Translation from Bulgarian

Avto Union AD

CONSOLIDATED ANNUAL ACTIVITY REPORT
DECLARATION ON CORPORATE GOVERNANCE
INDEPENDENT AUDITOR'S REPORT
CONSILIDATED FINANCIAL STATEMENTS
December 31, 2019

Avto Union AD

Contents

Avto Union AD
GENERAL INFORMATION
For the year ended on December 31, 2019

Board of Directors

Kiril Boshov - Chairman
Milen Christov - Vice Chairman
Assen Assenov – member and Executive director

Address

Bulgaria,
Sofia
43, Christopher Columbus Blvd.

Registration codes

Unique identification code: 131361786
VAT ID: BG131361786

Auditor

CROWE BULGARIA AUDIT EOOD
Sofia, 55, 6-ti septemvri Str.

Avto Union AD
CONSOLIDATED ANNUAL ACTIVITY REPORT
For the year ended on December 31, 2019

The management presents its annual consolidated report and the annual consolidated financial statements as at **December 31, 2019.**

This consolidated report is prepared based on:

- article 100m of the Public Offering of Securities Act (POSA);
- Article 44 of the Accountancy Act;
- article 247 of the Commerce Act

and contains information in compliance with:

- Annex № 10 to article 32, paragraph 1, item 2 of Ordinance № 2 of 17 September 2003 on the prospectuses for public offering and admission to trade on regulated market of securities and for disclosure of information;
- Article 100m, paragraph 7 and paragraph 8 of the Public Offering of Securities Act;
- Article 44, 45, and Article 4 of the Accountancy Act;
- article 247 of the Commerce Act

The annual consolidated activity report of Avto Union AD (the Group) presents commentary and analysis of the consolidated financial statements and other material information regarding the consolidated financial position and the results achieved by the Avto Union Group. The report describes the position and the perspectives for development of the Group as well as the main risks it is exposed to.

In terms of the governance of the Company the members of the Board of Directors apply the best world corporate governance practices and make efforts to establish the company as a leader in the implementation of transparent corporate practices in Bulgaria. The business model followed by Avto Union has been developed on basic principles such as ensuring the rights of all shareholders and their equal treatment.

CONSOLIDATED ANNUAL ACTIVITY REPORT
containing information on important events that have occurred during the 2019 financial year, according to Art. 100m of the Public Offering of Securities Act

I. INFORMATION ABOUT AVTO UNION AD

HISTORY

Avto Union AD (the Parent Company, the Company) is a holding company registered in the Republic of Bulgaria operating in accordance with the Bulgarian legislation.

The parent-company is registered on 25 January 2005 with the following main subject of activity: strategic management of the businesses within the structure of the holding, providing financial, marketing and business specific resources.

HEADQUARTERS AND REGISTERED ADDRESS

The headquarters and registered address of the parent company is: Republic of Bulgaria, city of Sofia, 43, Christopher Columbus Blvd. The administrative management and the principal place of business are at the same address. This is also the official mailing address.

Business address:	City of Sofia, 43, Christopher Columbus Blvd.
Phone	02/ 9651 653; 02/ 9651 651
Fax	02/ 9651 652
E-mail	investors@avtounion.bg
Web-site	www.avto-union.bg

No changes in the subject of activity of the parent-company have been made in 2019.

MANAGEMENT BODIES

The management bodies of Avto Union AD are the General Meeting of Shareholders and the Board of Directors.

Board of Directors

The Board of Directors includes 3 individuals.

Kiril Ivanov Boshov - Chairman
Milen Assenov Christov - Vice Chairman
Assen Emanuilov Assenov – member and Executive director

The parent company is represented by Assen Emanuilov Assenov.

SHARE CAPITAL

As of December 31, 2019, the share capital of Avto Union amounts to BGN 40,004,000, and consists of 80,008 shares, with a par value of BGN 500 per share.

SHAREHOLDING STRUCTURE

As of December 31, 2019, a legal entity owns 99.99% of the shares of Avto Union AD with voting rights. There are no individuals – shareholders, who hold directly more than 5 % of the voting shares.

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

Shareholders	Participation, %	Number of shares	Par value (BGN '000)
Eurohold Bulgaria AD	99.99%	80 001	40 000
Kiril Boshov	0.01%	7	4
TOTAL	**100.00%**	**80 008**	**40 004**

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

II. BUSINESS ACTIVITY REVIEW

INVESTMENT PORTFOLIO

As of December 31, 2019 Avto Union AD holds direct control shareholding in 11 subsidiaries, as follows:

- Auto Italia EAD – 100%
- Star Motors EOOD – 100%
- Bulvaria Holding EAD – 100%
- Avto Union Service EOOD – 100%
- N Auto Sofia EAD – 100%
- Bulvaria Varna EOOD – 100%
- Motobul EAD – 100%
- Benzin Finance EAD – 100%
- Daru Car EAD – 100%
- Motohub OOD - 51%
- EA Properties OOD - 51%

As of December 31, 2019 Avto Union AD holds indirect control shareholding in 4 subsidiaries, as follows:

- Espace Auto OOD (through N Auto Sofia EAD) – 51%
- Star Motors DOOEL, Macedonia (through Star Motors EOOD) – 100%
- Star Motors Sh.P.K., Kosovo (through Star Motors EOOD – 100% (under liquidation)
- Bopar Pro S.R.L., Romania (through Motobul EAD) - 100% (under liquidation)

Avto Union AD is a holding company which consolidates Eurohold Bulgaria's investments in the automotive sector. Automotive companies in Avto Union AD are focused on the following business areas:

- **Auto Italia EAD** – authorized dealer for Fiat, Fiat Professional, Maserati and Alfa Romeo for Bulgaria;
- **Bulvaria Sofia EAD** - (formerly named Sofia Auto Bulvaria OOD) – dealer for Opel for Sofia and the region;
- **Bulvaria Varna EOOD** – dealer for Opel for Varna and the region;
- **Star Motors OOD** - official representative of Mazda for Bulgaria;
    - **Star Motors DOOEL** (a subsidiary of Star Motors EOOD) - official representative of Mazda for Macedonia;
- **Motobul EAD** - official distributor of Castrol, BP and Orlen motor oils;
    - Benzin Finance EAD (a subsidiary of Motobul EAD) - as of December 31, 2019 the company has no operating activity;
- **N Auto Sofia EAD** (formerly Nissan Sofia EAD) - Nissan's largest dealer in Bulgaria, operates in the regions of Sofia and Veliko Tarnovo;
    - Espace Auto OOD (a subsidiary of N Auto Sofia EAD) - the largest dealer of Renault and Dacia in Bulgaria, operates in the regions of Sofia, Pazardzhik, Veliko Tarnovo, Plovdiv and Blagoevgrad;
- **EA Properties OOD** - scope of activity of the company is the purchase and sale of real estate, development and construction, renting, consultancy and management services.
- **Daru Car EAD** - authorized BMW service for Bulgaria;
- **Avto Union Service OOD** - performing car servicing;
- **Motohub OOD** – import, purchase and sale, and service of scooters, motorcycles and mopeds under the brands Lambretta, Malaguti, Brixton and KSR Moto.

CAPITAL INVESTMENTS

Investment description	Shareholding, %	Number Shares	Capital expenses (BGN)	Method of financing	Investor
Capital investments of Avto Union AD and subsidiaries in 2019					
Daru Car EAD Acquisition of shareholding	0.16%	20	9 900	Own funds	Avto Union AD
Benzin Finance EAD Acquisition of shareholding	100%		1 082 917	Own funds	Avto Union AD
Auto Italia - Sofia EOOD Incorporation	100%		100	Own funds	Auto Italia EAD

Investment description	Shareholding, %	Number Shares	Capital expenses (BGN)	Method of financing	Investor
Capital investments of Avto Union AD and subsidiaries in 2018					
Auto Italia EAD Capital increase	100%	25 000	8 000 000	Own funds	Avto Union AD
Motohub EAD Incorporation	51%		102	Own funds	Avto Union AD
Bulvaria Sofia EAD Acquisition of shareholding	100%		129 000	Own funds	Avto Union AD

COMPETITIVENESS AND COMPETITIVE ENVIRONMENT

The competitive power of the Group is based on the high level of service and the strong synergy between the different activities in Eurohold Bulgaria (insurance, leasing and sale of vehicles) aiming at higher productivity and profitability of the subsidiaries. All companies in Avto Union operate in close cooperation with the other main business lines of Eurohold Bulgaria – insurance and leasing, and thus they can offer complex services to their customers and achieve permanent growth in their sales and significant improvement of the financial indicators.

Each company in the Group is certified to the international quality management standards ISO 9001: 2008, and separately, it is also responsible for meeting the requirements of manufacturers/dealers of individual brands for equipment status, personnel qualifications and working practices. Training sessions for mechanics and car dealers are held on a regular basis.

The Companies in the Group have the following rights:

- Authorized dealer rights for Bulgaria of Mazda, Fiat, Alfa Romeo and Maserati;
- Authorized dealer for Bulgaria of Renault, Nissan, Opel and Dacia. The group of Avto Union is the biggest national distributor of the vehicles of Renault, Dacia and Nissan.

The main competitors of Avto Union AD have a different business model, which offers only one or several interrelated car brands. The most significant competitors with a similar business model are Toyota Balkans AD (Toyota and Lexus), Moto Pfohe AD (Ford, Volvo, Jaguar and Land rover) and Porsche Bulgaria (Volkswagen, Audi and Seat).

The company retains its position as a dealer with the widest range of branded vehicles (8) offered on the Bulgarian market.

The Company performs sale activities of cars (and light trucks up to 3.5 tons) on the domestic market in competition with the following main traders of new cars:

- Toyota Balkans EOOD (Toyota, Lexus);
- Porsche BG EOOD (Volkswagen, Audi);
- Moto Pfohe EOOD (Ford, Volvo, Land Rover, Jaguar);
- Balkan Star Retail EOOD (Mercedes, Mitsubishi, Jeep, Chrysler, Dodge);
- Eurotec OOD (Skoda);
- Omnicar Auto OOD (Renault and Dacia);
- Sofia France Auto AD (Peugeot);
- Automotor Corporation AD (Citroen);
- Bultraco Motors AD (Honda);
- Industrial Commerce EOOD (Hundai)
- Kia Motors Bulgaria AD (Kia);
- Generous Auto EAD (Opel and Chevrolet);
- Mirkat OOD (Suzuki)
- Others

New car traders operate in conditions of very intense competition, under the influence of the not so favourable economic environment, characterized by insufficient household purchasing power, limited demand, insufficiently reliable financing projects and difficulties in meeting customer payments.

Against this backdrop, there are numerous traders on the market, including for some of the better-selling car brands and more than one, under constant pressure and increased competition between them. In the pursuit of a higher market share, every company dealing with new cars is looking for a suitable model for connecting its business with banks and/or leasing companies. So, those who agree with or are in structure with those ones (and the more significant they are) are expected to try to gain market advantage and exert significant competitive pressure.

Given the low cost of financial resources, banks are expected to channel more resources into the sector, which will inevitably increase competition.

POTENTIAL FOR DEVELOPMENT AND MOVING POWER

In 2019, the new car market reported a slight increase in sales - according to the Association of car manufacturers and their authorized representatives for Bulgaria (ACM), the Bulgarian market for new cars and light commercial vehicles increased by 1.9% compared to the same period of 2018. The pace of Avto Union is overtaken by the pace of market, with the group declining in sales by 4.6% over the same period.

As of December 31, 2019, the market share of the Avto Union Group was 13.2%. Management has taken measures and is forecasting a return to lost market share of 0.9% (2018: 14.1%).

The expectations for the future development of the automobile market in Bulgaria are based on maintaining the rate of recovery of the local economy and increasing the growth of sales of new cars in the country as a function of increased purchasing power of the population. The obsolete fleet is a prerequisite for increase in the sales to corporate customers, for which it is no profitable to maintain an outdated fleet.

In addition, the increasingly restrictive measures at European level related to reducing the harmful effects of cars on the environment, and, in particular, the stringent environmental requirements for the exhaust gas limit will inevitably lead to regulatory changes in this direction at the local level in the future. It is important to note that the new environmental standards in question can only be covered by factory new cars (or relatively new ones up to 5 years old). Considering the above, and at the same time taking into account the fact that currently registered cars older than 10 years on the roads of the country and the region repeatedly exceed the registrations of brand new cars, it can be concluded that for Bulgaria and the Balkans, there is still a large share of "sleeping" and unused markets. This market would be "awakened" and easily unlocked by the emerging high demand for active drivers who need to replace their old car that no longer meets certain environmental standards and road safety criteria established by law or which are binding.

KEY SUCCESS FACTORS

- Diversified product portfolio - with a wide range of offered brands (8 for vehicles, 3 for scooters and mopeds) Avto Union covers all the segments of the automotive market in Bulgaria, offering adequate solutions for both corporate and individual customers; brand diversification also protects the Group from vulnerability in force majeure that would affect certain brands (for example, Toyota's global crisis in 2009/2010);
- Avto Union AD retains, as a major competitive advantage, the affiliation of individual dealers (by brand) with a holding company, which enables more efficient business activity, through unified management, by pooling technical service, commonly agreed deliveries, staff exchanges and management experience;
- Each company in the Group is certified to the international quality management standards ISO 9001: 2008, and separately, it is also responsible for meeting the requirements of manufacturers/dealers of individual brands for equipment status, personnel qualifications and working practices. Training sessions for mechanics and car dealers are held on a regular basis.
- Joint products - strong relationships with IC Euroins AD and Eurolease Auto EAD allow Avto Union AD to offer numerous competitive solutions and products to its customers by offering packages that significantly facilitate the purchase of a new car - by the decision , until the choice of brand, through the process of flexible financing and insurance, until the key is obtained from the satisfied customer;
- Optimized Group Costs - Built-in budgets to optimize marketing costs, surveys, ad group placements / airtime, and more.

SEGMENT STRATEGY

The development of new product offerings of Avto Union AD focuses on increasing sales of cars and the after-sales services offered (i.e. repair and service), further strengthening the portfolio of brands, improving customer satisfaction and completing new customer service centres. In support of its strategic goals, Avto Union AD aims to:

- increased its market share in new car sales in Bulgaria by expanding its mid-range portfolio and luxury cars;
- offer a greater variety of brands and car models to achieve greater customer satisfaction;
- achieve market recognition for its products and services, and attract qualified sales and repair specialists;
- increase revenue generated by post-sale activities and the sale of spare parts and accessories;
- participates in more public auctions to provide vehicle leasing solutions to a wider range of governmental organizations; and
- monitors market trends, sales and customer requirements for various services to improve the quality and scope of the services offered.

MAIN BUSINESS ACTIVITIES

The main activity of Avto Union AD is the sale of new motor vehicles, motorcycles and scooters, the sale of original spare parts, lubricant oils and accessories, as well as the redemption of motor vehicles. Avto Union AD also offers to its customers leasing and insurance services, which provides through companies from the Eurolease Group EAD.

The portfolio of Avto Union AD, which is the largest number of brands in Bulgaria, according to the statistics published by the Association of car manufacturers and their authorized representatives for Bulgaria (ACM), includes eight brand motor vehicles and four brands of scooters, lubricants, fuels and additional automotive services. Through its subsidiaries Avto Union AD is an authorized representative in Bulgaria for Mazda, Fiat, Alfa Romeo and Maserati vehicles as well as an authorized Opel, Nissan, Renault, Dacia dealer for certain regions of the country (see above).

The Avto Union Group also promotes the cross selling of insurance and leasing products respectively with Euroins Insurance Group AD and Eurolease Group. For each brand, offered by Avto Union AD, the leasing product is developed jointly with a member of Eurolease Group EAD in order to meet the customers' requirements. These products include for example Mazda Cash Lease, Mazda Leasing Six Months (which offers the possibility of allocating payments for six months) and Fiat Leasing.

The Group of Avto Union AD has signed a distribution agreement with regard to the car brands it sells. Distribution contracts (or official representation of the brand in the country) generally give the Group the right to sell the brand, develop dealer networks, carry out marketing campaigns and activities, set prices and trade conditions, and act as ambassador of the brand in the negotiated jurisdiction. The transactions of the Avto Union Group with Fiat, Alfa Romeo, Mazda and Maserati are covered by the distribution contracts. Distribution contracts provide the Group of Avto Union with rights to sell and service certain brands officially imported by an independent representative. Pursuant to these distribution agreements, the Avto Union Group is obliged to adopt the pricing and marketing policies set by the vehicle manufacturers or their representatives in the respective country.

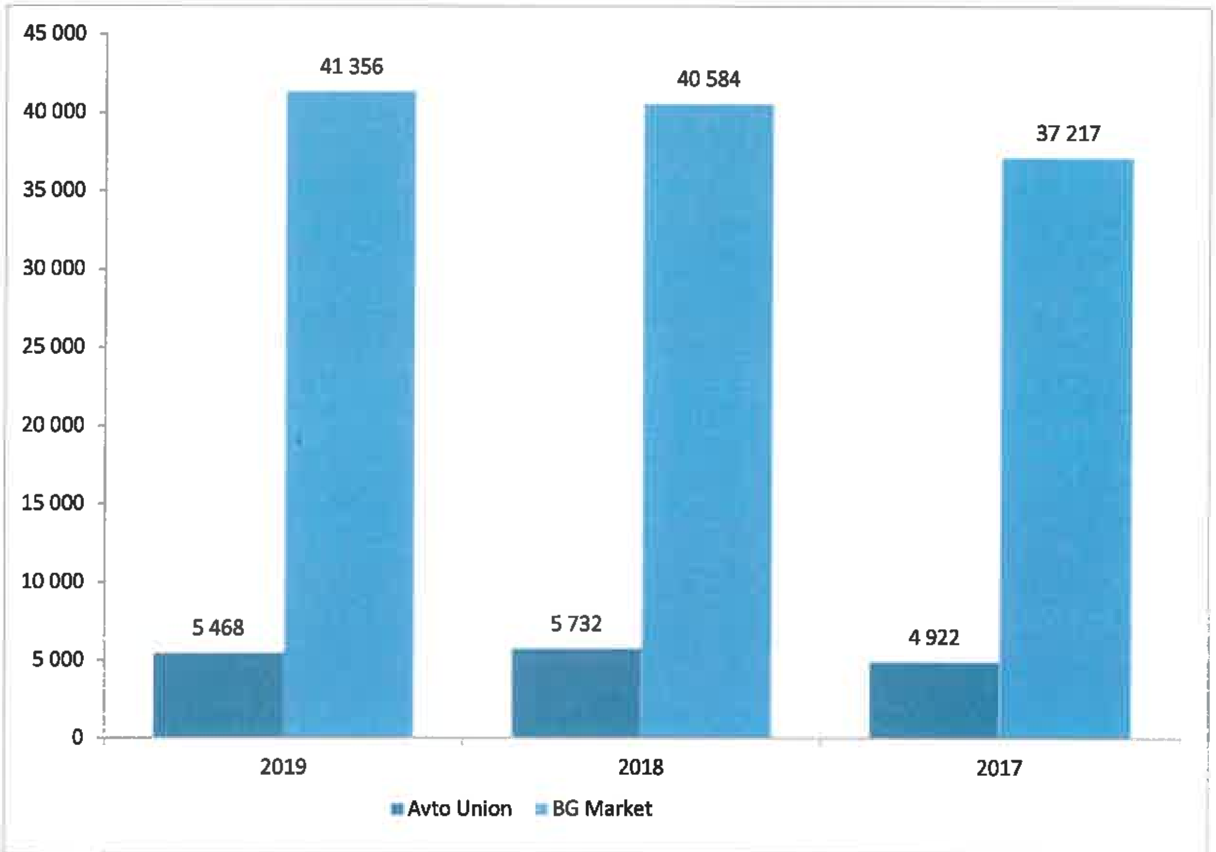
REGULATION

Sales of motor vehicles on the markets in which the Avto Union Group operates are not subject to licensing. The prices at which Avto Union AD sells motor vehicles depend on the agreement with the respective manufacturer or importer of the motor vehicle.

III. RESULTS FROM THE ACTIVITY

The consolidated financial result of the Group for the period from 01.01.2019 to 31.12.2019 is a profit amounting to BGN 5 283 thousand. (2018 - BGN 3 438 thousand). The consolidated financial result for the owners of the parent company for the same period is a profit amounting to BGN 3 989 thousand, as compared to the same period of 2018 it was a profit of BGN 1 743 thousand.

The number of cars sold for the whole of 2019 decreased by 4.6% compared to the same period of 2018, which represents a decrease with 264 cars (2019: 5 468 cars, 2018: 5 732 cars. This fact should not be considered worrying as the Group has sold fewer but more expensive cars (i.e., generating more revenue), which in fact leads the Group's overall revenue to increase. Revenue from sales of cars, spare parts, oils and fuels increased by 6.6% or BGN 13.9 million, while those from sales of services decreased by 1.9% or BGN 166 thousand. Total Revenue from customer contracts increased by 6.3%, representing an increase in absolute terms equal to BGN 13.7 million.



Sales of new cars, realized by Avto Union for 2019 compared to those on the Bulgarian market, number - a comparison for the last 3 years

Source: *Association of car manufacturers and their authorized representatives for Bulgaria (ACM)*

Cumulative operating expenses for 2019 are almost maintaining their level compared to the same period in 2018, with only a subtle increase of 0.3%. All types of operating expenses, with the exception of depreciation, are down compared to the same period last year, as a result of the actively implemented management cost optimization policy in companies throughout the automobile holding. Depreciation and amortization costs are initially a huge increase of 140% compared to the same period in 2018, but it is important to note that this is due to the new IFRS 16 Leasing applied by the entire Group as of 01.01.2019 (on changes resulting from the Group's newly implemented policies, see Explanatory note 2.2.1.1)

By applying the new IFRS 16, during the period under review, the Avto Union Group reports the cost of depreciation ***of right-of-use assets*** leased property and buildings under operating lease terms in the amount of BGN 2 881 thousand. In this regard, the Company's depreciation expenses increase from BGN 2 821 thousand for 2018 to BGN 6 729 thousand for 2019. The remainder of the increase in depreciation expenses between 2019 and 2018 (i.e. not considering the effect of applying IFRS 16) is due to an increased depreciation rate in one of the companies, as well as in a larger depreciated car fleet in companies with significantly increased rent-a-car business volume, such as Espace Auto OOD.

With the exception of depreciation (see above), there is a decrease in all other operating cost groups as follows:

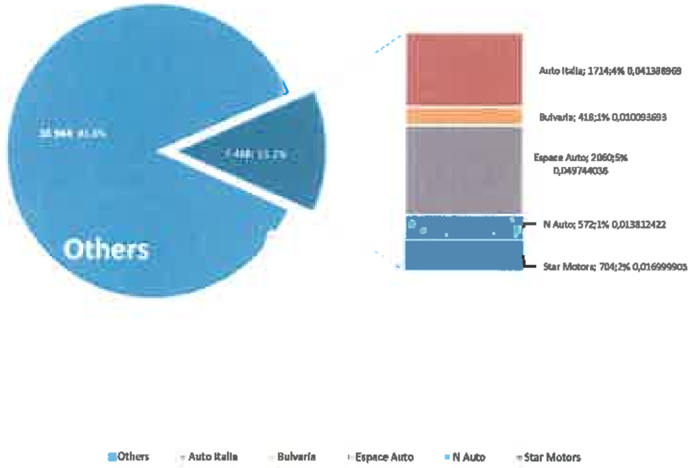
- Cost of materials, decrease by 44.3% or BGN 1 561 thousand;
- Other expenses decrease by 24.7% or BGN 548 thousand:
- Employee benefits expenses, decrease by 1.2% or BGN 172 thousand;
- A significant decrease of 14.9% or BGN 1 513 thousand is also observed in the Cost of services, but the main reason for this is due to the newly adopted IFRS 16 Leasing, applied by the whole Group as of 01.01.2019 (*on changes resulting from the Group's newly implemented policies, see Explanatory note 2.2.1.1*)

The increase in financial expenses (an increase of 6.6% or BGN 221 thousand) is an increase over the same period of the previous year, but the main reason for this is due to the newly adopted IFRS 16 Leasing applied by the whole Group as of 01.01.2019 (on changes resulting from the Group's newly implemented policies, see Explanatory note 2.2.1.1). By applying IFRS 16, during the reporting period the Avto Union Group AD reports interest expense on right-of-use assets of leased property and buildings under operating lease terms in the amount of BGN 599 thousand. At the same time, interest expenses of the Group actually increase by only BGN 221 thousand. - from BGN 2 543 thousand for 2018 to BGN 2 881 thousand for 2019 (i.e. not considering the effect of the implementation of the new one). IFRS 16 we would observe a decrease in this item of expenditure).

Financial revenue almost maintain their levels from the same cumulative period for 2018, registering a slight increase of 0.6% or BGN 3 thousand.

For the period ended 31.12.2019 the sales of new vehicles and light-duty trucks realized by Avto Union – the automotive holding in the group of Eurohold Bulgaria, amount to 5 468 units compared to 5 732 units sold during the same period of 2018, which is a decrease of 4.6%. According to the Union of Car Importers in Bulgaria, the market for new passenger cars and light commercial vehicles for 2019 is growing by 1.9% compared to the same period of 2018.

During the reporting period, Opel sales increased by 10.6% for Sofia and maintained their sales for Varna. Espace Auto OOD has decreased sales in both brands compared to 2018 - 25,4% for Renault and 20,5% for Dacia. At N Auto EAD, there was a growth in sales in the amount of 1% for cars with Nissan brand. Auto Italy EAD increased its sales of Fiat cars by 22.2%, while reducing its sales at Alfa Romeo by 12%. In Maserati-branded cars, Auto Italy fell by 43.5%. Star Motors marks an increase of 5% in sales of new Mazda vehicles to the period last year.



Number of vehicles sold and market share of automotive companies in the Avto Union group for 2019 - number and percentage

Source: *Association of car manufacturers and their authorized representatives for Bulgaria (ACM)*

Avto Union Group	Sales		%
	2019	2018	Change
January - December (with accumulation)	5 468	5 732	-4.6%
By quarters:			
first quarter (January – March)	1 015	1 282	-20.8%
second quarter (April – June)	1 638	1 895	-13.6%
third quarter (July - September)	1 592	1 298	22.7%
fourth quarter (October – December)	1 223	1 257	-2.7%

Number of cars sold in 2019 and their change from 2018, quarterly, to companies in the Avto Union group - number of cars

At a constituent assembly held on 23.11.2018, it was decided to establish a subsidiary of Auto Italia EAD, namely Auto Italia-Sofia EOOD, the decision itself being entered in the Commercial Register on 16.01.2019. The intention of the management is to separate the import and dealership activities of the FIAT, Maserati and Alfa Romeo brands - the newly established company performs the functions of a dealer in Sofia, and Auto Italia EAD specializes in the functions of an importer for the brands in Bulgaria.

On **February 2, 2019** in the Commercial Register an increase of the capital of Benzin Finance EAD was registered with BGN 550 thousand. - thus, the share capital of the subsidiary of Motobul EAD is increased and reaches the amount of BGN 1 050 thousand.

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

On **July 12, 2019** Avto Union AD signed another annex to the Framework Agreement for Issuance of Bank Guarantees (for the purposes of its subsidiaries) with Municipal Bank AD, through which the parties agreed to reduce the credit limit granted to the Borrower in the form of bank guarantees. guarantees and letters of credit with EUR 500 000. Thus, the total limit on bank guarantees at the end of the reporting period granted for the use of Avto Union AD and its subsidiaries amounts to EUR 750 000.

On **October 31, 2019**, the Board of Directors of Avto Union AD made a decision to sell one of its subsidiaries, namely - Bulvaria Holding EAD, signing a Preliminary contract with the potential buyer. Following the fulfilment of the conditions stipulated in the preliminary contract on 19.12.2019, Avto Union AD transfers the shares to the new owner. On December 31, 2019, the Transfer of all shares from the capital of Bulvaria Holding EAD to VI Properties EOOD was entered in the Commercial Register.

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

For the period under review of this Activity Report, the subsidiary Espace Auto EOOD has distributed a dividend of BGN 893 thousand to its parent company (N Auto Sofia EAD, 51% ownership). The distributed dividend income in question is eliminated for the purposes of the consolidated financial statements of the Group as of December 31, 2019.

For the period under review of this Business Activity Report, Espace Auto EOOD's subsidiary has distributed a dividend of BGN 827 thousand to a Non-controlling interest company (RMG OOD, 49% ownership). The distributed dividend income in question is not eliminated and is stated in the appropriate places in the consolidated financial statements of the Group as of December 31, 2019 and the notes thereto.

For the period under review of this Activity Report, the subsidiary Daru Car EAD distributed a dividend of BGN 963 thousand to its parent company Avto Union AD. The distributed dividend income in question is eliminated for the purposes of the consolidated financial statements as of December 31, 2019.

During the reporting period, Avto Union AD purchased 20 shares from a partner in the subsidiary of Daru Car AD, whereby Avto Union AD became the sole owner of the capital of Daru Car AD. Due to this fact, it is necessary to change the legal form of Daru Car AD. As of August 15, 2019, the Daru Car company is already in the legal form EAD.

