AVTO UNION AD

CONSOLIDATED FINANCIAL STATEMENT AND
CONSOLIDATED MANAGEMENT REPORT
31 December 2011

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Directors

Assen Hristov
Kiril Boshov
Assen Assenov

Address

Bulgaria,
Sofia
43 Hristofor Kolumb Blvd.

Auditor

BDO Bulgaria OOD

CONSOLIDATED ANNUAL MANAGEMENT REPORT

OF AUTO UNION AD

FOR THE FINANCIAL YEAR 2011

AVTO UNION

Avto Union AD
CONSOLIDATED MANAGEMENT REPORT
For the year ending on 31 December 2011

The Management presents its annual report and the annual financial statement as of 31 December 2011, prepared in accordance with the Accountancy Act.

The Annual Management Report of Avto Union AD presents a commentary and an analysis of the financial statements and other substantial information regarding the financial position and the results achieved from the operations of the Group. The Report reflects the position and the development perspectives of the Group.

In managing the Group the members of the Board of Directors apply the best world practices in corporate management and strive to be the leaders in imposing transparent corporative practices in Bulgaria. The business model the company follows is build on the basis of main principles like guaranteeing the rights of all shareholders and their equal treatment.

The consolidated financial result of the company for the period from 01.01.2011 to 31.12.2011 is a profit of 1,472 thousand BGN and the result for the same period of the previous year is a loss amounting to 1,090 thousand BGN. The considerable improvement of the result is due mainly to the realized increase in the revenues from disposal of goods in comparison with 2010 – from 97,680 thousand BGN to 98,805 thousand BGN for 2011, to the decrease in the operating expenses, as well as in the interest expenses, whereas the latter was achieved through optimization of the cash distribution in the automotive holding.

For 2011 the sales of new cars, realized by the automotive holding in the group of Eurohold Bulgaria – Avto Union, amount to 2,552 items in comparison with 2,318 items, realized during the same period of 2010, which represents an increase of 10.1%.

The biggest number of sales for the year is registered by Nissan Sofia (Nissan, Renault, Dacia) with a total of 835 cars, which represents an increase of 9% in comparison with the same period of 2010. Bulvaria Varna and Bulvaria Holding have realized a total of 762 sales in 2011, which is 18% more than the 645 cars sold in 2010. Star Motors (Mazda) reports a considerable increase of 36% with 508 sold cars in comparison with 375 items in 2010.

Corporate transactions amounting to more than 24 mln. BGN have been signed during the reporting period.

The following substantial facts and circumstances related to the operations of Avto Union have occurred in the period from 01.01.2011 to 31.12.2011:

On 18 July 2011, Eurohold Bulgaria AD increased the capital of Avto Union by 850,000 BGN through the issuance of 1,700 shares with a nominal value of 500 BGN each. A decision for a new increase of the capital of Avto Union was made at the end of September and on 17 October 2011 the capital was increased by another 5 mln. BGN through issuance of 10,000 shares with a nominal value of 500 BGN per share. On 2 December 2011 the capital was increased by 7 mln. BGN through issuance of 14,000 shares with a nominal value of 500 BGN per share. As of the present moment, the share capital of Avto Union amounts to 34,971,500 BGN, 1 mln. BG of which is not paid.

On its part Avto Union AD has increased the capital of two of its subsidiaries: of Nissan Sofia EAD by 750,000 BGN through issuing 150,000 shares with a nominal value of 1 BGN each and an issuing value of 5 BGN each, and of Scandinavia Motors AD by 850,000 BGN through issuing 850,000 shares with a nominal value of 1.00 BGN each.

The capital of the subsidiaries Gransport Auto EOOD, Auto Italia EAD, Bulvaria Holding EAD, Scandinavia Motors AD and Milano Motors EOOD was increased. The increase of capital was made through apportionment of receivables.

At the end of the year Avto Union AD acquired 98.84% of the shares of Daru Car AD – an authorized car repair station for BMW, Mini, Rouver, Land Rouver and Mahindra. The Daru Car company also offers original spare parts for the said car brands. The company has a commercial and repair center in Sofia city, r.d. Druzhba. The transaction was part of the strategy of the automotive sub-holding for expanding its market share in the segment for servicing of high class cars and for acquisition and development of car repair centers as a main source of cost-effectiveness due to the low margins in the sales of new cars in the current market situation.

In June 2011 the subsidiary Bulvaria celebrated 20 years since its founding. The company opened officially its new show-room in Sofia, 43 Hristofor Kolumb blvd. For maximum comfort, Bulvaria is already meeting and servicing customers in two repair and sale centers in Sofia – in the western part of the city, 84 Orion str., and in the eastern part of the city, 43 Hristofor Kolumb blvd.

On 22 June 2011 Motobul EOOD signed a contract with the Slovenian company G.M.T. and with this the company became an authorized distributor for Bulgaria for the next 5 years of the Castrol y BP lubricants. Moreover, the company belonging to the automotive holding has signed investment contracts for equipment with G.M.T. amounting to 424 thousand Euros.

On 1 July 2011 Eurolease Rent-a-Car renewed its franchising contracts with AVIS and Budget for Bulgaria for a period of 5 years.

On 21 July 2011 Bulvaria Holding bought land with an area of 14,729 sq.m. in Sofia, r.d. Lyulin, and with a value 817,800 BGN.

On 26 July 2011 Cargoexpress EOOD was renamed to Bulvaria Varna in view of the fact that the company is closely related to the activity of Bulvaria Holding and both companies are authorized dealers of Opel and Chevrolet.

On 29 July 2011 Avto Union became sole owner of 100% of Nissan Sofia by acquiring the minority share of 2%, which represents 43 584 shares with a nominal value of 1 BGN each. The change in the legal form of Nissan Sofia EAD was entered in the Commercial Register with the Registry Agency on 15.08.2011.

On 6 August 2011 Avto Union acquired 51% of the capital of Auto 1 OOD, which represents 5,100 shares with a nominal value of 100 BGN each. The main activity of the company Auto 1 OOD is import and sale of car spare parts. With the investment made, Avto Union AD complements and supports its servicing operations as a main source of cost-effectiveness.

On 1 September 2011 the Commercial Register with the Registry Agency registered reorganization through merger of Bulvaria Rent-a-Car EOOD to Eurolease Rent-a-Car EOOD. As a result of the merger the whole property of Bulvaria Rent-a-Car EOOD was transferred to Eurolease Rent-a-Car EOOD which became its universal successor. The main goal of this restructuring is optimization of the operating expenses and achieving a better market segmentation, which will lead to an increase in the servicing level and customer satisfaction. This is a prerequisite for strengthening of the market positions of Avis and Budget in Bulgaria and increase in their market share. Resource optimization, reduction in the expenses for rent, software, financing and an optimal use of the carpark is achieved by the merger of both companies. The expected decrease in the general expenses amounts to approximately 500 thousand BGN per year.

At the end of December 2011 Eurolease Rent-a-Car EOOD was transferred to the leasing sub-holding of Eurohold Bulgaria AD – Eurolease Group, which was made in order to restructure the companies in the sub-holdings in a functional manner.

