

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



**Eurohold Bulgaria AD**  
**Annual Unconsolidated Statement 2017**



***Eurohold Bulgaria AD also prepares an Annual Consolidated Statement, including the results of the Parent Company, its subsidiaries and associates entities. Readers of this unconsolidated annual report shall read it together with the consolidated annual report of the Eurohold Group for 2017 so that they can obtain a complete picture of the Group's financial position as a whole.***

***Translation: this annual 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.***

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

# SECTION A

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## Short overview of 2017

**A1****Key indicators**

|                                                                                     |                                                                                       |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <b>Total revenue</b> 2017<br>Thousand BGN<br><b>4 045</b><br>- 76%   see page 76    | <b>Net profit</b> 2017<br>Thousand BGN<br><b>- 17 306</b><br>- 850%   see page 76     |
| <b>Total assets</b> 2017<br>Thousand BGN<br><b>557 922</b><br>+4%   see page 76     | <b>Investments</b> 2017<br>Thousand BGN<br><b>539 529</b><br>+ 11%   see page 76      |
| <b>Net assets</b> 2017<br>Thousand BGN<br><b>338 034</b><br>+ 23%   see page 77     | <b>Borrowed capital</b> 2017<br>Thousand BGN<br><b>219 888</b><br>- 15%   see page 77 |
| <b>Eurobonds issued</b> 2017<br>million BGN<br><b>141 542</b><br>+27%   see page 77 | <b>Rating</b> 2017<br>Fitch<br><b>B</b> <i>Issuer Default Rating</i><br>  see page 6  |
| <b>Cost per share as of</b><br>31.12.2017<br><b>1,47</b><br>+ 135%   see page 71    | <b>Income per share</b> 2017<br>BGN<br><b>- 0.112</b><br>  see page 75                |

► The change of the indicators for 2017 has been calculated against the previous reporting period

**A2****Significant events in 2017**

2017 was filled with many important events for the development of the current activity for Eurohold Bulgaria and the future strategic plans of the company. Below is information about the most important of them, arranged in chronological order and not in order of their importance.

*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 127 345 161,345,000.*

*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 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.*

|                            |                                 |                         |                                            |                      |                                    |                                          |
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### Significant events in 2017 - CONTINUED

*At the end of 2017, Eurohold Bulgaria AD increased its capital with a new BGN 36,180,600 thousand by public offering of new shares, which further increased the Group's capital position.*

*The increase was finalized in December 2017. The company's capital was increased from BGN 161 345 000 to 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.*

*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 197,525,600 shares of the company were admitted to trading on the Warsaw Stock Exchange.*

# SECTION B

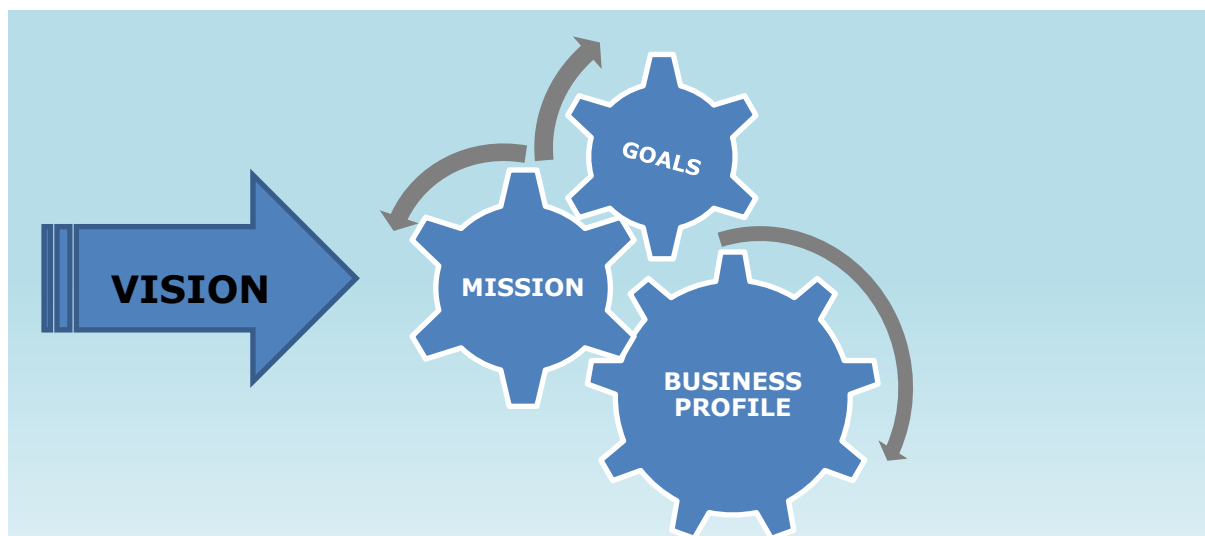
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## Activity Report

*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. 39-41 from 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 Report reflects the position and the development perspectives of the company and the major risks it is facing.*

|                            |                                 |                         |                                            |                      |                                    |                                          |
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**B1****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**

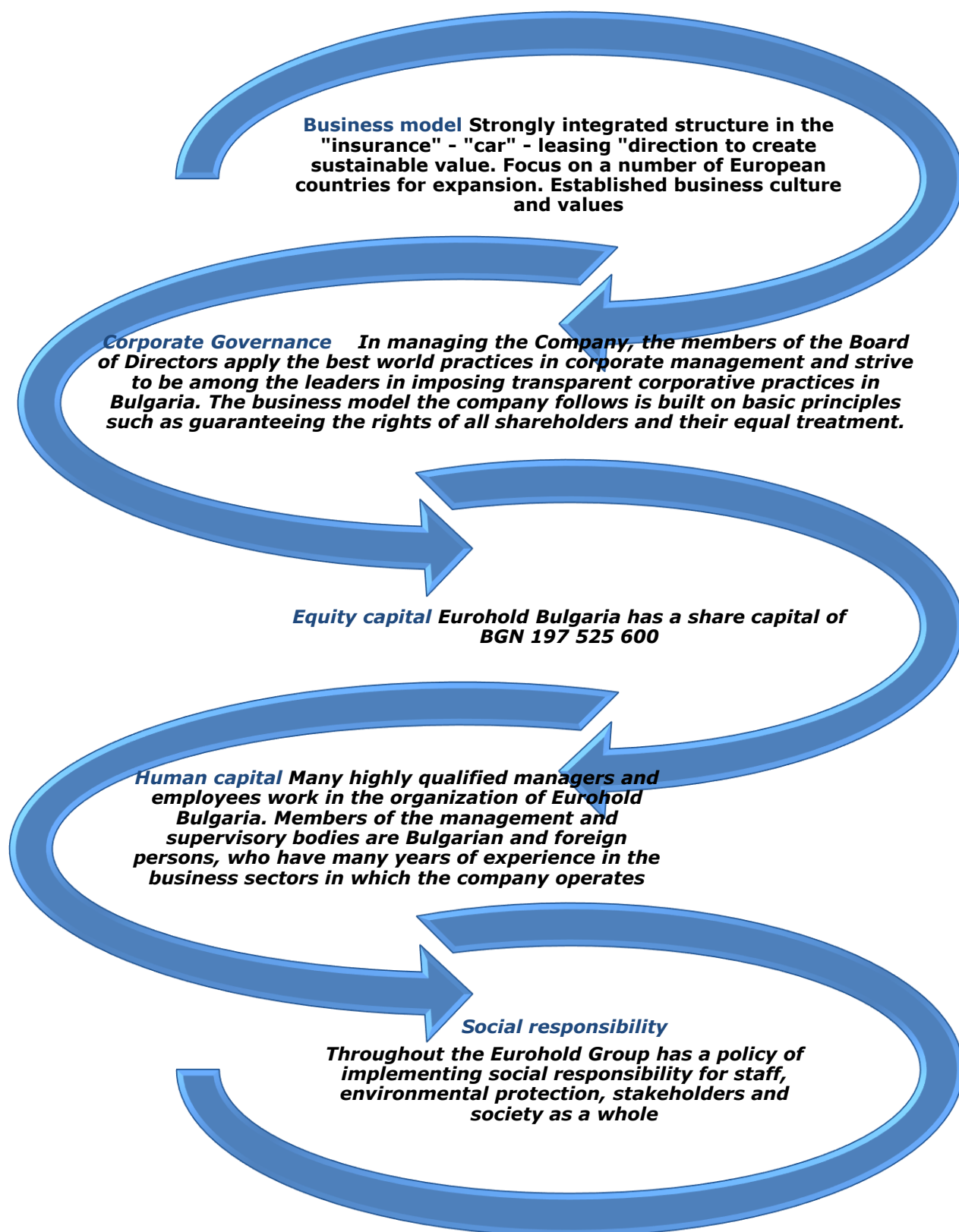
**Eurohold's mission** is to maintain high financial stability and provide adequate return to its shareholders; to support the growth of its subsidiaries; to stimulate innovation and increase customer satisfaction; to ensure the required conditions for a continuous improvement in the synergy between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

## B2

### Key growth factors



|                            |                                 |                         |                                            |                      |                                    |                                          |
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## **B3**

### **INFORMATION ABOUT 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 FINANCIAL 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**

|                                   |                                        |                                |                                                   |                             |                                           |                                                 |
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## 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>City of Sofia, 1592, 43 Hristofor Kolumb Blvd.</b> |
| <b>Telephone</b>         | <b>02/ 9651 653</b>                                   |
| <b>Fax</b>               | <b>02/ 9651 652</b>                                   |
| <b>E-mail</b>            | <b>investors@eurohold.bg;<br/>office@eurhold.bg</b>   |
| <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 10.03.2008 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.

The Company was registered with an initial capital of BGN 50 002

586 divided into 50 002 586 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. 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 197 525 600, 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.

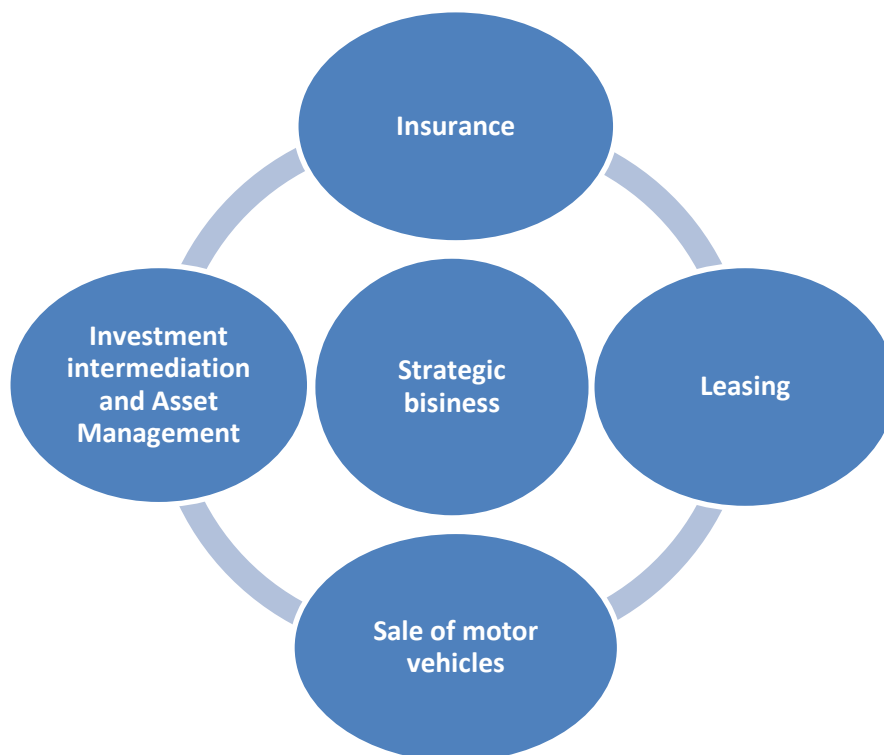
At its incorporation, Eurohold Bulgaria AD owned a number of subsidiaries, which operated in the insurance, leasing, real estate and tourist property management, industry, etc.

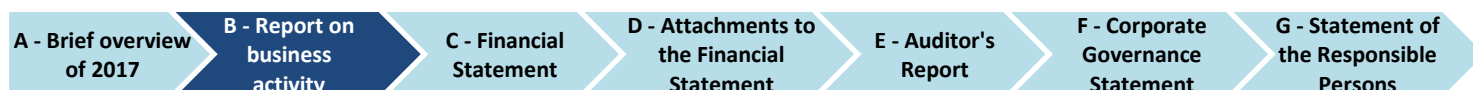
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In 2010, the company began restructuring its investments.

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.

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

The company 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;
- ♦ the accountancy act
- ♦ 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.

|                            |                                 |                         |                                            |                      |                                    |                                          |
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**B4****MANAGEMENT BODIES CONTROL AUTHORITIES**

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                                                                                                                                                                                                                                                                                                                                                                    | Procurator                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Assen Milkov Hristov</b><br/>Chairman</li> <li>• <b>Dimitar Stoyanov Dimitrov</b><br/>Deputy Chairman</li> <li>• <b>Kustaa Lauri Ayma</b><br/>Independent member</li> <li>• <b>Radi Georgiev Georgiev</b><br/>Member</li> <li>• <b>Lyubomir Stoev</b><br/>Independent member</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Kiril Ivanov Boshov</b><br/>Chairman</li> <li>• <b>Asen Minchev Minchev</b><br/>Executive member</li> <li>• <b>Dimitar Kirilov Dimitrov</b><br/>Member</li> <li>• <b>Velislav Milkov Hristov</b><br/>Member</li> <li>• <b>Asen Emanuilov Asenov</b><br/>Member</li> <li>• <b>Razvan Stefan Lefter</b><br/>Independent member</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Hristo Lyubomirov Stoev</b><br/>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 "ADDITIONAL INFORMATION, LEGAL REQUIREMENTS FOR THE COMPANY" on page 58.**

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

Since of March 1, 2016 the company should be represented only together by an executive member of the Managing Board and the procurator of the company Hristo Lyubomirov Stoev.

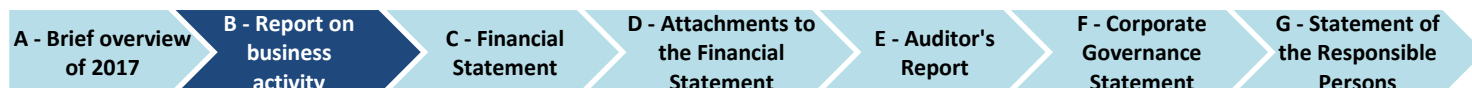
The activity of the Issuer does not depend on the individual professional experience or qualifications of other employees.

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 have been appointed under contracts for management and control. 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.



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

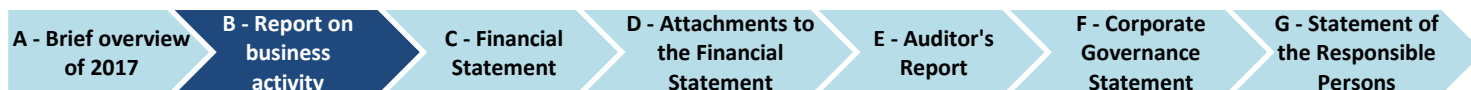
financial audit and internal control as well as its relationship with the registered auditor and the management bodies of the company and are described in detail in the Declaration on Corporate Governance.

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:

#### ОДИТЕН КОМИТЕТ

- **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**

**B5****SHARE CAPITAL CAPITAL STRUCTURE****Share capital**

As of the date of this report, the share capital of the Eurohold Bulgaria AD amounts to BGN 97 525 600, 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.

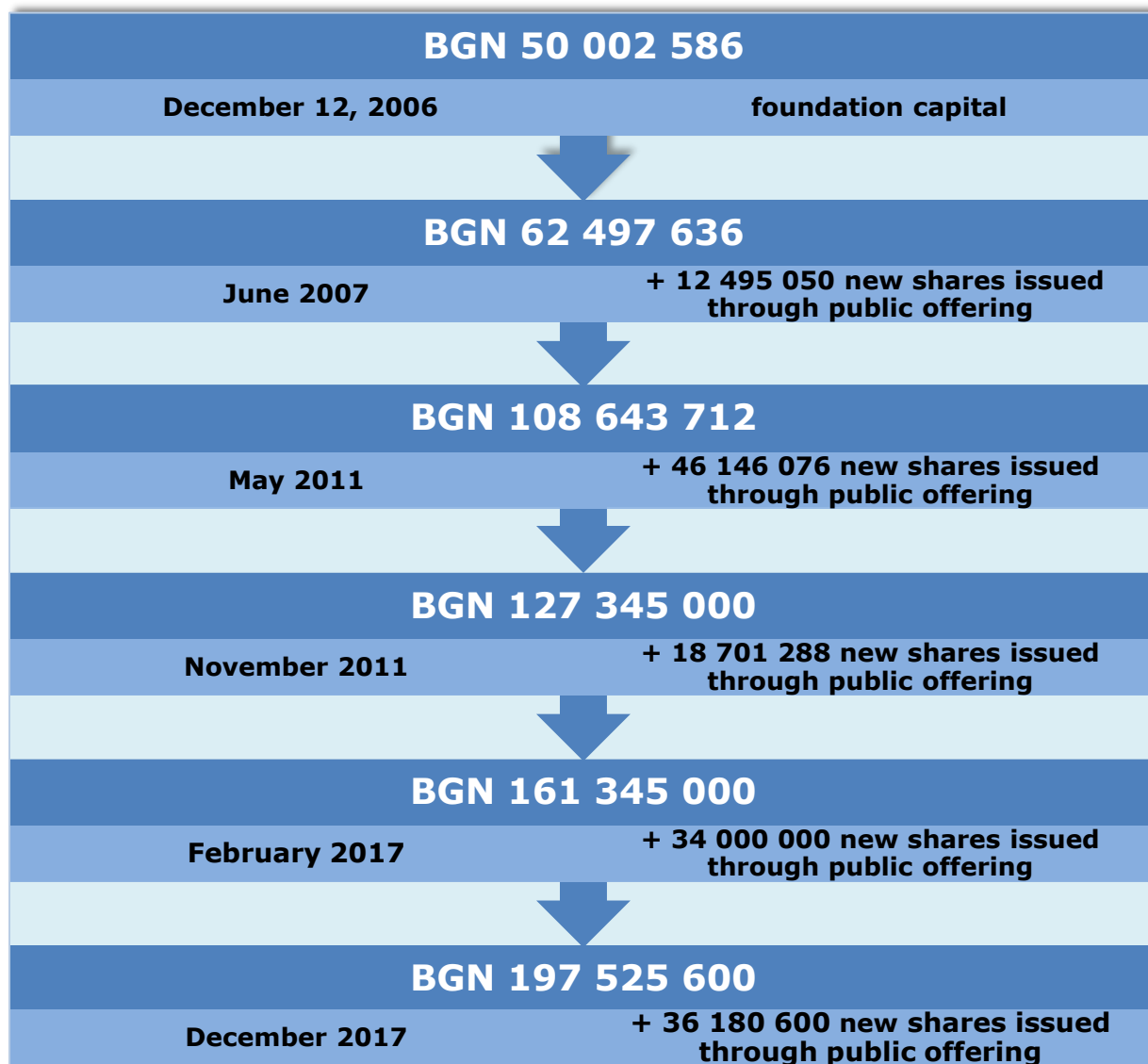
For the period since the incorporation of Eurohold Bulgaria AD until the date of the report, the company has successfully completed five subsequent increases in its share capital.

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 1.00 (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



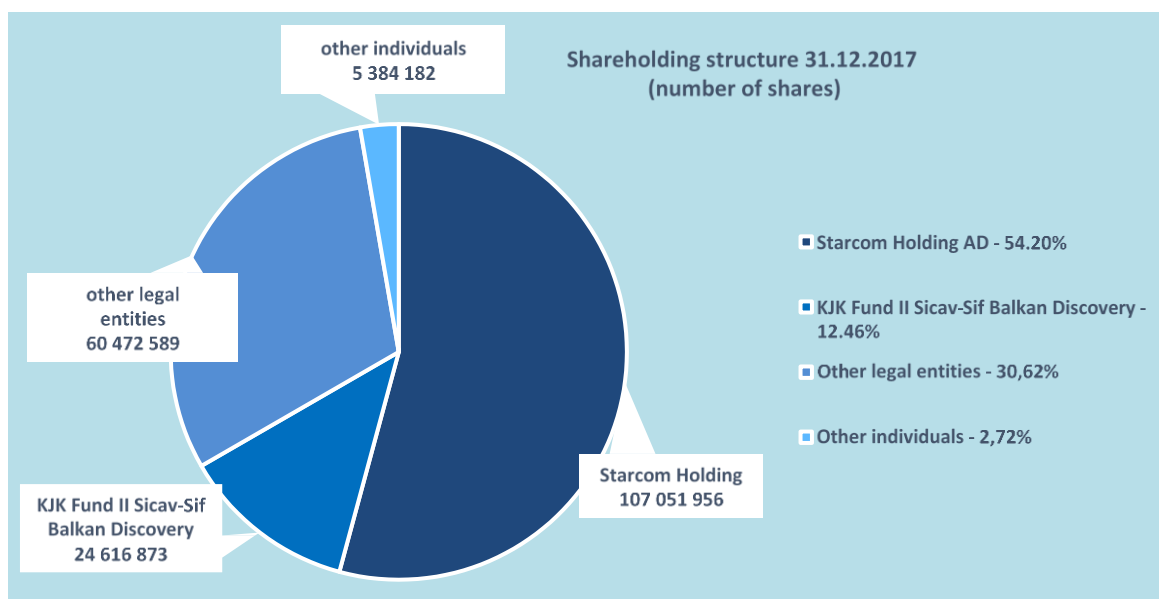
Eurohold Bulgaria AD as a public company carries out an increase of its share capital under the conditions of initial public offering of securities by issuing a new issue of shares under the terms of a public offering under the Public Offering of Securities Act.

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.



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 (at 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.

KJK Fund II Sicav-Sif Balkan Discovery is the second major shareholder in Eurohold Bulgaria AD. As of the date of this report (after the last capital increase), KJK Fund II Sicav-Sif Balkan Discovery controls the voting rights of 12.46% of the issued shares (12.69% at 31.12.2016).

KJK Fund II Sicav-Sif Balkan Discovery не притежава различни права на глас.

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 to 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.

|                            |                                 |                         |                                            |                      |                                    |                                          |
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## B6

### 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.

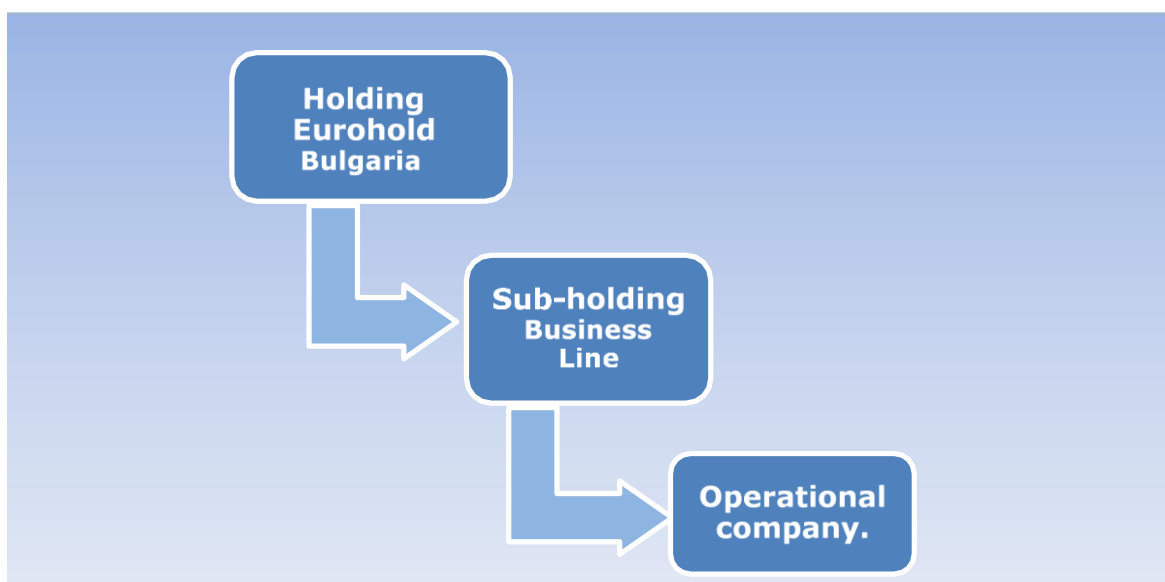
On the first level is the holding Eurohold Bulgaria.

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**

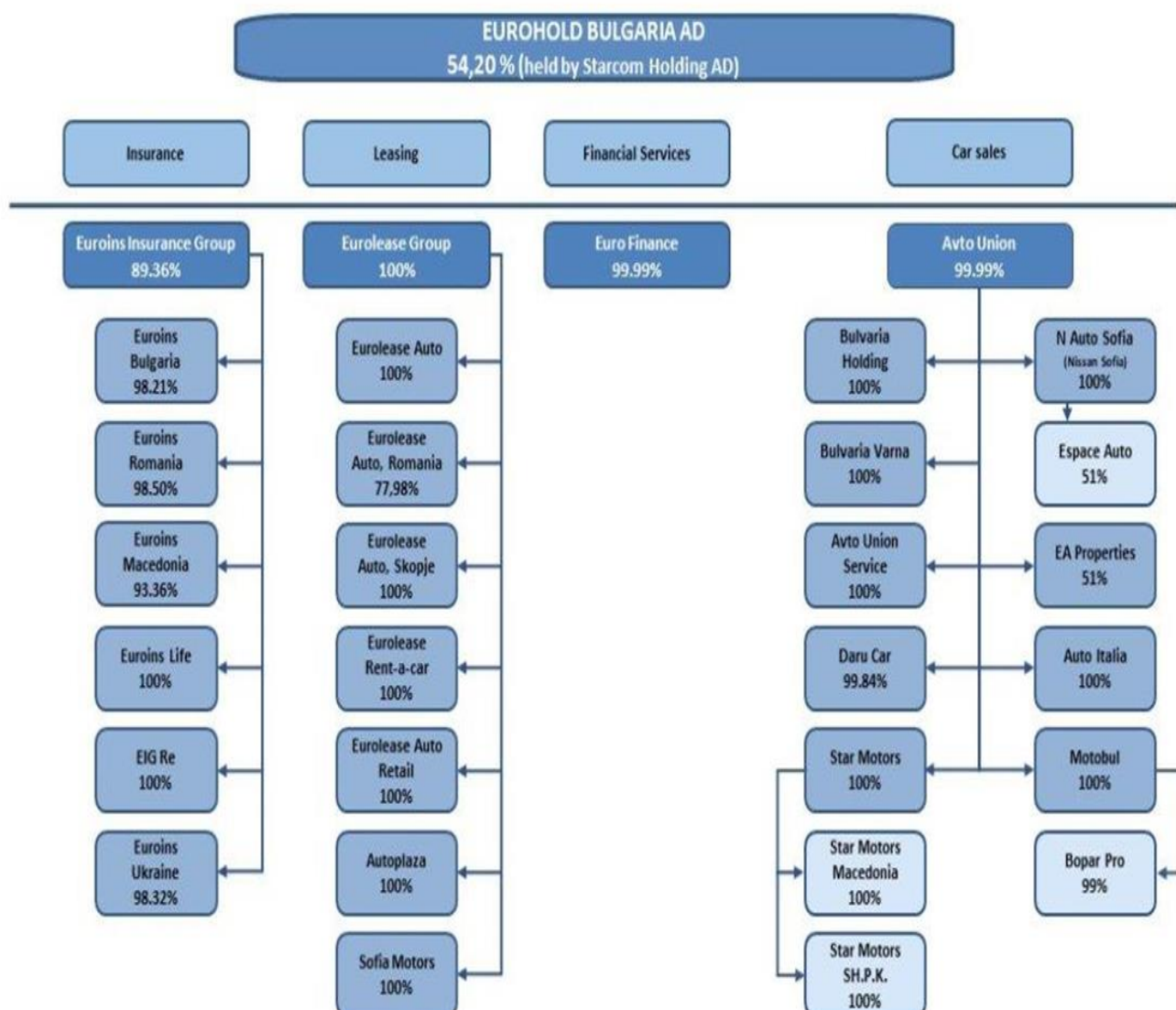
Eurohold Bulgaria is a holding company and together with its subsidiaries form an economic group.

