Avto Union AD

CONSOLIDATED ANNUAL MANAGEMENT'S REPORT
DECLARATION ON CORPORATE GOVERNANCE
INDEPENDENT AUDITOR'S REPORT
CONSOILIDATED FINANCIAL STATEMENTS
31 December 2018

Avto Union AD

Contents

Avto Union AD
GENERAL INFORMATION
for the year ended on 31 December 2018

Board of Directors

Kiril Boshov - Chairperson
Milen Hristov - Vice Chairperson
Assen Assenov – a member and Executive director

Address

Bulgaria,
City of Sofia
43, Hristofor Kolumb blvd.

Registration codes

Unique identification code: 131361786
VAT ID: BG131361786

Auditor

HLB Bulgaria OOD
city of Sofia, 149-151 Konstantin Velichkov Blvd., fl. 1

CONSOLIDATED ANNUAL MANAGEMENT'S REPORT

OF AVTO UNION AD

FOR THE 2018 FINANCIAL YEAR

AVTO UNION

MEMBER OF EUROHOLD

The management presents its annual consolidated report and the annual Consolidated Financial Statements as at **31 December 2018.**

This consolidated report is prepared on the grounds of:

- article "100h" 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 "100h", 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 report on the activities of Avto Union AD (the Company) 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 the Avto Union Group is built on basic principles such as ensuring the rights of all shareholders and their equal treatment.

CONSOLIDATED ANNUAL MANAGEMENT'S REPORT

containing information about important events that have occurred during the 2018 financial year, according to Art. 100h 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 and it carries out its operations 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 Hristofor Kolumb 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 Hristofor Kolumb blvd.
Phone number	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 2018.

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 Boshov - Chairperson
Milen Hristov - Vice Chairperson
Assen Assenov – a member and Executive director

The parent company is represented by Assen Emanuilov Assenov.

SHARE CAPITAL

As of 31 December 2018 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 at 31 December 2018, 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 %**	**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 at 31 December 2018 Avto Union AD holds direct control shareholding in 11 subsidiaries, as follows:

- Auto Italia EAD - 100%
- Star Motors EOOD – 100%
- Bulvaria Holding EAD – 100%
- Bulvaria Sofia EAD – 100%
- Avto Union Service EOOD – 100%
- N Auto Sofia EAD – 100%
- Bulvaria Varna EOOD – 100%
- Motobul EAD - 100%
- Daru Car AD – 99.84%
- Motohub EAD - 51%
- EA Properties OOD - 51%

As at 31 December 2018 Avto Union AD holds indirect control shareholding in 5 subsidiaries, as follows:

- Espas Auto OOD (through N Auto Sofia EAD) – 51%
- Star Motors DOOEL, Macedonia (through Star Motors EOOD) – 100%
- Star Motors SH.P.K. through Star Motors EOOD – 100%
- Benzin Finance EAD (through Motobul EAD) - 100%
- Bopar Pro S.R.L., Romania (through Motobul EAD) - 100%

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 of the automotive business:

- **Auto Italia EAD** - official importer of Fiat, Fiat Professional, Maserati, Alfa Romeo and Piaggio, Vespa and Gilera scooters for Bulgaria
- **Bulvaria Holding EAD** - Opel dealer in Sofia;
- **Bulvaria Sofia EAD** - (formerly named Sofia Auto Bulvaria OOD) - Opel dealer in Sofia;
- **Bulvaria Varna EOOD** - Opel dealer in Varna;
- **Star Motors EOOD** - official representative of Mazda for Bulgaria;
  - **Star Motors Dooel** (a subsidiary of Star Motors EOOD) - official representative of Mazda for Macedonia;
  - Star Motors SH.P.K (a subsidiary of Star Motors EOOD) - an authorized dealer of Mazda and Maserati in Kosovo;
- **Motobul EAD** - official distributor of Castrol, BP and Orlen motor oils;
  - Bopar Pro SRL (a subsidiary of Motobul EAD - trade of spare parts and accessories;
  - Benzin Finance EAD (a subsidiary of Motobul EAD) - as at 31 December 2018 the company does not operate;
- **N Auto Sofia EAD (formerly Nissan Sofia EAD)** - Nissan's largest dealer in Bulgaria, operates in the regions of Sofia and Veliko Tarnovo;
  - Espas 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 Kar AD** - authorized BMW service for Bulgaria;
- **Avto Union Service EOOD** - performing car servicing;
- **Motohub OOD** - import, sale and service of scooters, motorcycles and mopeds

CAPITAL INVESTMENTS

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

Investment description	Shareholding, %	Number of shares	Capital expenses (BGN)	Method of financing	Investor
Capital investments of Avto Union AD and of subsidiaries in 2017					
Bulvaria Varna EOOD Capital increase	100%	25 000	250 000	Own funds	Avto Union AD
Star Motors DOOEL Capital increase	100%		195 583	Own funds	Star Motors EOOD
EA Properties OOD Acquisition of shareholding	51%		35 700	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.

The Companies in the Group have the following rights:

- Exclusive dealer 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 interconnected motor vehicles. The most significant competitors with a similar business model are Toyota Bolkanas AD (Toyota and Lexus), Moto Pfoe AD (Ford, Volvo, Jaguar and Landrover) and Porsche Bulgaria (Volkswagen, Audi and Seat).

POTENTIAL FOR DEVELOPMENT AND MOVING POWER

In 2018, the market for new vehicles reported growth in sales. According to the Association of Automobile Manufacturers, the Bulgarian market for new light and light motor vehicles increased by 9% compared to the same period in 2017. Avto Union is ahead of the pace of the market, with sales growth of 16.5% for the same period.

Avto Union AD forecasts to maintain its market share of 14.1% (2017: 13.2%) as a result of:

- Excellent opportunities to develop existing customer base of individuals and legal entities;

- Increase of corporate customers.

Expectations for the future development of the automotive market in Bulgaria are based on an increase in the rate of recovery of the local economy and an increase in the growth of new car sales in the country. On the other hand, the obsolete fleet is a prerequisite for increase in the sales to corporate customers, for which it is no profitable to maintain an outdated fleet.

KEY SUCCESS FACTORS

- Diversified product portfolio - with a wide range of 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);
- Joint products - strong links with the insurance company IC Euroins AD and Eurolease Auto EAD allow Avto Union AD to offer its customers exclusive and unique package product (eg Casco 4x4, Mazda Cash Leasing, etc.);
- Optimized Group Costs - Built-in budgets to optimize marketing costs, surveys, ad group placements / airtime, and more.

SEGMENT STRATEGY

The development of new product offerings of 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 centers. 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, lubricants 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 European Association of Vehicle Manufacturers, includes eight brand motor vehicles and four brands of scooters, lubricants, fuels and additional automotive services. Through its subsidiaries, Avto Union AD is the exclusive importer of Mazda, Fiat, Alfa Romeo and Maserati vehicles in Bulgaria, as well as an authorized dealer of Opel, Nissan, Renault, Dacia. In 2012 Avto Union completed the construction of the largest automobile center in Bulgaria, which is located at the headquarters of the issuer and it houses the showrooms of the brands of Avto Union AD.

The Avto Union Group also promotes the cross selling of insurance and leasing products respectively with Euroins Insurance Group AD and Eurolease Group EAD. In 2018 and 2017, sales with a leasing element provided by Eurolease Group EAD accounted for 14.9% and 14.5% of total sales of Avto Union AD respectively. 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 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.

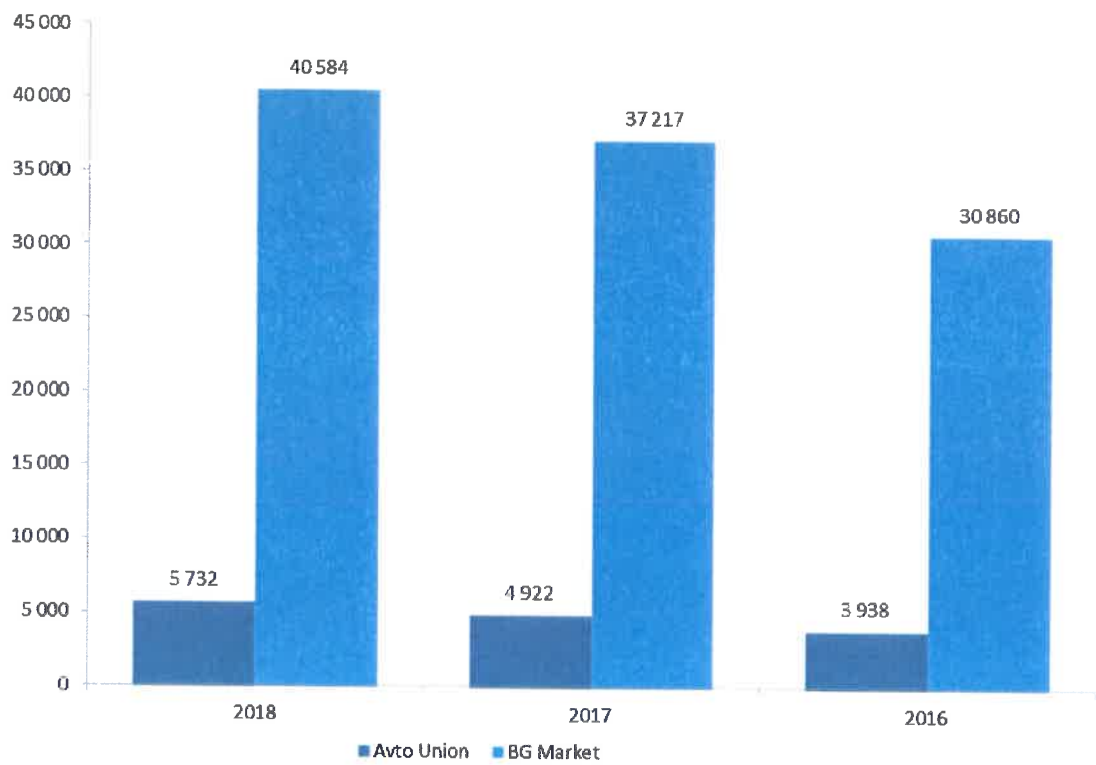
REGULATION

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 01.01.2018 to 31.12.2018 is a profit of BGN 3 438 thousand. (2017 - profit of BGN 258 thousand). The consolidated financial result for the owners of the parent company for the same period is a profit of 1,743 thousand BGN, which compared to 2017, it is a loss of 957 thousand BGN.

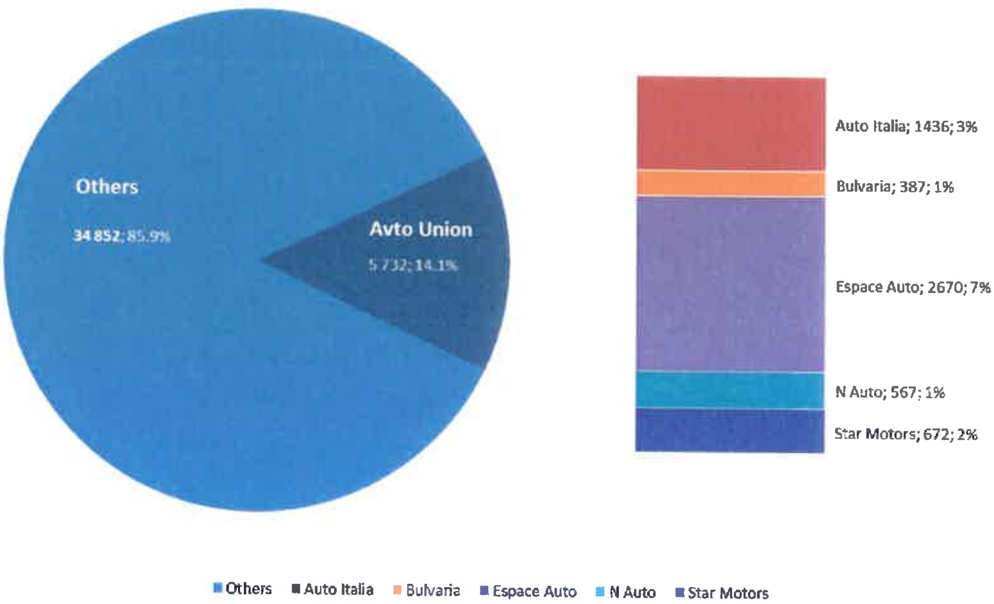
The number of vehicles sold for the fourth quarter of 2018 increased by 16.5% over the same period in 2017. Revenues from sales of motor vehicles, spare parts, oils and fuels increased by 13.1%, and sales of services decreased by 8.8%.



Sales of new motor vehicles for 2018, 2017 and 2016 compared to those on the Bulgarian market, number of motor vehicles, source: Union of Importers of Automobiles in Bulgaria

Operational spending for 2018 shown an increase of 14.6% over the same period in 2017, due to higher revenue in 2018 compared to 2017. The biggest growth in operating expenses was recorded for personnel costs, which increased by 17.4% or BGN 2 170 thousand as well as the cost of materials, which increased by 61.9% or BGN 1 348 thousand. The financial expenses increased by 15.3%, or by BGN 442 thousand, due to the increase in the amount of attracted capital due to the increased sales on the one hand and the restructuring of the capital structure of the Group. Financial revenues also increased by 16.3% or 70 thousand BGN for the period under review compared to the previous year 2017. During the reporting period, income from positive differences from transactions with financial assets was recognized at the amount of BGN 7 542 thousand.

For the year ended 31.12.2018 the sales of new vehicles and light-duty trucks realized by Avto Union – the automotive holding in the group of Eurohold Bulgaria, amount to 5 732 vehicles compared to 4 922 vehicles sold during 2017, which represents a growth of 16.5%. According to the Union of Automobile Importers in Bulgaria, the market for new passenger cars and light commercial vehicles rose by 9.0% in 2018 compared to the same period in 2017. During the reporting period, the Opel brand dropped 14% for Varna and 20% for Sofia. Espas Auto OOD has increased sales in both brands compared to 2017 - 8% for Renault and 17% for Dacia. At N Auto EAD, there was a growth in sales of 1.3% in car brand Nissan. Auto Italia EAD increased its sales with Fiat by 90% and with Alfa Romeo by 41.5%, and decreased its sales in Maserati by 58%. Star Motors marks a 5% drop in sales of new Mazda vehicles compared to last year.



Number of vehicles sold and market share of automotive companies in the Avto Union group for 2018.

During the reporting period the companies from the automobile holding have concluded flotation transactions for a total of 1 930 pcs. Motor Vehicles, amounting to BGN 50 288 million, the ratio for the previous year being 1 463 motor vehicles, amounting to BGN 34 million.

Avto Union Group	Sales 2018	2017	% Change
January - December (cumulative)	**5 732**	4 922	16.5%
Quarterly:			
First Quarter (Jan-Mar)	1 282	1 006	27.4%
Second quarter (April-June)	1 895	1 312	44.4%
Third quarter (July-Sep)	1 298	1 143	13.6%
Fourth quarter (oct-dec)	1 257	1 461	-14.0%

At the constituent assembly, held on **08.01.2018**, a decision was taken for the establishment of a joint stock company, **Sofia Auto Bulvaria AD**, the decision being entered in the Commercial Register on 07.02.2018. Founders of the company are Bulvaria Holding EAD (controlling 51% of the capital) and Sofia Auto Bulgaria EAD (with minority participation of 49% of the capital) - two of Opel's three largest dealers in the country. The joint venture undertaking, as a new legal entity, will start to carry out an independent economic activity of importing and selling in the country of new Opel brand cars, spare parts for them and provision of service activities. Bulvaria Holding and Sofia Auto Bulgaria

EAD will jointly exercise control and will cease to carry out independent activity for the import and sale of new Opel brand cars, original spare parts for them, including warranty service.

On **03.05.2018** Star Motors EOOD signed a contract with UniCredit Bulbank AD, through which the parties agreed to provide a bank revolving loan amounting to EUR 350,000 for operational payments, the deadline for the utilization of which is 30.04.2019.

On **17.05.2018**, with a record of an extraordinary general meeting of the shareholders of Espas Auto OOD, a decision was made for the allocation of BGN 500,000 of undistributed profit from the Company's activities to its shareholders N Auto Sofia EAD (51%) and RMG OOD (49%).