With regard to the product presentation and since the beginning of 2011, the offering of integrated and combination products for the customers of the Avto Union Group has continued thanks to the synergy between the main sections of Eurohold. The main emphasis in the special conditions for customer service is on:

- Preferential insurance tariffs from Euroins for the insurance of a new car. Since November 2011 the companies from the automotive holding, together with Insurance company Euroins AD, has started the sale of a new product "Motor Vehicle Casco" that offers a unique combination of insurance and a free technical inspection, which will be performed at the repair stations of the Avto Union companies. The advantages of the "Motor Vehicle Casco" insurance are a free inspection of the technical state of the car; 4,5% tariff number for cars older than 4 years; free road assistance up to 150 km in case of occurrence of insurance event – from the site of the incident to a repair station; competent servicing and a wide network of trusted repair stations throughout the country of partner companies;

- Special leasing calculators and products for the different car brands;

- Negotiating with producers for the delivery of limited series specially selected car equipment packages at preferential prices, whereas this becomes an offering of special prices to the customers for a limited period of time;

- Servicing at preferential terms and competitive prices also for the cars without a warranty.

Avto Union AD
CONSOLIDATED MANAGEMENT REPORT
For the year ending on 31 December 2011

I. COMPANY INFORMATION

HISTORY

Avto Union AD is a holding company registered in the Republic of Bulgaria and operating under the Bulgarian laws.

The company was registered on 25 January 2005 with its main activity – strategic management of the businesses within the structure of the holding, provision of financial, marketing and business specific resources.

SEAT AND REGISTERED ADDRESS

The seat and registered address of the Parent Company is Republic of Bulgaria, Sofia city, 43 Hristofor Kolumb blvd. The administrative management is realized at the same address and it is also the main site where it performs its operations. This is also the official address for business correspondence.

Business address	Sofia city, 43 Hristofor Kolumb blvd.
Telephone	02/ 9651 653; 02/ 9651 651
Fax	02/ 9651 652
E-mail	investors@avtounion.bg
Web-site	www.avto-union.com

No changes in the company's scope of business activity were made.

MANAGEMENT BODIES

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

Board of Directors

The Board of Directors includes 3 natural persons.

Assen Milkov Hristov	Chairman of the Board of Directors
Kiril Ivanov Boshov	Vice-chairman of the Board of Directors
Assen Emanuilov Assenov	Member of the Board of Directors and Executive Director

The company is represented by Assen Emanuilov Assenov.

SHARE CAPITAL

On 18 July 2011, Eurohold Bulgaria AD increased the capital of Avto Union by 850,000 BGN through the issuance of 1,700 shares with a nominal value of 500 BGN each. A decision for a new increase of the capital of Avto Union was made at the end of September and on 17 October 2011 the capital was increased by another 5 mln. BGN through issuance of 10,000 shares with a nominal value of 500 BGN per share. On 2 December 2011 the capital was increased by 7 mln. BGN through issuance of 14,000 shares with a nominal value of 500 BGN per share. As of the present moment, the share capital of Avto Union amounts to 34,971,500 BGN.

SHAREHOLDER STRUCTURE

As of the date of ending of the financial year there is one legal person that owns 99.99% of the voting shares. There are no natural persons – shareholders, which own directly more than 5 per cent of the voting shares.

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

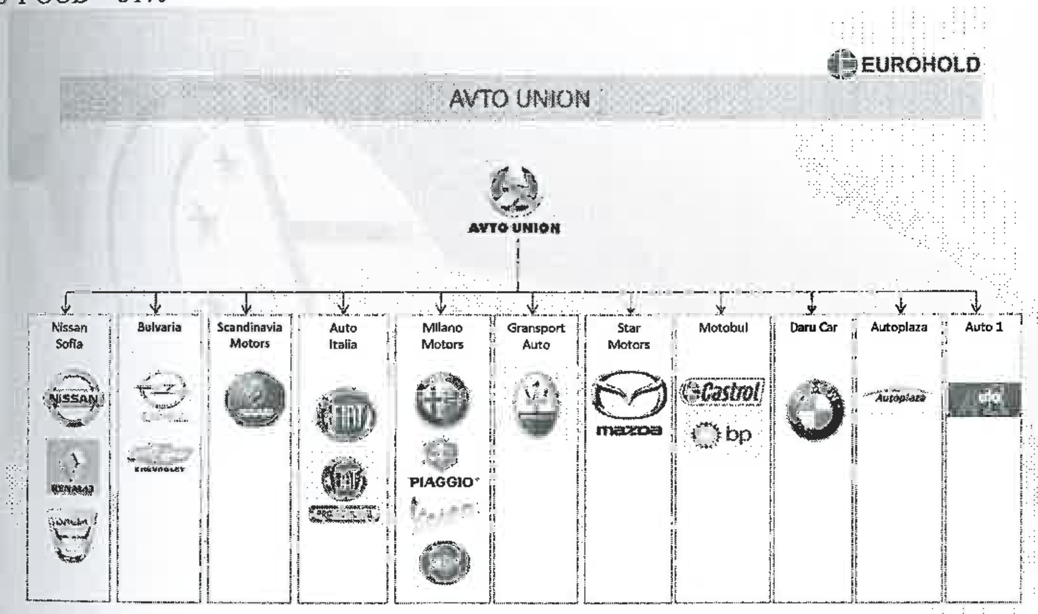
Shareholders	Share	Number of shares	Nominal value (thousand BGN)
Eurohold Bulgaria AD	99.99%	69,936	34,968
Kiril Boshov	0.01%	7	4
TOTAL	**100 %**	**69,943**	**34,972**

The company has not issued shares that are not capital. All shares issued by Avto Union AD give to their owners the right to a vote in the General Meeting of the company.

II. OVERVIEW OF THE BUSINESS ACTIVITY

INVESTMENT PORTFOLIO

As of 31 December 2011 Avto Union AD holds a direct controlling participation in 15 subsidiaries:
- Auto Italia EAD - 100%
- Milano Motors EOOD – 100%
- Star Motors EOOD – 100%
- Gransport Auto EOOD – 100%
- Bulvaria Holding EAD – 100%
- Avto Union Properties EOOD – 100%
- Autoplaza EAD – 100%
- Espace Auto EOOD – 100%
- Scandinavia Motors EAD – 100%
- Nissan Sofia EAD – 100%
- Bulvaria Varna EOOD – 100%
- Daru Car AD – 98.84%
- Eurotruck EOOD – 100%
- Motobul EOOD – 100%
- Auto 1 OOD – 51%



The competitiveness of the group is determined by the high level of service and the strong synergy between the different business activities in Eurohold Bulgaria (insurance, leasing and sale of cars) through which the aim is to achieve bigger efficiency and cost-effectiveness of the subsidiaries. All companies within Avto Union Group work in close cooperation with the other business segments of Eurohold Bulgaria – insurance and leasing, and in this way they can offer complex services to their customers and to realize a lasting increase in their sales and a considerable 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;
- Exclusive dealer of scooters Vespa, Piaggio and Gilera;
- Authorized dealer for Bulgaria of Reno, Nissan, Opel, Dacia and Chevrolet. The Avto Union Group is the biggest national distributor of the Nissan cars.

III. RESULTS FROM OPERATIONS

REVENUES

In 2011 the revenues of Avto Union AD are formed from the main business activity of the subsidiaries, which are related to import of cars and scooters, rent-a-car services, import and sale of lubricants, servicing activities and sale of used cars, as well as from the sale of part of the company's subsidiaries.

For the period reviewed from 01.01.2011 to 31.12.2011, the net revenues of the holding from disposal amount to 34,021 thousand BGN. The profit from the disposal of subsidiaries amounts to 3,135 thousand BGN.

The amount of the interest revenue from granted loans is 464 thousand BGN. The expenses for the overall business activity of the group amount to 32,612 thousand BGN, of which interest expenses for granted loans amounting to 1,778 thousand BGN.

The holding has a positive financial result for 2011 amounting to 1,472 thousand BGN.