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

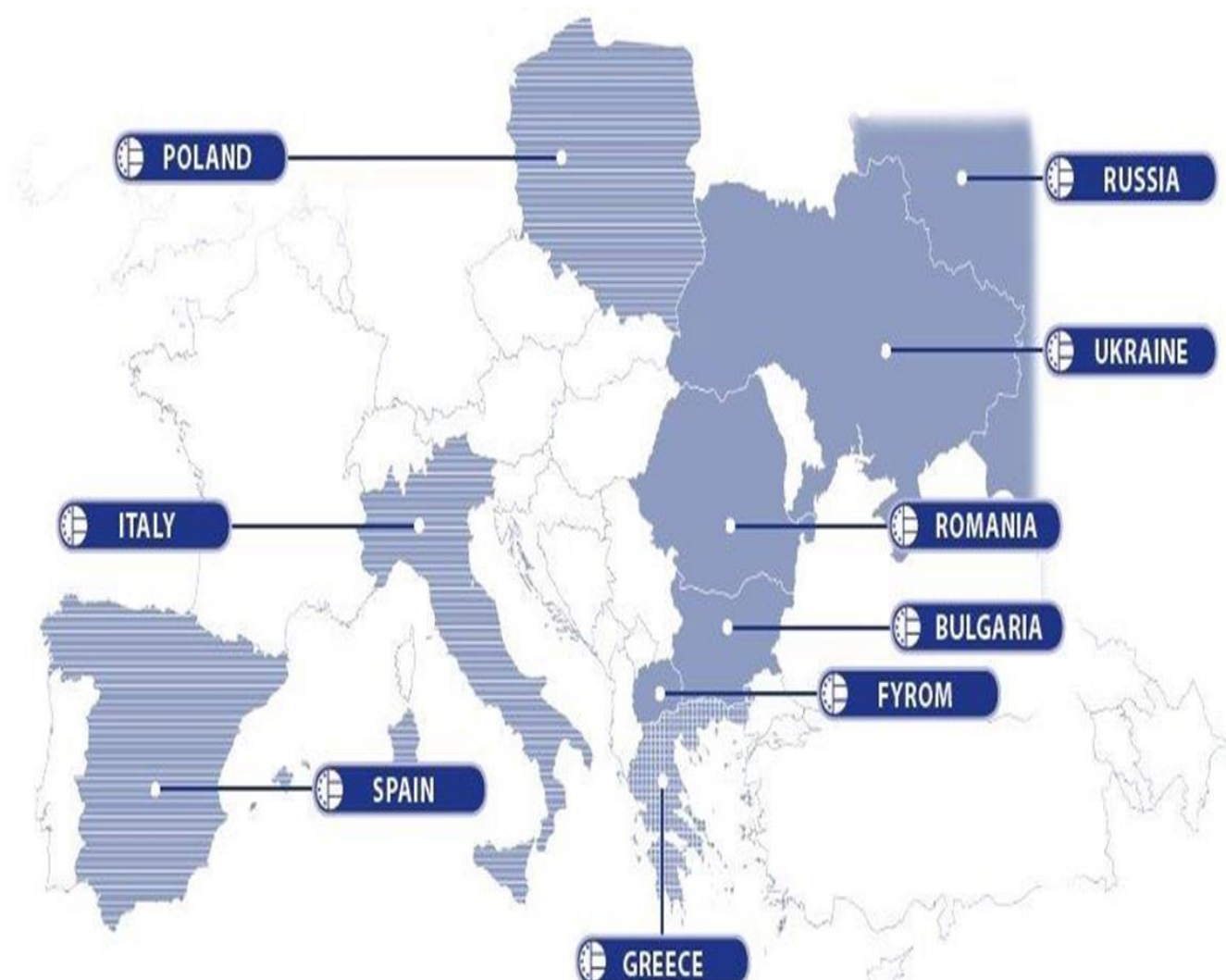
As of the date of this report, Starcom Holding

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.



## 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 South-eastern 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;

- **Русия** - в края на 2017 г. Евроинс Иншурънс Груп придоби миноритарен дял от 14% в руска застрахователна компания. Считано от 13.02.2018 г. процентното участие в капитала на компанията е увеличено на 32.19%.

|                            |                                 |                         |                                            |                      |                                    |                                          |
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## 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 9.98% of the bank Varengold – **Германия.**

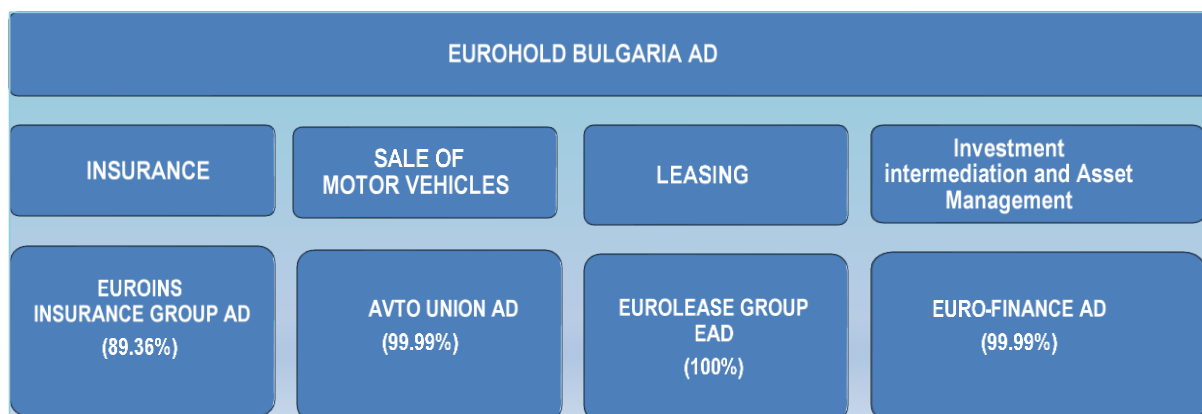
|                                   |                                        |                                |                                                   |                             |                                           |                                                 |
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### 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 companies represent a holding structures merging Eurohold Bulgaria's

investments in the insurance, sales of motor vehicles, leasing and investment intermediation and Asset Management sectors.



### 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;<br>The company active develops its business in Bulgaria, Romania, Macedonia and Ukraine | Eurohold Bulgaria AD – 89.36%                                                  |
| <b>EUROLEASE GROUP AD</b>                      | <b>Bulgaria</b>         | participations management, financial leasing<br>The company develops its business in Bulgaria, Romania, Macedonia                                                                    | Eurohold Bulgaria AD - 100%                                                    |
| <b>AVTO UNION AD</b>                           | <b>Bulgaria</b>         | import, sale and service of motor vehicles                                                                                                                                           | Eurohold Bulgaria AD - 99.98%                                                  |
| <b>EURO-FINANCE AD</b>                         | <b>Bulgaria</b>         | Providing and carrying out investment services and activities in the country and abroad                                                                                              | Eurohold Bulgaria AD - 99.99%<br>Insurance Company Euroins Bulgaria AD – 0.01% |

### Euroins Insurance Group AD. Business review.

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 from GWP operating in the Central and Southeast Europe region. Euroins Insurance Group works mainly in

|                                   |                                        |                                |                                                   |                             |                                           |                                                 |
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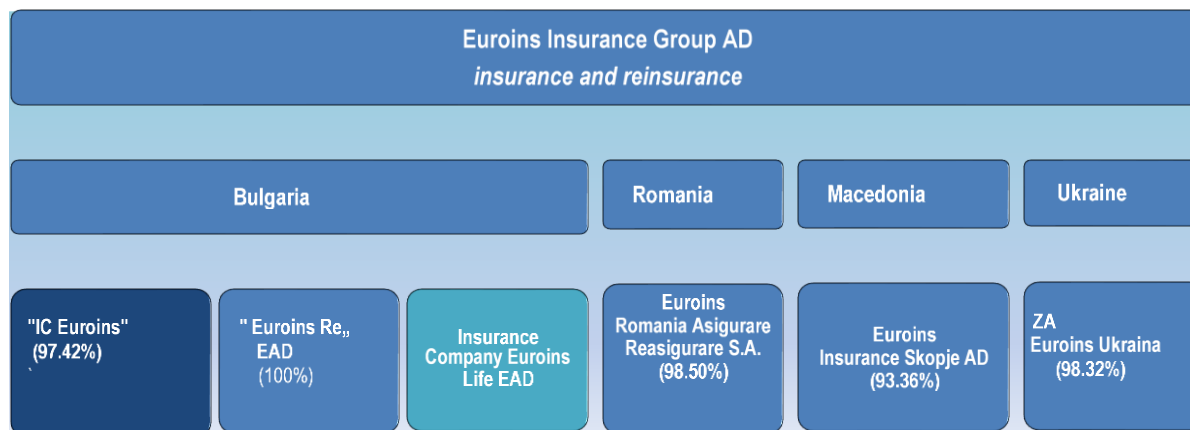
Bulgaria, Romania, Macedonia, Greece and Ukraine.

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.

## STRUCTURE OF THE INSURANCE LINE



|    |                                         |
|----|-----------------------------------------|
| •  | Insurance and Health Insurance activity |
| •  | Insurance activity                      |
| •• | Health Insurance activity               |

In February 2018, the insurance sub-holding acquired a significant participation in a Russian insurance company amounting to 32.19% of the capital, which at the date of this report was named "RZD Euroins" OOD.

Euroins Insurance Group is the only independent insurer among the largest players in the region, providing the company with more flexibility and focus.

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 activities, 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.

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

The main objective of Euroins Insurance Group is to gain 10% market share of the general insurance sector on the Balkans in the mid-term, as well as expanding the insurance business through offering a full range of insurance products - non-life 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

|                                   |                                        |                                |                                                   |                             |                                           |                                                 |
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from the appropriate insurance services, different product ranges and combined insurances have been developed.

Companies in the insurance group carry out continuous monitoring of the the insurance needs of all groups of potential customers by seeking to develop and offer appropriate insurance products and services.

More information about the Euroins Insurance Group and its subsidiaries

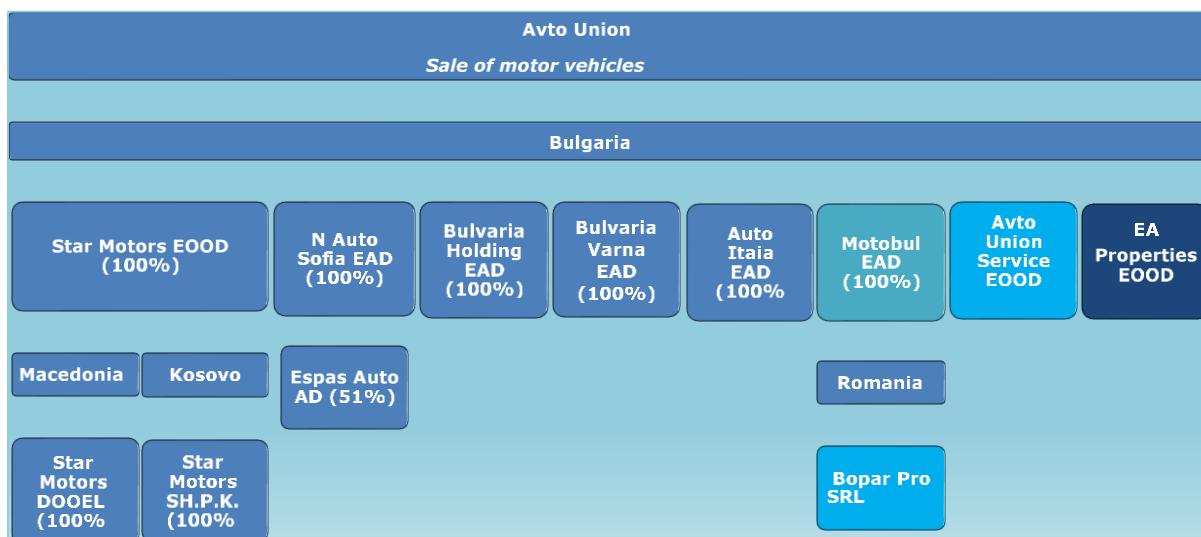
can be found on the company's website [www.eig.bg](http://www.eig.bg).

## Avto Union AD. Business review.

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. Auto Union is a unique combination of motor vehicle brands

and opportunities. 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.

## Structure of the sale of motor vehicles



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

|                                   |                                        |                                |                                                   |                             |                                           |                                                 |
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In the following chart, companies are represented by motor

vehicle brands, lubricants and fuels sold by Avto Union subsidiaries.



The companies of the Avto Union Group operate as:

- ♦ Official importers of motor vehicles;
- ♦ Official motor vehicle dealerships;
- ♦ Official motor vehicle services;
- ♦ Official distributor of lubricants and alternative spare parts.

- ♦ Fuel trading - business partnership with leading gas stations.

More information about the Avto Union subsidiary and its subsidiaries can be found on the company's website [www.avto-union.bg](http://www.avto-union.bg).

## Eurolease Group EAD. Business review.

The leasing sub-holding Eurolease Group is a company which consolidates Eurohold investments in the leasing sector on the Balkans.

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.

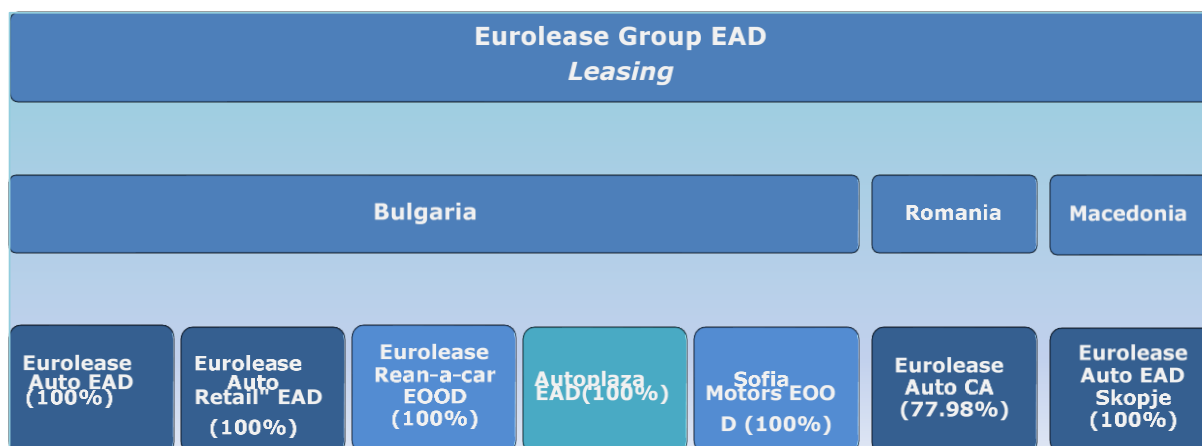
The Group offers financial leasing, operating leases and rent-a-car services as well as the sale of buy-back used vehicles of proven origin. The car rent-a-car activity is carried out

operates under the trademarks of AVIS and BUDGET. The long-standing experience of providing operating leases to major international and local companies as well as established niche markets for car rental services put the Group among market leaders.

Companies from the leasing sub-holding 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.

by the company Eurolease - Rent A Car, which

|                            |                                 |                         |                                            |                      |                                    |                                          |
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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, motor vehicle rental and sale of used motor vehicles 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.

More information about Eurolease Group Subsidiaries and its subsidiaries can be found on the company's website [www.euroleasegroup.com](http://www.euroleasegroup.com).

## Euro-Finance AD Business review.

### EURO-FINANCE AD

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 offers:

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|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------------|
|                            | <ul style="list-style-type: none"> <li>Trade in over 260 instruments including currency trading (Forex), gold, silver, oil, stocks, indexes.</li> <li>Direct access to financial instruments listed on the Stock Exchange in Frankfurt (Deutsche Börse Xetra)</li> <li>M &amp; A, investment consulting services as an internal consultant and a third party consultant.</li> </ul> |                         |                                            | <ul style="list-style-type: none"> <li>Member of the Deutsche Börse Group, with a 20-year history of successfully completed local and cross-border deals</li> <li>Euro-Finance owns 9.98% of Varen-gold Bank - Germany</li> </ul> <p>More information about Euro-Finance AD can be found on the company's website <a href="http://www.eurofinance.bg">www.eurofinance.bg</a></p> |                                    |                                          |

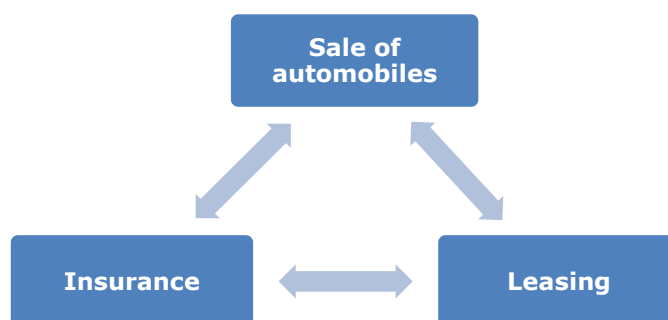
1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840. 841. 842. 843. 844. 845. 846. 847. 848. 849. 850. 851. 852. 853. 854. 855. 856. 857. 858. 859. 860. 861. 862. 863. 864. 865. 866. 867. 868. 869. 870. 871. 872. 873. 874. 875. 876. 877. 878. 879. 880. 881. 882. 883. 884. 885. 886. 887. 888. 889. 890. 891. 892. 893. 894. 895. 896. 897. 898. 899. 900. 901. 902. 903. 904. 905. 906. 907. 908. 909. 910. 911. 912. 913. 914. 915. 916. 917. 918. 919. 920. 921. 922. 923. 924. 925. 926. 927. 928. 929. 930. 931. 932. 933. 934. 935. 936. 937. 938. 939. 940. 941. 942. 943. 944. 945. 946. 947. 948. 949. 950. 951. 952. 953. 954. 955. 956. 957. 958. 959. 960. 961. 962. 963. 964. 965. 966. 967. 968. 969. 970. 971. 972. 973. 974. 975. 976. 977. 978. 979. 980. 981. 982. 983. 984. 985. 986. 987. 988. 989. 990. 991. 992. 993. 994. 995. 996. 997. 998. 999. 1000.

## Types of services and activities offered by operating companies

| Insurance                                 | Sale of motor                                       | Leasin                                               | Investment intermediation and Asset                |
|-------------------------------------------|-----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
| <input type="checkbox"/>                  | <input type="checkbox"/>                            | <input type="checkbox"/>                             | <input type="checkbox"/>                           |
| <input type="checkbox"/> Insurance        | <input type="checkbox"/> Sale of new motor vehicles | <input type="checkbox"/> Financial leasing           | <input type="checkbox"/> Investment intermediation |
| <input type="checkbox"/> Health insurance | <input type="checkbox"/> Auto services              | <input type="checkbox"/> Surgical leasing            | <input type="checkbox"/> Investment banking        |
| <input type="checkbox"/> Life insurance   | <input type="checkbox"/> Sale of spare parts        | <input type="checkbox"/> Rent-a-car                  | <input type="checkbox"/> Asset Management          |
|                                           |                                                     | <input type="checkbox"/> Sale of used motor vehicles |                                                    |

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.



|                            |                                 |                         |                                            |                      |                                    |                                          |
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|----------------------------|---------------------------------|-------------------------|--------------------------------------------|----------------------|------------------------------------|------------------------------------------|

### ***Integration synergies and cross sales 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.

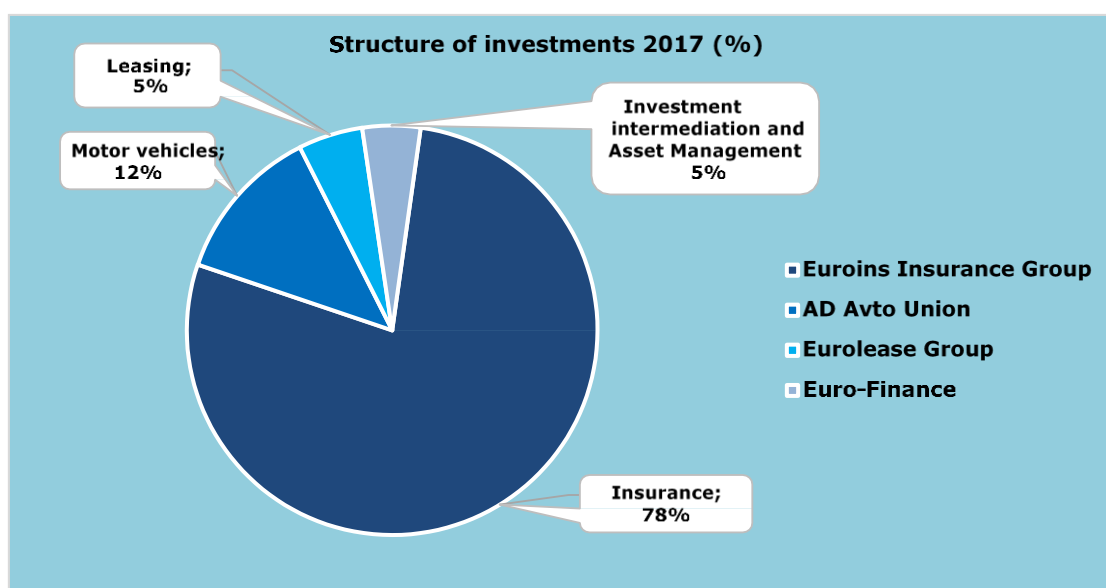
### **Group strategy**

- 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.

**B7****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:**

The subsidiaries of Eurohold companies in turn are also significant investments 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

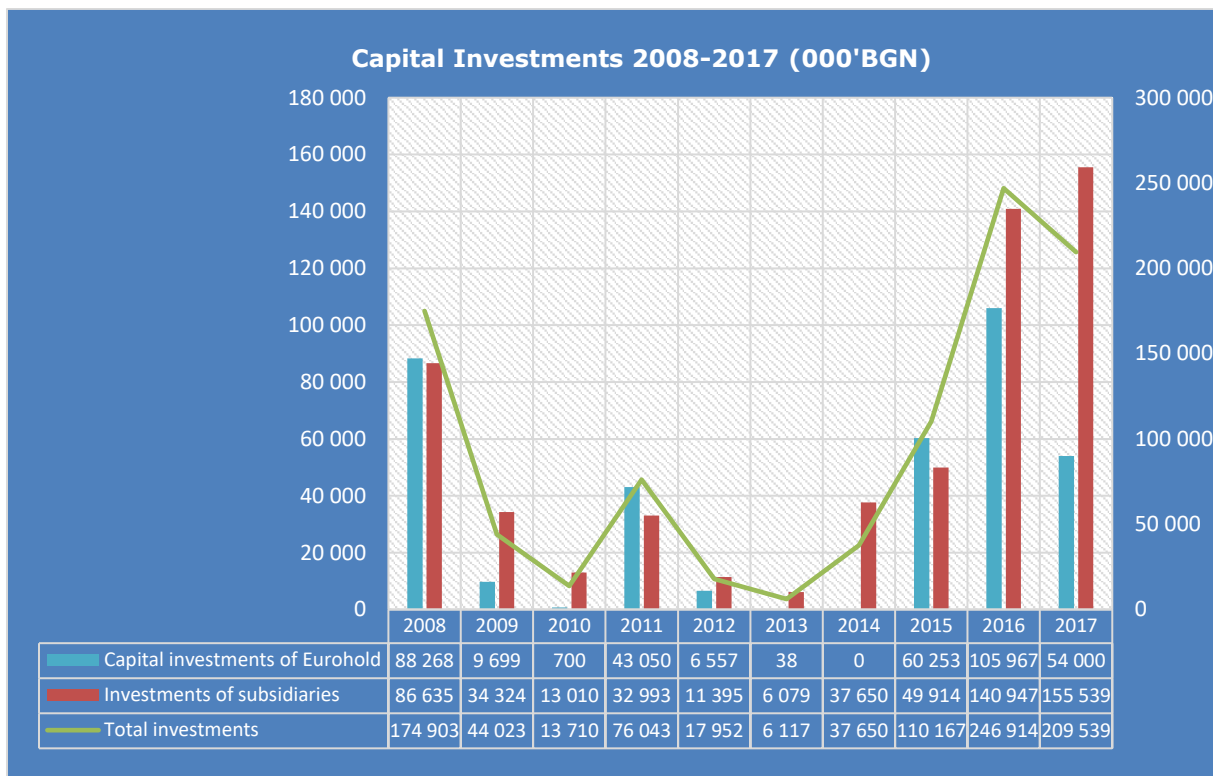
Over the last two reporting years, the Eurohold Group has carried out total equity investments amounting to BGN 246 914 thousand for 2016 and BGN 209 539 thousand for 2017.

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.

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



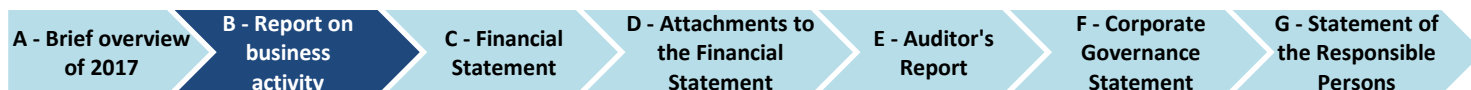
### Capital investments made by Eurohold Bulgaria and the subsidiaries in 2016. and 2017:

| 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           | 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               |
| IC "Euroins Bulgaria" AD acquisition of participation   | 80,92%    | 331 030          | 190 267                | Own funds           | EIG AD               |

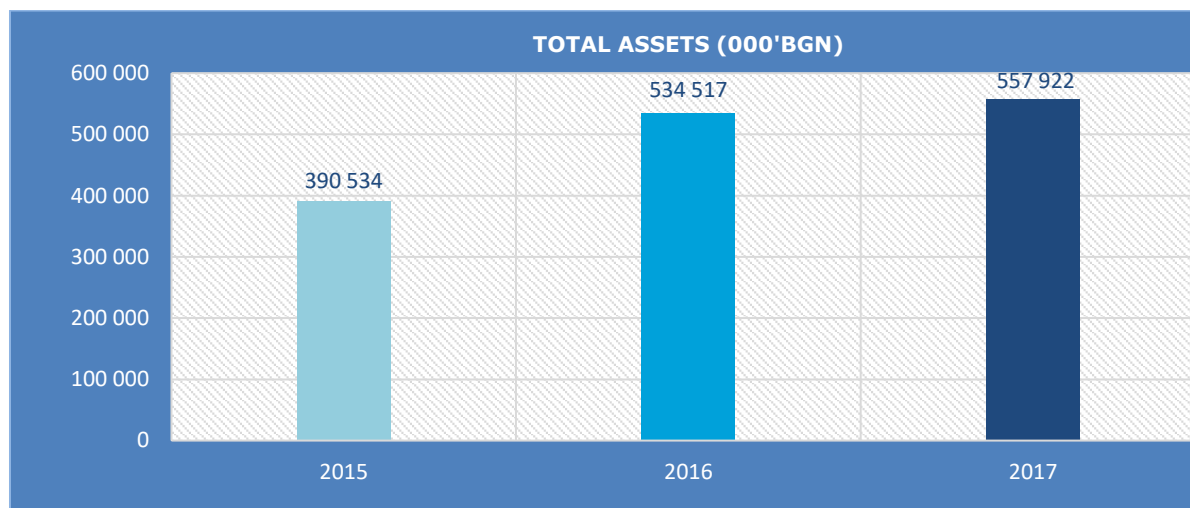
## Annual Unconsolidated Statement 2017

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| 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 Acquisition of participation | 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) | Financing method | 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        | 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>              |           |                  |                        |                  |                      |
| IC 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 OOD Share purchase                        | 51%       |                  | 35 700                 | Own funds        | Avto Union AD        |
| EuroLease Auto Retail EAD Company 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>155 538 651</b>     |                  |                      |

**B8****RESULTS FROM OPERATIONS**

IN THIS SECTION ARE PRESENTED THE RESULTS OF THE ACTIVITY OF EUROHOLD BULGARIA AD BY MAJOR KEY INDICATORS FOR 2017 AND AND COMPARATIVE PERIOD IN 2016 AND 2015 THE DATA ARE BASED ON THE AUDITED ANNUAL NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE REPORTING PERIODS.