On **28.05.2018** Star Motors EOOD signed an annex to its Contract for a Bank Loan with UniCredit Bulbank AD, through which the parties agreed to decrease the credit limit granted to the Borrower in the form of bank guarantees and documentary credits by EUR 1 050 000. As a result, the total limit at the end of the reporting period granted to the borrower Star Motors EOOD amounted to EUR 3 250 000.

On **13.06.2018, Motobul EAD** successfully carried out, under the terms of primary private offering, a first issue of ordinary, registered, book-entry, interest-bearing, secured, non-convertible, freely transferable corporate bonds with the following parameters:

- ISIN code: BG2100006183
- Currency: BGN:
- 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: on every 6 months

On **15.06.2018** Motobul EAD has signed an annex to its revolving bank loan agreement with Raiffeisenbank Bulgaria EAD, which extends the term by one year and reduces the interest rate under the loan agreement. Under the new terms and conditions, the interest rate is 3-month EURIBOR + 3.3%.

On **29.06.2018** an agreement was signed on the credit agreement between N Auto Sofia EAD and Raiffeisenbank Bulgaria EAD, which reached an agreement for a gradual reduction of the limit used up to EUR 250 thousand until 31.12.2018.Under the new conditions set out in the annex, the interest rate is reduced and amounts to 3-month EURIBOR + 3.3%.

On **31.07.2018**, a record of the establishment of a new subsidiary of Avto Union AD - Motohub OOD, UIC 205231116 was registered in the Commercial Register, which will unite the interests of the automobile holding related to the import, purchase and sale of scooters, motorcycles and mopeds. The percentage participation of Avto Union AD in the newly established company is 51% and its capital at 31.12.2018 amounts to BGN 200.

At a meeting of the Board of Directors of Motobul EAD held on **07.08.2018** a decision was taken to release Assen Emanuilov Assenov from the position of Executive Member of the Board of Directors and representing Motobul EAD. In his place, Milen Asenov Hristov was elected and appointed to the same position.

On **26.10.2018** a circumstance was entered in the account of Avto Union AD in the Commercial Register - Asen Milkov Hristov was dismissed as a member of the Board of Directors and Milen Asenov Hristov was elected as a new member.

On **06.12.2018**, at a meeting of the Board of Directors of Avto Union AD, it was decided to increase the authorized capital of Auto Italia EAD by BGN 1 000 000 (one million) by the order of art. 192, para. 1 of the Commerce Act, by issuing 100 000 (one hundred thousand) new registered non-preferred voting shares with a nominal value of BGN 10 (ten) per share and an issue value of BGN 80 (eighty) per share. The payment of the newly issued shares shall be paid through a cash contribution by the sole owner of the capital of the Company - Avto Union AD - at the amount of 8 000 000 (eight million) BGN. At the reporting date, the cash contribution was paid by Avto Union AD.

The project to set up a joint Opel dealer with Sofia Auto Bulgaria EAD was terminated at the end of 2018. On **13.12.2018** the transfer of the shares of Sofia Auto Bulgaria EAD (49%) from the joint-stock company Sofia Auto Bulvaria AD to Bulvaria Holding EAD was registered. Accordingly, Sofia Auto Bulvaria AD became a sole owner of Bulvaria Holding EAD, renamed to Bulvaria Sofia EAD, its head office was changed (Sofia, 49, Tsaritsa Yoana Blvd.) and a new members of the Board of Directors - Assen Assenov, Miroslav Gruychev and Georgi Demirev was elected.

On **13.12.2018** Avto Union AD purchases 50 number of non-preferred, registered voting shares, representing 100% of the capital of Bulvaria Sofia EAD/with the previous name Sofia Auto Bulvaria AD/with UIC 204986699. The shares were purchased by the subsidiary Bulvaria Holding EAD.

REVENUES

In 2018 the revenues of Avto Union AD are formed by the main activity of the subsidiaries related to import of motor vehicles and scooters, import and sale of oils, servicing, sale of fuels and sale of used motor vehicles.

For the period from 01.01.2018 to 31.12.2018 the gross profit of the holding amounts to BGN 32 464 thousand and for the same period last year it is BGN 32 184 thousand, which represents a growth of 1%.

The amount of the income from interest on loans granted is BGN 349 thousand, and for 2017 it is BGN 390 thousand. The expenses for the overall activity of the Group amount to BGN 36 694 thousand. (for 2017: BGN 32 013 thousand), of which interest expenses on borrowings amounted to BGN 2 543 thousand. (for 2017: BGN 2 401 thousand).

The holding generates positive financial result for the Group in the amount of BGN 1 743 thousand for the year 2018, with a negative result in 2017 amounting to BGN 957 thousand.

Structure of income and expenses on consolidated basis:

	2018		2017	
	BGN thousand	**share**	**BGN thousand**	**share**
Sales of goods	210 493	90%	186 073	91%
Provision of services	8 838	4%	9 690	5%
Other revenue and income	7 445	3%	7 437	4%
Positive differences from transactions with financial assets	7 542	3%	0	0%
Financial income	500	0%	430	0%
Recoverable impairment of financial assets, net	29			
Total revenue	**234 847**	**100%**	**203 630**	**100%**
Expenses				
Book value of goods sold	194 312	84%	171 016	84%
Expenses for materials	3 527	2%	2 179	1%
Expenses for external services	10 121	4%	9 558	5%
Personnel expenses	14 677	6%	12 507	6%
Other expenses	2 218	1%	2 375	1%
Financial expenses	3 330	1%	2 888	1%
Expenses for depreciation	2 821	1%	2 506	1%
Income tax expense	403	0%	343	0%
Total expenses	**231 409**	**100%**	**203 372**	**100%**

NET PROFIT

The result of the Avto Union Group on a consolidated basis in 2018 is a profit in the amount of BGN 21.79 per share.

	2018	2017
	BGN thousand	**BGN thousand**
Net outcome of activity	25 019	24 747
Outcome of the financial activity	(2 830)	(2 458)
Financial outcome before tax	3 841	601
Costs/savings for taxes	(403)	(343)
Net financial result attributable to:	**3 438**	**258**
Shareholders of the parent-company	*1 743*	*(957)*
Non-controlling participation	*1 695*	*1 215*
Number of shares	80 008	80 008
Average number of shares (thousand)	80 008	80 008
Net result per share, BGN	**21.79**	**(11.96)**

FINANCIAL POSITION ON A CONSOLIDATED BASIS

The amount of assets increases in 2018 compared to 2017 by 3.7%. Non-current assets decreased by 4.9%. This is mainly due to the decrease in long-term trade and other receivables, and in particular those from related parties, which results from the improvement and more effective implementation of the internal management policy on receivables management. Current assets increased by 10%, inventories increased by 8% and trade and other current receivables declined by 19%. This is due to increased sales in 2018, as well as significant deliveries at the end of the year to some of the Group's companies as a result of planned sales in the first quarter of 2019. The decrease in Trade and other receivables is due to the measures taken to improve the collection of receivables. As of 31.12.2018 the cash decreased by 2% compared to the same period in 2017, which represents a decrease of BGN 404 thousand.

Dynamics of assets:

ASSETS	31.12.2018		31.12.2017
	BGN thousand	change	BGN thousand
Non-current assets			
Property, plant and equipment	25 899	(1.6%)	26 329
Intangible assets	841	26.3%	666
Investment properties	3 266	0.0%	3 266
Goodwill	22 466	0.0%	22 466
Deferred tax assets	421	(10.2%)	469
Receivables from related parties	1 319	104.2%	646
Trade and other receivables	271	(92.2%)	3 457
Total non-current assets	**54 483**	**(4.9%)**	**57 299**
Current assets			
Inventory	57 492	8.0%	53 249
Trade and other receivables	16 749	(19.3%)	20 752
Receivables from related parties	11 607	229.8%	3 519
Cash and cash equivalents	1 172	(25.6%)	1 576
Total current assets	**87 020**	**10.0%**	**79 096**
Total assets	**141 503**	**3.7%**	**136 395**

Dynamics of liabilities:

LIABILITIES	31.12.2018		31.12.2017
	BGN thousand	change	BGN thousand
Non-current liabilities			
Interest-bearing loans	4 315	(54.7%)	9 517
Debenture loan	14 832	118.1%	6 800
Finance lease liabilities	11 069	54.5%	7 166
Deferred tax liabilities	79	(34.2%)	120
Payables to related parties	5 774	(39.8%)	9 598
Trade and other payables	2 907	(36.3%)	4 563
	38 976	**3.2%**	**37 764**
Current liabilities			
Trade and other payables	64 456	14.1%	56 510
Interest-bearing loans	16 938	35.9%	12 464
Debenture loan	932	5077.8%	18
Payables to related parties	1 980	(39.2%)	3 258
Finance lease liabilities	3 706	(16.7%)	4 449
	88 012	**14.7%**	**76 699**
Capital			
Share capital	40 004	0.0%	40 004
Reserves	(6 232)	0.0%	(6 232)
Retained earnings/(uncovered loss)	(23 089)	52.2%	(15 169)
Equity	**10 683**	**(42.6%)**	**18 603**
Non-controlling interest	3 832	15.1%	3 329
Total equity and liabilities	**141 503**	**3.7%**	**136 395**

As of 31.12.2018, the Group's equity decreased by 42.6% due to the integrated impairment loss of retained earnings/(uncovered losses) from previous reporting periods related to the Group's transition to IFRS 9 Financial Instruments since 01.01.2018.

Non-current liabilities are increased by 3.2%, and the largest increase in debts on bond loans due to a bond issue issued by subsidiary Motobul EAD amounting to BGN 8 800 000. Non-current finance lease liabilities (from related and non-related parties) increased by 21.7%, which was driven by increased sales over the period under review.

Current liabilities increased by 14.7%, mainly due to an increase in Trade and other payables, driven by increased sales and sales volumes during the year.

The increase in the non-controlling interest is due to the profit of the subsidiary Espace Auto OOD, from which shares Avto Union owns 51%.

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 can not 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 unfavorable 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 unfavorable 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.

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 01.06.2018, the rating agency Fitch Ratings raised Bulgaria's credit outlook to positive from stable. The Agency confirmed Bulgaria's BBB long-term credit rating in foreign and domestic currencies with a stable outlook as well as the short-term credit rating in foreign and local currencies also retained "F2". The agency states that the economic growth in the country exceeds that recorded for the countries in the '***BBB***' category. In 2017 the Bulgarian economy grew by 3.6% in real terms. By comparison, the average growth of economies in the same rating group was 3.3%. For the current year, Fitch expects growth to accelerate to 3.7% before slowing to 3.4% in 2019. The main trigger will be domestic demand, with the rise in household consumption being supported by positive employment and wage dynamics as well as improved consumer confidence. Private and public investment is also expected to accelerate, given the progress in implementing European programs, favorable financial conditions and an improved business environment.
Source: 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%.

Currency Risk

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

Specifically for Bulgaria this is the risk of untimely cancelation of the conditions of the Currency Board at fixed national currency exchange rate. Considering the policy adopted by the government and the Central Bank, it is expected for the Currency Board to be maintained until entering of the country in the Eurozone.

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 revenues 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.

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 Avto Union 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 at 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.

Currency 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.

Liquidity Risk

This financial planning minimizes or completely eliminates the potential effect from the occurrence of extraordinary circumstances. The management of the Issuer supports the efforts of the subsidiaries in the group for attracting bank resources for investments and using the opportunities provided by this type of financing as a way to ensure operational funds. 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.

Risk of possible transactions between the companies in the group under conditions other than the market conditions, 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 RISK FACTORS Section above, 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.

V. CURRENT TRENDS AND PROBABLE FUTURE DEVELOPMENT OF THE GROUP

Sales growth in new motor vehicles we witnessed in 2017 continued in 2018, albeit at a moderate pace. According to the Union of the Automobile Importers in Bulgaria, 9.0% more vehicles were sold in 2018 compared to 2017, for comparison, then growth compared to 2016 was about 20%. The observed growth of 9% this year is expected to continue during the next year, which is still mainly due to the process of renovation of the old fleets countrywide. For 2019, slowing growth in corporate deals is expected, and retention of retailer levels supported by a relatively stable economy.

The number of motor vehicles sold by the Avto Union Group for 2018 increased by 16.5% compared to the same period in 2017. The market share also rose from 13.2% in 2017 to 14.1% in 2018.
The Avto Union Group predicts a slight increase in market share in 2019 as a result of the excellent opportunities for developing the existing customer base by individuals and legal entities.

No economic turmoil is expected in the new car market in Bulgaria, with the expectation to grow with the growth of the country's economy.

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

- On 22 March 2019 Milen Asenov Hristov was entered in the Commercial Register as a Procurator of the subsidiary Auto Italia EAD;
- On 11.02.2019 in the Commercial Register an increase of the capital of Benzin Finance EAD was registered with BGN 550 thousand. - from BGN 500 thousand to BGN 1 050 thousand;
- By a memorandum of the BoD of the subsidiary Auto Italia EAD dated 23.11.2018 it was decided to be established a subsidiary of Auto Italia EAD, namely Auto Italia-Sofia EOOD. The intention of the management is to divide the import and dealership activities of the FIAT, Maserati and Alfa Romeo brands - the newly established company will be a dealer for the city of Sofia, while Auto Italia EAD remains the only importer for the brands in Bulgaria.

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 2018 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 2018 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 2018	From Avto Union AD	From subsidiaries	Total
Assen Assenov	75 823	35 000	**110 823**
Milen Hristov	1 334	36 424	**37 758**
Kiril Boshov	-	-	-
Total	**77 157**	**71 424**	**148 581**

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 Chairperson 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 at 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 favor 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	**Chairperson of the Board of Directors**
Office address	city of Sofia, 43 Hristofor Kolumb blvd.
Information as of 31.12.2018 about activities performed outside of the Company, which are of importance to the Company	• Eurohold Bulgaria AD – Chairperson and executive Member of the Management board; • Euroins Osiguruvanie AD, Macedonia – Chairperson of the Board of Directors; • Euroins Insurance Group AD – Executive Member of the Board of Directors. • Euroins Romania Asigurare Reasigurare SA, Romania – Chairperson 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 – Chairperson 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	**Present:** • Capital – 3000 AD – Chairperson of the Board of directors; • Starcom Hold AD – Chairperson 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 • "Autoplaza" EAD – Member of the Board of Directors until 15.03.2013;
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 – Chairperson 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 Chairperson 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 Chairperson 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 Asenov Hristov**
Title	**Vice – Chairperson of the Board of Directors**
Office address	city of Sofia, 43 Hristofor Kolumb blvd.
Information as of 31.12.2018 about activities performed outside of the Company, which are of importance to the Company	• Motobul EAD - Executive Director; • Auto Italia - Sofia EOOD - Manager; • Benzin Finance EAD – 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	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 31.12.2018 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 Hristov 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. From 2018 he is a MBA at the Moscow School of Management "Skolkovo", where he is expected to acquire his qualification in 2019.
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**
Office address	city of Sofia, 43 Hristofor Kolumb blvd.
Information as of 31.12.2018 about activities performed outside of the Company, which are of importance	• Eurolease Auto EAD – Chairperson of the Board of Directors; • Eurolease Auto IFN AD, Bucharest – Member of the Board of Directors; • Eurohold Bulgaria AD – Member of the Governing Board. • Bulvaria Varna EOOD - Manager;

to the Company	• Bulvaria Holding EAD – Executive member of the Board of Directors; • 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 – Chairperson 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	**Present:** • Izgrev 5 EOOD – sole owner of the capital and manager **Terminated:** • Avto Union Group AD – Executive member of the Board of Directors until 12.10.2011; • Gransport Auto EOOD – Manager until 23.01.2013; • Milano Motors EOOD – Manager until 23.01.2013; • Avto Union Properties EOOD – Manager until 26.05.2014; • Auto 1 OOD – Manager until 08.01.2015; • EA Properties" EOOD – Manager until 20.11.2014;
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. Furthermore, he manages the official importers and dealers on the territory of the country of cars of the following brands Abarath, Nissan, Renault, Opel, Fiat, Fiat Professional, Alfa Romeo, Mazda, Maserati and the oil products Castrol and BP (Motobul), which are all also a 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 2018 with the members of the BoD 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 at 31.12.2018 there are 468 employees appointed by 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 fulfillment 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. Some subsidiaries will be supported to finish and furnish their showrooms and service centers. Special emphasis is put on the car repair centers as a main source of revenue due to the low margins on sales of new cars in the current market situation.

