISH A STATEMENT OF GOOD CORPORATE GOVERNANCE AS PART OF THE ANNUAL ACTIVITY REPORT FOR THE RELEVANT FINANCIAL YEAR. AS A CONSEQUENCE OF THE CONSISTENT POLICY OF THE MANAGEMENT BOARD OF EUROHOLD BULGARIA AD REGARDING THE INTRODUCTION, IMPROVEMENT AND IMPROVEMENT OF THE CORPORATE GOVERNANCE, THE COMPANY HAS ESTABLISHED AND OPERATES PROCEDURES ENSURING COMPLIANCE WITH ALL THE PRINCIPLES SET OUT IN THE NATIONAL CODE OF GOOD CORPORATE GOVERNANCE. THE BOARD OF DIRECTORS IN 2011 DECIDED THAT THE COMPANY WOULD JOIN THE NATIONAL CORPORATE GOVERNANCE CODE. WITH THIS ACTION, EUROHOLD BULGARIA DECLARES ITS READINESS TO MAINTAIN AND DEVELOP THE PROCEDURES AND CORPORATE MANAGEMENT PRACTICES THAT HAVE BEEN INTRODUCED OVER THE LAST FIVE YEARS.

THE ESTABLISHED MANAGEMENT SYSTEM GUARANTEES THE SURVIVAL AND PROSPERITY OF THE COMPANY BY SETTING THE FRAMEWORK IN WHICH MANAGEMENT BODIES WORK IN THE BEST INTERESTS OF THE COMPANY IN ACCORDANCE WITH THE REASONABLE EXPECTATIONS OF ITS SHAREHOLDERS AND ALL STAKEHOLDERS. DETAILED INFORMATION ABOUT THE CORPORATE POLICY OF EUROHOLD BULGARIA AND THE PROCEDURES FOR ITS IMPLEMENTATION IS CONTAINED IN THE DECLARATION OF GOOD CORPORATE GOVERNANCE, THE STATUTES AND THE OTHER CONSTITUTIVE ACTS OF THE COMPANY.

#### Information disclosure policy

The Management Board of Eurohold Bulgaria AD treats all shareholders equally with respect to the disclosure of information.

The Company shall publish at least periodic reports and notifications of inside information within the meaning of Article 4 of the Market Abuse of Financial Instruments Act, within the terms and with content, in accordance with the requirements of the Public Offering of Securities Act.

Eurohold Bulgaria AD has signed contracts with Financial Markets Services Ltd. (the specialized financial media X3News to BSE-Sofia) for disclosure to the public, the regulated market and the FSC of the information regulated by the Public Offering of Securities Act.

The information is available at the relevant e-mail addresses of the media - [www.x3news.com](http://www.x3news.com), as well as on the corporate web site of Eurohold Bulgaria AD - [www.eurohold.bg](http://www.eurohold.bg).

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

## E13 DESCRIPTION OF THE MAIN RISKS

THIS SECTION DESCRIBES THE SPECIFIC RISK FACTORS AFFECTING THE ACTIVITY OF EUROHOLD BULGARIA AD. WHEN ANY OF THE RISKS ARISE, EVEN IN PART OR IN COMBINATION WITH OTHER RISK FACTORS OR CIRCUMSTANCES, THIS MAY HAVE A SIGNIFICANT NEGATIVE EFFECT ON THE COMPANY'S OPERATIONS, RESULTS OF OPERATIONS OR FINANCIAL POSITION. ADDITIONAL RISKS AND OTHER UNCERTAINTIES THAT ARE CURRENTLY NOT KNOWN OR DEEMED TO BE IMMATERIAL AT THE DATE OF THE ACTIVITY SCALE MAY ALSO HAVE A SIGNIFICANT ADVERSE EFFECT ON THE OPERATIONS OF EUROHOLD BULGARIA AD, THE RESULTS OF OPERATIONS OR THE FINANCIAL POSITION.

FUTURE RESULTS FROM THE OPERATION OF EUROHOLD BULGARIA MAY DIFFER MATERIALLY FROM HISTORICAL RESULTS AS A CONSEQUENCE OF THE OCCURRENCE OF THE DESCRIBED RISKS OR A NUMBER OF OTHER RISK FACTORS

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*The risk can be both a threat to the financial health of the company and an opportunity to achieve a competitive advantage.*

*The risk is an unwanted deviation of the results of an event from the initial expectations.*

*The risks are divided into two main groups - **non-systematic** (diversifiable) and **systematic** (non-diversifiable).*

Types of risks	Risk description
<b>1. Systematic risks</b>	
<b>Macroeconomic risk</b>	<p>The macroeconomic situation and the economic growth in Bulgaria, Romania, 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.</p> <p>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.</p> <p>Macroeconomic risks include:</p> <p>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.</p>
<b>Political risk</b>	<p>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.</p> <p>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.</p> <p>Other factors related to this risk are the possible legislative changes concerning the economic and investment climate in the country.</p> <p>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.</p> <p>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.</p>
<b>Unemployment</b>	<p>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.</p> <p>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.</p>

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

	<p>According to recent NSI data, the unemployment rate in the country for the fourth quarter of 2017 is 5.6% or by 1.1 percentage points lower than in the fourth quarter of 2016. The number of people without work equals 189.3 thousand people or a decrease in the number of unemployed persons by 11.9% compared to the fourth quarter of 2016. Of all unemployed, 16.8% have higher education, 48.0% - with an average, and 35.2% - with basic or lower education. Unemployment rates by degree of education are respectively 3.1% for higher education, 4.7% for secondary education and 16.6% for primary and lower education.</p> <p><b>Source:</b> <a href="http://www.nsi.bg">www.nsi.bg</a></p>
<b>Credit risk of the country</b>	<p>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. In December 2017, the rating agency Fitch Ratings confirmed the outlook for Bulgaria's credit rating as stable. The agency raised Bulgaria's long-term credit rating "BBB" from "BBB" in foreign and domestic currency and confirmed the top country's rating "BBB +" as well as the short-term credit rating in foreign and local currency "F2". Reinforcing the outlook as stable reflects Fitch Ratings' assessment that the performance indicators of the Bulgarian foreign sector have improved significantly. On December 1, 2017, S &amp; P Global Ratings rated the prospect of Bulgaria's credit rating as stable. At the same time, the agency raised the long-term and short-term credit ratings in foreign and local currency "BBB- / A-3". The increased outlook for Bulgaria's credit rating reflects the expectations of S &amp; P Global Ratings that fiscal and external indicators will continue to improve and that 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.</p> <p><b>Source:</b> <a href="http://www.minfin.bg">www.minfin.bg</a></p>
<b>Inflation risk</b>	<p>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 may affect the amount of the Issuer's costs as part 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.</p>
<b>Currency Risk</b>	<p>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 Issuer. 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.</p>
<b>Interest rate risk</b>	<p>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 Issuer finances its activity. This risk can be managed through balanced use of different sources of financial resource.</p>

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

	<p>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.</p> <p>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.</p> <p>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.</p>
<b>Newly Emerging Markets</b>	<p>Investors on the emerging markets, such as Bulgaria, should be aware that these markets are at greater risk than those in more developed markets.</p> <p>Additionally, unfavorable political or economic developments in other countries could have a significant negative impact on Bulgaria's GDP, its foreign trade and the economy as a whole.</p> <p>Investors should pay particular attention to assessing existing risks and must decide whether, in the presence of these risks, investing in Eurohold Bulgaria AD shares is appropriate for them.</p>
<b>Risks related to regulatory changes</b>	<p>The results of the Issuer can be influenced by changes in the legal framework.</p> <p>The possibility of more radical changes in the regulatory framework in Bulgaria may have an adverse effect on the activities of Eurohold Bulgaria AD as a whole, its operating results as well as its financial position</p>
<b>2. Unsystematic risks</b>	
<b>Risks related to the activity and structure of the Eurohold Bulgaria AD</b>	<p>Eurohold Bulgaria AD is a holding company and an eventual worsening of operating results, financial position and perspectives for development of its subsidiaries might have a negative effect on the operating results and the financial position of the company.</p> <p>As far as the activity of the Issuer 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.</p> <p>The companies in the group of Eurohold Bulgaria operate in the following sectors: Insurance, leasing, car sales and investment intermediation.</p> <p>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 in the dividends received.</p> <p>In this regard, this might influence the growth of company revenue, as well as the change in profitability.</p> <p>Deteriorated results of one or more subsidiaries could lead to a deterioration of the results on a consolidated basis.</p> <p>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.</p>
<b>Risks related to the development strategy of Eurohold Bulgaria AD</b>	<p>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.</p> <p>The choice of inappropriate strategy may lead to significant losses.</p> <p>Eurohold Bulgaria AD tries to manage the risk of strategic errors through continuous monitoring of the different stages upon implementation of its marketing strategy and the results thereof.</p> <p>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.</p> <p>Untimely or inappropriate changes in the strategy can also have a considerable negative effect on the activity of the company, its operating results and financial position.</p>
<b>Risks related to the management of Eurohold Bulgaria AD</b>	<p>The risks related to the management of the company are the following:</p> <ul style="list-style-type: none"> <li>• 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 Issuer;</li> <li>• inability of the management to start the implementation of the projects planned or lack of suitable management for specific projects;</li> <li>• possible technical errors in the unified management information system;</li> <li>• possible errors in the internal control system;</li> <li>• key employees leaving the company and inability to employ personnel with the necessary qualities;</li> <li>• risk of excessive increase in the expenses for management and administration, which leads to a decrease in the total profitability of the company.</li> </ul>
<b>Risks related to recruiting</b>	<p>Given the problems observed in the last years in the educational system in Bulgaria and as a result of this - insufficiently qualified staff, many sectors of the national economy suffer from shortages of qualified staff.</p>

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

<b>and retaining qualified staff</b>	<p>The demographic crisis in the country - an aging population and a low birth rate - also has an additional impact.</p> <p>As a result of these and other factors, competition between employers is very serious.</p> <p>The business of Eurohold Bulgaria AD is highly dependent on the contribution of a number of persons, members of the management and supervisory bodies, senior and middle management managers of the parent company and the subsidiaries of the main business lines.</p> <p>There is no certainty that these key employees will continue to work in Eurohold for the future.</p> <p>The success of the company will also be relevant to its ability to retain and motivate these individuals.</p> <p>The inability of the company to maintain sufficient experienced and qualified staff for management, operational and technical positions may have an adverse effect on the activities of the economic group as a whole, its operating results, as well as its financial condition.</p>
<b>Risks associated with future acquisitions and their integration in the structure</b>	<p>Currently, the economic group of Eurohold Bulgaria PLC is operating mainly in Bulgaria and other countries such as Romania, Macedonia and Ukraine, through acquisitions of companies and assets. Eurohold's growth strategy is to keep these acquisitions further.</p> <p>The Group intends to implement a strategy for identifying and acquiring businesses, companies and assets with a view to expanding its operations.</p> <p>The risk for Eurohold is the uncertainty as to whether it will succeed and in the future identify the appropriate acquisition and investment opportunities.</p> <p>On the other hand, there is uncertainty as to the evaluation of the profitability of future asset acquisitions and whether they will lead to comparable results with the investments made so far.</p> <p>Also, acquisitions and investments are subject to a number of risks, including possible adverse effects on business performance as a whole, unforeseen events as well as obligations and difficulties in integrating activities.</p>
<b>Financial risk</b>	<p>The financial risk is the additional uncertainty with regard to the investor in obtaining income, when the company uses borrowed or borrowed funds.</p> <p>This additional financial insecurity adds to the business risk.</p> <p>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.</p>
<b>Liquidity Risk</b>	<p>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.</p> <p>The presence of good financial indicators of profitability and capitalization of a certain company does not guarantee the smooth coverage of current payments.</p> <p>Liquidity risk might occur in case of late customer payments.</p> <p>Eurohold Bulgaria AD strives to minimize this risk through optimal cash flow management within the group itself.</p> <p>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.</p> <p>Eurohold's management policy is geared to raising financial resources from the market in the form of mainly equity and debt securities (bonds) to invest in its subsidiaries in the form of loans or capital increases theirs.</p>
<b>Market Risk</b>	<p>Market risk is the risk of reducing the value of an investment influenced by current market conditions. Market risk can be determined as being due to macroeconomic factors and involves shares such as interest rate risk, currency risk and the risk of changing inflation rates.</p> <p>For Eurohold Bulgaria AD the market risk is related to the possibility of lowering the price of traded financial instruments.</p>
<b>Credit Risk</b>	<p>This is the risk arising from the company's inability to meet its liabilities on attracted funds.</p> <p>It is related to an untimely, partial or total failure to pay interest and principal on its borrowed funds.</p> <p>Credit risk is also the risk that a counterparty will not pay its liability to the Company.</p> <p>In this regard, the strict financial policies and control systems established by the management team of Eurohold Bulgaria act as preventive measures against the reduction of this rating and in favor of maintaining the current interest rates, on the basis of which the Company finances its activity.</p>
<b>Risk of concentration</b>	<p>There is a risk of concentration that represents the Company's ability to suffer a loss due to the concentration of financial resources in the business sector or related parties.</p> <p>This risk is expressed in the possibility that the invested funds will not be fully recovered due to a recession in the business invested.</p>