In the period ending December 31, 2019, a contract was concluded between the subsidiary Motobul EAD, in its capacity of seller on the one hand, and Avto Union AD in its capacity of buyer, on the other. which Avto Union AD acquires from Motobul EAD all shares in the capital of Petrol Finance EAD with UIC: 205373838. The actual transfer of the shares was made after the signing of an Additional Agreement between the parties, which regulates the sale price of the above-mentioned shares, as well as the conditions for its payment. The purchase and sale were carried out with the purpose of exercising direct control of Avto Union AD on its subsidiaries and facilitating the structure of the holding.

REVENUE

In 2019 the revenue of Avto Union AD is formed by the main activity of the subsidiaries related to import and sale of motor vehicles and scooters, import and sale of oils, servicing, sale of fuels and sale of used motor vehicles.

For the period from 01.01.2019 to 31.12.2019 the gross profit of the holding amounted to BGN 21 841 thousand, and for the same period last year it amounted to BGN 25 019 thousand, which is a decrease of 12.7%.

The amount of the income from interest on loans granted is BGN 489 thousand, and for 2018 it is BGN 349 thousand. The expenses for the overall activity of the Group amount to BGN 37 083 thousand. (for 2018: BGN 36 694 thousand), of which interest expenses on borrowings amounted to BGN 2 877 thousand. (for 2018: BGN 2 543 thousand).

The holding generates positive financial result for 2019 for the Group in the amount of BGN 5 283 thousand, compared to 2018, again the positive financial result amounted to BGN 3 438 thousand.

Structure of income and expenses on consolidated basis:

	2019		2018	
	BGN thousand	**share**	**BGN thousand**	**share**
Sales of goods	224 372	88%	210 493	90%
Provision of services	8 672	3%	8 838	4%
Other revenue and income	15 099	6%	7 445	3%
Positive differences from transactions with financial assets	5 233	2%	7 542	3%
Financial income	503	0%	500	0%
Recoverable impairment of financial assets, net	-	0%	29	0%
Total revenue	**253 879**	**100%**	**234 847**	**100%**
Expenses				
Book value of goods sold	211 203	85%	194 312	84%
Expenses for inventory	1 966	1%	3 527	2%
Expenses for external services	8 608	3%	10 121	4%
Staff expenses	14 505	6%	14 677	6%
Other expenses	1 670	1%	2 218	1%
Accrued impairment of financial assets, net	54	0%	-	0%
Financial expenses	3 551	1%	3 330	1%
Expenses for depreciation	6 729	3%	2 821	1%
Tax expenses	310	0%	403	0%
Total expenses	**248 596**	**100%**	**231 409**	**100%**

NET PROFIT

The result of the Avto Union Group on a consolidated basis in 2019 is a profit of BGN 49.86 per share (2018: 21.79 BGN/share).

	2019	2018
	BGN thousand	**BGN thousand**
Net outcome of activity	21 841	25 019
Outcome of the financial activity	(3 048)	(2 830)
Financial outcome before tax	5 593	3 841
Costs/savings for taxes	(310)	(403)
Net financial result attributable to:	**5 283**	**3 438**
Shareholders of the parent-company	*3 989*	*1 743*
Non-controlling interest	*1 294*	*1 695*
Number of shares	80 008	80 008
Average number of shares (thousand)	80 008	80 008
Net result per share, BGN	**49.86**	**21.79**

FINANCIAL POSITION ON A CONSOLIDATED BASIS

The amount of assets increases in 2019 compared to 2018 by 1.8%. Non-current assets increased by 29.6%, but the main reason for this is due to the newly adopted IFRS 16 "Leasing" applied by the whole Group as of 01.01.2019, as well as related recognised assets **"rights of use"** (*on changes resulting from the Group's newly implemented policies, see Explanatory note 2.2.1.1*). Current assets decreased by 15.6%, the main reason being the decrease in inventories, which decreased by 33%, as a result of the improvement and implementation of the intra-holding policy for improving the efficiency of the stock management. Current trade and other receivables increased by 37.8%, as a result of the larger realized business and related turnover, as well as an advance on an investment project of one of the subsidiaries - EA Properties OOD. As of 31.12.2019 the cash decreased by 2% compared to the same period in 2018, which represents a decrease of BGN 166 thousand.

Dynamics of assets:

ASSETS	**31.12.2019**		**31.12.2018**
	BGN thousand	**change**	**BGN thousand**
Non-current assets			
Property, machinery and equipment	44 214	70.7%	25 899
Intangible assets	870	3.4%	841
Investment properties	-	(100.0%)	3 266
Goodwill	22 405	(0.3%)	22 466
Deferred tax assets	496	17.8%	421
Receivables from related parties	579	(56.1%)	1 319
Trade and other receivables	2 023	646.5%	271
Total non-current assets	**70 587**	**29.6%**	**54 483**
Current assets			
Inventory	38 531	(33.0%)	57 492
Trade and other receivables	23 085	37.8%	16 749
Receivables from related parties	10 799	(7.0%)	11 607
Cash and cash equivalents	1 006	(14.2%)	1 172
Total current assets	**73 421**	**(15.6%)**	**87 020**
Total assets	**144 008**	**1.8%**	**141 503**

Dynamics of liabilities:

LIABILITIES	31.12.2019		31.12.2018
	BGN thousand	change	BGN thousand
Non-current liabilities			
Interest-bearing loans	4 407	2.1%	4 315
Debenture loan	14 332	(3.4%)	14 832
Finance lease liabilities	11 640	5.2%	11 069
Deferred tax liabilities	193	144.3%	79
Payables to related parties	4 885	(15.4%)	5 774
Trade and other payables	13 841	376.1%	2 907
	49 298	**26.5%**	**38 976**
Current liabilities			
Trade and other payables	55 858	(13.3%)	64 456
Interest-bearing loans	12 313	(27.3%)	16 938
Debenture loan	1 095	17.5%	932
Payables to related parties	2 327	17.5%	1 980
Finance lease liabilities	4 604	24.2%	3 706
	76 197	**(13.4%).**	**88 012**
Capital			
Share capital	40 004	0.0%	40 004
Reserves	(6 232)	0.0%	(6 232)
Retained earnings/(uncovered loss)	(19 460)	(15.7%)	(23 089)
Equity	**14 312**	**34.0%**	**10 683**
Non-controlling interest	4 201	9.6%	3 832
Total equity and liabilities	**144 008**	**1.8%**	**141 503**

As of December 31, 2019, the Group's equity increased by 34% due to the realized net profit during the period under review. The stated equity amount (BGN 14 312 thousand) includes an adjustment loss on the initial application of the newly adopted IFRS 16 Leasing, applied by the whole Group as of 01.01.2019 (*on changes resulting from the Group's newly implemented policies, see Explanatory note 2.2.1.1*)

Non-current liabilities increased by 26.5%, with non-current Trade and other payables accounting for the largest increase, where liabilities related to recognised ***right-of-use assets*** are reported. The newly introduced *IFRS 16 Leasing* has been applied by the entire Group as of January 1, 2019 *(for changes resulting from the Group's newly implemented policies, see Explanatory note 2.2.1.1).* Non-current financial leasing liabilities from non-related parties increased by 5.2%, which is conditioned by the increased realized sales from car sales during the period considered.

Current liabilities have decreased their value by 13.4%, mainly due to the large decrease in the amount of Interest-bearing loans as a result of repaid credit exposures to lending banks of Group companies. Current Trade and other payables decreased by 13.3% due to lower debts to suppliers of the companies in the group who are Original Equipment Manufacturers, as a function of inventory and the actively pursued intra-holding policy to increase the efficiency of stock management.

The increase in the non-controlling interest is due to the profits of the companies Espace Auto Ltd. and EA Properties OOD, of which Avto Union AD holds 51% each.

IV. FINANCIAL RISK MANAGEMENT POLICY AND OBJECTIVES

1. Systematic risks

Influence of the international environment

Over the last few years, economists from different countries have come together about the prospect that the prosperity of the world economy depends on all the big ones, as well as on the growing number of developing and smaller participants. Questions about the aging population in all parts of the world, volatility in energy and agricultural product prices, unequal distribution of income among members of the population, as well as the risk of systematic global financial fluctuations are the main topics for discussions in many international forums. These trends are inextricably linked with the Bulgarian macroeconomic environment and have a constant influence on the results of local companies and their future development. Another outstanding issue is the excessive depletion and neglect of the importance of using limited global resources. Against the backdrop of these facts, the economists are united around the idea that ultimately the change in the way in which global businesses operate will be dictated and imposed by the worsening environment and the reduction of beneficial opportunities for single entrants. The exit from the realization of certain risks related to the international environment will depend to a large extent on the plans and preventive measures of individual countries and international institutions, which is also evident from the last global economic crisis. The risk of the impact of the international environment on companies cannot be diversified and affects all players, but on the other hand it can become an engine for the development and application of innovation, which dramatically change and increase business efficiency on a global scale.

Risk, ensuing from the general macroeconomic, political and social system, and governmental policies

The macroeconomic situation and the economic growth on the Balkans and in South East Europe, including the state policies of the respective states and the regulations and the decisions taken by the respective Central Banks in particular, which influence the monetary and interest policy, the exchange rates, the taxes, the Gross Domestic Product, the inflation, the budgetary deficit and the foreign debt, the percentage of unemployment and the structure of the incomes, are of main importance for the development of the Group.

The changes in the demographic structure, mortality or morbidity are also important elements that influence the development of the Group. These external factors, as well as other unfavourable political, military or diplomatic factors which lead to social instability might result in limitation of consumer expenditures, including limitation of the funds for insurance policies, car purchases and leasing.

Any aggravation in the macroeconomic parameters in the region may have an adverse effect on the sales of the companies in the companies of the Group. Therefore, in case the business environment as a whole worsens, there is a risk that the sales of the Group might be lower than originally planned. Moreover, the general changes in the governmental policy and the regulatory systems might lead to an increase in the operating expenses of the Group and of capital requirements. If the factors described above materialize, in whole or in part, they may have significant adverse effects and consequences for the Group's prospects, results or its consolidated financial position.

Political risk

This is the risk which ensues from the political processes in the country – the risk of political destabilization, changes in the governance principles, legislation and economic policy. The political risk is directly related to the possibility for unfavourable changes in the long-term government policy. As a result, there is a risk of negative changes in the business climate.

The long-term political climate on the Balkans and in South East Europe is stable and does not imply big risks for the future economic policy of the countries. The European integration of the countries from the region and their consistent foreign and domestic policy guarantee the lack of turmoil and significant changes in the pursued policy in the future.

Risks related to regulatory changes

The Group's results may be affected by changes in the regulatory framework. The possibility of more radical changes in the regulatory framework in any country where the Group is active may have an adverse effect on its operations as a whole, its operating results, as well as its financial position.

Bulgaria is continuing the process of accession to the Euro area under the Action Plan, which sets out measures aimed at integrating the country into Exchange Rate Mechanism II (ERM II) and the European Bank Union. By the end of 2019, Bulgaria has reported on the fulfilment of all its commitments under the Action Plan, except for a part of the secondary legislation concerning preparation for accession to the European Bank Union.

Credit risk of the country

The credit risk represents the probability of deterioration of the international credit ratings. The low credit ratings of the country might lead to higher interest rates, tougher financing conditions for the economic subjects, including the Group.

On 23.08.2019, the rating agency Fitch Ratings raised the prospect of Bulgaria's credit rating as positive. The agency affirmed Bulgaria's BBB long-term credit rating in foreign and domestic currencies and confirmed Bulgaria's BBB + rating as well as the short-term credit rating in foreign and local currency F2. Confirmation of outlook to a positive one reflects Fitch Ratings' assessment that the indicators for the development of the Bulgarian foreign sector have improved significantly. The prolonged period of continuous decline of the foreign debt to GDP ratio and the positive current account trends led to a better performance of Bulgaria's external finances compared to the countries with the BBB rating. Compared to other countries with a similar rating, the country's public finance indicators have a positive effect on confirming the rating assessment. Government debt to GDP will continue to decline below that of the "BBB" rating countries.

On 29.11.2019, 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-2". 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 2019 the economic recovery of the country will continue with the growing contribution of domestic demand to net exports. Improvements are reflected in the labour market, thus increasing disposable income and private consumption. Public investment funded through European funds will also be an important factor for economic recovery. At the same time, Bulgaria continues to experience structural constraints from demographic challenges. Net emigration, especially in the skilled labour force and the aging population, poses challenges to economic policy and social cohesion.

Source: Ministry of Finance, www.minfin.bg

Inflation risk

The inflation risk is related to the possibility of inflation influencing the real return of investments. Inflation may affect the Group's cost because some of the Group's liabilities are interest-bearing. Their servicing is related to the current interest rates which reflect the inflation level in the country. Therefore, maintaining low inflationary levels in the country is seen as a significant factor for the Group's operations.

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 Group's activities.

Given this, each investor should well understand and account for both the current levels of inflation risk and the future opportunities for its manifestation.

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%.

Foreign exchange risk

This risk is related to the possibility for depreciation of the local currency.

For Bulgaria this is in particular the risk of a premature denial of the currency board conditions at a fixed exchange rate of the national currency. Considering the policy adopted by the government and the Central Bank, it is expected for the Currency Board to be maintained until entering of the country in the Eurozone. The risk associated with the ability of the country's currency regime to change remains relatively low, as the current currency board system has proven to be stable and reliable. However, the low currency risk only applies to transactions concluded in BGN/EUR, which is not the case when the transactions are denominated in currencies other than those indicated. This also requires a more careful definition of the terms and conditions for negotiating such trade relations.

In countries, where the exchange rates of the currencies are determined by the market conditions and the central banks of the states only intervene and balance the short-term fluctuations of the exchange rates, the occurrence of stress situations caused by one-off external factors may cause significant fluctuations in the value of the local currency. Any significant impairment of the currencies in the region and the major markets in which the Group operates may have a significant adverse effect on the economic entities in the country, including the Group. There is also a risk when the revenue and the expenses of a company are formed in different currencies.

Interest rate risk

The interest risk is related to the possibility for change in the predominating interest levels in the country. Its influence is related to the possibility for decrease in the net income of the companies as a result of the increased interest rates, at which the Group finances its activity. Interest risk is included under macroeconomic risks, due to the fact that the main reason for change in the interest rates is the occurrence of instability in the financial system as a whole. This risk can be managed through balanced use of different sources of financial resource. Typical example of the occurrence of this risk is the global economic crisis, caused by liquidity problems of big mortgage institutions in the USA and Europe. As a result of the crisis, the interest margins for credit risk were reconsidered and increased on a global level. The effect of this crisis is particularly visible in Eastern Europe and the Balkans, expressed in the limitation of the free access to loan funds.

The increase of interest rates, with other conditions remaining the same, would influence the price of the financial resource used by the Issuer in the implementation of various business projects. In addition to that, it could influence the amount of the expenses of the Group, since a large portion of the liabilities of the Group is interest bearing and their servicing is related to the current interest rates. And during this reporting period under review, market interest rates are maintained at low and further declining levels, which maintain favourable conditions for attracting additional financial resources.

Risks associated with the Bulgarian securities market

It is possible that the investors may have less information for the Bulgarian securities market than it is available for other securities markets. There is a certain difference in the regulation and the supervision of the Bulgarian securities market compared to the markets in Western Europe and the USA. The Financial Supervision Commission exerts supervision over the disclosure of information and the observance of the other regulative standards of the Bulgarian market of securities, compliance with the laws, and issues ordinances and instructions for the obligations regarding the disclosure of information, trading with securities where insider information is available and other matters. It is still possible that there is less publicly accessible information for the Bulgarian companies than usually made available to the investors from the public companies on the other securities markets, which could influence the price of the securities offered.

2. Unsystematic risks

Risks associated with the activity and the structure of the Group

Avto Union AD is a holding company and eventual deterioration of the operating results, financial condition and the perspectives for development of its subsidiaries may have a negative effect on the results from the activity and the financial condition of the Group.

As far as the activity of the Group is related to the management of other companies' assets, the latter cannot be referred to a specific sector of the national economy and is exposed to the branch risks of the subsidiaries. Avto Union AD has operations in Bulgaria, Macedonia and Kosovo and mainly operates in the field of sale of new vehicles, warranty and post-warranty service of vehicles.

The activity is directly dependent on the presence of permits and authorizations which the respective automobile manufacturers have presented to the companies in the group of Avto Union. The cancellation or withdrawal of such rights might decrease drastically the sales of the Group. This is particularly important in the context of global restructuring of the automotive industry. The business environment in the automotive industry is also influenced by purely internal factors related to the general purchasing power, access to financing, business tendencies, inventory levels, etc.

The main risk associated with the activity of the Group is the possibility for decrease of the revenue from sales of the subsidiaries it owns. In this regard, the above may have an impact on the Group income growth and on its profitability as well.

Risks associated with the strategy for development of the Group

The future earnings and the economic value of the Group depend on the strategy chosen by the senior management team of the Avto Union and its subsidiaries. The choice of inappropriate strategy may lead to significant losses.

The Group 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 crucial for the Issuer's ability to respond in a timely manner if a change is needed at a certain stage of the plan for strategic development. Untimely or inappropriate changes in the strategy may also have a material adverse effect on the Group's operations, operating results and financial position.

Risks related to the management of the Group

The risks associated with the management of the Group are the following:

- making wrong decisions about the current management of investments and the liquidity of the company, both on the part of the senior management and the operating officers of the holding;
- inability of the management to start the implementation of the projects planned or lack of suitable management for specific projects;
- possible technical errors in the unified management information system;
- possible errors in the internal control system;
- key employees leaving the company and inability to employ personnel with the necessary qualities;
- risk of excessive increase in the expenses for management and administration, which leads to a decrease in the total profitability of the Group.

Risks related to recruiting and retaining qualified staff

Building of completely new business models in the last years requires specific qualification in the team of employees as the competition between the employers limits further the already small circle of well-educated and qualified employees. 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.

The business of the companies in the Avto Union Group AD depends to a high extent on the contribution of a certain number of people, members of the management and supervisory authorities, managers of senior and middle management level of the parent company and the subsidiaries from the main business lines. It is not certain that these key employees will continue working for the Group in the future as well. The success of the Group will also be relevant to its ability to retain and motivate these individuals. Possible inability of the Group to keep sufficiently loyal, experienced and qualified personnel for management, operational and technical positions may have an adverse effect on activity of the economic group as a whole, its operating results, as well as its financial position.

Risks associated with future acquisitions and their integration in the structure

As of the present moment the economic group of Avto Union AD develops its operations in Bulgaria, Macedonia and Kosovo through acquisitions or the establishment of companies. The Group expects that such acquisitions will continue in the future. The risk for the Group lays in the uncertainty of identifying suitable objects for acquisition and investment opportunities in the future. 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.

Financial risk

The financial risk is the additional uncertainty with regard to the investor in obtaining income, when the Group uses borrowed or borrowed funds. This additional financial insecurity adds to the business risk. When some of the funds with which the Group finances its activities take the form of loans or debt securities, then payments for these funds represent a fixed obligation.

As the bigger the share of the long-term debt in comparison to the equity, the bigger the possibility of a failure in the repayment of fixed liabilities. The Increase of the value of this indicator shows increase in the financial risk as well. Another group of indicators is related to the inflow of revenue, which makes possible the payment of the Group's liabilities. An indicator which can be used is the indicator for coverage of the fixed liabilities paid (interests). This indicator shows the times the fixed interest payments are contained in the income, before payment of interests and its taxation. It also indicates the ability of the Group to pay its long-term liabilities.

The acceptable or "normal" degree of financial risk depends on the business risk. If there is a small business risk for the Group, it may be expected that investors would agree to take greater financial risk and vice versa.

Foreign exchange risk

The group operates mainly in Bulgaria. Since 1996 the local currency in Bulgaria has been pegged to the Euro and therefore the currency risk is minimized.

The current issues of corporate bonds are denominated in Bulgarian lev (BGN). Currency risk of investment exists for investors, whose initial funds are denominated in US dollars or other currency different than lev and Euro due to the constant fluctuations in the exchange rates. The investors, taking on currency risk upon the purchase of this issue of bonds may increase or decrease the profitability of their investment as a result from strengthening or weakening of the BGN exchange rate against the currency, in which the investor's personal funds are denominated.

The majority of new cars imported into the country originate from EU countries, which significantly reduces the currency risk, which is maintained only in terms of deliveries negotiated directly with manufacturers or dealers outside the EU area, but the latter have a relatively small volume for the sub-sector.

Sales of new cars by local dealers in the foreign market are sporadic (mainly to neighbouring Balkan countries), to a minimum volume and also have no significant impact on the development of the sub-sector. The currency risk on these receivables is insignificant to the general condition of the companies.

Bulgaria is continuing the process of accession to the Euro area under the Action Plan, which sets out measures aimed at integrating the country into Exchange Rate Mechanism II (ERM II) and the European Bank Union. By the end of 2019, Bulgaria has reported on the fulfilment of all its commitments under the Action Plan, except for a part of the secondary legislation concerning preparation for accession to the European Bank Union.

Liquidity Risk

Liquidity risk arises when falling into a situation where companies have difficulties in paying their obligations at their maturity. Here, it is essential to have short-term and sufficient liquid assets in sufficient volume to cover short-term liabilities, thereby providing security for on-going payments. Liquidity risk is related to the possibility of Avto Union AD not being able to settle its obligations when they become due at the agreed amount and/or on time. 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.

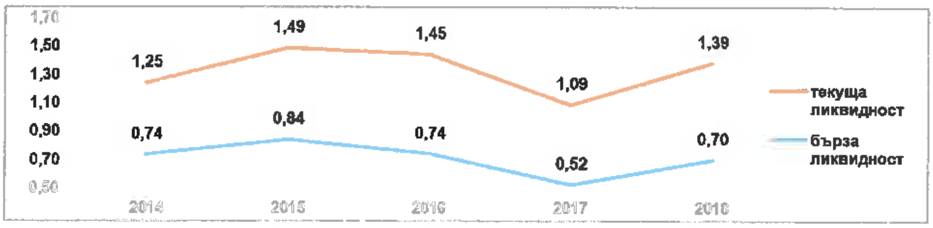
Avto Union AD strives to minimize this risk by optimum management of the cash flows within the very group. The Group applies an approach that provides the necessary liquidity to meet the liabilities incurred under normal or extraordinary conditions without incurring unacceptable losses or undermining the goodwill of individual companies and the economic group as a whole.

The companies in the Group carry out financial planning to ensure that they meet the expenses and their current liabilities for a period of ninety days, including the servicing of financial obligations. This financial planning minimizes or excludes completely the potential effect from occurrence of exceptional circumstances.

The management of the parent-company supports the efforts of the subsidiaries in the Group for borrowing bank resources for investment and using the opportunities this type of financing gives for the provision of cash. The volume of these borrowings is maintained at certain levels and they are resolved after proving the economic effectiveness of each company. The policy of the management is aimed at the provision of financial resource from the market, mainly in the form of share securities (shares) and debt instruments (bonds), which it invests in its subsidiaries through the granting of loans for the financing of their projects. It also participates in the increase of their capital.

The Group implements financial planning to meet the expenses and current liabilities for a period of ninety days, including the servicing of financial obligations. This financial planning minimizes or excludes completely the potential effect from occurrence of exceptional circumstances.

Empirically and for reference, improvements in the liquidity of companies in the sector from 2014 to 2018 have been reported over the previous year (2018 current liquidity - increases to 1.39, from 1.09 a year earlier and fast - increases up to 0.70, from 0.52)



Liquidity ratios: 2014 -2018

***Source:** Bulgarian Credit Rating Agency - BCRA*

Risk of possible transactions between the companies in the group under conditions other than the market, as well as a risk of dependence on the activity of the subsidiaries

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

The risk of possible realization of transactions between the companies in the Group, under conditions which differ from the market conditions, is the risk of achieving low profitability from the provided inter-group financing. Another risk which may be taken in case of intra-group business transactions is that insufficient income will be realized, and subsequently- insufficient profit for the respective company. On a consolidated level, this might have a negative impact on the profitability of the whole group.

Within the group there are transactions between the parent company and the subsidiaries and between the subsidiaries themselves. All transactions with related parties are made under conditions which do not differ from the usual market prices and in compliance with IAS 24 "Related party disclosures".

Avto Union AD performs activity through its subsidiaries, which means that its financial results depend directly on the financial results, development and prospects of the subsidiaries. Poor results of one or few subsidiaries could lead to deterioration of the financial results on a consolidated basis. This in turn is related to the cost of funding of the Group, which may change as a result from the investors' expectations for the prospects of the Group.

3. Mechanisms for risk minimization and management

The elements outlining the management framework of the different risks are directly related to specific procedures for timely prevention and overcoming of possible difficulties in the activity of Avto Union AD. They include current analysis of the following:

- market share, pricing policy, marketing surveys and studies of the development of the market and the market share;
- active management of investments in the different industry sectors;
- comprehensive management policy for the assets and liabilities of the Group in order to optimize the structure, quality and return of the company assets;
- optimization of the structure of the borrowings in order to guarantee liquidity and decrease the financial expenses of the Group;

- effective cash flow management;
- optimization of the costs for administration, management and external services;
- human resource management.

The occurrence of unexpected events, the incorrect assessment of current trends, as well as many other micro and macroeconomic factors might influence the judgment of the parent-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.

Risk management

A large part of the risks faced by the Group are specified in details in the Systematic and non-systematic risks Section, with the purpose of section being- to describe the steps and procedures taken by the management in order to ensure the normal operation of the business, where the risks are duly identified and their influence is managed in a way that minimizes their adverse effect on the profit rate and ensures continuity of the business.

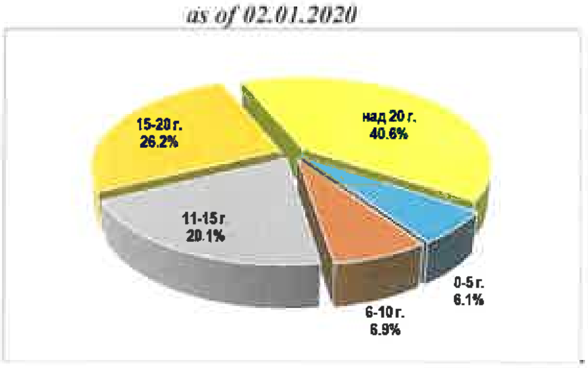
Risk management aims to:

- identify potential events which might influence the functioning of the Group and the achievement of certain operating goals;
- control the importance of the risk to a level, acceptable for the Group;
- achieve the financial goals of the Group at the lowest level of risk possible.

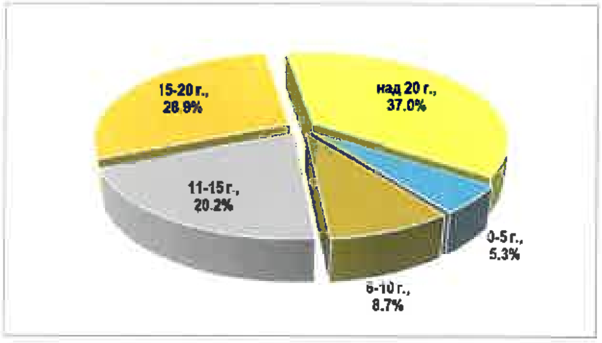
CURRENT TRENDS AND PROBABLE FUTURE DEVELOPMENT OF THE GROUP

The Bulgarian car fleet remains extremely outdated, with a further increase in the share of cars over the age of 20 in the review period – reaching 40.6% as of 02.01.2020. (37.0% two years earlier - as of 08/01/2018) and thus remain the largest group in the fleet. It is worth noting also the continued increase in the volume of the smallest group - that of cars up to 5 years. - reached the level of 6.1% by 02.01.2020, compared to 5.3% by 08.01.2018.

as of 02.01.2020



as of 08.01.2018.



Source: MoI-Traffic Police, Bulgarian Credit Rating Agency - BCRA

In addition, the increasingly restrictive measures at European level related to reducing the harmful effects of cars on the environment, and, in particular, the stringent environmental requirements for the exhaust gas limit will inevitably lead to regulatory changes in this direction at the local level in the future. It is important to note that the new environmental standards in question can only be covered by factory new cars (or relatively new ones up to 5 years old). Considering the above, and at the same time taking into account the fact that currently registered cars older than 10 years on the roads of the country and the region repeatedly exceed the registrations of brand new cars, it can be concluded that for Bulgaria and the Balkans, there is still a large share of "sleeping" and unused markets. This market would be "awakened" and easily unlocked by the emerging high demand for active drivers who need to replace their old car that no longer meets certain environmental standards and road safety criteria established by law or which are binding.

The number of cars sold by the companies in the Avto Union Group for the whole of 2019 decreased by 4.6% compared to the same period of 2018, which represents a decrease of 264 cars (2019: 5 468 cars, 2018: 5 732 cars. This fact should not be considered worrying as the Group has sold fewer but more expensive cars (i.e., generating more revenue), which in fact leads the Group's overall revenue to increase. Revenue from sales of cars, spare parts, oils and fuels increased by 6.6% or BGN 13.9 million, while those from sales of services decreased by 1.9% or BGN 166 thousand. Total Revenue from customer contracts increased by 6.3%, representing an increase in absolute terms equal to BGN 13.7 million.