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 at 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 at 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 procurators (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 at 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 2018 financial year are presented in the table below:

Revenue from sale	Turnover, BGN thousand	Share (%)
Goods		
Cars and mopeds	169 296	77%
Spare parts and accessories	35 910	16%
Lubricating oils	4 637	2%
Fuels	650	0%
Services		
Service activity	8 838	4%
Net sales revenue	**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 revenues from sales, information is provided for each person separately, about his share in the sales or purchases and his relations with the Group.

Revenues broken down by the different categories of activity are 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*		*Other*		*Elimination*		*Consolidated*	
	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*
External sales	229 834	203 182	7 413	6 588	2 323	2 017	(12 794)	(8 587)	226 776	203 200
Total revenue	**229 834**	**203 182**	**7 413**	**6 588**	**2 323**	**2 017**	**(12 794)**	**(8 587)**	**226 776**	**203 200**

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

In 2018 no big transactions and transactions that are of material importance for the Group's business have been made.

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 31 December 2018, 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 2018 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 Statements for 2018.

5. Information about events and indicators with an unusual nature for the Group that have a material impact on its activities and its realized revenues 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 revenues 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" in the Consolidated Financial Statements for the year 2018.

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 at 31.12.2018 BGN thousand
Related parties				
Euroins Insurance Group EAD	5.50%	4 500	84	4 584
Eurolease Auto EAD	6.50%	-	5	5
Starcom Holding AD	6.00%	120	14	134
Eurolease Auto Skopje	6.75%	-	1	1
Banks and non-bank institutions				
UniCredit Bulbank AD	1m EURIBOR + 3.5%	4 701	-	4 701
UniCredit Bulbank AD	1m EURIBOR + 3.5%	809	-	809
Raiffeisenbank EAD	3m EURIBOR + 3.50%	1 785	-	1 785
Raiffeisenbank EAD	3m EURIBOR + 3.50%	1 332	-	1 332
Raiffeisenbank EAD	3.30%	311	-	311
Bulgarian Development Bank EAD	6.00%	466	-	466
Cedar EOOD	1M SOFIBOR + 3.15%	60	-	60
UniCredit Bulbank AD	2.90%	1 467	-	1 467
Uni Bank AD	5.25%	208	-	208
UniCredit Bulbank AD	3.50%	78	-	78
Raiffeisenbank EAD	3.30%	498	-	498
UniCredit Bulbank AD	3m EURIBOR + 3.50%	782	-	782
UniCredit Bulbank AD	3m EURIBOR + 3.50%	1 050	-	1 050
Raiffeisenbank (Bulgaria) EAD	1m EURIBOR + 2.0%	4 860	-	4 860
Non-related parties				
SLS AD	5.00%	131	23	154
Specialized logistics systems	3.20%	2 030	-	2 030
GPS Control	8.00%.	9	7	16
Euro truck EOOD	5.50%	7	3	10
Asterion Bulgaria AD	4.10%	-	79	79

More information on the collateral and guarantees provided can be found in Note 6 "Property, Plant and Equipment" and Note 21 "Conditional commitments" in the Consolidated Financial Statements for 2018

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 Group, 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 31.12.2018 thousand
Related parties				
Eurolease Group EAD	5.50%	1 291	6	1 297
Starcom Holding AD	5.00%	4	-	4
Eurolease Rent-a-Car EOOD	5.50%	125	4	129
Non-related parties				
Motobul Express EOOD	5.50%	17	2	19
Sintetika AD	5.50%	-	11	11
EuroAutoservice EOOD	5.50%	240	1	241
Starcom Holding AD	6.00%	-	25	25
Basketball Club Black Sea	5.00%	-	3	3

More information on the collateral and guarantees provided can be found in Note 21 "Conditional commitments" in the Consolidated Financial Statements for 2018.

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%	6 946

Issuer	Maturity	Interest rate	Amount in BGN thousand
Motobul EAD	13.06.2028	3.85%	8 818

During the reporting period from 01.01.2018 to 31.12.2018 The Group (in the person of the subsidiary company Motobul EAD) has executed a new issue of securities. On **13.06.2018, Motobul EAD** successfully recorded, under the terms of primary private offering, a first issue of ordinary, registered, book-entry, interest-bearing, secured, non-convertible, freely transferable corporate bonds with the following parameters:

- ISIN code: BG2100006183
- Currency: BGN:
- 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: on every 6 months
- Collateral: insurance to cover principal and interest due

Motobul EAD issues a bond loan in order to realize its investment program related to the expansion and expansion of its newest line, namely "Benzin.bg", as well as development and development of already invested in software products, Internet shop, payment, etc. that will allow the subsidiary to offer all its products in the form of a complete and easily accessible package of products and services.

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 2018.

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, 2018, 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 Management's report and financial statements for every financial year, which give true and fair idea about the Group's financial position as at 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 firm, 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 2018 the following changes took place in the Board of Directors of Avto Union - on **15.10.2018**, by decision of an extraordinary general meeting of the shareholders of Avto Union AD Asen Milkov Hristov was dismissed as a member of the Board of Directors and Milen Asenov Hristov was elected as a new member.

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 2018	From Avto Union AD	From subsidiaries	Total
Assen Assenov	75 823	35 000	**110 823**
Milen Hristov	1 334	36 424	**37 758**
Kiril Boshov	-	-	-
Total	**77 157**	**71 424**	**148 581**

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

17. Information about Group's shares held by the members of the managing and supervisory bodies, procurators (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 - Chairperson of the Board of Directors, who holds 7 number of shares.

18. For the public companies – information about Group's shares held by the members of the managing and supervisory bodies, procurators (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.

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

Avto Union is not aware of such arrangements.

20. 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.

21. Information for the investor relations director

Business address:	city of Sofia, 43 Hristofor Kolumb blvd.
Phone number	+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 **31 December 2018** 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 detection of potential fraud and other irregularities.

Assen Assenov
Executive Director
Avto Union AD
city of Sofia
15 April 2019

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

AVTO UNION AD

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 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Opinion

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

Key Audit Matters

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

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<table>
<tr><th>Key audit matter</th><th>How this key audit matter was addressed in our audit</th></tr>
<tr><td>1. Impairment of Goodwill recognized in Business combination

Goodwill as at 31 December 2018: BGN 22,466 thousand (31 December 2017: BGN 22,466 thousand)

Note 9 to consolidated financial statements

Review of the Goodwill acquired with Business combination is carried out on yearly basis with the help of independent external appraisers, hired by the Group. Assumptions are made based on future development of subsidiaries, taking into account their mid and long term business plans and planned future business activities within the Group. Key assumptions applied in calculations were determined separately for each Goodwill bearing Company, treated as separate unit generating Cash Flows and taking into account its business activity and risk specifics.

These reasons as of above along with the application of significant judgments of the Group management and the considerable volatility related to used input data and the assumptions allowed when determining the fair values made us to define this matter as a key audit matter.</td><td>In this area, our audit procedures along with others similar, include:

• review of the main assessment and assumptions, calculations and results from the impairment of the Goodwill review acquired with Business combination carried out by the Group with the help of independent external appraisers, hired by the Group;
• assessment of the competence, independence and objectivity of the external independent appraisers, hired by the Group;
• analysis of implementation of subsidiaries' forecast indicators from the previous year and comparison to their respective implementation during the reporting period as well as an assessment of appropriateness of Group's forecasts for its subsidiaries;
• assessment of the disclosure adequacy in Group consolidated financial statements related to impairment of Goodwill.</td></tr>
<tr><td colspan="2">2. Initial measurement and classification of financial assets, determination of their impairment, including the transition to IFRS 9 "Financial Instruments"

IFRS 9 'Financial Instruments' (IFRS 9) became effective for annual reporting periods beginning on or after 1 January 2018. IFRS 9 is a new and complex accounting standard which has required considerable judgment and interpretation in its implementation. The impact of the application of IFRS 9 needs be disclosed as required by IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Given the estimated impact of this new accounting standard on the opening balance of the Group's consolidated statement of financial position at 1 January 2018 and the accounting policy choices and assumptions to be taken by management on the implementation of IFRS 9 from 1 January 2018, we consider this matter as a key audit matter in our audit.

Note 2.2, Note 2.3 letter p), Note 3 letter (б), Note 5.7, Note 10, Note 20 to the consolidated financial statements</td></tr>
</table>

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Key audit matter	How this key audit matter was addressed in our audit
We focused on this area because: (a) the management exercises significant judgment, using subjective assumptions about the initial classification of the financial assets according to the IFRS 9 requirements; (b) the process of estimating the expected credit losses implies multiple judgments and a higher level of uncertainty and subjectivity in the estimated assumptions as to when and how much to recognize impairment of loans and an estimate of the amount of expected credit losses; In connection with the above, we have identified this issue as a key audit matter for our audit. The key changes resulting from the adoption of IFRS 9 as of 1 January 2018 for the Group relate to: (a) the calculation of credit losses on financial assets that are already determined on the basis of the expected losses but not on the losses historically incurred; (b) initial measurement and classification of financial assets. In addition, we have identified the transition to IFRS 9 and disclosure requirements as a key audit matter as the Group has developed new models for calculating impairment of financial assets that require judgments to be applied in very significant areas and especially for the calculation of expected credit losses (ECL).	Our audit procedures include, but are not limited to, the following procedures: • Assessment and review of the accounting policies applicable from 1 January 2018 for recognition, classification, subsequent measurement and impairment of financial assets; • We reviewed the Group's business model related to classification and assessment for each category of financial assets; • We reviewed and assessed the new methodology for Expected credit loss provisioning, as well as for Classification and Measurement of financial assets in order to ensure compliance with the requirements of IFRS 9; • We have obtained an understanding and assessed the reasonableness of the key outputs calculated by the models, as well as key judgments and assumptions used by Management for the implementation of the models; • We reviewed a sample of significant exposures for their default determination appropriateness, and we reviewed the probability of default (PD) calculation used in the expected credit losses (ECL) calculation. We also revised the mathematical correctness of models calculation at 1 January and as at 31 December 2018; • Assessement of the adequacy of the disclosures in the consolidated financial statements realated to financial assets including the effect of the transition at 1 January 2018, in order to determine whether they are in compliance with the requirements of IFRS 9 "Financial instruments".

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Other Matters

The consolidated financial statements of AVTO UNION AD as at 31 December 2017 were audited by other auditor that issued unmodified audit report whit an emphasis of matter paragraph dated 31 March 2018.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always

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detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Based on the procedures performed, our opinion is that:

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

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

Based on the procedures performed and the knowledge and understanding obtained about Group's activities and the environment in which it operates, in our opinion, the description of the main characteristics of Group's internal control and risk management systems relevant to the financial reporting process, which is part of the consolidated management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(c), (d), (f),

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(h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

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

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

- Audit firm HLB BULGARIA OOD was appointed as a statutory auditor of the consolidated financial statements of AVTO UNION AD for the year ended 31 December 2018 by the general meeting of shareholders held on 7 November 2018 for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended 31 December 2018 represents first total uninterrupted statutory audit engagement for that Group carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the audit committee of AVTO UNION AD, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Group.

Audit firm

HLB BULGARIA OOD

Manager:

Veronika Revalska

Одиторско дружество София Рег. № 017 Ейч Ел Би България ООД

Registered auditor, responsible for the audit:

Vaska Gelina

24 April 2019

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Avto Union AD
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended on 31 December 2018

	Note	2018	2017 *
		BGN thousand	*BGN thousand*
Revenue from the sale of goods	5.1	210 493	186 073
Revenue from services		8 838	9 690
Revenue from contracts with customers		**219 331**	**195 763**
Book value of goods sold		(194 312)	(171 016)
Gross profit		**25 019**	**24 747**
Other revenue and income	5.2	7 445	7 437
Expenses for materials	5.3	(3 527)	(2 179)
Expenses for external services	5.4	(10 121)	(9 558)
Personnel expenses	5.5	(14 677)	(12 507)
Other expenses	5.6	(2 218)	(2 375)
Recoverable/(Accrued) impairment of financial assets, net	5.7	29	-
Positive differences from transactions with financial assets		7 542	-
Operating profit before tax and depreciation		**9 492**	**5 565**
Expenses for depreciation	6,7	(2 821)	(2 506)
Operating profit		**6 671**	**3 059**
Financial expenses	5.9	(3 330)	(2 888)
Financial income	5.10	500	430
Profit before taxes		**3 841**	**601**
Income tax expense		(403)	(343)
Net profit for the year		**3 438**	**258**
Total comprehensive income for the year		**3 438**	**258**
Net profit for the year attributable to:			
The shareholder of the Parent company		1 743	(957)
Non-controlling interests		1 695	1 215
		3 438	**258**
Total comprehensive income for the year attributable to:			
The shareholder of the Parent company		1 743	(957)
Non-controlling interests		1 695	1 215
		3 438	**258**
Earnings/(loss) per share, in BGN		*21.79*	*(11.96)*

* The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The Consolidated Financial Statements was approved by the Board of Directors on 1[illegible] April 2019 and was signed as follows:

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

....
Assen Assenov
Executive Director

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

Финансов отчет, върху който сме издали одиторски доклад с дата: 24. 04. 2019
„Ейч Ел Би България" ООД HLB Bulgaria Ltd.
Управител: .... Регистриран одитор: ....

Audit firm
HLB Bulgaria OOD

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 017 Ейч Ел Би България ООД

The explanatory notes from page 5 to page 47 are an integral part of the Consolidated Financial Statements.

Avto Union AD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended on 31 December 2018

	Note	31.12.2018	31.12.2017 *
		BGN thousand	*BGN thousand*
ASSETS			
Non-current assets			
Property, machinery and equipment	6	25 899	26 329
Intangible assets	7	841	666
Investment properties	8	3 266	3 266
Goodwill	9	22 466	22 466
Deferred tax assets		421	469
Receivables from related parties	18.1,20	1 319	646
Trade and other receivables	10.1	271	3 457
Total non-current assets		**54 483**	**57 299**
Current assets			
Inventories	11	57 492	53 249
Trade and other receivables	10.2	16 749	20 752
Receivables from related parties	18.2,20	11 607	3 519
Cash and cash equivalents	12	1 172	1 576
Total current assets		**87 020**	**79 096**
TOTAL ASSETS		**141 503**	**136 395**
EQUITY AND LIABILITIES			
Equity			
Share capital	13.1	40 004	40 004
Reserves		(6 232)	(6 232)
Retained earnings/(uncovered loss)		(23 089)	(15 169)
Total Equity of the Parent Company		**10 683**	**18 603**
Non-controlling interests		3 832	3 329
Total equity		**14 515**	**21 932**
Non-current liabilities			
Interest-bearing loans and borrowings	14.1	4 315	9 517
Bonds	15	14 832	6 800
Finance lease liabilities	16	11 069	7 166
Deferred tax liabilities		79	120
Payables to related parties	16,19.1,20	5 774	9 598
Trade and other payables	17.1	2 907	4 563
Total non-current liabilities		**38 976**	**37 764**
Current liabilities			
Trade and other payables	17.2	64 456	56 510
Payables to related parties	16,19.2,20	1 980	3 258
Interest-bearing loans and borrowings	14.2	16 938	12 464
Bonds	15	932	18
Finance lease liabilities	16	3 706	4 449
Total current liabilities		**88 012**	**76 699**
Total liabilities		**126 988**	**114 463**
TOTAL EQUITY AND LIABILITIES		**141 503**	**136 395**

* The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The Consolidated Financial Statements was approved by the Board of Directors on 15 April 2019 and was signed as follows:

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

....
Assen Assenov
Executive Director

Audit firm
HLB Bulgaria OOD

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

Одиторско дружество София Рег. № 017 Ейч Ел Би България ООД

Финансов отчет върху който сме издали одиторски доклад с дата: 24.04.2019
„Ейч Ел Би България" ООД HLB Bulgaria Ltd.
Управител:.......... Регистриран одитор:..........

The explanatory notes from page 5 to page 47 are an integral part of the Consolidated Financial Statements.