A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

<b>Currency Risk</b>	<p>Eurohold Bulgaria AD operates mainly in Bulgaria, Romania, Macedonia and Ukraine, with each country except Bulgaria having a freely convertible currency whose relative price to other currencies is determined by the free financial markets.</p> <p>In Bulgaria, since 1997 the local currency has been fixed to the Euro.</p> <p>Abrupt change in macro-framework of any of the countries, where the Eurohold actively pursues business opportunities, may have a negative effect on its consolidated results.</p> <p>Ultimately, however, Company reports its consolidated financial results in Bulgarian leva (BGN), whose exchange rate is fixed to the Euro, which also changes its value against other global currencies, but is significantly less exposed to drastic fluctuations.</p>
<b>Interest rate risk</b>	<p>Raising interest rates, on an equal basis, would affect the cost of the financial resource used by the Issuer in the execution of various business projects.</p> <p>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.</p>
<b>Risk related to investment in securities</b>	<p>When a natural or legal person invests in the shares of a particular company, it inevitably assumes the risk of a possible collapse in the value of those shares.</p> <p>To a large extent, this depends on the management models and long-term goals and plans of the offering securities company.</p> <p>The minimization of this risk also depends on the level of diversification of the securities portfolio held by investors.</p> <p>A negative fact for the shareholders when a company is liquidated is that they rank among the last persons entitled to a share of residual assets.</p> <p>In this list, lenders, including bondholders, are in the first place in the presence of an issued bond.</p> <p>A negative effect may also arise due to the cyclical nature of the market, especially when stocks have held a relatively high value for a long time and as a rule a price collapse is expected, which is not subject to correction by the issuers.</p> <p>Eurohold Bulgaria AD makes every possible effort for the efficient and efficient financial management of its subsidiaries in order to preserve the current or increase of the price of its shares, which are traded on the regulated markets of the BSE-Sofia and the Warsaw Stock Exchange.</p> <p>These efforts are related to, but not limited to, the recruitment and motivation of a highly qualified management team and the organization of regular meetings for evaluation and control of key employees and the results of their work.</p> <p>It can be concluded that the higher risk of investing in shares leads to higher potential return, which is also one of the main rules in the economy.</p>
<b>Risks related to the holding structure of the Issuer</b>	<p>As far as the activity of the Eurohold Bulgaria AD 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.</p> <p>The impact of the individual risks is proportional to the share of the respective sector in the structure of Eurohold's long-term investment portfolio.</p> <p>Eurohold's core activities are carried out through its subsidiaries, which means that its financial results are directly related to the financial performance and the development of the subsidiaries.</p> <p>Poor performance of one or more subsidiaries could lead to a deterioration of the results on a consolidated basis.</p> <p>This in turn is also related to the price of Eurohold shares, which may change as a result of investors' expectations about the company's prospects.</p> <p>The presence of companies in the portfolio whose net proceeds from sales are also formed by products sold to other subsidiaries puts the effectiveness of their business in direct relationship with the level of profitability of the related clients, which may negatively affect the profitability of the whole group.</p>
<b>Risk of possible realization of transactions between the companies in the Group, whose conditions differ than the market conditions, as</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>On a consolidated level, this might have a negative impact on the profitability of the whole group.</p> <p>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.</p>

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	<b>E - Consolidated management report</b>	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	---	---	--

well as risk of co-dependence from the activity of the subsidiaries.

All transactions with related parties are made under conditions which do not differ from the usual market prices and in compliance with IAS 24.

#### MANAGEMENT AND RISK MINIMIZATION MECHANISMS

The elements which define the framework for management of the different risks are directly related to specific procedures for timely prevention and settlement of possible difficulties in the operations of Eurohold Bulgaria AD.

They include current analysis of the following:

- market share, pricing policy, marketing surveys and studies of the development of the market and the market share;
- active management of investments in the different industry sectors;
- comprehensive management policy for the assets and liabilities of the company in order to optimize the structure, quality and return of the company assets;
- optimization of the structure of the borrowings in order to guarantee liquidity and decrease the financial expenses of the company;
- effective cash flow management;
- optimization of the costs for administration, management and external services;
- human resource management.

The occurrence of unexpected events, the incorrect assessment of current trends, as well as many other micro and macroeconomic factors might influence the judgment of the company's management.

The only way to handle this risk is through working with professionals with many years of experience, as well maintaining complete and current data base about the development and the tendencies on the market in these areas.

## ***E14 ADDITIONAL INFORMATION, LEGAL REQUIREMENTS FOR THE COMPANY***

THIS SECTION CONTAINS ADDITIONAL INFORMATION IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMMERCIAL ACT AND APPENDIX 10 OF ORDINANCE NO. 2 OF FSC AND WHICH INFORMATION HAS NOT BEEN DISCLOSED IN THIS REPORT

### **I. Information pursuant to Art. 247 of the Commercial Act**

#### **1. Number and nominal value of the acquired and transferred during the year own shares, the part of the capital they represent, as well as price for the acquisition or the transfer**

As at 31.12.2017, 77 387 shares of Eurohold Bulgaria AD are held by the Eurohold Group companies (as of 31.12.2016 – 2 946 813 shares).

The shares were acquired in the period 2014 - 2015 with the average acquisition price being BGN 0.961.

#### **2. Pledge of enterprise**

Until now, the Company has not transferred or pledged its enterprise, has not acquired and has not disposed of assets of significant value outside the Company's usual course of business.

#### **3. Information about the insolvency proceedings**

The Company is not aware of any claims filed for initiating an insolvency procedure against it or against any of its subsidiaries.

#### **4. Number and nominal value of own shares and the part of the capital they represent**

The Company does not own any own shares.

#### **5. Information on the amount of remuneration of each of the members of the management and of the management the control authorities for the reporting financial year, paid by Eurohold Bulgaria and its subsidiaries.**

In 2017 the members of the management and supervisory bodies received the following gross remuneration from Eurohold Bulgaria and its subsidiaries as follows:

Remuneration received from the members of the SB and the MB for 2017	by Eurohold Bulgaria AD	from subsidiaries	TOTAL
<b>Supervisory Board</b>	<b>21 840</b>	<b>700 191</b>	<b>722 031</b>
Assen Hristov	14 640	-	14 640
Dimitar Dimitrov	7 200	-	7 200
Radi Georgiev	-	-	-
Kustaa Äimä	-	-	-
Lyubomir Stoev	-	-	-
Supervisory Board in general	-	700 191	700 191
<b>Management Board</b>	<b>168 000</b>	<b>966 289</b>	<b>1,134 289</b>
Kiril Boshov	24 000	-	24 000
Asen Minchev	84 000	-	84 000
Dimitar K. Dimitrov	48 000	-	48 000
Velislav Hristov	-	-	-
Asen Asenov	12 000	-	12 000
Razvan Lefter	-	-	-
Management Board in general	-	966 289	966 289
<b>Procurator</b>	<b>12 720</b>	<b>-</b>	<b>12 720</b>
Hristo Stoev	12 720	-	12 720

The members of the supervisory and management bodies and the procurator have not received any remunerations and/ or compensations in kind during the specified period.

Eurohold Bulgaria, as well as its subsidiaries, do not allocate amounts for the payment of pensions, retirement compensation or other similar benefits to the members of the

management and supervisory bodies. The members of the Management and Supervisory Boards are appointed under a management and control contract. Current contracts of the members of the management and supervisory bodies with the Company are effective until the termination of service.

## 6. Company shares owned by members of the Management and Supervisory Board

As of December 31, 2017, the members of the Management and Supervisory Board and Procurator of the Company hold shares in the capital of Eurohold Bulgaria as follows:

Name	Number of shares
<b>Supervisory Board</b>	<b>200</b>
Assen Hristov	-
Dimitar Dimitrov	200
Radi Georgiev	-
Kustaa Äimä	-
Lyubomir Stoev	-
<b>Management Board</b>	<b>78 200</b>
Kiril Boshov	-
Asen Minchev	-
Dimitar K. Dimitrov	-
Velislav Hristov	200
Asen Asenov	78 000
Razvan Lefter	-
<b>Procurator</b>	<b>-</b>
Hristo Stoev	-

There are no options to acquire shares from the company in favor of the management bodies and procurator of the company, employees or third parties.

## 7. Rights of the members of the boards to acquire shares and bonds of the Company

As of the date of preparation of this document, no agreements or other arrangements have been reached with the employees of Eurohold Bulgaria for their participation in the capital of the company.

The members of the Management Board and the Procurator of the company may acquire freely the shares of the capital as well as the bonds of the company on a regulated securities market in compliance with the provisions of the Law on the Application of Measures against Market Abuse with Financial Instruments and the applicable European regulation, and the Public Offering of Securities Act.

As of 31.12.2017. and at the date of this report, the members of the MB and the SB do not hold bonds issued by the company.

No options for acquisition of Company's shares have been issued in favor of the management and supervisory bodies' members, employees or third parties.

## 8. Information about the participation of the board members in companies as unlimited liability partners, owning more than 25 per cent of the capital of another company, as well as their participation in the management of other companies or partnerships as procurators, managers or board members

Eurohold Bulgaria AD has a two-tier management system - the Supervisory Board and the Management Board.

As of 31.12.2017 The Supervisory Board is composed of five individuals: Asen Milkov Hristov, Dimitar Stoyanov Dimitrov, Radi Georgiev Georgiev, Kusta Lauri Aima and Lyubomir Hristov Stoev.

As of 31.12.2017. The Management Board of the company is composed of six natural persons: Kiril Ivanov Boshov, Asen Minchev, Velislav Milkov Hristov, Asen Emanuilov Assenov, Dimitar Kirilov Dimitrov and Razvan Stefan Lefter.

On 10.02.2016 a procurator of the company Hristo Lyubomirov Stoev was registered.

Executive members of the company are Asen Minchev Minchev and Chairman of the Board of Directors Kiril Ivanov Boshov.

From 1 March 2016 the company is represented only together by an executive member of the management board and the procurator of the company Hristo Lyubomirov Stoev.

There are established family relationships between the members of the Management and the Supervisory Board. Asen Hristov and Velislav Hristov are relatives of second degree in collateral line (brothers).

There are established family relations between the member of the Supervisory Board Lyubomir Stoev and the procurator Hristo Stoev, among whom there is a first-degree lineage (father and son).

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

The activity of the company is not dependent

on the individual professional experience or qualifications of other employees.

### Supervisory Board

<b>Name</b>	<b>Asen Milkov Hristov</b>
<b>Title</b>	<b>Chairman of the Supervisory Board</b>
<b>Office address</b>	City of Sofia, 43 Hristofor Kolumb blvd.
<b>Information about activities performed outside of the company, which are of importance to the Issuer.</b>	<ul style="list-style-type: none"> <li>◆ Avto Union AD – Chairman of the Board of Directors;</li> <li>◆ Euroins Insurance AD Macedonia – Chairman of the Board of Directors;</li> <li>◆ Euroins Romania Asigurare Reasigurare S.A. – Member of the Board of Directors;</li> <li>◆ Euroins Insurance Group AD – Chairman of the Board of directors;</li> <li>◆ Euro-Finance AD – Chairman of the Board of Directors;</li> <li>◆ Starcom Holding AD – Executive member of the Board of Directors.</li> </ul>
<b>Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ Alfa Euroactive EOOD – Sole owner of the capital and Manager;</li> <li>◆ Starcom Hold AD – Executive member of the Board of Directors;</li> <li>◆ Formoplast 98 AD – Chairman of the Board of Directors.</li> </ul> <p>Terminated:</p> <ul style="list-style-type: none"> <li>◆ Autoplaza EAD – Member of the Board of Directors until January 28, 2013, as at the date of the activity report the person is not a member of the Board of Directors;</li> <li>◆ Eurohold Properties EAD (now Green House Properties AD) – Chairman of the Board of Directors until 16.12.2013, as at the date of the activity report the person is not Chairman of the Board of Directors;</li> <li>◆ Balkan International Basketball League OOD – Manager and partner holding 50% of the capital until 17.11.2017 as at the date of the activity report the person is not a Manager and a partner holding 50% of the capital;</li> <li>◆ BULSTAR INVESTMENT AD – Chairman of the Board of Directors until 17.08.2015, as at the date of the activity report the person is not Chairman of the Board of Directors;</li> <li>◆ Corporate Advisors EOOD – Sole owner of the capital and Manager until 08.02.2013, as at the date of the activity report the person is not Sole proprietor of the capital and Manager;</li> <li>◆ Smartnet EAD – Chairman of the Board of Directors until 03.11.2015, as at the date of the activity report the person is not Chairman of the Board of Directors;</li> </ul>
<b>Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years</b>	As of the date of preparation of this activity report, there is no information about insolvency, receivership or liquidation, with which the person in his capacity of a member of a management or supervisory body was connected in the last 5 years.
<b>Relative professional experience</b>	<p>Assen Hristov holds a master's degree in Physics from Sofia University St. Kliment Ohridski and has specialized in the Institute for Nuclear Research in Dubno, Russia. He has a specialization in Management in Open University – London. Speaks Russian and English.</p> <p>Assen Hristov has occupied the above managerial positions during different periods within the last 5 years. He held the position of Chairman of the Board of Directors of Eurobank AD between 1997 and 2000 and was a representative of the Supervisory Board of Euroins AD since 2000 and 2007 of the investment intermediary Euro-Finance AD, as it is today.</p>
<b>Coercive administrative measures and punishments</b>	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency procedures or receivership; he has not been deprived of any right by a court to participate in the administrative, management or supervisory bodies of an issuer or to perform positions in the management or performance of an issuer's business, has not been officially criminalized and sanctioned by law and regulators, including certain professional bodies.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