The main trends in the financial performance of the holding for the period could be summarized as follows:

- The upward trend in consolidated revenue is maintained (a constant trend since 2012), with an increase of 6.3% or BGN 13 713 thousand on an annual basis over 2019 compared to the same period last year;

- The consolidated net financial result for 2019 is growing profit and amounts to BGN 5 283 thousand. It is higher than the realized for 2018 amounting to BGN 3 438 thousand, which is actually an increase of 54% compared to a comparable analogous prior period;

- Net operating indebtedness, calculated as the difference between the sum of trade receivables and inventories, and payables to suppliers decreases during the reporting period, thus breaking the maintained negative trend from the previous reporting periods and showing improved circulation of the Group's working capital;

- During the reporting period under review, positive trends were observed towards a decrease in the collection period, in the settlement of obligations to suppliers, as well as in the reduced turnover period of inventories, which in their entirety lead to an overall significant decrease in the length of the Group's operating cycle;

VI. RESEARCH AND DEVELOPMENT

Avto Union AD as a Group, as well as its subsidiaries, do not carry out independent research and development activities.

VII. ENVIRONMENTAL PROTECTION

The Group's efforts are directed towards the environmental impact caused by the subsidiaries in their operations.

VIII. IMPORTANT EVENTS AFTER THE DATE OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Coronavirus disease (COVID-19)

At the end of 2019, Chinese news emerged for the first time about COVID-19 (Coronavirus) when a limited number of unknown virus cases were reported to the World Health Organization. During the first few months of 2020, the virus spread globally and accelerated its negative impact. On March 11, 2020, after cases of new Coronavirus disease (COVID-19) strains were reported in 114 countries, the World Health Organization (WHO) announced the COVID-19 epidemic for a pandemic. On March 13, 2020, at the request of the government, the National Assembly declared a state of emergency in Bulgaria because of the Coronavirus (COVID-19).

Impact of Covid-19 on the Group's business activity

Due to the worldwide spread of the virus, difficulties have arisen in the business and economic activity of many businesses and entire economic sectors. As the situation and the measures taken by the state authorities are extremely dynamic, the management of the Group is not yet able to accurately assess the impact of the Coronavirus pandemic on its future financial position and results, but after the initial analysis it considers it too it is likely to have a negative effect on the Group's activities.

Considering all available information available to the Management at the date of preparation of this report, the negative effect in question could be empirically characterized by estimated expectations for emerging deviations compared to initial objectives for the performance of the Group in 2020.

Measures taken to limit the adverse effect of Covid-19

Management constantly and closely monitoring the situation of the Coronavirus pandemic and is looking for ways to reduce its negative impact on the Group. In this regard, all necessary measures have been taken in order to protect the health of the workers, and the actions are in accordance with the instructions of the National Operational Headquarters, as well as the strict implementation of the orders of all national institutions.

Below are presented other additional measures taken by the management bodies of the Group, with the aim of minimizing the negative impact of Coronavirus pandemic at this stage of its emergence:

- optimization of the staff structure and increase of the efficiency of the work process;
- centralization of supply and further cost optimization;
- maintaining active communication with major suppliers, government and credit institutions on these actions and tools on their part aimed at easing the situation;
- introduction of new products and services, as well as new ways of doing business, taking into account the changed market situation.

It is important to note that one of the key factors for the recovery rate will be government measures to support business and coordination at pan-European level to deal with the effects of the pandemic. Management will continue to monitor the potential impact and will take all possible steps to mitigate the potential effects.

Management considers this to be a non-adjusting event occurring after the reporting period because it believes that it will not call into question the Company's ability to continue as a going concern.

There are no other events occurring after the reporting period that require additional disclosure or adjustments in the consolidated financial statements of Avto Union AD as of December 31, 2019.

No other adjusting events or significant non-adjusting events occurred between the date of preparation of the financial statements and the date of their approval for issue.

IX. 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 2019 the Group did not purchase own shares and own shares were not transferred, respectively the Group does not have own shares.

2. Number and nominal value of own shares and the part of the capital they represent

The Group does not hold own shares.

3. Information for the amount of the remunerations of each of the members of the management and control bodies for the reporting financial year paid by the Group and its subsidiaries.

In 2019 the members of the Board of Directors received the following gross remunerations from Avto Union and its subsidiaries, and namely:

Remuneration received from the members of the Boards of Directors for 2019	From Avto Union AD	From subsidiaries	Total, in BGN
Assen Assenov	91 923	83 949	175 872
Milen Christov	16 008	141 310	157 318
Kiril Boshov	-	-	-
Total	**107 931**	**225 259**	**333 190**

Members of the Board of Directors have not received any remuneration and/or benefits in kind during the specified period.

Avto Union AD, as well as its subsidiaries, does not set aside amounts for payment of pensions, retirement compensations or other similar indemnities to the members of the Board of directors. The current contracts of the members of the Board of Directors with Avto Union are valid until retirement from service.

The term of service of the members of the Board of Directors expires on 28 February 2022.

4. Shares of the Company held by members of the Board of Directors

Kiril Boshov, a Chairman of the Board of Directors, holds 7 shares of Avto Union AD.

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

As of the date of preparation of this report, there are no agreements or other arrangements made with the employees of Avto Union AD for their shareholding in the Company's capital. Members of the Board of Directors of the Company may acquire free bonds of the Company on a regulated market of securities in strict observance of the provisions of the Market Abuse with Financial Instruments Act and the Public Offering of Securities Act. No options for acquisition of Company's shares have been issued in favour of the management and supervisory bodies' members, employees or third parties.

6. The participation of the members of the boards in business companies as unlimited partners, the holding of more than 25 percent of the capital of another Company, as well as their participation in the management of other companies or cooperatives as procurators, managers or board members

Board of Directors

Name	**Kiril Ivanov Boshov**
Title	**Chairman of the Board of Directors**
Business address	City of City of Sofia, 43 Christofor Columb Blvd.
Information as of 31.12.2019 about activities performed outside of the Company, which are of importance to the Company	• Eurohold Bulgaria AD – Chairman and executive Member of the Management board; • Euroins Osiguruvanie AD Macedonia – Chairman of the Board of Directors; • Euroins Insurance Group AD – Executive Member of the Board of directors; • Euroins Romania Asigurare Reasigurare SA, Romania – Chairman of the Board of Directors; • Euro-Finance AD – member of the Board of Directors; • Eurolease Auto IFN AD, Romania – member of the Board of Directors; • Starcom Holding AD – Chairman of the Board of Directors.
Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years	**Current:** • Capital – 3000 AD – Chairman of the Board of directors; • Starcom Hold AD – Chairman of the Board of directors. • Armada Capital AD – Member of the Board of Directors. • Alcommerce EOOD – Sole owner of the capital and Manager; • Hanson Asset Management Ltd. - Director • Endeavor Bulgaria Association - Member of the Governing Board **Terminated:** • Euroauto OOD – Manager until 18.08.2015 г. • N Auto Sofia EAD – member of the Board of Directors until 10.11.2017
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	No data
Relative professional experience	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. 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 Deputy – Chairman of the Board of Directors and a procurator he took active participation in the asset restructuring of Eurobank AD, representation of the bank before third parties jointly with the executive director and direct management of the bank active operations – crediting and capital markets. From 2000 to 2008 Kiril Boshov has served as a Chairman of the Governing 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 to 2008 he performed management of the activity of ensuring of the financing of the Company. He managed entirely the process of conclusion of an International Financing Contract between Eurolease Auto AD and Deutsche Bank AG – London branch for the amount of EUR 200 000 000.
Coercive administrative measures and punishments	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency procedures or receivership; he has not been deprived by a court from his right to participate in management or controlling bodies of other companies.

Name	**Milen Assenov Christov**
Position	**Vice – Chairman of the Board of Directors**
Business address	City of Sofia, 43 Christofor Columb Blvd.
Information as of 31.12.2019 about activities performed outside of the Company, which are of importance to the Company	• Motobul EAD - Executive Director; • Auto Italia - Sofia OOD - Manager; • Benzin Finance EAD – member of the Board of Directors; • Auto Italia - Sofia OOD - Manager;
Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years	none
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 December 12, 2019, there is no data for bankruptcy, management by a receiver in bankruptcy or liquidation, to which the person as a member of the management or supervisory bodies was related in the last 5 years
Relative professional experience	Milen Christov is in the trade with petroleum products since 2014. His career in the branch started in a trading company with wholesale fuels, where, apart from commercial activity, he qualifies as a stock exchange broker licensed by the State Commission for Commodity Exchange and Markets. Besides the state accreditation for trading on Stock Exchange, in 2014 successfully completed a course at the London Stock Exchange. He has a Bachelor's degree from the University of Sheffield, UK in Business Administration with Marketing Specialization and has also completed a Bachelor's Degree in "Higher School of Insurance and Finance", Sofia, Bulgaria. In September 2019 he acquired with honours his MBA qualification in Moscow Management School "Skolkovo".
Coercive administrative measures and punishments	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency procedures or receivership; he has not been deprived by a court from his right to participate in management or controlling bodies of other companies.

Name	**Assen Emanuilov Assenov**
Title	**Executive member of the Board of Directors**
Business address	City of Sofia, 43 Hristofor Kolumb Blvd.
Information as of 31.12.2019 about activities performed outside of the Company, which are of importance to the Company	• Eurolease Auto EAD – Chairman of the Board of Directors; • Eurolease Auto IFN AD, Bucharest – Member of the Board of Directors; • Eurohold Bulgaria AD – Member of the Management Board. • Bulvaria Varna EOOD - Manager • Bulvaria Sofia EAD - Executive Director; • Eurotruck EOOD - Manager; • Benzin EOOD – Manager; • Motobul EAD (universal successor to Motobul EOOD) - member of the Board of Directors; • Motobul Express EOOD – Manager; • Motohub OOD – Manager; • N Auto Sofia EAD – Chairman of the Board of Directors; • Sofia Motors EOOD - Manager • Star Motors EOOD - Manager • Star Motors DOOEL, Skopje – member of the Supervisory Board • Eurolease Group EAD – Executive member of the Board of Directors • Eurolease – Rent-a-Car EOOD – Manager; • Amigo Leasing EAD - Member of the Board of Directors • Avto Union Service EOOD - Manager • Autoplaza EAD – Executive member of the Board of Directors; • Espace Auto OOD - Manager; • Daru Car AD – Representative% • Auto Italia EAD – Executive member of the Board of Directors;
Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years	**<u>Current:</u>** • Izgrev 5 EOOD – sole owner of the capital and manager • Rentronics OOD - a partner **<u>Terminated:</u>** • Auto 1 OOD – Manager until 08.01.2015; • EA Properties EOOD – Manager until 20.11.2014; • Bulvaria Holding EAD – Executive member of the Board of Directors until 27.01.2020;
Relative professional experience	Assen Assenov holds a master degree in Accounting and Control and a bachelor degree in International Economic Relations from the University of National and World Economy – Sofia. Mr. Assenov holds an MBA (Master of Business Administration) "International Accounting Standards and International Business" from the University of Economics in Vienna. Assen Assenov started his professional career in Eurohold Bulgaria AD 16 years ago as an accountant. In the years 2002-2004 he was the chief accountant of Eurohold AD. Since the end of 2004 Mr. Assenov has been elected a member of the Management Board

	of Eurohold Bulgaria AD. Executive Director of Eurolease Auto EAD - the leasing company in the structure of Eurohold Bulgaria. Currently, Mr. Assenov is responsible for the leasing and automotive industries in the economic structures of the Eurohold Bulgaria. Mr. Assenov is the Executive Director of Avto Union AD and also leads the official importers and dealers in the territory of the country of cars with the brands Abarath, Nissan, Renault, Opel, Fiat, Fiat Professional, Alfa Romeo, Mazda, Maserati and Castrol and BP (Motobul) lubricants, all also part of the holding structure.
Coercive administrative measures and punishments	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation to his activity; he has not been convicted of fraud; in his capacity of a responsible person he has not participated directly or through related parties in any insolvency procedures or receivership; he has not been deprived by a court from his right to participate in management or controlling bodies of other companies.

7. Agreements signed in 2019 with the members of the BD or related to them parties that fall outside of the usual scope of the business activity of the company or deviate significantly from the market conditions

No contracts have been concluded with Avto Union by the members of the Board of Directors or their affiliates who go beyond the Company's ordinary activities or significantly deviate from the market conditions.

8. Number of persons employed:

As of 31.12.2019 there are 448 employees on a labour contract in the Group. The holding does not employ temporary workers.

9. Conflict of interests

There is no information about any conflict of interests resulting from the fulfilment of obligations of the aforementioned persons to the Group or any other private interests they may have. No agreements between shareholders, customers, suppliers and/or other persons exist by virtue of which members of the Board of Directors or other employees of the company have been elected/ appointed. There are no restrictions in terms of the Company's shares held by the members of the Board of Directors and the disposition therewith.

10. Existence of branches of the Company

The Group companies do not have registered branches in the country and abroad.

11. The planned economic policy in the next year, incl. expected investments and development of the staff, the expected income from investments and development of the Company, as well as the forthcoming transactions of material importance for the Company's activity

The intentions of Avto Union AD are related to the support of the current operating activities of the subsidiaries.

The working financing of automotive dealers is required for the delivery of vehicles under fleet transactions with large corporate customers. Special emphasis is put on the car repair centres as a main source of revenue due to the low margins on sales of new cars in the current market situation. An increase in the portfolio of fuels with which the Group company is actively trading is envisaged.

The planned development of Avto Union AD is based on the measures already taken for optimization of the expenses and optimization of key growth factors.

X. INFORMATION ABOUT THE GOOD CORPORATE GOVERNANCE PROGRAM AND ITS IMPLEMENTATION

Avto Union AD adheres to the recommendations set out in the National Code of Corporate Governance (2007), which in its nature follows the corporate governance framework set by the Organisation for Economic Cooperation and Development (OECD, 2004) in terms of internationally accepted and applied principles of corporate governance. The company is led by the best practices in the field of corporate governance. Good corporate governance is a set of relationships between the Board of Directors of the Company, its shareholders and all stakeholders - employees, trading partners, company creditors, potential future investors and society as a whole. Upon failure to apply or observe the good corporate governance principles the company is obliged to disclose information to this effect in timely manner.

As a result of the consistent policy of the Governing Board of Eurohold Bulgaria AD (the parent company) in terms of introduction, improvement and enhancement of the corporate governance within the structure, the company has implemented and operates procedures that ensure the observance of all principles set in the National Code of Good Corporate Governance. In this regard, and after assessing the achievements in this direction, in 2011 the Governing Board decided to join the National Corporate Governance Code. Thus, Eurohold Bulgaria AD declared its willingness to maintain and further develop the procedures and corporate governance implemented during the last four years on stage by stage basis by implementing them in its subsidiary sub-holding companies, among which Avto Union AD is.

With this in mind, in Avto Union AD operates an internal control system, which ensures the effective functioning of the systems for disclosure of information and accountability and of the risk management systems. An audit company, which is part of an international network, conducts an independent external audit of the Group's financial statements.

As of the end of the reporting period, there is no information available in relation to the provisions of *Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids*, as no such bids have been made. As of the end of the reporting period and after the closure of the financial year, the Avto Union is not aware of any arrangements that may result in changes in the relative share of stock held by the existing shareholders. The Group 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 is no decision or request for winding-up and winding-up of the parent company or any of the subsidiaries of the Group.

The management system established and integrated ensures the existence and the prosperity of the Group and sets out the framework within which the managing body works in the best interest of Avto Union in compliance with the reasonable expectations of its shareholders and all stakeholders.

XI. REPORT ON THE OBSERVANCE OF THE RECOMMENDATIONS SET OUT IN THE NATIONAL CODE OF GOOD CORPORATE GOVERNANCE

Company's policy for transactions with stakeholders and related parties

The company has developed and applies rules for stakeholders and related parties' transactions, which are adopted by the Board of Directors of Avto Union AD. It monitors the transactions carried out by the Group or its subsidiaries that might have material impact on the Group or might in general result in material change in its position.

To this end, the Governing Board of Eurohold Bulgaria AD, after prior approval by the Supervisory Board, has developed, adopted and apply a Code of Ethics in relation to the internal ethical rules. It governs the standards of business conduct of managers within the holding structure of Eurohold and its subsidiaries (including Avto Union) with view of preventing abuse of in-house information and impairment of the stakeholders' interests.

Management Bodies
Avto Union has a one-tier management system, whereas the managing and supervisory functions of the Company are performed by one body – the Board of Directors, which is in charge of the adoption of resolutions. The Board of Directors is a collective managing body, which is responsible for the overall governance of the joint stock company.

Pursuant to the requirements of the Public Offering of Securities Act, the members of the Board of Directors of Avto Union AD notify the Financial Supervision Commission (FSC) and Bulgarian Stock Exchange: about the legal entities in which they directly or indirectly hold at least 25 percent of the votes in the general meeting or on which they have control; about the legal entities in whose managing or supervisory bodies they participate, or whose procurists (administrators) they are; about the existing or future transactions they are aware of and believe that might be considered stakeholders.

Remunerations of the members of the Board of Directors
In compliance with the legal requirements and the good practices for corporate governance, the amount and the structure of the remunerations of the members of the Board of Directors take in consideration the obligations and the commitment of each member of the Board of Directors to the business and the performance of the Company; the opportunity to keep qualified and loyal managers; the need to ensure compliance between the interests of the members of the Board of Directors and Company's long-term interests. The remuneration of the members of the Board of Directors comprises two elements: fixed and additional incentives. The terms and procedures for ensuring and using additional incentives for the members of the Board of Directors are governed by the Rules of Procedure of the Board of Directors.

Information disclosure policy
The Board of Directors of Avto Union AD treats all shareholders equally in terms of information disclosure. The Company shall publish at least periodic reports and notifications of inside information within the meaning of Article 4 of the Market Abuse of Financial Instruments Act, within the terms and with content, in accordance with the requirements of the Public Offering of Securities Act. Avto Union AD has entered into agreement with Service Financial Markets OOD (specialized financial media X3News as of Bulgarian Stock Exchange) for disclosure of regulated information within the meaning of the Public Offering of Securities Act to the general public, the regulated market of bonds and FSC. Such information is available on the respective websites of the media – http://x3news.com, and on the corporate website of Avto Union AD – http://avto-union.bg.

XII. INFORMATION ABOUT THE QUALITY POLICY AND ITS IMPLEMENTATION

The quality policy of Avto Union AD and its subsidiaries covers the sales, repairs and service of vehicles while meeting the specific requirements of the customer and observing the legal requirements and using high quality and advanced technological means.

The management of Avto Union AD is committed to continuous improvement of the efficiency and effectiveness of the Quality Management System that ensures the Group:

- Leadership in the offering of such services in the region;
- Implementation of European legal requirements and satisfying customer's requirements, as well as exceeding their expectations;
- Improvement of the competitive power;
- Raising the spirit and the motivation of the staff;
- Mutually beneficial relations with suppliers.

Understanding their responsibility to the customers and the Group's employees, the management of the Avto Union tries to ensure permanent quality of the services by:

- Completing the transaction after confirmed customer's satisfaction and consent with the service so rendered;
- Ensuring customer's feedback as an important criterion for the quality of offered services;
- Permanently maintaining, expanding and updating the resource opportunities and competences for high quality provision of offered services;
- Implementing and improving an efficient and economically beneficial quality management system in compliance with the requirements of *ISO 9001:2008.*

XIII. ADDITIONAL INFORMATION AS PER APPENDIX № 10 OF ORDINANCE № 2 OF FSC

1. Information given in value and quantity on the main categories of goods, products and/or services provided, indicating their share in the Group's sales revenue as a whole and the changes occurring during the accounting year.

The main activity of the Avto Union Group consists in trade in motor vehicles, spare parts, oils and fuels, as well as in providing services for them. Value and quantity expression for the 2019 financial year are presented in the table below:

Revenue from sale	Turnover for 2019, BGN thousand	Share (%)	Turnover for 2018, BGN thousand	Share (%)
Goods				
Cars and mopeds	183 628	79%	169 296	77%
Spare parts and accessories	35 714	15%	35 910	16%
Lubricating oils	4 218	2%	4 637	2%
Fuels	812	0%	650	0%
Services				
Service activity	8 672	4%	8 838	4%
Net sales revenue	233 044	100%	219 331	100%

2. Information on revenue broken down by category of activity, internal and external markets as well as information on the sources of supply of materials necessary for the production of goods or the provision of services reflecting the degree of dependence on each individual seller or buyer/user, in case the relative share of any of them exceeds 10 per cent of the costs or revenue from sales, information is provided for each person separately, about his share in the sales or purchases and his relations with the Group.

Revenue distributed by different categories of activities is presented using segment revenue reporting. Segment reporting in the Group is organized on the basis of two main business segments: "sale of motor vehicles and service activities" and "sale of oils and fuels". The "other" group includes property management activities and the activities of the Parent Company - Avto Union.

The revenue items of the business segments defined in the Group are presented in the table below:

	Segments									
	Sale of motor vehicles, servicing activity		*Sale of oils and fuels*		*Others*		*Elimination*		*Consolidated*	
	2019 BGN thousand	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*
External sales	254 276	229 834	7 279	7 413	2 988	2 323	(16 400)	(12 794)	248 143	226 776
Total revenue	**254 276**	**229 834**	**7 279**	**7 413**	**2 988**	**2 323**	**(16 400)**	**(12 794)**	**248 143**	**226 776**

3. The company does not carry out independent business and production activity.

On 31.10.2019 the Board of Directors of Avto Union AD made a decision to sell one of its subsidiaries, namely - Bulvaria Holding EAD, signing a Preliminary contract with the potential buyer. Following the fulfilment of the conditions stipulated in the preliminary contract on 19.12.2019, Avto Union AD transfers the shares to the new owner. On 31.12.2019 the Transfer of all shares of the capital of Bulvaria Holding EAD was entered in the Commercial Register.

4. During the reporting period, there were no major transactions and transactions of major importance for the Holding's activity. Information on transactions entered into between the Group and related parties during the reporting period proposals for such transactions as well as transactions that are outside its normal course or materially deviate from the market conditions on which the Group or its subsidiary is country with an indication of the value of the transactions, the nature of the relationship and any information necessary to assess the impact on the Group's financial position.

As of December 31, 2019, there are no transactions or deals with related parties that are material to Group or its subsidiary and are unusual by type and condition.

In 2019 all transactions were made under the "at arm's length" rule. Transactions between the holding and the subsidiaries are typical, where the intragroup loans manage the liquidity of the individual companies and conduct an investment policy. More information about the transactions concluded between the Group and related parties during the reporting period can be found in items 8 and 9 in this section (XIII additional information under Appendix 10 of the Ordinance No. 2 of FSC) and in Note 20 "Related party disclosures" of the Consolidated Financial Statement for 2019.

5. Information about events and indicators with an unusual nature for the Group that have a material impact on its activities and its realized revenue and expenses; assessing their impact on results in the current year.

No events with unusual nature have occurred during the reporting period, having a significant effect on the activity and the realized revenue and expenses incurred by the Group.

6. Information about off-balance-sheet transactions - nature and business purpose, indication of the financial impact of transactions on the business if the risk and benefits of those transactions are material to the Group and disclosure of such information is material to the Group's financial condition.

The Group has not entered into any off-balance transactions.

7. Information on shareholdings of the Group, its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate) as well as investments in equity securities outside its group of companies within the meaning of the Accountancy and Sources Act / ways of financing.

The Group has investments in intangible assets and real estate - more information can be found in Note 6 "Property, plant and equipment", Note 7 "Intangible assets" and Note 8 "Investment property" to the consolidated financial statements of the Group for the year 2019.

8. Information about the concluded by the Group, its subsidiary or parent company, in their capacity as borrowers, loan agreements, with indication of their conditions, including the deadlines for repayment, as well as information on guarantees and commitments.

Bank/Company	Interest rate	Principal, BGN thousand	Interest, BGN thousand	Balance as of BGN 31.12.2019 in BGN thousand
Related parties				
Euroins Insurance Group EAD	5.50%	1 268	294	1 562
Banks and non-bank institutions				
UniCredit Bulbank AD	1M EURIBOR + 3.5%	809	-	809
UniCredit Bulbank AD	1M EURIBOR + 3.5%	782	-	782
UniCredit Bulbank AD	1M EURIBOR + 3.5%	1 050	-	1 050
Raiffeisenbank Bulgaria EAD	1M EURIBOR + 3.5%	887	-	887
Raiffeisenbank Bulgaria EAD	1M EURIBOR + 3.5%	1 387	-	1 387
Raiffeisenbank Bulgaria EAD	1M EURIBOR + 2.25%	1 602	-	1 602

Bank/Company	Interest rate	Principal, BGN thousand	Interest, BGN thousand	Balance as of BGN 31.12.2019 in BGN thousand
Raiffeisenbank Bulgaria EAD	3M EURIBOR + 3.3%	101	-	101
Bulgarian Development Bank EAD	3M EURIBOR + 5%	466	-	466
UBB - factoring	1M SOFIBOR + 1.8%	520	-	520
Allianz - factoring	Base Deposit Index for Legal Entities + 1.80%	106	-	106
Raiffeisenbank Bulgaria EAD	3M EURIBOR + 3.3%	160	-	160
UniCredit Bulbank AD	1M EURIBOR + 3.5%	79	-	79
Uni bank AD	525%	188	-	188
UniCredit Bulbank AD	1M EURIBOR + 2.9%	1 467	-	1 467
Raiffeisenbank Bulgaria EAD	1M EURIBOR + 2.0%	4 884	-	4 884
Related parties				
Euro truck EOOD	5.50%	7	4	11
SLS AD	3.20 %	1 362	43	1 405
Prophonica EOOD	4.20%	300	-	300
Kedar E	1M SOFIBOR + 3.15%	240	-	240
SLS AD	5.00%	231	34	265
Total Bulgaria EOOD	1.80%	12	-	12

More information on the collateral and guarantees provided can be found in Note 6 "Property, Plant and Equipment" and Note 22 "Contingent commitments" to the Consolidated Financial Statements for 2019

9. Information about the borrowing contracts, including lending of guarantees of any kind, including related parties, with specific terms, including the final terms, concluded by the issuer, its subsidiary or parent company as lenders payment terms, and the purpose for which they were granted.

Company	Interest rate	Principal, BGN thousand	Interest, BGN thousand	Balance as of BGN 31.12.2019 in BGN thousand
Related parties				
Eurolease Group EAD	5.50%	235	1	236
Eurohold Bulgaria AD	5.50%	1 200	23	1 223
Eurolease Rent a Car EOOD	5.50%	125	5	130
Eurohold Bulgaria AD	5.50%	314	5	319
Bulvaria Holding EAD	5.00%	122	4	126
Eurohold Bulgaria AD	6.50%	2 534	83	2 617
Eurohold Bulgaria AD	5.00%	2 789	70	2 859
Eurolease Rent a Car EOOD	5.00%	15	-	15
Eurohold Bulgaria AD	5.00%	-	14	14
Starcom Holding AD	6.00%	25		25
Related parties				
Petro Consult EOOD	12.00%	100	9	109
Petro Consult EOOD	5.50%	1 074	45	1 119
VI Lyulin EAD	5.50%	769	10	779
Motobul Express EOOD	5.50%	17	3	20

Basketball Club Black Sea	5.00%	3	-	3
Total:				*9 594*
minus: accumulated impairment				*(37)*
Net:				**9 557**

More information on the collateral and guarantees provided can be found in Note 22 "Contingent commitments" in the Consolidated Financial Statements for 2019.

10. Information on the use of funds from new issue of securities made during the reporting period.

Liabilities on bond issues

Issuer	Maturity	Interest rate	Amount in BGN thousand
Avto Union AD	10.12.2022	4.50%	6 440

Issuer	Maturity	Interest rate	Amount in BGN thousand
Motobul EAD	13.06.2028	3.85%	8 987

11. Analysis of the ratio between the achieved financial results stated in the financial statements for the financial year and previously published forecasts for these results.

The Group has not published forecasts for the reporting 2019.

12. Analysis and evaluation of the policy on the management of financial resources, indicating the possibilities for servicing the obligations, the possible threats and measures that the Group has taken or is about to take with a view to their elimination.

The main activity of every holding is the effective management of the cash resources accumulated in the entire structure and respectively the distribution thereof depending on the needs of the individual subsidiaries. The holding policy in this area is to carry out financing both along the line – "subsidiaries – parent", and along the line "subsidiary – subsidiary". The management of the free financial resources of subsidiaries is carried out in accordance with the regulatory requirements and for the purpose of achievement of good profitability under the conditions of reasonable assumption of risk.

13. Assessment of the possibilities for realization of the investment intentions, indicating the amount of the available funds and stating the possible changes in the structure of the financing of this activity.

As of December 31, 2019, no such assessment was made for the Group,

14. Information on changes that occurred during the reporting period in the key management principles of the Group and its group of undertakings within the meaning of the Accountancy Act.

No changes occurred in the economic group of Avto Union AD in the reporting period.

15. Information on the main features of the internal control system and the risk management system applied by the Group in the process of preparing the financial statements.

An internal control system functions in Avto Union AD, which guarantees the effective functioning of the disclosure and reporting systems.

According to the Bulgarian legislation the management should prepare a director's report and financial statements for every financial year, which give true and fair idea about the Group's financial position as of the end of the year, about the consolidated financial performance and the cash flows in compliance with the applicable accounting framework. The responsibility of the Management includes the implementation of an internal control system to prevent, detect and correct errors and false statements made as a result of the accounting system's actions. To this end, the company observes the following principles in its operations:

- Adhering to specific management and accounting policy disclosed in the financial statements;
- Carrying out all operations in compliance with the laws and legal regulations;
- Stating all events and operations in timely manner, in the correct amount to the appropriate accounts and for the respective reporting period;
- Completeness and correctness of the accounting information;
- Adhering to the international financial reporting standards and observing the going concern principle.