Avto Union AD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended on 31 December 2018

	Note	Share capital *BGN thousand*	Reserves *BGN thousand*	Retained earnings/ (uncovered loss) *BGN thousand*	Total equity attributable to the Parent company *BGN thousand*	Non-controlling interests *BGN thousand*	Total *BGN thousand*
as at 1 January 2017		**40 004**	**(6 232)**	**(14 212)**	**19 560**	**2 604**	**22 164**
Profit / (Loss) for the year		-	-	(957)	(957)	1 215	258
Distribution of dividends		-	-	-	-	(490)	(490)
as at 31 December 2017		**40 004**	**(6 232)**	**(15 169)**	**18 603**	**3 329**	**21 932**
Adjustment on initial application of IFRS 15	2.2	-	-	*(2 102)*	*(2 102)*	-	***(2 102)***
Adjustment on initial application of IFRS 9	2.2	-	-	*(7 561)*	*(7 561)*	*(65)*	***(7 626)***
at 1 January 2018 (restated)		**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 dividends		-	-	-	-	(1 127)	(1 127)
As at 31 December 2018		**40 004**	**(6 232)**	**(23 089)**	**10 683**	**3 832**	**14 515**

* The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The Consolidated Financial Statements was approved by the Board of Directors on 15 April 2019 and was signed as follows:

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

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

....
Assen Assenov
Executive Director

Audit firm
HLB Bulgaria OOD

The explanatory notes from page 5 to page 47 are an integral part of the Consolidated Financial Statements.

Одиторско дружество
София
Рег. № 017
Ейч Ел Би България ООД

Финансов отчет,
върху който сме издали одиторски
доклад с дата:
24. 04. 2019
„Ейч Ел Би България" ООД
HLB Bulgaria Ltd.
Управител:........
Регистриран одитор:........

Avto Union AD
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended on 31 December 2018

	2018	**2017**
	BGN thousand	*BGN thousand*
NET CASH FLOW FROM OPERATING ACTIVITY		
Proceeds from counterparties	304 572	260 280
Payments to counterparties	(255 493)	(228 863)
Payments for tax	(16 337)	(15 121)
Payment of salaries, social contributions and other related to the personnel	(13 542)	(12 650)
Paid bank fees and interest	(478)	(628)
Net effect of changes in foreign exchange rates	(16)	(19)
Other proceeds/(payments) from operating activity	(1 419)	1 311
Net cash flows from/used in operating activities	**17 287**	**4 310**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the purchase of fixed assets	(1 187)	(2 412)
Proceeds from sale of fixed assets	3 112	1 759
Loans granted	(20 463)	(15 399)
Paid/Recovered granted loans	15 143	21 421
Interest received on loans granted	141	514
Purchase of investments	(23 379)	1 705
Proceeds from sale of investments	9 859	-
Other proceeds/payments from investing activity	-	(2 329)
Net cash flows from/ used in investing activities	**(16 774)**	**5 259**
CASH FLOWS FROM FINANING ACTIVITIES		
Dividends paid	(1 127)	(490)
Proceeds from bond issuance	8 800	-
Proceeds from bank and trade loans	44 072	51 675
Payments on bank and trade loans	(36 564)	(48 801)
Paid interest and commissions	(1 317)	(1 323)
Payments under leasing contracts	(16 832)	(7 585)
Other proceeds/(payments) from financing activity	2 051	(2 742)
Net cash flows from /used in financing activities	**(917)**	**(9 266)**
Net (decrease)/increase in cash and cash equivalents	**(404)**	**303**
Cash and cash equivalents at 1 January	**1 576**	**1 273**
Cash and cash equivalents at 31 December	**1 172**	**1 576**

The Consolidated Financial Statements was approved by the Board of Directors on 15 April 2019 and was signed as follows:

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

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

....
Assen Assenov
Executive Director

Финансов отчет,
върху който сме издали одиторски
доклад с дата:
24. 04. 2019
Ейч Ел Би България" ООД
HLB Bulgaria Ltd.
Управител:.......... Регистриран одитор:..........

Audit company
HLB Bulgaria OOD

Одиторско дружество София Рег. № 017 Ейч Ел Би България ООД

The explanatory notes from page 5 to page 47 are an integral part of the Consolidated Financial Statements.

1. Corporate information

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

The main business activity of the Group includes acquisition, management, evaluation and sale of participations in trade companies, trade in motor vehicles, spare parts and servicing.

As of 31 December 2018, 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. Basics of accounting policies of the Group

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.

(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 in effect on 1 January 2018 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.

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

Non-controlling interests are valued at the proportionate share of identifiable net assets at the acquisition date. Changes in the Group's share of a subsidiary that do not result in a loss of control are recognized in equity.

(c) Consolidation basis

(i) 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 consolidated the following subsidiaries:

	31.12.2018 % of ownership	**31.12.2017 % of ownership**
Direct participation		
Auto Italia EAD	100%	100%
Star Motors EOOD	100%	100%
Bulvaria Holding EAD	100%	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%
Daru Car AD	99.84%	99.84%
Motohub OOD	51%	51%
EA Properties OOD	51%	51%
Indirect participation		
Espas Auto OOD (through N Auto Sofia EAD)	51%	51%
Star Motors DOEL (through Star Motors EOOD)	100%	100%
Star Motors SH.P.K. through Star Motors EOOD	100%	100%
Bopar Pro S.R.L. (through Motobul EAD)	100%	100%
Benzin Finance EAD (through Motobul EAD)	100%	100%

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

- Auto Italia AD - Exclusive dealer rights for Bulgaria for the sale of new vehicles and spare parts with Fiat, Alfa Romeo and Maserati brands and authorized service;
- 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.
- Bulvaria Sofia EAD - as of 31 December 2018 the company has not started its business.
- 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 and Bulvaria Holding EAD - 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 - As of 31 December 2018, the company the company has not started its business;
- EA Properties OOD - management of buildings and properties;
- Star Motors Dooel (a subsidiary of Star Motors EOOD) - official representative of Mazda for Macedonia;
- Star Motors SH.P.K (a subsidiary of Star Motors EOOD) - an authorized dealer of Mazda and Maserati in Kosovo;
- Bopar Pro SRL (a subsidiary of Motobul EAD - trade of spare parts and accessories;
- Benzin Finance EAD (a subsidiary of Motobul EAD) - as at 31 December 2018 the company does not operate;
- Espas 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 and 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;

At the constituent assembly, held on **08.01.2018**, a decision was taken for the establishment of a joint stock company, **Sofia Auto Bulvaria AD**, the decision being entered in the Commercial Register on 07.02.2018. Founders of the company are Bulvaria Holding EAD (controlling 51% of the capital) and Sofia Auto Bulgaria EAD (with minority participation of 49% of the capital) - two of Opel's three largest dealers in the country. The project to set up a joint Opel dealer with Sofia Auto EAD was terminated at the end of 2018. On **13.12.2018** the transfer of the shares of Sofia Auto Bulgaria EAD (49%) from the joint-stock company Sofia Auto Bulvaria AD to Bulvaria Holding EAD was registered. Accordingly, Sofia Auto Bulvaria AD became a sole owner of Bulvaria Holding EAD, renamed to Bulvaria Sofia EAD, its head office was changed (Sofia, 49, Tsaritsa Yoana Blvd.) and new members of the Board of Directors - Assen Assenov, Miroslav Gruychev and Georgi Demirev were elected.

On **13.12.2018** Avto Union AD purchases 50 number of non-preferred, registered voting shares, representing 100% of the capital of Bulvaria Sofia EAD/with the previous name Sofia Auto Bulvaria AD/with UIC 204986699. The shares were purchased by the subsidiary Bulvaria Holding EAD.

On **31.07.2018**, a record of the establishment of a new subsidiary of Avto Union AD - Motohub OOD, UIC 205231116 was registered in the Commercial Register, which will unite the interests of the automobile holding related to the import, purchase and sale of scooters, motorcycles and mopeds. The percentage participation of Avto Union AD in the newly established company is 51% and its capital as of 31.12.2018. amounts to BGN 200.

On **06.12.2018**, at a meeting of the Board of Directors of Avto Union AD, it was decided to increase the authorized capital of Auto Italia EAD by BGN 1 000 000 (one million) by the order of art. 192, para. 1 of the Commerce Act, by issuing 100 000 (one hundred thousand) new registered non-preferred voting shares with a nominal value of BGN 10 (ten) per share and an issue value of BGN 80 (eighty) per share. The payment of the subscribed newly issued shares shall be made by way of a cash contribution by the sole owner of the capital of the Company - Avto Union AD - at the amount of BGN 8 000 000 /eight million/. At the date of issue of this report, the cash contribution was paid by Avto Union AD.

(ii) 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.

(iii) Acquisitions by companies under common control

Business combinations arising from transfers of interests in companies that are under common control of the shareholder controlling the Group are accounted for as of the date of acquisition of control. Acquired assets and liabilities are initially recognized at their carrying amounts as reported in the separate financial statements. The difference between the net assets acquired and the cost of the investment in subsidiaries is recorded in the consolidated statement of changes in the equity of the Group.

(iv) Goodwill

In business combinations, the excess above the share of assignee in the net fair value of differentiated assets, liabilities and contingent obligations of acquisitions, is carried as goodwill. After initial recognition, goodwill is accounted at acquisition cost, less accumulated impairment losses. Positive goodwill is reviewed annually for impairment. Loss on impairment of goodwill is not refundable in future periods. Negative goodwill arising from an acquisition is reviewed and any negative difference remaining after the revaluation is recognized in profit or loss. The Group estimates the goodwill at the acquisition date as:

- The fair value of the consideration transferred, plus
- The recognized 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.

2.2 Changes in the accounting policies and disclosures

2.2.1 New Standards, Interpretations and Amendments to IFRSs effective from 1 January 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 that are relevant to its operations and are effective for the current reporting period beginning on 1 January 2018 This annual Consolidated Financial Statements is the first financial report of the Group in which IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" are applied for the first time.

IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" are mandatory for the period beginning on 1 January 2018.

The nature and effect of the changes resulting from the adoption of these new accounting standards are described below.

2.2.1.A IFRS 15 "Revenue from contracts with customers"

IFRS 15 replaces IAS 11 "Construction Contracts", IAS 18 "Revenue" and Related Explanations and, with some limited exceptions, applies to all revenue arising from contracts with customers. IFRS 15 introduces a new, five-step model for accounting for revenue arising from contracts with customers and requires revenue to be recognized at a rate reflecting the remuneration the Group expects to have in return for the goods or services transferred to the customer.

IFRS 15 requires undertakings to exercise judgment, taking into account all relevant facts and circumstances when applying each step of the model to the contracts with their customers. In addition, the Standard also sets out the accounting treatment of the differential costs of acquiring a contract and the costs directly related to the performance of the contract. Moreover, the standard requires advanced disclosures.

The Group has adopted IFRS 15 using a modified retrospective application, with the date of initial application being adopted on 1 January 2018.

According to this method, the Standard may be applied either to all contracts at the date of initial application or only to contracts not executed on that date. The Group has chosen to apply the standard only to contracts that were not completed on 1 January 2018.

The cumulative effect of initial application of IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings/(uncovered loss). That is, the comparative information is not restated and continues to be accounted for under IAS 11, IAS 18 and Related Interpretations.

The Group has assessed the effects of the application of the new standard on the annual Consolidated Financial Statements, with the following table showing the net tax effect on the transition to IFRS 15 on retained earnings/(uncovered losses) and non-controlling interest on 1 January 2018

In BGN thousand	**Transition impact at 1 January 2018**
Retained earnings/(uncovered loss)	
Inventories	(698)
Deferred expense (Other receivables)	(1 404)
Impact at 1 January 2018	**(2 102)**
Non-controlling interests	
Impact at 1 January 2018	-
Total equity	
Impact at 1 January 2018	**(2 102)**

The Group has assessed the effects of applying the new IFRS 15 on its Consolidated Financial Statements and has identified areas that are affected which are affected and which have an impact on the values of its income from operations and/or receivables. A substantial change in the business model, as well as a change in the time horizon of transferring control to customers from the services rendered or the accounting of sales of cars and other current assets is not expected.

Effect of extended guarantees

The group has found to be an agent and has changed its way of reporting on extended guarantees. The Group considers that the sale of the extended guarantees should be accounted for at the expense of Car- Garantie Versicherung AG or a party to the contracts for these guarantees. Previous practice has been to count as Expenditures for future periods. The effect of the adjustment for the reporting of the extended guarantees is calculated and carried forward to a decrease in the retained earnings / (uncovered loss) as follows:

	Effect on opening balances (Thousand BGN)
Retained earnings/(uncovered loss)	**(1 404)**
Deferred expense (Other receivables)	(1 404)
Impact at 1 January 2018	**(1 404)**

Under IFRS 15, in the case of sales of extended warranties and fuel card sales, the Group has the role of an agent rather than a principal. Therefore, revenues from sales of extended guarantees and from sales of fuels are presented in the consolidated profit or loss account and other comprehensive income on a net basis, ie income is the difference between the gross amount of revenue less the book value of the extended guarantees. The effects of this statement in the consolidated profit or loss account and other comprehensive income for 2018 are presented in the table below:

	Effect on profit for 2018 (Thousand BGN)
Adjustment of revenue under contracts with customers	(73)
Expenses for external services	73
Effect on profit for 2018	-

Effect of providing free equipment against reached turnover

By 1 January 2018 the Group has effective contracts for the provision of free equipment to customers, with a turnover above a certain limit of sales of oil. The Group has considered that the provision of free equipment is a separate liability to execute and has recalculated revenue and liabilities to customers in connection with the provision of free equipment to customers.

The effect of initial application of IFRS 15 relating to this restatement is as follows:

	Effect on opening balances (Thousand BGN)
Retained earnings/(uncovered loss)	**(698)**
Inventory	(698)
Impact at 1 January 2018	**(698)**

Effect of providing free goods and services

The group provides free of charge additional goods and services to its customers (in the form of accessories, tires, alarms, free registration of vehicles, service).

The effects of this statement in the consolidated profit or loss account and other comprehensive income for 2018 are presented in the table below:

	Effect on profit for 2018 (Thousand BGN)
Revenue from the sale of goods	(99)
Revenue from sale of services	26
Expenses for external services	73
Effect on profit for 2018	-

Detailed information on changes in material accounting policies is disclosed in Note 2.3 (b).

IFRS 9 Financial Instruments:

IFRS 9 Financial Instruments supersedes IAS 39 Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, combining all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

(a) Transition

The Group applies IFRS 9 for future periods beginning on 1 January 2018 The Group has not restated comparative information that continues to be reported under IAS 39. The differences arising from the adoption of IFRS 9 are recognized directly in retained earnings / (uncovered losses) in equity.

The following table summarizes the effect of the adoption of IFRS 9 on 1 January 2018, net of taxes:

	Balance at 31.12.2017	**Correction**	**Balance at 01.01.2018** *(recalculated)*
	BGN thousand	*BGN thousand*	*BGN thousand*
ASSETS			
Non-current			
Receivables from related parties	646	*(1)*	645
Trade and other receivables	3 457	*(3 260)*	197
Current			
Trade and other receivables	20 752	*(4 416)*	16 336
Receivables from related parties	3 519	*(87)*	3 432
Cash and cash equivalents	1 576	*(1)*	1 575
TOTAL ASSETS	**29 950**	*(7 765)*	**22 185**
EQUITY AND LIABILITIES			
Retained earnings/(uncovered loss)	(15 169)	*(7 561)*	(22 730)
Non-controlling participation	3 329	*(65)*	3 264
Trade and other payables	4 563	*(139)*	4 424
TOTAL EQUITY AND LIABILITIES	**(7 277)**	*(7 765)*	**(15 042)**

The nature of these adjustments is described in points (c) and (d) below.

As a result of the adoption of IFRS 9, the Group has adopted the related amendments to IAS 1 Presentation of Financial Statements that require the impairment loss on financial assets to be presented in a separate line item in the consolidated profit or loss account and other comprehensive income.

In addition, the Group has adopted the related amendments to IFRS 7 Financial Instruments: Disclosures, which are applicable to the disclosures for the year 2018 but are not fully applied to comparative information.

(b) Classification and assessment

Under IFRS 9, after initial recognition, debt instruments are measured at fair value through profit or loss amortized cost or at fair value in other comprehensive income. The classification is based on two criteria: the asset management business model of the asset management group and whether the contractual cash flows of the instrument are 'only principal and interest payments' on the outstanding amount of the principal.

The Group's business model is valued at the date of the initial application, i. 1 January 2018. The assessment of whether the contractual cash flows of debt instruments consist solely of principal and interest is based on the facts and circumstances of the initial recognition of assets.

The requirements for the classification and measurement of IFRS 9 do not have a significant impact on the Group and it continues to recognize at fair value all financial assets previously reported at fair value under IAS 39. Changes in the classification of the Group's financial assets are described below.