**Analysis of the financial situation**♦ **Assets**

2017 ended with an increase in assets of 4.38% reaching BGN 557 922 thousand compared to 16 when the total assets of the company amounted to BGN 534 517 thousand. Over the last two years the company's assets have increased significantly from BGN 390 534 thousand in 2015 to BGN 557 922 thousand in 2017.

The increase in assets is mainly due to the investment activity of Eurohold Bulgaria during the years 2016 and 2017 when investments in the capital of subsidiaries were made in order to develop, support and expand their operations.

The amount of investments as of 31.12.17 increased by 11.1% compared to 16, in connection with the increase of the capital of Euroins Insurance Group AD.

by BGN 47 500 thousand and of Euro-Finance AD by BGN 6 500 thousand.

Eurohold Bulgaria AD, as a holding company, carries out mainly investment activities (investing in long-term assets - subsidiaries operating in certain strategic business areas) and financial activity (manages, controls and provides financial support to the subsidiaries). The main activity of Eurohold is decisive for the structure of the company's assets, where the investments in subsidiaries, associates and other enterprises occupy 96.7% of all assets.

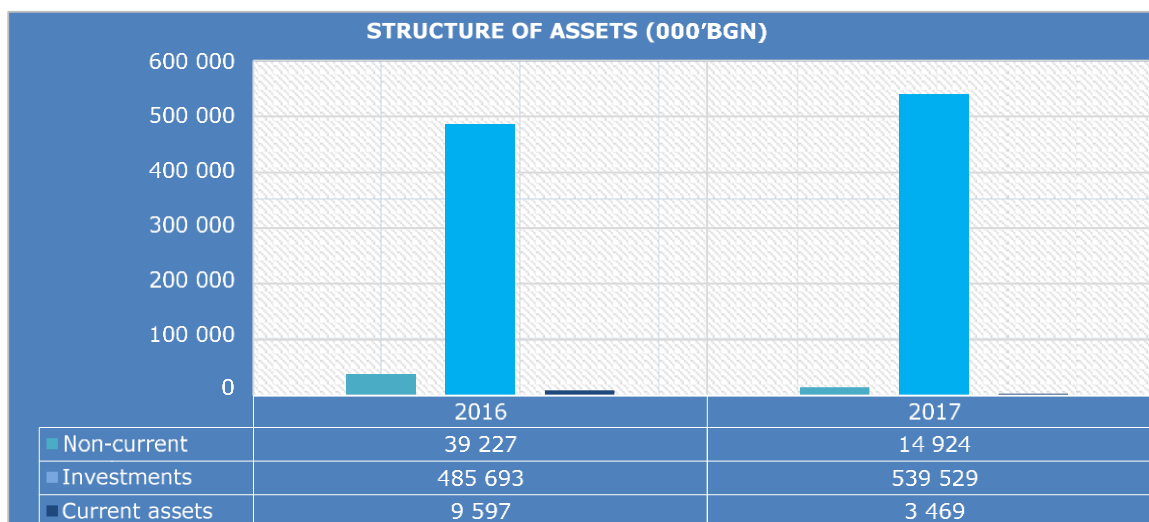
Non-current and current assets occupy a negligible part of the asset by 2017 totaling BGN 18 393 thousand. For comparison in 2016 non-current and current assets amounted to BGN 48 824 000.

In 2017, non-current and current assets

|                                   |                                        |                                |                                                   |                             |                                           |                                                 |
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decreased by over BGN 30.4 million. compared to 2016

at the expense of the amount of investments in subsidiaries, which increases in value by BGN 53.8 million



The receivables of the company are classified as long-term and short-term receivables and are formed as a result of the policy of active management of the free resources of the group.

Eurohold Bulgaria owns tangible fixed assets worth 16 thousand, representing one number of cars and office equipment.

Money funds at the end of the period amounted to BGN 206 thousand.

#### ► Equity and liabilities

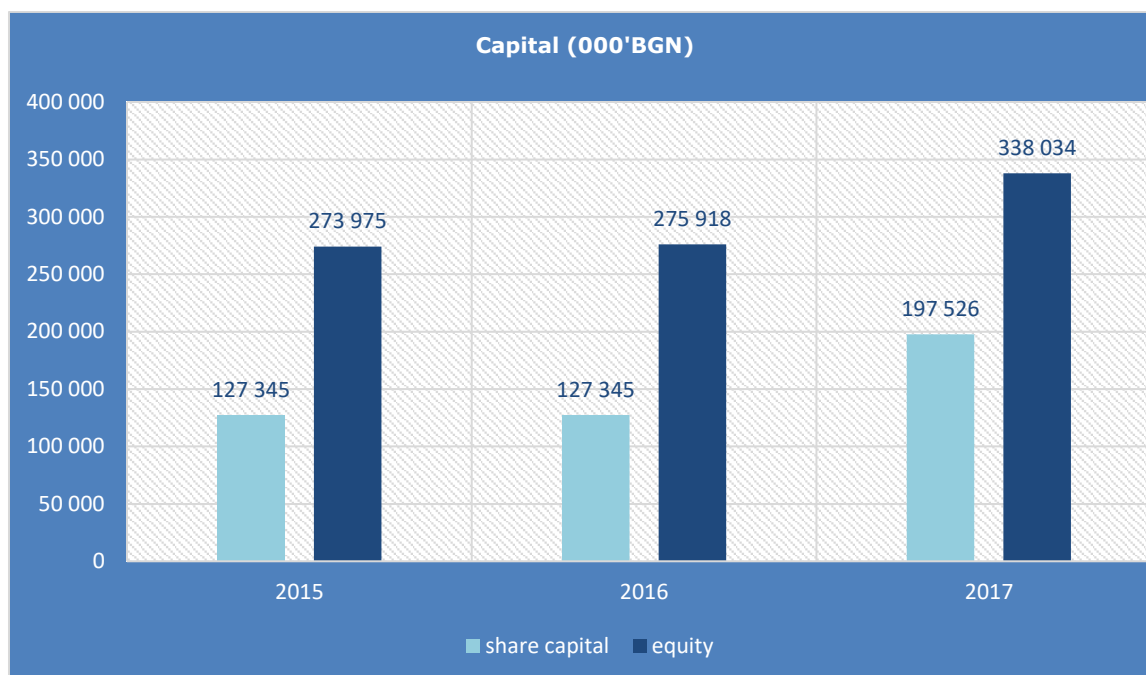
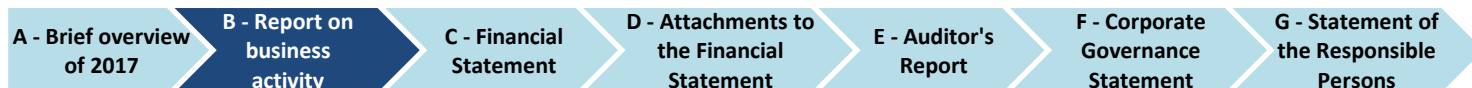
The equity of Eurohold Bulgaria A represents 60.6% of the company's liabilities. In 2017, two share capital increases were issued with an issue value above the

nominal value, with a corresponding increase of the share capital amounting to BGN 70 181 thousand from the issuance of 70 181 thousand new shares with nominal value 1 (one) BGN each and a premium reserve from the issue of securities amounting to BGN 10,854 thousand.

As a result of the successful two capital increases as of 31.12.2017 the share capital of the company reached 197 526 thousand compared to 127 45 thousand at the end of 2016.

The equity of the company at the end of the current reporting period amounts to BGN 338,034 thousand, increasing by 22.5% compared to BGN 275,918 thousand at the end of 2016.

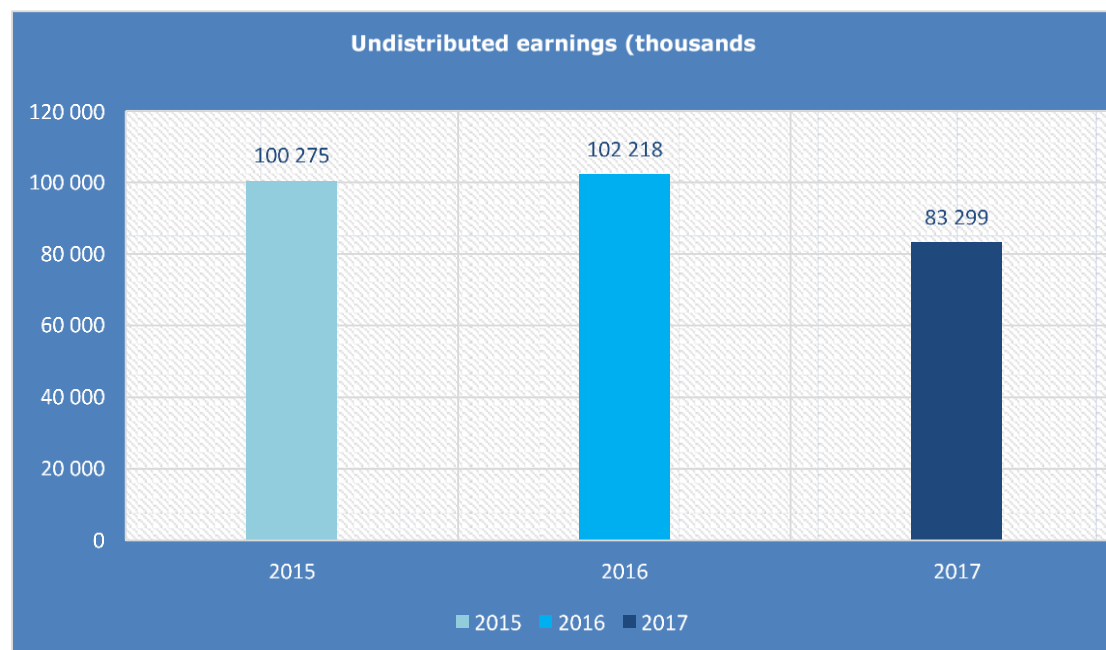
In 2015 there was no increase in the share capital of the company.



- Eurohold Bulgaria maintains a divestment distribution policy from 2015 to 2017 including dividend distribution from the company's profit as follows:
- In 2015, the paid dividend from the distributed profit of the company for 2014 amounted to BGN 582,714 thousand.

- In 2016 a dividend paid out of the distributed profit of the company for 2015 will be paid to the amount of BGN 365 680 thousand.
- In 2017 a dividend paid out of the distributed profit of the company for 2016 is paid to the amount of BGN 1 613 450

► **Неразпределена печалба от минали години**



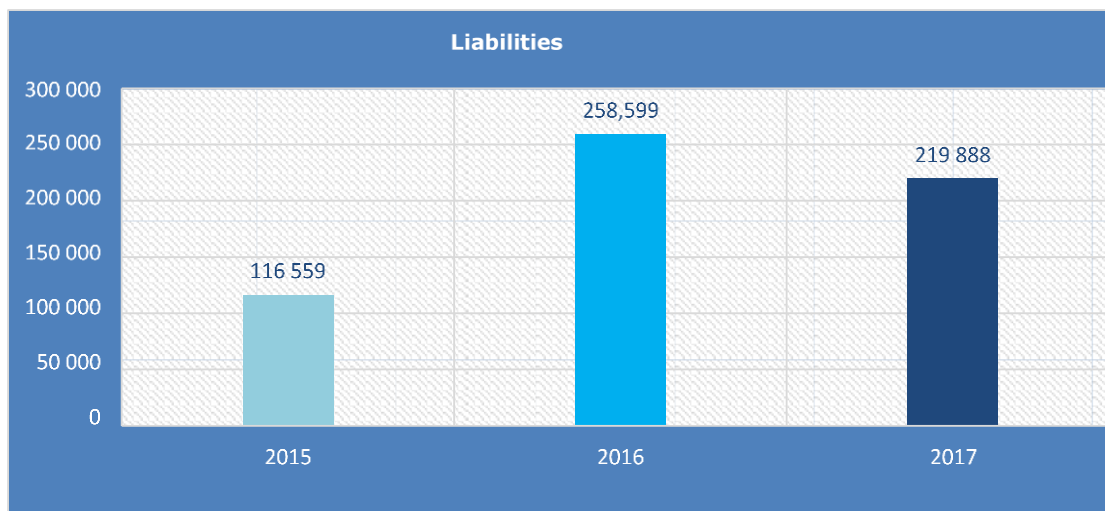


The undistributed profit of Eurohold Bulgaria at 31 December 2017 amounts to BGN 83 299 thousand.

For comparison, the undistributed profit for the year 2016 amounted to BGN 10,218,000.

The decrease in this position is due to the realized loss for the reporting year 2017 at the amount of (17,306) thousand BGN.

### ► Liabilities

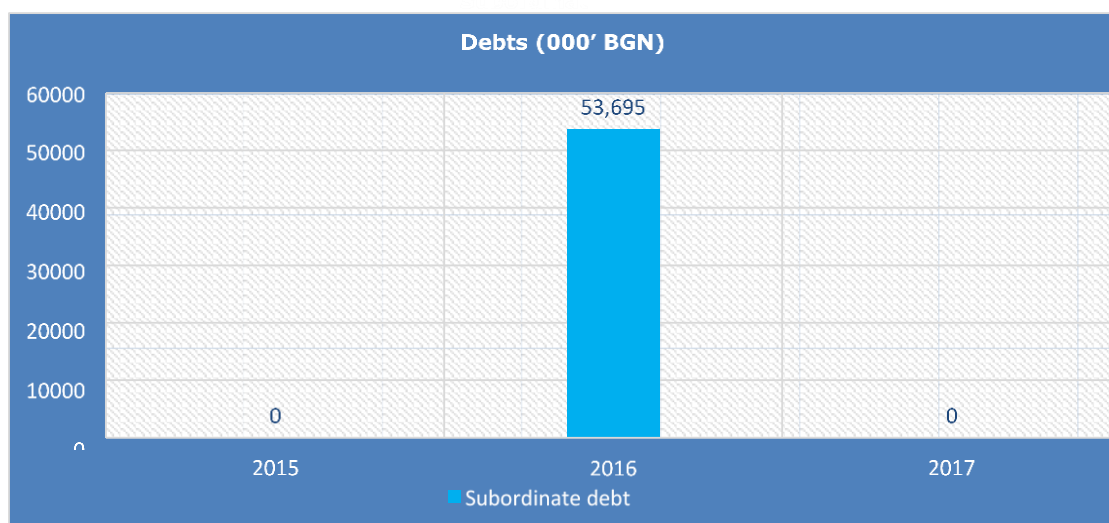


The Company's liabilities decreased by 15% from BGN 258 599 thousand in 2016 to BGN 219 888 thousand by the end of 2017. This is due to the decrease by 15.5% to BGN 165 281 thousand in 2017 of the long-term liabilities from BGN 195 596 thousand in 2016,

including non-current liabilities of BGN 141 901 thousand and subordinated liabilities amounting to BGN 53 695 thousand.

### ◆ LONG-TERM LIABILITIES

#### ► Subordinated debts



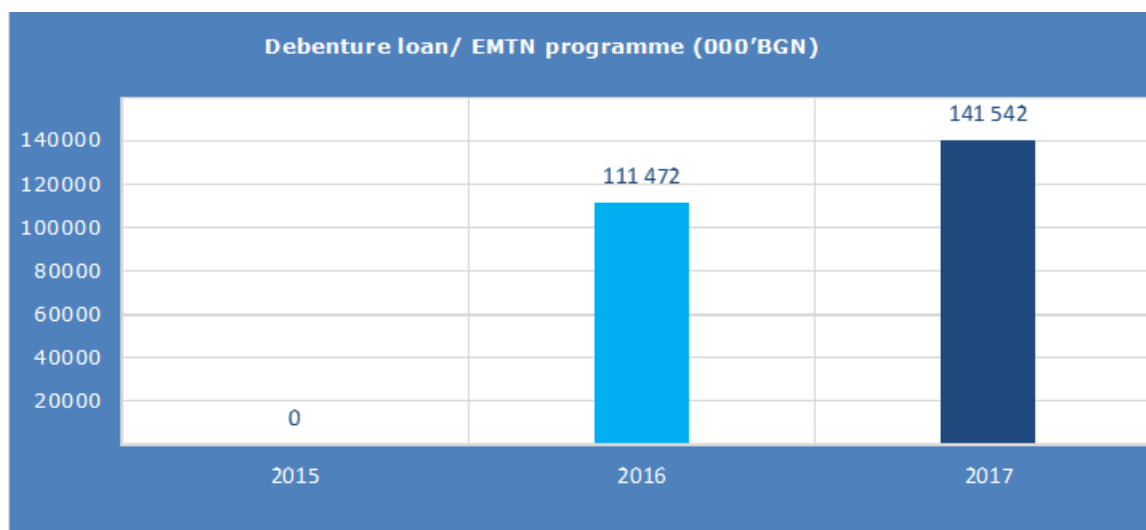
In 2016, under the policy of capital support, the management of Eurohold Bulgaria AD undertook the appropriate capital measures. Existing liabilities in subordinated debt (liabilities) with effective date 30.06.2016 were agreed. The total amount of subordinated debt as at 31.12.2016 was BGN 53 695 thousand.

In 2017, the company's subordinated debt was extinguished and at the end of the reporting period Eurohold Bulgaria did not have subordinated debt.

#### ► Bond Issue - EMTN Program

As of 31.12.2016, the long-term liabilities of the company amount to BGN 165 281 thousand increasing by BGN 23 380 thousand

compared to 2016 This growth is mainly due to a successfully issued second tranche of medium-term Eurobonds (EMTN Program) amounting to EUR 70 million at an interest coupon of 6.5% and a maturity of five years. Bonds are being launched for trading on the Irish Stock Exchange. The value of these bonds as of 31.12.2016 is BGN 111 472 thousand and at 31 December 2017 is BGN 141 542 thousand, which makes 75.2% of the company's liabilities for the current reporting period. The majority of the funding was used for the full repayment of a higher interest 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 collected through a second tranche is used to develop the company's business.



#### ► Loans from financial and non-financial institutions

Loans from financial and non-financial institutions are classified as non-current and current liabilities depending on their maturity.

Total borrowing liabilities during the historical periods shown decreased significantly, as in 2015 they amounted to BGN 62,044 thousand, in 2016 were repaid, and another BGN 9 889 thousand in 2017. During the three comparative reporting periods Eurohold Bulgaria did not borrow in the form of a loan to financial and non-financial institutions, as the loans held in 2015 were reduced by 45% as at 31.12.2017 or in absolute terms the

repayments of loans in the last two reporting years amounted to BGN 27,949 thousand.

Non-current liabilities to financial and non-financial institutions decrease significantly over the historical periods. By 2015 they amounted to BGN 43 009 thousand, reduced to BGN 24 643 thousand in 2016 and respectively to BGN 21 123 thousand at the end of 2017. The reported decrease in long-term loans for the three periods is over 50.8%. The qualified as current liabilities to financial and non-financial institutions in 2015 and 2016 remain almost unchanged, amounting to BGN 18 945 thousand and BGN 19 341 thousand respectively. At the end of 2017 the

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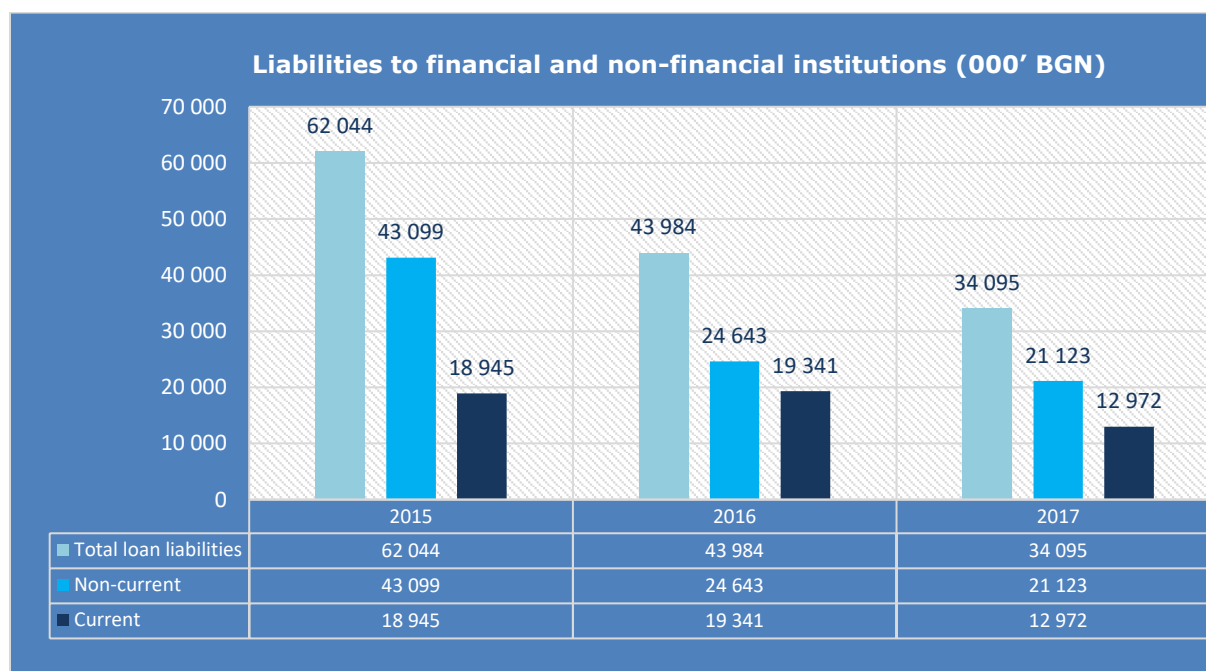
current loan obligations with a repayment term of up to 1 year are reduced to BGN 12,972 thousand.

#### ❖ Character of borrowed funds from financial and non-financial institutions

Attracted funds from financial institutions represent a loan from the International Investment Bank with an agreed limit of EUR 15,000,000, an interest rate of 7,5% + 3m EURIBOR and maturity 2021. As of 31.12.2017 the principal due on the loan

amounts to EUR 13,800,000 and the principal amount of EUR 1,200,000 was repaid in the last reporting period. Liabilities under the loan, incl. principal and interest payments are regularly serviced under a repayment schedule.

❖ Attracted funds from non-financial institutions are a loan from Accession. Mezzanine with an agreed limit of € 15,000,000, an interest rate of 8.7% and a maturity of April 2018. During the last reporting period the principal of this loan was repaid in the amount of 3 776 615 €. At the end of 2017, the principal due on the loan amounts to € 3 510 000 and the entire liability is qualified as a current liability.



During the last reporting period, the Company recorded a decrease of 55% of non-current liabilities to related parties and other long-term liabilities, which at the end of 2017 amounted to BGN 2 616 thousand.

#### ♦ Current liabilities

Current liabilities at the end of 2017 amounted to BGN 54,607 thousand, while for the previous reporting period they amounted to BGN 63,003 thousand. The decrease by BGN 8,396,000 in current liabilities is due to a combination of current payables to related parties of BGN 16,030,000 and an increase of BGN 6,837,000 in position loans from financial and non-financial institutions as well

and an increase in other short-term liabilities by BGN 797 thousand.

In the balance sheet position, loans from financial and non-financial institutions, in addition to the current liabilities under the described loans to Accession Mezzanine and International Investment Bank, are also presented as other borrowings from third parties not having the nature of a bank loan. The amount

of loans to third parties amounted to BGN 39,267 thousand, while by 2016 they amounted to BGN 26,061 thousand.

|                            |                                 |                         |                                            |                      |                                    |                                          |
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### Analysis of revenue and expenditure

The revenues and expenses of Eurohold Bulgaria derive from the main scope of activity of the company, namely: 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.

Eurohold Bulgaria as a holding company does not engage in independent business activity, and in this sense does not report regular revenues and expenses from this type of activity. Historically, therefore, on the basis of Eurohold's individual activity, it is difficult to compare the revenue generated and the reported costs due to their engagement with the specific current objectives of the holding **related to:**

- new acquisitions and expansions,
- the need to support the activities of subsidiaries by providing loans or increases in

- their capital,
- with the financial results of the subsidiaries for the relevant reporting period and the strategic decisions taken by their controlling authorities regarding the possibility of dividend distribution to the parent company or the retention of profits and their subsequent reinvestment.

In connection with the specific and non-rhythmic nature of the income and expenses of the individual activity of Eurohold Bulgaria (activity fully linked to the activities, development and results of the subsidiaries of the Holding's economic group), in the analysis of revenues and expenses on an unconsolidated basis of the company, it should be borne in mind that Eurohold also prepares consolidated financial statements reflecting the operating result and the financial position of the whole group. For the purpose of analyzing the results on a non-consolidated basis of Eurohold, an analysis of the consolidated financial statements should

|                                   |                                        |                                |                                                   |                             |                                           |                                                 |
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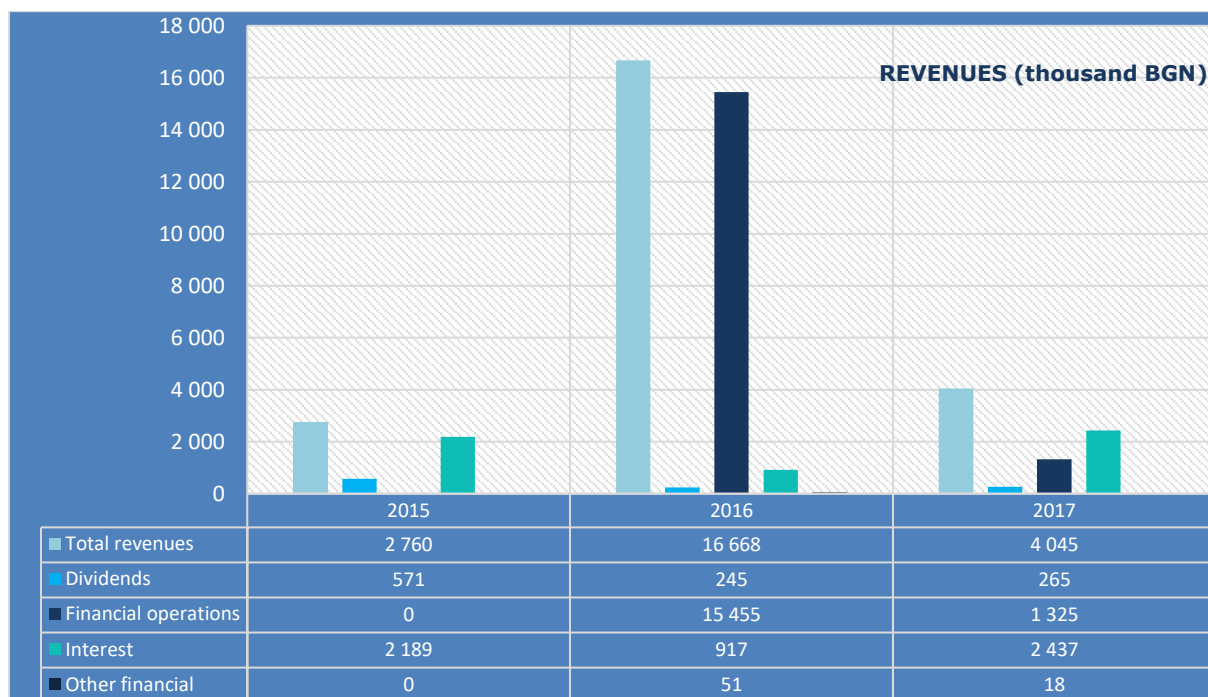
be carried out in order to obtain a complete, clear and completed picture at Group level.