An audit company, which is part of an international network, conducts an independent external audit of the Group's financial statements.

16. Information about the changes in the managing and the supervisory bodies during the reporting financial year

In 2019 there were no changes in the management body of the Company.

17. Information on the amount of remuneration, rewards and/or benefits of each member of the management and supervisory bodies for the accounting financial year paid by the Group and its subsidiaries, regardless of whether they were included in the Group's costs or are attributable to distribution of profits, including:

a) received amounts and non-monetary remunerations

Remuneration received from the members of the Boards of Directors for 2019	From Avto Union AD	From subsidiaries	Total, in BGN
Assen Assenov	91 923	83 949	175 872
Milen Christov	16 008	141 310	157 318
Kiril Boshov	-	-	-
Total	107 931	225 259	333 190

Members of the Board of Directors have not received any remuneration and/or benefits in kind during the specified period.

No remunerations and no rewards have been paid to the members of the managing and the supervisory bodies of Avto Union AD and its subsidiaries during the period under review.

b) contingent or deferred remunerations occurred during the year, even if remuneration is due at a later time – none;

c) an amount owed by the Group or its subsidiaries for the payment of pensions, retirement benefits or other similar benefits - none

18. Information about Group's shares held by the members of the managing and supervisory bodies, procurists (administrators) and the senior management

The members of the management and supervisory bodies, the procurators and the senior management do not hold shares of the issuer, except Kiril Boshov - Chairman of the Board of Directors, who holds 7 number of shares.

19. For the public companies – information about Group's shares held by the members of the managing and supervisory bodies, procurists (administrators) and the senior management, including the shares held by anyone of them separately or as a percentage of shares of each class, as well as the options provided by the Group to its securities – type and amount of securities over which the options have been established, price of exercising the options, purchase price, if any, and term of the options.

Kiril Boshov – Member of the Board of Directors, holds 7 shares in the capital of Avto Union AD.

20. Information for the arrangements known by the company (including after the end of the financial year), which may result in a future period in changes in the relative portion of shares or bonds held by present shareholders or bondholders.

Avto Union is not aware of such arrangements.

21. Information on pending court, administrative or arbitration proceedings concerning liabilities or receivables of the Group amounting to at least 10 percent of its equity; if the total value of the liabilities or receivables of the Group in all initiated proceedings exceeds 10 per cent of its own capital, information about each production shall be presented separately.

There are no pending legal, administrative or arbitration proceedings relevant to Group's payables or receivables of at least 10 percent of its equity.

22. Information for the investor relations director

Business address:	City of City of Sofia, 43 Christopher Columbus Blvd.
Phone	+3592/ 9651 653; +359 89 999 2753
Fax	02/ 9651 652
E-mail	office@avtounion.bg; investors@eurohold.bg
Web-site	http://avto-union.bg

MANAGEMENT RESPONSIBILITIES

According to Bulgarian legislation, management should prepare a consolidated financial report for each financial year that provides a true and fair view of the Group's consolidated financial position at the year-end, its financial presentation and its cash flows.

The Management confirms that it is applied consistently adequate accounting policies used in preparing the annual consolidated financial statements as of **December 31, 2019** and made reasonable and prudent judgments, assumptions and estimates.

the Management also confirms that have been followed the accounting standards, the consolidated financial statements have been prepared on a going concern basis.

The Management shall be responsible for keeping proper accounting records, for safeguarding the assets of the Company, and for taking reasonable steps for the prevention and detect of potential fraud and other irregularities.

"АВТО ЮНИОН" АД София Sofia "AVTO UNION" AD

Assen Assenov
Executive Director
Avto Union AD
City of Sofia
16.03.2020

AVTO UNION
MEMBER OF EUROHOLD

Declaration on Corporate Governance

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, the Commerce Act, the Public Offering of Securities Act, the Accountancy Act, the Independent Financial Audit Act, and other legal and regulatory acts and internationally recognized standards.

Information under Art. 100m, para. 8, item 3 of the Public Offering of Securities Act

The Group of Companies of Avto Union AD (the Group) 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 Group'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 Board of Directors, as well as by the managers of the structural divisions of the holding and the executive directors of the subsidiaries.

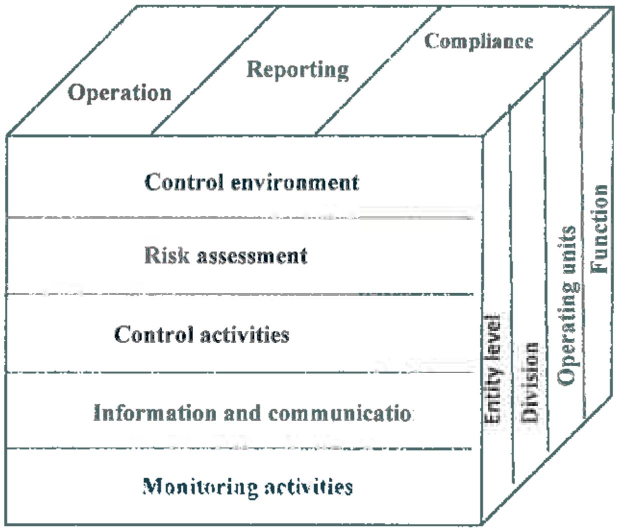
The Group of Avto Union AD has adopted and applies rules and procedures regulating the effective functioning of the accounting and financial reporting systems and the disclosure of information by the Group. The rules describe in detail the different types of information created and disclosed by the Group, 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 Group is required to disclose in accordance with legal regulations.

The main components of the internal control system are as follows:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring activities

These components are relevant to the organization as a whole and to its individual levels and divisions, or to individual operating units, functions, or other its structural elements, and this link is represented through the COSO Cube.[1]



The main features of the internal control system are summarized in the following scheme[2].

Components

- **Control environment**
- **Risk assessment**
- **Control activities**
- **Information and communication**
- **Monitoring activities**

Principles

1. Commitment to integrity and ethical values
2. Independent board of directors oversight
3. Structures, reporting lines, authorities, responsibilities
4. Attract, develop and retain competent people
5. People held accountable for internal control

6. Clear objectives specified
7. Risks identified to achievement of objectives
8. Potential for fraud considered
9. Significant changes identified and assessed

10. Control activities selected and developed
11. General IT controls selected and developed
12. Controls deployed through policies and procedures

13. Quality information obtained, generated and used
14. Internal control information internally communicated
15. Internal control information externally communicated

16. Ongoing and/or separate evaluations conducted
17. Internal control deficiencies evaluated and communicated

[1] COSO - A BASIC CONCEPT FOR INTERNAL CONTROL
[2] Internal Control - An Integrated Framework Model, COSO

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 Group's consolidated financial statements.

The annual consolidated financial statements of Avto Union AD are subject to an independent financial audit, which provides an objective external opinion about the way they are prepared and presented. The Group prepares and maintains its accounting in accordance with International Financial Reporting Standards (IFRS).

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 Avto Union AD.

A detailed description of the risks typical of the activities of Avto Union AD and the subsidiaries and companies is presented in the Consolidated report on the activities of the Group for 2019.

II. Information under Art. 100m, para. 8, item 4 of the Public Offering of Securities Act

The members of Avto Union AD provide information under Article 10, paragraph 1, letters "c", "d", "f", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the Council dated 21 April 2004 on the takeover bids:

Para. 1, letter "c"	Significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC.	Avto Union AD owns significant direct or indirect shareholdings detailed in the Group's Consolidated Activity Report for 2019.
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 Group, 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 Group, the financial rights granted to the securities, are separated from the possession of the securities.

Para. 1, letter "h"	Rules governing the appointment or the replacement of members of the board and making the amendments to the Articles of association.	Rules governing the appointment or the replacement of members of the board and making the amendments to the Articles of association are set out in the statutes of Avto Union AD.
Para. 1, letter "i"	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 Board of Directors are governed by the Articles of Association of Avto Union AD.

This Declaration on Corporate Governance of Avto Union AD was prepared and signed on March 16, 2020.

Executive Director:

....

/Assen Assenov/

"АВТО ЮНИОН" АД София Sofia "AVTO UNION" AD

Crowe Bulgaria Audit Ltd.
55, 6-ti septemvri Str.
Sofia, 1142
T +359 2 44 565 91
F +359 2 42 660 71
E office@crowe.bg
W www.crowe.bg

INDEPENDENT AUDITOR`S REPORT

To the shareholders of
Avto Union AD

Address: 43, Christofor Columb Blvd.
Sofia 1592, Bulgaria

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Avto Union AD and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for 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 these standards are further described in the section of our report "Auditor's Responsibilities for the audit of the consolidated financial statements." We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements of Bulgarian Independent Financial Audit Act (IFAA) applicable to our audit of the consolidated financial statements in Bulgaria, we have fulfilled our other ethical responsibilities in accordance with the IFAA and the IESBA Code. We believe that the audit evidence obtained by us are sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Explanatory note 27 Events after the reporting period to the consolidated financial statements disclosing a material non-adjusting event related to the spread of the coronavirus pandemic (COVID-19). The disruption of normal economic activity in Bulgaria as a result of COVID-19 may adversely affect the Group's operations. Due to the unpredictable dynamics of COVID-19, at this stage it is practically impossible to make a reliable assessment and measure the potential effect of the pandemic. Our opinion in not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matters	*How this matter was addressed during the audit*
Measurement and impairment testing of goodwill recognized as a result of business combinations *As at 31.12.2019 the Group recognizes a goodwill amounting to BGN 22 405 thousand (as at 31.12.2018: BGN 22 466 thousand), representing 15,5% (as at 31.12.2018: 15,8%) of the Group`s total assets.*  The Group`s disclosures in relation to goodwill are contained in Explanatory notes 9 and 26.1 to the consolidated financial statements. Goodwill recognized as a result of business combinations is tested for impairment at least annually by identifying a cash-generating unit (CGU) to which it belongs and determining the recoverable amount of that item, with the assistance of independent external appraisers engaged by the Group. We have focused on this matter because of the inherent uncertainty arising from the need for management to make material assumptions, judgments and estimates regarding the future development of individual subsidiaries. The key assumptions used in the calculations are determined specifically for each company having	In this area, our audit procedures included: • Test for the correct determination of goodwill to CGU to which it belongs; • Sampling on the carrying amount of goodwill recognized as a result of business combinations carried out by the Group in prior periods; • Review and analysis of the assessments received by the Group's external experts; • Assessment of the qualification and competence of the external appraisers engaged by the Group; • Assessment of the sequence of projected cash flows used as a basis for calculating the value in use through the discounted cash flow method; • Comparison of the used discount rate with market analogues; • Testing the mathematical accuracy of the evaluation models and comparability of the key input data with the main assumptions made for each CGU; • Review of the completeness and adequacy of the disclosures in the consolidated financial statements of the Group regarding impairment of goodwill.

Crowe

Key Audit Matters	How this matter was addressed during the audit
goodwill, treated as a separate cash-generating unit (CGU) and factors such as specifics of the industry, business environment, past experience, expected volume growth, and other circumstances and risks, have been taken into account.	
Initial application of IFRS 16 Leases – valuation and presentation of right-of-use assets and lease liabilities *As at 31.12.2019 the Group recognizes right-of-use assets as a result of the initial application of IFRS 16 Leases amounting to BGN 16 247 thousand, representing 11,3% from total assets of the Group as at that date. The effect on the opening balances of the assets as at 01.01.2019 amounts to BGN 21 657 thousand, which represents 15,3% of the total assets of the Group as at that date. The corresponding leasing liabilities as at 31.12.2019 amount to BGN 16 800 thousand.* The Group`s disclosures in relation to right-of-use assets are contained in Explanatory note 6, and Explanatory notes 17 and 19 to the consolidated financial statements in relation to the corresponding lease liabilities, as well as Explanatory note 2.2.1.1 with regards to the effect of initial application of IFRS 16 Leases. IFRS 16 Leases requires lessees to report all leases in a single model that requires their balance sheet recognition, similar to the reporting of finance leases under the previous IAS 17. The new model is characterized by increased complexity of calculations and more significant judgments by management in the analysis and evaluation of contracts in terms of: the presence or absence of control over the use of an asset; whether or not the contractual asset has been identified; the term of the contract, incl. options for extension and termination; the composition of the consideration; the effects of changes in the	In this area, our audit procedures included: • Understanding of management's approach in developing key criteria, assumptions and judgments used in analyzing and evaluating leasing terms; • Review and assessment whether the adequacy, consistency of the applied policies by the Group for accounting lease contracts as a lessee - the adopted approach and model for analysis and evaluation of the lease contracts and reporting of the recognized right-of-use assets, and respectively lease liabilities and the related income and costs, recognized in profit or loss for the year, are in accordance with the requirements of IFRS 16 Leases. • Review on a sampling basis and results evaluation of the performed by the Group companies analysis on concluded lease contracts and modifications of already concluded contracts. Review and inspection of supporting information and documents on key assumptions and input data. • Critical analysis and assessment of the adequacy of the main judgments and assumptions used by the Group's management, including on: the approach and reasoning of identified contracts as leases; determination of non-leasing elements; the term of the lease and options for extension or termination; and the applied differential interest rate; as well as the amortization period and the

Key Audit Matters	*How this matter was addressed during the audit*
terms of the contract; determining the differential interest rate and others. Due to the importance of the above circumstances, that the specifics of accounting contain significant judgments and assumptions by management and inherent high uncertainty in determining the estimated right-of-use assets, lease liabilities and associated costs in current profit or loss, as well as the materiality of these reporting items to the Group's consolidated financial statements, we have identified this matter as a key audit matter.	treatment of the effect of changes in the lease contracts. • Inquiries and inspection of documents and accounting records for the existence of arrangements in other contracts of the Group, which could contain elements of a lease. • Comparison and examination of the data on the lease payments made during the reporting period according to data from the accounting registers of the Group companies and those under the lease contracts used by the management in calculating the present value of the lease liabilities for lease contracts effective as at 31.12.2019. • Testing, by recalculation, the mathematical accuracy of the formulas used to calculate the value of the right-of-use assets and the corresponding depreciation expense for 2019 on a sample basis. • Testing, by recalculation, the mathematical accuracy of the formulas used to calculate the value of leasing liabilities as at 31.12.2019, their classification between short-term and long-term, and the corresponding interest expense for 2019. • Review for completeness and adequacy of the disclosures in the consolidated financial statements for right-of-use assets and related lease liabilities and the resulting costs, including the effect on the opening balances as at 01.01.2019.

Other matters

The consolidated financial statements of Avto Union AD for the year ended 31 December 2018 were audited by another auditor who has expressed an unmodified opinion on those consolidated financial statements on 24 April 2019.

Crowe

Information Other than the Consolidated Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the consolidated annual management report, incl. declaration on corporate governance prepared by the management in accordance with Chapter VII of the Bulgarian Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon, obtained prior to the date of this auditor`s report.

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Consolidated Financial Statements and Auditor's Report Thereon", regarding consolidated management report, declaration on corporate governance of the Group, consolidated non-financial statement, we have also performed the procedures added to those required under ISAs in accordance with the "Guidelines on new and extended auditor`s reports and communication by the auditor" of the professional organization of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to conclude whether the other information includes the elements and disclosures in accordance with Chapter Seven of the Bulgarian Accountancy Act and Article 100m, para. 10 in relation to Article 100m, para. 8, subparagraphs 3 and 4 of the Public Offering of Securities Act, applicable in Bulgaria.

Statement Pursuant to Article 37, Paragraph 6 of Bulgarian Accountancy Act

Based on the procedures performed, we describe the outcome of our work:

a) the information in the management report for the reporting period is consistent with the consolidated financial statements for the same reporting period.
b) the consolidated management report is prepared in accordance with the requirements of Chapter seven of the Accountancy Act and art. 100m, para. 7 of the Public Offering of Securities Act.
c) the declaration on corporate governance of the Group for the financial year for which the consolidated financial statements have been prepared contains the required information in accordance with the applicable legal requirements, including art. 100m, para. 8 of Bulgarian Public Offering of Securities Act.

Statement Pursuant to Article 100m, para. 10 in relation to Article 100m, para. 8, subparagraphs 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed and our knowledge of the Group and the environment in which it operates, in our opinion, there is no material misstatement in the description of the main characteristics of the internal control system and of the risk management system of the Group in connection with the financial reporting process and also in the information pursuant to Article 10, paragraph 1, items "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, which are included in the corporate governance statement, being a component of the annual management report.

Reporting Pursuant to Article 59 of Bulgarian Independent Financial Audit Act in relation to Article 10 of Regulation (EC) № 537/2014

In accordance with the requirements of Bulgarian Independent Financial Audit Act and in relation with Article 10 of Regulation (EC) № 537/2014, we report additionally the information as follows.

- Crowe Bulgaria Audit EOOD was appointed as a statutory auditor of the consolidated financial statements of Avto Union AD for the year ended on 31 December 2019 by the Board of Directors' meeting, held on 01.11.2019, for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended on 31 December 2019 has been made for first year.
- We confirm that our audit opinion is consistent with the additional report to the audit committee of Avto Union AD, which was provided in accordance with Article 60 of Bulgarian Independent Financial Audit Act.
- We declare that prohibited non-audit services referred to in Article 64 of Bulgarian Independent Financial Audit Act were not provided.
- We confirm that we remained independent of the Group in conducting the audit.
- For the period for which we were engaged as statutory auditors, we have not provided any other services to the Group in addition to the statutory audit.

Georgi Kaloyanov

Managing Partner
Registered auditor responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО
СОФИЯ
Рег. № 167
КРОУ БЪЛГАРИЯ ОДИТ ЕООД

Crowe Bulgaria Audit EOOD
Audit firm

21 April 2020
Sofia, Bulgaria

Avto Union AD
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended on December 31, 2019

	Note	2019	2018
		BGN `000	*BGN `000*
Revenue from the sale of goods	5.1	224 372	210 493
Revenue from provision of services		8 672	8 838
Revenue from contracts with customers		**233 044**	**219 331**
Book value of goods sold		(211 203)	(194 312)
Gross profit		**21 841**	**25 019**
Other revenue and income	5.2	15 099	7 445
Cost of materials	5.3	(1 966)	(3 527)
Hired services expenses	5.4	(8 608)	(10 121)
Employee benefits expense	5.5	(14 505)	(14 677)
Other expenses	5.6	(1 670)	(2 218)
Reversed/(Accrued) impairment of financial assets, net	5.7	(54)	29
Profit from sale of subsidiaries	23	5 233	-
Gains from transactions with financial assets	5.8	-	7 542
Operating profit before tax and depreciation		**15 370**	**9 492**
Expenses for depreciation	6,7	(6 729)	(2 821)
Operating profit		**8 641**	**6 671**
Finance costs	5.9	(3 551)	(3 330)
Finance income	5.10	503	500
Profit before taxes		**5 593**	**3 841**
Tax expenses		(310)	(403)
Net profit for the year		**5 283**	**3 438**
Total comprehensive income for the year		**5 283**	**3 438**
Net profit for the year attributable to:			
The shareholder of the parent company		3 989	1 743
Non-controlling interest		1 294	1 695
		5 283	3 438
Total comprehensive income for the year attributable to:			
The shareholder of the parent company		3 989	1 743
Non-controlling interest		1 294	1 695
		5 283	3 438
Net profit per share, in BGN		*49.86*	*21.79*

The Consolidated Financial Statements were approved by the Board of Directors on March 16, 2019 and signed as follows:

"АВТО ЮНИОН" АД София Sofia "AVTO UNION" AD

....
Andrey Panteleev
Chief Financial Officer (preparer)

....
Assen Assenov
Executive Director

Audited according to auditor's report dated 21.04.2020.

Crowe Bulgaria Audit EOOD
Audit firm

Georgi Kaloyanov
Manager, Registered auditor responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО СОФИЯ Рег. № 167 КРОУ БЪЛГАРИЯ ОДИТ ЕООД

The explanatory notes from page 5 to page 57 form an integral part of the consolidated financial statements.

Avto Union AD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended on December 31, 2019

	Note	31.12.2019	31.12.2018
		BGN `000	*BGN `000*
ASSETS			
Non-current assets			
Property, plant, equipment and rights of use	6	44 214	25 899
Intangible assets	7	870	841
Investment properties	8	-	3 266
Goodwill	9	22 405	22 466
Deferred tax assets		496	421
Receivables from related parties	18.1, 20	579	1 319
Trade and other receivables	10.1	2 023	271
Amount of non-current assets		70 587	54 483
Current assets			
Inventory	11	38 531	57 492
Trade and other receivables	10.2	23 085	16 749
Receivables from related parties	18.2, 20	10 799	11 607
Cash and cash equivalents	12	1 006	1 172
Amount of current assets		73 421	87 020
TOTAL ASSETS		144 008	141 503
EQUITY AND LIABILITIES			
Equity			
Share capital	13.1	40 004	40 004
Reserves	13.2	(6 232)	(6 232)
Retained earnings/(uncovered loss)		(19 460)	(23 089)
Total Equity of the Parent Company		14 312	10 683
Non-controlling interest			
Total equity		4 201	3 832
Non-current liabilities			
Interest-bearing loans and borrowings	14.1	4 407	4 315
Bonds	15	14 332	14 832
Finance lease liabilities	16	11 640	11 069
Deferred tax liabilities		193	79
Payables to related parties	16, 19.1, 20	4 885	5 774
Trade and other payables	17.1	13 841	2 907
Amount of non-current liabilities		49 298	38 976
Current liabilities			
Trade and other payables	17.2	55 858	64 456
Interest-bearing loans and borrowings	14.2	12 313	16 938
Bonds	15	1 095	932
Payables to related parties	16, 19.2, 20	2 327	1 980
Finance lease liabilities	16	4 604	3 706
Amount of current liabilities		76 197	88 012
Total liabilities		125 495	126 988
TOTAL EQUITY AND LIABILITIES		144 008	141 503

The Consolidated Financial Statements were approved by the Board of Directors on March 16, 2019 and signed as follows:

....

Andrey Panteleev
Chief Financial Officer (preparer)

Assen Assenov
Executive Director

Audited according to auditor's report dated 21.04.2020.
Crowe Bulgaria Audit EOOD
Audit firm

Georgi Kaloyanov
Manager, Registered auditor responsible for the audit

"АВТО ЮНИОН" АД София Sofia "AVTO UNION" AD

ОДИТОРСКО ДРУЖЕСТВО СОФИЯ Рег. № 167 КРОУ БЪЛГАРИЯ ОДИТ ЕООД

The explanatory notes from page 5 to page 57 form an integral part of the consolidated financial statements.

Avto Union AD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended on December 31, 2019

	Share capital (note 13) *BGN `000*	Reserves *BGN `000*	Retained earnings *BGN `000*	Total capital owned by the parent company *BGN `000*	Non-controlling interest *BGN `000*	Total *BGN `000*
On January 1, 2018	40 004	(6 232)	(24 832)	8 940	3 264	12 204
Profit for the year	-	-	1 743	1 743	1 695	3 438
Distribution of profit for dividends	-	-	-	-	(1,127)	(1,127)
On December 31, 2018	40 004	(6 232)	(23 089)	10 683	3 832	14 515
Effect from changes in accounting policies (IFRS 16) - Explanatory note. 2.3.			*(360)*	***(360)***	*(53)*	***(413)***
On January 1, 2019	40 004	(6 232)	(23 449)	10 323	3 779	14 102
Profit for the year	-	-	3 989	3 989	1 294	5 283
Distribution of profit for dividends	-	-	-	-	(859)	(859)
Acquisition of shares	-	-	-	-	(13)	(13)
On December 31, 2019	40 004	(6 232)	(19 460)	14 312	4 201	18 513

The Consolidated Financial Statements were approved by the Board of Directors on March 16, 2019 and signed as follows:

....
Andrey Panteleev
Chief Financial Officer (preparer)

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Sofia
"AVTO UNION" AD

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Assen Assenov
Executive Director

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Georgi Kaloyanov
Manager, Registered auditor responsible for the audit

The explanatory notes from page 5 to page 57 form an integral part of the consolidated financial statements.

Avto Union AD
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended on December 31, 2019

	2019	2018
	BGN `000	*BGN `000*
NET CASH FLOW FROM OPERATING ACTIVITY		
Proceeds from counterparties	321 004	304 572
Payments to counterparties	(268 498)	(255 493)
Payments for tax	(20 242)	(16 337)
Payment of salaries, social contributions and other related to the personnel	(13 555)	(13 542)
Paid bank fees and interest	(657)	(478)
Net effect of changes in foreign exchange rates	(37)	(16)
Other proceeds/(payments) from operating activities	(240)	(1 419)
Net cash flows from/used in operating activities	**17 775**	**17 287**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Payments for the purchase of fixed assets	(777)	(1 187)
Proceeds from sale of fixed assets	661	3 112
Loans granted	(11 843)	(20 463)
Paid/Recovered granted loans	14 377	15 143
Interest received on loans granted	327	141
Purchase of investments	(1 247)	(23 379)
Proceeds from sale of investments	-	9 859
Sale of subsidiaries, net of cash	4 565	-
Net cash flows from/ (used in) investment activities	**6 063**	**(16 774)**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(859)	(1,127)
Proceeds from bond issuance	-	8 800
Proceeds from bank and trade loans	17 440	44 072
Payments on bank and trade loans	(19 320)	(36 564)
Paid interest and commissions	(1 391)	(1 317)
Payments under leasing contracts	(19 872)	(16,832)
Other proceeds/(payments) from financing activities	(2)	2 051
Net cash flows from /used in financing activities	**(24 004)**	**(917)**
Net (decrease) in cash and cash equivalents	**(166)**	**(404)**
Cash and cash equivalents at January 1	**1 172**	**1 576**
Cash and cash equivalents at December 31	**1 006**	**1 172**

The Consolidated Financial Statements were approved by the Board of Directors on March 16, 2019 and signed as follows:

....
Andrey Panteleev
Chief Financial Officer (preparer)

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Georgi Kaloyanov
Manager, Registered auditor responsible for the audit

The explanatory notes from page 5 to page 57 form an integral part of the consolidated financial statements.

1. Corporate information

Avto Union AD (the parent-company) is a limited liability company incorporated with decision № 660/2005 of the Sofia District Court, with headquarters in Sofia, Bulgaria. The Group's financial year ends on 31 December.

The main activities of the Group include acquisition, management, valuation and sale of holdings in commercial companies, trade in cars, auto parts and service.

As of December 31, 2019, the shareholders of the parent-company Avto Union AD are:

- Eurohold Bulgaria AD 99.99%
- Kiril Boshov 0.01 %

The ultimate parent company is Eurohold Bulgaria AD.

2. Overall considerations of the Group`s accounting policies

2.1 Preparation basis

The consolidated financial statements are prepared on a historical cost basis, except for investment properties and those financial instruments and financial liabilities that are measured at fair value.

The consolidated financial statements (including comparative information) are presented in BGN, which is the functional currency of the Parent Company, and all items are rounded to the nearest thousand Bulgarian Lev (BGN thousand), unless otherwise stated.

The consolidated financial statements include a consolidated statement of financial position, a consolidated statement of profit or loss and other comprehensive income, a consolidated statement of cash flows and a consolidated statement of changes in equity as of 31.12.2019. These statements include the Parent Company and all subsidiaries. A subsidiary is consolidated by the Parent Company by holding, directly or indirectly, more than 50% of the voting shares of the capital or through the ability to manage its financial and operating policies in order to obtain economic benefits from its activity.

The full consolidation method is applied. The statements are consolidated line by line, whereas the items such as assets, liabilities, property, incomes and costs, are summed. All internal transactions and balances between the companies within the group are eliminated. Elimination of opposing elements has been performed: equity, financial, business, calculation of goodwill as of the date of acquisition.

Non-controlling interest in the net assets of subsidiaries is defined depending on the shareholder structure of the subsidiaries as of the date of the consolidated statement of financial position.

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise of: Financial Reporting Standards and Interpretations Committee Interpretations (IFRIC) interpretations adopted by the International Accounting Standards Board (IASB) effective on January 1, 2019 and adopted by the Commission of the European Union (EU).

The consolidated financial statements are prepared in accordance with the going concern principle.

At the date of preparation of these consolidated financial statements, management has made an assessment of the Group's ability to continue as a going concern based on available information for the foreseeable future.

As a result of the review, the management expects that the Group will have sufficient resources to continue its operating activities in the near future and considers that the going concern principle is appropriately used in the preparation of the consolidated financial statements.

The Group applies new standards, amendments and interpretations to IFRSs, developed and published by the International Accounting Standards Board, which have an effect on the financial statements and are required to apply from the annual period beginning on January 1, 2019, detailed in paragraph 2.2. "*Changes in Accounting Policies and Disclosures*" in the Explanatory notes to the Annual Consolidated Financial Statements for 2019. The Group initially applied IFRS 16 on January 1, 2019, using a modified retrospective approach. According to this approach, the cumulative effect of enforcement is recognised on the date of initial application in the opening balance of equity (retained earnings from previous years) and no comparative information is recalculated for 2018. This change is required by the new lease accounting rules effective from 01.01.2019.