Receivables from loans granted to related parties, classified as non-current receivables from related parties at 31 December 2017 include loans for which the Group receives the contractual cash flows relating to principal and interest payments. As of 1 January 2018, they are classified and measured as debt instruments at amortized cost.

Loans granted to third parties (ie credit claims) classified as *non-current receivables* at 31 December 2017 are held for the purpose of obtaining the contractual cash flows and result in cash flows representing only principal and interest payments. As of 1 January 2018, they are classified and measured as debt instruments at amortized cost.

Short-term receivables and Other short-term receivables classified as current receivables at 31 December 2017 are classified and measured as amortized cost Debt instruments as of 1 January 2018.

There are no changes in the classification and measurement of the financial liabilities of the Group.

(c) Impairment

The adoption of IFRS 9 substantially changed the Group's accounting for impairment losses for financial assets by replacing the accrued loss approach of IAS 39 with the more forward-looking expected credit loss model (expected credit losses). IFRS 9 requires the Group to recognize a provision for expected credit losses for all debt instruments that are not carried at fair value through profit or loss and for contract assets.

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 the probability of execution, the default losses and the 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 2017

The set of impairment guidelines adopted by the Group includes information on the main types of financial assets (segregated in individual portfolios) within the scope of IFRS 9, which are described in detail in the Group and Eurohold Bulgaria Group's classification policies 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;
- Loans receivables - Loan receivables that are categorized depending on whether the Borrowing Company has a rating, and whether the receivables from 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 customers - 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.

(d) Other adjustments

The Group has also adopted the following new and revised standards and interpretations that are mandatory for application from 1 January 2018 that do not affect its consolidated financial position and its operating results.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments to IFRS 4 Insurance Contracts (issued on September 12, 2016), in force since 1 January 2018, adopted by the EU on 3 November 2017, published in the Official Gazette on 9 November 2017;

Annual improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016), effective 1 January 2018/1 January 2017, endorsed by the EU on 7 February 2018, published in the Official Journal on 8 February 2018;

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016), effective 1 January 2018, endorsed by the EU on 26 February 2018, published in the Official Journal on 26 February 2018;

Amendments to IAS 40 Transfers of Investment Property (issued on 8 December 2016), effective 1 January 2018, endorsed by the EU on 14 Mach 2018, published in the Official Journal on 15 March 2018;

IFRIC 22 Foreign currency transactions and advance consideration (issued on 8 December 2016), effective 1 January 2018, endorsed by the EU on 28 March 2018, published in the Official Journal on 3 April 2018.

2.2.2 Standards, interpretations and amendments in standards that are issued by IASB and adopted by EU but not effective

At the date of preparation of these Consolidated Financial Statements, the following standards and amendments to existing standards and interpretations have been issued by the International Accounting Standards Board (IASB) but are not yet effective for annual periods beginning on or after 1 January 2018 have not been accepted for earlier application by the Group.

Of these, the management of the Group has determined that the following would have a potential effect in the future for changes in accounting policies and the classification and the values of reportable items in the Consolidated Financial Statements for subsequent periods when the Group adopts these standards for the first time.

IFRS 16 Leasing (issued on Wednesday, January 13, 2016), effective January 1, 2019, as adopted by the EU on 31 October 2017, published in the Official Gazette on 9 November 2017.

IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of the lease and requires lessees to account for all leases under a single balance sheet model similar to the accounting for finance leases under IAS 17 Leasing. At the start date of the lease, the lessee will recognize an obligation to make lease payments (ie a lease liability) and an asset that is entitled to use the underlying asset over the lease term (ie, the right to use the asset). In principle, the lessee will recognize the amount of repeated measurement of the lease payable as an adjustment of the right to use the asset. Also, upon the occurrence of certain events (eg, change in the lease term, change in future lease payments as a result of an index change or percentage used to determine such payments), the lessees will be required to re-determine the value of the lease liability. In principle, the lessee will recognize the amount of the revaluation of the lease liability as an adjustment to the right to use the asset.

Essentially, accounting under IFRS 16 for lessors will not change significantly from current accounting in accordance with IAS 17. 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.

In addition, IFRS 16 requires lessees and lessors to make more detailed disclosures than IAS 17.

Transition to IFRS 16

The Group plans to adopt IFRS 16 by applying a modified retrospective approach, with the cumulative effect of applying it being recognized on the date of initial application in the opening balance of the capital and no comparative information is restated. The Group will choose to apply the Standard to contracts that have previously been identified as a lease under IAS 17 and IFRIC 4. Therefore, the Group will not apply the Standard to contracts that were previously not identified as leases under IAS 17 and IFRIC 4.

The Group will choose to use the exceptions proposed by the Standard for leases for which the lease term ends within 12 months and lease agreements for which the underlying asset is of low value.

The management of the Parent Company has assessed the application of the Standard and, at the date of preparation of these Consolidated Financial Statements, the expected effect is as follows:

	1 January 2019
Assets	*BGN thousand*
Property, plant and equipment (assets with right of use)	**7 666**
Liabilities	
Lease liabilities	**7 666**
Net effect on equity	-

Amendments to IFRS 9 Prepayments with Negative Compensation (issued October 12, 2017), effective 1 January 2019, adopted by the EU on 22 March 2018, published in the Official Gazette on 26 March 2018;

IFRIC 23 "Uncertainty in Taxation of Income Tax" (issued on 7 June 2017), in force since 1 January 2019, adopted by the EU on 23 October 2018, published in the Official Journal on 24 October 2018;

Amendments to IAS 28 "Investments in Associates and Joint Ventures" (issued 12 October 2017), in force since 1 January 2019, adopted by the EU on 8 February 2019, published in the Official Journal on 11 February 2019;

Annual Improvements to IFRS 2015-2017 (issued December 12, 2017) effective January 1, 2019, adopted by the EU on 14 March 2019, published in the OJ on 15 March 2019;

Amendments to IAS 19 Employee Benefits - Change in plan, termination or settlement (issued on 7 February 2018), in force since 1 January 2019, adopted by the EU on 13 March 2019, published in Official Journal on 14 March 2019

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), in force since 1 January 2021;

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

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

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

Except as described in Note 2.2 above, the accounting policies applied in these Consolidated Financial Statements are consistent and consistent with those applied in the Group's last consolidated annual financial statements as at 31 December 2017. 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 that are relevant to its operations and are effective for the current reporting period beginning on 1 January 2018

This annual Consolidated Financial Statements is the first financial report of the Group in which IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" are applied for the first time.

The Group has chosen to apply IFRS 15 by using the cumulative effect method in which comparative information is not restated.

The Group will also benefit from the exemption in paragraph 7.2.15 of IFRS 9 for the restatement of comparative information in respect of the classification of financial assets and liabilities and the impairment of IFRS 9.

The comparative information in the consolidated profit or loss statement and other comprehensive income and in the consolidated statement of financial position is not restated and is presented under the repealed IAS 18 Revenue, IAS 11 "Construction Contracts", IAS 39 "Financial Instruments: Recognition and Measurement" and the clarifications to them.

Effects of initial application of new IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments are presented in Note 2.2.

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 1 January 1999 the Bulgarian Lev is pegged to the EURO at the exchange rate: BGN 1,95583 for EUR 1.

Upon initial recognition, a foreign currency transaction is recorded in the functional currency by applying to the amount in foreign currency the exchange rate at the time of the transaction or 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 at 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 quarterly/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 exchange differences relating to the settlement of foreign currency transactions or the reporting of foreign currency transactions at rates different from those for which they were initially recognized are included in the consolidated profit or loss account and the other comprehensive income at the time they arise, as presented in the article "Other financial income / (expenses)".

b) Revenue

Accounting policy applicable until 31 December 2017

Income is recognized to the extent economic benefits are likely to be obtained by the Group and the amount of the income can be reliably evaluated, no matter when the payment is received. Income is evaluated at the fair value of the remuneration received or due on the basis of the agreed conditions of payment, excluding discounts, rebates and other taxes on the sales or customs duties. The Group analyses its arrangements for sales depending on specific criteria in order to determine whether it acts as a principal or as an agent. It has reached the conclusion that it acts as a principal in all such arrangements. Prior revenue to be recognized, the following specific recognition criteria must also be met:

Sales of production and goods

The income from sales of production and goods is recognized when the materials risks and benefits from the title in the production and goods are transferred to the buyer, which usually takes place at the time of their shipping.

Provision of services

The income from provision of services is recognized on the basis of the stage of completion of the transaction at the reporting date. The state of completion of the transaction is determined on the basis of the man-hours worked up to the moment as a percentage of the total number of man-hours that will be worked for each contract. When the result from the transaction (contract) cannot be reliably evaluated, the income is only recognized to the extent that the expenses made are subject to recovery.

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 recognized when the entitlement to such dividend is established.

Accounting policy applicable from 1 January 2018

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

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

Customer contracts typically include a single performance liability:

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

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

The following table provides information on the Group's accounting policy for recognition of revenue and time for meeting liabilities to comply with contracts with customers under IFRS 15 and IAS 18.

Type of product/service	**Nature and timing of fulfillment of performance liabilities, including essential payment terms**	**Recognition of income under IFRS 15 (effective from 1 January 2018)**	**IAS 18 Recognition of Revenue (effective before 1 January 2018)**
Sale of motor vehicles	Performance liabilities satisfied at a certain point. Customers receive control when: 1 / the customer has a legal right of ownership; 2 / The Group has transferred the physical possession of the asset; 3 / the customer carries significant risks and benefits from 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 recognized 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 passing the vehicles and the physical knowledge of them to the customer and the buyer has accepted the goods in accordance with the sales contract. The transaction price can be defined as a market price, reduced by discounts (net of taxes), which may include fixed remuneration and variable remuneration. Allotment of the transaction price to the performance liabilities is based on unit sales prices (market).	Sales revenue is recognized when significant risks and rewards are transferred to the buyer when the customer has accepted the goods and has reasonably confirmed the resulting receivables. Revenue is recognized when the amount of revenue can be reliably determined when the Group can obtain future economic benefits.
Revenue from sales of short-term assets (spare parts and accessories)	Delivery occurs when the assets have been shipped to the customer, the risks of potential losses are passed on to the buyer and either he has accepted the assets in accordance with the sales contract. The usual payment term is up to 30 days after delivery.	Revenues from sales of short-term assets are recognized when the control of the assets sold is transferred. Delivery occurs when the assets have been shipped to the 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.	Revenue is recognized when the significant benefits and risks of ownership of the assets are transferred to the buyer. It is considered that the significant risks and rewards have been passed on to the buyer when the

Type of product/service	**Nature and timing of fulfillment of performance liabilities, including essential payment terms**	**Recognition of income under IFRS 15 (effective from 1 January 2018)**	**IAS 18 Recognition of Revenue (effective before 1 January 2018)**
			customer has accepted the assets without objection.
Income from services	The control is transferred when the service is performed. Receipt is due immediately.	Revenue from services is recognized using the liability method over time. If, at the end of the reporting period, the service contract is not fully realized, revenue is recognized on the basis of the actual service provided by the end of the reporting period as a proportion of the total services to be provided as the customer receives and consumes the benefits simultaneously . This is determined on the basis of actual time spent or reported time for work, relative to the total expected time of service.	The income from provision of services is recognized on the basis of the stage of completion of the transaction at the reporting date. The stage of completion of the transaction is determined in proportion to the term of the contract for which the services are agreed. When the result from the transaction (contract) cannot be reliably evaluated, the income is only recognized to the extent that the expenses made are subject to recovery.
Extended warranties	Separate liability to implement. They are deferred if the Group is the principal of the extended guarantees. It is analyzed whether the Group is a principal or an agent.	The Group has found that, when selling extended warranties, the Group companies providing extended guarantees have the role of agent and the way of reporting extended guarantees has been changed. The Group considers that all sales of extended warranties and repairs should be accounted for at the expense of the manufacturer or insurance company Car- Garantie Versicherung AG (depending on who is the principal on them).	They were not a separate liability . The sale was only reported as income from a commodity without distributing the portion of the extended warranty

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

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

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

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

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

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

- *Free goods*

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

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

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

- *Sales with redemption capability*

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

The group has estimated that in 2018, no contractual liabilities in relation to a redemption option.

Approach for recognizing major types of revenue under customer contracts

Revenue from sale is realized by the following:

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

Revenues from sale of motor vehicles

Revenue from the sale of motor vehicles is recognized 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 the case with the passing of the cars and the physical knowledge to them by the customer and the buyer has accepted the goods in accordance with the sales contract

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

The allocation of the transaction price to the performance liabilities is based on unit sales (contract or market) prices.

Income from services

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

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

Revenues from sales of current assets

Revenues from sales of short-term assets and material are recognized when the control of the assets sold is transferred. Delivery occurs when the assets have been shipped to the customer, the risks of potential losses are 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 product or service before transferring it to the customer. The Group is an agent if the Group's liability to perform is to arrange the delivery of the goods or services from a third party.

The signs that he is a principal include:

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

Transactions where he is the principal

The Group is the principal in the following transactions:

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

The Group is an agent for the following transactions:

- Sales of extended warranties;
- Sale of fuel with cards;
- Repair of extended warranty service.

The Group has established that it is an agent in the sale of extended warranties and in the sale of fuels through cards. The Group accepts that all repairs made should be reported at the expense of a manufacturer / insurer that is a 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.

The extended guarantees are a separate performance liability, which should be deferred if the Group is the principal. If the extended guarantees are issued by the manufacturer, the Group is an agent and should account for the revenue from these sales as an agent on a net basis.

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

Significant accounting estimates, estimates and assumptions relating to income from contracts with customers are presented in Note 3.

Other revenue/income

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

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

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

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 recognized when the entitlement to such dividend is established.

c) Expenses

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

Administrative expenses are recognized 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 recognized 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 s 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 recognized 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 recognized upon providing the respective services.

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

(f) 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 those 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 Law.

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 2018 is 10% of the taxable profit (2017: 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	
	2018	2017
Macedonia	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 recognized in the consolidated profit or loss account and other comprehensive income, except when it relates to amounts previously accrued or directly recognized in equity. Based on IAS 12 Income Taxes, the Group companies recognize 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 at 31 December 2018, 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 for 2019
Macedonia	10%

Value added tax (VAT)

Avto Union AD and the other Bulgarian companies in the Group are registered for VAT and charge a 20% tax on the supply of goods and services. Star Motors DOOEL is registered for VAT and operates in Macedonia, where 18% tax is charged for 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. The Group determines its obligations for payment of staff retirement benefits by using an actuary method of evaluation. The actuary profits and losses are recognized as an income or expense when the net cumulative unrecognized actuary profits or losses in the end of the preceding report year exceeded 10% of the present value of the obligation for payment of employee retirement benefits. The actuary profits or losses are recognized for the expected average remaining number of years of labour service of the staff.

The expenses for past labour service are recognized as an expense on a straight-line basis for the average term, until the income becomes unconditionally acquired. As long as the incomes are already unconditionally acquired, immediately after the introduction or changes in the retirement benefit plan, the group companies recognize immediately the expense for past labour service.

The liability for employee retirement benefits consists of the present value of the liability for payment of such benefits decreased by the unrecognized expenses for past labour service.

As at 31 December 2018, the Group's management did not estimate the approximate value of potential liabilities using the current salary level as the average age of employees is about 35 years and no significant amounts are expected to be paid in the form of retirement benefits.

h) Share capital

The equity capital is presented at the nominal value of Avto Union AD according to 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 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.

Revenues 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.

Depreciation is calculated using the straight-line method over the useful life of assets that are designated as follows:

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

An item of property, plant and equipment is derecognised upon sale or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net sale proceeds, if any, and the carrying amount of the asset) are included in the consolidated profit or loss account and other comprehensive income when the asset is derecognised.

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

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and require an assessment for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement transfers a right to use the asset.

The Group as a lessee

The Group classifies a lease agreement as a finance lease if it transfers substantially all risks and rewards of the title to the leased asset. In the beginning of the leasing term, the finance lease is recognized as an asset and liability in the consolidated statement of financial position in an amount that in the beginning of the lease agreement is equal to the fair value of the leased asset or, if lower, at the current value of the minimum lease payments. Lease payments are distributed within the financial expenses and the decrease in the lease liability, so as to obtain a permanent rate of interest on the remaining balance of the liability. Financial expenses are recognized directly in the consolidated profit or loss account and other comprehensive income.