<b>Name</b>	<b>Dimitar Stoyanov Dimitrov</b>
<b>Title</b>	<b>Deputy Chairman of the Supervisory Board</b>
<b>Office address</b>	City of Sofia, 43 Hristofor Kolumb blvd.
<b>Information about activities performed outside of the company, which are of importance to the Issuer.</b>	<ul style="list-style-type: none"> <li>◆ IC Euroins AD - Procurator.</li> </ul>
<b>Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ Evrologistic Technologies EOOD - Manager;</li> <li>◆ Cable Network AD - Executive Director;</li> <li>◆ Creative Software Solutions EOOD - Manager and Sole proprietor of the capital;</li> <li>◆ Starcom Hold AD - Member of the Board of Directors.</li> </ul> <p>Terminated:</p> <ul style="list-style-type: none"> <li>◆ Alcomers Ltd. - Manager until 25.01.2018, as at the date of the activity report the person is not a manager;</li> <li>◆ Zeleni EOOD (currently Ekoverna EOOD) - Sole proprietor of the capital and Manager until 27.01.2017, as at the date of the activity report the person is not the sole owner of the capital and the Manager;</li> <li>◆ Educational and Sports Complex Lozenets EOOD (currently Educational and Sports Complex Lozenets due to transformation through change of the legal form) - Manager until 05.03.2014, as at the date of the activity report the person is not a Manager;</li> <li>◆ Profonika EOOD - Manager until 05.03.2014, as at the date of the activity report the person is not a Manager;</li> <li>◆ Smartnet EAD - Executive member of the Board of Directors until 03.11.2015, as at the date of the activity report the person is not an Executive Director.</li> </ul>
<b>Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years</b>	<ul style="list-style-type: none"> <li>◆ Far Consult OOD - in liquidation - Manager and partner.</li> </ul> <p>As at the date of the activity report, the company is in liquidation.</p> <p>As of the date of preparation of this activity report, there is no other information about insolvency, receivership or liquidation, with which the person in his capacity of a member of a management or supervisory body was connected in the last 5 years.</p>
<b>Relative professional experience</b>	Dimitar Dimitrov holds a Master's degree in Electronics and Automation, Technical University of Sofia. From 1998 to 2006 he was the Executive Director of the holding company Starcom Holding AD. Since 2005 he has been a procurator of IC Euroins AD, and from 1998 to 2005 he has been director of "Information services, statistics and analyzes" in the same company.
<b>Coercive administrative measures and punishments</b>	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency procedures or receivership; he has not been deprived of any right by a court to participate in the administrative, management or supervisory bodies of an issuer or to perform positions in the management or performance of an issuer's business, has not been officially criminalized and sanctioned by law and regulators, including certain professional bodies.

<b>Name</b>	<b>Kustaa Lauri Äimä</b>
<b>Title</b>	<b>Independent member of the Supervisory Board</b>
<b>Office address</b>	Finland, city of Helsinki, Kalevankau 14C, fl. 4
<b>Information about activities performed outside of the company, which are of importance to the Issuer.</b>	As at the date of the activity report, there is no data available for any activity outside the company that is significant in relation to the company.
<b>Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ KJK Management SA - Director;</li> <li>◆ KJK Fund Sikav-Sif - Director;</li> <li>◆ KJK Fund II SICAV-SIF - Director;</li> <li>◆ KJK Capital Oy - Director;</li> <li>◆ KJK Invest Oy" - Director;</li> <li>◆ As Baltica - Director;</li> <li>◆ As Tallink Group - Director;</li> <li>◆ Oy Tallink Sillya Ab - Director;</li> <li>◆ AC PR Foods - Director;</li> <li>◆ "AS Sarmermeer Kala" - Director;</li> <li>◆ Lider 96 - Director;</li> <li>◆ KJK Inwestycje Sp. z o.o. Director;</li> </ul>



A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

	<ul style="list-style-type: none"> <li>◆ KJK Inwestycje 2 Sp. z o.o. Director;</li> <li>◆ KJK Inwestycje 3 Sp. z o.o. Director;</li> <li>◆ KJK Inwestycje 4 Sp. z o.o. Director;</li> <li>◆ KJK Inwestycje 5 Sp. z o.o. Director;</li> <li>◆ KJK Inwestycje 6 Sp. z o.o. Director;</li> <li>◆ KJK Inwestycje 7 Sp. z o.o. Director;</li> <li>◆ KJK Bulgaria Holding" OOD - manager;</li> <li>◆ Kaima Capital Oy - sole proprietor and director;</li> <li>◆ Kaima Capital Eesti Oy - Director;</li> <li>◆ Oreiarvi Varenito Oy - Director;</li> <li>◆ UAB D Investments Valdimas - Director;</li> <li>◆ Amber Trust SCA - Director;</li> <li>◆ Amber Trust II SCA- Director;</li> <li>◆ Amber Trust Menagement S.A. Director;</li> <li>◆ Amber Trust II Menagement S.A. Director;</li> <li>◆ Salva Kindlistuse AS - Director;</li> <li>◆ AAS Baltijas Apdrosijamasnams- Director;</li> <li>◆ AS Tude - Director;</li> <li>◆ Menagetrade Ou - Director;</li> <li>◆ AB Baltik Mi - Director;</li> <li>◆ UAB Malsena Plius - Director;</li> <li>◆ AD Rigas Dzirnnavniijek - Director;</li> <li>◆ Bostads AB Blacklinten - member of the Board of Directors.</li> </ul> <p><b>Terminated:</b></p> <ul style="list-style-type: none"> <li>◆ Kowinoplastyka Sp. z o.o. - member of the Supervisory Board until August 2017, as at the date of the activity report the person is not a member of the Supervisory Board;</li> <li>◆ KJK Serbian Holdings B.V. - Member of the Board of Directors until April 2017, as at the date of the activity report the person is not a member of the Board of Directors;</li> <li>◆ AS PKL - member of the Supervisory Board until December 2013, as at the date of the activity report the person is not a member of the Supervisory Board.</li> </ul>
<b>Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years</b>	As of the date of preparation of this activity report, there is no information about insolvency, receivership or liquidation, with which the person in his capacity of a member of a management or supervisory body was connected in the last 5 years.
<b>Relative professional experience</b>	In 1997, Mr. Äimä graduated from the University of Helsinki with a master's degree in economics. He started his career in 1997 as a junior economist at the Bank of Finland. From January 1998 to May 1999, he worked as a corporate financier at Bankers Williams De Broe Helsinki Oy; from May 1999 to August 2000 he was a fund manager at Bankers BBL Finland Oy and from August 2000 to February 2009 he was the fund manager and director of Danske Capital's Eastern Europe unit. From April 2002 to the present Mr Äimä is a member of the management board of Amber Trust Management SA, a company operating in the field of portfolio management. From December 2004 to the present he is a member of the management board of Amber Trust II Management SA, a portfolio management company, from December 2009 until today is the president and owner of Kaima Capital Eesti Oy, a company specializing in investment advisory and private investment services, since March 2009 until now is the president and owner of Kaima Capital Oy, which conducts activities in the field of private investment and consulting in the field of management. From 2010 to the present, Mr. Äimä is the Chairman of the Board of Directors of KJK Management SA and the General Director and a member of the Management Board of KJK Capital Oy - two companies operating in the field of general management and obtaining funds.
<b>Coercive administrative measures and punishments</b>	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency procedures or receivership; he has not been deprived of any right by a court to participate in the administrative, management or supervisory bodies of an issuer or to perform positions in the management or performance of an issuer's business, has not been officially criminalized and sanctioned by law and regulators, including certain professional bodies.
<b>Name</b>	<b>Radi Georgiev Georgiev</b>
<b>Title</b>	<b>Member of the Supervisory Board</b>
<b>Office address</b>	<b>City of Sofia, 84, Alexander Stamboliyski Blvd.</b>
<b>Information about activities performed outside of the company, which are of importance to the Issuer.</b>	<ul style="list-style-type: none"> <li>◆ IC Euroins AD – Member of the Supervisory Board;</li> <li>◆ IC EIG RE EAD (formerly named HDI Zastrahovane AD) - Member of the Supervisory Board;</li> </ul>
<b>Data for all other participations as a member of a management/ supervisory body and/or a</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ Andre Turyyo Sp. OOD - Partner with 80% of the capital;</li> <li>◆ VH Property Management Spółka OOD - A partner with 6.66% of the capital;</li> <li>◆ Loudspeakers CA EOOD - Sole proprietor of the capital;</li> <li>◆ Corporate Advisors EOOD - Sole proprietor of the capital;</li> </ul>

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
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<b>shareholder/partner in the last 5 years</b>	Terminated: ♦ Euro-Finance AD - Member of the Board of Directors until 05.10.2011, as at the date of the activity report the person is not a member of the Board of Directors.
<b>Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years</b>	As of the date of preparation of this activity report, there is no information about insolvency, receivership or liquidation, with which the person in his capacity of a member of a management or supervisory body was connected in the last 5 years.
<b>Relative professional experience</b>	Attorney at the Sofia Bar Association (since 1996), a partner in the Law Firm "Kalaidjiev and Georgiev".
<b>Coercive administrative measures and punishments</b>	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency procedures or receivership; he has not been deprived of any right by a court to participate in the administrative, management or supervisory bodies of an issuer or to perform positions in the management or performance of an issuer's business, has not been officially criminalized and sanctioned by law and regulators, including certain professional bodies.

<b>Name</b>	<b>Lyubomir Stoev</b>
<b>Title</b>	<b>Independent member of the Supervisory Board</b>
<b>Office address</b>	<b>City of City of Sofia, 10, Pop Evstati Vitoski Str.</b>
<b>Information about activities performed outside of the company, which are of importance to the Issuer.</b>	As at the date of the activity report, there is no data available for any activity outside the company that is significant in relation to the company.
<b>Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years</b>	Current: ♦ AFG Invest GmbH - Executive Director. Terminated: ♦ Dar Finance Ltd. - Manager until 13.01.2017, as at the date of the activity report the person is not a Manager; Insolvency, bankruptcy or liquidation data with which the person as a member of the management or supervisory bodies has been linked for the past 5 years
<b>Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years</b>	As of the date of preparation of this activity report, there is no information about insolvency, receivership or liquidation, with which the person in his capacity of a member of a management or supervisory body was connected in the last 5 years.
<b>Relative professional experience</b>	Mr. Stoev graduated in the University of Mining and Geology "St. Ivan Rilski", Sofia, specialty engineer. In the same year, he obtained a master's degree in sociology and economics at the University of Economics and Business Administration in Vienna. In October 2009, Mr. Stoev obtained the qualification of an adviser in the field of insurance and investment in the Deutsche Vermögensberatung AG bank in cooperation with the Generali Group and the Chamber of Commerce in Vienna. From February 2005 to December 2007, Mr. Stoev was the Executive Chairman of the company Witosha Unternehmensbeteiligung AG (part of the Uniqa Group holding). Since November 2010 to May 2012 he is a member of the Board of Directors of Expat Capital AD, responsible for the elaboration of business strategies and analyzes, risk assessment and investment opportunities and other. From December 2006 until now, Lyubomir Stoev is the Chief Executive Officer of AFG Invest GmbH, whose main activity concerns investments in commercial companies and real estates.
<b>Coercive administrative measures and punishments</b>	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency procedures or receivership; he has not been deprived of any right by a court to participate in the administrative, management or supervisory bodies of an issuer or to perform positions in the management or performance of an issuer's business, has not been officially criminalized and sanctioned by law and regulators, including certain professional bodies.