The revenues of Eurohold Bulgaria AD are formed by the main activity of the company and have the following nature:

- reported positive differences from financial operations on the acquisition, sale and management of participations in

subsidiaries;

- accrued interest on financing of subsidiaries;
- distributed dividends;
- other financial income - representing bank interest on deposits, currency revaluations and similar.



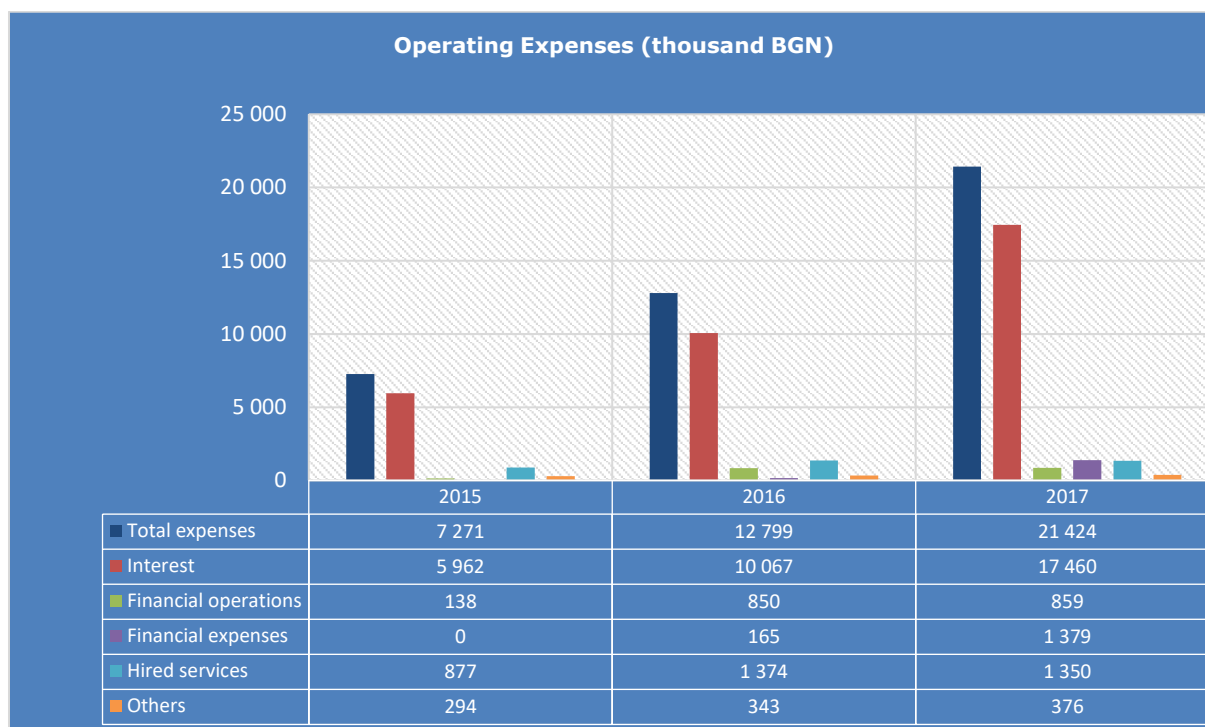
For the current reporting period, revenue generated by Eurohold Bulgaria amounted to BGN 4,045,000. The main share of the revenues is occupied by interest on loans granted to the amount of BGN 2 437 thousand, followed by income from financial operations amounting to BGN 1 325 thousand realized mainly in connection with the sale of a company in which the holding is minority interest. The dividends received for 2017 at the amount of BGN 265 thousand

For the comparative reporting periods, there is a significant increase in realized revenues in 2016, in

relation to reported revenues from financial operations amounting to BGN 15 455 thousand, while in 2015 the company did not carry out activity on the purchase and sale of companies, which resulted in no revenue from financial operations.

The operating expenses of Eurohold Bulgaria, similar to the revenues, are related to the expenses related to the implementation of specific current investment projects, the expenses related to the provision of financing for the acquisition, expansion and financial support of the subsidiaries, interest on received financing and others, Eurohold also reports fixed staff costs and other external services such as office space rentals, consumables,

and other costs associated with the normal flow and implementation of the activity.



For the year 2017 the reported operating expenses of Eurohold Bulgaria amounted to BGN 21,424,000 compared to BGN 12,799,000 for 2016. The largest share in the structure of the operating expenses is the interest cost on received financing amounting to BGN 17 460 thousand for the current reporting period, marking an increase of 73.4% compared to 2016. Expenditure on financial expenses has also increased many times over the previous reporting period and amounted to BGN 1,265,000 in 2017, mainly representing exchange rate fluctuations. All other types of operating costs remained relatively constant during the reporting periods considered.

### Net Result of Activity

Eurohold Bulgaria AD ends in 2017 with a net result of the loss amounting to BGN (17 379) thousand.

The realized negative financial result for the reporting period is mainly related to accrued interest expense earned in recent years

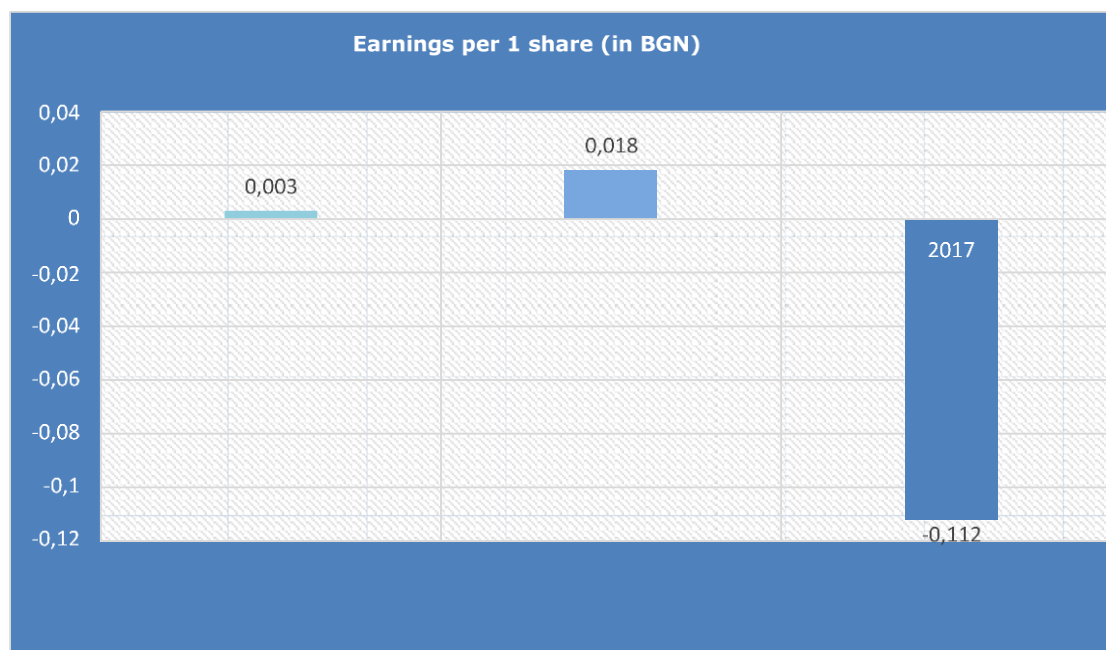
necessary to cover the capital requirements of one of the Group companies by increasing their capital base and financing the expansion of the activity through new acquisitions.

The management of Eurohold has committed itself to working towards reducing the company's indebtedness as well as refinancing high-interest debt. In support of this action, the first installment of the bond loan was repaid in 2017 at an interest rate of 8% and the second tranche was issued at a lower interest rate of 6,5%. Also, the loan received from Accession. Mezzanine, amounting to € 15,000,000, at an interest rate of 8.7%, is now almost paid off. The residual principal at the end of 2017 at the amount of € 3 510 000 will be fully repaid in April 2018. Eurohold Bulgaria managed to repay in 2017 and liabilities under subordinated liabilities amounting to BGN 53 thousand.

Due to the reported loss for the current period, the income per share for 2017 is negative value (BGN 0.112), while for the comparable reporting periods

|                            |                                 |                         |                                            |                      |                                    |                                          |
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the income per 1 share is BGN 0.018 for 2016 and BGN 0.003 for 2015.



## CASH FLOWS

On an unconsolidated basis, Eurohold Bulgaria generates cash flows from the following activities:

- Revenue from investment operations;
- dividend income;
- interest income on loans granted to subsidiaries;
- revenue from services

During the period under review the cash flows from operating activities have negative values, which are formed mainly by exceeding

the payments for the operating activity against the receipts.

Cash flows for the year 2017 are mainly formed by the company's financial and investment activities related to the restructuring of long-term debt and the accumulation of available cash from subsidiaries and their focus on financing the current and investing activities of other subsidiaries.

| Cash Flows<br>Thousand BGN                     | 2015       | 2016       | 2017        |
|------------------------------------------------|------------|------------|-------------|
| Cash Flows from operating activity             | (1 437)    | (2 006)    | (3 814)     |
| Cash Flows from investment activity            | (59 682)   | (91 120)   | (19 991)    |
| Cash Flows from financing activity             | 61 125     | 93 295     | 23 730      |
| <b>Changes in cash flows during the period</b> | <b>6</b>   | <b>169</b> | <b>(75)</b> |
| Cash Flows at the beginning of the period      | 106        | 112        | 281         |
| Cash Flows at the end of the period            | <b>112</b> | <b>281</b> | <b>206</b>  |

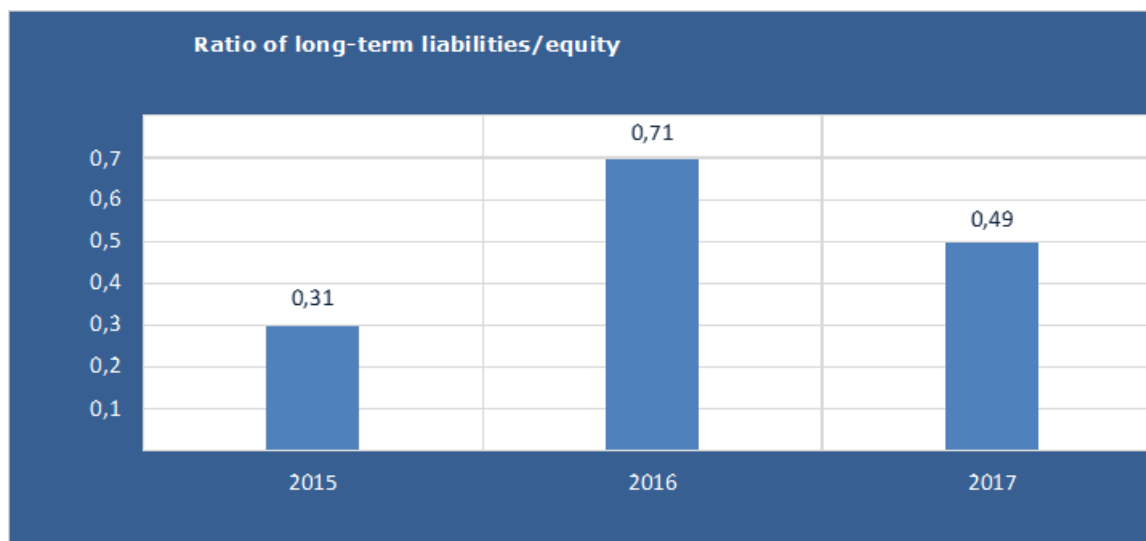
**Capital resources**

Debt and equity relationships show how the company finances.

By 31.12.2017, the equity share of Eurohold Bulgaria AD's assets was 60.6%, while at the end of 2016 this ratio was 0.52%, from which it follows that during the current reporting

period Eurohold Bulgaria has improved its capital structure.

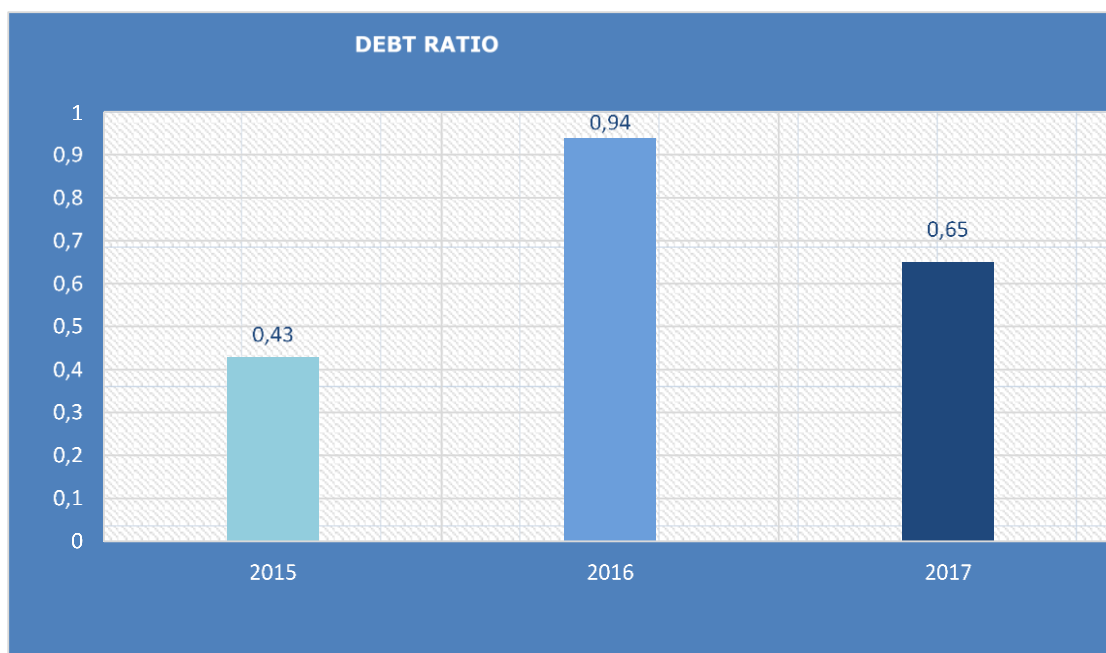
In 7, the Long-Term Liabilities / Equity ratio decreased from 0.71 in 2016 to 0.49. The improvement of the coefficient by 0.22 percentage points is the result of the actions taken to reduce the long-term debt of the company.

**Financial ratios****Debt factor and financial autonomy и финансова автономност**

Debt ratios and financial autonomy account for the coverage of attracted funds with equity and vice versa.

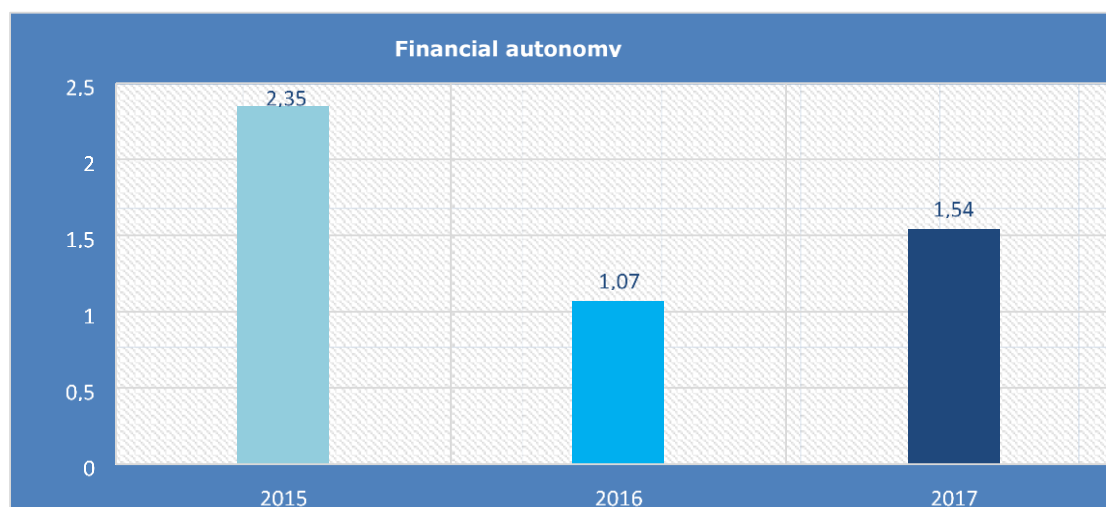
The debt ratio marked a significant improvement by 0.29 points,

from 0.94 by the end of 2016, it decreased to 0.65 in 2017, mainly as a result of the decrease in the company's borrowed capital.



The value of the financial autonomy ratio as of 31.12.2017 is 1.54, compared to 1.07 to 2016. This shows that Eurohold Bulgaria

reported an improvement and by the indicator coverage of the attracted funds with own capital by 0.47 points.



Taking into account the reported loss for 2017, financial performance indicators show worse performance over the previous comparable period.

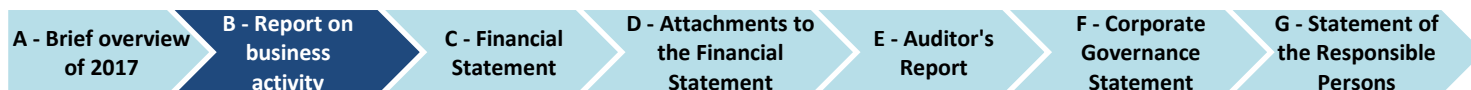
The following table shows selected financial indicators from the unconsolidated financial statements of Eurohold Bulgaria for a three-year period.

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*The data from the financial statements are provided in thousands of BGN*

| Indicators                                                        | 2017     | Change*  | 2016    | 2015    |
|-------------------------------------------------------------------|----------|----------|---------|---------|
| <b>Statement of profit or loss and other comprehensive income</b> |          |          |         |         |
| 1. Accounting profit/loss (before tax)                            | (17 306) | -849,5%  | 2 309   | 407     |
| 2. Net Profit / Loss (after taxes)                                | (17 306) | -849,5%  | 2 309   | 407     |
| 3. Revenues                                                       | 4 045    | -75,73%  | 16 668  | 7 678   |
| <b>Statement of Financial Position as at 31 December</b>          |          |          |         |         |
| 4. Equity                                                         | 338 034  | 22,5%    | 275 918 | 273 975 |
| 5. Liabilities (long-term + short-term - subordinates)            | 219 888  | 14,97%   | 258 599 | 116 559 |
| 6. Assets (long-term + short-term)                                | 557 922  | 4,38%    | 534 517 | 390 534 |
| <b>Information on shares</b>                                      |          |          |         |         |
| Share capital                                                     | 197 526  | 55,1%    | 127 345 | 127 345 |
| Number of shares                                                  | 197 526  | 55,1%    | 127 345 | 127 345 |
| Net profit/loss per share, in BGN                                 | (0,112)  | -722,22% | 0,018   | 0,003   |
| <b>Financial Ratios</b>                                           |          |          |         |         |
| Financial autonomy ratio (4/5)                                    | 1.54     | 0.47     | 1.07    | 2.35    |
| Debt factor (5/4)                                                 | 0.65     | -0.29    | 0.94    | 0.43    |
| Gross return on revenue (1/3)                                     | -427.84% | -413.99% | 13.85%  | 5.30%   |
| Net profitability of revenues (2/3)                               | -427.84% | -413.99% | 13.85%  | 5.30%   |
| Gross profitability of equity (1/4)                               | -5.12%   | -4.28%   | 0.84%   | 0.15%   |
| Net profitability of equity (2/4)                                 | -5.12%   | -4.28%   | 0.84%   | 0.15%   |
| Gross profitability of liabilities (1/5)                          | -7.87%   | -6.98%   | 0.89%   | 0.35%   |
| Net profitability of liabilities (2/5)                            | -7.87%   | -6.98%   | 0.89%   | 0.35%   |
| Gross asset profitability (1/6)                                   | -3.10%   | -2.67%   | 0.43%   | 0.10%   |
| Net asset profitability (2/6)                                     | -3.10%   | -2.67%   | 0.43%   | 0.10%   |

► *The calculated change reflects the change in the values presented to 2017 compared to the corresponding figures for the previous reporting period.*



## B9

### CURRENT TRENDS AND POSSIBLE FUTURE DEVELOPMENT

#### 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 its core business lines - insurance, cars, leasing and finance, as well as expanding them by increasing their market shares and / or by acquiring new companies from Central and Southeast 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.

#### Trends for development of 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 sales 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 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%.

Supported by the 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 offered.

#### 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

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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.

### 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 management of the Eurohold Bulgaria AD 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;

- Realization of synergies from the centralization and optimization of operations, marketing and all other business processes in the structure of the Group;

- Cost optimization for maintaining goods in stock;

- Fixed costs optimization;

- Optimization of inventory level, etc.;

- Consolidation of all sources of funding in order to minimize administration costs;

- Opening of new locations - showrooms and car repairs stations;

- Optimization of the staff and equipment engaged in the car repairs activity;

- Implementation of better warranty conditions for the cars sold;

- Ensuring funding for the leasing sub-holding;

- 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.

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**B10****DESCRIPTION OF THE MAIN RISKS**

THIS SECTION DESCRIBES THE SPECIFIC RISK FACTORS INFLUENCING 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 CONDITION. 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).*

**1. Systematic risks**

|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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: 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. The degree of political risk is determined by the likelihood of changes in the unfavorable direction, of the government led long-term economic policy, which may have a negative impact on investment decisions. Other factors related to this risk are the possible legislative changes concerning the economic and investment climate in the country.</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. Bulgaria is</p> <p>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> |

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**Unemployment**

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

According to 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.

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

**Credit risk of the country**

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

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". The consolidation of the prospect as stable reflects Fitch Ratings' assessment that the indicators for the development of the Bulgarian foreign sector have improved significantly.

On December 1, 2017, S & 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 strong outlook for Bulgaria's credit rating reflects the expectations of S & 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.

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

**Inflation risk**

The inflation risk is related to the possibility of inflation influencing the real return of investments.

The main risks associated with the inflation forecast refer to the dynamics of international prices and the rate of economic growth in Bulgaria. International commodity prices may increase more significantly as a result of political crises or increased demand. The limited supply of certain agricultural commodities, especially of cereals, internationally, in connection with adverse climatic events, may additionally cause higher inflation in the country. With the recovery of domestic demand, higher relative consumer prices of services are expected compared to food and non-food goods. According to the Ministry of Finance forecast for macroeconomic indicators by 2020, the growth rate of the economy is expected to slow down gradually and the projected average growth for the period 2017-2020 to amount to 2.0%.

Inflation might influence the expenses of the Company, since quite a big portion of the company's liabilities are interest-bearing. Their servicing is related to the current interest rates which reflect the inflation level in the country. That is why keeping low inflation levels in the country is considered as a significant factor for the activity of Eurohold Bulgaria AD.

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

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|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Interest rate risk</b>                  | <p>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> <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. 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. 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>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. 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. 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. 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>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

## 2. Unsystematic risks

|                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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. 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. 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. 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 activity and structure of the 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. Selecting an inappropriate strategy might lead to considerable 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. This is extremely important, so that they can react in a timely manner, in case a change in the strategic development plan is needed at a certain stage. Untimely or inappropriate changes in the strategy can also have a considerable negative effect on the activity of the company, its operating results and financial position.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

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|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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 and retaining qualified staff</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. The demographic crisis in the country - an aging population and a low birth rate - also has an additional impact. 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. There is no certainty that these key employees will continue to work in Eurohold for the future. The success of the company will also be relevant to its ability to retain and motivate these individuals. 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 related to future acquisitions and their integration into 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. The Group intends to implement a strategy for identifying and acquiring businesses, companies and assets with a view to expanding its operations. The risk for Eurohold is the uncertainty as to whether it will succeed and in the future identify the appropriate acquisition and investment opportunities. 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. 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. This additional financial insecurity adds to the business risk. When part of the funds used for financing of the activity of the company are in the form of loans or debt securities, the repayment of these funds represents a fixed liability.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Currency Risk</b>                                                                 | <p>As a whole, the activity of Eurohold Bulgaria AD on the territory of the Republic of Bulgaria does not generate currency risk due to the current currency board and the fixing of the national currency to the euro. Currency risk exists for the Group's investments abroad, mainly from the insurance sector in Romania, Macedonia and Ukraine, and a leasing line in Romania and Macedonia.</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. The presence of good financial indicators of profitability and capitalization of a certain company does not guarantee the smooth coverage of current payments. Liquidity risk might occur in case of late customer payments. Eurohold Bulgaria AD strives to minimize this risk through optimal cash flow management within the group itself. The Group applies an approach which should provide the liquid resource needed to cover the liabilities which have occurred from normal or exceptional conditions, without realizing unacceptable losses or damaging the reputation of the separate companies and the business group as a whole.</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>                                                                                                                                              |

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|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Market Risk.</b>                             | 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. For Eurohold Bulgaria AD the market risk is related to the possibility of lowering the price of traded financial instruments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Credit Risk</b>                              | This is the risk arising from the company's inability to meet its liabilities on attracted funds. It is related to an untimely, partial or total failure to pay interest and principal on its borrowed funds. Credit risk is also the risk that a counterparty will not pay its liability to the Company. 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Risk of concentration</b>                    | 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. This risk is expressed in the possibility that the invested funds will not be fully recovered due to a recession in the business invested.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Currency Risk</b>                            | 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. In Bulgaria, since 1997 the local currency has been fixed to the Euro. 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. Ultimately, however, Company reports its consolidated financial results in Bulgaria 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Interest rate risk</b>                       | All other conditions equal, the increase in interests would reflect on the cost of the financial resource used by the Issuer for the realization of different business projects. Moreover, it can influence the amount of expenses of the company, since quite a big portion of the company's liabilities are interest-related and their servicing is related to the current interest rates.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Risk related to investment in securities</b> | 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. To a large extent, this depends on the management models and long-term goals and plans of the offering securities company. The minimization of this risk also depends on the level of diversification of the securities portfolio held by investors. 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. In this list, lenders, including bondholders, are in the first place in the presence of an issued bond. 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. 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. 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. 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. |

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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. The impact of the individual risks is proportional to the share of the respective branch in the structure of the long-term investment portfolio of the Eurohold.</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. Poor performance of one or more subsidiaries could lead to a deterioration of the results on a consolidated basis. This is, in effect, related to the price of the shares of the Eurohold, which might change as a result from the expectations of the investors with regard to the perspectives of the company.</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 well as risk of co-dependence from the activity of the subsidiaries.</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. Another risk which may be assumed is not obtaining enough revenue from the inter-group commercial transactions, and subsequently not making good profit for the respective company. On a consolidated level, this might have a negative impact on the profitability of the whole group.</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. All transactions with related parties are made under conditions which do not differ from the usual market prices and in compliance with IAS 24.</p>                                                                                                                                                                                |

## MANAGEMENT AND RISK MINIMIZATION MECHANISMS

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>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:</p> <ul style="list-style-type: none"> <li>market share, pricing policy, marketing surveys and studies of the development of the market and the market share;</li> <li>active management of investments in the different industry sectors;</li> <li>comprehensive management policy for the assets and liabilities of the company in order to optimize the structure, quality and return of the company assets;</li> <li>optimization of the structure of the borrowings in order to guarantee liquidity and decrease the financial expenses of the company;</li> <li>effective cash flow management;</li> <li>optimization of the costs for administration, management and external services;</li> <li>human resource management.</li> </ul> <p>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.</p> |
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## B11

### CORPORATE GOVERNANCE

EUROHOLD BULGARIA ADHERES TO THE RECOMMENDATIONS GIVEN IN THE NATIONAL CORPORATE GOVERNANCE CODE (2007), WHICH IN ITS 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 MANAGED BY BEST PRACTICES IN 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 FOLLOWED, THE COMPANY UNDERTAKES TO DISCLOSE TIMELY INFORMATION ABOUT IT, THE COMPANY UNDERTAKES TO PUBLISH A STATEMENT OF GOOD CORPORATE GOVERNANCE AS PART OF THE ANNUAL ACTIVITY REPORT FOR THE FINANCIAL YEAR IN QUESTION.