Revenues and expenses structure on a non-consolidated basis:

Revenues	2011		2010	
	000'BGN	share	000'BGN	share
Revenues from operations	98,805	90%	97,680	92%
Other profits and losses	10,613	10%	8,727	8%
Financial revenues	551	0%	194	0%
Total revenues	**109,969**	**100%**	**106,601**	**100%**
Expenses				
Operating expenses	104,297	96%	103,544	96%
Share of the loss of associated companies	238	0%	160	0%
Financial expenses	3,712	4%	4,107	4%
Total expenses	**108,247**	**100%**	**107,811**	**100%**

NET PROFIT

The result of the company on a consolidated basis in 2011 is a profit amounting to 30.564 BGN per share.

Profit (Loss)	2011	2010
	000'BGN	000'BGN
Net operating result	23,408	25,589
Result from financial operations	(3,399)	(4,073)
Financial result before taxation	1,722	(1,210)
Tax expenses/savings	(249)	98
Net financial result	**1,473**	**(1,112)**
Number of shares (pcs.)	69,944	44,243
Average number of shares (thousand pcs.)	48,194	41,680
Net result per 1 share in BGN	**30.564**	**(26.679)**

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Avto Union AD
CONSOLIDATED REPORT ON OPERATIONS
For the year ending on 31 December 2011

FINANCIAL POSITION ON A CONSOLIDATED BASIS

In 2011 the total assets decreased in comparison with 2010 by 7%, which in non-current assets amounts to 8% and is due to the decrease in Property, machinery and equipment mainly as a result of the selling of the subsidiary Eurolease Rent-a-Car, as well as of Trade and other receivables, where part of the receivables on interest bearing loans to third parties have been repaid.
The decrease in short-term receivables is 7% and is due to a better compliance rate for the trade receivables and the receivables on interest bearing loans, as well as for the receivables from related parties.

Assets dynamics:

ASSETS	2011		2010
	000'BGN	change	000'BGN
Non-current assets			
Property, polnt and equipment	19,861	(29)%	28,084
Intangible assets	1,542	3%	1,501
Investment properties	11,798	24%	9,525
Investments	2	(100)%	7,791
Goodwill	22,466	130%	9,779
Deferred tax assets	691	2%	678
Trade and other receivables	1,660	(69)%	5,379
Other	-	(100)%	6
	58,020	**(8)%**	**62,743**
Current assets			
Inventory	23,808	42%	16,745
Trade and other receivables	8,398	(54)%	18,111
Cash and cash equivalents	1,712	3%	1,663
	33,918	**(7)%**	**36,519**
Total assets	**91,938**	**(7)%**	**99,262**

Liabilities dynamics:

LIABILITIES	2011		2010
	000'BGN	change	000'BGN
Non-current liabilities			
Interest bearing loans	16,104	(37)%	25,578
Liabilities for employment benefits	46	(21)%	58
Finance lease liabilities	2,149	(84)%	13,256
Deferred tax liabilities	260	(14)%	304
Trade and other payables	14,635	(13)%	16,850
	33,194	**(41)%**	**56,046**
Current liabilities			
Trade and other payables	27,022	40%	19,322
Interest bearing loans	11,465	15%	9,929
Finance lease liabilities	1,056	(84)%	6,522
	39,543	**11%**	**35,773**
Capital			
Share capital	33,972	54%	22,122
Reserves	(6,232)	9%	(5,716)
Retained earningns	(8,856)	(1)%	(8,972)
Equity	**18,884**	**154%**	**7,434**
Non-controlling interest	317	3422%	9
Total equity and liabilities	**91,938**	**(7)%**	**99,262**

The increase in equity is due to an increase in the share capital.
The 41% decrease in non-current liabilities is due mainly to the transfer of some of the interest bearing loans to short-term loans, as well as to a decrease in the finance lease liabilities, which is a result of the selling of the subsidiary Eurolease Rent-a-Car.
The increase in short-term liabilities is due to the redistribution of a part of the long-term loans to short-term loans, as well as to the increase in trade liabilities, which is a result of the increase in inventory as of the date of the financial statement.

IV. IMPORTANT EVENTS THAT TOOK PLACE AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENT

The Board of Directors of Avto Union AD is not aware of any important and substantial events that have taken place after the date of the annual accounting balance.

V. ENVIRONMENTAL PROTECTION

The efforts of the group are directed towards the effect the subsidiaries have on the environment when realizing their current operations.

VI. INFORMATION REQUIRED UNDER THE COMMERCE LAW

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 the price for the acquisition or the transfer

In 2011 the group did not redeem and transfer any own shares, respectively it does not own any own shares.

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

The group does not own any own shares.

3. Information regarding the amount for remunerations of each of the members of the management and controlling bodies for the reporting financial year, paid by the issuer and their subsidiaries.

The members of the Board of Directors have not been paid remunerations and/or compensations in kind during the said period.

Avto Union AD, as well as their subsidiaries do not allocate amounts for pensions, retirement compensations or other similar compensations for the members of the Board of Directors.

4. Company shares owned by the members of the management and supervisory board

Kiril Boshov, member of the Board of Directors, owns 7 shares of Avto Union AD.

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

No options of acquiring company shares have been issued in favor of the Board of Directors, the employees or third persons.

6. Participation of the members of the boards in commercial companies as unlimited liability partners, owning more than 25 per cent of the capital of another company, as well as their participation in the management of other companies or partnerships as procurators, managers or board members

Board of Directors

Name	**Assen Milkov Hristov**
Title	**Chairman of the Board of Directors**
Office address	Sofia city, 43 Hristofor Kolumb blvd.
Information about activities performed outside of the company, which are of importance to the company	♦ Euroins Osiguruvanje A.D., Macedonia – Chairman of the Board of Directors; ♦ Euroins Romania. Asigurare – Reasigurare S.A. – Member of the Board of Directors; ♦ Euro-Finance AD – Chairman of the Board of Directors; ♦ Scandinavia Motors AD – Chairman of the Board of Directors; ♦ Smartnet EAD – Chairman of the Board of Directors; ♦ Starcom Holding AD – Executive member of the Board of Directors.
Information about all other participations as a member of a management/	**Current:** ♦ Avto Union AD – Chairman of the Board of Directors;