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
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## Management Board

<b>Name</b>	<b>Kiril Ivanov Boshov</b>
<b>Title</b>	<b>Chairman of the Management Board and Representative</b>
<b>Office address</b>	<b>City of Sofia, 43 Hristofor Kolumb blvd.</b>
<b>Information about activities performed outside of the company, which are of importance to the Issuer.</b>	<ul style="list-style-type: none"> <li>♦ Avto Union AD – Vice-chairman of the Board of directors;</li> <li>♦ Euroins Insurance Group AD – Executive Director;</li> <li>♦ Euroins Romania Asigurare Reasigurare S.A. – Chairman of the Board of directors;</li> <li>♦ Euroins Insurance SA, Macedonia – member of the Board of directors;</li> <li>♦ Eurolease Auto IFN S.A. Romania – member of the Board of directors;</li> <li>♦ Euro-Finance AD – Vice-chairman of the Board of directors;</li> <li>♦ N Auto Sofia EAD – member of the Board of directors</li> <li>♦ Starcom Holding AD – Chairman of the Board of Directors.</li> </ul>
<b>Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>♦ Alcommerce EOOD – Sole owner of the capital and Manager since 28.01.2018)</li> <li>♦ Armada Capital AD – Member of the Board of Directors.</li> <li>♦ Capital – 3000 AD – Chairman of the Board of directors;</li> <li>♦ Starcom Hold AD – Chairman of the Board of directors.</li> </ul> <p>Terminated:</p> <ul style="list-style-type: none"> <li>♦ "EuroAuto" Ltd. - Manager until 18.08.2015, as at the date of the activity report the person is not a Manager;</li> <li>♦ Euroins - Health Insurance EAD - Chairman of the Board of Directors until 27.06.2017, as at the date of the activity report the person is not Chairman of the Board of Directors;</li> <li>♦ Eurorom Leasing AD - Deputy Chairman of the Board of Directors until 06.12.2012, as at the date of the activity report the person is not Vice - Chairman of the Board of Directors;</li> </ul> <p>Insolvency, bankruptcy or liquidation data with which the person as a member of the management or supervisory bodies has been linked for the past 5 years</p>
<b>Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years</b>	As of the date of preparation of this activity report, there is no information about insolvency, receivership or liquidation, with which the person in his capacity of a member of a management or supervisory body was connected in the last 5 years.
<b>Relative professional experience</b>	<p>Kiril Boshov holds a master's degree in Accounting and Financial Control from the University of National and World Economy, Sofia. He speaks English and Russian.</p> <p>Between 1995 and 1997 Kiril Boshov served as Chief Accountant of Mobikom – the first mobile operator in Bulgaria, a joint company between Bulgarian Telecommunication Company and Cable and Wireless, United Kingdom. As a Vice-chairman of the Board of Directors and a procurator he has participated actively in the restructuring of the assets of Eurobank AD, a representation of the bank and direct management of the active bank operations – credit and capital markets. From 2000 to 2008 Kiril Boshov has served as a Chairman of the Management Board at Insurance Company Euroins AD and in 2006 the Association of Investors in Bulgaria gives the company the award "Company with best corporate management". In his capacity of a Chairman of the Board of Directors of Eurolease Auto AD, he has managed the activity regarding the provisioning of funding for the Company. He was in charge of the whole process for signing an International Funding Agreement between Eurolease Auto AD and Deutsche Bank AG – branch London for the amount of 200 mln. Euro.</p>
<b>Coercive administrative measures and punishments</b>	In the last 5 years, the person has not been subject to coercive administrative measures or administrative penalties in connection with his activities; has not been convicted of fraud; as a responsible person, was not involved directly or through related parties in bankruptcy or insolvency proceedings; has not been deprived of any right by a court to participate in the administrative, management or supervisory bodies of an issuer or to perform positions in the management or performance of an issuer's business, has not been formally criminalized or sanctioned by law or regulation; regulators, including certain professional bodies.

<b>Name</b>	<b>Asen Minchev Minchev</b>
<b>Title</b>	<b>Executive Member of the Management Board</b>
<b>Business address:</b>	Town of Sofia, 43 Hristofor Kolumb blvd.
<b>Information about activities performed outside of the company, which are of importance to the Issuer.</b>	<ul style="list-style-type: none"> <li>♦ Bulvaria Holding EAD - Member of the Board of Directors;</li> <li>♦ Auto Italia EAD - Member of the Board of Directors;</li> <li>♦ Star Motors Ltd. - Procurator.</li> </ul>

<b>A - Independent auditor's report</b>	<b>B - Consolidated Financial Statement</b>	<b>C - Notes to the Consolidated Financial Statement</b>	<b>D - Short overview of 2017</b>	<b>E - Consolidated management report</b>	<b>F - Declaration on Corporate Governance</b>	<b>G - Declaration of Responsible Persons</b>
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<b>Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>Capital - 3000 AD - Executive member of the Board of Directors;</li> <li>CableTeam AD - Chairman of the Board of Directors.</li> </ul> <p>Terminated:</p> <ul style="list-style-type: none"> <li>BULSTAR INVESTMENT AD - Deputy Chairman of the Board of Directors until 18.08.2015, as at the date of the activity report, the person is not a Deputy Chairman of the Board of Directors;</li> </ul>
<b>Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years</b>	As of the date of preparation of this activity report, there is no information about insolvency, receivership or liquidation, with which the person in his capacity of a member of a management or supervisory body was connected in the last 5 years.
<b>Relative professional experience</b>	<p>Asen Minchev holds a Master's degree in Accounting and Control at the University of National and World Economy.</p> <p>Asen Minchev was the Managing Director of the holding company Eurohold for the period 1998 - 2006 until its merger with Starcom Holding AD. From 1996 to 2000 he was a member of the Management Board of Euroins AD, and was also a representative of the Deputy Chairperson of the Supervisory Board of Euroins Health Insurance AD.</p>
<b>Coercive administrative measures and punishments</b>	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency procedures or receivership; he has not been deprived of any right by a court to participate in the administrative, management or supervisory bodies of the company-issuer or to perform positions in the management or performance of an issuer's business, has not been officially criminalized and sanctioned by law and regulators, including certain professional bodies.

<b>Name</b>	<b>Velislav Milkov Hristov</b>
<b>Title</b>	<b>Member of the Management Board</b>
<b>Office address</b>	<b>City of Sofia, 43 Hristofor Kolumb blvd.</b>
<b>Information about activities performed outside of the company, which are of importance to the Issuer.</b>	<ul style="list-style-type: none"> <li>IC Euroins AD – Member of the Management Board;</li> <li>IC EIG RE AD – Member of the Supervisory Board;</li> <li>Starcom Holding AD – Member of the Board of Directors.</li> </ul>
<b>Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years</b>	<p>Current:</p> <p>At the date of the activity report there are no other participations as a member of a management/ controlling body and/or associate during the last 5 years</p> <p>Terminated:</p> <ul style="list-style-type: none"> <li>Basketball Club Black Sea EAD (currently Eurohold Properties EAD) - Member of the Board of Directors until 16.12.2013, as at the date of the activity report the person is not a member of the Board of Directors;</li> <li>VH Property Management EOOD – Sole owner of capital until 16.05.2013, as at the date of the activity report the person is not a Sole proprietor of the capital;</li> <li>Euroins Insurance Group AD – Member of the Board of Directors – until 10.09.2015, as at the date of the activity report the person is not a Member of the Board of Directors;</li> <li>Eurohold Properties EAD (currently Greenhouse Properties AD) - member of the Board of Directors until 16.12.2013, as at the date of the activity report the person is not a member of the Board of Directors;</li> </ul>
<b>Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years</b>	<ul style="list-style-type: none"> <li>WM24.BG EOOD – Sole owner of capital until 17.10.2014, as at the date of the activity report the person is not the sole owner of the capital and the company is terminated by liquidation.</li> </ul> <p>At the date of the activity report there is no other insolvency, trustee or liquidation data that the person as a member of a management or supervisory body has been associated with over the past 5 years.</p>

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
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<b>Name</b>	<b>Asen Emanuilov Asenov</b>
<b>Title</b>	<b>Member of the Management Board</b>
<b>Office address</b>	City of Sofia, 43 Hristofor Kolumb blvd.
Information about activities performed outside of the company, which are of importance to the Issuer.	<ul style="list-style-type: none"> <li>◆ Avto Union AD – Executive Director</li> <li>◆ Auto Italia AD – Executive member of the Board of Directors;</li> <li>◆ Autoplaza EAD – Deputy Chairmen of the Board of Directors;</li> <li>◆ Avto Union Service EOOD – Manager</li> <li>◆ Bulvaria Varna EOOD – Manager</li> <li>◆ Bulvaria Holding EAD – Chairman of the Board of Directors.</li> <li>◆ Daru car AD – Member of the Board of Directors.</li> <li>◆ Eurolease Auto EAD – Chairman of the Board of directors – until</li> <li>◆ Eurolease Auto IFN S.A. Romania – Chairman of the Board of directors;</li> <li>◆ Eurolease Auto Retail EAD – Chairman of the Board of directors;</li> <li>◆ Eurolease Group AD – Chairman of the Board of directors;</li> <li>◆ Eurolease Rent-a-car EOOD – Manager;</li> <li>◆ Eurotruck EOOD – Manager;</li> <li>◆ Espace Auto OOD – Manager;</li> <li>◆ Izgrev 5EOOD – Manager and Sole owner of capital</li> <li>◆ Ita Leasing EOOD – Manager</li> <li>◆ Motobul EOOD – Manager;</li> <li>◆ N Auto Sofia EAD – Chairman of the Board of directors</li> <li>◆ Sofia Motors EOOD – Manager</li> <li>◆ Star Motors EOOD – Manager</li> </ul>
Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years	<p><b>Current:</b></p> <ul style="list-style-type: none"> <li>◆ Motobul Express EOOD – Manager;</li> </ul> <p><b>Terminated:</b></p> <ul style="list-style-type: none"> <li>◆ Auto Union Properties EOOD – Manager until 26.05.2014, as at the date of the activity report the person is not a Manager;</li> <li>◆ "Auto 1" Ltd. (currently "Auto Air" Ltd.) – Manager until 08.01.2015, as at the date of the activity report the person is not a Manager;</li> <li>◆ BG Autolease Group BV. (currently terminated due to the merger with BG Autolasing Holding BV) Manager until 27.12.2012, as at the date of the activity report the person is not a Manager;</li> <li>◆ BG Autolease Group BV. (currently terminated due to merger with Eurolease Group EAD) – Manager until 31.12.2013, as at the date of the activity report the person is not a Manager;</li> <li>◆ Eurolease Asset EAD (now Rossgaz Asset EAD) – Chairman of the Board of Directors and Executive Director until 23.09.2014, as at the date of the activity report the person is not Chairman of the Executive Director;</li> <li>◆ Euromobile Leasing AD (currently discontinued due to merger with Eurolease Auto EAD) – Executive member of the Board of Directors until 06.12.2012, as at the date of the activity report the person is not an Executive member of the Board of Directors;</li> <li>◆ Cargoexpress Property EAD (currently terminated due to merger in Bulvaria Varna EOOD) – Chairman of the Board of Directors until 25.11.2013 as at the date of the activity report the person is not Chairman of the Board of Directors;</li> <li>◆ Cargoexpress Properties EAD (currently terminated due to merger in Bulvaria Varna EOOD) – Chairman of the Board of Directors until 25.11.2013 as at the date of the activity report the person is not Chairman of the Board of Directors;</li> <li>◆ Insolvency, bankruptcy or liquidation data with which the person as a member of the management or supervisory bodies has been linked for the past 5 years</li> </ul>
Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years	As of the date of preparation of this activity report, there is no information about insolvency, receivership or liquidation, with which the person in his capacity of a member of a management or supervisory body was connected in the last 5 years.
Relative professional experience	<p>Assen Asenov holds a Master's degree in Accounting and Control and a Bachelor's degree in International Economic Relations from the University of National and World Economy in Sofia. Mr. Asenov holds an MBA (Master of Business Administration) "International Accounting Standards and International Business" from the University of Economics in Vienna.</p> <p>His professional career Asen Asenov started in Eurohold AD 11 years ago as an accountant. In the years 2002-2004 he was the chief accountant of Eurohold AD. Since the end of 2004, Mr. Asenov has been appointed as the director of the Eurolease Auto EAD - the leasing company in the structure of Eurohold at that time.</p> <p>Currently, Mr. Asenov is responsible for the leasing and automotive industries in the economic structures of the Eurohold Bulgaria. Mr. Asenov is Executive Director of "Avto Union" JSC and heads the leasing companies of the group in Romania and Macedonia, he also manages the car dealers of Nissan, Renault, Dacia, Saab, Opel, Chevrolet, Fiat, Lancia, Alfa Romeo, Mazda, Maserati and lubricants Castrol and BP (Motobul), all also part of the subsidiary of the Issuer subsidiary Auto Avion AD.</p>
Coercive administrative measures and punishments	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