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 2011, THE MANAGEMENT BOARD DECIDED TO JOIN THE COMPANY'S CORPORATE GOVERNANCE CODE. BY 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 INTERESTED PARTIES. 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 INCORPORATING ACTS OF THE COMPANY.

**Disclosure policy** Управителният The Management Board of Eurohold Bulgaria AD treats all shareholders equally with respect to the disclosure of information. The Company discloses at least periodic reports and notifications of inside information within the meaning of Art. 4 of the Market Abuse of Financial Instruments Act, within the terms and with content, according to the requirements of the Public Offering of Securities Act. Eurohold Bulgaria AD has concluded contracts with the Financial Markets Service OOD (the specialized financial

media X3News to BSE-Sofia) for disclosure of regulated information in the sense of the Public Offering of Securities Act to the public, the regulated market and the Financial Supervision Commission. Information is available on the relevant e-mail addresses of the media - [www.x3news.com](http://www.x3news.com), as well as on the the corporate website of Eurohold Bulgaria AD - [www.eurohold.bg](http://www.eurohold.bg).

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**B12****ADDITIONAL INFORMATION LEGALLY REQUIRED REGARDING THE COMPANY**

THIS SECTION CONTAINS ADDITIONAL INFORMATION ACCORDING TO THE REQUIREMENTS OF COMMERCIAL LAW AND ANNEX №10 OF ORDINANCE NO. 2 OF FSC AND WHICH INFORMATION HAS NOT BEEN DISCLOSED IN THIS REPORT

**INFORMATION REQUIRED UNDER THE COMMERCE 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**

In 2016 the Company has not bought back or transferred any of its own shares, therefore at the end of the period the Company does not have any own shares

**2. Pledge of enterprise**

Up 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.

The Company does not own any own shares.

**4. 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 | from 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                                                        | -                         | -                 | 14 640           |
| Kustaa Äimä                                                          | -                         | -                 | -                |
| Lyubomir Stoev                                                       | -                         | -                 | -                |
| Total Supervisory Board                                              | -                         | 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                                                        | -                         | -                 | -                |
| Total Management Board                                               | -                         | 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

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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.

### 5. 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>        | -                |
| Hristo Stoev             | -                |

No stock options on shares of the Company have been issued to the benefit of management body's members of the company, employees or third parties.

### 1. Rights of the members of the boards to acquire shares and bonds of the Company

As of the date of drafting of this document, there are no agreements or other arrangements with the employees of Eurohold Bulgaria AD, regarding their participation in the Company capital.

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.

### 6. 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.

The Supervisory Board is composed of five natural persons and one legal person: Asen Milkov Hristov, Dimitar Stoyanov Dimitrov, Radi Georgiev, Kustaa Lauri Äimä and Lyubomir Stoev.

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.

Since of March 1, 2016 the company should be represented only together by an executive member of the Managing 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).

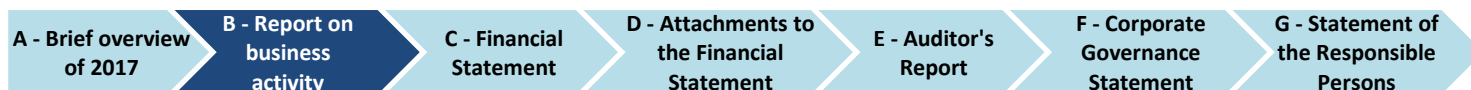
There are established family relations between the member of the Supervisory Board Lyubomir Stoev and the procurator Hristo Stoev, among whom there is a first-degree lineage (father and son).

|                                   |                                        |                                |                                                   |                             |                                           |                                                 |
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The activity of the company is not dependent on the individual professional experience or qualifications of other employees.

## SUPERVISORY BOARD

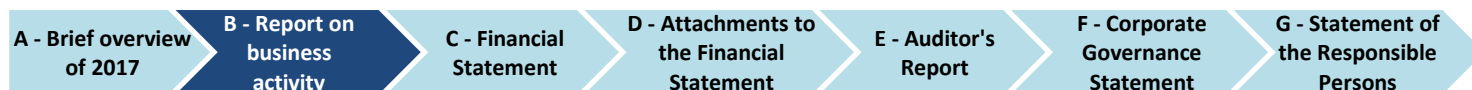
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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Name</b>                                                                                                                                                                                   | <b>Assen 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>Information about all other participations as a member of a management/ controlling body and/or associate during 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. Terminated:</li> <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>Administrative correction measures and penalties</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>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>Information about all other participations as a member of a management/ controlling body and/or associate during 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. Terminated:</li> <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. As at the date of the activity report, the company is in liquidation.</li> </ul> <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>Administrative correction measures and penalties</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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

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| <b>Name</b>                                                                                                  | <b>Kustaa Lauri Ayma</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. |

| A - Brief overview of 2017 | B - Report on business activity                                                                                                                                                               | C - Financial Statement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | D - Attachments to the Financial Statement | E - Auditor's Report | F - Corporate Governance Statement | G - Statement of the Responsible Persons |
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|                            | <b>Information about all other participations as a member of a management/ controlling body and/or associate during 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></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                            |                      |                                    |                                          |
|                            |                                                                                                                                                                                               | <ul style="list-style-type: none"><li>◆ AC PR Foods - Director;</li><li>◆ AS Saarmeer Kala - Director;</li><li>◆ Lider 96 - Director;</li><li>◆ KJK Inwestycje Sp. z o.o. Director;</li><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 Ou - Director;</li><li>◆ Oreiarvi Varenito Oy - Director;</li><li>◆ UAB D Inwsticijų valdymas - 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; 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 Mil - Director;</li><li>◆ UAB Malsena Plius - Director;</li><li>◆ AD Rigas Dzirnāvnijeks - 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> | <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                            |                      |                                    |                                          |
|                            | <b>Relative professional experience</b>                                                                                                                                                       | <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                            |                      |                                    |                                          |
|                            | <b>Administrative correction measures and penalties</b>                                                                                                                                       | <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                            |                      |                                    |                                          |



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| <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>                                                                                  | IC Euroins AD – Member of the Supervisory Board; IC EIG RE EAD (formerly named HDI Zastrahovane AD) - Member of the Supervisory Board;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Information about all other participations as a member of a management/ controlling body and/or associate during the last 5 years</b>                                                      | Current:<br><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> 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 company "Kalaidzhiev and Georgiev".                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Administrative correction measures and penalties</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. |

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| <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 Vitoshki 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>Information about all other participations as a member of a management/ controlling body and/or associate during the last 5 years</b>                                                      | Current:<br>AFG Invest GmbH - Executive Director.<br>Terminated:<br>Dar Finance OOD - Manager until 13.01.2017, as at the date of the activity report the person is not a Manager;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <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, Lubomir Stoev is the Chief Executive Officer of AFG Invest GmbH, whose main activity concerns investments in commercial companies |

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| <b>Administrative correction measures and penalties</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. |
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## Management Board

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| <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>                                                                                  | Avto Union AD – Vice-chairman of the Board of directors;<br>Euroins Insurance Group AD – Executive Director;<br>Euroins Romania Asigurare Reasigurare S.A. – Chairman of the Board of directors;<br>Euroins Insurance SA, Macedonia – member of the Board of directors;<br>Eurolease Auto IFN S.A. Romania – member of the Board of directors;<br>Euro-Finance AD – Vice-chairman of the Board of directors;<br>N Auto Sofia EAD – member of the Board of directors<br>Starcom Holding AD – Chairman of the Board of Directors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Information about all other participations as a member of a management/ controlling body and/or associate during the last 5 years</b>                                                      | Current:<br>♦ Alcommerce EOOD – Sole owner of the capital and Manager since 28.01.2018)<br>Armada Capital AD – Member of the Board of Directors.<br>Capital – 3000 AD – Chairman of the Board of directors;<br>♦ Starcom Hold AD – Chairman of the Board of directors. Terminated:<br>EuroAuto" OOD - Manager until 18.08.2015, as at the date of the activity report the person is not a Manager;<br>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;<br>Euromobile 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 a Deputy Chairman 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>                                                                                                                                                       | 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.<br><br>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. |
| <b>Administrative correction measures and penalties</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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

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| <b>Name</b>                                                                                                                                                                                   | <b>Asen Minchev Minchev</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Title</b>                                                                                                                                                                                  | <b>Executive Member of the Management Board</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Business address:</b>                                                                                                                                                                      | City of Sofia, 43 Hristofor Kolumb blvd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Information about activities performed outside of the Is-</b>                                                                                                                              | Bulvaria Holding EAD - Member of the Board of Directors;<br>Auto Italia EAD - Member of the Board of Directors;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>which are of importance to the Issuer.</b>                                                                                                                                                 | ♦ Star Motors Ltd. - Procurator.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Information about all other participations as a member of a management/ controlling body and/or associate during the last 5 years</b>                                                      | Current:<br>♦ Capital - 3000 AD - Executive member of the Board of Directors;<br>♦ CableTeam AD - Chairman of the Board of Directors. Terminated:<br>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;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <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>                                                                                                                                                       | Asen Minchev holds a Master's degree in Accounting and Control at the University of National and World Economy.<br>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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Administrative correction measures and penalties</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 Is-</b>                                                                                      | ♦ IC Euroins AD - Member of the Management Board;<br>♦ IC EIG RE AD - Member of the Supervisory Board;<br>♦ Starcom Holding AD - Member of the Board of Directors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Information about all other participations as a member of a management/ controlling body and/or associate during the last 5 years</b>                                                      | Current:<br>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<br>Terminated:<br>♦ 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;<br>♦ 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;<br>♦ 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;<br>♦ 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; |
| <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> | ♦ 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.<br><br>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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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| <b>Relative professional experience</b>                                                                                                                                                | Velislav Hristov holds more than 20 years of experience as a lawyer and consultant in the field of civil, commercial, banking and insurance law, as well as over 15 years of experience in business management. His career includes a number of managerial positions as a member of the management and supervisory boards of banks, insurance companies, public and private commercial companies and the head of the legal departments of the same. Velislav Hristov is at the same time a freelance lawyer and holds a Master's degree in Law from the Faculty of Law of the Sofia University.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Administrative correction measures and penalties</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 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>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 SEOOD – 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>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Information about all other participations as a member of a management/ controlling body and/or associate during the last 5 years                                                      | <p><u>Current:</u></p> <ul style="list-style-type: none"> <li>◆ Motobul Express EOOD – Manager;</li> </ul> <p><u>Terminated:</u></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 EOOD – (currently Auto R EOOD) – 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>◆ "Gransport Auto" EOOD (currently terminated due to merger in "Auto Italia" EAD) – Manager until 23.01.2013, 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 Executive Director;</li> <li>◆ Euromobile Properties EAD (currently terminated due to merger in 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 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>◆ Milano Motors EOOD (currently terminated due to merger in "Auto Italia" EAD) – Manager until 23.01.2013, as at the date of the activity report the person is not a Manager;</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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

|                                   |                                        |                                |                                                   |                             |                                           |                                                 |
|-----------------------------------|----------------------------------------|--------------------------------|---------------------------------------------------|-----------------------------|-------------------------------------------|-------------------------------------------------|
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|-----------------------------------|----------------------------------------|--------------------------------|---------------------------------------------------|-----------------------------|-------------------------------------------|-------------------------------------------------|

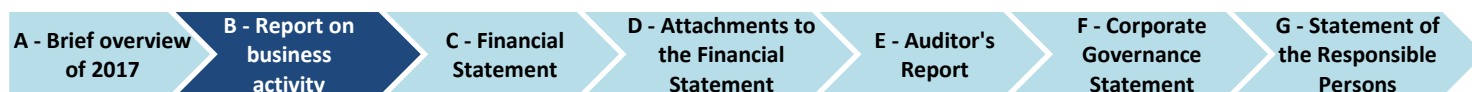
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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Relative professional experience                                                                                                                                                       | <p>Asen Asenov obtained a master's degree in Financial Accounting and Control and a bachelor degree in International Relations at the University of National and World Economy in Sofia. Mr. Asenov has an MBA (Master of Business Administration) diploma in International Accounting Standards and International Business at the University of Economics in Vienna.</p> <p>Asennov began his professional career at Eurohold S.A. 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 the Executive Director of Auto Union AD and manages the Group's leasing companies in Romania and Macedonia; He also manages Nissan, Renault, Dacia, Saab, Opel, Chevrolet, Fiat, Lancia, Alfa Romeo, Maseratti, Mazda car dealers and Castrol and BP motor oil dealerships (Motobut), all of which are also parts of the Auto-Union SA subsidiary subsidized by the Issuer</p> |
| Administrative correction measures and penalties                                                                                                                                       | <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Information about all other participations as a member of a management/ controlling body and/or associate during the last 5 years                                                      | <p><u>Current:</u></p> <ul style="list-style-type: none"> <li>◆ Abdema AD – Member of the Board of Directors.</li> <li>◆ PGD OOD - Partner</li> </ul> <p><u>Terminated:</u></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 OOD - 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                                                                                                                                                       | <p>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.</p>                                                                                                                     |
| Administrative correction measures and penalties                                                                                                                                       | <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Name</b>                                                                                                                                                                            | <b>Razvan Stefan Lefter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Title</b>                                                                                                                                                                           | <b>Independent member of the Supervisory Board</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

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|                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Information about all other participations as a member of a management/ controlling body and/or associate during 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>Terminated:</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> |
| 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>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>                                                                                                                                                                                                                                                                               |
| 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.                                                                                                                                                                                                                              |
| Administrative correction measures and penalties                                                                                                                                       | 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, Hristofor Kolumb blvd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <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>Information about all other participations as a member of a management/ controlling body and/or associate during 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 EOOD - Sole owner of the capital until 15.03.2013 and manager till 05.12.2011, as at the date of the activity report the person is not the sole owner of the capital and the 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>Administrative correction measures and penalties</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, signed in 2016 with the members of the MB and the SB or related parties, not typical for the usual activity of the company or significantly deviating from the market conditions**

No agreements that fall outside of the usual scope of the business activity of the company or deviate significantly from the market conditions have been signed with the company by the members of the Management Board and Supervisory Board or related to them parties.

### **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 held by the members of the management and supervisory bodies of the company and their disposal.

### **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 subholdings - insurance, automotive 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 motor vehicle as well as in insurance segments.

The working capital financing of the motor vehicle 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.



Since the establishment of Eurohold Bulgaria AD to date there have been no trade union organizations of the employees.

## II. ADDITIONAL INFORMATION ACCORDING TO ANNEX 10 OF ORDINANCE №2 OF THE FSC

### 1. Information on revenue from sales during the accounting financial year, large transactions and published forecasts

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.

No big transactions or transactions of considerable importance for the activity of the Holding have been made during the reporting period.

Eurohold Bulgaria AD has not published estimates for the reporting year 2017.

### 2. Information about events with unusual nature of the company and transactions conducted off-balance.

During the reporting period there were no events which were unusual for the company and which have a considerable impact on its activity and its revenues and expenses.

The company has no off-balance sheet transactions.

### 3. Deals with related persons

As of the date of preparation of the Activity Report there are no transactions or proposals for transactions with related parties which are of considerable importance for the Eurohold or any of its subsidiaries, which are uncommon or have unusual conditions.

Within the holding, there are constantly conducted transactions between the parent company and the subsidiaries as a result of the nature of their main business activity.

All transactions are made on the fair value basis. The typical transactions between the Holding and the subsidiaries include intergroup loans by which the liquidity of the separate companies is managed and the investment policy is carried out. The company grants loans to its subsidiaries for the purposes of working capital funding.

During 2017 Eurohold Bulgaria AD has signed loan agreements with the following related parties:

#### 3.1. Loans granted to companies in the group of Eurohold Bulgaria

| <b>Subsidiaries</b> | <b>Interest %</b> | <b>Amount in thousand BGN as of 31.12.2017r.</b> |
|---------------------|-------------------|--------------------------------------------------|
| Avto Union AD       | 8.00%             | 5 129                                            |
| <b>Total:</b>       |                   | <b>5 129</b>                                     |

#### 3.2. Loans granted for working capital of Eurohold Bulgaria by companies in the group

| <b>Subsidiaries</b> | <b>Interest %</b> | <b>Amount in thousand BGN as of 31.12.2017r.</b> |
|---------------------|-------------------|--------------------------------------------------|
| Eurolease Auto EAD  | 7.00%             | 2 576                                            |
| <b>Total:</b>       |                   | <b>2 576</b>                                     |



#### 4. Contracts concluded for bank and non-bank loans. Issued bond issues

##### ***Payables on bank loans***

| <b>Creditor</b>               | <b>Maturity</b> | <b>In EUR as of<br/>31.12.2017r.</b> |
|-------------------------------|-----------------|--------------------------------------|
| International Investment Bank | 12.2021         | 13,800,000                           |

The loan is provided for the purpose of financing the insurance business.

##### ***Payables on non-bank loans***

| <b>Creditor</b>    | <b>Maturity</b> | <b>In EUR as of<br/>31.12.2017r.</b> |
|--------------------|-----------------|--------------------------------------|
| Accession Mezzanin | 04.2018         | 3,510,000                            |

##### ***Other payables***

| <b>Creditor</b> | <b>Maturity</b> | <b>In BGN as of<br/>31.12.2017r.</b> |
|-----------------|-----------------|--------------------------------------|
| Others          | 3-5.2018        | 39,267,441                           |

##### **Bond payables**

The company is the issuer of a bond loan under its € 200 million EMTN Programme, traded on the Irish Stock Exchange. As of 31.12.2017 the liability of the company for the issued Eurobonds according to the program amounted to BGN 141 542 thousand, as follows:

| <b>Eurobond</b>      | <b>Maturity</b> | <b>31.12.2017r.</b>  |
|----------------------|-----------------|----------------------|
| EMTN Programme в EUR | 12.2022         | BGN 120,700 thousand |

| <b>Eurobond</b>      | <b>Maturity</b> | <b>31.12.2017r.</b> |
|----------------------|-----------------|---------------------|
| EMTN Programme в PLN | 12.2021         | BGN 20,842 thousand |

##### **Managing financial resources**

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 the subsidiary companies is carried out in compliance with regulatory requirements in order to achieve good profitability at reasonable risk.

The investment program of Eurohold Bulgaria AD in 2016 is realized through own and borrowed funds.

##### **Information regarding changes which have occurred during the reporting period**

No changes were occurred in the membership of the management and supervisory bodies of the company during the reporting period.

No change occurred in the major management principles of the company.

|                            |                                 |                         |                                            |                      |                                    |                                          |
|----------------------------|---------------------------------|-------------------------|--------------------------------------------|----------------------|------------------------------------|------------------------------------------|
| A - Brief overview of 2017 | B - Report on business activity | C - Financial Statement | D - Attachments to the Financial Statement | E - Auditor's Report | F - Corporate Governance Statement | G - Statement of the Responsible Persons |
|----------------------------|---------------------------------|-------------------------|--------------------------------------------|----------------------|------------------------------------|------------------------------------------|

The Eurohold Bulgaria AD have a working system for internal control which secures the effective functioning of information disclosure and accounting systems as well as the risk management systems. Leading international audit companies carry out the external audit, accounting procedures, policies and financial reports within the Holding and its subsidiaries.

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.

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.

### Changes in the share price of the company

All shares of Eurohold Bulgaria AD are listed on the Main market of the BSE-Sofia AD, Share Segment *Standard*, with stock index - **4EH**.

### Market price of the shares of the Company

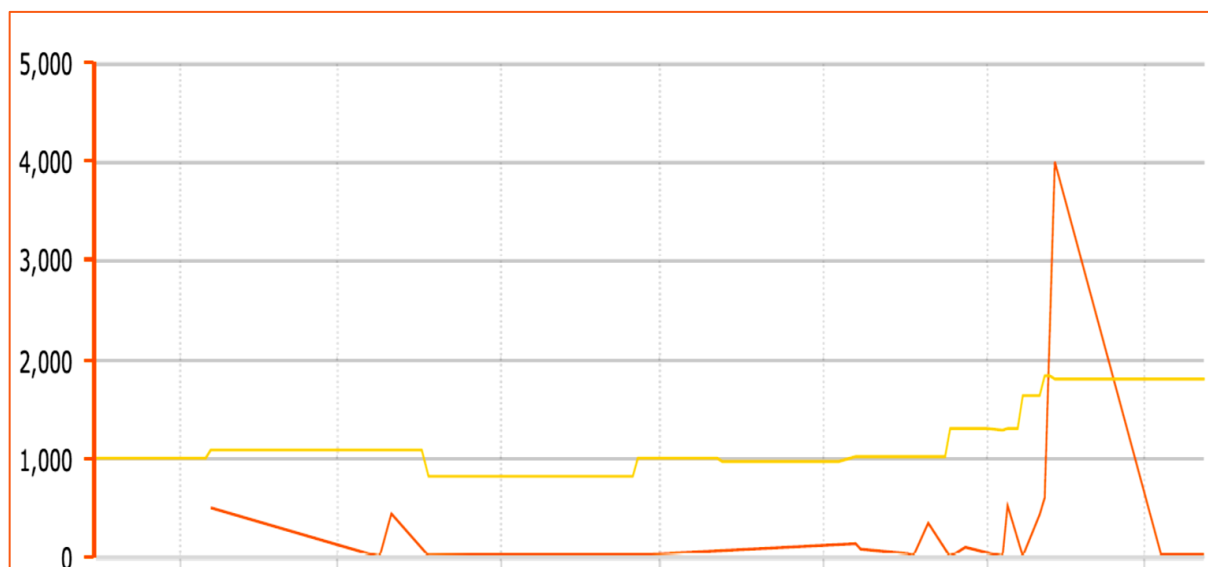


**Source: BSE-Sofia**

The graph shows the price dynamics of the shares of Eurohold Bulgaria AD on BSE-Sofia for the period 05.01.2017 – 30.12.2017 (respectively the first and last stock exchange session for the reporting 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**.



Source: WSE

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: BGN 0.66 / 1.49 PLN (03.01.2017)
- Last price: BGN 0.86 / 1.90 PLN (29.12.2017)
- Maximum price: BGN 1.53 / 3.42 PLN (14.09.2017)
- Minimum price: BGN 0.66 / 1.49 PLN (03.01.2017)
- Value change: BGN +0.20 / +0.41 PLN
- Relative change: +30.3%
- Average price: BGN 0.76 / 1.70 PLN



## B13

### OTHER INFORMATION

#### INFORMATION REQUIRED IN ACCORDANCE WITH ARTICLE 41 OF THE ACCOUNTANCY LAW, IN FORCE FROM 01.01.2017.

In connection with Art. 41 of the Accountancy Act, in force since 01.01.2017, the management of Eurohold Bulgaria AD has performed an analysis of the criteria for the preparation of a Non-financial Statement by the PIC. In connection with the analysis it was found that Eurohold Bulgaria AD at unconsolidated level does not fall within the mandatory criteria pertaining to PIs, for which there is an obligation to prepare a non-financial statement, according to the requirements of the law, because of which such non-financial statement has not been prepared presented.

#### IMPORTANT EVENTS AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENT

The Management Board of Eurohold Bulgaria AD does not know any significant or significant events that occurred after the reporting period.

#### ANALYSIS AND DETAILS OF THE INFORMATION ACCORDING TO APPENDIX 11 OF ORDINANCE №2

Eurohold Bulgaria AD has prepared information under Appendix 11 of Ordinance No. 2 in a separate document, which will be submitted together with the Report on the Activity and the Financial Statements as of 31.12.2017.