controlling body and/or associate during the last 5 years	♦ Alpha Euroactive EOOD – Sole owner of the capital and Manager; ♦ Autoplaza EAD – Vice-chairman of the Board of Directors; ♦ Balkan International Basketball League OOD – Manager; ♦ Basketball club Cherno more EAD – Chairman of the Board of Directors; ♦ Bulstar Investment AD – Chairman of the Board of Directors; ♦ Corporate Advisors EOOD – Sole owner of the capital and Manager; ♦ Starcom Hold AD – Executive member of the Board of Directors; ♦ Formoplast 98 AD – Chairman of the Board of Directors. **Terminated:** ♦ Avto Union Group AD – Chairman of the Board of Directors – 12. 10. 2011; ♦ Geoenergoproekt AD – Chairman of the Board of Directors – until 30.09.2010; ♦ Euro Power AD (currently Power Logistics EAD) – Chairman of the Board of Directors – until 16.02.2011; ♦ Eurotest-Control EAD – Chairman of the Board of Directors – until 21.12.2010; ♦ Etropal AD – Chairman of the Board of Directors – until 14.09.2010; ♦ Plastchim T AD – Member of the Board of Directors – until 23.07.2010; ♦ Profonika EOOD – Sole owner of the capital and Manager – until 17.05.2010; ♦ Formoplast AD – Executive member of the Board of Directors – until 12. 02. 2011.
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	♦ Vitosha Investment Company EOOD (in liquidation on the basis of a decision of Sofia City Court, TC, CD, 5 panel, civil case 52/ 2009 in accordance with claim under Art. 29 of the Commercial Register Act) – entered as a Sole owner of the capital. As of 31. 12. 2011 there is no other information about insolvency, receivership or liquidation, with which the person in his capacity of a member of a management or supervisory body was connected in the last 5 years.
Relative professional experience	Assen Hristov holds a master's degree in Physics from Sofia University St.Kliment Ohridski and has specialized in the Institute for Nuclear Research in Dubno, Russia. He has a specialization in Management in Open University- London. Knows Russian and English. Assen Hristov has occupied the above managerial positions during different periods within the last 5 years. He has served as a Chairman of the Board of Directors of Eurobank AD from 1997 to 2000 and has performed representative functions; he has served as a Chairman of the Supervisory Board of Insurance Company Euroins AD from 2000 to 2007, a Chairman of the Board of Directors of Scandinavia Motors EAD – authorized dealer of SAAB for Bulgaria since 2005, as well as of the investment intermediary Euro-finance AD.
Administrative correction measures and penalties	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation with 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	**Kiril Ivanov Boshov**
Title	**Vice-chairman of the Board of Directors**
Office address	Sofia city, 43 Hristofor Kolumb blvd.
Information about activities performed outside of the company, which are of importance to the company	♦ Eurohold Bulgaria - Chairman of the Board of Directors; ♦ Euroins Osiguruvanje A.D., Macedonia – Chairman of the Board of Directors; ♦ Euroins Romania. Asigurare – Reasigurare S.A. – Member of the Board of Directors; ♦ Euroins Insurance Group AD – Chairman of the Board of Directors.
Information about all other participations as a member of a management/ controlling body and/or associate during the last 5 years	**Current:** ♦ Avto Union AD – Vice-chairman of the Board of Directors; ♦ Alkomers EOOD – Sole owner of the capital and Manager; ♦ Euroauto OOD – Manager; ♦ Euroins Health Assurance EAD – Chairman of the Board of Directors; ♦ Euroins Insurance Group AD – Chairman of the Board of Directors; ♦ Euroins Osiguruvanje AD – Member of the Board of Directors; ♦ Euroins Romania. Asigurare – Reasigurare S.A., Romania – Chairman of the Board of Directors; ♦ Euro-finance AD – Member of the Board of Directors; ♦ Eurolease auto IFN AD, Romania – Member of the Board of Directors; ♦ Euromobil Leasing AD – Member of the Board of Directors; ♦ Eurohold Bulgaria AD - Chairman of the Board of Directors; ♦ Capital 3000 AD – Chairman of the Board of Directors; ♦ Scandinavia Motors AD – Member of the Board of Directors; ♦ Starcom Hold AD – Chairman of the Board of Directors; ♦ Starcom Holding AD – Chairman of the Board of Directors. **Terminated:** ♦ Autoplaza EAD – Member of the Board of Directors; ♦ Geoenergoproekt AD – Chairman of the Board of Directors; ♦ Eurolease Asset EAD – Vice-chairman of the Board of Directors; ♦ Eurolease Auto AD – Vice-Chairman of the Board of Directors; ♦ Eurolease Auto AD, Macedonia – Chairman of the Board of Directors; ♦ Evroforum OOD – Manager; ♦ Eurohotels AD – Member of the Board of Directors; ♦ Insurance company Euroins AD – Executive member of the Board of Directors; ♦ Iztok Plaza EAD – Chairman of the Board of Directors; ♦ Coral Consult EOOD – Manager; ♦ Nissan Sofia AD – Chairman of the Board of Directors;

	♦ Smartnet EAD – Vice-chairman of the Board of Directors.
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	N/A
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 knows 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 Vice-chairman of the Board of Directors and a procurator he has participated actively in the restructuring of the assets of Eurobank AD, a representation of the bank before third parties, together with the executive director and the direct management of the active bank operations – credit and capital markets. From 2000 to 2008 Kiril Boshov has served as a Chairman of the Management Board at Insurance Company Euroins AD and in 2006 the Association of Investors in Bulgaria gives the company the award "Company with best corporate management". In his capacity of a Chairman of the Board of Directors of Eurolease Auto AD, until 2008 he has managed the activity regarding the provisioning of funding for the Company. He was in charge of the whole process for signing an International Funding Agreement between Eurolease Auto AD and Deutsche Bank AG – branch London for the amount of 200 000 000 Euro.
Administrative correction measures and penalties	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation with 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	Sofia city, 43 Hristofor Kolumb blvd.
Information about activities performed outside of the company, which are of importance to the company	♦ BG Autolease Group B.V.– Manager; ♦ BG Autolease Holding B.V. – Manager; ♦ Eurolease Auto EAD – Chairman of BD; ♦ Eurolease Auto IFN AD, Bucharest – Member of BD; ♦ Eurohold Bulgaria AD – Member of MB.

Information about all other participations as a member of a management/ controlling body and/or associate during the last 5 years	**Current:** ◆ Avto Union AD – Executive Member of BD; ◆ Avto Union Properties EOOD – Manager; ◆ Auto 1 OOD – Manager; ◆ Auto Italia EAD – Chairman of BD; ◆ Autoplaza EAD – Chairman of BD; ◆ BG Autolease Group B.V. – Manager; ◆ BG Autolease Holding B.V. – Manager; ◆ Bulvaria Varna EOOD – Manager; ◆ Bulvaria Motobul - Company under the Obligations and Contracts Act – Manager; ◆ Bulvaria Holding EAD – Executive Member of BD; ◆ Gransport Auto EOOD – Manager; ◆ Eurolease Asset EAD – Member of BD; ◆ Eurolease Auto EAD – Chairman of BD; ◆ Eurolease Auto IFN AD, Bucharest – Member of BD; ◆ Euromobil Leasing AD – Executive Member of BD; ◆ Eurotruck EOOD – Manager; ◆ Eurohold Bulgaria AD – Member of MB; ◆ Ita Leasing EOOD – Manager; ◆ Cargoexpress Imoti EAD – Member of BD; ◆ Milano Motors EOOD – Manager; ◆ Motobul EOOD – Manager; ◆ Motobul Express EOOD – Manager; ◆ Nissan Sofia EAD – Chairman of BD; ◆ Sofia Motors EOOD – Manager; ◆ Star Motors EOOD – Manager. **Terminated:** ◆ Avto Union Group AD – Executive Member of the Board of Directors; ◆ Bulvaria Rent-a-Car EOOD – Manager; ◆ Eurolease Rent-a-Car EOOD – Manager.
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	N/A

Relative professional experience	Assen Assenov holds a master's degree in Accounting and a bachelor's degree in International Economics Relations from the University of National and World Economy - Sofia. Mr. Assenov also has a MBA in International Accounting Standards and International Business from the Vienna University of Economics and Business. Assen Assenov has started his professional career in Eurohold Bulgaria AD 11 years ago as an accountant. In the period between 2002 and 2004 he was Chief Accountant of Eurohold AD. Since the end of 2004, Mr. Assenov has been selected as an Executive Director of Eurolease Auto EAD – a leasing company within the structure of Eurohold Bulgaria. Currently Mr. Assenov is responsible for the leasing and automotive business of the business group Eurohold Bulgaria. Mr. Assenov is Executive Director of Avto Union AD and is in charge of the leasing companies of the group in Romania and Macedonia. He also manages the official importers and dealers for the territory of the country of the car brands Nissan, Renault, Dacia, Opel, Chevrolet, Fiat, Alfa Romeo, Mazda, Maserati and the oil products Castrol and BP (Motobul) – all of them also being part of the structure of the holding.
Administrative correction measures and penalties	During the last 5 years no administrative correction measures or administrative penalties were imposed on the person in relation with 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 2011 with the members of the MB and the SB 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 agreements that fall outside of the usual scope of the business activity of the company or deviate significantly from the market conditions have been signed with the company by the members of the BD or related to them parties.