Assets acquired under the conditions of finance lease are depreciated for the term of useful life of the asset. However, if there is no reasonable degree of certainty that the Group will acquire the title to them until the end of the term of the lease agreement, assets are depreciated in the shorter of the two terms – the period of useful life of the asset or the term of the lease agreement.

Lease payments under operational lease agreements are recognized as an expense through profit or loss of the basis of the straight-line method for the term of the lease agreement.

The Group as a lessor

A lease agreement, according to which the group retains substantially all risks and rewards of the title to the rented asset, is classified as operational leasing. The initial direct expenses made by the Group in relation to the negotiation and settlement of operational leases are added to the carrying amount of the rented asset and are recognized as an expense during the entire term of the lease agreement on the same basis as the lease incomes. Contingent rents are recognised as revenue in the period in which they are earned.

l) Intangible assets

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

The useful life of intangible assets is defined as limited and is between 2 and 5 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

Investment property is recognized as such if it meets the following conditions:

- meets the definition of investment property;
- it is likely that the Group will receive economic benefits associated with renting it; and
- of its value a reliable estimate can be made.

Investment properties are initially recognized at cost. This price depends on how it is acquired.

The Group applies the fair value model for 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 deal 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.

Asset transfers from and to the group of investment properties are made only when there is a change in their use as evidenced by:

- commencement for use by the Group - is transferred from investment property to property used by the owner;
- commencement of development for sale - for transfer from investment property to inventory;
- end of use by the Group and letting of other persons - transferred from a property used by the owner into an investment property;
- initiating an operating lease to another party for an asset presented as inventory - it is transferred from inventories to investment property.

When the use of an investment property changes so that it is reclassified to an IMS, its fair value at the reclassification date becomes an acquisition cost for subsequent reporting.

When a property used by the Group becomes an investment property measured 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 recognized as revaluation in accordance with IAS 16.

The carrying amount of an investment property is derecognized on sale, on entering into a finance lease or when no more economic benefits are expected from the use of the property.

Gains or losses arising from the disposal of investment property are determined as the difference between the net receipts from the release and the carrying amount of the property and are recognized in the consolidated profit or loss account and other comprehensive income (unless IAS 17 requires otherwise sale under leaseback).

n) Inventory

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

Costs incurred in connection with the delivery of inventories to their present location and condition are reported as follows:

Materials – delivery value determined on the basis of the first-in, first-out method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion of the production cycle and costs required to make the sale.

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-generating unit (CGU) 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. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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. The contractual rights to receive cash flows from the financial asset have been transferred or the Group has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the title to the financial asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the title to the financial asset, but has not retained the control of the asset. When the group has transferred its contractual rights to receive cash flows from a financial asset or has entered into a pass-through arrangement, and it has neither transferred nor retained substantially all of the risks and rewards of the title to the financial asset but retained control of the asset, the transferred financial asset is still recognised by the group to the extent of the group's continuing involvement in the asset. If such transactions can not 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 recognized as an expense in the consolidated profit or loss and other comprehensive income by classifying their function according to 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 recognized 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 recognized for asset in previous years. The reversal of an impairment loss is recognized in the consolidated profit or loss account and other comprehensive income.

p) Financial assets

Accounting policy applicable until 31 December 2017

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

The Group classifies its financial instruments at their initial recognition. Financial assets include cash and short-term deposits, trade and other receivables, loans granted, quoted and unlisted financial instruments.

Financial Assets at Fair Value in Profit or Loss.

Financial assets measured at fair value through profit or loss include financial assets held for trading and those that, when initially recognized, are designated as financial assets, measured at fair value. Financial assets that are typically acquired with intent to be sold in the near future are classified as held for trading.

Investments Held-to-Maturity

Held-to-maturity investments are financial assets that are not derivatives and have fixed or determinable payments and fixed maturity and which the Group has a positive intent and ability to hold to maturity. Such investments are initially recognized at acquisition cost, which represents the cost of the consideration paid to acquire the investment. All transaction costs directly related to the acquisition are also included in the acquisition cost. After the initial measurement, held-to-maturity investments are carried at amortized cost by using the method of the effective interest rate.

Gains and losses from held-to-maturity investments are recognized in the consolidated profit or loss and other comprehensive income when the investment is derecognised or impaired.

Loans and Other Receivables

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

Such financial assets are initially recognized at acquisition cost, which is the fair value paid for acquisition of financial assets. All transaction costs directly related to the acquisition are also included in the acquisition cost. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method. Gains or losses on loans and receivables are recognized in the consolidated profit or loss and other comprehensive income when they are derecognised or impaired.

Available-for-sale financial assets

Financial assets available for sale are non-derivative financial assets that are classified as such and are not classified in any of the three categories listed above. Initially, these investments are presented at fair value. Subsequent to initial recognition, financial assets available for sale are measured at fair value. Unrealized profits and losses on fair value are reported in a separate component of the other comprehensive income until financial assets are written-off or determined as depreciated. Upon derecognition or impairment, cumulative gains and losses previously recognized in equity, are recognized in the consolidated statement of profit or loss and other comprehensive income.

Derivative financial instruments

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

Short-term receivables

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

Cash and cash equivalents

Cash and cash and short-term deposits in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with an initial maturity of three months or less.

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents include cash and cash equivalents as defined above.

Recognition

The Group recognizes initially the loans and advances, the deposits attracted, the issued debt securities and the subordinated liabilities at the date on which they arise. "Regular" purchases and sales of financial assets are recognized on the trade date on which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities at fair value through profit or loss) are recognized initially at the trade date at which the Group enters into the rights and liabilities arising from the financial instrument.

Each financial asset or liability is measured at initial recognition at fair value plus for instruments that are subsequently not measured at fair value through profit or loss, transaction costs and other expenses objectively related to the acquisition.

Derecognition

The Group writes off a financial asset upon expiry of the contractual rights to cash flows from the financial asset, or upon transfer of the rights to receive the contractual cash flows from the financial asset into a transaction where all the essential risks and profits of the possession of the financial asset are transferred. Every participation in transferred financial assets, which was created or kept by the Group, is recognized as separate asset or liability

The Group writes off a financial liability when its contractual obligations are fulfilled, canceled or when they expire. Transfer of assets with preservation of part of or all the essential risks and profits are for example the deals for borrowing of securities or transactions with repurchase arrangement.

Upon transactions where the Group neither keeps nor transfers all the essential risks and profits from the possession of a financial asset, the asset is written off provided the company does not preserved control over asset. The rights and obligations preserved upon transfer are recognized separately as assets and liabilities respectively. Upon deals where the control over the asset is preserved, the Group continues to recognize the asset up to the degree of participation, depending on how much it is exposed on changes in the value of the transferred asset.

The Group writes off certain investment securities when they are classified as non-collectible.

Compensation

Financial assets and financial liabilities are compensated and the net amount is presented in the statement when and only when the Group has the legal right to net the amounts and intends or arranges them on a net basis or to realize the asset and settle the liability at the same time.

Income and expense is presented on a net basis only when the accounting standards allow, or where the gain or loss arises from a similar group of transactions, as well as those from the Group's leases.

Calculation of amortized cost

The amortized cost of a financial asset or liability is the amount at which a financial asset or liability was measured at initial recognition minus principal payments plus or minus the accumulated amortization calculated using the effective interest method of any difference between the originally recognized amount and the cost on the maturity date, and minus the respective accrued impairment.

Accounting policy applicable from 1 January 2018

Debt instruments measured at amortized value

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 management of the Group has determined that financial assets that represent cash in current accounts, court and receivables and loans receivables that were classified under IAS 39 as "loans and receivables" will be held by the Group in order to receive the contracted cash flows and are expected to result in cash flows representing only principal and interest payments. These financial assets are classified and subsequently measured at amortized cost under IFRS 9.

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.

Financial assets measured at fair value through other comprehensive income

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

- The Group manages assets 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 recognized 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 recognized in the revaluation reserve of the instruments is reclassified to retained profit.

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

Recognition

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

Derecognition

Financial assets are derecognized 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 derecognized when the liability, specified in the contract, have been fulfilled, derecognized or expires.

Impairment

The new impairment requirements under IFRS 9 use more information oriented to the future to recognize the expected credit losses - the "expected credit losses" model replaces the "incurred loss model" presented in IAS 39.

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 the probability of execution, the default losses and the 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 2017

The set of impairment guidelines adopted by the Group includes information on the main types of financial assets (segregated in individual portfolios) within the scope of IFRS 9, which are described in detail in the Group and Eurohold Bulgaria Group's classification policy 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;
- Loans receivables - loans receivable that are categorized depending on whether the borrowing company has a rating, and whether or not the receivables from 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 customers - 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.

p) Financial liabilities

Financial liabilities include liability on bonds, borrowings (loans), liabilities to suppliers and other counterparties.

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

(c) Provisions, contingent liabilities and contingent assets

Provisions shall be recognized when the Group has a preset 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 recognized 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 recognized as a finance cost.

s) Segment reporting

The Group identifies its reportable segments and discloses segment information in accordance with the organizational and reporting structure used by the management of the parent company. Operating segments are business components that are regularly evaluated by the members of the management of the Parent Company making operational decisions using financial and operational information specifically tailored for the segment for the purposes of ongoing monitoring and evaluation of performance (performance) and the allocation of the Group's resources.

The operating segments of the Group are currently monitored and guided individually, each operating segment being a separate business area that carries various business benefits and risks. The operating segments under which the Group monitors, measures and controls the risks and returns for the Group is distinguished according to the core business activities of the Parent Company and its subsidiaries, namely: (a) sale of motor vehicles and servicing; (b) sale of oils and fuels; and (c) others.

Operational Segment Information

The Group uses one measure - net segment sales revenue when evaluating results in operating segments and allocating resources between them.

Segment assets, liabilities, respectively income and results include those that are and may be directly relevant to the segment, and those that can be allocated on a reasonable basis. Typically, these are: (a) for revenue - revenue from sale of goods and services, other income; (b) for assets - fixed assets, investment property, intangible assets, trade receivables, cash; (d) for liabilities - payables to suppliers, interest-bearing loans and borrowed funds, debt securities, finance leases, others.

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

The applied accounting policy for segment reporting is based on analogous rules and principles to that used by the Group to prepare its statutory accounts.

3. Judgments that are crucial in applying accounting policies of the Group Key estimates and assumptions 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 revenues 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.

(a) Significant judgments and assumptions

Revenue from contracts with customers

When recognizing revenue under contracts with customers, management makes various judgments, estimates and assumptions that affect the reported revenue, expense, assets and contingent liabilities. Additional information is provided in Note 3.2 (b) and 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.

Inventories – Impairment

As at the end of the reporting period, the management reviews the available inventories – supplies, goods, in order to identify if there are inventories whose net realizable value is less than their book value. No indications for impairment of inventories have been found during the review as at 31.12.2018 and as at 31.12.2017.

Impairment of goodwill

The Group makes a test for impairment of goodwill at least once a year. The recoverable amounts of cash generating units should be determined on the basis of the value in use or fair value without the consideration for selling expenses. These calculations require the use of estimates.

(б) Uncertainty of Accounting Estimates

Impairment of financial assets

Accounting policy applicable until 31 December 2017

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

Accounting policy applicable from 1 January 2018

Detailed information about the Group's accounting policy and the attached financial asset impairment models as of 1 January 2018 are set out in Note 2.2. As at 31 December 2018, management's best estimate of the expected credit losses of related party receivables, loan claims and trade and other receivables amounted to BGN 1 269 thousand BGN. (1 January 2018 7 765 thousand BGN.). (Note 2,2)

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

Financial reporting of property, machines, facilities and the intangible assets involves the use of approximate estimates for their expected useful life and remaining values, which are based on the assessments by the Company 's management. Information on the useful lives of property, plant and equipment and intangible assets is presented in Note 2.3 (j) and Note 2.3. l).

4. Risk management

When implementing their 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 2018, as in 2017, the Group does not own or trade in derivative financial instruments.

Currency 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's policy is aimed at minimizing interest rate risk for long-term financing. Long-term loans are therefore fixed interest rates. All investments in Group bonds are paid on a fixed interest basis.

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 recognized at the end of the reporting period as set out below:

	Note	31.12.2018 *BGN thousand*	31.12.2017 *BGN thousand*
Groups of financial assets - balance sheet values:			
Loans granted to third parties - non-current	10.1	259	1 082
Loans granted to third parties - current	10.2	1	284
Receivables from related parties - non-current	18.1	1 319	646
Receivables from related parties - current	18.2	11 607	3 519
Trade and other receivables - non-current	10.1	9	2 375
Trade and other receivables - current	10.2	14 383	17 381
Cash and cash equivalents	12	1 172	1 576
Book value		28 750	26 863

The amounts stated 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 on the date of each reporting period. They are calculated as at 1 January 2018 on initial application of IFRS 9 and thereafter as of 31 December 2018.

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.

Liquidity Risk

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

The 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 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 December 2018

In BGN thousand	Up to 1 month	1-3 month	3-12 month	1-5 years	More than 5	Without 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	**4 772**	**16 320**	**6 070**	**1 587**	-	-	**28 749**
LIABILITIES							
Interest-bearing loans and borrowings	479	142	16 317	4 315	-	-	**21 253**
Liabilities on debenture loans	-	-	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**

31 December 2017

In BGN thousand	Up to 1 month	1-3 month	3-12 month	1-5 years	More than 5	Without maturity	Total
ASSETS							
Loans granted	-	20	264	1 728	-	-	**2 012**
Trade and other receivables	9 109	8 302	6 576	2 355	20	-	**26 362**
Cash and cash equivalents	824	6	-	422	-	324	**1 576**
TOTAL ASSETS	9 933	**8 328**	**6 840**	4 505	**20**	324	**29 950**
LIABILITIES							
Interest-bearing loans and borrowings	4	711	11 780	22 650	-	-	**35 145**
Trade and other payables	19 698	10 251	26 939	4 898	-	-	**61 786**
Finance lease liabilities	42	130	4 793	10 071	-	-	**15 036**
Total liabilities	19 744	**11 092**	43 512	37 619	-	-	**111 967**

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

4.1 Factors Determining Financial Risk

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

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

	31.12.2018	31.12.2017
	BGN thousand	*BGN thousand*
Equity (net assets)	10 683	18 603
Adjusted capital	**10 683**	**18 603**
Total liabilities	126 988	114 463
Cash and cash equivalents	(1 172)	(1 576)
Net debt	**125 816**	**112 887**
Ratio of capital to net debt	**1:11.78**	**1:6.07**

4.2 Assessment made at fair value

Fair value is the price that would be received from the sale of an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date on the main market for the Group or in the absence thereof, in the most advantageous market to which the Group has access at that date. The fair value of a liability reflects the risk of breach of an obligation.

Whenever possible, the Group shall measure the fair value of an instrument using quoted prices in an active market for that instrument. The market is considered as active when the transactions for the asset or liability are executed with enough frequency and volume so that it allows the provision of actual information on prices. If there is no stock market price in an active market, the Group uses valuation techniques by maximizing the use of appropriate observable inputs and minimizing the use of observable ones. The chosen valuation technique covers all factors that market participants would take into account when pricing the transaction.

The best evidence of a fair value of a financial instrument is the price of the transaction (i.e. the fair value of the remuneration received or given). If the Group determined that the fair value at initial recognition differs from the transaction price and there is no evidence of fair value through stock exchange price of a similar asset or liability, either it is based on a valuation technique that uses data from observable markets, then the financial instrument initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, the difference is recognized in profit or loss rescheduled of an appropriate basis for the life of the instrument, but no later than the time when the assessment can be entirely supported by observable market data or transaction is completed.

If an asset or liability that is measured at fair value has a "buy" and a "sell" price, then the Group measures the assets and long positions by "sell" price, and the liabilities and breaks positions - at the "buy" price. The fair value of a deposit on demand is not less than the amount due on demand deducted from the original date on which the deposit may become chargeable.

The Group shall disclose the transfer between the levels in the fair value hierarchy at the end of the reporting period of the change occurrence.