Appropriate practical measures implemented

At initial application of IFRS 16, the Group uses the following requirements as permitted by the standard:

- applying a single discount rate to a portfolio of leases with relatively similar characteristics;
- relying on previous assessments of whether leasing is difficult as an alternative to performance - review of impairment. There are no such contracts as of January 1, 2019;
- accounting for operating leases with a remaining term of less than 12 months as of 01.01.2019 as a short-term lease;
- the exclusion of the original direct costs necessary to assess the right-of-use asset at the date of initial use;
- use of previous valuations in determining the lease term when the contract contains options to extend or terminate the lease.

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

(b) Non-controlling interest ("NCI")

Non-controlling interest in the net assets of subsidiaries is defined depending on the shareholder/ownership structure of the subsidiaries as of the date of the Consolidated statement of financial position.

Non-controlling interests are treated by the Group as transactions with entities that own the Group's equity instruments. The effects of the sale of shares of the Parent Company, without loss of control, to non-controlling interest holders are not treated as components of the Group's current profit or loss but as movements in its equity components. Conversely, in the case of purchases by the Parent Company, without acquisition of control, of additional units from non-controlling interest holders, any difference between the amount paid and the respective acquired share of the carrying amount of the subsidiary's net assets is recognised directly in the consolidated statement of changes in equity, usually in the line "retained earnings/(uncovered loss)".

When the Group has no control and significant influence, any remaining minority investment as a share in the equity of the respective entity is remeasured at fair value, with the difference in the carrying amount recognised in current profit or loss, with all amounts previously recognised in other components, respectively. comprehensive income is accounted for as in the direct-release operation of all associates with the initial investment (in a subsidiary or associate company).

(d) Consolidation basis

Subsidiaries

Subsidiaries are those on which the parent company exercises control. The parent company controls an entity when it has exposure to or the right to variable returns from its participation, and there is a connection between power and return. The financial statements of subsidiaries are included in the consolidated financial statements from the date of control until the date of the suspension.

Avto Union consolidates the following subsidiaries:

	31.12.2019 % of ownership	31.12.2018 % of ownership
Direct participation		
Auto Italia EAD	100%	100%
Star Motors EOOD	100%	100%
Bulvaria Holding EAD*	-	100%
Bulvaria Sofia EAD	100%	100%
Avto Union Service EOOD	100%	100%
N Auto Sofia EAD	100%	100%
Bulvaria Varna EOOD	100%	100%
Motobul EAD	100%	100%
Benzin Finance EAD	100%	-
Daru Car EAD	100%	99.84%
Motohub OOD	51%	51%
EA Properties EOOD	51%	51%
Indirect participation		
Espace Auto OOD (through N Auto Sofia EAD)	51%	51%
Star Motors DOOEL (through Star Motors EOOD)	100%	100%
Star Motors SH.P.K. through Star Motors EOOD – *in liquidation*	100%	100%
Bopar Pro S.R.L. (through Motobul EAD) - *in liquidation*	100%	100%
Benzin Finance EAD (through Motobul EAD)	-	100%

** - On **31.10.2019**, the Board of Directors of Avto Union AD made a decision for the sale of Bulvaria Holding EAD, after which it transferred the shares to the new owner. On **31.10.2019** the Transfer of all shares of the capital of Bulvaria Holding EAD was entered in the Commercial Register.*

The subject of the Group's subsidiaries is as follows:

- Auto Italia EAD – authorized dealer for Fiat, Fiat Professional, Maserati and Alfa Romeo for Bulgaria;
- Star Motors EOOD - Exclusive dealer rights for Bulgaria for the sale of new vehicles and spare parts with Mazda brand and authorized service. The company has a subsidiary Star Motors Skopje DOOEL, which carries out the same activity on the territory of Macedonia and Kosovo, through its subsidiary Star Motors SH.P.K .
- Bulvaria Sofia EAD - (formerly named Sofia Auto Bulvaria OOD) – dealer for Opel for Sofia and the region;
- Avto Union Service EOOD - mechanical and tinsmith-painting service of motor vehicles;
- N Auto Sofia EAD - Authorized dealer rights for Bulgaria for sale of new Nissan brand vehicles and authorized service;
- Bulvaria Varna EOOD - Authorized dealer's rights in Bulgaria for the sale of new motor vehicles and spare parts with the Opel brand and authorized service;
- Motobul EAD - sale of spare parts and lubricating oils. Official representative of Orlen Oil and Castrol for Bulgaria, from the end of 2015 the company starts selling fuels through discount cards.
- Daru Car AD – authorized BMW service;
- Motohub OOD – import, purchase and sale and service of scooters, motorcycles and mopeds under the brands Lambretta, Malaguti, Brixton and KSR Moto.
- EA Properties OOD - management of buildings and properties;
- Star Motors DOOEL (a subsidiary of Star Motors EOOD) - official representative of Mazda for Macedonia;
- Benzin Finance EAD (a subsidiary of Motobul EAD) - as of December 31, 2019 the company has no activities;

- Espace Auto OOD (a subsidiary of N Auto Sofia EAD) - Official dealer of Renault and Dacia brands, active in trade with new RENAULT and DACIA brand vehicles, as well as sale of spare parts, auto service and technical support. The largest dealer of Renault and Dacia in Bulgaria operates in the regions of Sofia, Pazardzhik, Veliko Tarnovo, Plovdiv and Blagoevgrad;
- Star Motors SH.P.K (a subsidiary of Star Motors DOOEL) - *the company is in liquidation;*
- Bopar Pro SRL (a subsidiary of Motobil EAD) - *the company is in liquidation.*

At a constituent assembly held on 23.11.2018, it was decided to establish a subsidiary of Auto Italia EAD, namely **Auto Italia-Sofia EOOD**, as the decision was entered in the Commercial Register on **16.01.2019**. The intention of the management is to separate the import and dealership activities of the FIAT, Maserati and Alfa Romeo brands - the newly established company performs the functions of a dealer in Sofia, and Auto Italia EAD specializes in the functions of an importer for the brands in Bulgaria.

On **11.02.2019** in the Commercial Register an increase of the capital of Benzin Finance EAD was registered with BGN 550 thousand. - thus, the share capital of the subsidiary of Motobul EAD is increased and reaches the amount of BGN 1,050 thousand.

On **31.10.2019**, the Board of Directors of Avto Union AD made a decision to sell one of its subsidiaries, namely - **Bulvaria Holding EAD**, signing a Preliminary contract with the potential buyer. Following the fulfilment of the conditions stipulated in the preliminary contract on 19.12.2019, Avto Union AD transfers the shares to the new owner. On December 31, 2019, the transfer of all shares from the capital of Bulvaria Holding EAD to VI Properties EOOD was entered in the Commercial Register.

During the reporting period, Avto Union AD purchased 20 shares from a partner in the subsidiary of Daru Car AD, whereby Avto Union AD became the sole owner of the capital of Daru Car AD. Due to this fact, it is necessary to change the legal form of Daru Car AD. As of **15.08.2019**, the Daru Car company is already in the legal form EAD.

In the period ending December 31, 2019, a contract was concluded between the subsidiary Motobul EAD, in its capacity of seller on the one hand, and Avto Union AD in its capacity of buyer, on the other, under which Avto Union AD acquires from Motobul EAD all shares in the capital of **Benzin Finance EAD** with UIC: 205373838. The actual transfer of the shares was made after the signing of an Additional Agreement between the parties, which regulates the sale price of the above-mentioned shares, as well as the conditions for its payment. The purchase and sale were carried out with the purpose of exercising direct control of Avto Union AD on its subsidiaries and facilitating the structure of the holding.

Principles of Consolidation

Business combinations are accounted by using the purchase method. This method requires the assignee to recognise, on the date of acquisition, the acquired differentiated assets, undertaken liabilities and participation, which is not controlling the acquired entity, separately from the goodwill. Any costs directly pertaining to the acquisition are carried in the Profit and loss statement for the period. Differentiated acquired assets and undertaken liabilities and contingent obligations within a business combination are measured at fair value on the date of acquisition, regardless of the extent of non-controlling interest. The Group is able to measure participations, which are not controlling for the acquired entity, either at fair value, or as proportional share in the differentiated net assets of the acquired entity.

If the initial accounting for the business combination is not completed by the end of the reporting period in which the combination occurs, the Group reports prepayments for items for which the reporting is unfinished. During the measurement period, which may not exceed one year from the acquisition date, the Group retrospectively adjusts these amortized amounts or recognises additional assets or liabilities to reflect the newly received information about the facts and circumstances that existed at the acquisition date and, if known, would have an impact on the assessment of the amounts recognised on that date.

Any conditional remuneration payable by the acquirer is recognised at fair value at the acquisition date and is included as part of the consideration transferred in exchange for the acquired company. Subsequent changes in the fair value of a qualifying asset that is classified as an asset or liability are recognised in accordance with IAS 9 Financial Instruments either in profit or loss or as a change in other comprehensive income. If conditional remuneration is classified as equity, it is not be revalued until its final settlement in equity. Changes in the fair value of the conditional remuneration, which represent provisionally amounts during the measurement period, are reflected retrospectively at the expense of goodwill.

Transactions that are eliminated on consolidation

Intragroup calculations and transactions and any unrealized gains and losses arising from intragroup transactions are eliminated. Unrealized gains on transactions with associates and joint ventures are eliminated against the investment up to the Group's share. Unrealized losses are eliminated in the same way as unrealized gains, but only if there is no evidence of impairment. The effect of unrealized gains / losses on intra-group sales of goods and assets is not calculated due to the insignificance to the Group's turnover.

Acquisitions by companies under common control

Business combinations arising from transfers of interests in companies under common control of the shareholder controlled by the Group are reported from the date of acquisition of control. The acquired assets and liabilities are initially recognised at their carrying amounts in the financial statements of individual companies. According to IAS 8, in the absence of a standard or explanation that is specifically applicable to an operation, other event or condition, management uses its own judgment to develop and apply accounting policies. The difference between the net assets acquired and the cost of the investment in subsidiaries is accounted for as a reserve of business combinations in the Group's consolidated statement of changes in equity.

Goodwill

The acquisition cost excess above the share of assignee in the net fair value of differentiated assets, liabilities and contingent obligations of acquisitions, is carried as goodwill. If the acquisition price is lower than the investor's share of the fair values of the net assets of the acquiree, the difference is recognised directly in the consolidated statement of profit or loss and other comprehensive income for the period.

The self-recognised goodwill on the acquisition of subsidiaries is subject to mandatory impairment testing at least annually. Impairment losses are not subsequently reversed. The gain or loss on the sale (release) of a subsidiary of the Group also includes the carrying amount of goodwill deducted for the sold (released) company. Loss on impairment of goodwill is not refundable in future periods.

Negative goodwill arising from the acquisition is reviewed and any negative difference remaining after the review is recognised in profit or loss. The Group estimates the goodwill at the acquisition date as:

- The fair value of the consideration transferred, plus
- The recognised value of all non-controlling interests in the acquiree, plus
- If the business combination is achieved in stages, the fair value of the existing interest in the acquired enterprise, minus
- The net fair value (generally the fair value) of the identifiable assets acquired and the liabilities assumed.

Each recognised goodwill is assigned to a cash-generating unit at the time the business combination is realized, and that entity is applied when performing impairment tests. In determining cash-generating units, the items that were expected to receive future economic benefits from the acquisition of the business combination and in respect of which goodwill has arisen are taken into account.

2.2 Changes in the accounting policies and disclosures

2.2.1 New Standards, Interpretations and Amendments to IFRSs effective from January 1, 2019

The Group applies the following new standards, amendments and interpretations to IFRS developed and published by the International Accounting Standards Board, which have an impact on the Companies' financial statements and are mandatory for annual periods beginning on or after January 1, 2019:

2.2.1.1 IFRS 16 "Leases" effective from January 1, 2019, adopted by the EU

IAS 16 Leases replaces IAS 17 Leases, as well as three clarifications: IFRIC 4 Determining Whether an Arrangement Contains a Lease, Standing Interpretation Committee (SIC) 15 - Operating Leases - Incentives and SIC 27 - Evaluating the substance of transactions involving the legal form of a lease.

The adoption of this new standard will result in the Group recognizing the leased asset and its related leasing obligations in relation to all previous operating leasing contracts, with the exception of those identified as low value asset or leasing asset less than 12 months from the date of initial application.

The new standard has been applied using the modified retrospective approach of IFRS 16) without taking into account the cumulative effect of adopting IFRS 16. The Group assesses the liability under leasing contracts at the date of transition to IFRSs at the present value of the remaining lease payments discounted at the lessee's differential interest rate at the date of initial application of IFRS 16. At the date of initial application of IFRS 16, an eligible asset is measured at an amount equal to the lease liability, adjusted by the amount of any lease payments paid or accrued in connection with that lease recognised in the statement of financial position, immediately before the date of initial application of IFRS16. Previous periods are not recalculated.

For contracts signed before the date of initial application, the Group has chosen to apply the definition of lease under IAS 17 and IFRS 4 and has not applied IFRS 16 to contracts that have not previously been identified as a lease under IAS 17 and IFRS 4.

The Group has decided not to include initial direct costs in the measurement of right-of-use asset for existing operating leases at the date of initial application of IFRS 16, which is January 1, 2019. At that date, the Group also made the decision to recognise the eligible assets at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments that existed at that date.

The Group has not performed a review for impairment of right-of-use assets as of the date of initial application. Instead, it has accepted its most recent historical assessment of whether certain leases are burdensome immediately before the date of initial application of IFRS 16.

At the date of transition to the new standard, the Group has recognised certain leases that have previously been recognised as operating leases and have a residual lease term of less than 12 months or they are for the lease of low value assets, to benefit from a simplified transition to the new standard that does not recognise eligible assets but records the lease expense on a straight-line basis over the remaining contract term.

For those leasing contracts previously classified as finance leases, the leased asset and the lease obligation are valued at the same amount as of the date of initial application of the standard with which they were in accordance with IAS 17 immediately before the date of initial application.

For the assessment of leasing liabilities at the date of transition to IFRS 16 is used differential weighted average interest rate of:

- **4.05%** - for right-of-use assets *"Land and Buildings"*;
- **5.34%** - for right-of-use assets *"Vehicles"*

i. Appropriate practical measures implemented

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

- applying a single discount rate to a portfolio of leases with relatively similar characteristics;
- relying on previous assessments of whether leasing is difficult as an alternative to performance - review of impairment. There are no such contracts as of January 1, 2019;
- accounting for operating leases with a remaining term of less than 12 months as of January 1, 2019 as a short-term lease;
- the exclusion of the original direct costs necessary to assess the right to use the asset at the date of initial use;
- use of previous valuations in determining the lease term when the contract contains options to extend or terminate the lease.

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

ii. Effect from initial implementation of IFRS 16

In thousand BGN (BGN '000)	**January 1, 2019**	*including from transactions with related parties*
Right-of-use assets - Land and buildings (Explanatory note 6)	10 511	*2 953*
Right-of-use assets - Vehicles (Explanatory note 6)	125	*125*
Leasing liabilities, including:	10 996	*3 122*
- current	*1 507*	*165*
- non-current	*9 489*	*2 957*
Adjustment in retained earnings /uncovered (loss)	(360)	*(44)*

For the effect of IFRS 16 on profit or loss for the period, see *Explanatory note 2.2.1.1. (iv).* For details of accounting policies under IFRS 16 and IAS 17, see *Explanatory note 2.3.*

iii. Assessment of lease liabilities

In thousand BGN (BGN '000)	**January 1, 2019**	*including from transactions with related parties*
Future operating lease obligations under IAS 17 as of December 31, 2018	14 120	*3 819*
Discounted lease liabilities with differential interest rate as of 01.01.2019, including:	10 996	*3 122*
- current	*1 507*	*165*
- non-current	*9 489*	*2 957*
Financial leasing liabilities recognised as of December 31, 2018, including	16 259	*1 484*
- current	*4 000*	*294*
- non-current	*12 259*	*1 190*
Lease liability recognised as of 01.01.2019, including	**27 255**	**4 606**
Current leasing liabilities	*5 507*	*459*
Non-current leasing liabilities	*21 748*	*4 147*

iv. Amounts recognised in the statement of financial position

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

In thousand BGN (BGN '000)	*31.12.2019*	*including from transactions with related parties*	*1.1.2019*	*including from transactions with related parties*
Property, plant and equipment				
- right-of-use assets - Land and buildings *(Explanatory note 6)*	16 200	*2 664*	10 511	*2 953*
- right-of-use assets - Vehicles *(Explanatory note 6)*	47	*47*	125	*125*
	16 247	*2 711*	10 636	*3 078*
Leasing liabilities - rights of use				
- current	2 861	*287*	1 507	*165*
- non-current	13 939	*2 638*	9 489	*2 957*
	16 800	*2 925*	10 996	*3 122*

Acquired right-of-use assets in 2019 - BGN 21 657 thousand

Right-of-use assets, written off in 2019 – BGN (3 009) thousand

On the effect of IFRS 16 on tangible fixed assets for the period, see *Explanatory note 2.2.1.1.* (vi) as well as *Explanatory note 6*. For details of accounting policies under IFRS 16 and IAS 17, see *Explanatory note 2.3.*

v. Amounts recognised in the statement of profit or loss and other comprehensive income

In thousand BGN (BGN '000)	31.12.2019	*including from transactions with related parties*	31.12.2018	*including from transactions with related parties*
Income from sublease of right-of-use assets under the terms of an operating lease	-	-	-	-
Rental Costs - Included in the hired services expenses	440	-	3 122	-
Depreciation and amortization of right-of-use assets, *including*:	2 881	*333*	-	-
- Land and buildings	*2 838*	*290*	-	-
- Transportation vehicles	*43*	*43*	-	-
Interest expenses - included in Finance costs	599	*124*	-	-

vi. Right-of-use assets

The Group has chosen to present right-of-use assets in a single item with its own assets in *Explanatory note 6. Tangible fixed assets,* but provides detailed information on own and leased assets in the notes to the financial statements.

Right-of-use assets are usually amortized over the shorter of the asset's life and the lease term on a straight-line basis. If the Group has reasonable grounds to use a purchase option, the right-of-use asset is amortized over the useful life of the main asset.

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

The Group has accepted the threshold for recognition of right-of-use assets of BGN 10,000.00, taking into account the price of the asset as new. More information on the dynamics of the right-of-use assets during the reporting period is presented in the table below:

In thousand BGN (BGN '000)	**Rights of use - Land**	*including transactions with related parties*	**Rights of use - Buildings**	*including transactions with related parties*	**Rights of use - Vehicles**	*including transactions with related parties*	**Total**	*including transactions with related parties*
Book value 31.12.2018	-	-	-	-	-	-	-	-
Acquired on January 1, 2019	91	-	10 420	*2 953*	125	*125*	10 636	*3 078*
Acquired for the period 02.01.2019 to 31.12.2019	-	-	11 021	-	-	-	11 021	-
Written off during the year	-	-	(2 960)	-	(49)	-	(3 009)	-
On December 31, 2019	**91**	-	**18 481**	***2 953***	**76**	***125***	18 648	***3 078***
Depreciation 31.12.2018								
Charged for the year	(23)	-	(2 815)	*(290)*	(43)	*(43)*	(2 881)	*(333)*
Written off during the year	-	-	466	-	14	*14*	480	*14*
as of December 31, 2019	**(23)**	-	**(2 349)**	***(290)***	**(29)**	***(29)***	(2 401)	*(319)*
Carrying amount:								
On January 1, 2019	91	-	10 420	*2 953*	125	*125*	10 636	*3 078*
as of December 31, 2019	68	-	16 132	*2 663*	47	*96*	16 247	*2 759*

vii. Others

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

Payments in connection with leasing contracts for right-of-use assets - BGN 2 403 thousand.

Measuring right-of-use assets:

The related right-of-use assets from lease of real estate (buildings) were measured on 01.01.2019 by the modified retrospective approach, the cumulative effect of the change is being reflected in equity. Assets under financial lease are recognised in the statement of financial position as of December 31, 2018.

2.2.1.2 IFRS 9 "Financial Instruments" (amended) - Prepayment Features with Negative Compensation, effective from January 01, 2019, adopted by the EU

The amendments allow companies to measure certain financial assets that can be paid in advance with negative compensation, at amortized cost or at fair value in other comprehensive income, rather than as financial assets at fair value through profit or loss.

To take account of financial asset at amortized cost, the negative compensation must be a "reasonable compensation for early termination of the contract" and the asset should be "held to collect contractual cash flows."

2.2.1.3 IAS 19 "Employee Benefits" (amended) - Plan Amendment, Curtailment or Settlement - effective from January 01, 2019, not yet adopted by the EU

These changes clarify the accounting for specific changes to the defined benefit plan, curtailment or settlement plan. They confirm that entities should:

- calculate the current service and interest costs so that the pension obligation is presented for the remaining period after the date of amendment, curtailment or settlement of the plan, using updated assumptions after the amendment date;
- to recognise in profit or loss as part of past service cost or as a gain/loss on settlement of the obligation any reduction in the excess, even if that excess has not been recognised before due to the use of an asset's upper limit.

2.2.1.4 Annual improvements to IFRS 2015-2017, effective from January 1, 2019, adopted by the EU

These amendments include minor changes to:

- IFRS 3 Business Combinations - the Group should reassess its previous share in a jointly controlled activity when it acquires control of the business.
- IFRS 11 Joint agreements - the Group should reassess its previous share in a jointly controlled activity when it acquires joint control of the business.
- IAS 12 Income Taxes - the Group accounts for all effects on income tax resulting from dividends (including payments on financial instruments classified as equity) in accordance with transactions that generate distributable profit - i.e. in profit or loss, other comprehensive income or equity;
- IAS 23 Borrowing Costs - the Group considers each loan originally taken to develop an asset as part of total loans when the asset is ready for the intended use or sale.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and are not applied by the Group from an earlier date

As of the date of approval of these financial statements, new standards, amendments and interpretations to existing standards have been published but have not entered into force or been adopted by the EU for the financial year beginning on January 01, 2019 and have not been applied from an earlier date by the Group. They are not expected to have a material effect on the financial statements of the Group. The management expects all standards and amendments to be adopted in the Group's accounting policies for the first period beginning after the date of their effective date.

The changes are related to the following standards:

- IAS 1 and IAS 8 (amended) - Definition of Material, effective from January 1, 2020, adopted by the EU
- Amendments to the Conceptual Framework for Financial Reporting as of January 1, 2020, adopted by the EU
- IFRS 3 (amended) - Definition of Business, effective from January 01, 2020, not yet adopted by EU
- Amendments in IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform, effective from January 01, 2020, not yet adopted by EU
- IFRS 14 "Regulatory Deferral Accounts" effective from January 01, 2016, not yet adopted by the EU
- IFRS 17 "Insurance Contracts" effective from January 1, 2021, not yet adopted by the EU

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

The following new or revised standards, new interpretations and amendments to existing standards that have not yet been approved by the EU at the reporting date and are therefore not taken into account by the Group in the preparation of the consolidated financial statements.

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

Changes in the Conceptual Financial for Reporting Framework - (issued on 29 March 2018), effective from January 1, 2020;

Amendments to IFRS 3 Business Combinations - (issued on 22 October 2018) effective from January 1, 2020;

Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (issued on October 31, 2018) effective from January 1, 2020.

The accounting policies used in these consolidated financial statements are consistent and the same as those applied in the Group's most recent consolidated financial statements as of December 31, 2018. The Group has adopted all new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the Commission of the European Union, which are relevant to its activities and are effective for the current reporting period.

Except as described in Explanatory note 2.2 above, the accounting policies used in these consolidated financial statements are consistent and the same as those applied in the Group's most recent consolidated financial statements as of December 31, 2018. The Group has adopted all new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the Commission of the European Union, which are relevant to its activities and are in force for the current reporting period beginning on January 1, 2019.

The present annual consolidated financial statements are the first financial statements of the Group in which IFRS 16 Leasing is applied for the first time. *(For more information see Explanatory note 2.2.1.1)*

2.3. Summary of significant accounting policies.

a) 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 January 1, 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.

Cash, receivables and payables, as monetary reportable items, denominated in foreign currency are reported in the BGN equivalent on the basis of the exchange rate as of the date of the operation and are revaluated on quarterly and annual basis using the official exchange rate of the Bulgarian National Bank on the last working day of the quarter/year.

Non- monetary reportable items in the consolidated statement of financial position initially denominated in foreign currencies are recorded in the functional currency using historical exchange rate at the date of the transaction and are not subsequently revalued at the closing exchange rate.

The effects of foreign exchange differences related to the settlement of foreign currency trading transactions or the accounting for foreign exchange transactions at rates other than those initially recognised are included in the consolidated statement of comprehensive income in at the time of their occurrence, as presented in the article "Other financial income /(costs)".

b) Revenue

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer to the extent that it reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group recognises revenue when (or as) satisfies the obligation to perform, under the terms of the contract, by transferring the promised good or service to the customer. An asset (good or service) is transferred when (or as) the customer obtains control of that asset.

Customer contracts typically include a single performance obligation:

- Sale of motor vehicles (spare parts);
- Repair services.

The sales are made according to concluded contracts with clients. Sales contracts meet the criteria set out in IFRS 15. Typically, the Group expects to collect remuneration under customer contracts.

The following table provides information about the Group's accounting policies for recognising revenue and the timing of meeting obligations with clients under IFRS 15.

Type of product/service	The nature and timing of the fulfilment of the performance obligations, including the essential conditions for payment	Revenue recognition under IFRS 15
Sale of motor vehicles	Liabilities for execution fulfilled at some point in time. Customers receive control when: 1/ the customer has a legal right of ownership; 2/The Group has transferred physical possession of the asset; 3/the client carries significant risks and rewards of the asset; 4/The Group has an existing payment entitlement. The asset is derecognised at the time the control is transferred to the sold asset. Invoices are payable within 30 - 40 days.	Revenue from the sale of motor vehicles is recognised by the method of meeting the obligations at a specific time in accordance with IFRS 15 when the control of the vehicle shall be transferred to the customer. This is usually done by handing over the cars and physically owning them by the customer and the buyer has accepted the goods in accordance with the sales contract. The transaction price can be defined as a market price, reduced by discounts (net of taxes), which may include fixed remuneration and variable remuneration. The allocation of the transaction price to the performance obligations is based on unit sales prices (market).
Revenue from the sale of current assets (spare parts and accessories)	Delivery occurs when the assets have been shipped to the customer, the risks of potential losses are passed on to the buyer and either he has accepted the assets in accordance with the sales contract. The usual payment period is up to 30 after delivery.	Revenue from the sale of current assets is recognised when control of the assets sold is transferred. Delivery occurs when the assets have been shipped to the customer, the risks of potential losses are passed on to the buyer and either he has accepted the assets in accordance with the sales contract.
Income from services	The control is transferred when the service is provided. The claim is due immediately.	Revenue from services is recognised in accordance with the straight-line method. If, by the end of the reporting period, the contracted service has not been fully realized, revenue is recognised on the basis of the actual service provided by the end of the reporting period, as a proportion of the total services to be provided, as the client receives and consumes the benefits simultaneously. This is determined on the basis of the actual time invested or reported for the work performed, relative to the total estimated time for the service to be performed.
Extended warranties	Separate performance obligation. It is deferred if the Group is a principal on extended guarantees. It is analysed whether the Group is a principal or an agent.	The Group has found that in the sale of extended warranties, the extended guarantee group companies have an agent role and the way extended warranties are accounted for. The Group considers that

Type of product/service	The nature and timing of the fulfilment of the performance obligations, including the essential conditions for payment	Revenue recognition under IFRS 15
		all sales of extended warranties and repairs should be accounted for at the expense of the manufacturer or insurance company Car-Guarantee Vesrsicherung AG and/or Wagas S.A (depending on who is the principal on them).

IFRS 15 does not have a material effect on the accounting policies of the Group in respect of the other types of income it recognises.

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

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

The impact of a variable remuneration, including price discounts, the presence of significant components of financing, non-monetary remuneration and the remuneration due to the client (if any) is taken into account in determining the price of the transaction.

The contracts of the Group companies have discounts that the client receives at the sale and which are taken into account in a decrease in the total price. In accordance with the requirements of IFRS 15, all discounts are accounted for in a decrease in sales revenue, while recognising the revenue from the sale of the goods for which the relevant discounts are due. The policy of recognition of price discounts due hitherto does not differ from the requirements of IFRS 15.

Free goods

For most of the contracts, the Group provides additional goods to its customers (in the form of accessories, tires, alarms, etc.) free of charge.

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

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

Redemption sales

Revenue is recognised when the car is sold, but the approximate value of the redemption option is reduced by revenue and recognised as deferred income, and a liability to the buyer is recognised. Similarly, the estimate of the value of the vehicle to be returned is reduced by the cost of the sale and is also rescheduled.

The Group has assessed that there are no contractual obligations in 2019 in connection with the option to repurchase.

An approach for recognising major types of revenue under customer contracts

Sales revenue is realized by the following:

- Motor vehicle sales;
- Leasing of motor vehicles;
- service, repair services;
- Sales of spare parts.

Revenue from sale of motor vehicles

Revenue from the sale of motor vehicles is recognised by the method of meeting the obligations at a specific time in accordance with IFRS 15 when the control of the goods shall be transferred to the customer.

This is usually done by handing over the cars and physically owning them by the customer, and the buyer has accepted the goods in accordance with the sales contract.

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

The allocation of the transaction price to the performance obligation is based on unit selling prices (contractual or market).