8. Number of employees

As of 31.12.2011 there are 437 salaried employees. The holding does not hire temporary employees.

9. Company branches

The companies from the group do not have any registered branches in the country and abroad.

10. Planned economic policy for the next year, incl. expected investments and personnel development, expected investment revenue and company development, as well as upcoming transactions of substantial importance for the activity of the company

The development policy of Avto Union AD for 2012 is directed towards increasing the revenues from servicing activities in the first place, as well as the selling of cars, which have low sales margins under the conditions of a crisis, the establishment of the commercial brands in the portfolio and the increase of customer satisfaction.

The development planned for Avto Union AD is based on the already taken measures for cost optimization and optimization of key growth factors. The results for the beginning of 2012 show that the measures taken are already bringing the first results. For January and February 2012 the Group has market shares of 11.7% and 15.9% respectively, whereas the data for the same months from last year is 11.1% and 12.5%.

Avto Union AD
CONSOLIDATED REPORT ON OPERATIONS
For the year ending on 31 December 2011

Management responsibilities

According the Bulgarian laws, the management has to prepare a consolidated financial statement for each financial year, which should give correct and honest presentation of the financial position of the group at the end of the year, its financial performance and its cash flows.

The management confirms that they have consistently applied adequate accounting policies for the preparation of the consolidated annual financial statement as of 31 December 2010 and that they have made reasonable and cautious estimates, assumptions and approximations.

The management also confirms that they have followed the effective accounting standards and the financial statement has been prepared in accordance with the going concern principle.

The management is responsible for the correct bookkeeping, for the sustainable asset management and for the taking of necessary measures for avoidance and disclosure of possible abuse and other irregularities.

Assen Assenov
Executive Director
Avto Union AD
Sofia
27.04.2012

INDEPENDENT AUDITOR'S REPORT

Avto Union AD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ending on 31 December 2011

	Notes	2011	2010
		000'BGN	*000'BGN*
Sale of goods	5.1	82,969	80,148
Rendering of services		15,836	17,532
Revenue		**98,805**	**97,680**
Cost of sales		(75,397)	(72,091)
Gross profit		**23,408**	**25,589**
Other revenue	5.2	10,613	8,727
Expenses on materials	5.3	(2,335)	(2,732)
Expenses on hired services	5.4	(9,604)	(10,292)
Expenses on employees	5.5	(9,005)	(9,741)
Depreciation and amortization	7, 8, 9	(6,156)	(6,764)
Other expenses	5.6	(1,800)	(1,924)
Operating profit/ (loss)		**5,121**	**2,863**
Finance costs	5.7	(3,712)	(4,107)
Finance income	5.8	551	194
Share of profit/ (loss) from associate companies		(238)	(160)
Profit before tax		**1,722**	**(1,210)**
Income tax expense	6	(249)	98
Profit/ (loss) for the year		**1,473**	**(1,112)**
Attributable to:			
Owners of the Parent		1,472	(1,090)
Non-controlling interest s		1	(22)
Net profit/ (loss) for the year		**1,473**	**(1,112)**
Other comprehensive income		-	-
Total comprehensive income for the year after taxation		**1,473**	**(1,112)**

The financial statement is approved by the Board of Directors on 27.04.2012 and was signed as follows:

Assen Assenov
Executive Director

Katrin Kutsarova
Chef Financial Officer

Certified in accordance with an auditor's report:

BDO Bulgaria OOD
Stoyanka Apostolova
Certified Accountant, Registered Auditor
Manager
27.04.2012

The explanatory notes from page 7 to page 36 are an integral part of the financial statement.

Avto Union AD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011	2010
		000'BGN	*000'BGN*
ASSETS			
Fixed assets			
Property, property and equipment	7	19,861	28,084
Intangible assets	8	1,542	1,501
Investment properties	9	11,798	9,525
Investments	10	2	7,791
Goodwill	11	22,466	9,779
Deferred tax assets	6	691	678
Trade and other receivables	13.1	1,660	5,379
Other		-	6
		58,020	**62,743**
Short-term assets			
Inventory	12	23,808	16,745
Trade and other receivables	13.2	8,398	18,111
Cash and cash equivalents	14	1,712	1,663
		33,918	**36,519**
TOTAL ASSETS		**91,938**	**99,262**
EQUITY AND LIABILITY			
Equity			
Share capital	15.1	33,972	22,122
Reserves		(6,232)	(5,716)
Retained earnings		(8,856)	(8,972)
Total equity		**18,884**	**7,434**
Non-controlling interest		317	9
Long-term liabilities			
Interest bearing loans and borrowings	16.1	16,104	25,578
Liabilities for employment benefits	17	46	58
Finance lease liabilities	18, 20	2,149	13,256
Deferred tax liabilities	6	260	304
Trade and other payables	19.1, 20	14,635	16,850
		33,194	**56,046**
Short-term liabilities			
Trade and other payables	19.2, 20	27,022	19,322
Interest bearing loans and borrowings	16.2	11,465	9,929
Finance lease liabilities	18	1,056	6,522
		39,543	**35,773**
Total liabilities		**72,737**	**91,819**
TOTAL EQUITY AND LIABILITIES		**91,938**	**99,262**

The financial statement is approved by the Board of Directors on 27.04.2012 and was signed as follows:

Assen Assenov — Katrin Kutsarova

Executive Director — Chef Financial Officer

Certified in accordance with an auditor's report:
BDO Bulgaria OOD
Stoyanka Apostolova, Manager
Certified Accountant, Registered Auditor
27.04.2012

The explanatory notes from page 7 to page 36 are an integral part of the financial statement.

Avto Union AD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ending on 31 December 2011

	Share capital (Note 15.1)	Reserves	Retained earnings	Total capital owned by the Parent	Non-controlling interest	Total
	000'BGN	*000'BGN*	*000'BGN*	*000'BGN*		
At 1 January 2010	19,559	(8,955)	(3,032)	7,572	14	7,586
Profit for the year	-		(1,090)	(1,090)	(22)	(1,112)
Other comprehensive income	-	-	-	-	-	-
Contributions in-kind	2,563	-	-	2,563		2,563
Investment transactions result	-	3,239	(4,850)	(1,611)	17	(1,594)
At 31 December 2010	**22,122**	**(5,716)**	**(8,972)**	**7,434**	**9**	**7,443**
At 1 January 2011	**22,122**	**(5,716)**	**(8,972)**	**7,434**	**9**	**7,443**
Profit for the year	-	-	1,472	1,472	308	1,780
Increase in capital	12,850	-	-	11,850	-	12,850
Unpaid capital	(1,000)	-	-	-	-	(1,000)
Investment transactions result	-	(516)	(1,356)	(1,872)	-	(1,872)
At 31 December 2011	**33,972**	**(6,232)**	**(8,856)**	**18,884**	**317**	**19,201**

The financial statement is approved by the Board of Directors on 27.04.2012 and was signed as follows:

Assen Assenov
Executive Director

Katrin Kutsarova
Chef Financial Officer

Certified in accordance with an auditor's report:

BDO Bulgaria OOD
Stoyanka Apostolova, Manager
Certified Accountant, Registered Auditor
27.04.2012

The explanatory notes from page 7 to page 36 are an integral part of the financial statement.