### 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**

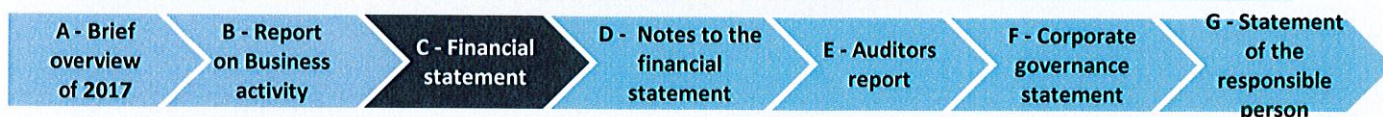
March 26, 2018

## **SECTION C**

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### **Unconsolidated Financial Statement 2017**

Separate Financial Statements for the year ended December 31, 2017



**Eurohold Bulgaria AD**

**Separate Statement of profit or lost and other comprehensive income**  
For the year ended December 31, 2017

|                                                  |       | 2017            | 2016            |
|--------------------------------------------------|-------|-----------------|-----------------|
|                                                  | Notes | BGN '000        | BGN '000        |
| <b>Revenue from operating activities</b>         |       |                 |                 |
| Dividend income                                  | 3     | 265             | 245             |
| Gains from sale of investments                   | 4     | 1 325           | 15 455          |
| Interest income                                  | 5     | 2 437           | 917             |
| Other financial revenue                          | 6     | 18              | 51              |
|                                                  |       | <b>4 045</b>    | <b>16 668</b>   |
| <b>Expenses on operating activities</b>          |       |                 |                 |
| Interest expenses                                | 7     | (17 460)        | (10 067)        |
| Losses from sale of investments                  | 8     | (859)           | (850)           |
| Other financial expenses                         | 9     | (1 379)         | (165)           |
| Hired services expenses                          | 10    | (1 350)         | (1 374)         |
| Salaries and related expenses                    |       | (369)           | (335)           |
| Depreciation                                     |       | (7)             | (8)             |
|                                                  |       | <b>(21 424)</b> | <b>(12 799)</b> |
| <b>(Loss) / Profit from operating activities</b> |       | <b>(17 379)</b> | <b>3 869</b>    |
| Other revenue/(expenses), net                    | 11    | 73              | (1 560)         |
| <b>Net (Loss) / Profit</b>                       |       | <b>(17 306)</b> | <b>2 309</b>    |
| Other comprehensive income                       |       | -               | -               |
| <b>Total comprehensive income for the period</b> |       | <b>(17 306)</b> | <b>2 309</b>    |
| <i>Earnings per share, BGN</i>                   | 19.3  | <b>(0.112)</b>  | <b>0.018</b>    |

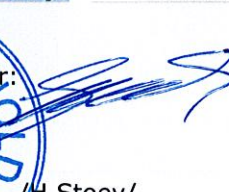
Prepared by:

  
/I. Hristov/

26.3.2018

Signed on behalf of BoD:

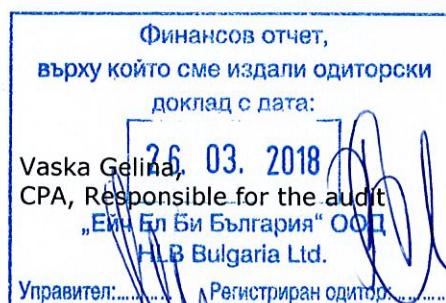
  
/A. Minchev/

  
/H. Stoev/

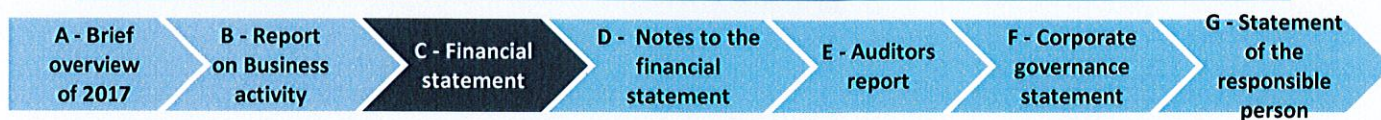


Audit firm:  
HLB Bulgaria OOD

Milena Hristova,  
Manager



These separate financial statements have been approved from the Board of Directors of Eurohold Bulgaria AD on 26.3.2018. The notes from page 81 to page 108 are an integral part of the annual separate financial statements for the year ended December 31, 2017



**Eurohold Bulgaria AD**  
**Separate Statement of financial position**  
**As at December 31, 2017**

|                                                 |       | 31.12.2017     | 31.12.2016     |
|-------------------------------------------------|-------|----------------|----------------|
|                                                 | Notes | BGN '000       | BGN '000       |
| <b>ASSETS</b>                                   |       |                |                |
| <b>Non-current assets</b>                       |       |                |                |
| Machinery and equipment                         | 12    | 16             | 21             |
| Long-term receivables from related parties      | 13    | 5 129          | 29 427         |
| Loans granted to third parties                  | 14    | 9 779          | 9 779          |
|                                                 |       | <b>14 924</b>  | <b>39 227</b>  |
| <b>Investments</b>                              |       |                |                |
| Investments in subsidiaries and other companies | 15    | <b>539 529</b> | <b>485 693</b> |
| <b>Current assets</b>                           |       |                |                |
| Receivables from related parties                | 16    | 1 593          | 537            |
| Other current receivables                       | 17    | 1 670          | 8 779          |
| Cash and cash equivalents                       | 18    | 206            | 281            |
|                                                 |       | <b>3 469</b>   | <b>9 597</b>   |
| <b>TOTAL ASSETS</b>                             |       | <b>557 922</b> | <b>534 517</b> |

These separate financial statements have been approved from the Board of Directors of Eurohold Bulgaria AD on 26.3.2018. The notes from page 81 to page 108 are an integral part of the annual separate financial statements for the year ended December 31, 2017

Separate Financial Statements for the year ended December 31, 2017

A - Brief  
overview  
of 2017

B - Report  
on Business  
activity

C - Financial  
statement

D - Notes to the  
financial  
statement

E - Auditors  
report

F - Corporate  
governance  
statement

G - Statement  
of the  
responsible  
person

**Eurohold Bulgaria AD**

**Separate Statement of financial position (continued)**

**As at December 31, 2017**

|                                         |       | 31.12.2017     | 31.12.2016     |
|-----------------------------------------|-------|----------------|----------------|
|                                         | Notes | BGN '000       | BGN '000       |
| <b>EQUITY AND LIABILITIES</b>           |       |                |                |
| <b>Equity</b>                           |       |                |                |
| Share capital                           | 19.1  | 197 526        | 127 345        |
| Share premium                           | 19.2  | 49 568         | 38 714         |
| General reserves                        | 19.2  | 7 641          | 7 641          |
| Retained earnings                       |       | 100 605        | 99 909         |
| (Loss) / Profit for the year            |       | (17 306)       | 2 309          |
| <b>Total equity</b>                     |       | <b>338 034</b> | <b>275 918</b> |
| <b>Subordinated debts</b>               |       |                |                |
|                                         | 20    | -              | <b>53 695</b>  |
| <b>Non-current liabilities</b>          |       |                |                |
| Interest-bearing loans and borrowings   | 21    | 21 123         | 24 643         |
| Bond liabilities                        | 22    | 141 542        | 111 472        |
| Non-current related parties liabilities | 23    | 2 576          | 3 878          |
| Other non-current liabilities           | 24    | 40             | 1 908          |
|                                         |       | <b>165 281</b> | <b>141 901</b> |
| <b>Current liabilities</b>              |       |                |                |
| Interest-bearing loans and borrowings   | 21    | 52 239         | 45 402         |
| Bond liabilities                        | 22    | 947            | 214            |
| Trade payables                          | 25    | 589            | 327            |
| Related parties liabilities             | 26    | 232            | 16 262         |
| Other current liabilities               | 27    | 600            | 798            |
|                                         |       | <b>54 607</b>  | <b>63 003</b>  |
| <b>Total liabilities</b>                |       | <b>219 888</b> | <b>258 599</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>     |       | <b>557 922</b> | <b>534 517</b> |

Prepared by:

Signed on behalf of BoD:

Procurator:

26.3.2018

/I. Hristov/

/A. Minchev/

/H. Stoev/

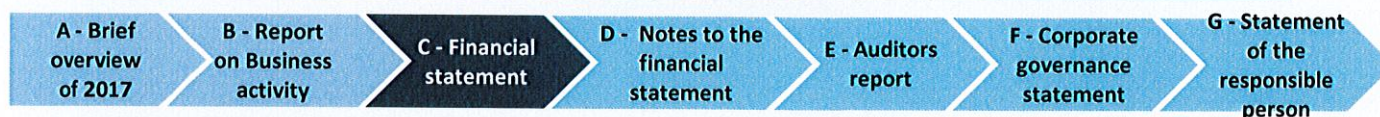
Audit firm:

HLB Bulgaria OOD

Milena Hristova,  
Manager



These separate financial statements have been approved from the Board of Directors of Eurohold Bulgaria AD on 26.3.2018. The notes from page 81 to page 108 are an integral part of the annual separate financial statements for the year ended December 31, 2017



**Eurohold Bulgaria AD**  
**Separate Statement of cash flows**  
**For the year ended December 31, 2017**

|                                                             |       | 2017            | 2016            |
|-------------------------------------------------------------|-------|-----------------|-----------------|
|                                                             | Notes | BGN '000        | BGN '000        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |       |                 |                 |
| <b>(Loss) / Profit before tax</b>                           |       | <b>(17 306)</b> | <b>2 309</b>    |
| Adjusted for:                                               |       |                 |                 |
| Depreciation                                                |       | 7               | 8               |
| Interest income                                             | 5     | (2 437)         | (917)           |
| Interest expenses                                           | 7     | 17 460          | 10 067          |
| Dividend income                                             | 3     | (265)           | (245)           |
| (Gains)/ Losses from sale of investments, net               |       | (352)           | (14 557)        |
| Foreign exchange differences                                |       | 1 173           | -               |
| Adjustments in working capital:                             |       |                 |                 |
| Change in trade and other receivables                       |       | (1 056)         | (8 799)         |
| Change in trade and other payables, other adjustments       |       | (1 038)         | 10 128          |
| <b>Net cash flows from operating activities</b>             |       | <b>(3 814)</b>  | <b>(2 006)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |       |                 |                 |
| Payments for investments                                    |       | (54 000)        | (105 967)       |
| Receipts from the sale of investments                       |       | -               | 15 455          |
| Borrowings granted                                          |       | (11 800)        | -               |
| Proceeds from borrowings                                    |       | 43 946          | -               |
| Proceeds from interests                                     |       | 1 722           | -               |
| Dividends received                                          |       | 265             | 245             |
| Other cash receipts/payments from investment activities     |       | (124)           | (853)           |
| <b>Net cash used by investing activities</b>                |       | <b>(19 991)</b> | <b>(91 120)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |       |                 |                 |
| Proceeds from issuance of shares                            |       | 81 035          | -               |
| Proceeds from loans                                         |       | 335 648         | 202 398         |
| Repayments of loans                                         |       | (384 142)       | (102 410)       |
| Interest and commissions paid, net                          |       | (7 339)         | (6 330)         |
| Dividends paid                                              |       | (1 472)         | (326)           |
| Other cash receipts/ payments from financing activities     |       | -               | (37)            |
| <b>Net cash generated/(used) by financing activities</b>    |       | <b>23 730</b>   | <b>93 295</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |       | <b>(75)</b>     | <b>169</b>      |
| Cash and cash equivalents at the beginning of the year      | 18    | 281             | 112             |
| <b>Cash and cash equivalents at the end of the year</b>     | 18    | <b>206</b>      | <b>281</b>      |

Prepared by:

Signed on behalf of BoD:

Procurator:

26.3.2018

/I. Hristov/

/A. Minchev/

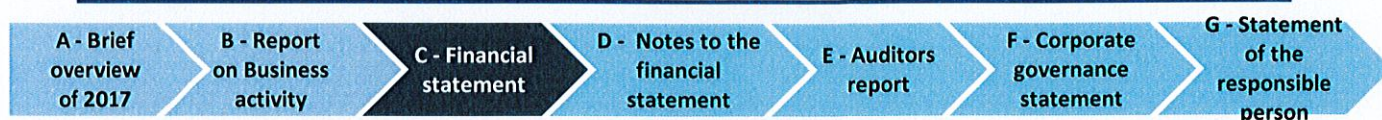
/H. Stoev/

Audit firm:  
HLB Bulgaria OOD

Milena Hristova,  
Manager



These separate financial statements have been approved from the Board of Directors of Eurohold Bulgaria AD on 26.3.2018. The notes from page 81 to page 108 are an integral part of the annual separate financial statements for the year ended December 31, 2017



**Eurohold Bulgaria AD**  
**Separate Statement of changes in equity**  
**For the year ended December 31, 2017**

|                                         | Share capital<br>BGN '000 | General reserves<br>BGN '000 | Share premium<br>BGN '000 | Retained earnings<br>BGN '000 | Total Equity<br>BGN '000 |
|-----------------------------------------|---------------------------|------------------------------|---------------------------|-------------------------------|--------------------------|
| <b>Balance as at 1 January 2016</b>     | <b>127 345</b>            | <b>7 641</b>                 | <b>38 714</b>             | <b>100 275</b>                | <b>273 975</b>           |
| Profit for the period                   | -                         | -                            | -                         | 2 309                         | <b>2 309</b>             |
| Dividends                               | -                         | -                            | -                         | (366)                         | <b>(366)</b>             |
| Other comprehensive income for the year | -                         | -                            | -                         | -                             | -                        |
| <b>Balance as at 31 December 2016</b>   | <b>127 345</b>            | <b>7 641</b>                 | <b>38 714</b>             | <b>102 218</b>                | <b>275 918</b>           |
| <b>Balance as at 1 January 2017</b>     | <b>127 345</b>            | <b>7 641</b>                 | <b>38 714</b>             | <b>102 218</b>                | <b>275 918</b>           |
| Issue of share capital                  | 70 181                    | -                            | 10 854                    | -                             | <b>81 035</b>            |
| Loss for the period                     | -                         | -                            | -                         | (17 306)                      | <b>(17 306)</b>          |
| Dividends                               | -                         | -                            | -                         | (1 613)                       | <b>(1 613)</b>           |
| Other comprehensive income for the year | -                         | -                            | -                         | -                             | -                        |
| <b>Balance as at 31 December 2017</b>   | <b>197 526</b>            | <b>7 641</b>                 | <b>49 568</b>             | <b>83 299</b>                 | <b>338 034</b>           |

Prepared by:

/I. Hristov/

26.3.2018

Audit firm:  
HLB Bulgaria OOD

Signed on behalf of BoD:



/A. Minchev/

Procurator:

/H. Stoev/

Milena Hristova,  
Manager



Vaska Gelina,  
CPA, Responsible for the audit

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

**26. 03. 2018**

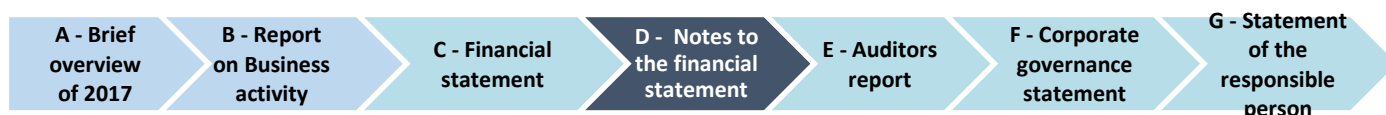
„Ел Ел Би България“ ООД,  
HLB Bulgaria Ltd.

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

## **SECTION D**

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### **Attachments to the Unconsolidated Financial Statement**



# Notes to the Separate Financial Statements for the year ended December 31, 2017

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

## 1. INFORMATION ABOUT THE GROUP

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

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

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

The governing bodies of the company are: the general meeting of shareholders, the supervisory board /two-tier system/ and the management board comprising the following members as at 31.12.2017:

### Supervisory board:

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

### Management board:

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

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

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

As at 31.12.2017, the Audit Committee of the Company comprises the following members: Ivan Georgiev Mankov – Chairman;  
Dimitar Stoyanov Dimitrov – Member;  
Rositsa Mihaylova Pencheva – Member.

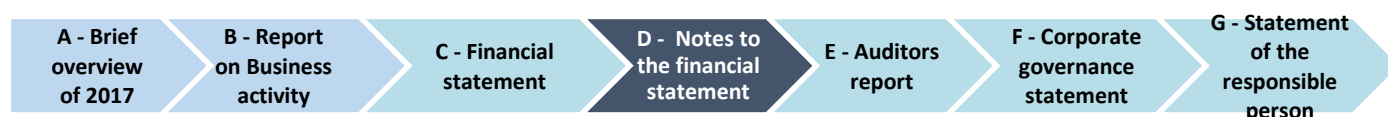
As at 31.12.2017, the Company has seven employees (31.12.2016: six employees).

## 1.1 Scope of Activities

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

## 1.2. Types of Activities

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



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

**Insurance and Health Insurance line:**

- Insurance services
- Health insurance services
- Life insurance services

**Leasing line:**

- Leasing services
- Car rentals

• **Financial line:**

- Investment intermediation

**Automobile line:**

- Sales of new cars
- Car repairs

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

### 2.1 Basis for Preparation of the Financial Statement

The separate financial statements of Eurohold Bulgaria AD are prepared in compliance with the Accounting Act and all International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of the Standing Interpretation Committee (SIC), interpretations of the IFRS interpretation committee (IFRIC), which are effectively in force since 01 January 2017 and are adopted by the Commission of the European Union.

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

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

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

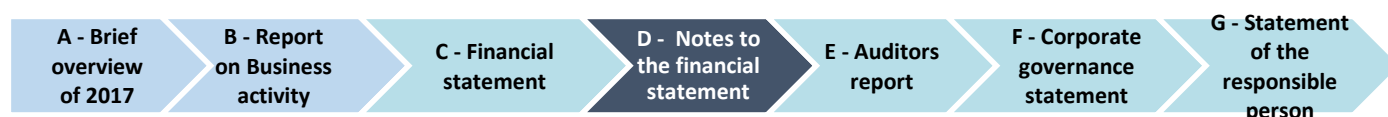
As at 31.12.2017, the Company's current liabilities exceed its current assets by BGN 51,138 thousand, and the loss for 2017 is BGN 17,306 thousand. Despite the reported loss, as at 31.12.2017, the equity is in the amount of BGN 338 034 thousand, which exceeds the share capital by 1.7 times. In 2017 the share capital was increased twice aimed at supporting the company's capital, and the funds raised from the nominal value of issued shares are in the amount of BGN 70,181 thousand, and the new issue premium reserve is BGN 10,854 thousand.

From 2015 to the end of 2017 Eurohold has invested considerable funds to support its subsidiaries, which report better and better results. The company expects that during the next reporting year it will start having return from the investments it has made during the recent years by distributing dividends from its subsidiaries.

Eurohold Bulgaria AD ended in 2017 with a net result of loss of BGN 17,306 thousand. The realized negative financial result for the reporting period is mainly related to accrued interest expense on the financing received during the last years necessary to cover the capital requirements of one of the subsidiaries by increasing their capital base, as well as financing the expansion of the activity through new acquisitions.

The management of Eurohold has committed itself to working towards reducing the company's indebtedness as well as refinancing high-interest debt. In support of these actions, the first installment of the bond loan was repaid in 2017 at an interest rate of 8% and the second tranche was issued at a lower interest rate of 6.5%.

As at the date of these separate financial statements, the management has reviewed the Company's business for 2017. With the continuous support of the capital by the majority shareholder and taking in consideration the expected return from the subsidiaries, the Management board expects that the Company will have enough financial resources to continue operating in future while applying the principle of going concern for the preparation of these separate financial statements.



### **New standards, amendments and interpretations effective as of 1 January 2017**

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

***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 Company'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 2016), 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 2016), effective 1 January 2018, endorsed by the EU on 31 October 2017, published in the Official Journal on 9 November 2017

The company plans to adopt IFRS 15 by using the modified retrospective application for the annual periods beginning on or after 1 January 2018. Thus, the Company will not apply the requirements of IFRS 15 to provide comparative period. In accordance with IFRS 15, revenue is recognised when the Company meets the requirements to transfer the

service to the client. Therefore, the Company does not expect the application of IFRS 15 to cause significant differences in the period of revenue recognition.

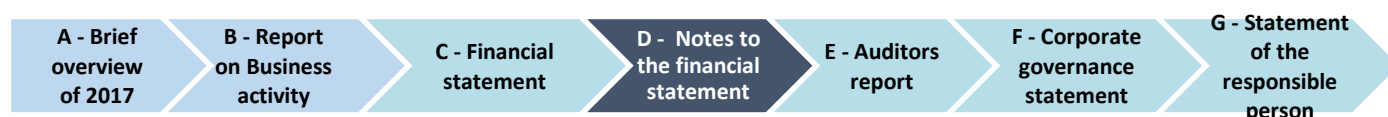
***IFRS 16 Leases*** (issued on 13 January 2016), effective 1 January 2019, endorsed by the EU on 31 October 2017, published in the Official Journal on 9 November 2017

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 financial 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 Company 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 2016, published in the Official Journal on 29 November 2016

The Company plans to introduce the new standard at the fixed date of enforcement and will not recalculate the comparative information. In 2017 the Company 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 Company 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.

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 Company has analyzed 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 Company will use the simplified approach and will state the expected impairment losses during the period of all trade and other receivables. The Company 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 2015), effective 1 January 2018, endorsed by the EU on 22 September 2016, published in the Official Journal on 29 October 2016

**Annual improvements to IFRS Standards 2014-2016 Cycle** (issued on 8 December 2016), effective 1 January 2018/1 January 2017

**Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions** (issued on 20 June 2016), effective 1 January 2018

**Amendments to IAS 40: Transfers of Investment Property** (issued on 8 December 2016), effective 1 January 2018

**Documents issued by the IASB / IFRIC not yet endorsed by the EU**

These 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 Company in preparing these financial statements.

**IFRS 17 Insurance Contracts** (issued on 18 May 2017), effective 1 January 2021

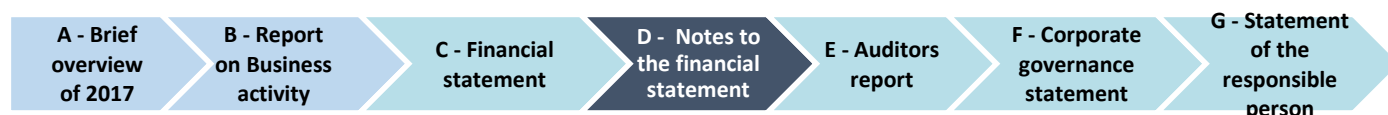
**IFRIC 22 Foreign Currency Transactions and Advance Consideration** (issued on 8 December 2016), effective 1 January 2018

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

**Amendments to IFRS 9: Prepayment Features with Negative Compensation** (issued on 12 October 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 2015-2017 Cycle** (issued on 12 December 2017), effective 1 January 2019



## 2.2 Comparative Data

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

## 2.3 Functional and Reporting Currency

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

Upon initial recognition, a foreign currency transaction is recorded in the functional currency by applying to the amount in foreign currency the exchange rate at the time of the transaction or operation. Cash, receivables and payables denominated in foreign currency are reported in the BGN equivalent on the basis of the exchange rate as at the date of the operation and are revaluated on annual basis using the official exchange rate of the Bulgarian National Bank on the last working day of the year.

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

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

## 2.4 Accounting Assumptions and Accounting Estimates

Upon preparing the financial statement in compliance with IAS, the management is required to apply approximate estimates and assumptions, which affect the reported assets and liabilities, and the disclosure of the contingent assets and liabilities as at the date of the balance sheet. Despite the estimates are based on the management's knowledge of current developments, the actual results may vary from the estimates used. The units that suggest higher degree of subjective estimate or complexity or where assumptions and estimates are material for the separate financial statements are disclosed in [2.20 Judgements that are crucial for the application of the Company's accounting policy. Key estimates and assumptions with high uncertainty.](#)

## 2.5 Income

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

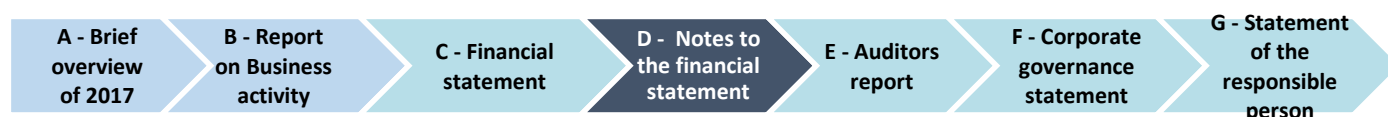
Upon sales of goods incomes are recognized when all material risks and benefits from the title of goods are transferred to the buyer.

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

Dividend incomes are recognized upon certifying the right to obtain them.

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

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



## 2.6 Expenses

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

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

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

Financial expenses include: expenses incurred in relation to investment operations, negative differences from financial instruments operations and currency operations, expenses on interest under granted bank loans and obligatory issues, as well as commissions. Other operating income and expenses include items of secondary character in relation to the main activity of the Company.

## 2.7 Interest

Interest income and expenses are recognized in the Statement of profit or lost and other comprehensive income using the effective interest rate method. The effective interest rate is the rate for discounting the expected cash payments and proceeds during the term of the financial asset or liability up to the net book value of the respective asset or liability.

The effective interest rate is calculated upon the initial recognition of the financial asset or liability and is not adjusted subsequently.

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

The interest income and expenses stated in the Statement of profit or lost and other

comprehensive income include interest recognized on the basis of effective interest rate under financial assets and liabilities carried at amortized value.

## 2.8 Fees and Commissions

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

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

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

## 2.9 Taxes

### Income Tax

The current tax includes the tax amount, which should be paid over the expected taxable profit for the period on the basis of the effective tax rate or the tax rate applicable on the day of preparation of the balance sheet and all adjustments of due tax for previous years.

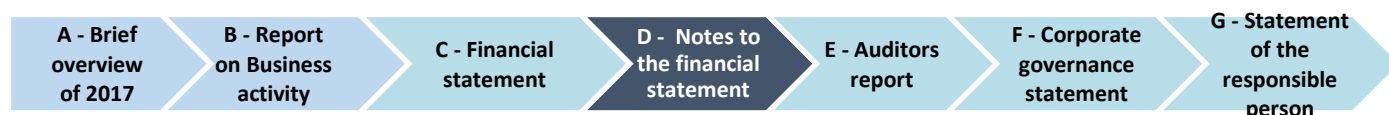
The company calculates the income tax in compliance with the applicable legislation.

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

Current income taxes are defined in compliance with the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal tax rate for 2017 is 10% of the taxable profit (2016: 10%).

### Deferred Tax

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



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

The effect from changes in the tax rates on the deferred tax is reported in the income statement, except in cases when it concerns amounts, which are earlier accrued or reported directly in equity.

Based on IAS 12, Income Taxes, the Company recognizes only the portion of a current tax asset or liability from the acquisition or sale of financial instruments for which the Company expects to realize a reverse benefit in the foreseeable future, or does not control the timing of the reverse benefit. The Company's policy applies equally to each class of financial instruments.

#### **VAT**

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

#### **Withholding tax**

Pursuant to the Corporate Income Tax Act, payment of incomes to foreign individuals or legal entities is subject to withholding tax within the territory of the Republic of Bulgaria.

Withholding tax is not due provided the foreign legal entity has proved grounds for application of the Agreements for Avoidance of Double Taxation before tax rate or applicable tax rate on the day of expiration of the tax payment term.

## **2.10 Fixed Assets**

### **2.10.1 Fixed Tangible Assets**

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

The company has fixed the 2016 value capitalization threshold to BGN 700, under which acquired assets, regardless if they have the characteristics of fixed assets, are reported as current expenses at the time of acquisition thereof.

#### **Initial Acquisition**

Fixed tangible assets are initially measured:

- at acquisition cost, which includes: purchase price (including duties and nonrefundable taxes), all direct costs for bringing the asset into working condition according to its purpose – for assets acquired from external sources;
- at fair value: for assets obtained as a result of a charitable transaction;
- at evaluation: approved by the court and all direct costs for bringing the asset into working condition according to its purpose – for assets acquired as a contribution of physical assets.

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

#### **Further Measurement**

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

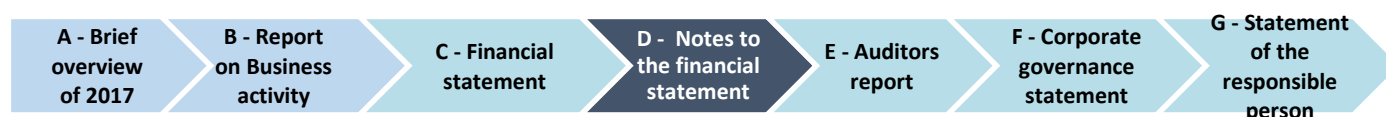
#### **Subsequent expenses**

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

#### **Sales profits and loss**

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

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



### 2.10.2 Amortization Methods

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

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

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

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

### 2.12.3 Impairment

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

Impairment losses are recognized as expense in the statement of profit or lost and other comprehensive income during the year of occurrence thereof.

### 2.11 Employment Benefits

#### Other long-term employee benefits

##### Defined contribution plans

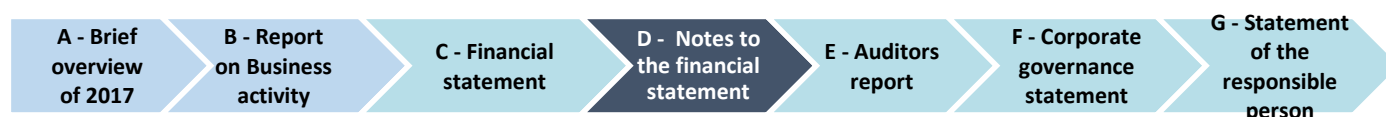
Defined contribution plan is a plan for post-employment benefits in accordance with which the Company pays contributions to another person and does not have any legal or constructive obligations to make further payments. The Bulgarian government is responsible for providing pensions under the defined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

##### Defined benefit plans

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

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

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



### Retirement benefits

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

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

### Short-term employee benefits

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

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

## 2.12 Financial Assets

### 2.12.1 Investments in Financial Assets

#### 2.12.1 Investments in subsidiaries, associates and joint ventures

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

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

These investments are not traded at stock exchanges.