Measurement of financial instruments

The Group measures the fair value of financial instruments by using the following hierarchy of methods that reflects the importance of factors used for identifying the fair value:

- Level 1 – Level 1 inputs comprise quoted (non-adjusted) prices of instruments on active markets for identical financial instruments;

- Level 2 – Level 2 inputs comprise inputs for an asset or liability other than quoted prices in Level 1, which are directly or indirectly observable. This category includes instruments valuated by making use of: quoted prices of similar assets or liabilities at active markets; quoted prices of identical or similar assets or liabilities at markets which are not considered active; other valuation techniques where all the significant incoming data are directly or indirectly accessible for observation using market data;

- Level 3 - Level 3 inputs are unobservable inputs for an asset or liability. This category includes all the instruments whereupon the valuation technique does not include observable incoming data, and the non-observable incoming data have a significant impact on the instrument valuation.

  This category includes instruments valuated on the basis of quoted prices of similar instruments where significant non-observable adjustments or assumptions are required to reflect the differences among the instruments.

5. Revenues and expenses

5.1 Revenue from Contracts with Customers

5.1.1 Revenue from sale of goods

	2018	2017
	BGN thousand	*BGN thousand*
Cars and mopeds	169 296	152 207
Spare parts and accessories	35 910	30 349
Lubricating oils	4 637	3 155
Fuels	650	313
Others	-	49
	210 493	**186 073**

5.1.2 Time to recognize revenue

	2018	2017
	BGN thousand	*BGN thousand*
Goods transferred at a certain point in time:	210 493	186 073
Services shifted over time	8 838	9 690
Total revenue from customer contracts	**219 331**	**195 763**

5.2 Other revenue and income

	2018	2017
	BGN thousand	*BGN thousand*
Sale of fixed assets	4 998	2 622
Carrying amount of tangible fixed assets sold	*(4 814)*	*(2 461)*
Rental income	1 945	2 593
Revenue from bonuses, penalties, damages and more, including	5 316	4 683
	7 445	**7 437**

5.3 Expenses on materials

	2018	2017
	BGN thousand	*BGN thousand*
Fuel	372	319
Consumables	687	665
Spare parts and service tools	500	351
Office supplies	83	105
Advertising materials	191	-
Other materials	1 694	739
	3 527	**2 179**

5.4 Expenses on hired services

	2018	2017
	BGN thousand	*BGN thousand*
Rent	3 122	3 129
Advertising	1 561	1 836
Expenditure on hired services	1 955	410
Transport, maintenance and communications	878	952
Taxes and insurance	1 257	816
Security and more	1 348	2 415
	10 121	**9 558**

The amounts for services provided by the registered auditors with regard to the independent financial audit of the Group's financial statements for 2018 are in the amount of BGN 112 thousand. Other services are not provided by registered auditors during the period.

5.5 Personnel expenses

	2018	2017
	BGN thousand	*BGN thousand*
Remuneration	12 702	10 811
Social Securities	1 975	1 696
	14 677	**12 507**

5.6 Other expenses

	2018	2017
	BGN thousand	*BGN thousand*
Expenses for business trips	140	114
Training / Human Resources	102	37
Subscriptions and membership fees	106	80
Taxes	470	302
Other expenses	1 400	1 842
	2 218	**2 375**

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

	2018	2017
	BGN thousand	**BGN thousand**
Recoverable impairment of financial assets	168	-
Accrued impairment of financial assets	(139)	-
	29	-

5.8 Positive differences from transactions with financial assets

Include net result of sales of receivables and financial instruments - corporate bonds.

5.9 Financial expenses

	2018	2017
	BGN thousand	*BGN thousand*
Interest expenses	2 543	2 401
Negative differences from transactions with financial assets	31	-
Others	756	487
	3 330	**2 888**

5.10 Financial revenues

	2018	2017
	BGN thousand	*BGN thousand*
Interest income on loans granted and receivables	349	390
Other financial asset transactions	151	40
	500	**430**

6. Property, machinery and equipment

	Land and buildings	Machinery, equipment and inventory	Transportation vehicles	Cost of acquisition	Others	Total
Book value	*BGN thousand*	*BGN thousand*	*BGN thousand*	*BGN thousand*	*BGN thousand*	*BGN thousand*
1 January 2017	**10 175**	**10 508**	**8 470**	**4 722**	**1 894**	**35 769**
Acquired	3 375	2 292	11 795	260	35	17 757
Written-off	-	(111)	(7 610)	(4 172)	-	(11 893)
31 December 2017	**13 550**	**12 689**	**12 655**	**810**	**1 929**	**41 633**
Acquired	-	615	10 867	229	98	11 809
Written-off	-	(228)	(10 462)	(333)	-	(11 023)
31 December 2018	**13 550**	**13 076**	**13 060**	**706**	**2 027**	**42 419**
Depreciation						
1 January 2017	**(3 155)**	(7 923)	**(1 906)**	**(10)**	**(1 283)**	**(14 277)**
Accrued	(223)	(738)	(1 350)	-	(89)	(2 400)
Derecognized	-	80	1 293	-	-	1 373
31 December 2017	**(3 378)**	**(8 581)**	**(1 963)**	**(10)**	**(1 372)**	**(15 304)**
Accrued	(299)	(954)	(1 359)	-	(87)	(2 699)
Derecognized	-	230	1 253	-	-	1 483
31 December 2018	**(3 677)**	**(9 305)**	**(2 069)**	**(10)**	**(1 459)**	**(16 520)**
Carrying value:						
1 January 2017	7 020	2 585	6 564	4 712	611	21 492
31 December 2017	**10 172**	**4 108**	**10 692**	**800**	**557**	**26 329**
31 December 2018	**9 873**	**3 771**	**10 991**	**696**	**568**	**25 899**

Impairment of property, plant and equipment

The Group did not recognize loss from impairment of property, plant and equipment in 2018, 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 has pledged the following proprietary real estate as collateral for its liabilities:

- mortgage on land and buildings in town of Sofia, r. a. Liulin to provide a targeted credit line for bank guarantees and revolving credit granted to the companies in the Avto Union group at the amount of EUR 7.25 million;
- mortgage on land and buildings in town of Town of Varna, "Janos Hunyadi" to provide a targeted credit line for bank guarantees and revolving credit granted to companies in the Avto Union Group at the amount of EUR 7.25 million;
- mortgage on land in town of Pleven, for securing a working loan granted to Motobul EAD amounting to EUR 160 thousand;
- mortgage on land in town of City of Sofia, "Tsarigradsko shose" for the provision of an investment loan granted to EA Properties EOOD amounting to EUR 3.2 million.

7. Intangible assets

	Software products *BGN thousand*	Cost of acquisition *BGN thousand*	Improvements *BGN thousand*	Property rights *BGN thousand*	Know-how *BGN thousand*	Other *BGN thousand*	Total *BGN thousand*
Book value							
1 January 2017	**937**	**45**	**79**	**1**	**1 121**	**10**	**2 193**
Acquired	48	-	-	-	-	14	62
Written-off	(66)	(18)	-	-	-	-	(84)
31 December 2017	**919**	**27**	**79**	**1**	**1 121**	**24**	**2 171**
Acquired	224	-	-	-	-	81	305
Written-off	(7)	-	-	(1)	-	-	(8)
31 December 2018	**1 136**	**27**	**79**	**-**	**1 121**	**105**	**2 468**
Amortization							
1 January 2017	**(864)**	**(16)**	**(79)**	**-**	**(505)**	**(1)**	**(1 465)**
Accrued	(41)	-	-	-	(56)	(9)	(106)
Derecognized	66	-	-	-	-	-	66
31 December 2017	**(839)**	**(16)**	**(79)**	**-**	**(561)**	**(10)**	**(1 505)**
Accrued	(54)	-	-	-	(56)	(12)	(122)
31 December 2018	**(893)**	**(16)**	**(79)**	**-**	**(617)**	**(22)**	**(1 627)**
Carrying value:							
1 January 2017	**73**	**29**	**-**	**1**	**616**	**9**	**728**
31 December 2017	**80**	**11**	**-**	**1**	**560**	**14**	**666**
31 December 2018	**243**	**11**	**-**	**-**	**504**	**83**	**841**

Impairment of intangible assets

The Group carried out a review for impairment of the intangible assets as at 31 December 2018. No indicators were found that the book value of the assets exceeds their recoverable value and, as a result, no impairment loss has been recognized in the Consolidated Financial Statements.

8. Investment properties

As of December 31, 2018, the investment properties included a workshop, a whirlpool, and a land plot, Sofia city, Lyulin District.

As at 31 December 2018, a fair value measurement of investment property was performed, which is based on observable and observable data adjusted for specific factors such as area, location and current use. The valuation made is consistent and recurring due to the application of the fair value model in IAS 40 and is performed on a regular basis at the date of each financial statement with the assistance of external independent licensors. Inputs used in the assessment are subject to adjustments but are directly or indirectly available for observation. For this reason, hypotheses used are categorized by Level 2.

Since the fair value of investment properties as at 31 December 2018 does not differ significantly from their carrying amounts, it is assessed that the new fair value is not reflected.

9. Goodwill

Company	Share in capital %	31.12.2018 BGN thousand	31.12.2017 BGN thousand
Auto Italia EAD	100	2 876	2 876
Bulvaria Varna EOOD	100	5 591	5 591
Daru Car AD	99.84	1 461	1 461
Motobul EAD	100	12 538	12 538
		22 466	22 466

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

10. Trade and other receivables

10.1 Non-current receivables

	31.12.2018 BGN thousand	31.12.2017 BGN thousand
Interest-bearing loans to third parties	262	1 082
Minus: accumulated impairment	*(3)*	-
Interest-bearing loans to third parties, net	**259**	**1 082**
Expenses for future periods	3	-
Receivables from unit sales	-	2 355
Other long-term receivables	9	20
	271	**3 457**

10.2 Current receivables

	31.12.2018 BGN thousand	31.12.2017 BGN thousand
Trade receivables	11 932	14 166
Minus: accumulated impairment	*(881)*	*(655)*
Trade Receivables, net	**11 051**	**13 511**
Taxes for recovery	931	223
Minus: accumulated impairment	*(2)*	-
Refund taxes, net	**929**	**223**
Prepaid expenses	1 071	2 361
Receivables from trade loans granted	1	284
Judicial and judgment receivables	171	182
Minus: accumulated impairment	*(64)*	-
Judicial and judgment receivables, net	**107**	**182**
Advances granted	385	503
Minus: accumulated impairment	*(20)*	-
Advances made, net	**365**	**503**
Receivables from unit sales	-	595
Other current receivables	3 388	3 093

Minus: accumulated impairment	*(163)*	-
Other current receivables, net	**3 225**	**3 093**
	16 749	**20 752**

11. Inventory

	31.12.2018	31.12.2017
	BGN thousand	*BGN thousand*
Cars and mopeds	33 104	25 795
Spare parts	6 302	10 926
Lubricating oils	1 016	1 446
Goods on the road	16 940	14 977
Materials	130	105
	57 492	**53 249**

As of December 31, 2018, an impairment review of available inventories was performed. Based on this review, it was found that the carrying amount of inventories did not exceed their net realizable value.

Goods on the way represent inventory purchased by the Group at the end of 2018, which due to the duration of delivery were physically received in 2019.

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

- pledge of spare parts with a net value of EUR 400 thousand to secure a target credit line for bank guarantees and revolving credit granted to the companies in the Avto Union Group at the amount of EUR 7.25 million;
- a pledge on motor vehicles and spare parts of an approximate value of EUR 3,600 thousand to secure a bank credit guarantee and revolving credit line granted to the companies in the Avto Union Group at the amount of EUR 7.25 million;
- a pledge on motor vehicles and spare parts with a net value of EUR 4 500 thousand to secure a bank credit guarantee and revolving credit line granted to Star Motors EOOD amounting to EUR 4 000 thousand;
- pledge on spare parts and oils with a total net value of EUR 1,640 thousand to provide a target credit line for bank guarantees and revolving credit granted to companies of the Avto Union Group amounting to EUR 1,240 thousand;
- a pledge of spare parts with an estimated value of EUR 325 thousand to secure a revolving loan granted to HU Sofia Sofia EAD amounting to EUR 250 thousand;
- a pledge on motor vehicles and spare parts of an approximate value of EUR 1,680 thousand to secure a bank guarantee credit line assigned to the companies in the Avto Union Group at the amount of EUR 1,000 thousand.

12. Cash and cash equivalents

	31.12.2018	31.12.2017
	BGN thousand	*BGN thousand*
Cash in bank accounts	522	1 051
Cash in hand	132	102
Blocked money resources	518	422
Cash equivalents	-	1
	1 172	**1 576**

Cash in bank accounts is accrued at floating interest rates based on daily interest rates on bank deposits. As of 31 December 2018 the fair value of cash and short-term deposits is BGN 1 172 thousand. (31 December 2017 - 1 576 thousand BGN).

13. Share capital and reserves

13.1 Share capital

	31.12.2018	31.12.2017
	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)
1 January 2017	80 008	40 004
31 December 2017	80 008	40 004
31 December 2018	**80 008**	**40 004**

14. Interest-bearing loans and borrowings

14.1 Non-current

	31.12.2018	31.12.2017
	BGN thousand	*BGN thousand*
Bank and other loans	4 315	9 517
	4 315	**9 517**

14.2 Current

	31.12.2018	31.12.2017
	BGN thousand	*BGN thousand*
Bank and other loans	16 938	12 464
	16 938	**12 464**

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 liabilities are secured by a mortgage of own real estate, a pledge of inventories and third party guarantors.

Creditor bank	Contractual amount (Thousand BGN)	Interest rate	Liability as of 31.12.2018 (Thousand BGN)
Creditor Bank 1	4 701	1m EURIBOR + 3.5%	4 701
Creditor Bank 1	1 565	1m EURIBOR + 3.5%	809
Creditor Bank 2	1 760	3m EURIBOR + 3.50%	1 785
Creditor Bank 2	1 360	3m EURIBOR + 3.50%	1 332
Creditor Bank 2	782	3.30%	311
Creditor Bank 3	469	6.00%	466
Creditor Bank 1	1 467	2.90%	1 467
Creditor Bank 4	286	5.25%	208
Creditor Bank 1	98	3.50%	78
Creditor Bank 2	489	3.30%	498
Creditor Bank 1	782	3m EURIBOR + 3.50%	782
Creditor Bank 1	1 050	3m EURIBOR + 3.50%	1 050
Creditor Bank 2	4 890	1m EURIBOR + 2.0%	4 860

15. Debenture loans

	Issuer	Interest % rate	Maturity	31.12.2018 *BGN thousand*	31.12.2017 *BGN thousand*
1. ISIN: BG2100025126	Avto Union AD	4.50%	10.12.2022	**6 946**	**6 818**
- long-term part				*6 032*	*6 800*
- short-term part				*914*	*18*
2. ISIN: BG2100006183	Motobul EAD	3.85%	13.06.2028	**8 818**	-
- long-term part				*8 800*	-
- short-term part				*18*	-
				15 764	**6 818**

At a regular general meeting of the bondholders, held on 08.09.2017, a decision was taken to change the parameters of the **bond loan issued by Avto Union AD.** The General Meeting of the Bondholders decided to make the following changes in the parameters of the bond issue of corporate bonds with ISIN code BG2100025126, as follows:

- The term of the issue was extended by 60 months from 10.12.2017 to 10.12.2022.
- Principal payments are changed as follows: payment of BGN 2 000 000 from the principal up to 10.06.2022 (including in equal installments of BGN 250 000) and one last payment of the principal amounting to BGN 4 800 000 on 10.12.2022
- Decrease in the bond coupon on the bond loan at 4.5% on an annual basis.