Avto Union AD
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ending on 31 December 2011

	2011	2010
	000'BGN	*000'BGN*
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from contractors	119,520	118,162
Payments to contractors	(94,054)	(90,314)
Tax payments	(8,186)	(9,060)
Wage, social security and other payments	(9,168)	(9,356)
Paid bank charges and interests	(782)	(576)
Net result from change in exchange rates	(9)	(8)
Other inflows/ outflows from operating activities	317	(70)
Net cash flows generated by/ used in operating activities	**7,638**	**8,778**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of fixed assets	(1,978)	(3,073)
Proceeds from disposal of fixed assets	4,843	4,187
Borrowings given	60	(28)
(Paid)/Repaid borrowings given	(1,579)	(2,352)
Interests received from borrowings given	-	58
Proceeds from disposal of investments	8,018	1,780
Purchase of investments	(23,305)	-
Received dividends from investments	-	-
Other inflows/ outflows from investing activities	18	(581)
Net cash flows generated by/ used in investing activities	**(13,923)**	**(9)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Paid dividends	-	(40)
Increase of capital	11,854	-
Proceeds from bank and commercial borrowings	31,558	9,983
Repayment of bank and commercial borrowings	(25,774)	(13,443)
Interests and commissions paid, net	(1,250)	(1,632)
Repayment of leases	(9,445)	(4,003)
Other inflows/ outflows from financing activities	(609)	(241)
Net cash flows generated by/ used in financing activities	**6,334**	**(9,376)**
Net (decrease)/increase of cash and cash equivalents	49	(607)
Cash and cash equivalents at 1 January	**1,663**	**2,270**
Cash and cash equivalents at 31 December	**1,712**	**1,663**

The financial statement is approved by the Board of Directors on 27.04.2012 and was signed as follows:

Assen Assenov
Executive Director

Katrin Kutsarova
Chef Financial Officer

Certified in accordance with an auditor's report:

BDO Bulgaria OOD
Stoyanka Apostolova, Manager
Certified Accountant, Registered Auditor
27.04.2012

The explanatory notes from page 7 to page 36 are an integral part of the financial statement.

1. Corporate Information

The consolidated financial statement of Avto Union AD (the "Group") for the year ending on 31 December 2011 is approved for issue with resolution of the Board of Directors dated 27.04.2012.

Avto Union AD is a joint stock company incorporated with decision № 660/2005 of Sofia District Court, having its seat in the city of Sofia, region Sofia, Bulgaria. The financial year of the Group ends at the 31st of December.

The basic objective of the group is to acquire, manage, evaluate and sell interests in business companies, to sell cars, spare parts and car repair services.

As of 31 December 2010, the shareholders of the Parent company Avto Union AD are:
- Eurohold Bulgaria AD 99.99%
- Kiril Boshov 0.01%

The end Parent company is Eurohold Bulgaria AD.

2.1 Basis for preparation

The consolidated financial statement is prepared in conformity with the International Financial Reporting Standards, adopted by the European Union ("IFRS adopted by EU").

The financial statement is prepared on the basis of historic price, it is presented in Bulgarian leva (BGN) and all indicators are rounded to the closest thousand Bulgarian leva (000'BGN), unless provided otherwise.

2.2 Summary of Significant Accounting Policies

a) Recalculation in Foreign Currency

The financial statement is presented in Bulgarian leva, which is the functional currency and reporting currency of the group. The foreign currency transactions are initially stated in the functional currency at the exchange rate on the date of transaction. The monetary assets and liabilities denominated in foreign currencies are recalculated in the functional currency at the end of each month at the final exchange rate of the Bulgarian National Bank for the last working day of the respective month. All foreign exchange differences are recognized in the statement of comprehensive income. The non-monetary assets and liabilities that are measured at historical cost in foreign currency are recalculated in the functional currency at the exchange rate at the date of initial transaction (acquisition).

b) Revenue Recognition

Revenues are recognized to the extent it is probable for the group to obtain economic benefits, and the amount of revenue may be reliably assessed regardless of the time of payment receipt. Revenues are recognized at fair value of consideration received or due on the basis of agreed payment conditions less the discounts, rebates and other tax on sales or duties. The group analyses its agreements for sale according to specific criteria in order to determine whether to act as a principal or an agent. It has reached to the conclusion to act as a principal under all such agreements. Before recognizing revenue, the following recognition specific criteria should also be met:

Sales of production and goods
The revenues from sales of production and goods are recognized when the substantial risks and benefits associated with the ownership of the production or goods are transferred to the buyer, which usually occurs at the time of shipment thereof.

2.2 Summary of Significant Accounting Policies (continued)

b) Revenue Recognition (continued)

Provision of services
Revenues from provision of services are recognized on the basis of the stage of completion of the transaction as at the reporting date. The stage of completion of transaction is determined on the basis of manhours worked as a percent of the total manhours to be worked out under each contract. Where the result of the transaction (contract) may not be reliably assessed, the revenue is recognized to the extent the expenses incurred are subject to refund.

Interest income
Interest income is stated by using the effective interest method being the rate that exactly discounts the expected future cash outflows for the expected term of the financial instrument or for a shorter period, whenever appropriate, up to the net book value of the financial asset. The interest income is included in the financial revenue in the statement of comprehensive income.

Dividend income
Dividend income is recognized when the right to receive dividends is established.

c) Taxes

Current income tax
The current tax assets and liabilities for the current and past reporting years are recognized at the amount that is expected to be refunded by or paid to tax authorities. In calculating the current tax, the tax rates and tax legislation that have been enacted or substantively enacted as at the reporting date are applied. The management analyses the different items in the tax return for which applicable tax provisions are subject to interpretation, and recognizes provisions whenever appropriate.

Current tax is recognized directly in equity (and not in the statement of comprehensive income), where such tax is relevant to items which have been recognized directly in equity.

Deferred income tax
Deferred tax is recognized, using the balance sheet method, in respect of all temporary differences as at the reporting date, which occur between the tax base of the assets and liabilities and their net book values.

Deferred tax liabilities are recognized in respect of all taxable temporary differences:

- Except to the extent to which the deferred tax liability occurs due to initial recognition of asset or liability in a transaction that is not a business combination and that affects neither the book profit nor the tax profit or loss at the time of performance of the transaction; and
- For taxable temporary differences in respect of investments in subsidiaries, associate entities and interests in joint ventures, except to the extent to which the group is able to control the time of reversal of the temporary difference and it is possible that the temporary difference will not reverse in the near future.

Deferred tax assets are recognized for all decreasing temporary differences transferred unused tax credits and unused tax losses to the extent to which possible future taxable profit is available, against which decreasing temporary differences, transferred unused tax credits and unused tax losses can be used:

- unless the deferred tax asset occurs due to initial recognition of asset or liability in a transaction that is not a business combination and that affects neither the book profit nor the tax profit or loss at the time of performance of the transaction; and
- For decreasing temporary differences in respect of investments in subsidiaries, associate entities and interests in joint ventures, deferred tax asset is recognized only to the extent to which it is possible that the temporary difference reverses in the near future and taxable profit is realized against which the temporary difference can be used.

2.2 Summary of Significant Accounting Policies (continued)

c) Taxes (continued)

Deferred income tax (continued)
The group reviews the net book value of deferred tax assets at each reporting date and reduces it to the extent to which it is not possible to realize sufficient taxable profit allowing to recover the whole or part of the deferred tax asset. Unrecognized deferred tax assets are reviewed at each reporting date and are recognized to the extent to which it is possible to realize future taxable profit allowing to recover the deferred tax asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the period in which the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred taxes for items recognized out of profit or loss, are recognized out of profit or loss. Deferred taxes are recognized depending on the transaction related thereto either in other comprehensive income or directly in equity.
The group offsets deferred tax assets and liabilities if and only if it has the legal enforceable rights to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same tax authority or for one and the same taxable entity.