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

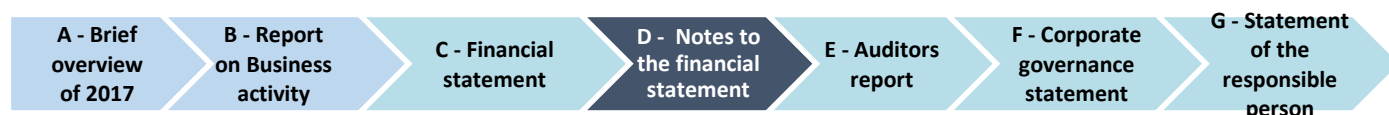
Upon purchase and sale of investments in subsidiaries, the "date of entering into" the transaction applies.

Investments are derecognised upon transferring the pertaining rights to other entities upon occurrence of legal grounds to this effect thus losing the control over the economic benefits from the investments. The revenue from their sales is stated in "financial revenue" or "financial expenses", respectively, in the separate financial statement for profit or loss and other comprehensive income.

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

Investments in associated companies are reported by using the equity method. By using the equity method, the investment in the associated company is carried in the statement of financial position at acquisition cost, plus the changes in the share in the net assets of the associated entity after the acquisition. The goodwill related to the associated entity is included in the net book value of the investment and is not amortized.

Investments that are not classified as subsidiaries and associates are stated at fair value classified as financial assets available for sale in accordance with the requirements of IAS 39. In case of investments in equity instruments that do not have quoted market



price on active market and whose fair value may not be reliably measured, they are stated at acquisition price/ cost.

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

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

The revenue from their sale is stated under the item Gains from financial operations, or under the item Losses from financial operations, respectively, in the separate financial statement for profit or loss and other comprehensive income.

### 2.12.2 Investments in Financial Instruments

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

The company classifies its financial instruments at their initial recognition. Financial assets include cash and short-term deposits, trade and other receivables, financial instruments and financial instrument derivatives quoted and unquoted on the stock exchange.

#### 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 company 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.

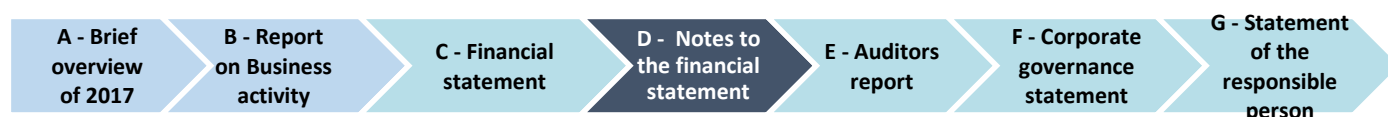
#### Loans and Other Receivables

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 statement of profit or loss and other comprehensive income when derecognized or impaired.

#### 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 statement of profit or lost and other comprehensive income.

### 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.

### 2.13 Short-Term Receivables

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

### 2.14 Cash and cash equivalents

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

### 2.17 Liability Provisions

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

### 2.16 Tax and Deferred Tax Liabilities

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

### 2.19 Equity

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

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

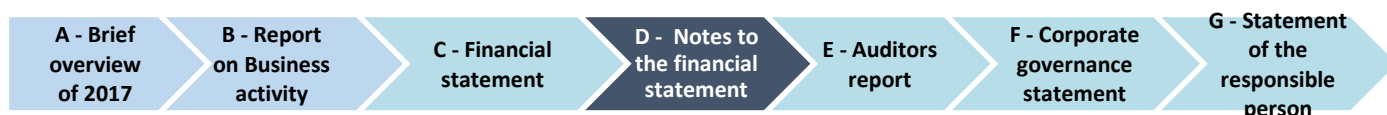
- At least one tenth of the profit being allocated until the fund amount reaches one tenth or bigger part of the capital as set out in the Articles of Association;
- The received funds exceeding the nominal value of shares upon issue thereof (premium reserve);
- Other sources as set out by resolution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

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

### 2.18 Liabilities

Financial liabilities are recognized during the loan period with the amount of gained proceeds, principal, less the transaction expenses.

During subsequent periods financial liabilities are measured at amortized cost, equal to the capitalized value, when applying the effective interest rate method. In the statement of



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

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

## 2.19 Earning per share

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

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

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

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

### Deferred tax assets

#### Tax loss

The assessment of probability for future taxable income for the utilisation of deferred tax assets is based on the last approved budget forecast adjusted with regard to material untaxable income and expenses and specific restrictions for carrying forward unused tax losses or credits. If a reliable

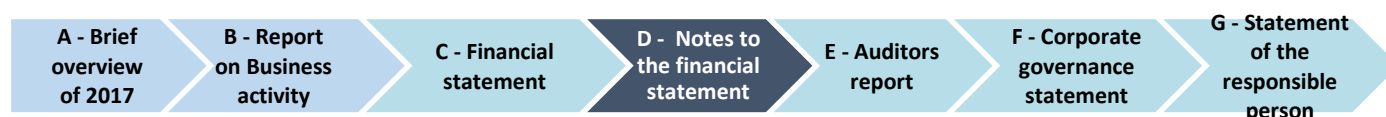
estimate for taxable income suggests the probable use of deferred tax asset, in particular in case the asset may be used without time limit, then the deferred tax asset is recognised in full. The recognition of deferred tax assets that are subject to specific legal or economic restrictions or uncertainty should be judged by the management on case by case basis on the grounds of specific facts and circumstances. On the basis of this approach and applying high level of conservatism, the management has judged not to recognise deferred tax asset for tax losses to be carried forward to the separate financial statement for 2017 in the amount of BGN 21,650 thousand (31.12.2016: BGN 5,404 thousand). The amount of the temporary difference on which no tax asset has been recognised is BGN 2,165 thousand (31.12.2016: BGN 540 thousand).

### Impairment of investments in subsidiaries

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

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

In 2017 and 2016 the Company has not reported impairment losses of investments in subsidiaries.



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

The Company uses an adjustment account to report the impairment of difficultly collectible and uncollectible receivables from counterparties. The management judges the adequacy of this impairment on the basis of age analysis of receivables, previous experience about the level of derecognition of uncollectible receivables, and analysis of the counterparty's solvency, amendments of contractual payment terms and conditions, etc. If the financial position and performance of the counterparties become worse than the expected, the value of receivables that should be derecognised during the next reporting periods may be higher than the one expected as at the reporting date. In 2017 and 2016 the Company has not reported impairment losses of borrowings and receivables.

### **Fair value of financial instruments**

The management uses techniques to measure the fair value of financial instruments if there are no quoted prices at active market. Detailed information about the assumptions used are presented in the explanatory notes to the financial assets and liabilities. When applying assessment techniques, to the maximum extent, the management uses market data and assumptions that market stakeholders would assumed upon assessing a financial instrument. In case there are no applicable market data, the management uses its best estimate of assumptions that the market stakeholders would make. These assessments may differ from the actual prices that would be defined in an arm's length transaction between informed and willing parties at the end of the reporting period.

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

The Company has started the process of preparation of its consolidated financial statements for 2017 in accordance with IFRS effective for 2017, which statements also comprise these separate financial statements. In accordance with the scheduled dates, the company expects that its consolidated statements will be approved by the Company's management board for publication not later than 30.4.2018 and then the statements will be made available to third persons.

## **2.21 Financial Risk Management**

### **2.21.1 Factors Determining Financial Risk**

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

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

### **Currency risk**

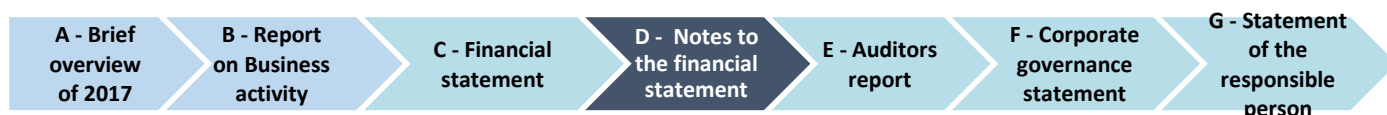
The Company is exposed to currency risk as a results of the settlements in foreign currency and through its assets and liabilities denominated in foreign currency.

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

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

### **Interest Risk**

The Company's policy is aimed at minimising the interest risk with regard to long-term funding. Therefore, the long-term borrowings



are with fixed interest rates. All investments in Company's bonds are paid on the basis of fixed interest rates.

### Credit Risk

Credit risk is mainly related to trade and financial receivables. The amounts stated in the statement of financial position are on net basis, excluding the provisions for doubtful receivables determined as such by the management on the basis of previous experience and current economic conditions.

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

### Liquidity Risk

Liquidity risk is the risk that the company may encounter difficulties in servicing its

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

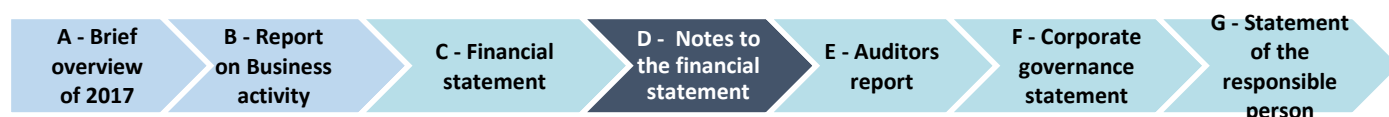
The management's objective is to maintain continuous balance between continuity and flexibility of financial resources by using adequate forms of funding. The company's management is responsible for managing the liquidity risk and involves maintaining enough cash available, arranging adequate credit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

The table below analyses liabilities of Eurohold Bulgaria AD, grouped into relevant maturity periods and based on the residual value as at Statement of Financial Position date to the contractual maturity date:

| 31.12.2017                              | Note  | Up to 1 month | 1-3 months    | 3-12 months   | 1-5 years      | Over 5 years | Without maturity | Total          |
|-----------------------------------------|-------|---------------|---------------|---------------|----------------|--------------|------------------|----------------|
| <i>In BGN'00</i>                        |       |               |               |               |                |              |                  |                |
| <b>LIABILITIES by residual maturity</b> |       |               |               |               |                |              |                  |                |
| Loans and Borrowings                    | 21    | 427           | 18 160        | 33 652        | 21 123         | -            | -                | <b>73 362</b>  |
| Bond liabilities                        | 22    | -             | -             | 947           | 141 542        | -            | -                | <b>142 489</b> |
| Related parties liabilities             | 23,26 | -             | -             | 232           | 2 576          | -            | -                | <b>2 808</b>   |
| Trade payables                          | 25    | 589           | -             | -             | -              | -            | -                | <b>589</b>     |
| Other current liabilities               | 24,27 | 50            | -             | 550           | 36             | 4            | -                | <b>640</b>     |
| <b>Total</b>                            |       | <b>1 066</b>  | <b>18 160</b> | <b>35 381</b> | <b>165 277</b> | <b>4</b>     | <b>-</b>         | <b>219 888</b> |

| 31.12.2016                              | Note  | Up to 1 month | 1-3 months   | 3-12 months   | 1-5 years      | Over 5 years | Without maturity | Total          |
|-----------------------------------------|-------|---------------|--------------|---------------|----------------|--------------|------------------|----------------|
| <i>In BGN'00</i>                        |       |               |              |               |                |              |                  |                |
| <b>LIABILITIES by residual maturity</b> |       |               |              |               |                |              |                  |                |
| Subordinated debts                      | 20    | -             | -            | -             | -              | -            | 53 695           | <b>53 695</b>  |
| Loans and Borrowings                    | 21    | 1 047         | 7 805        | 36 550        | 24 643         | -            | -                | <b>70 045</b>  |
| Bond liabilities                        | 22    | -             | 13           | 201           | 111 472        | -            | -                | <b>111 686</b> |
| Related parties liabilities             | 23,26 | 908           | 24           | 15 330        | 3 878          | -            | -                | <b>20 140</b>  |
| Trade payables                          | 25    | 327           | -            | -             | -              | -            | -                | <b>327</b>     |
| Other current liabilities               | 24,27 | 310           | -            | 488           | 1 907          | 1            | -                | <b>2 706</b>   |
| <b>Total</b>                            |       | <b>2 592</b>  | <b>7 842</b> | <b>52 569</b> | <b>141 900</b> | <b>1</b>     | <b>53 695</b>    | <b>258 599</b> |

The values disclosed in this analysis of payable maturities are the non-discounted cash flows under the contracts that may differ from the book values of payables as at the reporting date.



## 2.23 Capital risk management

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

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

In 2017 as well, the strategy of the Company's management has been to work for the improvement of the capital structure. In support of these actions, the debt ratio for 2017 was decreased by 8.96% and it is now 39,39%, in comparison to the preceding period – 2016, when the debt ratio was 48,35%.

## 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:

In the principal market for the asset or liability,

or

In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

External valuers are involved for valuation of significant assets, such as investments in subsidiaries.

| Fair value measurement      | Closing balance | Fair value measurement |         |                |                |
|-----------------------------|-----------------|------------------------|---------|----------------|----------------|
|                             | 31.12.2017      | Level 1                | Level 2 | Level 3        | 31.12.2017     |
| Investments in subsidiaries | 539 520         | -                      | -       | 539 520        | 539 520        |
|                             | <b>539 520</b>  | -                      | -       | <b>539 520</b> | <b>539 520</b> |

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

## 2.23 Cash Flows

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

The operating cash flows are calculated as result for the year adjusted with the non-cash operating

positions, changes in net turnover capital and corporate tax.

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

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

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

### 3. Dividend income

|                 | 2017<br>BGN'000 | 2016<br>BGN'000 |
|-----------------|-----------------|-----------------|
| Euro-Finance AD | 265             | 245             |
|                 | <b>265</b>      | <b>245</b>      |

### 4. Gains from sale of investments

|                                | 2017<br>BGN'000 | 2016<br>BGN'000 |
|--------------------------------|-----------------|-----------------|
| Gains from sale of investments | 1 325           | 15 455          |
|                                | <b>1 325</b>    | <b>15 455</b>   |

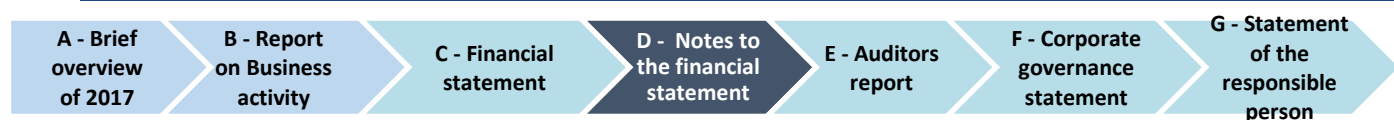
### 5. Interest income

|                                              | 2017<br>BGN'000 | 2016<br>BGN'000 |
|----------------------------------------------|-----------------|-----------------|
| Interest income – from related parties loans | 1 584           | 18              |
| Interest income – from third parties loans   | 853             | 899             |
|                                              | <b>2 437</b>    | <b>917</b>      |

#### 5.1 Interest income from related parties

|                            | 2017<br>BGN'000 | 2016<br>BGN'000 |
|----------------------------|-----------------|-----------------|
| Avto Union AD              | 674             | 17              |
| Euroins Insurance Group AD | 910             | 1               |
|                            | <b>1 584</b>    | <b>18</b>       |

### 6. Other financial revenue



|                        | 2017<br>BGN'000 | 2016<br>BGN'000 |
|------------------------|-----------------|-----------------|
| Foreign exchange gains | 18              | 51              |
|                        | <b>18</b>       | <b>51</b>       |

## 7. Interest expense

|                                               | 2017<br>BGN'000 | 2016<br>BGN'000 |
|-----------------------------------------------|-----------------|-----------------|
| Interest expense – loans and borrowings       | 5 401           | 3 562           |
| Interest expense – bonds, EMTN programme      | 10 809          | 214             |
| Interest expense – from related parties loans | 1 064           | 1 593           |
| Interest expense – from third parties loans   | 186             | 4 698           |
|                                               | <b>17 460</b>   | <b>10 067</b>   |

### 7.1 Interest expense - from related parties loans

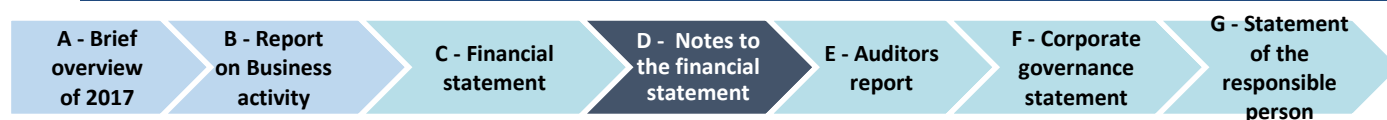
|                            | 2017<br>BGN'000 | 2016<br>BGN'000 |
|----------------------------|-----------------|-----------------|
| Starcom Holding AD         | 877             | 1 106           |
| Euroins Insurance Group AD | -               | 101             |
| Avto Union AD              | -               | 6               |
| Avto Union Service EOOD    | -               | 41              |
| Eurolease Group EAD        | 1               | 1               |
| Eurolease Auto EAD         | 186             | 338             |
|                            | <b>1 064</b>    | <b>1 593</b>    |

## 8. Losses on sale of investments

|                               | 2017<br>BGN'000 | 2016<br>BGN'000 |
|-------------------------------|-----------------|-----------------|
| Losses on sale of investments | 859             | 850             |
|                               | <b>859</b>      | <b>850</b>      |

## 9. Other financial expenses

|                                            | 2017<br>BGN'000 | 2016<br>BGN'000 |
|--------------------------------------------|-----------------|-----------------|
| Foreign exchange losses                    | 1 191           | 81              |
| Other financial expenses – related parties | 114             | 48              |
| Other financial expenses                   | 74              | 36              |
|                                            | <b>1 379</b>    | <b>165</b>      |



### 9.1 Other financial expenses – related parties

|                 | 2017<br>BGN'000 | 2016<br>BGN'000 |
|-----------------|-----------------|-----------------|
| Euro-Finance AD | 114             | 48              |
|                 | <b>114</b>      | <b>48</b>       |

### 10. Hired services expenses

|                                           | 2017<br>BGN'000 | 2016<br>BGN'000 |
|-------------------------------------------|-----------------|-----------------|
| Hired services expenses                   | 1 347           | 1 371           |
| Hired services expenses – related parties | 3               | 3               |
|                                           | <b>1 350</b>    | <b>1 374</b>    |

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

The amounts for services charged for the year are for services provided by statutory registered auditor for independent financial audit of the Company's financial statements for 2017 and are in the amount of BGN 45 thousand. No other services have been provided by the statutory registered auditor during the period.

### 10.1 Hired services expenses – related parties

|                      | 2017<br>BGN'000 | 2016<br>BGN'000 |
|----------------------|-----------------|-----------------|
| Eurolease Auto EAD   | 1               | 1               |
| Bulvaria Holding EAD | 2               | 2               |
|                      | <b>3</b>        | <b>3</b>        |

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

|                                  | 2017<br>BGN'000 | 2016<br>BGN'000 |
|----------------------------------|-----------------|-----------------|
| Expenses from revaluation        | -               | (1 500)         |
| Other expenses                   | (165)           | (320)           |
| Other expenses – related parties | (3)             | -               |
| Other revenue                    | -               | 40              |
| Other revenue – related parties  | 241             | 220             |
|                                  | <b>73</b>       | <b>(1 560)</b>  |

### 11.1 Other revenue – related parties

|                         | 2017<br>BGN'000 | 2016<br>BGN'000 |
|-------------------------|-----------------|-----------------|
| IC Euroins AD           | 24              | 43              |
| Star Motors EOOD        | 5               | 4               |
| IC Euroins Romania      | 158             | 112             |
| Bulvaria Varna EOOD     | 5               | 5               |
| Auto Union Service EOOD | 22              | 22              |
| Daru Car AD             | 22              | 25              |
| Auto Italy EAD          | 5               | 5               |
| Eurolease Auto EAD      | -               | 4               |
|                         | <b>241</b>      | <b>220</b>      |

|                            |                                 |                         |                                      |                     |                                    |                                         |
|----------------------------|---------------------------------|-------------------------|--------------------------------------|---------------------|------------------------------------|-----------------------------------------|
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|----------------------------|---------------------------------|-------------------------|--------------------------------------|---------------------|------------------------------------|-----------------------------------------|

## 11.2 Other expenses – related parties

|               | 2017<br>BGN'000 | 2016<br>BGN'000 |
|---------------|-----------------|-----------------|
| IC Euroins AD | (2)             | -               |
| Motobul EAD   | (1)             | -               |
|               | <b>(3)</b>      | -               |

## 12. Machinery and equipment

|                            | Vehicles<br>BGN'000 | Fixtures and fittings<br>BGN'000 | Total<br>BGN'000 |
|----------------------------|---------------------|----------------------------------|------------------|
| <b>Cost:</b>               |                     |                                  |                  |
| At 1 January 2016          | <b>16</b>           | <b>60</b>                        | <b>76</b>        |
| Additions                  | 20                  | 3                                | <b>23</b>        |
| Disposals                  | (16)                | -                                | <b>(16)</b>      |
| At 31 December 2016        | <b>20</b>           | <b>63</b>                        | <b>83</b>        |
| Additions                  | -                   | 2                                | <b>2</b>         |
| <b>At 31 December 2017</b> | <b>20</b>           | <b>65</b>                        | <b>85</b>        |
| <b>Depreciation:</b>       |                     |                                  |                  |
| At 1 January 2016          | <b>14</b>           | <b>56</b>                        | <b>70</b>        |
| Accrued depreciation       | 4                   | 4                                | 8                |
| Written-off                | (16)                | -                                | <b>(16)</b>      |
| At 31 December 2016        | <b>2</b>            | <b>60</b>                        | <b>62</b>        |
| Accrued depreciation       | 4                   | 3                                | 7                |
| <b>At 31 December 2017</b> | <b>6</b>            | <b>63</b>                        | <b>69</b>        |
| <b>Carrying value:</b>     |                     |                                  |                  |
| At 1 January 2016          | <b>2</b>            | <b>4</b>                         | <b>6</b>         |
| At 31 December 2016        | <b>18</b>           | <b>3</b>                         | <b>21</b>        |
| <b>At 31 December 2017</b> | <b>14</b>           | <b>2</b>                         | <b>16</b>        |

## 13. Long-term receivables from related parties

|                                                     | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|-----------------------------------------------------|-----------------------|-----------------------|
| <b>Loan principal</b>                               |                       |                       |
| Euroins Insurance Group AD – subordinated term loan | -                     | 19 500                |
| Euroins Insurance Group AD                          | -                     | 1 171                 |
| Avto Union AD                                       | 5 129                 | 8 756                 |
|                                                     | <b>5 129</b>          | <b>29 427</b>         |

The long-term receivables from related parties as presented above are aimed at supporting the business of these entities. They are not secured and are payable until December 2019 with annual interest rate of 8%.

|                                   |                                        |                                |                                             |                            |                                           |                                                |
|-----------------------------------|----------------------------------------|--------------------------------|---------------------------------------------|----------------------------|-------------------------------------------|------------------------------------------------|
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|-----------------------------------|----------------------------------------|--------------------------------|---------------------------------------------|----------------------------|-------------------------------------------|------------------------------------------------|

#### 14. Loans granted to third parties

|               | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|---------------|-----------------------|-----------------------|
| Loans granted | 9 779                 | 9 779                 |
|               | <b>9 779</b>          | <b>9 779</b>          |

Loans are not secured and are payable until October 2019 with annual interest rate of 7%

#### 15. Investments in subsidiaries and other companies

##### 15.1 Investments in subsidiaries

|                            | Value as at<br>1.1.2017<br>BGN'000 | Increase<br>BGN'000 | Decrease<br>BGN'000 | Value as at<br>31.12.2017<br>BGN'000 | Share<br>capital of<br>the<br>subsidiary<br>BGN'000 | % control<br>in the<br>subsidiary<br>% |
|----------------------------|------------------------------------|---------------------|---------------------|--------------------------------------|-----------------------------------------------------|----------------------------------------|
| Euroins Insurance Group AD | 373 232                            | 47 500              | -                   | 420 732                              | 461 483                                             | 89.36%                                 |
| Avto Union AD              | 66 775                             | -                   | -                   | 66 775                               | 40 004                                              | 99.99%                                 |
| Euro-Finance AD            | 18 145                             | 6 500               | -                   | 24 645                               | 20 600                                              | 99.99%                                 |
| Eurolease Group EAD        | 27 368                             | -                   | -                   | 27 368                               | 27 241                                              | 100.0%                                 |
|                            | <b>485 520</b>                     | <b>54 000</b>       | -                   | <b>539 520</b>                       | -                                                   | -                                      |

Eurohold Bulgaria AD exercises direct control over the aforementioned companies.

The objects of the subsidiaries are as follows:

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

An increase of the capital of Euro-Finance AD through issue of 25 900 000 new shares with nominal value of BGN 1.00 was registered in the Commercial Register on 14 August 2017. As at 31.12.2017, the amount of unpaid capital of Eurohold Bulgaria is BGN 19,400 thousand.

As at 31.12.2017, BGN 1,963 thousand are unpaid capital of Euroins Insurance Group AD from Eurohold Bulgaria, which was fully paid on 03.01.2018.

#### Impairment of investments in subsidiaries

At the end of the reporting period, the Company's management makes an analysis and assessment whether there are indications for impairment of its investments in subsidiaries. The following are considered key indicators for impairment: considerable reduction of the scope or termination of the subsidiary's business; loss of markets, clients or technological issues, reporting of negative net assets or assets below the registered share capital, trends to worse key financial indicators and decrease of the market capitalisation. Calculations are made by the management with the assistance of external independent licensed valuers who have appropriate qualification and experience. As a basis to forecast the cash flows before tax, the management has used financial forecasts made by the respective subsidiaries for a five-year period, as well as other medium- and long-term plans and intentions for their development. The key assumptions used for the calculations are defined particularly for each subsidiary and in accordance with its specific business, business environment and

|                            |                                 |                         |                                      |                     |                                    |                                         |
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risks, expected future economic benefits, as well as the positions on Bulgarian and foreign markets, etc. As a result of the calculations made, no need to recognize additional impairment of specific investments in subsidiaries was found during the reporting period.

## 15.2 Investments in other companies

|                           | Value as at<br>1.1.2017 | Increase | Decrease     | Value as at<br>31.12.2017 |
|---------------------------|-------------------------|----------|--------------|---------------------------|
|                           | BGN'000                 | BGN'000  | BGN'000      | BGN'000                   |
| Conservatory Juliunica AD | 1                       | -        | (1)          | -                         |
| Greenhouse Properties AD  | 162                     | -        | (162)        | -                         |
| Sevko AD                  | 9                       | -        | -            | 9                         |
| Hebar AD                  | 1                       | -        | (1)          | -                         |
|                           | <b>173</b>              | <b>-</b> | <b>(164)</b> | <b>9</b>                  |

Investments in other entities are measured and stated at acquisition cost. During the reporting period the investment in Greenhouse Properties AD was sold and a profit in the amount of BGN 789 thousand was realized as a result of the transaction.

The investment in Oranzherii Dzhulyunitsa AD and Hebar AD was impaired.