	procedures or receivership; he has not been deprived of any right by a court to participate in the administrative, management or supervisory bodies of an issuer or to perform positions in the management or performance of an issuer's business, has not been officially criminalized and sanctioned by law and regulators, including certain professional bodies.
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<b>Name</b>	<b>Dimitar Kirilov Dimitrov</b>
<b>Title</b>	<b>Member of the Management Board</b>
Office address	City of Sofia, 43 Hristofor Kolumb blvd.
Information about activities performed outside of the company, which are of importance to the Issuer.	As at the date of the activity report, there is no data available for an activity outside the issuer which is significant in relation to the issuer.
Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years	<p><b>Current:</b></p> <ul style="list-style-type: none"> <li>◆ Abdema AD – Member of the Board of Directors.</li> <li>◆ PGD OOD - Partner</li> </ul> <p><b>Terminated:</b></p> <ul style="list-style-type: none"> <li>◆ "Bulgarian Development Bank AD" - Member of the Supervisory Board until 01.06.2017, as at the date of the activity report the person is not a member of the Supervisory Board.</li> </ul>
Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years	<ul style="list-style-type: none"> <li>◆ Balance Commerce Ltd. - Managing Director and partner until 14.08.2012, as at the date of the activity report the person is not a manager and a partner and the company is terminated by liquidation.</li> </ul> <p>As of the date of preparation of this activity report, there is no other information about insolvency or management by a trustee, with which the person in his capacity of a member of a management or supervisory body was connected in the last 5 years.</p>
Relative professional experience	Dimitar Dimitrov graduated from the University of National and World Economy in Sofia in 1979. After graduation to 1982 he worked at the National Statistical Institute. Between 1982 and 1987 he was Head of Department and Chief Expert at the Bulgarian National Bank, and from 1987 to 1993 he worked at the Construction Bank AD, consecutively occupying the positions of Director of the Department, Vice President and President. In 1993 to 1995 Dimitar Dimitrov is the Executive Director of United Bulgarian Bank AD. In 1995 he was Deputy Minister of Economic Development and in 1996 was Deputy Governor of the Bulgarian National Bank. From 1995 to 1996 he was Chairman of the Board of Directors of Bankova Consolidation Company and in 1997 he was the Managing Director of Bankova Consolidation Company. Dimitar Dimitrov was a member of the management board of Doverie Holding AD and a part of its subsidiaries. From November 2001 to May 2011 he is the Executive Director and Chairman of the Board of Directors of Encouragement Bank AD, currently Bulgarian Development Bank AD.
Coercive administrative measures and punishments	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency procedures or receivership; he has not been deprived of any right by a court to participate in the administrative, management or supervisory bodies of an issuer or to perform positions in the management or performance of an issuer's business, has not been officially criminalized and sanctioned by law and regulators, including certain professional bodies.

<b>Name</b>	<b>Razvan Stephan Lefter</b>
<b>Title</b>	<b>Independent member of the Supervisory Board</b>
Office address	Romania, City of Bucharest, 30, Alexandru Serbanescu Str.
Information about activities performed outside of the company, which are of importance to the Issuer.	As at the date of the activity report, there is no data available for any activity outside the company that is significant in relation to the company.
Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years	<p><b>Current:</b></p> <ul style="list-style-type: none"> <li>◆ RSL Capital Advisors Srl. - Managing Partner and Director;</li> <li>◆ KJK Caramida SRL- Member of the Board of Directors</li> <li>◆ Contet SA - member of the Board of Directors;</li> <li>◆ Mundus Services AD - Executive Director;</li> <li>◆ Teraplast SA - Member of the Board of Directors;</li> </ul> <p><b>Terminated:</b></p> <ul style="list-style-type: none"> <li>◆ Semakon SA - member of the Board of Directors until 08.02.2017, as at the date of the activity report the person is not a member of the Board of Directors;</li> <li>◆ SIF Muntenia, Romania - Member of the Supervisory Board until 26.04.2013, as at the date of the activity report the person is not a member of the Supervisory Board.</li> </ul>



A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
----------------------------------	--------------------------------------	---	----------------------------	------------------------------------	---	--

Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years	<ul style="list-style-type: none"> <li>◆ Condmag SA - Member of the Board of Directors until 20.07.2015, as at the date of the activity report the person is not a member of the Board of Directors and the company is insolvent;</li> </ul> <p>At the date of the activity report there is no other insolvency, trustee or liquidation data that the person as a member of a management or supervisory body has been associated with over the past 5 years.</p>
Relative professional experience	Mr. Lefter is a graduate of the Academy of Economics, Bucharest, specialized in banking and stock exchanges (2003), Certified Financial Analyst (2008), specialized as an analyst at ING Bank (September 2004 - May 2005), International Relations Manager ING Bank - Romania (May 2005 - December 2006), trading in securities and analyzes in EFG Securities - Romania (January 2007 - November 2011), securities trading in Suis Capital Romania (November 2011 - June 2014) from June 2014 to today - Managing Partner at Er es El Capital Advacers, Romania.
Coercive administrative measures and punishments	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency procedures or receivership; he has not been deprived of any right by a court to participate in the administrative, management or supervisory bodies of an issuer or to perform positions in the management or performance of an issuer's business, has not been officially criminalized and sanctioned by law and regulators, including certain professional bodies.

## PROSECUTOR

<b>Name</b>	<b>Hristo Lyubomirov Stoev</b>
<b>Title</b>	<b>Procurator</b>
<b>Office address</b>	City of Sofia, 43 Christopher Columbus
<b>Information about activities performed outside of the company, which are of importance to the Issuer.</b>	As at the date of the activity report, there are no data available for performing activities outside the company, which are significant in relation to the company, apart from the activity as a lawyer with the Sofia Bar Association.
<b>Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years</b>	<p>Current:</p> <ul style="list-style-type: none"> <li>◆ DB Project Ltd. - Manager;</li> <li>◆ Solar Geniponika AD - Chairman of the Board of Directors.</li> </ul> <p>Terminated:</p> <ul style="list-style-type: none"> <li>◆ IT Baseline OOD - Affiliate until 09.05.2016, as at the date of the activity report the person is not a shareholder in the capital of the company;</li> <li>◆ "Logo-company" Ltd. - Sole owner of the capital until 15.03.2013 and manager until 05.12.2011, as at the date of the activity report the person is not sole owner of the capital and Manager.</li> </ul>
<b>Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years</b>	As of the date of preparation of this activity report, there is no information about insolvency, receivership or liquidation, with which the person in his capacity of a member of a management or supervisory body was connected in the last 5 years.
<b>Relative professional experience</b>	Mr. Stoev graduated in the University of Mining and Geology "St. Ivan Rilski", city of Sofia in 1973, specialty "Development of mineral resources" In 1973, he began work at Minig Gorubso Madan. From 1978 to 1983 Mr. Stoev is a research associate with the Minproeek Science Department. In 1985 Mr. Stoev became the Assistant Professor at the University of Mining and Geology "St. Ivan Rilski ". At present Mr. Stoev is a professor and member of the Bulgarian Blasting Engineers Association. Hristo Stoev has a number of publications.
<b>Coercive administrative measures and punishments</b>	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency procedures or receivership; he has not been deprived of any right by a court to participate in the administrative, management or supervisory bodies of an issuer or to perform positions in the management or performance of an issuer's business, has not been officially criminalized and sanctioned by law and regulators, including certain professional bodies.

### 9. Contracts entered into in 2017 with the members of the Management Board and the Supervisory Board or persons related to them, which go beyond the usual activity of the Company or materially depart from the market conditions

No contracts have been concluded with the Company by the members of the MB and the SC or their affiliates who go beyond the ordinary activities of the company or significantly deviate from the market conditions.

### 10. Conflict of interests

There is no information about any conflict of interests resulting from the fulfillment of obligations of the aforementioned persons to the Company or any other private interests they may have.

There are no agreements between shareholders, clients, suppliers and/or other persons, according to which the members of the Management and Supervisory bodies or other company employees have been elected/appointed.

Members of the management and supervisory bodies have provided guarantees in the amount of three salaries.

There are no restrictions on the shares and the management of the company's shares held by the members of the management and supervisory bodies.

### 11. Planned economic policy for the next year, including expected investments and human resources development, estimated income from investments and company development, as well as upcoming transactions substantial for the Company's activity

The plans of Eurohold Bulgaria AD are related to the support of the current operating activity of the three sub-holdings - insurance, automobile and leasing.

Through the insurance subsidiary (Euroins Insurance Group AD), in 2018, it will continue to support the insurance companies in the Group in order to increase their overall capital base and risk sustainability. It is planned to acquire 49% of a new insurance company in Russia. As at the date of preparation of the activity report, Euroins Insurance Group acquired 32.19% of the company's capital.

The positioning of the leasing subholding as a company with sufficient capital resources and high market share is substantial at the beginning of the economic recovery. The leasing business is funded mainly by bank and debenture loans. The leasing funding support will positively affect the sales of both of the automotive and insurance segments.

The working capital financing of the automotive subholding is essential for the delivery of cars under fleet contracts with large corporate clients. The automobile dealers will be supported in completing and equipping showrooms and car repair centers. Special emphasis is put on the car repair centers as a main source of revenue due to the low margins on sales of new cars in the current market situation.

### 12. Number of employees

During the reporting period no new employees were recruited in Eurohold Bulgaria AD and no employees of temporary contracts were hired. As of December 31, 2017 Eurohold Bulgaria AD employs 6 employees on a labor contract.

The total number of employees in the Eurohold Group at 31.12.2017 was 2 169 employees.

Since the establishment of Eurohold Bulgaria AD up to the present moment, there are no employee trade unions in the Group.

## II. ADDITIONAL INFORMATION ACCORDING TO ANNEX 10 OF ORDINANCE №2 OF THE FSC

### 1. Information given in value and quantity on the main categories of goods, products and/or services provided, indicating their share in the issuer's sales revenue as a whole and the changes occurring during the accounting year.

As a holding company, the main activity of Eurohold Bulgaria AD is acquisition, management, evaluation and sale of shares in Bulgarian and foreign companies, as well as financing of subsidiaries.

The company does not perform independent commercial and manufacturing activity. The revenues of Eurohold Bulgaria AD are formed from a financial activity related to the creation and management of participations and financing of related enterprises.

Detailed information provided in terms of value and quantity on the major product and service categories is shown in this report in section E8. "Outcome of the Group Eurohold

Bulgaria", as well as in section E9. "Overview of the activity of subsidiary sub-holding structures".

**2. Information on revenue broken down by category of activity, internal and external markets as well as information on the sources of supply of materials necessary for the production of goods or the provision of services reflecting the degree of dependence on each individual seller or buyer/user, in case the relative share of any of them exceeds 10 per cent of the costs or revenues from sales, information is provided for each person separately, about his share in the sales or purchases and his relations with the issuer.**

Detailed revenue information broken down by different categories of activities, internal and external markets is shown in this report in section E8. "Outcome of the Group Eurohold Bulgaria", as well as in section E9. "Overview of the activity of subsidiary sub-holding structures".

**3. The company does not carry out independent business and production activity.**

No big transactions or transactions of considerable importance for the activity of the Holding have been made during the reporting period.

**4. During the reporting period, there were no major transactions and transactions of major importance for the Holding's activity. Information on transactions entered into between the issuer and related parties during the reporting period proposals for such transactions as well as transactions that are outside its normal course or materially deviate from the market conditions on which the issuer or its subsidiary is country with an indication of the value of the transactions, the nature of the relationship and any information necessary to assess the impact on the issuer's financial position.**

As at the date of preparation of the Activity Report, there are no transactions or deals with related parties that are material to Eurohold or its subsidiary and are unusual by type and condition.

Within the holding, there are constantly conducted transactions between the parent company and the subsidiary as a result of the nature of their main business activity.

All transactions are made on a fair value basis. Transactions between the holding and the subsidiaries are typical, where the intragroup loans manage the liquidity of the individual companies and conduct an investment policy. The company grants loans to its subsidiaries for the purposes of working capital funding.

**As of 31.12.2017 The Group has the following related party transactions:**

	31.12.2017	31.12.2016
	Thousand BGN	Thousand BGN
Loan claims from Starcom Holding AD	314	6 095
Repo transaction receivables from Starcom Holding AD	1 752	1 078
Other receivables from Starcom Holding AD	1	1
Liabilities on loans to Starcom Holding AD	2 753	16 896
Other liabilities to Starcom Holding AD	98	2 205
Investments in debt instruments of Starcom Holding AD	13 077	-
Income from commissions - Starcom Holding AD	1	7
Interest income - Starcom Holding AD	466	177
Interest expense - Starcom Holding AD	988	1 166

**5. Information on events and indicators with an unusual nature for the issuer that have a material impact on its activities and its realized revenues and expenses; assessing their impact on results in the current year.**

During the reporting period there were no unusual events for Eurohold Bulgaria, the companies of its economic group having a significant impact on its operations and its realized revenues and expenditures.