Value Added Tax (VAT)
Revenue, expense and assets are recognized net of VAT, except in cases in which:

- VAT upon purchase of assets or services is not refunded by the tax authorities, and in such case VAT is recognized as part of the asset cost or as part of the respective expense item, if appropriate; and
- of receivables and payables that are stated VAT inclusive.

The net amount of VAT that is refundable by or due to tax authorities is included in the amount of receivables or payables in the statement of financial position.

d) Employment benefits

Pursuant to the Bulgarian labor legislation, the Group Companies, as employers, are obliged to pay two or six gross monthly salaries to their employees upon retirement depending on the length of service. Provided the employee has worked at the same employer during the last 10 years of his service, he is entitled to six gross monthly salaries upon retirement, and if he has worked less than 10 years at the same employer – two gross monthly salaries. The employment benefit plan upon retirement is not financed. The group defines its obligations for payment of employee's benefits upon retirement by using the actuarial evaluation method. Actuarial gains and losses are recognized as revenue or expense when the net cumulative unrecognized actuarial gains or losses at the end of the past reporting year have exceeded 10% of the current amount of liability for payment of employment benefits upon retirement. Actuarial gains or losses are recognized for the expected average number of remaining years of employees' length of service.

The expenses for past length of service are recognized as an expense on linear base for the average term until the income becomes unconditionally acquired. To the extent incomes are already unconditionally acquired, immediately after the introduction or changing the employment benefits plan upon retirement, the Group Companies recognize the expense for past length of service immediately.

The liability for employment benefits upon retirement comprise of the current value of liability to pay such incomes, less unrecognized expenses for past length of service.

2.2 Summary of Significant Accounting Policies (continued)

e) Financial Instruments – initial recognition and subsequent measurement

- **Financial assets**

Initial recognition

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial assets measured at fair value in the profit or loss, or as loans and receivables, or as investments held to maturity, or as financial assets available for sale, or as derivatives designated as hedging instrument at effective hedging, when appropriate. The group defines the classification of its financial assets upon initial recognition.

Financial assets are initially recognized at fair value plus, in the case of investments that are not stated at fair value in the profit or loss, the transaction expenses, which are directly related to the acquisition of the financial asset.

Any purchase or sale of financial assets whose conditions require to transfer the asset through a period of time, usually stipulated by a legal regulation or applicable practice at the respective market (regular purchase), are recognized at the date of trading (transaction), i.e. the date on which the Group Companies have committed themselves to buy or sell the asset.

The Company's financial assets include cash and cash equivalents, trade and other receivables, granted loans and other financial assets.

Subsequent measurement

Subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted on active markets. They occur when the group grants cash, goods or services directly to the debtor having no intention to trade with them. They are included in short-term assets, except those that have maturity of more than 12 months after the balance sheet date, which are thus classified as long-term assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Derecognition

A financial asset (or part of financial asset or part of group of similar financial assets, whenever applicable) is derecognized when:

- Contractual rights related to the cash flows generated from the financial asset expire;
- Contractual rights to receive cash flows generated from the financial asset are transferred or the Group has accepted the obligation to fully pay the received cash flows without delay to a third party through a transfer agreement, whereby (a) the group has transferred substantially all the risks and benefits associated with the ownership of the financial asset; or (b) the group has neither transferred not retained substantially all risks and benefits associated with the ownership of the financial asset but has lost control over it.

When the group has transferred its contractual rights to receive cash flows generated from the financial asset or has entered into agreement for transfer, and has neither transferred not retained substantially all risks and benefits associated with the ownership of the financial asset, but has kept its control over it, the group continues to recognize the transferred financial asset to the extent of its continuing interest therein. In this case the group also recognizes the associated obligation. The transferred asset and the associated obligation are measured on a base that reflects the rights and obligations retained by the group.

The extent of continuing interest in the form of guarantee for the transferred asset is measured at the lower of the initial net book value of the asset and the maximum value of compensation that might have to be refunded by the group.

2.2 Summary of Significant Accounting Policies (continued)

e) Financial Instruments – initial recognition and subsequent measurement (continued)

Impairment of financial assets
As at each reporting date, the group assesses whether there is objective evidence that a financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets are considered impaired if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("a loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can reliably estimated. The evidence for impairment may include indications that debtors or group of debtors suffer serious financial difficulties or are in breach or delay to repay interests or principals, or possibility to declare insolvency/ over-indebtedness, or to undertake financial restructuring, or when monitored data indicate measurable decrease of estimated cash flows, for example changes in delays or economic conditions relevant to the breach on behalf of debtors.

- **Financial liabilities**

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities measured at fair value in the profit or loss, or as loans and deposits received in financial institutions, or as derivatives designated as effective hedging instrument, whichever is more appropriate. The group defines the classification of its financial liabilities upon initial recognition.

Financial liabilities are initially recognized at fair value plus, in the case of loans and deposits received in financial institutions, the transaction expenses, which are directly related to the acquisition of the financial liability.

The group's financial liabilities comprise trade and other payables and interest bearing loans.

Derecognition
A financial liability is derecognized when repaid, i.e. when the contractual obligation has been discharged or cancelled or expires.

Where an existing financial liability is changed with another financial liability from the same creditor under significantly different conditions or where the conditions of the existing liability are substantially modified, this change or modification is treated as derecognition of the initial liability and recognition of a new liability, and the difference in the respective net book values is recognized in the statement of comprehensive income.

e) Offsetting of financial instruments
Financial assets and financial liabilities are set off and the net amount is presented in the statement of financial position, when, and only when, the Company has a legal right to set off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

g) Fair Value of Financial Instruments
As at each reporting date, the group assesses the fair value of financial instruments that are actively traded on the markets, on the basis of quoted market prices or dealer's quotes ("bid" prices for long positions and "offer" prices for short positions) without deducting the transaction expenses.
The fair value of financial instruments for which active market does not exist, is determined with valuation techniques. Such techniques comprise the use of recent market direct transactions; references to the current fair value of another instrument, which is substantially the same; analysis of discounted cash flows and other valuation models.

2.2 Summary of Significant Accounting Policies (continued)

h) Share capital

The share capital is presented at nominal value of issued and paid shares. The proceeds from issued shares exceeding their nominal value are stated as premium reserves.

i) Property, plant and equipment

Items of property, machinery and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost also comprises the expenses for replacement of components of item of machinery and equipment and the loan expense under long-term construction contracts, provided they meet the criteria for recognition of an asset. Expenditures incurred for major inspection of an item of machinery and/or equipment, are included in the net book value of the respective asset as expenditure for replacement, provided they meet the criteria for recognition of an asset. All other expenditures for overhaul and maintenance are recognized in the statement of comprehensive income during the period they are incurred.

An item of property, machinery and equipment is written off upon sale or when no future economic benefits embodied within the asset are expected, or upon discharge thereof. The profits and losses occurring at derecognition of the asset (being the difference between the net proceeds from the sale, if any, and the net book value of the asset) are included in the statement of comprehensive income, upon derecognition of the asset.

At the end of each financial year, the group reviews the remaining values, useful life and applied asset depreciation methods, and if expectations differ from previous estimates, the latter are changed in future periods.

j) Lease

Determining whether a contract is or contains a lease is based on the nature of the contract at its beginning and requires making an evaluation regarding whether the implementation of the contract depends on the use of specific asset or assets and whether the contract transfers the right to use the asset.