On **13.06.2018**, **Motobul EAD** successfully carried out, under the terms of primary private offering, a first issue of ordinary, registered, book-entry, interest-bearing, secured, non-convertible, freely transferable corporate bonds with the following parameters:

- ISIN code: BG2100006183
- Currency: BGN:
- 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: on every 6 months
- Collateral: insurance to cover principal and interest due

The following table lists the related parties that hold bonds issued by Avto Union AD as at 31 December 2018:

	Number of bonds	principal value at nominal value, BGN thousand
Insurance Company Euroins AD	330	330
Insurance Company EIG Re AD	148	148
Insurance Company Euroins Life EAD	122	122
Euroins Romania Insurance AD	1 399	1 399
Euro-Finance AD	87	87

16. Finance lease liabilities

Total net finance lease liabilities are analyzed as follows:

Net liabilities	**31.12.2018**	**31.12.2017**
	BGN thousand	*BGN thousand*
Up to 1 year	4 000	4 965
From 1 to 5 years	12 259	10 071
	16 259	**15 036**

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

Net liabilities	**31.12.2018**	**31.12.2017**
	BGN thousand	*BGN thousand*
Up to 1 year	294	516
From 1 to 5 years	1 190	2 905
	1 484	**3 421**

Net finance lease liabilities to unrelated parties are as follows:

Net liabilities	**31.12.2018**	**31.12.2017**
	BGN thousand	*BGN thousand*
Up to 1 year	3 706	4 449
From 1 to 5 years	11 069	7 166
	14 775	**11 615**

17. Trade and other payables

17.1 Non-current

	31.12.2018	**31.12.2017**
	BGN thousand	*BGN thousand*
Payables for purchase of shares	-	2 519
Other	2 892	2 019
Expenses on employees retirement benefit provisions	15	25
	2 907	**4 563**

17.2 Current

	31.12.2018	**31.12.2017**
	BGN thousand	*BGN thousand*
Liabilities to suppliers and customers	54 436	48 459
Advances received	2 660	2 199
Payables to personnel and social security entities	1 429	930
Tax liabilities	2 564	2 351
Deferred income	584	270
Payables for purchase of shares	2 243	1 813
Other	540	488
	64 456	**56 510**

18. Receivables from related parties

18.1 Non-current

	31.12.2018	**31.12.2017**
	BGN thousand	*BGN thousand*
Receivables on loans from related parties	1 322	646
Minus: accumulated impairment	*(3)*	-
Receivables on loans from related parties, net	**1 319**	**646**

18.2 Current

	31.12.2018	**31.12.2017**
	BGN thousand	*BGN thousand*
Receivables from related parties	11 588	3 519
Minus: accumulated impairment	*(124)*	-
Receivables from related parties, net	**11 464**	**3 519**
Receivables on loans granted to related parties, net	*152*	-
Minus: accumulated impairment	*(9)*	-
Receivables on loans granted to related parties, net	**143**	-
	11 607	**3 519**

19. Payables to related parties

19.1 Non-current

	31.12.2018	31.12.2017
	BGN thousand	*BGN thousand*
Trade payables to related parties	-	360
Liabilities on loans from related parties	4 584	6 333
Finance lease liabilities	1 190	2 905
	5 774	**9 598**

19.2 Current

	31.12.2018	31.12.2017
	BGN thousand	*BGN thousand*
Trade payables to related parties	1 533	2 729
Liabilities on loans from related parties	153	13
Finance lease liabilities	294	516
	1 980	**3 258**

20. Related party disclosure

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

Related persons of the economic group of Eurohold Bulgaria AD (Companies under common control)
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 SA, Macedonia - a subsidiary of EIG
IC Euroins Life EAD - subsidiary of EIG
IC EIG Re AD - a subsidiary of EIG
Euroins Ukraine AD - a subsidiary of EIG

Eurolease Group EAD (ELG) - 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
First Investment Bank AD, Moscow - a subsidiary of Starcom Holding AD

Key Drivers of Avto Union:

Kiril Boshov - Chairperson of the Board of Directors
Milen Hristov - Vice Chairperson of the BoD
Assen Assenov - Member of the Board of Directors and Executive Director
Key Management Personnel of the Parent Company:
Supervisory Board
Asen Hristov, Dimitar St. Dimitrov, Radi Georgiev, Kustaa Aima, Lyubomir Stoev, Luis Roman

Governing Board
Asen Minchev, Kiril Boshov, Assen Assenov, Dimitar K. Dimitrov, Velislav Hristov, Razvan Lefter

Executive Director
Asen 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 by related parties		Sales of persons	Purchases by individuals	Amounts owed from related parties	Amounts owed to related parties
		BGN thousand	*BGN thousand*	*BGN thousand*	*BGN thousand*
Ultimate parent company					
Eurohold Bulgaria AD	2018	363	130	10 246	18
Eurohold Bulgaria AD	2017	2	130	7	90
Other related parties (under common control)					
Autoplaza EAD*	2018	20	18	37	7
Autoplaza EAD*	2017	24	-	35	2
Euroins - Health Insurance AD	2018	-		1	-
Euroins - Health Insurance AD	2017	-	-	2	1
Insurance Company EIG RE AD	2018	-	-	-	-
Insurance Company EIG Re AD	2017	6	-	-	-
Euroins Romania /Asitrans/	2018	2 458	88	8	501
Euroins Romania /Asitrans/	2017	37	96	-	2 557
Eurolease Auto Skopje	2018	444	14	77	-
Eurolease Auto Skopje	2017	1 540	15	368	-
Eurolease Auto EAD	2018	4 487	620	253	220
Eurolease Auto EAD	2017	14 263	270	1 832	30
Eurofinance AD	2018	1	5	-	-
Eurofinance AD	2017	1	-	-	-
IC Euro Ins AD	2018	6 622	458	476	410
IC Euro Ins AD	2017	5 901	93	651	395
Insurance Company Euroins Life EAD	2018	2		1	-
Insurance Company Euroins Life EAD	2017	4	-	22	-
Euroins Insurance Group AD	2018	45		16	360
Euroins Insurance Group AD	2017	42	-	36	-
Eurolease Group EAD	2018	-		1	-
Eurolease Group EAD	2017	-	-	1	-
Euroins Osiguryavane AD – Skopje	2018	26	6	4	2
Euroins Osiguryavane AD – Skopje	2017	7	1	5	-
Sofia Motors EOOD	2018	2 166	25	8	-
Sofia Motors EOOD	2017	5	8	11	11
Amigo Leasing EOOD	2018	-	-	1	-
Amigo Leasing EOOD	2017	-	-	-	-
Eurolease Rent-a-Car EOOD	2018	3 813	292	459	15
Eurolease Rent-a-Car EOOD	2017	3 905	58	544	3
Total:	2018	**20 447**	**1 656**	**11 588**	**1 533**
minus: accumulated impairment	2018	-	-	*(124)*	-
Net:	2018	**20 447**	**1 656**	**11 464**	**1 533**
Total:	2017	**25 737**	**671**	**3 514**	**3 089**
minus: accumulated impairment	2017	-	-	-	-
Net:	2017	**25 737**	**671**	**3 514**	**3 089**

Loans from / of 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	2018	-	-	-	-
Eurohold Bulgaria AD	2017	-	-	-	5 815
Other related parties					
Euroins Insurance Group AD	2018	-	-	-	4 584
Euroins Insurance Group AD	2017	-	-	-	-
Eurolease Group EAD	2018	11	23	1 297	-
Eurolease Group EAD	2017	22	-	390	-
Eurolease Auto EAD	2018	-	-	-	-
Eurolease Auto EAD	2017	-	-	-	391
Starcom Holding AD	2018	-	158	25	-
Starcom Holding AD	2017	269	14	256	127
Total:	2018	**11**	**181**	**1 322**	**4 584**
minus: accumulated impairment	2018	-	-	*(3)*	-
Net:	2018	**11**	**181**	**1 319**	**4 584**
Total:	2017	**291**	**14**	**646**	**6 333**
Net:	2017	**291**	**14**	**646**	**6 333**

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	2018	200	340	19	1
Eurohold Bulgaria AD	2017	-	674	-	1
Other related parties					
Starcom Holding AD	2018	-	-	4	134
Starcom Holding AD	2017	-	-	-	-
Euroins Romania /Asitrans/	2018	-	-	-	9
Euroins Romania /Asitrans/	2017	-	-	-	9
Eurolease Rent-a-Car EOOD	2018	4	-	129	-
Eurolease Rent-a-Car EOOD	2017	-	-	-	-
Eurolease Auto EAD	2018				1
Eurolease Auto EAD	2017	-	-	-	-
Euroins Osiguryavane AD – Skopje	2018				3
Euroins Osiguryavane AD – Skopje	2017	-	-	-	3
Eurolease Auto EAD	2018				5
Eurolease Auto EAD	2017	-	-	-	-
Total:	2018	**204**	**340**	**152**	**153**
minus: accumulated impairment	2018	-	-	*(9)*	-
Net:	2018	**204**	**340**	**143**	**153**
Total:	2017	-	**674**	-	**13**
minus: accumulated impairment	2017	-	-	-	-
Net:	2017	-	**674**	-	**13**

		Income from interest	Interest expenses	Amounts owed from related parties	Amounts owed to related parties
		BGN thousand	*BGN thousand*	*BGN thousand*	*BGN thousand*
Financial leasing					
Long-term finance leases					
Other related parties					
Eurolease Auto EAD	2018	-	-	-	629
Eurolease Auto EAD	2017	-	-	-	1 648
Eurolease Auto Skopje	2018	-	-	-	561
Eurolease Auto Skopje	2017	-	-	-	1 257
Total:	2018	-	-	-	**1 190**
Total:	2017	-	-	-	**2 905**

Short-term finance leases

		Income from interest	Interest expenses	Amounts owed from related parties	Amounts owed to related parties
Other related parties					
Eurolease Auto EAD	2018	-	49	-	294
Eurolease Auto EAD	2017	-	107	-	516
Eurolease Auto Skopje	2018	-	11	-	-
Eurolease Auto Skopje	2017	-	-	-	-
Total:	2018	-	**60**	-	**294**
Total:	2017	-	**107**	-	**516**

Remunerations and other short-term benefits of the key management personnel for 2018 are current and amount to BGN 149 581. (2017: BNG 166 650)

Conditions of the related party transactions

The sales and purchases from related parties 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. Conditional commitments

Guarantees issued - contingent liabilities

By virtue of a decision of the Board of Directors, Avto Union AD entered into a debt under a Bond Loan, with ISIN code BG2100006092, issued by Asterion Bulgaria AD, being jointly responsible for its execution. The nominal amount of the issued debt amounted to EUR 7 500 000. On 11.04.2014 a meeting of the General Meeting of Bondholders was held, where it was decided to extend the maturity of the bond issue of Asterion Bulgaria AD to 14.04.2019, and the interest rate was changed to 6.25%.

Avto Union JSC is a co-debtor under a contract for bank loan of Asterion Bulgaria AD from First Investment Bank AD. Asterion Bulgaria AD has not used a limit under this contract, which as at 31.12.2018. amounts to EUR 2 million and is used to issue bank guarantees for the subsidiaries of Avto Union AD.

Guarantees received - contingent assets

The parent company Eurohold Bulgaria AD is a co-borrower under the bank guarantees and revolving loans of the Group to the amount of BGN 16 625 thousand as at 31 December 2018.

A third person has set up a mortgage of a real estate in Sofia to secure a contract for the issuance of bank guarantees to the subsidiaries of Avto Union AD with a limit of 1 000 thousand euros and a mortgage of a real estate in Bourgas for securing a contract for the issuance of bank guarantees and revolving bank credit for the Group companies with a total limit of 1 240 thousand euro.

Litigations

As of 31.12.2018, Eurohold Group companies are not a party to significant litigations.

Operating lease

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

Future minimum lease payments, thousand BGN	Up to 1 year	From 1 to 5 years	More than 5 year	Total
Lease payments	2 823	5 155	461	**8 439**

22. Changes in liabilities arising from financing activities

In BGN thousand	Note	Balance at 01 January 2018	Revenues	Payments	Acquisition	Other changes	Balance at 31.12.2018
Loans from banks and other financial institutions	14	17 382	8 342	(7 589)	1 882	(972)	19 045
Liabilities on debenture loans	15	6 818	8 818	(323)	305	146	15 764
Liabilities on loans from related parties	19,20	6 346	33 622	(23 158)	2 222	(14 295)	4 737
Liabilities on trade loans	14	4 599	2 090	(6 064)	57	1 526	2 208
Finance lease liabilities	16	15 036	2 051	(16 832)	18 680	(2 676)	16 259
Interest, fees and commissions		n/a	-	(747)	-	-	n/a
Dividends paid		n/a	-	(1 127)	-	-	n/a
Total:		**50 183**	**54 923**	**(55 840)**	**23 146**	**(16 273)**	**58 013**

23. Transactions with non-controlling interest

In 2018, as in 2017, there were no transactions with the non-controlling interest.

Subsidiaries with non-controlling interest

Subsidiaries with significant non-controlling interest for the Group as at 31 December 2018 are as follows:

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

	Total for the non-controlling participation, thousand BGN
Carrying amount of non-controlling participation as at 31.12.2017	**3 329**
Effect of Changes in Accounting Policies (IFRS 9 and IFRS 15), we assign to the non-controlling interest	(65)
Carrying amount of the non-controlling interest on 1 January 2018 (recalculated)	**3 264**
Profit attributable to non-controlling participation for the period	1 695
Paid dividends attributable to non-controlling interest	(1 127)
Carrying amount of non-controlling participation as at 31.12.2018	**3 832**

24. 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 results of the business segments defined in the Group include:

	Segments									
	Sale of motor vehicles, servicing activity		*Sale of oils and fuels*		*Other*		*Elimination*		*Consolidated*	
	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*
External sales	229 834	203 182	7 413	6 588	2 323	2 017	(12 794)	(8 587)	226 776	203 200
Total revenue	**229 834**	**203 182**	**7 413**	**6 588**	**2 323**	**2 017**	**(12 794)**	**(8 587)**	**226 776**	**203 200**
Undistributed operational income from operations									7 571	-
Undistributed operational operating costs									(227 676)	(200 141)
Profit from operating activities									**6 671**	**3 059**
Financial income									500	430
Financial expenses									(3 330)	(2 888)
Profit before tax on profit									3 841	601
Profit tax expense									(403)	(343)
Net profit for the year									**3 438**	**258**
Referring to the shareholders of the parent company									1 743	(957)
Non-controlling participation									1 695	1 215

The assets and liabilities of the business segments defined in the Group include:

Assets on business segments	*Sale of motor vehicles, servicing activity*		*Sale of oils and fuels*		*Other*		*Total*	
	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*
Property, plant and equipment	16 827	17 096	578	588	8 494	8 645	25 899	26 329
Intangible assets	580	619	239	45	22	2	841	666
Investment properties	3 266	3 266	-	-	-	-	3 266	3 266
Inventory	56 568	51 191	923	2 057	1	1	57 492	53 249
Receivables from related companies	2 456	3 441	5 367	35	5 103	689	12 926	4 165
Trade and other receivables	13 333	15 976	3 309	7 175	378	1 058	17 020	24 209
Cash and cash equivalents	1 109	1 434	44	124	19	18	1 172	1 576
Segment assets	**94 139**	**93 023**	**10 460**	**10 024**	**14 017**	**10 413**	**118 616**	**113 460**
Unallocated assets							**22 887**	**22 935**
Total assets							**141 503**	**136 395**

Liabilities on business segments	*Sale of motor vehicles, servicing activity*		*Sale of oils and fuels*		*Other*		*Total*	
	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*	2018 *BGN thousand*	2017 *BGN thousand*
Interest-bearing loans and borrowings	16 745	12 651	1 286	784	3 222	8 546	21 253	21 981
Debenture loans	-	-	8 818	-	6 946	6 818	15 764	6 818
Finance lease liabilities	14 775	11 584	-	31	-	-	14 775	11 615
Liabilities to associated enterprises	2 418	5 922	266	339	5 070	6 595	7 754	12 856
Trade and other payables	60 819	52 723	4 265	3 869	2 279	4 481	67 363	61 073
Liabilities of the segment	**94 757**	**82 880**	**14 635**	**5 023**	**17 517**	**26 440**	**126 909**	**114 343**
Unallocated liabilities							**79**	**120**
Total liabilities							**126 988**	**114 463**

25. Events after the end of the reporting period

Between the date of the annual consolidated financial report and the date of its approval for publication, the following disclosure events have occurred:

- On 22 March 2019 Milen Asenov Hristov was entered in the Commercial Register as a Procurator of the subsidiary Auto Italia EAD;
- On 11.02.2019 in the Commercial Register an increase of the capital of Benzin Finance EAD was registered with BGN 550 thousand. - from BGN 500 thousand to BGN 1 050 thousand;
- By a memorandum of the BoD of the subsidiary Auto Italia EAD dated 23.11.2018 it was decided to be established a subsidiary of Auto Italia EAD, namely Auto Italia-Sofia EOOD. The intention of the management is to divide the import and dealership activities of the FIAT, Maserati and Alfa Romeo brands - the newly established company will be a dealer for the city of Sofia, while Auto Italia EAD remains the only importer for the brands in Bulgaria.

26. Approval of the Consolidated Financial Statements

The Consolidated Financial Statements as at 31 December 2018 (including comparative information) was approved and adopted by the Board of Directors by decision under item 1 of the Protocol of 15 April 2019