**6. Information about off-balance-sheet transactions - nature and business purpose, indication of the financial impact of transactions on the business if the risk and benefits of those transactions are material to the issuer and disclosure of such information is material to the issuer's financial condition.**

Eurohold Bulgaria and the companies in its economic group have no off-balance-sheet deals.

**7. Information on shareholdings of the issuer, its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate) as well as investments in equity securities outside its group of companies within the meaning of the Accountancy and Sources Act / ways of financing.**

Detailed information about the issuer's equity interests and its main investments in the country and abroad is shown in this report in section E 6. Main Scope of Activity Business Operations "as well as Section E 8. Capital Investments

**8. Information about the concluded by the issuer, its subsidiary or parent company,**

**in their capacity as borrowers, loan agreements, with indication of their conditions, including the deadlines for repayment, as well as information on guarantees and commitments.**

Liabilities to bank and non-bank financial institutions - long-term by segments		
	31.12.2017	31.12.2016
	Thousand BGN	Thousand BGN
Insurance business, including:	-	6 209

Loans from non-bank financial institutions	-	6 209
Vehicles, including:	4 918	7 154
Loans from banks	4 918	7 154
Leasing, including:	46 404	33 049
Loans from banks	46 404	33 049
Parent company, including:	21 123	24 643
Loans from banks	21 123	24 643
<b>Total</b>	<b>72 445</b>	<b>71 055</b>

Liabilities to bank and non-bank financial institutions - long-term by segments		
	31.12.2017	31.12.2016
	Thousand BGN	Thousand BGN
Insurance business, including:	-	2 957
Loans from banks	-	2 957
Vehicles, including:	12 464	11 629
Loans from banks	12 222	11 629
Loans from non-bank financial institutions	242	-
Leasing, including:	1 364	480
Loans from banks	1 364	480
Parent company, including:	12 972	18 945
Loans from banks	5 940	4 694
Loans from non-bank financial institutions	7 032	14 251
<b>Total</b>	<b>26 800</b>	<b>34 011</b>

**Liabilities on bank loans to Eurohold Bulgaria**

Creditor	Maturity	In euro as at 31.12.2017.
International Investment Bank	12.2021	13,800,000

The loan is provided for the purpose of financing the insurance business.

**Liabilities on bank loans to Eurohold Bulgaria**

Creditor	Maturity	In euro as at 31.12.2017.
Accession Mezzanine	04.2018	3,510,000

**Other liabilities**

Creditor	Maturity	In BGN as of 31.12.2017.
Other	3-5.2018	39,267,441

**Information on bond issues as of 31.12.2017**

	Coupon	Currency	Maturity	Nominal in thous.
<b>Avto Union AD.</b>				
Corporate bonds	4.50%	BGN:	12.2022	6 800
<b>Eurolease Auto EAD</b>				
Corporate bonds	7.00%	EUR	11.2019	6 000
Corporate bonds	3.75%	EUR	7.2023	1 250
Corporate bonds	5.00%	BGN:	2.2020	6 000
Corporate bonds	3m. Euribor + 3.95%	EUR	7.2021	5 800
<b>Parent company</b>				
EMTN Program	6.50%	EUR	12.2022	70 000
EMTN Program	8.00%	PLN	12.2021	47 000

**Liabilities on bond loans by segments**

	31.12.2017	31.12.2016
	Thousand BGN	Thousand BGN
Auto Union AD - cars	4 769	6 585
EuroLease Auto EAD - leasing activity	20 863	23 880
Parent company	125 125	89 051
<b>Total</b>	<b>150 757</b>	<b>119 516</b>

**Liabilities on debenture loans**

The company is the issuer of a bond loan under its € 200 million EMTN Program, traded on the Irish Stock Exchange. As of 31.12.2017 the liability of the company for the issued Eurobonds under the program amounts to BGN 141 542 thousand, as follows:

Eurobond	Maturity	31.12.2017
EMTN Program in EUR.	12.2022	120.700 thousand BGN.).

Eurobond	Maturity	31.12.2017
EMTN Program in PLN.	12.2021	20.842 thousand BGN

By the end of 2017 Eurohold Bulgaria AD and its subsidiaries have signed loan agreements with the following related parties:

**Loans granted for working capital of Eurohold Bulgaria by companies in the group**

Subsidiaries	Lender	Interest %	Amount in thousand BGN as of 31.12.2017.
Eurolease Auto EAD		7.00%	2 576
<b>Total:</b>			<b>2 576</b>

**Borrowings from subsidiaries:**

Borrower	Lender	Currency	%	Receivables as of 31.12.2017 thousand BGN
Eurolease Auto Romania	Starcom Holding AD	EUR	6.00%	184
Eurolease Auto Romania	Eurolease Auto EAD	EUR		25
Eurolease Auto Romania	Eurolease Group EAD	EUR	1m.Euribor +5%	1,73
Eurolease Group EAD	Eurolease Auto EAD	BGN:	5.00%	3,908
Eurolease Group EAD	Avto Union AD.	BGN:	6.00%	390
Eurolease Group EAD	Eurolease Auto Retail EAD	BGN:	3.95%	916
Sofia Motors EOOD	Eurolease Auto EAD	BGN:	7,50%	269
Eurolease Auto, Macedonia	Eurolease Group EAD	EUR	5.25%	2,001
Eurolease Rent a Car EOOD	Eurolease Group EAD	BGN:	5.50%	1,815

Borrower	Lender	Currency	%	Receivables as of 31.12.2017 thousand BGN
Avto Union AD.	Eurohold Bulgaria AD	BGN:	8,00%	5,815
Avto Union AD.	Daru Car OOD	BGN:	5,50%	6,861
Avto Union AD.	Bulvaria Holding EAD	BGN:	5,50%	135
Avto Union AD.	Avto Union Service EOOD	BGN:	5,00%	776
Avto Union AD.	Motobul EAD	BGN:	5,50%	410
Avto Union AD.	Eurolease Auto EAD	BGN:	6,50%	391
EA Properties EOOD	Espas Auto OOD	BGN:	3,00%	2,688
Motobul EAD	Starcom Holding AD	BGN:	6,00%	120

**9. Information about the borrowing contracts, including lending of guarantees of any kind, including related parties, with specific terms, including the final terms, concluded by the issuer, its subsidiary or parent company as lenders payment terms, and the purpose for which they were granted.**

By the end of 2017 Eurohold Bulgaria AD and its subsidiaries have signed loan agreements with the following related parties:

**Loans granted by Eurohold Bulgaria AD to companies in the group of Eurohold Bulgaria**

Subsidiaries	Interest %	Amount in BGN thousand as at 31.12.2017.
Avto Union AD.	8.00%.	5 129
<b>Total:</b>		<b>5 129</b>

**Loans granted by subsidiaries**

Lender	Borrower	Currency	%	Receivables as of 31.12.2017 thousand BGN
Autoplaza	Starcom Holding AD	BGN:	7.00%.	13
Autoplaza	Mega Logistic	BGN:	6.50%	84
Eurolease Auto Retail	Eurolease Group EAD	BGN:	3.95%	916
Eurolease Auto	Eurohold Bulgaria AD	BGN:	7.00%.	2,733
Eurolease Auto	Eurolease Group EAD	BGN:	5.00%	3,908
Eurolease Auto	Eurolease Auto Romania	EUR		25
Eurolease Auto	Rossgas Asset EAD	BGN:	7.50%	903
Eurolease Auto	Avto Union AD.	BGN:	6,50%	390
Eurolease Auto	Sofia Motors EOOD	BGN:	7.50%	269
Eurolease Auto	Loudspeakers CA EOOD	EUR	7.50%	3,182
Eurolease Auto	EuroAutoservice EOOD	EUR	7.50%	2,899
Eurolease Auto	Kamalia Trading Ltd.	EUR	7.50%	2,834
Eurolease Auto	Asterion Bulgaria AD	EUR	7.50%	2,127
Eurolease Auto	Other companies			142
Eurolease Group	Eurohold Bulgaria AD	BGN:	6.00%	24
Eurolease Group	Eurolease Rent a Car EOOD	BGN:	5.50%	1,865
Eurolease Group	Eurolease Auto, Macedonia	EUR	5.25%	2,001
Eurolease Group	Eurolease Auto Romania	EUR	1m.Euribor+5%	1,73

Lender	Borrower	Currency	Interest rate	Receivables as of 31.12.2017 thousand BGN
Avto Union AD.	Eurolease Group EAD	BGN:	6,00%	390
Avto Union AD.	Starcom Holding AD	BGN:	5,00%	231
Avto Union AD.	Auto Plaza EAD	BGN:	8,10%	8,773
Avto Union AD.	N Auto Sofia EAD	BGN:	5,00%	87
Espas Auto OOD	EA Properties EOOD	BGN:	3,00%	2,688

**10. Information on the use of funds from new issue of securities made during the reporting period.**



Within the 2017, are implemented two capital increases of the company ended in February and December respectively, as the funds accumulated from the nominal value of the issued new shares amounting to BGN 70 181 thousand and the new premium reserve of the issue amounts to BGN 10 854 thousand.

The accumulated funds from all realized increases of Eurohold Bulgaria AD of the capital including the two completed increases during the reporting period were used to support the subsidiaries and to reduce the long-term indebtedness of the company.

**11. Analysis of the ratio between the achieved financial results stated in the financial statements for the financial year and previously published forecasts for these results.**

Eurohold Bulgaria AD and the companies in its economic structure have not published estimates for the reporting year 2017

**12. Analysis and evaluation of the policy on the management of financial resources, indicating the possibilities for servicing the obligations, the possible threats and measures that the issuer has taken or is about to take with a view to their elimination.**

The main activity of Eurohold Bulgaria AD as a holding company is to effectively manage the cash resources, accumulated in the entire structure and to distribute them according to the specific needs of the separate subsidiaries. The Company policy in this field is to carry out the funding in the direction-"subsidiaries - parent company" instead of "subsidiary - subsidiary". The management of the free financial resources of subsidiaries is carried out in accordance with the regulatory requirements and for the purpose of achievement of good profitability under the conditions of reasonable assumption of risk.

The investment program of Eurohold Bulgaria AD in 2017 is realized through own and borrowed funds.

**13. Assessment of the possibilities for realization of the investment intentions, indicating the amount of the available funds and stating the possible changes in**

**the structure of the financing of this activity.**

Information under this item is provided in this report in section E13 "Additional Information, Regulatory Requirement", I. Information under Art. 247 of the Commercial Code under item 11.

**14. Information on changes that occurred during the reporting period in the key management principles of the issuer and its group of undertakings within the meaning of the Accountancy Act.**

No change occurred in the major management principles of the company.

**15. Information on the main features of the internal control system and the risk management system applied by the issuer in the process of preparing the financial statements.**

In Eurohold Bulgaria AD and the companies from the economic and the group has a built-in system for risk management and internal control which ensures the efficient functioning of the accounting and financial reporting and disclosure systems. The internal control system is being developed and functioning also in order to identify the risks accompanying the Company's activity and to support their effective management.

The main features of the internal control system are as follows:

- Control environment:
  - built on the basis of integrity and ethical behavior;
  - presence of experienced management with direct participation in the business processes of the company and critical review of the activity;
  - the organizational structure is in line with the nature of the business and ensures a division of responsibilities;
  - competency levels are tailored to specific positions;
  - hierarchy and clear rules, rights, obligations and reporting levels;
  - the policy of delegating powers and responsibilities;
  - Human resources policies and practices address the appointment of competent and credible staff.
- Risk management - a process for identifying, evaluating and controlling potential events or

A - Independent auditor's report	B - Consolidated Financial Statement	C - Notes to the Consolidated Financial Statement	D - Short overview of 2017	E - Consolidated management report	F - Declaration on Corporate Governance	G - Declaration of Responsible Persons
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situations that may adversely affect the achievement of the Company's objectives through the direct involvement of the Management in the activity;

- Control activities - control activities aimed at minimizing risk and increasing the likelihood that the objectives and tasks of the Group will be achieved. These are the procedures for:

- approval and decision-making (authorization);

- preliminary control of legality, executed by the Executive Director immediately before signing a decision;

- full, accurate, accurate and timely booking of all operations (processing of information);

- Operational control and review of the results of the work performed by the Executive Director on a daily basis in the assignment and performance of the work.

- division of duties;

- Information and communication - the availability of efficient and reliable information and communication systems ensuring the collection and dissemination of complete, reliable and reliable information, horizontal and vertical communication from and to all levels, as well as a timely accountability system.

- Monitoring - there is a system for monitoring and evaluation of the controls, and in the case of established deviations, remedial and corrective measures are taken.

## 16. Information about the changes in the managing and the supervisory bodies during the reporting financial year

In 2017 the following changes took place in the Supervisory and Management Council of Eurohold Bulgaria

### **Supervisory Board**

On 27.7.2017 the following changes were registered in the TP:

- termination of the assignment, member of the National Assembly of Razvan Lefter
- registration as an independent member of the KS Astana National Assembly
- registration as an independent member of Lyubomir Stoev

### **Management Board**

On 22.8.2017, the following change was recorded in the TP:

- He entered as an independent member of the Board of Directors of Razven Lefter

Other changes in the composition of the SC and the Board were not carried out in 2017.