Income from services

Revenue from the provision of services is recognised in the reporting period in which the services are provided. The Group transfers control over the services over time and therefore satisfies the obligation to perform and recognises revenue over time. If, by the end of the reporting period, the contracted service has not been fully performed, revenue is recognised using the invested resources method, based on the actual time invested for the work performed, relative to the total estimated time for the service to be provided.

In the event that the services provided by the Group exceed the payment, a contractual asset is recognised. If the payments exceed the services provided, a contractual liability is recognised.

Revenue from sales of current assets

Revenue from the sale of current assets and materials is recognised when the control over the assets sold is transferred. Delivery occurs when the assets have been shipped to the customer, the risks of potential losses are passed on to the buyer and either he has accepted the assets in accordance with the sales contract.

Principal or agent

The group is the principal when controlling the promised good or service before passing it on to the customer. The Group is an agent if the obligation to fulfil the Group is to arrange for the provision of the goods or services by a third party.

Signs that he is a principal include:

- The Group has the primary responsibility for fulfilling the promise to provide a specific good or service;
- there is a risk of the Group's inventory before the specific good or service is transferred to the customer or after the customer controls have been transferred;
- The Group has discretion in determining the price of a particular good or service.

The Group is a principal in the following transactions:

- Sale of motor vehicles;
- Sales of spare parts;
- Service;
- Oil sales.

The Group is an agent in the following transactions:

- Extended warranty sales;
- Card fuels for sale;
- Extended warranty repair services.

The group has been found to be an agent in extended warranty sales and card sales. The Group agrees that any repairs made should be accounted for at the expense of the manufacturer/insurer party to the contracts for these guarantees.

Extended warranties

When selling a motor vehicle, an extended warranty can be purchased, which can be purchased separately.

Extended warranties are a separate performance obligation that should be deferred if the Group is principled on them. If extended warranties are issued by the manufacturer, the Group is an agent and should report the proceeds of those sales as an agent, on a net basis.

The group has found to be an agent and has changed its way of reporting on extended guarantees.

Significant accounting estimates, estimates and assumptions related to client contract revenue are presented in *Explanatory note 3.*

Other revenue/income

Other income includes operations that are incidental to the Group's principal activities and are income or income that is recognised by other standards and is outside the scope of IFRS 15.

The following table provides information about the essential conditions and related policies for recognising other income.

Income	IFRS/IAS - Revenue Recognition (Revenue)	Recognition approach
Net profit on the sale of property, plant and equipment and intangible assets	IAS 16 IAS 38	Gains or losses arising from the disposal of an item of property, plant, equipment or intangible asset as a result of a sale are included in profit or loss when the asset is written off. The asset is derecognised at the time the control is transferred to the sold asset.
Revenue from rent	IFRS 16	Rental income from operating leases is recognised as income on a straight-line basis over the term of the lease, except when management of the Group determines that another systematic basis reflects more accurately the time model, which utilizes the reaped benefit of the leased asset.
Surplus assets and liquidation of assets	Conceptual framework	Revenue from surplus assets are recognised when the surpluses are established.
Income from insurance events	Conceptual framework	Revenue is recognised when the Group's right to receive the payment is established.
Revenue from penalties		Revenue is recognised when the Group's right to receive the payment is established.
Income from liabilities write-off	IFRS 9	Revenue from derecognition of liabilities are recognised when the liability expires or the creditor waives his rights.

Income from interest

The interest income is reported by the use of the effective interest method, representing the percent that exactly discounts the expected future cash payments for the expected term of the financial instrument or for a shorter period, when appropriate, to the book value of the financial asset. Interest income is included in the financial income in the consolidated profit or loss account and other comprehensive income.

Income from dividends

Dividend income is recognised when the entitlement to such dividend is established.

Financial income generated by the Avto Union Group derives from:

- investment operations;
- positive differences from financial instruments and foreign exchange transactions;
- Revenue from fees and commissions;
- interests from granted loans.

c) Expenses

The expenses shall be recognised at the time of their occurrence and on the basis of the accrual principles and comparability.

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

Expenses for future periods (prepaid expenses) shall be deferred for recognition as current expenses in the period in which the contracts to which they refer, were performed.

Financial expenses include: losses incurred in connection with investment operations, negative differences from transactions in financial instruments and foreign exchange operations, interest expense on received bank and commercial loans and debt securities, as well as fees and commissions associated with them.

Other operating incomes and costs include items of secondary character in relation to the main activity of the Group's companies.

d) Interest

Interest income and expense are recognised in the consolidated profit or loss 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 afterwards.

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

Transaction costs are internally inherent costs directly attributable to the acquisition, issue or write-off of a financial asset or liability.

Interest income and expense presented in the consolidated profit or loss statement and other comprehensive income include interest recognised on an effective interest rate basis on financial assets and liabilities at amortized value.

e) Fees and commissions

Fees and commissions' income and costs, which are 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 recognised upon providing the respective services.

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

e) Taxes

Income Tax

The current tax includes the sum of the tax, which is to be paid on the expected taxable profit for the period, on the basis of the effective tax rate or effective tax at the date of preparation of the separate financial statements of the Group companies and any adjustments to past tax payable years.

The Group companies calculate a profit tax in accordance with applicable legislation. The profit tax is calculated on the basis of the taxable profit obtained after transformation of the financial result according to the requirements of the Corporate Income Tax Act.

Current taxes on income are determined in accordance with the requirements of Bulgarian tax legislation – the Corporate Income Tax Act. The nominal tax rate for 2019 is 10% of the taxable profit (2018: 10%).

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

Country	Tax rate	
	2019	2018
Macedonia	10%	10%
Kosovo	10%	10%

Deferred taxes

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 apply upon the realization of the asset or the settlement of the liability.

The effect of a change in tax rates on deferred tax is recognised in the consolidated profit or loss account and other comprehensive income, except when it relates to amounts previously accrued or directly recognised in equity. Based on IAS 12 Income Taxes, the Group companies recognise a current tax asset or liability in connection with acquisitions and sales of financial instruments only for that part of them that they expect to reverse for the foreseeable future or does not exercise control over the time of the reversal manifestation. For each group of financial instruments, the Group applies the policy in the same way.

As of December 31, 2019, the deferred income taxes of the Group companies are measured at a tax rate valid for 2019, which is in the amount of 10% for the Bulgarian companies, and for the foreign companies it is as follows:

Country	Tax rate	
	2019	2018
Macedonia	10%	10%
Kosovo	10%	10%

Value added tax (VAT)

Avto Union AD and other Bulgarian companies in the Group are VAT registered and charge 20% tax when supplying goods and services. Star Motors DOOEL is VAT registered and operates in Macedonia, where an 18% tax is charged on the supply of goods and services.

Withholding Tax

Pursuant to the Law for Corporate Income Tax, payment of certain 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 of expiration of the tax payment term.

g) Employee retirement benefits

Pursuant to the Bulgarian labour legislation, the group companies, as employers, are bound to pay two or six gross monthly salaries to their employees upon retirement, depending on the period of service. If the employee concerned worked for the same employer in the last 10 years of his/her entire length of service, he/she must receive six gross monthly salaries upon retirement, and if he/she worked less than 10 years for the same employer – two gross monthly salaries. The employee retirement benefit plan is not financed.

As of December 31, 2019, the Group's management did not make an estimate of the approximate value of contingent liabilities using the current level of salaries, since the average age of the employees is about 35 years and it is not expected that any significant amounts will be paid in the form of a retirement benefit.

h) Share capital

The equity is represented at the face value of Avto Union AD in accordance with the court decisions for its registration.

i) Income per share

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

The weighted average number of shares represent the number of shares of common stock hold at beginning of period, adjusted by the number of repurchased ordinary shares issued during the period multiplied by a time-weighting factor. This factor represents the number of days in which specific shares have been held, the total number of days in the period.

Upon capitalisation, bonus issue or fractioning, the number of outstanding ordinary shares in circulation 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.

Revenue per reduced value share should not be calculated because there are no issued shares of reduced value.

i) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes also the cost of replacing parts of the plant and equipment and borrowing costs under long-term construction contracts provided that they satisfy the criteria for asset recognition. When a major maintenance of plant and/or equipment is performed, its cost is recognised in the carrying amount of the respective asset as replacement costs if the asset recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated profit or loss and other comprehensive income statement in the period in which they are incurred.

The group has fixed materiality threshold in amount to BGN 700, under which acquired assets, regardless of whether they have the characteristics of fixed assets, are accounted as current expense at the time of acquisition thereof.

Initial acquisition

Initially, non-current tangible assets are valued as follows:

- At acquisition cost, which includes: purchase price (including duties and non-refundable taxes), all direct costs for making the asset in working condition according to its purpose – for assets acquired from external sources;
- At fair value: for assets obtained as a result of free of charge transaction;
- At measurement: approved by the court, and all direct costs for making the asset in 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 asset are included in the acquisition cost (cost) of this asset. All other borrowing costs are accounted on current basis in the profit or loss for the period.

Subsequent measurement - the approach chosen by the Group for subsequent balancing of property, plant and equipment is the cost model under IAS 16 - historical cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs - subsequent costs for repairs and maintenance are accounted in the Profit and loss and other consolidated comprehensive income statement at the time of incurring thereof, unless there is clear evidence that their incurring will result in increased economic benefits from the use of this asset. In such case, these costs are capitalized to the carrying amount of the asset.

Profits and losses from sale - in the sale of tangible fixed assets, the difference between the carrying amount and the selling price of the asset is recognised as profit or loss in the consolidated statement of profit or loss and other comprehensive income.

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

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

Depreciation methods - the Group applies straight-line method of amortization. Amortization begins from the month following the month of acquisition thereof. Land and assets in process of construction are not amortized. The useful life by groups of assets depends on: physical wear and tear, specifics of the equipment, future intentions for use and the assumed obsolescence. The estimated useful lives by groups of assets are as follows:

Buildings	25 years
Property, plant and equipment	2-4 years
Transportation vehicles	4-11 years
Others	6-7 years

The residual value, useful lives and methods of depreciation of the assets are reviewed at each financial year end, and if the expectations differ from the previous approximate evaluations, the latter are changed in future periods.

k) Leasing

Accounting policy applicable until December 31, 2018

Until December 31, 2018, leasing of property, machinery and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership, were classified as finance leases. A finance lease is capitalized when the lease is started at the fair value of the leased property or, if it is lower, the present value of the minimum lease payments. The corresponding rent obligations, excluding financial charges, were included in other short- and long-term liabilities. Each lease payment was distributed between liabilities and financing costs. Financial expenses were accrued on the profit or loss during the lease period so as to obtain a constant periodic interest rate on the remaining balance of the liability for each period. Property, machinery and equipment acquired under a finance lease are amortized over the useful life of the asset or the shorter of the useful life of the asset and the lease term, unless there is reasonable assurance that the Group will acquire the property at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under an operating lease (without any incentive received by the lessor) were charged to the straight-line profit or loss during the lease term.

Accounting policy applicable from January 1, 2019

The Group as a lessee

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

A reassessment of whether a contract represents or contains elements of a lease is made only in the event of a change in the terms and conditions of the contract. The assets and liabilities arising from lease initially measured as the present value.

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

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

Lease payments that are made under reasonably defined extension options are also included in the liability measurement. When evaluating a leasing contract with an option to extend, the term of the contract should be plus 1 year to the fixed period. The Group assumes that this is the minimum for which there is certainty that can be extended term of the contract with an option.

Lease payments are discounted using the interest rate included in the leasing contract. If this interest rate cannot be directly determined, the lessee's differential interest rate is used, which is the rate that the individual lessee would have to pay to obtain the funds needed to obtain an asset of similar value to the asset with a right to usage in similar economic environment with similar conditions, security and conditions.

The Group applies a three-stage approach in determining the differential interest rate based on:

- average yield of 10-year government bonds over the last 3 years;
- by financial spread - loans granted to new enterprises, non-financial corporations in local currency, to determine the initial interest rate for a period of 3 years (for real estate) or the average rate of financial leasing to unrelated persons for the last 3 years (for vehicles);

- specific adjustment for leases, associated with the particular asset (at the discretion of each individual asset).

Applicable Differential Rates in the Avto Union Group AD:

	Land and buildings	Vehicles
Differential interest rate	4.05%	5.34%

The Group is exposed to potential future increases in variable lease payments based on an index or interest rate that are not included in the lease liability until they are in force. When adjustments to lease payments take effect, based on an index or interest, the lease liability is remeasured and adjusted against the eligible asset.

Lease payments are allocated between principal costs and financial costs. Financial expenses were accrued on the profit or loss during the lease period so as to obtain a constant periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets should be measured at cost, including the following:

- the amount of the initial measurement of the lease liability;
- any leasing payments made on or before the initial date less the leasing incentives received;
- all initial direct costs and reimbursement costs.

Right-of-use assets are usually amortized over the shorter of the asset's life and the lease term on a straight-line basis. If the Group has reasonable grounds to use a purchase option, the right to use the asset is amortized over the useful life of the main asset.

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

The Company has accepted the threshold for recognition of right-of-use assets of BGN 10,000.00, taking into account the cost of the asset as new for this estimation.

The Group as a lessor

Lessors will continue to classify all leases by applying the same classification principle as in IAS 17 and distinguishing between two types of lease: operational and financial.

Operating lease income, when the Group is a lessor, is recognised as income on a straight-line basis over the term of the leasing contract. The Group did not need adjustments in accounting for assets held as a lessor as a result of the adoption of the new leasing standard. Eurohold Bulgaria AD does not have any assets for transfer under financial leasing.

Explanatory note 2.2 Changes in significant accounting policies and disclosures summarize the effect of the adoption of IFRS 16 on January 1, 2019 (see *Explanatory note 2.2.1.1).*

l) Intangible assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated depreciation and accumulated impairment losses

The useful life of intangible assets is defined as limited and is between 2 and 5 years. The useful life of Know-How intangible assets is set at 20 years.

Intangible assets with definite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

m) Investment properties

An investment property is recognised as such if it fulfils the following conditions:

- meets the definition of investment property;
- it is probable that the Group will receive the economic benefits associated with its letting; and
- its value can be reliably estimated.

Investment properties are initially recognised at cost. This price depends on how it was acquired.

The Group applies the fair value model for the subsequent measurement of its investment property.

Fair value is the price at which the property can be exchanged between informed and willing parties in a fair transaction between them. It reflects market conditions at the date of preparation of the consolidated financial statements.

The gain/loss arising from a change in the fair value of the investment property is included in profit or loss for the period in which it arises.

Assets transfers from and to the investment property group are made only when there is a change in their use, proven by:

- commencement of use by the Group - transferred from investment property to owner-occupied property;
- commencement of development for sale - for transfer from investment property to inventories;
- end date of use by the Group and lease to other persons - transferred from owner-occupied property to investment property;
- commencement of an operating lease to another party for an asset presented as inventory - transferred from inventories to investment property.

When the use of an investment property changes so that it is reclassified to Property, machinery and equipment, its fair value at the reclassification date becomes an acquisition price for subsequent reporting.

When an asset used by the Group becomes an investment property carried at fair value, any difference between the carrying amount of the property under IAS 16 and its fair value at the date of the change in use is accounted for revaluation under IAS 16.

The carrying amount of an investment property is written off when sold, when entering into a finance lease, or when no economic benefits are expected from the use of the property.

Gains or losses arising from the disposal of an investment property are determined as the difference between the net disposal proceeds and the carrying amount of the property and are recognised in the consolidated statement of profit or loss and other comprehensive income (unless IAS 17 requires otherwise for sale under reverse lease).

n) Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in delivering inventories to their present location and condition are accounted for as follows:

Materials	–	delivery value determined on the basis of the *"First - in, first - out"* method.
Vehicles	-	the delivery value determined on the basis of the *"specific cost identification"* method.

Net realizable value is the estimated selling price in the ordinary course of business minus the estimated cost to complete the production cycle and those that are needed to make the sale, and is determined in terms of marketing, moral aging, and development at expected sales prices.

When carrying amount of inventory exceeds the net realizable value, it is reduced to the extent of the net realizable value. Such reduction is carried as other current expenses.

o) Impairment of non-financial assets

At each reporting date, the Group assesses whether there are indications that an asset is impaired. In the case of such indications or when an annual impairment test of an asset is required, the Group determines the recoverable amount of that asset. The recoverable amount of the asset is the higher of the fair value less costs to sell the asset or the cash flow generating unit and its value in use. The recoverable amount is determined for a separate asset unless upon the use of the asset does not generate cash flows which significantly be substantially independent of cash flows generated by other assets or groups of assets. When the carrying amount of an asset or cash flow generating unit is higher than its recoverable amount, it is considered to be impaired and its carrying amount is reduced to its recoverable amount. They arise when the group provides money, goods or services directly to the debtor without an intention to trade in these estimates.

In determining the value in use of an asset, the expected future cash flows are discounted to their present value using a discount rate before tax that reflects the current market valuation of the time value of money and the risks specific to the asset. Fair value less costs to sell is determined based on recent market transactions, if any. If such transactions cannot be identified, an appropriate valuation model should be applied.

The calculations made are confirmed using other valuation models or other available sources of information about the fair value of an asset or a cash-generating unit.

Impairment calculations are based on detailed budgets and forward-looking calculations that are prepared separately for each CGU to which individual assets are allocated. These budgets and estimated calculations usually cover a five years period. For long periods, a long-term growth index should be calculated and applied after the fifth year to future cash flows.

Impairment losses are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income and are classified by their function by the use (purpose) of the impaired asset.

At each reporting date, the Group assesses whether there is any indication that the impairment loss on an asset recognised in prior periods may no longer exist or may have decreased. If such indications exist, the Group determines the recoverable amount of the asset or cash-generating unit. An impairment loss is reversed only when the measurement used to determine the recoverable amount of the asset has changed since the recognition of the last impairment loss. Recoverable of an impairment loss is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount (after deduction of depreciation) that would have been determined had no impairment loss been recognised for asset in previous years. The reversal of an impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

p) Financial assets

Debt instruments measured at amortized cost

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest rate. Discarding is not performed when its effect is inessential. The Group's management has assessed that financial assets are cash in current accounts, court and judgment receivables and loans receivable will be held by the Group for the purpose of obtaining the contractual cash flows and are expected to result in cash flows that represent only principal and interest payments. These financial assets are classified and will be subsequently measured at amortized cost.

Financial assets measured at fair value through profit or loss

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

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

As of December 31, 2019, the Group does not account for investments in Financial assets measured at fair value through profit or loss.

Financial assets measured at fair value through other comprehensive income

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

- The Group manages assets in a business model that aims to hold the financial assets to collect contractual cash flows and sell them; and
- under the contractual terms of the financial asset, on specific dates cash flows arise, which represent only principal and interests' payments on the outstanding amount of the principal.

Financial assets measured at fair value through other comprehensive income includes:

- Equity securities that are not held for trading and which the Group irrevocably has chosen at initial recognition to be recognised in this category.
- Debt securities where the contractual cash flows are only principal and interest and the purpose of the holding company's business model is achieved both by collecting contractual cash flows as well as by selling the financial assets.

For the disposal of equity instruments in this category, any value recognised in the revaluation reserve of the instruments is reclassified to retained profit.

For the disposal of debt instruments in this category, any value recognised in the revaluation reserve of the instruments is reclassified to profit or loss for the period.

As of December 31, 2019, the Group does not account for investments in Financial assets at fair value through other comprehensive income.

Recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to contractual arrangements involving financial instruments.

Write-off

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

Financial liabilities are derecognised when the liability, specified in the contract, have been fulfilled, derecognised or expires.

Impairment

The new impairment requirements under IFRS 9 use more forward looking information to recognise the expected credit losses - the "expected credit losses" model.

The Group applies a simplified depreciation model for financial assets falling within the scope of IFRS 9 (portfolio approach) based on Moody's statistics on probabilities of default, default losses and expected credit losses. The statistical databases in question have the following temporal and geographical dimensions:

- External statistics for the whole world for the period since 1990;
- Local country statistics (adapting external to the local environment) for the period from 2011 to 2018

The set of impairment guidelines adopted by the Group includes information about the main types of financial assets (held in separate portfolios) within the scope of IFRS 9, which are described in detail in the classification policy of the Group and of the Eurohold Bulgaria Group, but mainly includes the following types of assets:

- Cash and deposits - including cash held by the Group in banks, as well as deposits with a repayment term and more than 3 months from the date of the statement; The Group categorizes the banks in which it holds cash on the basis of their rating agencies (Moody's, Fitch, S & P, Bulgarian Credit Rating Agency) and, depending on it, applies a different percentage of expected credit losses;

- Receivables on loans granted –receivables on loans granted, which are categorized according to whether the borrowing company has a rating and whether such loans are overdue.
- Trade and other receivables - a large group of receivables arising from the normal business activity of the Group and related to general transactions in the normal course of business. The Group divides the portfolio of the aforementioned assets into 5 major portfolios according to their specific characteristics, namely:

  (A) Corporate clients - includes all receivables arising from commercial (non-financial) transactions, which are further subdivided according to their geographic features (1) Sub Portfolio A - International customers (including all types of international, non-local customers) and (2) Sub-Portfolio B - local customers (including all local customers at the respective place of operation);

  (B) Individual customers - the portfolio includes all receivables and other receivables (non-financial) from individuals;

  (C) Related parties - includes all trade and other receivables from related parties of the Group as well as within the Group in accordance with the general requirements of IAS 24 Related Party Disclosures;

  (D) Receivables under surveillance - the last portfolio includes all other receivables that are overdue for more than 120 days but are not yet considered as being individually reviewed due to the specific nature of the counterparty relationship;

  (E) Other individually assessed receivables - all other assets (trade and other receivables) that are overdue for more than 150 days and must be individually assessed for impairment.

r) Financial liabilities

Financial liabilities include debt obligations, loans (credits) and leases, payables to suppliers and other counterparties.

Financial liabilities are recognised during the period of loan with the amount of profited proceeds, principal, less the transaction expenses. During subsequent periods financial liabilities are measured at amortized cost, equal to the capitalized value, when applying the effective interest rate method. In the consolidated profit or loss account and other comprehensive income, loan costs are recognised over the period of the loan.

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

s) Provisions, contingent liabilities and contingent assets

Provisions shall be recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects that some or all of the expenses necessary to settle the provision will be recovered, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when it is practically certain that these costs will be recovered. Provisioning costs should be presented in the consolidated profit or loss account and other comprehensive income net of the amount of reimbursed costs. When the effect of time differences in the value of money is significant, provisions should be discounted using a current pre-tax discounted rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

t) Segment reporting

The Group identifies its reporting segments and discloses segment information in accordance with the organizational and reporting structure used by the management of the parent. Operating segments are components of the business that are regularly evaluated by members of the management of the parent company, who make operational decisions - using financial and operational information prepared specifically for the segment for the purpose of ongoing monitoring and evaluation of operating results (performance) and the allocation of resources of the Group.

The Group's operating segments are currently monitored and managed individually, with each operating segment representing a separate business area that carries different business benefits and risks. The operating segments in which the Group monitors, measures and controls the risks and returns for the Group are identified according to the main business activities performed by the parent company and its subsidiaries, namely: (a) sale of motor vehicles and servicing; (b) sale of oils and fuels; and (c) others.

Information by operating segments

The Group uses a single measurement tool - the segment's net sales revenue, when evaluating results in operating segments and allocating resources between them.

Segment assets, liabilities, income and results, respectively, include those that are and can be directly attributable to the segment concerned, as well as those that can be allocated on a reasonable basis. Usually these are: (a) for revenue, revenue from the sale of goods and services, other revenue; b) for assets - fixed tangible assets, investment property, intangible assets, trade receivables, cash; d) for liabilities - payables to suppliers, interest-bearing loans and borrowings, debentures, finance leases, other.

The results of activities that are considered incidental to the main types of operations (activities) of the Group, as well as non-distributable income, expenses, liabilities and assets, are reported separately in the item "not allocated at Group level". These amounts generally include: administrative expenses, interest income and expenses, realized and unrealized gains and losses on foreign currency transactions and investments, goodwill, other receivables and tax estimates.

The accounting policies applied for segment reporting are based on similar rules and principles to those used by the Group to prepare its public statements in accordance with the law. There have been no changes in the valuation methods used to determine segment profit or loss in prior reporting periods.

3. Judgments that are crucial in applying accounting policies of the Group Key estimates and assumptions of the management with high uncertainty.

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets and liabilities, and the disclosure of contingent liabilities at the date of the consolidated statement of financial position as well as the reported revenue and expenses for the period. The uncertainties related to assumptions and estimates could lead to factual results that require material adjustments to the carrying amounts of the assets or liabilities in subsequent reporting periods.

3.1. Significant judgments and assumptions

Revenue from contracts with customers

In recognizing revenue from contracts with customers, management makes various judgments, estimates and assumptions that affect the reported revenue, expenses, assets and liabilities of contracts. Additional information is provided in Explanatory note 2.3 (b) and Explanatory note 5.1.

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.

Debt instruments measured at amortized cost

Management's analysis and intentions are confirmed by the debt-holding business model, which is eligible to receive only principal and interest payments and the assets are held until the contractual cash flows from the bonds are recovered, which are classified as debt instruments carried at amortized cost. This decision is consistent with the current liquidity and capital of the Group.

Control over subsidiaries Espace Auto OOD and EA Properties OOD

Explanatory note 1 describes that Espace Auto OOD. and EA Properties Ltd. are subsidiaries of the Group, although it holds 51% of the voting rights. Based on the contractual agreements with the other investors, the Group has the power to appoint the majority of the members of the Board of Directors and has the power to manage the respective activities of Espace Auto OOD and EA Properties OOD. For this reason, management has come to the conclusion that the Group has the practical ability to manage the respective activities of Espace Auto OOD and EA Properties OOD individually and therefore control is in place.

Term of leasing contracts

In determining the leasing contracts term, management takes into account all the facts and circumstances that create an economic incentive to exercise the option of extension or not to exercise the option of termination. Extension options (or periods after the termination options) are included in the lease term only if it is reasonably certain that the lease is extended (or not terminated).

For leasing warehouses, shops and equipment, the following factors are usually most appropriate:

- significant penalties for termination (or non-extension), usually the Group is certain that it will prolong (or will not terminate).
- If improvements in leasing rights are expected to have significant residual value, the Reasonable Security Group will normally extend the contract (or will not terminate it).
- In other cases, the Group reviews other factors, including the historical length of the lease and the costs and changes in business required to replace the leasing asset.

Most options for extending office and vehicle contracts are not included in the lease obligations because the Group can replace the assets without significant cost or business change.

The lease term is reassessed if the option is actually exercised (or not exercised) or whether the Group undertakes to exercise (or does not exercise) the option. The assessment of reasonable security is only reviewed if a significant event or significant change in the circumstances affecting that assessment occurs and is under the control of the lessee.

Inventories – Impairment

As of the end of the reporting period, the management reviews the available inventories – supplies, goods, in order to identify if there are inventories whose net realizable value is less than their book value. In determining the net realizable value, management takes into account the most reliable available information at the estimated date. The future realization of the carrying amount of inventories of the Group companies is BGN 38 531 thousand. (2018: BGN 57,492 thousand). As of December 31, 2019, the Group recognised impairment of its inventories in the amount of BGN 45 thousand.

Impairment of non-financial assets and Goodwill

An impairment loss recognises the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount that is higher than the fair value less costs to sell an asset and its value in use. The value in use is based on the use of an appraisal model such as DCF and the supplementary income method. Using the DCF model, cash flows are extracted from the budget for the next five years and do not include restructuring activities to which the Group has not yet committed, or significant future investments that will improve the asset performance of the tested cash flow generating unit. When calculating the expected future cash flows, the management makes assumptions about future gross profits. These assumptions are related to future events and circumstances. Actual results may differ and result in significant adjustments to the Group's assets in the following accounting year. The recoverable amount is sensitive both to the discount rate used in the models and to the expected future cash flows and growth rate used for the extrapolation. The main assumptions used to determine the recoverable amount for various cash flow generating units, including sensitivity analysis, are set out in *Explanatory note 26 Determination of fair values.*

In most cases, appropriate market risk adjustments and risk factors that are specific to individual assets are assessed in determining the applicable discount factor.

In 2019, the Group reported a loss from impairment of Goodwill amounting to BGN 61 thousand (2018: BNG 0)

Impairment of cash, credits and receivables

Cash

The Group categorizes banks, which hold cash based on their judgment of rating agencies (Moody's, Fitch, S&P, Bulgarian Credit Rating Agency) rating and according to this applies a different rate for expected credit losses for 12 months.

Receivables from loans granted

The Group has receivables on loans granted, which are categorized according to whether the borrower has a rating awarded and depending on whether the receivables on such loans are overdue.

Court and judgment receivables

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

3.2. Uncertainty of Accounting Estimates

Impairment of financial assets

Details of the Group's accounting policies and models for impairment of financial assets are set out in Explanatory note 2.3. *Summary of significant accounting policies* to the consolidated financial statements. As of December 31, 2019, the management's best estimate of the expected credit losses on related party receivables, loans and trade and other receivables amounted to BGN 897 thousand (2018: BGN 1,269 thousand).