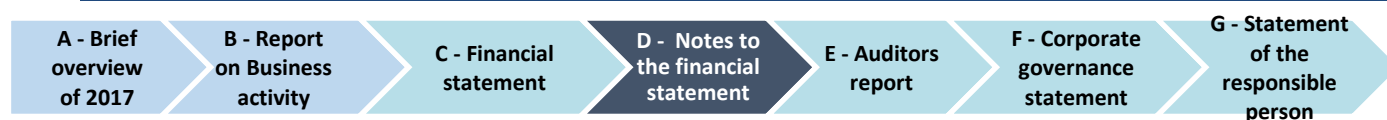
## 16. Receivables from related parties

### 16.1 Interest receivables

|                            | 31.12.2017   | 31.12.2016 |
|----------------------------|--------------|------------|
|                            | BGN'000      | BGN'000    |
| Avto Union AD              | 686          | 11         |
| Bulvaria Holding EAD       | 1            | 1          |
| Euroins Insurance Group AD | 659          | 374        |
|                            | <b>1 346</b> | <b>386</b> |

### 16.2 Other receivables

|                         | 31.12.2017 | 31.12.2016 |
|-------------------------|------------|------------|
|                         | BGN'000    | BGN'000    |
| Auto Italia EAD         | 2          | 32         |
| Avto Union Service EOOD | 33         | 16         |
| Bulvaria Varna EOOD     | 12         | 3          |
| Daru Car AD             | 38         | 55         |
| IC EIG Re EAD           | 51         | -          |
| IC Euroins AD           | 102        | 31         |
| IC Euroins Romania      | 1          | 10         |
| Eurolease Auto EAD      | 5          | -          |
| Star Motors EOOD        | 3          | 4          |
|                         | <b>247</b> | <b>151</b> |



### 17. Other current receivables

|                      | 31.12.2017   | 31.12.2016   |
|----------------------|--------------|--------------|
|                      | BGN'000      | BGN'000      |
| Interest receivables | 296          | 637          |
| Tax receivables      | 10           | 12           |
| Other receivables    | 1 364        | 8 130        |
|                      | <b>1 670</b> | <b>8 779</b> |

Other receivables comprise a receivable in the amount of BGN 950 thousand in relation to sale of financial instruments, prepaid advances, etc.

### 18. Cash and cash equivalents

|                     | 31.12.2017 | 31.12.2016 |
|---------------------|------------|------------|
|                     | BGN'000    | BGN'000    |
| Cash at banks       | 179        | 260        |
| Cash in hand        | 17         | 15         |
| Short-term deposits | 10         | 6          |
|                     | <b>206</b> | <b>281</b> |

### 19. Share capital and reserves

#### 19.1 Share capital

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.

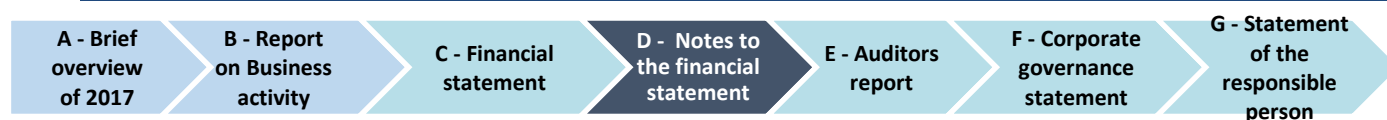
#### Share capital

|               | 31.12.2017  | 31.12.2016  |
|---------------|-------------|-------------|
|               | BGN         | BGN         |
| Issued shares | 197 525 600 | 127 345 000 |

All ordinary shares are fully paid.

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 company has 77 387 shares held by subsidiaries at Eurohold Group(as at 31.12.2016 – 2 946 813 shares). 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).

## 19.2 Reserves

|                  | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|------------------|-----------------------|-----------------------|
| Share premium    | 49 568                | 38 714                |
| General reserves | 7 641                 | 7 641                 |
|                  | <b>57 209</b>         | <b>46 355</b>         |

## 19. 3 Earnings per share

|                                                                  | 31.12.2017     | 31.12.2016   |
|------------------------------------------------------------------|----------------|--------------|
| Average shares, (number)                                         | 154 325 290    | 127 345 000  |
| Net Profit/(Loss) as of the end of reporting year (thousand BGN) | (17 306)       | 2 309        |
| <b>Earnings / (loss) per share, BGN</b>                          | <b>(0,112)</b> | <b>0,018</b> |

## 20. Subordinated debts

|                | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|----------------|-----------------------|-----------------------|
| Shareholders   | -                     | 30 120                |
| Other entities | -                     | 23 575                |
|                | <b>-</b>              | <b>53 695</b>         |

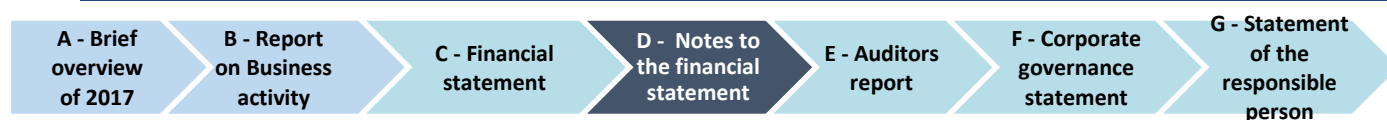
## 21. Interest-bearing loans and borrowings

### Non-current interest-bearing loans and borrowings

|                               | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|-------------------------------|-----------------------|-----------------------|
| International Investment Bank | 21 123                | 24 643                |
|                               | <b>21 123</b>         | <b>24 643</b>         |

### Current interest-bearing loans and borrowings

|                               | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|-------------------------------|-----------------------|-----------------------|
| Accession Mezzanine           | 7 032                 | 14 568                |
| International Investment Bank | 5 940                 | 4 773                 |
| Other entities                | 39 267                | 26 061                |
|                               | <b>52 239</b>         | <b>45 402</b>         |



### Analysis of interest-bearing loans and borrowings

| Bank                          | Type             | Currency | Size contracted | Principal as of 31.12.2017 | Principal as of 31.12.2017 | Interest rate   | Maturity date | Security                                             |
|-------------------------------|------------------|----------|-----------------|----------------------------|----------------------------|-----------------|---------------|------------------------------------------------------|
| Accession Mezzanine           | Loan - Principal | EUR      | 15,000,000 €    | 3 510 000 €                | 7,286,615 €                | 8.70%           | 4.2018        | Pledge on subsidiary shares; related party guarantee |
| International Investment Bank | Loan - Principal | EUR      | 15,000,000 €    | 13,800,000 €               | 15,000,000 €               | 7,5%+3m EURIBOR | 12.2021       | Pledge on subsidiary shares                          |

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

The maturity of other current borrowings is 03.2018-05.2018 and the interest rate is within the range 1,25%-5,0%.

#### Non-current bond liabilities

|                       | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|-----------------------|-----------------------|-----------------------|
| EMTN Programme in EUR | 120 700               | 91 603                |
| EMTN Programme in PLN | 20 842                | 19 869                |
|                       | <b>141 542</b>        | <b>111 472</b>        |

#### Current bond liabilities

|                       | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|-----------------------|-----------------------|-----------------------|
| EMTN Programme in EUR | 800                   | 201                   |
| EMTN Programme in PLN | 147                   | 13                    |
|                       | <b>947</b>            | <b>214</b>            |

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

#### 22.1. Issued Bonds held by related parties, EMTN Programme в EUR

|                                                                 | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|-----------------------------------------------------------------|-----------------------|-----------------------|
| Euroins Insurance Group AD – non-current - EMTN Programme в EUR | 17 290                | -                     |
| Euroins Insurance Group AD – current - EMTN Programme в EUR     | 74                    | -                     |
|                                                                 | <b>17 364</b>         | <b>-</b>              |

#### 23. Non-current liabilities to related parties

|                        | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|------------------------|-----------------------|-----------------------|
| <b>Loans principal</b> |                       |                       |
| Eurolease Auto EAD     | 2 576                 | 3 342                 |
| Starcom Holding AD     | -                     | 520                   |
| Eurolease Group EAD    | -                     | 16                    |
|                        | <b>2 576</b>          | <b>3 878</b>          |



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

#### 24. Other non-current liabilities

|                                      | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|--------------------------------------|-----------------------|-----------------------|
| Non-current loans from third parties | 36                    | 1 907                 |
| Retirement benefit obligations       | 4                     | 1                     |
|                                      | <b>40</b>             | <b>1 908</b>          |

#### 25. Trade payables

|                | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|----------------|-----------------------|-----------------------|
| Trade payables | 589                   | 327                   |
|                | <b>589</b>            | <b>327</b>            |

#### 26. Current liabilities to related parties

##### 26.1 Interest payables

|                         | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|-------------------------|-----------------------|-----------------------|
| Starcom Holding AD      | -                     | 861                   |
| Eurolease Auto EAD      | 157                   | 20                    |
| Eurolease Group EAD     | 8                     | 7                     |
| Avto Union Service EOOD | -                     | 20                    |
|                         | <b>165</b>            | <b>908</b>            |

##### 26.2. Current borrowings

|                     | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|---------------------|-----------------------|-----------------------|
| Starcom Holding AD  | 18                    | 15 330                |
| Eurolease Group EAD | 16                    | -                     |
|                     | <b>34</b>             | <b>15 330</b>         |

##### 26.3 Other payables

|                     | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|---------------------|-----------------------|-----------------------|
| Eurolease Auto EAD  | 17                    | 10                    |
| Sofia Motors EOOD   | 9                     | 9                     |
| Bulvaria Holding AD | 7                     | 5                     |
|                     | <b>33</b>             | <b>24</b>             |

|                                   |                                        |                                |                                             |                            |                                           |                                                |
|-----------------------------------|----------------------------------------|--------------------------------|---------------------------------------------|----------------------------|-------------------------------------------|------------------------------------------------|
| <b>A - Brief overview of 2017</b> | <b>B - Report on Business activity</b> | <b>C - Financial statement</b> | <b>D - Notes to the financial statement</b> | <b>E - Auditors report</b> | <b>F - Corporate governance statement</b> | <b>G - Statement of the responsible person</b> |
|-----------------------------------|----------------------------------------|--------------------------------|---------------------------------------------|----------------------------|-------------------------------------------|------------------------------------------------|

## 27. Other current liabilities

|                                                           | 31.12.2017<br>BGN'000 | 31.12.2016<br>BGN'000 |
|-----------------------------------------------------------|-----------------------|-----------------------|
| Payables for acquisition of investments                   | 18                    | 43                    |
| Interest payables                                         | 14                    | 277                   |
| Tax payables                                              | 272                   | 337                   |
| Payables to employees and social security institutions    | 49                    | 45                    |
| Dividends payables                                        | 184                   | 51                    |
| Dividends payables – related parties – Starcom Holding AD | 34                    | 34                    |
| Other liabilities                                         | 29                    | 11                    |
|                                                           | <b>600</b>            | <b>798</b>            |

## 28. Changes in liabilities arising from financing activities

| In thousand BGN                                              | Note           | 1 January 2017 | Changes from financing cash flows |                  | Non-cash adjustments                        |               | 31 December 2017 |
|--------------------------------------------------------------|----------------|----------------|-----------------------------------|------------------|---------------------------------------------|---------------|------------------|
|                                                              |                |                | Proceeds                          | Payments         | effect of changes in foreign exchange rates | Other changes |                  |
| Share capital                                                | 19.1           | 127 345        | 70 181                            | -                | -                                           | -             | 197 526          |
| Share premium                                                | 19.2           | 38 714         | 10 854                            | -                | -                                           | -             | 49 568           |
| Retained earnings                                            |                | 102 218        | -                                 | (1 472)          | -                                           | (141)         | 100 605          |
| Subordinated debts                                           | 20             | 53 695         | -                                 | (53 695)         | -                                           | -             | -                |
| Interest bearing loans and borrowings                        | 21             | 70 045         | 115 339                           | (117 757)        | -                                           | 5 735         | 73 362           |
| Bond liabilities                                             | 22             | 111 686        | 135 495                           | (114 665)        | 1 144                                       | 8 829         | 142 489          |
| Related parties' liabilities, loans and interest             | 23, 26.1, 26.2 | 20 116         | 63 857                            | (82 239)         | -                                           | 1 041         | 2 775            |
| Non-current loans from third parties principal and interests | 24,27          | 2 184          | 20 957                            | (23 125)         | -                                           | 34            | 50               |
| <b>Total</b>                                                 |                | <b>526 003</b> | <b>416 683</b>                    | <b>(392 953)</b> | <b>1 144</b>                                | <b>15 498</b> | <b>566 375</b>   |

## 29. Contingent liabilities and engagements

### Litigations

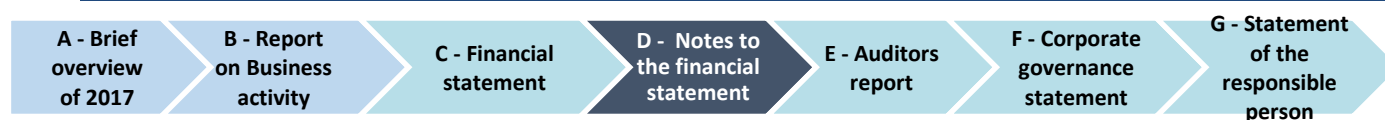
As at 31.12.2017 the Company is not a party to significant litigations.

### Warranties and provided guarantees

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

| Business division               | Amount in EUR'000 as at 31.12.2017 | Amount in BGN'000 as at 31.12.2017 | MATURITY      |               |              |              |              |            |
|---------------------------------|------------------------------------|------------------------------------|---------------|---------------|--------------|--------------|--------------|------------|
|                                 |                                    |                                    | 2018          | 2019          | 2020         | 2021         | 2022         | 2023       |
| <b>Lease sub-holding</b>        |                                    |                                    |               |               |              |              |              |            |
| For funding of lease operations | 19 822                             | 38 769                             | 12 804        | 10 480        | 5 795        | 5 627        | 3 796        | 267        |
| <b>Automotive sub-holding</b>   |                                    |                                    |               |               |              |              |              |            |
| Working capital loans           | 1 744                              | 3 411                              | 3 411         | -             | -            | -            | -            | -          |
| <b>TOTAL:</b>                   | <b>21 566</b>                      | <b>42 180</b>                      | <b>16 215</b> | <b>10 480</b> | <b>5 795</b> | <b>5 627</b> | <b>3 796</b> | <b>267</b> |

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



| Company from:          | Contracted limit in<br>EUR'000 as at<br>31.12.2017 | Contracted limit in<br>BGN'000 as at<br>31.12.2017 | MATURITY      |            |            |
|------------------------|----------------------------------------------------|----------------------------------------------------|---------------|------------|------------|
|                        |                                                    |                                                    | 2018          | 2019       | 2020       |
| Automotive sub-holding | 9 800                                              | 19 167                                             | 19 167        | -          | -          |
| Automotive sub-holding | 750                                                | 1 467                                              | -             | 782        | 685        |
| Automotive sub-holding | 512                                                | 1 001                                              | 1 001         | -          | -          |
| Automotive sub-holding | 1 800                                              | 3 521                                              | 3 521         | -          | -          |
| Lease sub-holding      | 17                                                 | 33                                                 | 33            | -          | -          |
| <b>TOTAL:</b>          | <b>12 879</b>                                      | <b>25 189</b>                                      | <b>23 722</b> | <b>782</b> | <b>685</b> |

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

| Company/ Guarantor         | Currency | Guaranteed liability              | Guaranteed amount as at<br>31.12.2017 | Maturity<br>date |
|----------------------------|----------|-----------------------------------|---------------------------------------|------------------|
| Euroins Insurance Group AD | EUR      | Issue of bonds EMTN<br>programme) | 72 110 051                            | 12/2022          |

### Dematerialized transactions

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

### Operating lease

The Company uses assets under operating lease. In accordance with the contracts, the future minimum lease payments under these contracts are as follows:

| Future minimum lease payments to non-<br>related parties, BGN'000 | Up to 1 year | From 1 to 5<br>years | More than 5<br>years | Total        |
|-------------------------------------------------------------------|--------------|----------------------|----------------------|--------------|
| Lease payments                                                    | 805          | 2 615                | -                    | <b>3 420</b> |
|                                                                   | <b>805</b>   | <b>2 615</b>         | <b>-</b>             | <b>3 420</b> |

## 30. Transactions and balances with related parties

The Company's related parties are as follows:

Starcom Holding AD – major shareholder

Euroins Insurance Group AD (EIG) – subsidiary of Eurohold Bulgaria AD

Euroins Insurance AD – subsidiary of EIG

Euroins Romania Asiguarare AD – subsidiary of EIG

Euroins Osigurovanje AD Macedonia – subsidiary of EIG

Insurance Company Euroins Life EAD – subsidiary of EIG

Insurance Company EIG Re AD – subsidiary of EIG

Euroins Ukraine AD – subsidiary of EIG

Avto Union AD (AU) – subsidiary of Eurohold Bulgaria AD

Bulvaria Varna EOOD – subsidiary of AU

N Auto Sofia EAD – subsidiary of AU

Espas Auto OOD – subsidiary of N Auto Sofia EAD

EA Properties OOD – subsidiary of AU

Daru Car AD – subsidiary of AU

Auto Italia EAD – subsidiary of AU

Bulvaria Holding EAD – subsidiary of AU

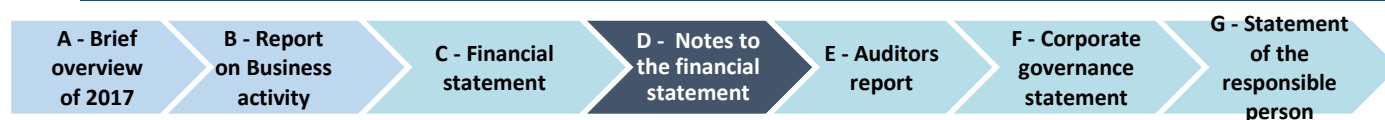
Star Motors EOOD – subsidiary of AU

Star Motors DOOEL – subsidiary of Star Motors EOOD

Star Motors SH.P.K. – subsidiary of Star Motors EOOD

Avto Union Service EOOD – subsidiary of Star Motors EOOD

Motobul EAD – subsidiary of AU



Bopar Pro S.R.L Romania – subsidiary of Motobul EAD

Eurolease Group EAD (ELG) – subsidiary of Eurohold Bulgaria AD

Eurolease Auto EAD – subsidiary of ELG

Eurolease Auto Romania AD – subsidiary of ELG

Eurolease Auto Skopje AD – subsidiary of ELG

Eurolease Rent-a-Car EOOD – subsidiary of ELG

AutoPlaza EAD – subsidiary of ELG

Sofia Motors EOOD – subsidiary of ELG

Eurolease Auto Retail EAD – subsidiary of ELG

Euro-Finance AD – subsidiary of Eurohold Bulgaria AD

The related parties transactions for 2017 and 2016 are disclosed in Annexes 3, 5.1, 7.1, 9.1, 10.1, 11.1 and 11.2. The conditions under which these transactions have been made are not different from those of the arm's length transactions.

The related parties accounts are disclosed in Annexes 13, 16, 22.1, 23, 26, 27.

The members of the key management staff are disclosed in Note 1. Remunerations and other short-term benefits of the key management staff for 2017 are current and are in the amount of BGN 108 960, comprising current remunerations (2016: BGN 132 956).

### **31. Events after the end of the reporting period**

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

### **32. Approval of the separate financial statements**

The separate financial statements as at 31.12.2017 (including the comparative information) were approved and adopted by the Management Board by resolution under item 1 of Minutes № 1/ 26.03.2018.

# SECTION E

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## Auditor's Report

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

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

**Opinion**

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

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its 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 Separate Financial Statements* section of our report. We are independent of the Company 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 separate 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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. Valuation of investments in and receivables from subsidiaries</b></p> <p><i>Investments in subsidiaries as at 31 December 2017: BGN 539,520 thousand (31 December 2016: BGN 485,520 thousand)</i></p> <p><i>Note 15.1 to the separate financial statements</i></p> <p><i>Receivables from subsidiaries as at 31 December 2017: BGN 6,722 thousand (31 December 2016: BGN 29,964 thousand)</i></p> <p><i>Notes 13 and 16 to the separate financial statements</i></p> <p>The Company has investments in subsidiaries operating in different business segments with some of them in regulated industries (insurance and investment agency), and others in sectors strongly dependent on the population purchase ability (sales and lease of new cars). In addition the Company through its subsidiaries operates in countries from Central and South-East Europe (Romania, Macedonia, and Ukraine), where specific economic and regulation environment is inherent.</p> <p>Above stated circumstances assume existence of certain risk from overstatement of investments in subsidiaries and receivables from them.</p> <p>When reviewing for existence of impairment indications of investments in subsidiaries and receivables from them, material estimation is applied to assess the recoverable amount and future collection of the amounts by analyzing and assessing the return of Company entire exposition to these parties.</p> | <p>In this area, our audit procedures carried out with the support of independent valuation specialists, where applicable, hired by us, include:</p> <ul style="list-style-type: none"> <li>• Review and assessment of the forecast analysis of FCF /future cash flows/ from subsidiaries for the previous year made by the Company and their respective actual realization in the current year as well as of updated forecasts and business plans for the current year;</li> <li>• Analysis and judgment of the feasibility of the main assessments and assumptions used by the management of the Company and particularly of the discount rate, when applying the Discounted Cash Flow Model as well as comparison to historical data;</li> <li>• Mathematical precision test of the models for assessment and juxtaposition of key input data with main assumptions made by the Company;</li> <li>• Assessment of qualification and competence of the external appraisers, hired by the Company;</li> <li>• Analytical procedures referring to indicators to receivables from these companies for previous and current years as well as after the date of the balance sheet;</li> <li>• Documents review from the factsheet related to the collection of the receivables and ROI – financial status of the Companies, their contractors and feasibility of cash flows generation;</li> </ul> |

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | How this key audit matter was addressed in our audit                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The impairment review assumes use of material estimation, different judgements and approximated valuation by the management side about future return of the investments as well as for the purposes of investments recoverable amount assessment, the Discounted Future Cash Flows Method is applied. These are concretely defined for each subsidiary as separate unit generating cash (CGU) and taking into account factors such as: activity specific, business environment and risks, past experience, expected future economic benefits, that will be received, discount rate used, as well as position on Bulgarian and foreign markets and others. Because of this an uncertainty is inherent for these valuations. Calculations are carried out by the management with the help of independent licensed appraisers, hired by the Company.</p> <p>Because of the fact that:</p> <ul style="list-style-type: none"> <li>determining the impairment losses by the Company exposition in its subsidiaries involves many estimations, higher level of speculation in forecast assumptions and specific calculations about impairment amount made by the management</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>the materiality of the recognized item to the Company separate financial statements as stated above</li> </ul> <p>we determine this matter as key audit matter.</p> | <ul style="list-style-type: none"> <li>Re-calculation of material expositions based on the model applied by the Company;</li> <li>Assessment and review of the completeness, appropriateness and adequacy of the disclosures in separate financial statements regarding the valuation of investments and receivables in and from subsidiaries.</li> </ul> |

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | How this key audit matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>2. Loans and issued bonds – presentation and disclosure; requirements for adherence with debt financial covenants</b></p> <p><i>Issued bonds as at 31 December 2017: BGN 142,489 thousand (31 December 2016: BGN 111,686 thousand)</i></p> <p><i>Loans as at 31 December 2017: BGN 73,362 thousand (31 December 2016: BGN 70,045 thousand)</i></p> <p><i>Notes 21 and 22 to the separate financial statements</i></p> <p>Based on our understanding of the Company's business activity, we have identified the debt securities issued (bonds) and loans, and the adherence to debt financial covenants related to them as key audit matter.</p> <p>The loans and issued bonds are considered a key matter for our audit since they form 98% of the total value of the Company's liabilities as at 31 December 2017 (31 December 2016: 70%). In addition, according to the contractual commitments under certain of the loan agreements, the Company must abide by a number of financial indexes and rates for debt serving (EBITDA, Total Equity Volume, Gearing, LtV, Interest Coverage Ratio).</p> | <p>In this field, our audit procedures include:</p> <ul style="list-style-type: none"> <li>• Review of internal rules and supporting documents related to the acquisition of the liabilities and refinancing of the bond issued in December 2016 through a new bond with issue placed on 30 November 2017;</li> <li>• Recalculation of the initial recognition and the subsequent measurement of debt at amortized cost, using the effective interest rate;</li> <li>• We reviewed the prospectuses and loan agreements and paid particular attention to the conditions of the covenants and the cases of default;</li> <li>• Assessment of accounting policy and accounting treatment in the definition of financial expenses and adequate calculation of the covenants in accordance with the terms of the prospectuses;</li> <li>• Given the significance of the earnings before interest, taxes and depreciation (EBITDA), in our calculations of covenants, we paid particular attention to the correct classification of the items of earnings before interest, taxes and depreciation, as well as to specific and extraordinary items included in the adjusted earnings before interest, taxes and depreciation (EBITDA);</li> <li>• We reviewed for completeness and adequacy of disclosures in the Company's separate financial statements regarding the presentation of the loans and debt.</li> </ul> |

### **Other Matters**

The Company separate financial statements as at 31 December 2016 were audited by other auditor that issued unqualified audit report with an emphasis of matter paragraph dated 30 March 2017.

### **Information Other than the Separate 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 management report, including the corporate governance statement prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 Separate Financial Statements**

Management is responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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 Separate Financial Statements and Auditor's Report Thereon* section, in relation to the management report and the corporate governance 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 management report referring to the financial year for which the separate financial statements have been prepared is consistent with those separate financial statements.
- b) The 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 corporate governance statement referring to the financial year for which the separate 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.

*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 entity's activities and the environment in which it operates, in our opinion, the description of the main characteristics of entity's internal control and risk management systems relevant to the financial reporting process, which is part of the 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.

***Additional Reporting on the Audit of the Separate Financial Statements in connection with Art. 100(m), paragraph 4(3) of the Public Offering of Securities Act***

*Statement in connection with Art. 100(m), paragraph 4(3)(b) of the Public Offering of Securities Act*

The information about related party transactions is disclosed in Note 30 to the separate financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the separate financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying separate financial statements for the year ended 31 December 2017, in all material respects, in accordance with the requirements of IAS 24 *Related Party Disclosures*. The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

*Statement in connection with Art. 100(m), paragraph 4(3)(c) of the Public Offering of Securities Act*

Our responsibilities for the audit of the separate financial statements as a whole, described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report include an evaluation as to whether the separate financial statements present the significant transactions and events in a manner that achieves fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the separate financial statements for the year ended 31 December 2017, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and disclosures in accordance with the relevant requirements of IFRSs as adopted by the European Union. The results of our audit procedures on Company's transactions and events significant for the separate financial statements were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.

***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 separate 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 separate financial statements of the Company for the year ended 31 December 2017 represents first total uninterrupted statutory audit engagement for that entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to Company's audit committee, 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 Company.

**Audit Firm**

**HLB Bulgaria OOD**

**Manager:**

**Milena Hristova**

**Registered auditor, responsible for the audit:**

**Vaska Gelina**



**26 March 2018**

# SECTION F

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## Corporate Governance Statement

Declaration on Corporate Governance for 2017 according to Art. 100n,  
para 8 in conjunction to para. 7, item 1 of the 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;

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- 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.

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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

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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

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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. |

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| 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.                                                                          |                                            |                      |                                    |                                          |

#### V. 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

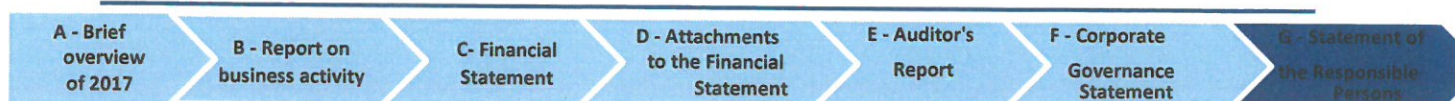
Eurohold Bulgaria AD has not drafted and approved a diversity policy with regard to the management and supervisory bodies, but in practice no limit age, gender, nationality and education are introduced in the election of the members of the management bodies. Leading factors include qualifications, managerial 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 ..... 2018.

## **SECTION G**

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### **Statement of the Responsible Persons**



**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 Financial Statement for the year 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 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