**17. Information on the amount of remuneration, rewards and / or benefits of each of the members of the management and supervisory bodies for the accounting financial year and its subsidiaries, whether included in the issuer's costs or resulting from a distribution of profits, including :**

**a) received amounts and non-monetary remunerations**

**(b) contingent or deferred wages arising during the year, even if the remuneration is due at a later date;**

**(c) an amount owed by the issuer or its subsidiaries for the payment of pensions, retirement benefits or other similar benefits.**

Information under this item is provided in this report in section E13 "Additional Information, Regulatory Requirement", I. Information under Art. 247 of the Commercial Code under item 5.

**18. For the public companies – information about Group's shares held by the members of the managing and supervisory bodies, procurists (administrators) and the senior management, including the shares held by anyone of them separately or as a percentage of shares of each class, as well as the options provided by the Group to its securities – type and amount of securities over which the options have been established, price of exercising the options, purchase price, if any, and term of the options.**

Information under this item is provided in this report in section E13 "Additional Information, Regulatory Requirement", I. Information under Art. 247 of the Commercial Code under item 6.

The members of the Board of Directors do not have options on the issued securities of the company.

**19. Information for the arrangements known by the company (including after the end of the financial year), which may result in a future period in changes in the relative portion of shares or bonds held by present shareholders or bondholders.**

As of the date of the reporting period and after closing of the fiscal year, the Company is not aware of any arrangements that might cause changes in the relative part of shares held by the current shareholders.

**20. Information on pending court, administrative or arbitration proceedings concerning liabilities or receivables of the issuer amounting to at least 10 percent of its equity; if the total value of the liabilities or receivables of the issuer in all initiated proceedings exceeds 10 per cent of its own capital, information about each production shall be presented separately.**

The company is not a side in pending court, administrative or arbitration proceedings, which have or might have significant impact on its financial position or profitability. There are no resolutions or claims for termination or liquidation of the Company.

**21. Changes in the share price of Eurohold Bulgaria AD**

All shares of Eurohold Bulgaria AD are listed for trading on the Main Market of BSE-Sofia AD, Stock Market Standard, with stock exchange code - 4EH .

**Market price of the shares of Eurohold Bulgaria AD**



**Source: BSE-Sofia**

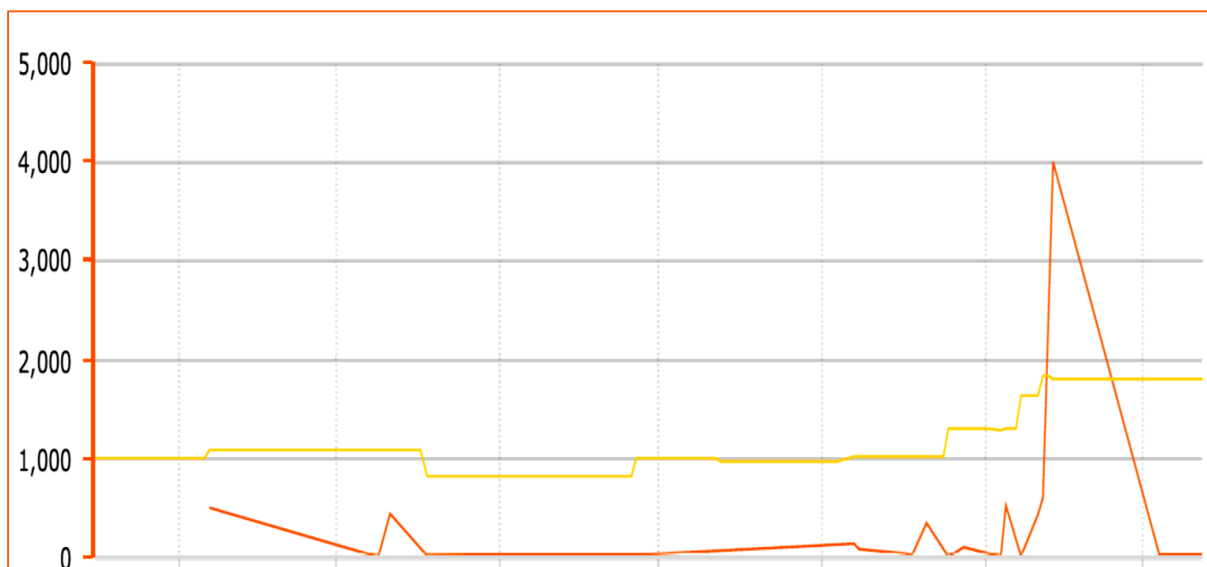
The chart shows the movement of the shares of Eurohold Bulgaria AD on the BSE-Sofia for the period 05.01.2017 - 30.12.2017 (first and last exchange quotation for the reported 2017).

- Initial price: BGN 0.62 (03.01.2017)
- Last price: BGN 1.47 (29.12.2017)

- Maximum price: BGN 1.48 (29.12.2017)
- Minimum price: BGN 0.59 (24.01.2017)
- Value change: - BGN +0.84
- Relative change: + 134.9%
- Average price: BGN 1.05

After the dual listing in 2011, the shares of Eurohold Bulgaria AD have been traded on

the Warsaw Stock Exchange, Main market, with stock index – **EHG**



The graph shows the price dynamics of the shares of Eurohold Bulgaria AD on the Warsaw Stock Exchange for the period 03.01.2017 – 29.12.2017

- Initial price: 0.66 BGN/1.49 PLN (03.01.2017)
- Last price: 0.86 BGN/1.90 PLN (29.12.2017)
- Maximum price: 1.53 BGN/3.42 PLN (14.09.2017)
- Minimum price: 0.66 BGN/1.49 PLN (03.01.2017)
- Value change: +0.20 BGN/0.41 PLN
- Relative change: + 30.3%
- Average price: BGN 0.76/1.70 PLN

## E15 OTHER INFORMATION

### IMPORTANT EVENTS AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENT

By its decision of 17 January 2018, the Financial Supervision Commission in Romania (the Authority for Financial Supervision) finally approved the acquisition of the insurance portfolio of the Romanian non-life insurance company ATE Insurances. It comprises only non-motor business and this transaction is actually part of Euroins Romania's long-term strategy to increase the company's non-motor business in particular.

On 25.09.2017 the Board of Directors of EIG adopted a resolution for acquisition of 14.144% of the capital of Euroins Russia. On 16.10.2017 the Board of Directors of EIG AD adopted a resolution for participation in procedure for Euroins Russia capital increase. On 21.12.2017, RUB 80,000 thousand are transferred in pursuance of this resolution. The increase was registered on 13 February 2018, with the participation of EIG at 32.195%.

On March 9, 2018 EuroLease Group EAD issued a corporate bond with the ISIN code of issue BG2100004188, amounting to BGN 1,500,000, maturing on March 20, 2022 and a fixed annual interest rate of 4.25%, payable every six months. The principal is repaid in 6 (six) equal instalments starting from 09.2019. The bond loan is issued for the purposes of supporting the subsidiaries' business.

Eurolease Auto EAD and Eurolease - Rent A Car Ltd. sell receivables totaling BGN 4,888 thousand. of the Company Levern Limited, reg. No. 606522 against payment of a price of BGN 4 400 000. Transactions were concluded in February 2018. Agreements for these transactions are made in February 2018.

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

### CONTACT INFORMATION - INVESTOR RELATIONS DIRECTOR

#### Milena Stoyanova Stoyanova

City of Sofia 1592, 43, Christopher Columbus blvd.,

Tel.: (+359 2) 965 16 53; +359 89 999 2753.

e-mail: [milena\\_stoyanova@eurohold.bg](mailto:milena_stoyanova@eurohold.bg)  
[investors@eurohold.bg](mailto:investors@eurohold.bg)

#### Eurohold Bulgaria AD, Sofia

Wednesday, April 11, 2018

## ♦ **SECTION F - Declaration on Corporate Governance**

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Corporate Governance Declaration 2017  
According to article 100n, para.8 in connection with para. 7, point 1 from  
POSA



THIS DECLARATION ON CORPORATE GOVERNANCE IS BASED ON THE PRINCIPLES AND NORMS OF GOOD CORPORATE GOVERNANCE SET BY BULGARIAN LEGISLATION THROUGH THE PROVISIONS OF THE NATIONAL CODE OF CORPORATE GOVERNANCE, COMMERCE ACT, THE PUBLIC OFFERING OF SECURITIES ACT, THE ACCOUNTING ACT, THE LAW ON INDEPENDENT FINANCIAL AUDIT AND OTHER LEGAL AND REGULATORY ACTS AND INTERNATIONALLY RECOGNIZED STANDARDS.

## **I. Information under Art. 100n, para. 8, item 1 of the Public Offering of Securities Act**

Eurohold Bulgaria AD has adopted and complies with the National Corporate Governance Code. Eurohold Bulgaria adheres to the recommendations given in the National Corporate Governance Code, guided by the best practices in the field of corporate governance. Good corporate governance is a set of relationships between the management body of the company, its shareholders and all stakeholders - employees, trading partners, company creditors, potential future investors and society as a whole. If the principles of good corporate governance are not, or are at risk of, not being complied with, the company undertakes to disclose timely information about it.

As a consequence of the consistent policy of the Management Board of Eurohold Bulgaria AD regarding the introduction, improvement and improvement of the corporate governance, the company has established and operates procedures ensuring compliance with all the principles set out in the National Code of good corporate governance. In this regard, and after assessing the achievements in this direction, in 2011 the Managing Board decided to join the National Corporate Governance Code. With this action, Eurohold Bulgaria declares its readiness to maintain and develop the procedures and corporate management practices that have been introduced over the last five years..

The created management system guarantees the survival and prosperity of the company by setting the framework in which the management bodies work in the best interests of the company, in line with the reasonable expectations of its shareholders and all stakeholders. Detailed information about the corporate policy of Eurohold Bulgaria and the procedures for its implementation is contained in the Statute and other company statutes.

The Management Board of Eurohold Bulgaria AD makes every effort to maximize the benefit

of the shareholders by ensuring their equal treatment, including the minority and foreign shareholders.

The shares of Eurohold Bulgaria AD are registered for trading on the BSE-Sofia and from 15 December 2011 are also traded on the Warsaw Stock Exchange. All current shareholders and potential investors can freely carry out transactions in the sale and purchase of the securities of the company. The company has a contract with the Central Depository for keeping a stock book that reflects the current state and records the changes in ownership.

The management of Eurohold Bulgaria AD guarantees the equal treatment of all shareholders, including minority and foreign shareholders. The management is obliged to protect their rights as well as to facilitate their exercise within the limits allowed by the current legislation and in accordance with the provisions of the company's statutes. The management provides timely information to all shareholders about their rights.

The strategic goals of corporate governance are:

- equal treatment of all shareholders, guaranteeing and protecting their rights;
- improving the level of shareholder information and transparency;
- achieving transparency and publicity of the processes of information provision by the company;
- providing a mechanism for good management of the company by the management bodies;
- an opportunity for effective oversight of management by shareholders and regulators.

As a result of applying the principles of corporate governance, there is a balanced interaction between shareholders, management and stakeholders.

The corporate governance statement of Eurohold Bulgaria AD is subject to the "comply or explain" principle.

## **II. Information under Art. 100n, para. 8, item 2 of the Public Offering of Securities Act**

Eurohold Bulgaria AD has a two-tier management system. The management bodies of the company according to Art. 19 of the Statute of Eurohold Bulgaria AD are the general meeting of the shareholders, the Supervisory Board and the Management Board. The company also has a procurator.

Effective interaction between the Management Board and the Supervisory Board ensures a high level of management competence of the company in the interests of shareholders and taking into account the stakeholders.

The Management Board consists of five natural persons, respectively, consisting of the Chairman of the Management Board and the representative of the Company, Executive Member of the MB, and three members of the MB.

The Supervisory Board consists of four natural persons and one legal person (represented by the reason of Article 234, paragraph 1 of the Commerce Act by a natural person respectively) in the composition of the Chairperson of the Supervisory Board, Deputy Chairman, two independent members and one member of the Supervisory Board.

Eurohold Bulgaria AD is represented only together by an executive member of the Management board and the procurator of the company.

The election and dismissal of members of the management and supervisory board and of the procurator are regulated in the Articles of Association of the company.

Eurohold Bulgaria has a remuneration policy developed by the Supervisory Board and approved by the General Meeting of Shareholders.

The remuneration policy of the members of the Supervisory Board and the Management Board of Eurohold Bulgaria AD regulates the basic rules for determining the remuneration of the persons holding positions as members of the Supervisory Board and of the Management Board of the Public Company regarding the performance of their powers in the exercise of management and supervisory functions in the company. The remuneration of the members of the Management Board, the Supervisory Board and the Procurator shall be determined in a management contract. At present, remuneration is fixed and non-variable. The amount of remuneration is based on certain principles laid down in the remuneration policy. Upon a decision of the General Meeting and in case of certain financial results achieved, the members of the Management and Supervisory Board may receive additional incentives.