Useful lives of property, plant and equipment, and intangible assets

Financial reporting of property, plant and equipment and intangible assets involves the use of estimates for their expected useful life and remaining values, which are based on the assessments by the Group's management. Information on the useful lives of property, machinery and equipment and intangible assets is provided in Explanatory note 2.3 (j) and Explanatory note 2.3. l)

4. Risk management

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

In 2019, as in 2018, the Group does not own or trade in derivative financial instruments.

Foreign exchange risk

The group operates mainly in Bulgaria. Since 1996 the local currency in Bulgaria has been pegged to the Euro and therefore the currency risk is minimized.

The present issue of corporate bonds is denominated in Bulgarian lev (BGN). Currency risk of investment exists for investors, whose initial funds are denominated in US dollars or other currency different than lev and Euro due to the constant fluctuations in the exchange rates. The investors, taking on currency risk upon the purchase of this issue of bonds may increase or decrease the profitability of their investment as a result from strengthening or weakening of the BGN exchange rate against the currency, in which the investor's personal funds are denominated.

Interest rate risk

The Group is exposed to risk of a change in the market rates of interest, mainly with respect to its short-term and long-term financial liabilities with variable (*floating*) rate of interest. The policy of the group is to manage the interest costs by using financial instruments, both with fixed and variable interest rates. The interest rates on most of the Group's loans to banking institutions are based on one-month and/or three-month EURIBOR, which at the time of preparation of this report has been stable at 0%. The Group companies pay a fixed margin of between 2% and 5.5%. Therefore, the risk of changing interest rates is negligible.

Credit Risk

The Company's credit risk is mainly related to trade and financial receivables.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period as set out below:

	Note	31.12.2019 *BGN thousand*	31.12.2018 *BGN thousand*
Groups of financial assets - book values:			
Loans granted to third parties - non-current	10.1	2 023	259
Loans granted to third parties - current	10.2	109	1
Receivables from related parties - non-current	18.1	579	1 319
Receivables from related parties - current	18.2	10 799	11 607
Trade and other receivables - non-current	10.1	-	9
Trade and other receivables - current	10.2	19 224	14 383
Cash and cash equivalents	12	1 006	1 172
Book value		33 740	28 750

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

Expected credit losses are calculated at the date of each reporting period. They are calculated as of January 1, 2018 with the initial application of IFRS 9 and subsequently as of December 31, 2018, as well as of December 31, 2019.

Credit risk related to cash and cash equivalents, money market derivative financial instruments is considered to be immaterial, as the counterparties are banks with good goodwill and a high external rating of the credit rating.

The change in the amount of the adjustment for expected credit losses on trade receivables can be presented as follows:

	2019 *BGN thousand*	2018 *BGN thousand*
Balance on January 1,	1 269	7 658
Impairment loss	282	139
Recovery of impairment loss	(228)	(6 571)
Adjustments from the sale of companies	(376)	-
Reconciliation	*(50)*	*43*
Balance on December 31,	897	1 269

Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in servicing its financial obligations when they become payable. Policy in this field is aimed at ensuring that there will be enough cash available to service its maturing liabilities, 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 Group's management is responsible for managing the liquidity risk and this involves maintaining enough cash available, arranging adequate credit lines, preparation of analysis and update of cash flows estimates.

The table below presents a consolidated analysis of the financial assets and liabilities of the Group (gross without impairment) by maturity period based on the remaining period from the date of the consolidated statement of financial position to the date of the liability's realization based on the agreed non-discounted payments:

31.12.2019

In BGN thousand	Up to 1 month	1-3 months	3-12 month	1-5 years	More than 5	With no maturity	Total
ASSETS							
Loans granted	-	-	-	2 156	-	-	**2 156**
Receivables from related parties	6 458	1 364	3 296	354	-	-	**11 472**
Trade and other receivables	5 086	10 602	3 277	16	-	-	**18 981**
Cash	-	-	-	-	-	1 006	1 006
TOTAL ASSETS	11 544	11 966	6 573	2 526	-	1 006	33 615
LIABILITIES							
Interest-bearing loans and borrowings	1 472	-	10 388	4 860	-	-	**16 720**
Bonds	-	-	1 095	6 332	**8 000**	-	**15 427**
Payables to related parties	1 257	44	1 025	4 886	-	-	**7 212**
Trade and other payables	23 028	23 783	5 456	2 200	9 201	-	**63 668**
Finance lease liabilities	1 688	521	3 583	10 452	-	-	16 244
TOTAL LIABILITIES	**27 445**	**24 348**	**21 547**	**28 730**	**17 201**	-	119 271

December 31, 2018

In BGN thousand	Up to 1 month	1-3 month	3-12 month	1-5 years	More than 5	With no maturity	Total
ASSETS							
Loans granted	-	-	-	259	-	-	**259**
Receivables from related parties	1 053	6 381	4 173	1 319	-	-	**12 926**
Trade and other receivables	2 547	9 939	1 897	9	-	-	**14 392**
Cash and cash equivalents	-	-	-	-	-	1 172	1 172
TOTAL ASSETS	3 600	16 320	6 070	1 587	-	1 172	28 749
LIABILITIES							
Interest-bearing loans and borrowings	479	142	16 317	4 315	-	-	**21 253**
Bonds	-	-	932	6 032	**8 800**	-	**15 764**
Payables to related parties	538	218	1 224	5 774	-	-	**7 754**
Trade and other payables	9 926	18 593	28 700	2 892	-	-	**60 111**
Finance lease liabilities	19	66	3 621	11 069	-	-	14 775
TOTAL LIABILITIES	**10 962**	**19 019**	**50 794**	**30 082**	**8 800**	-	119 657

The amounts disclosed in this maturity analysis are the non-discounted cash flows under the contracts, which may differ from the carrying amounts of the liabilities as of the reporting date.

4.1 Capital management policy and procedures

By the management of capital, the Group aims to create and maintain opportunities for it to continue to function as a going concern and to ensure the appropriate return on shareholders' investments and the economic benefits of other stakeholders and participants in its business, as well as to maintain an optimal capital structure.

The Group currently monitors the security and structure of capital based on the debt ratio, namely net debt capital to total equity. The debt ratio is as follows:

	31.12.2019 *BGN thousand*	**31.12.2018** BGN thousand
Equity (Net assets)	14 389	10 683
Adjusted capital	**14 389**	**10 683**
Total liabilities	125 479	126 988
Cash and cash equivalents	(1 006)	(1 172)
Net debt	**124 473**	**125 816**
Ratio of capital to net debt	**1:8.65**	**1:11.78**

5. Revenue and expenses

5.1 Revenue from Contracts with Customers

5.1.1 Revenue from sale of goods

	2019 *BGN thousand*	2018 *BGN thousand*
Cars and mopeds	183 628	169 296
Spare parts and accessories	35 714	35 910
Lubricating oils	4 218	4 637
Fuels	812	650
Others	-	-
	224 372	210 493

5.1.2 Timing of revenue recognition

	2019 *BGN thousand*	2018 *BGN thousand*
Goods transferred at a certain point in time	224 372	210 493
Services transferred over time	8 672	8 838
Total revenue from contracts with customers	233 044	219 331

5.2 Other revenue and income

	2019 *BGN thousand*	2018 *BGN thousand*
Sale of fixed assets	4 488	4 998
Book value of fixed assets sold	*(3 886)*	*(4,814)*
Rental income	3 390	1 945
Revenue from bonuses, penalties, damages and more	11 107	5 316
	15 099	7 445

5.3 Cost of materials

	2019 *BGN thousand*	2018 *BGN thousand*
Consumables	707	687
Spare parts and service tools	433	500
Fuel	260	372
Office supplies	85	83
Advertising materials	72	191
Other materials	409	1 694
	1 966	3 527

5.4 Hired services expenses

	2019 *BGN thousand*	2018 *BGN thousand*
Expenditure on hired services	2 051	1 955
Advertising	1 948	1 561
Fees and insurances	1 776	1 257
Transport, maintenance and communications	1 146	878
Rent	440	3 122
Security and other	1 247	1 348
	8 608	10 121

The amounts for services provided by the registered auditors with regard to the independent financial audit of the Group's financial statements for 2019 are in the amount of BGN 88 thousand. Other services are not provided by registered auditors during the period.

5.5 Employee benefits expense

	2019 *BGN thousand*	2018 *BGN thousand*
Remuneration	12 511	12 702
Social Securities	1 994	1 975
	14 505	14 677

5.6 Other expenses

	2019	2018
	BGN thousand	*BGN thousand*
Taxes	408	470
Expenses for business trips	137	140
Training / Human Resources	137	102
Subscriptions and membership fees	131	106
Other expenses	857	1 400
	1 670	2 218

5.7 Reversed/(Accrued) impairment of financial assets, net

	2019	2018
	BGN thousand	*BGN thousand*
Recoverable impairment of financial assets	228	168
Accrued impairment of financial assets	(282)	(139)
	(54)	29

5.8 Gains from transactions with financial assets

In 2018, they include net sales of receivables and financial instruments - corporate bonds.

5.9 Finance costs

	2019	2018
	BGN thousand	*BGN thousand*
Interest expenses	2 877	2 543
Negative differences from transactions with financial assets	-	31
Others	674	756
	3 551	3 330

5.10 Finance income

	2019	2018
	BGN thousand	*BGN thousand*
Interest income on loans granted and receivables	489	349
Other operations with financial assets	14	151
	503	500

6. Property, plant and equipment

Book value:	Land and buildings *BGN thousand*	Property, machinery and business inventory *BGN thousand*	Transportation vehicles *BGN thousand*	Acquisition costs *BGN thousand*	Others *BGN thousand*	*Rights of use *BGN thousand*	Total *BGN thousand*
On January 1, 2018	13 550	12 689	12 655	810	1 929	-	41 633
Additions		615	10 867	229	98	-	11 809
Disposals	-	(228)	(10 462)	(333)	-	-	(11 023)
On December 31, 2018	13 550	13 076	13 060	706	2 027	-	42 419
Additions	-	628	12 034	107	104	21 657	34 530
Disposals	(82)	(613)	(7 511)	(78)	(7)	(3 009)	(11 300)
Sold to companies	(1 064)	(1 503)	(164)	(4)	(1)		(2 736)
Other changes	(404)	-	-	-	404	-	-
On December 31, 2019	12 000	11 588	17 419	731	2 527	18 648	62 913
Depreciation							
On January 1, 2018	(3 378)	(8 581)	(1 963)	(10)	(1 372)	-	(15 304)
Accrued	(299)	(954)	(1 359)	-	(87)	-	(2 699)
Written-off	-	230	1 253	-	-	-	1 483
On December 31, 2018	(3 677)	(9 305)	(2 069)	(10)	(1 459)	-	(16 520)
Accrued	(258)	(955)	(2 350)	-	(141)	(2 881)	(6 585)
Written-off	-	475	1 218	-	-	480	2 173
Sold to companies	739	1 414	79	-	1		2 233
Other changes	106	-	-	-	(106)	-	-
On December 31, 2019	(3 090)	(8 371)	(3 122)	(10)	(1 705)	(2 401)	(18 699)
Carrying amount:							
On January 1, 2018	10 172	4 108	10 692	800	557	-	26 329
On December 31, 2018	9 873	3 771	10 991	696	568	-	25 899
On December 31, 2019	8 910	3 217	14 297	721	822	16 247	44 214

** More information on the movement of* ***right-of-use assets*** *can be found in Explanatory note 2.2.1.1., (vi) " Right-of-use assets" to the consolidated financial statements for 2019. For more information on the new IFRS 16 Leasing, applied by the entire Group as of January 1, 2019, see Explanatory note 2.2.1.1. to the consolidated financial statements for 2019*

The Group did not recognise loss from impairment of property, plant and equipment in 2019, since the review made by the management of the Group for impairment of the fixed tangible assets did not establish any indicators, proving that the carrying amount of the assets exceeds their recoverable value.

The Group pledged the following own real estate as collateral for its liabilities as of December 31, 2019:

- First ranking registered mortgage on land and buildings in town of Town of Varna, Janos Hunyadi for securing a line of credit guarantee for bank guarantees and revolving credit granted to the companies in the Avto Union Group amounting to EUR 5.6 million as of 31.12.2019;
- Second ranking registered mortgage on land and buildings in town of Varna, Janos Hunyadi for securing a line of credit guarantee for bank guarantees and revolving credit granted to the companies in the Avto Union Group amounting to EUR 4.0 million as of 31.12.2019;
- mortgage on land in town of Pleven, for securing a working loan granted to Motobul EAD amounting to EUR 66 thousand as of December 31, 2019;
- mortgage on land in town of Sofia, Tsarigradsko Shosse Blvd. for securing an investment loan granted to EA Properties EOOD amounting to EUR 1.9 million as of 31.12.2019.

The Group has pledged tangible fixed assets (machinery and equipment), owned by Daru Car EAD and Avto Union Service EOOD, to provide a credit line for bank guarantees extended to the Group's subsidiaries amounting to EUR 1 million as of December 31, 2019. On 06.01.2020 the Group's relations with the creditor bank under the contract were terminated and the pledges and collateral under it were released.

7. Intangible assets

	Software products BGN *thousand*	**Cost of acquisition** BGN *thousand*	**Improvements** *BGN thousand*	**Property rights** BGN *thousand*	**Know-how** BGN *thousand*	**Others** BGN *thousand*	**Total** BGN *thousand*
Book value:							
On January 1, 2018	919	27	79	1	1 121	24	2 171
Additions	224	-	-	-	-	81	305
Disposals	(7)	-	-	(1)	-	-	(8)
On December 31, 2018	1 136	27	79	-	1 121	105	2 468
Additions	122	47	-	-	-	10	179
Disposals	(20)	-	-	-	-	-	(20)
Disposal of subsidiaries	(96)	-	-	-	-	(38)	(134)
On December 31, 2019	1 142	74	79	-	1 121	77	2 493
Depreciation							
On January 1, 2018	(839)	(16)	(79)	-	(561)	(10)	(1 505)
Accrued	(54)	-	-	-	(56)	(12)	(122)
Written-off	-	-	-	-	-	-	-
On December 31, 2018	(893)	(16)	(79)	-	(617)	(22)	(1 627)
Accrued	(77)	-	-	-	(56)	(11)	(144)
Written-off	14	-	-	-	-	-	14
Disposal of subsidiaries	96	-	-	-	-	38	134
as of December 31, 2019	(860)	(16)	(79)	-	(673)	5	(1 623)
Carrying amount:							
On January 1, 2018	80	11	-	1	560	14	666
On December 31, 2018	243	11	-	-	504	83	841
as of December 31, 2019	282	58	-	-	448	82	870

Impairment of intangible assets

The Group carried out a review for impairment of the intangible assets as of December 31, 2019. No indicators were found that the book value of the assets exceeds their recoverable value and, as a result, no impairment loss has been recognised in the consolidated financial statements. Additional information is provided in *Explanatory note 26.2.*

8. Investment properties

	Total BGN thousand
Book value:	
On January 1, 2018	**3 424**
On December 31, 2018	**3 424**
Disposal of subsidiaries*	(3 424)
On December 31, 2019	-
Depreciation:	
On January 1, 2018	**(158)**
On December 31, 2018	**(158)**
Disposal of subsidiaries*	158
as of December 31, 2019	-
Carrying amount:	
On January 1, 2018	3 266
On December 31, 2018	3 266
On December 31, 2019 *	-

As of December 31, 2018, the investment properties include a car service, car wash, and land property located in the city of Sofia, Lyulin District, owned by the subsidiary Bulvaria Holding EAD.

As of December 31, 2018, the fair value of investment property has been estimated, which is based on observable and unobservable data adjusted for specific factors such as area, location and present use. The assessment is consistent and repeatable due to the application of the fair value model under IAS 40 and is carried out regularly at the date of each financial statement with the assistance of external, independent licensed appraisers. The input data used in the assessment is subject to correction but is directly or indirectly available for monitoring. For this reason, the hypotheses used are categorized by Level 2.

As the fair value of investment property as of December 31, 2018 does not differ materially from their book values, it is considered that the new fair value is not reflected.

** On 31.10.2019 the Board of Directors of Avto Union AD made a decision to sell one of its subsidiaries, namely - Bulvaria Holding EAD. On **31.12.2019**, the Transfer of all shares and assets (including Investment Properties) to the new owner was entered in the Commercial Register.*

9. Goodwill

Company	Share in capital %	31.12.2019 BGN thousand	Share in capital %	31.12.2018 BGN thousand
Auto Italia EAD	100	2 876	100	2 876
Bulvaria Varna EOOD	100	5 591	100	5 591
Daru Car EAD	100	1 400	99,84	1 461
Motobul EAD	100	12 538	100	12 538
		22 405		22 466

The Group's management has performed the required procedures for making an impairment test of recognised goodwill with regard to the acquisition of subsidiaries, and for these purposes it has engaged external valuators and the group works in accordance with generally recognised international standards on auditing.

During the test it is assumed that every separate company is a Cash Flow Generating Unit (CGU). The financial budgets and other mid-term and long-term plans and intentions for the development and restructuring of the activities within the frames of the Group are used as a basis for estimating the cash flows (before tax). The calculations are made by management with the assistance of external independent licensed appraisers with appropriate qualifications and experience. As a basis for cash flow forecasts before taxes, financial statements developed by the respective subsidiaries covering three to five years are used, as well as other medium and long-term plans and intentions for their development. The key assumptions used in the calculations are determined specifically for each subsidiary and according to its specificity of activity, business environment and risks, the expected future economic benefits that will be obtained, as well as the positions on the Bulgarian and foreign markets, etc. The recoverable amount of each cash-generating item is determined on a "value in use" basis.

The key assumptions used for the calculations are defined specifically for each company with goodwill treated as a separate cash flow generating unit and in accordance with the specificity of its activity, the business environment and the risks. The test result shows that the recoverable amount of cash flow generating units exceeds the carrying amount of Auto Italy EAD, Bulvaria Varna EOOD and Motobul EAD, and therefore no impairment was reported for these entities. The results of the test at Daru Car EAD indicate that the carrying amount of cash flow generating units exceeds its recoverable amount, as a result of which the goodwill recognised by the business combination of this company amounted to BGN 61 thousand. More information on the impairment test provided in *Explanatory note 26.1.*

10. Trade and other receivables

10.1 Non-current receivables

	31.12.2019	31.12.2018
	BGN thousand	*BGN thousand*
Interest-bearing loans to third parties	2 046	262
Minus: accumulated impairment	*(23)*	*(3)*
Interest-bearing loans to third parties, net	**2 023**	**259**
Expenses for future periods	-	3
Receivables from unit sales	-	-
Other long-term receivables	-	9
	2 023	271

10.2 Current receivables

	31.12.2019	31.12.2018
	BGN thousand	*BGN thousand*
Trade receivables	15 617	11 932
Minus: accumulated impairment	*(713)*	*(881)*
Trade Receivables, net	**14 904**	**11 051**
Taxes for recovery	709	931
Minus: accumulated impairment	-	*(2)*
Taxes for recovery, net	**709**	**929**
Prepaid expenses	989	1 071
Receivables from trade loans granted	110	1
Minus: accumulated impairment	*(1)*	-
Receivables from trade loans granted, net	**109**	**1**
Judicial and judgment receivables	110	171
Minus: accumulated impairment	-	*(64)*
Legal claims awarded receivables	**110**	**107**
Advances granted	2 054	385
Minus: accumulated impairment	-	*(20)*
Advances granted, net	**2 054**	**365**
Receivables from unit sales	1 100	-
Minus: accumulated impairment	*(25)*	-
Receivables from unit sales, net	**1 075**	-
Other current receivables	3 175	3 388
Minus: accumulated impairment	*(40)*	*(163)*
Other current receivables, net	3 135	3 225
	23 085	16 749

11. Inventories

	31.12.2019	31.12.2018
	BGN thousand	*BGN thousand*
Cars and mopeds	24 514	33 104
Goods on the road	6 220	16 940
Spare parts	6 723	6 302
Lubricating oils	963	1 016
Materials	111	130
	38 531	57 492

As of December 31, 2019, a review of impairment of available inventories was carried out. As of the end of the reporting period, the management reviews the available inventories – supplies, goods, in order to identify if there are inventories whose net realizable value is lower than their carrying amount. In determining the net realizable value, management takes into account the most reliable available information at the estimated date. The future realization of the carrying amount of inventories of the Group companies is BGN 38 531 thousand. (2018: BGN 57 492 thousand). As of December 31, 2019, the Group has determined that the net realizable value of inventories exceeds their carrying amount and as a result recognised an impairment of its inventories in the amount of BGN 45 thousand.

Goods on the road represent inventories purchased by the Group at the end of 2019, which were physically received in 2020 due to delivery time.

The Group has pledged the following inventories as collateral for its liabilities:

- a pledge on spare parts of a non-deductible value of EUR 400 thousand for securing a target credit line for bank guarantees and revolving credit granted to the companies in the Avto Union group of EUR 5.6 million;
- a pledge on motor vehicles and spare parts of an approximate value of EUR 3.6 million to secure a bank credit guarantee and revolving credit line granted to the companies in the Avto Union Group at the amount of EUR 5.6 million;
- a pledge on motor vehicles and spare parts with a net value of EUR 5 million to secure a bank credit guarantee and revolving credit line granted to Star Motors EOOD amounting to EUR 4 million;
- a pledge on spare parts and oils with a total non-recoverable amount of EUR 1 640 thousand to secure a target credit line for bank guarantees and revolving credit granted to companies of the Avto Union Group in the amount of EUR 1 240 thousand;
- pledge on spare parts with a non-deductible value of EUR 134 thousand for securing a revolving loan granted to N Auto Sofia EAD amounting to EUR 103 thousand as of 31.12.2019;
- pledge on spare parts with a non-deductible value of EUR 66 thousand for securing a revolving loan granted to Motobul EAD amounting to EUR 66 thousand as of 31.12.2019;

12. Cash and cash equivalents

	31.12.2019	31.12.2018
	BGN thousand	*BGN thousand*
Cash in bank accounts	341	522
Cash in hand	174	132
Blocked money resources	491	518
	1 006	**1 172**

As of December 31, 2019, the fair value of cash and short-term deposits is BGN 1 006 thousand. (December 31, 2018 - 1 172 thousand BGN).

13. Share capital and reserves

13.1 Share capital	31.12.2019	31.12.2018
	BGN thousand	*BGN thousand*
80 008 pcs. ordinary shares with a nominal value of BGN 500 each	40 004	40 004

The change in share capital is presented below:

	Number of ordinary shares	Registered and issued capital (Thousand BGN)
On January 1, 2018	80 008	40 004
On December 31, 2018	80 008	40 004
On December 31, 2019	**80 008**	**40 004**

13.2 Reserves

As of 31.12.2019 the Group's reserves amount to BGN 6 232 thousand. (31.12.2018: 6 232 thousand BGN) represent conversion reserves and other reserves.

14. Interest-bearing loans and borrowings

14.1 Non-current

	31.12.2019	31.12.2018
	BGN thousand	*BGN thousand*
Bank and other loans	4 407	4 315
	4 407	4 315

14.2 Current

	31.12.2019	31.12.2018
	BGN thousand	*BGN thousand*
Bank and other loans	12 313	16 938
	12 313	16 938

The carrying amount of short-term loans is close to their fair value. All long-term loans will reach maturity within 1 to 5 years. The obligations are secured by a mortgage of own real estate, a pledge of inventories, a pledge of a commercial enterprise and guarantees from third parties.

Creditor Bank	*Interest rate*	*Liability as of 31.12.2019 (Thousand BGN)*
Raiffeisenbank Bulgaria EAD	1M EURIBOR + 2.0%	4 884
Raiffeisenbank Bulgaria EAD	1M EURIBOR + 2.25%	1 602
UniCredit Bulbank AD	1M EURIBOR + 2.9%	1 467
Raiffeisenbank Bulgaria EAD	1M EURIBOR + 3.5%	1 387
UniCredit Bulbank AD	1M EURIBOR + 3.5%	1 050
Raiffeisenbank Bulgaria EAD	1M EURIBOR + 3.5%	887
UniCredit Bulbank AD	1M EURIBOR + 3.5%	809
UniCredit Bulbank AD	1M EURIBOR + 3.5%	782
UBB - factoring	1M SOFIBOR + 1.8%	520
Bulgarian Development Bank EAD	3M EURIBOR + 5%	466
Uni bank AD (Macedonia)	525%	188
Raiffeisenbank Bulgaria EAD	3M EURIBOR + 3.3%	160
Allianz - factoring	Base Deposit Index for Legal Entities + 1.80%	106
Raiffeisenbank Bulgaria EAD	3M EURIBOR + 3.3%	101
UniCredit Bulbank AD	1M EURIBOR + 3.5%	79
Other credits from non-banking institutions (total)	Between 1.8% and 5.5%	2 233
	Total:	**16 721**

15. Bonds

	Issuer	Interest % rate	Maturity	31.12.2019 BGN thousand	31.12.2018 BGN thousand
1. ISIN: BG2100025126	Avto Union AD	4.50%	10.12.2022	**6 440**	**6 946**
- long-term part				*5 532*	*6 032*
- short-term part				*908*	*914*
2. ISIN: BG2100006183	Motobul EAD	3.85%	13.6.2028	**8 987**	**8 818**
- long-term part				*8 800*	*8 800*
- short-term part				*187*	*18*
				15 427	**15 764**

The parent company Avto Union AD is an issuer of bonds traded on the Bulgarian Stock Exchange with ISIN: BG2100025126. The issue has been trading since November 7, 2013 and is due on December 10, 2022. The issue has 2 principal and interest payments annually with an interest rate of 4,5% calculated on the basis of *ACT / 365 L*

As of December 31, 2019, Avto Union AD reports a matured principal and interest payment due on December 10. Under the terms of the issue, the issuer has the possibility to delay payment within 30 days. The Company pays all due amounts within these terms. The amounts of principal and interest payments due as of December 31, 2019 are: principal - BGN 250 thousand interest - BGN 142 thousand and was repaid in full on 08.01.2020.

The table below lists the related parties who, as of December 31, 2019, have bonds from the issue of Avto Union AD:

Company	Number of bonds	nominal value of principal, in thousand BGN
Insurance Company Euroins AD	330	330
Insurance Company EIG Re AD	148	148
Insurance Company Euroins Life EAD	122	122
Euroins Romania Insurance AD	653	653
Euro-Finance AD	87	87

The subsidiary Motobul EAD has a debenture loan amounting to BGN 8 800 000 (eight million and eight hundred thousand BGN). The nominal and issue value of each bond is BGN 1 000 (one thousand levs). The issue is due on 13.06.2028. Interest on bonds is paid every six months. The nominal annual interest rate is fixed at 3.85%.

On June 13, 2018, a bond loan was issued with the following parameters:

- ISIN code: BG2100006183, Currency: BGN
- Type of bonds: Ordinary, registered, dematerialized, interest-bearing, secured, non-convertible, freely transferable, with option of redemption at nominal value
- Value: BGN 8 800 000
- Number: 8 800 pcs.
- Par value: BGN 1 000
- Fixed interest rate: 3.85% on an annual basis
- Maturity: 13.06.2028
- Coupon payment period: on every 6 months
- Collateral: Signed insurance contract with Insurance Company Euroins AD

As of December 31, 2019, the Company reports a matured principal and interest payment due on December 13. Under the terms of the issue, the issuer has the possibility to delay payment within 30 days. The Company pays all due amounts within these terms. The amount of the matured interest payment as of December 31, 2019 is BGN 187 thousand and has been paid until its full repayment on January 10, 2020.

16. Finance lease liabilities

Total net financial leasing liabilities are analysed as follows:

Net liabilities	**31.12.2019**	**31.12.2018**
	Thousand BGN	*BGN thousand*
Up to 1 year	4 921	4 000
From 1 to 5 years	12 325	12 259
	17 246	16 259

The liabilities are secured by pledging the acquired assets - motor vehicles.
Net financial leasing liabilities to related parties are as follows:

Net liabilities	**31.12.2019**	**31.12.2018**
	BGN thousand	*BGN thousand*
Up to 1 year	317	294
From 1 to 5 years	685	1 190
	1 002	1 484

Net financial leasing liabilities to non-related parties are as follows:

Net liabilities	**31.12.2019**	**31.12.2018**
	BGN thousand	*BGN thousand*
Up to 1 year	4 604	3 706
From 1 to 5 years	11 640	11 069
	16 244	14 775

17. Trade and other payables

17.1 Non-current

	31.12.2019	**31.12.2018**
	BGN thousand	*BGN thousand*
Liabilities under leasing contracts – rights of use *(see Explanatory note 2.2.1.1)*	11 301	-
Obligations for shares purchase	85	-
Expenses on employee's retirement benefit provisions	15	15
Others	2 440	2 892
	13 841	2 907

The other long-term liabilities are to the original equipment supplier - Mazda Austria GmbH.

17.2 Current

	31.12.2019 *BGN thousand*	31.12.2018 *BGN thousand*
Liabilities to suppliers and customers	46 289	54 436
Liabilities under lease contracts – rights of use *(see Explanatory note 2.2.1.1)*	2 574	-
Advances received	2 512	2 660
Payables to personnel and social security entities	1 440	1 429
Tax liabilities	1 466	2 564
Deferred income	152	584
Obligations for shares purchase	953	2 243
Others	472	540
	55 858	64 456

18. Receivables from related parties

18.1 Non-current

	31.12.2019 *BGN thousand*	31.12.2018 *BGN thousand*
Receivables on loans from related parties	580	1 322
Minus: accumulated impairment	*(1)*	*(3)*
Receivables on loans from related parties, net	579	1 319

18.2 Current

	31.12.2019 *BGN thousand*	31.12.2018 *BGN thousand*
Receivables from related parties	4 035	11 588
Minus: accumulated impairment	*(82)*	*(124)*
Receivables from related parties, net	**3 953**	**11 464**
Receivables on loans granted to related parties, net	*6 858*	*152*
Minus: accumulated impairment	*(12)*	*(9)*
Receivables on loans granted to related parties, net	6 846	143
	10 799	11 607

19. Payables to related parties

19.1 Non-current

	31.12.2019 *BGN thousand*	31.12.2018 *BGN thousand*
Liabilities under lease contracts – rights of use *(see Explanatory note 2.2.1.1)*	2 638	-
Liabilities on loans from related parties	1 562	4 584
Finance lease liabilities	685	1 190
	4 885	5 774

19.2 Current

	31.12.2019 *BGN thousand*	31.12.2018 *BGN thousand*
Trade payables to related parties	1 723	1 533
Liabilities on loans from related parties	-	153
Finance lease liabilities	317	294
Liabilities under lease contracts – rights of use *(see Explanatory note 2.2.1.1)*	287	-
	2 327	1 980

20. Related party disclosure

Majority owner
The majority owner of the Company is Eurohold Bulgaria AD.

Subsidiaries of the Company
Avto Union AD has investments in the following subsidiaries: Auto Italia EAD, Auto Italia - Sofia EOOD (a subsidiary of Auto Italia EAD), Star Motors EOOD, Star Motors DOOEL (a subsidiary of Star Motors EOOD), Avto Union Service EOOD, Bulvaria Varna EOOD, N Auto Sofia EAD, Espace Auto OOD (a subsidiary of N Auto Sofia EAD), Daru Car EAD, Motobul EAD, Business Finance EAD, EA Properties OOD, Motohub OOD, Bulvaria Sofia EAD.

Related parties from the economic group of Eurohold Bulgaria AD *(Companies under common control)*
Other related parties are under the overall control of Eurohold Bulgaria AD (the ultimate parent company):
Euroins Insurance Group AD (EIG) is a subsidiary of Eurohold Bulgaria AD.
IC Euroins AD - a subsidiary of EIG
Euroins Romania Insurance AD - a subsidiary of EIG
Euroins Insurance AD, Macedonia - a subsidiary of EIG
IC Euroins Life EAD - a subsidiary of EIG
IC EIG Re AD - a subsidiary of EIG
Euroins Ukraine AD - a subsidiary of EIG
Eurolease Group EAD (ELG) is a subsidiary of Eurohold Bulgaria AD.
Eurolease Auto EAD – a subsidiary of ELG
Eurolease Auto Romania AD – a subsidiary of ELG
Eurolease Auto Skopje AD – a subsidiary of ELG
Eurolease Rent-a-Car EOOD – a subsidiary of ELG
Autoplaza EAD - a subsidiary of ELG
Sofia Motors EOOD - a subsidiary of ELG
Eurolease Auto Retail EAD – a subsidiary of ELG
Euro-Finance AD – a subsidiary of Eurohold Bulgaria AD.
Other related parties
Starcom Holding AD - a major shareholder in Eurohold Bulgaria AD

Key management personnel of the parent company Avto Union AD
Kiril Boshov - Chairman of the Board of Directors
Milen Christov - Vice Chairman of the Board of Directors
Assen Assenov - Member of the Board of Directors and Executive Director

Key management personnel of the Parent Company
Supervisory Board
Assen Christov, Dimitar St. Dimitrov, Radi Georgiev, Kustaa Äimä, Lyubomir Stoev, Louis Roman
Governing Board
Assen Minchev, Kiril Boshov, Assen Assenov, Dimitar K. Dimitrov, Velislav Christov, Razvan Lefter
Executive Directors - Assen Minchev, Kiril Boshov
Procurator - Hristo Stoev

The total amount of related party transactions and outstanding balances for the current and prior reporting periods are presented as follows:

Sales of/purchases from related parties		Sales from related parties	Purchases to related parties	Amounts owed from related parties	Amounts owed to related parties
		BGN thousand	*BGN thousand*	*BGN thousand*	*BGN thousand*
Ultimate parent company					
Eurohold Bulgaria AD	2019	5	128	1 824	155
Eurohold Bulgaria AD	2018	363	130	10 246	18
Other related parties (under common control)					
Autoplaza EAD	2019	44	104	8	119
Autoplaza EAD	2018	20	18	37	7
Euroins - Health Insurance AD	2019	-	-	2	-
Euroins - Health Insurance AD	2018	-	-	1	-
Euroins Romania /Asitrans/	2019	39	-	12	468
Euroins Romania /Asitrans/	2018	2 458	88	8	501
Eurolease Auto Skopje	2019	744	11	92	-
Eurolease Auto Skopje	2018	444	14	77	-
Eurolease Auto EAD	2019	2 870	202	378	99
Eurolease Auto EAD	2018	4 487	620	253	220
Eurofinance AD	2019	8	-	1	-
Eurofinance AD	2018	1	5	-	-
Insurance Company Euroins AD	2019	7 104	152	1 149	475
Insurance Company Euroins AD	2018	6 622	458	476	410
Insurance Company Euroins Life EAD	2019	11	-	4	-
Insurance Company Euroins Life EAD	2018	2	-	1	-
Euroins Insurance Group AD	2019	51	-	51	360
Euroins Insurance Group AD	2018	45	-	16	360
Eurolease Group EAD.	2019	1	-	1	-
Eurolease Group EAD	2018	-	-	1	-
Euroins Osiguryavane AD – Skopje	2019	10	12	12	17
Euroins Osiguryavane AD – Skopje	2018	26	6	4	2
Sofia Motors EOOD	2019	1 125	4	5	16
Sofia Motors EOOD	2018	2 166	25	8	-
Amigo Leasing EOOD	2019	11	-	1	-
Amigo Leasing EOOD	2018	-	-	1	-
Eurolease Rent-a-Car EOOD	2019	1 234	62	495	14
Eurolease Rent-a-Car EOOD	2018	3 813	292	459	15
Total:	2019	**13 257**	**675**	**4 035**	**1 723**
less: accumulated impairment	2019			*(82)*	-
Net:	2019	13 257	675	**3 953**	1 723
Total:	2018	**20 447**	**1 656**	**11 588**	**1 533**
less: accumulated impairment	2018			*(124)*	-
Net:	2018	**20 447**	**1 656**	**11 464**	1 533

Loans from / to related parties		Income from interest	Interest expenses	Amounts owed from related parties	Amounts owed to related parties
		BGN thousand	*BGN thousand*	*BGN thousand*	*BGN thousand*
Long-term					
Ultimate parent company					
Eurohold Bulgaria AD	2019	-	-	319	-
Eurohold Bulgaria AD	2018	-	-	-	-
Other related parties					
Euroins Insurance Group AD	2019	-	209	-	1 561
Euroins Insurance Group AD	2018	-	-	-	4 584
Eurolease Group EAD.	2019	23	1	236	1
Eurolease Group EAD.	2018	11	23	1,297	-
Eurolease Auto EAD	2019	-	-	-	-
Eurolease Auto EAD	2018	-	-	-	-
Starcom Holding AD	2019	-	1	25	-
Starcom Holding AD	2018	-	158	25	-
Total:	2019	**23**	**211**	**580**	**1 562**
minus: accumulated impairment	2019	-	-	*(1)*	-
Net:	2019	23	211	579	1 562
Total:	2018	**11**	**181**	**1 322**	**4 584**
minus: accumulated impairment	2018	-	-	*(3)*	-
Net:	2018	11	181	1 319	4 584

Short-term		Income from interest	Interest expenses	Amounts owed from related parties	Amounts owed to related parties
		BGN thousand	*BGN thousand*	*BGN thousand*	*BGN thousand*
Ultimate parent company					
Eurohold Bulgaria AD	2019	346	-	6 713	-
Eurohold Bulgaria AD	2018	200	340	19	1
Other related parties					
Starcom Holding AD	2019	-	-	-	-
Starcom Holding AD	2018	-	-	4	134
Euroins Romania /Asitrans/	2019	-	-	-	-
Euroins Romania /Asitrans/	2018	-	-	-	9
Eurolease Rent-a-Car EOOD	2019	8	-	145	-
Eurolease Rent-a-Car EOOD	2018	4	-	129	-
Eurolease Auto EAD	2019	-	-	-	-
Eurolease Auto EAD	2018	-	-	-	1
Euroins Osiguryavane AD – Skopje	2019	-	-	-	-
Euroins Osiguryavane AD – Skopje	2018	-	-	-	3
Eurolease Auto EAD	2019	-	-	-	-
Eurolease Auto EAD	2018	-	-	-	5
Total:	2019	**354**	-	**6 858**	-
minus: accumulated impairment	2019	-	-	*(12)*	-
Net:	2019	354	-	6 846	-
Total:	2018	**204**	**340**	**152**	**153**
minus: accumulated impairment	2018	-	-	*(9)*	-
Net:	2018	**204**	**340**	**143**	**153**

Financial leasing		Income from interest	Interest expenses	Amounts owed from related parties	Amounts owed to related parties
		BGN thousand	*BGN thousand*	*BGN thousand*	*BGN thousand*
Long-term finance leases					
Other related parties					
Eurolease Auto EAD	2019	-	-	-	216
Eurolease Auto EAD	2018	-	-	-	629
Eurolease Auto Skopje	2019	-	-	-	469
Eurolease Auto Skopje	2018	-	-	-	561
	2019	-	-	-	685
	2018	-	-	-	1 190

Short-term finance leases		Income from interest *BGN thousand*	Interest expenses *BGN thousand*	Amounts owed from related parties *BGN thousand*	Amounts owed to related parties *BGN thousand*
Other related parties					
Eurolease Auto EAD	2019	-	38	-	151
Eurolease Auto EAD	2018	-	49	-	294
Eurolease Auto Skopje	2019	-	19	-	166
Eurolease Auto Skopje	2018	-	11	-	-
	2019	-	57	-	317
	2018	-	60	-	294

Right-of-use assets

Long-term		Revenue - rights of use *BGN thousand*	Cost - rights of use *BGN thousand*	Assets - rights of use *BGN thousand*	Liabilitie s - rights of use *BGN thousand*
Other related parties					
Insurance Company Euroins AD	2019			2 663	2 608
Insurance Company Euroins AD	2018			-	-
Sofia Motors EOOD	2019			48	30
Sofia Motors EOOD	2018			-	-
	2019	-	-	2 711	2 638
	2018	-	-	-	-

Short-term		Revenue - rights of use *BGN thousand*	Cost - rights of use *BGN thousand*	Assets - rights of use *BGN thousand*	Liabilitie s - rights of use *BGN thousand*
Other related parties					
Insurance Company Euroins AD	2019	-	410	-	264
Insurance Company Euroins AD	2018	-	-	-	-
Sofia Motors EOOD	2019	-	49	-	23
Sofia Motors EOOD	2018	-	-	-	-
	2019	-	459	-	287
	2018	-	-	-	-

Remunerations and other short-term benefits of the key management personnel for 2019 are current and amount to BGN 333 190. (2018: BNG 149,581)

Conditions of the related party transactions

The sales and purchases are carried out at negotiated prices. A check of impairment of the receivables is made every financial year on the basis of an analysis of the financial position of the related party and the market where it operates. The outstanding balances on business transactions at the end of the year are unsecured, interest-free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

21. Income per share

The basic earnings per share are calculated using the net profit to be used as a numerator to be distributed among the shareholders of the parent.
The weighted average number of shares used to calculate the basic income per share, as well as the net profit/(loss) to be distributed among the holders of ordinary shares, is as follows:

	2019	2018
Profit to be distributed (in thousands of BGN)	3 989 000	1 743 000
Weighted average number of shares	80 008	80 008
Basic earnings per share (in BGN per share)	49.86	21.79

22. Contingent commitments

Guarantees provided - contingent liabilities

Avto Union AD is a co-debtor under a bank loan agreement of Asterion Bulgaria AD from First Investment Bank AD. Asterion Bulgaria AD has not used a limit under this agreement, which as of 31.12.2019 amounts to EUR 2 million and is used for issuing bank guarantees for the subsidiaries of Avto Union AD.

Guarantees received - contingent assets

The parent company Eurohold Bulgaria AD is a co-debtor and/or guarantor under the Bank Guarantees and revolving loans contracts of the Group in the amount of BGN 18 970 thousand as of December 31, 2019.

A third party has established a real estate mortgage in Burgas District to secure a contract for the issuance of bank guarantees and a revolving bank loan for the companies of the Group with a total limit of EUR 1 240 thousand.

Lawsuits

As of 31.12.2019, Eurohold Group companies are not a party to significant lawsuits.

23. Changes in liabilities arising from financing activities

The following table summarizes changes in liabilities arising from financial activities, including changes in cash flows and non-monetary changes, and contains a reconciliation between the opening and closing balances in the financial statements of liabilities arising from financial activities, for the year ending December 31, 2019

The cash outflows on presentation of Finance Lease Liabilities and Operating Lease Liabilities "IFRS 16" contain paid liabilities for principals to suppliers, leasing companies, resp. lease obligations to landlord suppliers and include VAT. The same amounts participate but with the opposite sign in the formation of non-monetary changes in the column "Other". The "Other" column also includes the effect of interest accrued but not yet paid on interest-bearing liabilities and loans, including leasing liabilities, and offsetting of loan commitments. The Group classifies interest payments as cash flows from financial activities only if applicable The "Acquisitions" column shows the effect of the acquisition of assets through the assumption of directly related liabilities and newly recognised assets eligible for use under IFRS 16. More information about the changes resulting from the newly applied accounting policies can be found in Explanatory note 2.2.2.1 IFRS 16 Leasing to the consolidated financial statements.

In BGN thousand	*Note*	Balance at January 1, 2019	Revenue	Payments	Acquisitions	Other changes	Balance at 31.12.2019
Loans from banks and other financial institutions	*14*	19 045	6 943	(5 335)	-	(6 166)	14 487
Liabilities on bonds	*15*	15 764	-	(818)	300	181	15 427
Liabilities on loans from related parties	*19*	4 737	7 360	(10 504)	3 431	(3 462)	1 562
Payables on trade loans received	*14*	2 208	3 137	(2 663)	6	(455)	2 233
Finance lease liabilities	*16*	16 259	-	(17 477)	19 837	(1 373)	17 246
Liabilities under operating leases (IFRS 16)	*17* *19*	-	-	(2 395)	23 801	(4 606)	16 800
Total:		58 013	17 440	(39 192)	47 375	(15 881)	67 755

24. Transactions with non-controlling interest and Business combinations

Subsidiaries with non-controlling interest

The Group includes two subsidiaries with significant Non-controlling interest at the reporting date - 31.12.2019. More information about them can be found in the tables below:

Name of the subsidiary	*Share of participation and voting rights of non-controlling interest, %*		*Total comprehensive income allocated to non-controlling interest, BGN thousand*		*Accumulated non-controlling interest, BGN thousand*	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
EA Properties EOOD	49.00%	49.00%	590	484	1 984	1 393
Espace Auto EOOD (through N Auto Sofia EAD)	49.00%	49.00%	(209)	84	2 216	2 426
Daru Car EAD	-	0.16%	(13)	-	-	13

Name of the subsidiary	*Espace Auto OOD Indirect participation through N Auto Sofia EAD*	*EA Properties EOOD Direct participation*
Place of main activity	Bulgaria	Bulgaria
The ownership portion of Non-controlling interest	49.00%	49.00%
The portion of the voting rights for the Non-controlling interest	49.00%	49.00%

	Total for the non-controlling interest, thousand BGN
Carrying amount of non-controlling interest as of 31.12.2018	**3 832**
Effect of changes in accounting policy (IFRS 16), attributed to the non-controlling interest	(53)
Book value of non-controlling interest on 01.01.2019 (recalculated)	**3 779**
Profit attributable to non-controlling interest for the period	1 294
Dividends paid attributable to non-controlling interest	(859)
Acquisition of controlling participation	(13)
Carrying amount of non-controlling interest as of 31.12.2019	**4 201**

For the period under review of this Business Activity Report, Espace Auto EOOD's subsidiary has distributed a dividend of BGN 827 thousand to a non-controlling interest company (RMG OOD, 49% ownership). The distributed dividend income in question is not eliminated and is stated in the appropriate places in the consolidated financial statements of the Group as of December 31, 2019 and the notes thereto.

Changes in controlling participations in subsidiaries

Acquisition of non-controlling interests in 2019

On June 18, 2019, the Group acquired an additional shareholding (0.16%) in its subsidiary Daru Car AD for a cash amount, thereby increasing its controlling interest from 99.84% to 100%.

The carrying amount of the net assets of the subsidiary Daru Car AD, recognised at the date of acquisition in the consolidated financial statements, amounts to BGN 8 420 thousand. The Group recognised a decrease in non-controlling interest of BGN 13 thousand and recognised an increase in retained earnings of BGN 4 thousand.

Sale of a subsidiary in 2019

On 31.10.2019 the Board of Directors of Avto Union AD made a decision to sell one of its subsidiaries, namely - Bulvaria Holding EAD, signing a Preliminary contract with the potential buyer. Following the fulfilment of the conditions stipulated in the preliminary contract on 19.12.2019, Avto Union AD transfers the shares to the new owner. On December 31, 2019, the Transfer of all shares from the capital of Bulvaria Holding EAD to VI Properties EOOD was entered in the Commercial Register. The Group sold a 100% shareholding in its subsidiary Bulvaria Holding EAD for cash in the amount of BGN 5 670 thousand, thereby reducing its controlling interest from 100% to 0%.

In 2019, most of the remuneration was received and the balance of BGN 1,100 thousand is due in 2020. The carrying amount of the net assets of Bulvaria Holding EAD, recognised at the date of sale, is presented as follows:

	31.12.2019
	BGN thousand
Property, plant and equipment	502
Investment properties	3 266
Total non-current assets	**3 768**
Inventory	135
Trade and other receivables	1 326
Cash and cash equivalents	7
Total current assets	**1 468**
TOTAL ASSETS	**5 236**
Total non-current liabilities	**149**
Total current liabilities	**4 650**
TOTAL LIABILITIES	**4 799**
Total book value of net assets	**437**

	BGN thousand
Total consideration transferred	5 670
Book value of the net assets of the subsidiary at the date of loss of control	(437)
Profit from the sale	5 233

The profit from the sale of Bulvaria Holding EAD in the amount of BGN 5 233 thousand is included in the consolidated statement of profit or loss and other comprehensive income for the year in the line item Profit from sale of subsidiaries.

25. Segment reporting

Segment reporting in the Group is organized on the basis of two main business segments: "sale of motor vehicles and service activities" and "sale of oils and fuels". The "other" group includes property management activities and the activities of the Parent Company - Avto Union.

The items of income, expenses and result of business segments identified in the Group include:

	Segments									
	Sale of motor vehicles, servicing activity		*Sale of oils and fuels*		*Others*		*Elimination*		*Consolidated*	
	2019 BGN thousand	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*
External sales	254 276	229 834	7 279	7 413	2 988	2 323	(16 400)	(12 794)	248 143	226 776
Total revenue	**254 276**	**229 834**	**7 279**	**7 413**	**2 988**	**2 323**	**(16 400)**	**(12 794)**	**248 143**	**226 776**
Other operating income	-	5 205	-	1 400	5 233	966	-	-	5 233	7 571
Undistributed operating expenses	(252 224)	(231 554)	(7,277)	(7 627)	(1 634)	(1 289)	16 400	12 794	(244 735)	(227 676)
Profit from operating activities	**2 052**	**3 485**	**2**	**1 186**	**6 587**	**2 000**	-	-	**8 641**	**6 671**
Financial income	377	494	532	317	239	668	(645)	(979)	503	5(
Financial expenses	(2 667)	(2 572)	(463)	(383)	(1 259)	(1 756)	838	1,381	(3 551)	(3,33
Profit before tax on profit	**(238)**	**1 407**	**71**	**1 120**	**5 567**	**912**	**193**	**402**	**5 593**	**3 841**
Profit tax expense	(164)	(326)	(9)	29	(137)	(106)	-	-	(310)	(403)
Net profit for the year	**(402)**	**1 081**	**62**	**1 149**	**5 430**	**806**	**193**	**402**	**5 283**	**3 438**
Attributable to shareholders of parent company	(1 102)	(130)	62	1 149	4 836	322	193	402	3 989	1 743
Non-controlling interest	700	1 211	-	-	594	484	-	-	1 294	1 695

The assets of the business segments identified in the Group include:

Assets by business segments	*Sale of motor vehicles, servicing activity*		*Oils and fuels*		*Others*		*Impairment of financial assets*		*tal*	
	2019 BGN thousand	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*
Property, machinery, equipment and right-of-use assets	34 548	16 827	1 186	578	8 480	8 494	-	-	44 214	25 899
Intangible assets	534	580	272	239	64	22	-	-	870	841
Investment properties	-	3 266	-	-	-	-	-	-	-	3 266
Inventory	37 741	56 568	790	923	-	1	-	-	38 531	57 492
Receivables from related companies	3 395	2 592	5 577	5 367	2 501	5 103	(95)	(136)	11 378	12 926
Trade and other receivables	16 408	14 823	4 277	3 373	5 224	378	(801)	(1 133)	25 108	17 441
Cash and cash equivalents	900	1 109	94	44	12	19	-	-	1 006	1 172
Assets of segment	93 526	95 765	12 196	10 524	16 281	14 017	(896)	(1 269)	121 107	119 037
Unallocated assets									22 901	22 466
Total assets									144 008	141 503

The liabilities of the business segments identified in the Group include:

Liabilities by business segments	*Sale of motor vehicles, servicing activity*		*Oils and fuels*		*Others*		*Total*	
	2019 BGN thousand	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*	*2019 BGN thousand*	*2018 BGN thousand*
Interest-bearing loans and borrowings	11 401	16 745	1 433	1 286	3 886	3 222	16 720	21 253
Debenture loans	-	-	8 987	8 818	6 440	6 946	15 427	15 764
Finance lease liabilities	16 190	14 775	-	-	54	-	16 244	14 775
Liabilities to associated enterprises	5 091	2 418	73	266	2 048	5 070	7 212	7 754
Trade and other payables	61 165	60 819	5 708	4 265	2 826	2 279	69 699	67 363
Liabilities of segment	**93 847**	**94 757**	**16 201**	**14 635**	**15 254**	**17 517**	**125 302**	**126 909**
Unallocated liabilities							193	79
Total liabilities							125 495	126 988

26. Fair value measurement

26.1 Impairment test for goodwill

For the purposes of the annual impairment test, goodwill is allocated to the following cash-generating units that are likely to reap the benefits of the business combinations in which the goodwill has arisen.

Company	**Share in Capital % 2019**	**31.12.2019** *BGN thousand*	**Share in Capital % 2018**	**31.12.2018** *BGN thousand*
Auto Italia EAD	100	2 876	100	2 876
Bulvaria Varna EOOD	100	5 591	100	5 591
Daru Car EAD	100	1 400	99.84	1 461
Motobul EAD	100	12 538	100	12 538
		22 405		22 466

At each date of the statement of financial position of the Group, management makes a goodwill impairment test for the Group. For this purpose, external evaluators have been hired to perform their work in accordance with generally recognised international valuation standards. During the test it is assumed that every separate company is a Cash Flow Generating Unit (CGU) The financial budgets and other mid-term and long-term plans and intentions for the development and restructuring of the activities within the frames of the Group are used as a basis for estimating the cash flows (before tax). The recoverable value of each cash flow generating unit is measured on the basis of "value in use". The key assumptions used in the calculations are determined for each company treated as a separate cash-generating unit and according to its specificity of activity, business environment and risks are as follows:

- growth in the post-forecast period when calculating terminal value - 1% to 1.5%;
- discount rate (based on WACC) - from 7.9% to 14%.

In addition to the assumptions described in determining the value in use of the cash-generating units mentioned above, no other possible changes are currently known to the management that would lead to adjustments in its key estimates. However, the estimate of the recoverable amount of goodwill varies according to key assumptions. If the discount factor used is increased or growth in the post-forecast period diminishes, the recoverable amount of goodwill would decrease, which may lead to impairment.

The tests and judgments of the goodwill impairment management are made in the light of its forecasts and intentions for the future economic benefits expected to be gained from cash flow generating units for which goodwill is reported, including commercial and industrial experience, securing positions. on Bulgarian and foreign markets, expectations for future sales, etc. The calculations are made with the assistance of an independent licensed appraiser.

	Participation in the capital %	***31.12.2019 book value of cash flow generating units***	***31.12.2019 recoverable amount of cash flow generating units***	***Exceeding recoverable amount over book value***
Company		*BGN thousand*	*BGN thousand*	
Auto Italia EAD	100	3 199	18 088	14 889
Bulvaria Varna EOOD	100	5 829	8 700	2 871
Daru Car EAD	100	9 881	9 820	(61)
Motobul EAD	100	14 232	15 959	1 727
		33 141	**52 567**	**19 426**

As a result of the analysis of the companies Motobul EAD, Auto Italy EAD and Bulvaria Varna EOOD it was found that the recoverable amount exceeded the carrying amount of the goodwill and the management did not identify any need for impairment for these cash flow generating units.

As a result of the analysis of the company Daru Car EAD, the carrying amount of cash flow generating units was found to be in excess of its recoverable amount, which led to the need for impairment of the goodwill until reaching the recoverable amount for the cash flow generating units in question. The related goodwill impairment loss of BGN 61 thousand in 2019 (2018: BGN 0 thousand) is included in the consolidated statement of profit or loss and other comprehensive income under "Other expenses" and is allocated to cash flow generating unit Daru Car EAD.

26.2 Impairment test for intangible assets

As of December 31, 2019, the impairment test for the intangible asset Know-How was performed due to impairment indications due to the overall decline in the automotive industry, as well as the continuing economic uncertainty that has led to reduced demand for new cars and consequently declining revenues and margins. For this purpose, external evaluators have been hired to perform their work in accordance with generally recognised international valuation standards. The test assumes that the intangible asset is acting as a cash flow generating unit as a basis for cash flow forecasts (before taxes), the data was used according to the leased asset contract. The recoverable value of the cash flow generating unit is measured on the basis of "value in use". The key assumptions used in the calculations are defined by the specificity of the activity and are as follows:

- useful economic life - 20 years;
- residual economic life - 6 years;
- discount rate (based on Build-up model) - 12,86%.

The analysis found that the recoverable amount was higher than the value of intangible assets and the management did not identify any need for impairment for these cash flow generating units.

The Group's management believes that in the current circumstances, the estimates of financial assets and liabilities presented in the consolidated statement of financial position are as reliable, adequate and reliable as possible for the purposes of the financial statements.

27. Events after the reporting period

Coronavirus disease (COVID-19)

At the end of 2019, Chinese news emerged for the first time about COVID-19 (Coronavirus) when a limited number of unknown virus cases were reported to the World Health Organization. During the first months of 2020, the virus spread globally and accelerated its negative impact. On March 11, 2020, after cases of new Coronavirus disease (COVID-19) strains were reported in 114 countries, the World Health Organization (WHO) announced the COVID-19 epidemic for a pandemic. On March 13, 2020, at the request of the government, the National Assembly declared a state of emergency in Bulgaria because of the Coronavirus (COVID-19).

Impact of Covid-19 on the Group's business activity

Due to the worldwide spread of the virus, difficulties have arisen in the business and economic activity of many businesses and entire economic sectors. As the situation and the measures taken by the state authorities are extremely dynamic, the management of the Group is not yet able to accurately assess the impact of the Coronavirus pandemic on its future financial position and results, but after the initial analysis it considers it too it is likely to have a negative effect on the Group's activities.

Considering all available information available to the Management at the date of preparation of this report, the negative effect in question could be empirically characterized by estimated expectations for emerging deviations compared to initial objectives for the performance of the Group in 2020

Measures taken to limit the adverse effect of Covid-19

Management constantly and closely monitoring the situation of the Coronavirus pandemic and is looking for ways to reduce its negative impact on the Group. In this regard, all necessary measures have been taken in order to protect the health of the workers, and the actions are in accordance with the instructions of the National Operational Headquarters, as well as the strict implementation of the orders of all national institutions.

Below are presented other additional measures taken by the management bodies of the Group, with the aim of minimizing the negative impact of Coronavirus pandemic at this stage of its emergence:

- optimization of the staff structure and increase of the efficiency of the work process;
- centralization of supply and further cost optimization;
- maintaining active communication with major suppliers, government and credit institutions on these actions and tools on their part aimed at easing the situation;
- introduction of new products and services, as well as new ways of doing business, taking into account the changed market situation.

It is important to note that one of the key factors for the recovery rate will be government measures to support business and coordination at pan-European level to deal with the effects of the pandemic. Management will continue to monitor the potential impact and will take all possible steps to mitigate the potential effects.

Management considers this to be a non-adjusting event occurring after the reporting period because it believes that it will not call into question the Company's ability to continue as a going concern.

There are no other events occurring after the reporting period that require additional disclosure or adjustments in the consolidated financial statements of Avto Union AD as of December 31, 2019.

28. Approval of the consolidated financial statements

The consolidated financial statements as of December 31, 2019 (including comparative information) were approved by the Board of Directors by a resolution under item one of the minutes of the meeting held on March 16, 2020.