In line with internationally accepted corporate governance principles, best practices for disclosure of information in the company have been developed by the board of directors and a Code of Conduct adopted by the Supervisory Board.

The Code of Ethics is adopted and respected by the members of the Supervisory Board and the Management Board, and is guided by the generally accepted principles of integrity, managerial and professional competence. Internal ethical rules have been developed and respected for the standards of business conduct of managers by the holding structure and for the prevention of insider dealing. Compliance with the Code of Ethics aims at promoting effective and transparent corporate governance of public and other subsidiaries in the structure of Eurohold Bulgaria AD in the interest of their shareholders.

The General Meeting of the shareholders of Eurohold Bulgaria AD on 26.05.2009 elects an Audit Committee of the Company. It consists of three members with a term of service of three years. By decision of the General Meeting of the Company, from 26.05.2012 the members of the Audit Committee were elected for a new mandate with a term of 5 years.

Pursuant to the Independent Financial Audit Act (IFA), the Audit Committee reports annually to the General Meeting of Shareholders when adopting the annual financial statements of the Company. The Report of the Audit Committee is prepared and presented to shareholders together with all other materials in connection with the regular annual meeting of the company's shareholders' meeting for the adoption of the annual non-consolidated and consolidated financial statements.

At the regular meeting of the General Meeting of Eurohold Bulgaria AD on 30 June 2017 due to the expiry of the mandate of the Audit Committee and in order to comply with the amendments in the legal framework, a new Audit Committee was elected: Dimitar Dimitrov, Ivan Mankov and Rositsa Pencheva. The shareholders also adopted the Rules of Procedure of the Audit Committee.

In accordance with the provisions of the Financial Audit Act (IFA), the Audit Committee of Eurohold Bulgaria AD has the following functions:

- inform the management and supervisory bodies of the entity of the results of the statutory audit and explain how the statutory audit has contributed to the reliability of the financial reporting and the role of the audit committee in the process;
- monitors the financial reporting process and presents recommendations and suggestions to ensure its effectiveness;
- monitors the effectiveness of the internal control system, risk management system, and internal audit activity with respect to financial reporting in the audited entity;
- monitors the statutory audit of the annual financial statements, including its performance, taking into account the

findings and conclusions of the Commission on the application of Art. 26, para. 6 of the Regulation (EU) No 537/2014;

- verify and monitor the independence of the registered auditors in accordance with the requirements of Chapters Six and Seven of the Act, as well as with Art. 6 of Regulation (EC) No 537/2014, including the appropriateness of outsourcing services to the audited entity under Art. (5) of that Regulation;
- is responsible for the selection procedure of the registered auditor and recommends his appointment, except where the audited entity has a selection board;
- informs the Commission about the public oversight of the registered auditors as well as the management and supervisory bodies of the undertaking for any given approval under Art. 64, para. 3 and Art. 66, para.3 within 7 days from the date of the decision;
- reports its activity to the Appointing Authority;
- prepare and submit to the Commission for Public Supervision of Registered Auditors by 30 June an annual activity report.

The Managing Authority of Eurohold Bulgaria AD provides sufficient resources to the Audit Committee for the effective performance of its duties.

The members of the management and supervisory bodies and the employees shall be obliged to assist the Audit Committee in the performance of its activities, including by providing within a reasonable time the information requested by it.

The objective of the Audit Committee is to assist the management of the company in fulfilling its obligations for the integrity of the individual and consolidated financial statements, assessing the effectiveness of the internal financial control systems and monitoring the effectiveness and

the objectivity of internal and external auditors.

The Company adheres to good disclosure practices such as any change in the disclosure process that is required due to specific circumstances and causes, subject to prior approval by the Company's management.

In 2017 there was no change in the process of disclosure.

Any significant periodic and incidental information shall be disclosed immediately. The company has complied with its current national legal framework as well as with the European legal framework with direct application in the national legislation.

The management of the company strives to get the best of the best corporate practices, in this respect the company has developed rules in order to assess the significance of any information or the necessity of its disclosure.

There are no written rules in the company for the organization and holding of general meetings, as the legal framework is sufficiently comprehensive and detailed. The management of the company strictly follows the requirements and the provisions of the current legal framework and the company's statutes regarding the terms and content of the materials on the agenda of the meeting of the GMS. The GMS Invitation shall be drafted in accordance with the regulatory requirements and shall be fully detailed and detailed, indicating all of the proposed solutions so that each shareholder can get acquainted with it in advance from the moment of its public disclosure.

The members of the Management and Supervisory Board of Eurohold Bulgaria AD are guided by the adopted rules and procedures for avoidance and disclosure of conflicts of interest in transactions with interested parties, regulated in the company's statutes. Under these rules and procedures, the Management and the Supervisory Board approve all transactions with related parties, which are conducted in a manner ensuring proper management of the interests of the company and its shareholders.

The annual and interim reports are prepared under the control of the company's management, which directly monitors the accounting and financial reporting systems. On monthly basis the management of Eurohold Bulgaria AD receives management reports from all subsidiaries for the development of the companies and the achieved financial results. For its activity, the Managing Board prepares an annual activity report, which is adopted by the General Meeting of Shareholders.

Eurohold Bulgaria AD has developed a policy of social responsibility at a group level. Companies in the economic group are socially committed to their employees and support various socially significant activities.

### **III. Information under Art. 100n, para. 8, item 3 of the Public Offering of Securities Act**

Eurohold Bulgaria AD has a well-established system of risk management and internal control that ensures the effective operation of accounting and financial reporting and disclosure systems. The internal control system is being developed and functioning also in order to identify the risks accompanying the Company's activity and to support their effective management.

The internal control and risk management aim to provide a reasonable degree of certainty regarding the achievement of the holding's strategic goals towards achieving efficiency and effectiveness of operations, reliability of financial statements, compliance with and implementation of existing legal and regulatory frameworks. The Internal control and risk management are implemented by the management and supervisory bodies as well as by the managers of the structural divisions of the holding and the executive directors of the subsidiaries.

Eurohold Bulgaria AD has adopted and applies rules and procedures regulating the effective functioning of the accounting and financial reporting systems and the disclosure of information by

the company. The rules describe in detail the different types of information created and disclosed by the company, the processes of internal business document flow, the different levels of access to the types of information of the persons responsible and the time limits for processing and managing the information flows.

The established risk management system ensures effective internal control over the creation and management of all company documents, including financial statements and other regulated information that the Company is required to disclose in accordance with legal regulations.

One of the main objectives of the implemented internal control and risk management system is to assist management and other stakeholders in assessing the reliability of the company's financial statements.

The annual separate financial statements and the annual consolidated financial statements of Eurohold Bulgaria AD are subject to an independent financial audit, which provides an objective external opinion about the way they are prepared and submitted. The Company

prepares and maintains its accounting records in accordance with International Accounting Standards.

The risk management policy is implemented in an integrated way and in accordance with all other policies and principles regulated in the internal acts of Eurohold Bulgaria AD.

A detailed description of the risks that characterize the activities of Eurohold Bulgaria AD and its subsidiaries and companies is presented in Section B7. "Description of the main risks" (page 49) of the Annual Activity Report for 2017 which can be found on the company's website [www.eurohold.bg](http://www.eurohold.bg).

#### **IV. Information under Art. 100n, para. 8, item 4 of the Public Offering of Securities Act**

The members of Management Board and Supervisory Board of Eurohold Bulgaria AD provide information under Article 10, paragraph 1, letters "c", "d", "e", "h" and "i" of the Directive 2004/25 / EC of the European Parliament and of the Council dated 21 April 2004 on the takeover proposals:

Para. 1, letter "c"	Significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Art.85 of Directive 2001/34/EC.	Eurohold Bulgaria AD has significant direct or indirect shareholdings, which are described in detail in Section B."Main scope of activity. Business Operations" of the Company Activity Report for 2017
Para. 1, letter "d"	Holders of all securities with special rights of control and description of these rights	There are no shares to give special control rights.
Para. 1, letter "F"	Any restrictions on voting rights, such as restrictions on the voting rights of holders of a certain percentage or number of votes, deadlines for the exercise of voting rights; or systems through which, through cooperation with the company, the financial rights granted to the securities, are separated from the possession of the securities;	There are no restrictions on the voting rights of holders of a certain percentage or number of votes, deadlines for the exercise of voting rights; or systems through which, through cooperation with the company, the financial rights granted to the securities, are separated from the possession of the securities.

Para. 1, letter "f"	Rules governing the appointment or the replacement of members of the board and making the amendments to the Articles of association.	The rules governing the appointment or change of members of the Management Board and the Supervisory Board and amendments to the Articles of Association are set out in the statutes of Eurohold Bulgaria AD, the adopted regulations for the work of the two bodies.
Para. 1, letter "h"	The powers of the members of the board, and in particular the right to issue or buy back shares;	The powers of the members of the Management Board and the Supervisory Board are regulated in the Statute of Eurohold Bulgaria AD and the adopted regulations for the work of the two bodies.

### **Information under Art. 100n, para. 8, item 5 of the Public Offering of Securities Act**

Eurohold Bulgaria AD has a two-tier management system.

The Company is managed and represented by the Management Board as at the date of preparation of this Statement is as follows:

Kiril Ivanov Boshov - Chairman

Asen Minchev Minchev - Executive Director;

Velislav Milkov Hristov – Member;  
Asen Emanuilov Assenov - Member;  
Dimitar Kirilov Dimitrov - Member;  
Razvan Stephan Lefter - Member.

The Supervisory Board controls the activity of the Management Board by giving guidance to the Management Board in accordance with the established objectives and strategies of the company and the interests of the shareholders. The Supervisory Board has the following members:

Assen Milkov Hristov – Chairman;

Dimitar Stoyanov Dimitrov – Vice-chairman;

Radi Georgiev Georgiev - Member;  
Lyubomir Stoev - Independent Member;  
Kustaa Lauri Äimä - Independent Member.

The Management Board and the Supervisory Board of Eurohold Bulgaria AD have adopted and apply regulations for the work of the two bodies which determine their powers and the manner of their work in order to ensure their effective activity within the two-tier system of management of the company ensuring the management and representation of the

company, according to the internal regulations, the requirements of the law and protection of the interests of the shareholders.

**The General Meeting** of Shareholders is a senior management body of the Company and consists of all shareholders with voting rights. The competences of the General Meeting of Shareholders (GMS) are key decisions for the holding's activity, such as: taking a decision to amend and supplement the statutes; transformation and termination of the company; increase and decrease of capital; election of members of the Supervisory Board and others.

The General Meeting of Shareholders determines the remuneration of the members of the Management Board as well as other property issues (additional benefits) in connection with its activities. Information on the remuneration and additional benefits received by the members of the Board is disclosed annually in the annual report of the company's activities.

### **V. Information under Art. 100n, para. 8, item 6 of the Public Offering of Securities Act**

Eurohold Bulgaria AD has not drafted and approved a diversity policy with regard to the management and supervisory bodies, but in practice no limit age, gender, nationality and education are introduced in the election of the members of the management bodies. Leading factors include qualifications, managerial skills, competence, professional experience in the given field of activity, and others.

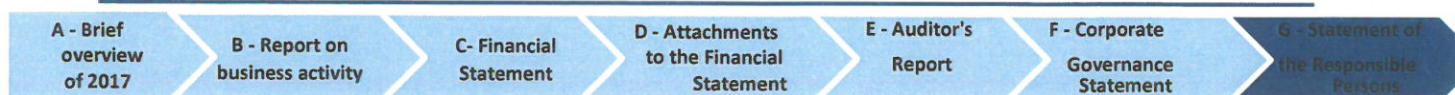


This Statement of Corporate Governance of Eurohold Bulgaria AD has been drawn up and signed on 23.03.2018.

## ♦ **SECTION G - Declaration of Responsible Persons**

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**DECLARATION**  
**under Art. 100n, para 4, item 4 of the POSA**

We, 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. Hristo Stoev - Procurator of Eurohold Bulgaria AD
4. Ivan Hristov - Chief Accountant of Eurohold Bulgaria AD (compiler of the financial statements)

**WE DECLARE that to our knowledge:**

1. The Annual Consolidated Financial Statement for 2017, prepared in accordance with the applicable accounting standards, reflects truthfully and fairly the information about the assets and liabilities, the financial position and the profits of Eurohold Bulgaria AD;
2. The Annual Consolidated Activity Report for 2017 contains a reliable overview of the development and performance of Eurohold Bulgaria AD as well as a description of the main risks and uncertainties facing the company.

**Declarers:**

1. Kiril Boshov

2. Asen Minchev

3. Hristo Stoev

4. Ivan Hristov