The group as a lessee

The group classifies a lease contract as finance when the contract transfers all substantial risks and benefits associated with the ownership of the asset. At the beginning of the lease term, the finance lease is recognized as an asset and liability in the statement of financial position with an amount which is equal to the fair value of the leased asset at the beginning of the lease contract, and if less, at the present value of the minimum lease payments. Lease payments are distributed among financial expenses and the decrease of lease payable in order to obtain permanent interest rate over the remaining balance of the payable. Financial expenses are recognized directly in the statement of comprehensive income.

Any assets acquired under finance lease are depreciated during the term of the asset's useful life. Provided, however, it is not sure to a reasonable extent that the Group will acquire their ownership until the end of the lease contract term, assets are depreciated during the shorter of the two terms – the term of useful life of the asset or the term of the lease contract.

Lease payments under operating lease are recognized as an expense in the profit or loss on the basis of the linear method for the term of the lease contract.

2.2 Summary of Significant Accounting Policies (continued)

j) Lease (continued)

The group as a lessor
A lease contract under which the group keeps all substantial risks and benefits associated with the ownership of the leased asset is classified as an operating lease. The initial direct expenses incurred by the group in relation to the agreement and settlement of operating lease are added to the net book value of the leased asset and are recognized as an expense during the entire term of the lease contract on the same basis as for the lease revenue. The contingent leases are recognized as revenue in the period they have been worked out.

k) Borrowing expenses

The borrowing expenses directly related to the acquisition, construction or manufacture of an asset, which takes significant period of time to be prepared for its purpose or for sale, are capitalized as part of its acquisition cost. All other borrowing expenses are stated as an expense during the period they have been incurred. The borrowing expenses comprise interests and other expenses incurred by the group in relation to deposits received in financial institutions.

The Companies of the group capitalize the borrowing expenses for eligible assets, when construction has been started on or after the 1st of January 2009.

l) Intangible assets

Intangible assets that are acquired separately are initially measured at acquisition cost. After initial recognition, intangible assets are stated at acquisition cost less accrued depreciations and impairment losses.

Any intangible assets with limited useful life are depreciated for the term of their useful life and are tested for impairment whenever indications exist that their value is impaired. The depreciation period and the depreciation method for intangible assets with limited useful life are reviewed at least at the end of each financial year. The changes in expected useful life or consumption method of future benefits of the intangible asset are stated by means of change of the depreciation term or method and are treated as a change of approximate accounting estimates. The depreciation expenses of intangible assets with limited useful life are classified by their function in the statement of comprehensive income depending on the use (purpose) of the intangible asset.

Any gain or loss occurring upon derecognition of intangible asset, being the difference between net sales proceeds and the net book value of the asset, are stated in the statement of comprehensive income upon derecognition of the asset.

m) Inventory

Inventory is measured at the lower value of cost and net realizable value.

The net realizable value is the estimate sales price during the usual course of business less the estimate expenses for completion of the production cycle and those required for the completion of the sale.

2.2 Summary of Significant Accounting Policies (continued)

n) Impairment of non-financial assets

As at each reporting date, the Group Companies assess whether there are indications that an asset is impaired. In case of such indications or whenever an annual test for impairment of an asset is required, the Companies of the group determine the recoverable amount of this asset. The recoverable amount of the asset is the higher of the fair value, less the sale expenses of the asset or the cash flow generating site (CFGS) and its value in use. The recoverable amount is determined for an individual asset, unless during the use of the asset cash flows are generated that are substantially independent from the cash flows generated by other assets or groups of assets. When the net book value of an asset or CFGS is higher than its recoverable amount, it is considered impaired and its net book value is decreased up to its recoverable amount.

When determining the value of an asset in use, the estimate cash flows are discounted to their current value by using pre-tax discount rate, which reflects the current market assessments of the time value of money and the asset specific risks. The fair value, less the sale expenses, is determined on the basis of recent market transactions, if any. If such transactions cannot be identified, an appropriate valuation model is applied. The calculations made are confirmed by using other valuation models or other available sources of information about the fair value of an asset or cash flow generating site.

The impairment calculations are based on detailed budgets and estimate calculations made separately for each CFGS to which individual assets are allocated. Such budgets and estimate calculations usually cover a period of five years. In case of longer periods, a long-term growth index is calculated and it is applied to the future cash flows after the fifth year.

The impairment losses are recognized as an expense in the statement of comprehensive income.

As at each reporting date, the group assesses whether indications exist that the impairment loss of an asset which is recognized in previous periods may not already exist or have become less. If such indications exist, the group assesses the recoverable amount of the asset or the cash flow generating site. The impairment loss is restored only if change in the approximate estimates used for defining the recoverable amount of the asset after the recognition of the last impairment loss has occurred. The recovery of impairment loss is limited so that the net book value should exceed neither its recoverable amount nor the net book value (after deducting depreciation) which would be defined if the impairment loss of the asset has not been recognized in the previous years. The recovery of an impairment loss is recognized in the statement of comprehensive income.

o) Cash and cash equivalents

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

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and cash equivalents as defined above.

2.2 Summary of Significant Accounting Policies (continued)

p) Provisions

General

Provisions are recognized when the Group Companies have a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources containing economic benefits will be required to settle the obligation, and the amount of such obligation can be reliably assessed. When the Group Companies expect that any or all expenses required for provision settlement will be refunded, for example under insurance contract, such refund is recognized as a separate asset, but only if it is practically certain that such expenses will be refunded. The provision expenses are stated in the statement of comprehensive income, net of the refunded expenses. Where the effect of the time value of money is material, the provisions are discounted using a pre-tax discount rate that reflects, whenever appropriate, the obligation specific risks. Where discounting is applied, the increase of provision due to time passed is stated as financial expense.

2.3 Changes in Accounting Policies and Disclosures

New and amended standards and interpretations

The following amendments to existing standards, issued by IASB and adopted by the EU have become effective for the current reporting period:

- Amendment to IAS 24 Related Party Disclosures – simplification of the disclosure requirements for government-related entities and clarification of the definition for related parties, adopted by the EU on 19 July 2010 (effective for annual financial periods beginning on or after 1 January 2011).

- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues, adopted by the EU on 23 December 2009 (effective for annual financial periods beginning on or after 1 February 2010),

- Amendments to IFRS 1 First-time Adoption of IFRS – Limited conditions for relief from the requirements of IFRS 7 for disclosure of comparative information by the entities adopting IFRS for the first time, adopted by the EU on 30 June 2010 (effective for annual financial periods beginning on or after 1 July 2010)

- Amendments to different standards and clarifications "Improvements to IFRS (2010)" resulting from the annual project for IFRS improvements published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) mainly with the aim to eliminate discrepancies and to clarify the definition, adopted by the EUR on 18 February 2011 (the amendments apply for annual financial periods beginning on or after 1 July 2010 or 1 January 2011, depending on the respective standard or clarification)

- Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, adopted by the EU on 23 July 2010 (effective for annual financial periods beginning on or after 1 July 2010).

The adoption of these amendments to existing standards did not lead to any changes in the Group's accounting policy.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statement requires the management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the statement of financial position, as well as the reported amounts of revenues and expenses for the period. Uncertainties associated with the assumptions and estimates made, might cause actual results requiring significant adjustments in the net book values of the respective assets or liabilities in subsequent reporting periods.

Judgements

During the application of adopted accounting policies, the managements of the Companies of the group have made the following judgements that most significantly affect the amounts recognized in the financial statement:

Commitments under operating lease – the Group as a lessee

The Companies of the group have concluded contracts for lease of cars. The management believes that since all substantial risks and benefits associated with the ownership of these assets are not assumed by the Companies of the group, the contracts are treated as operating leases.

Investment Property

Investment property is property (land or building) held rather to earn rental income or for capital appreciation or for both, than to:

(a) be used in manufacture or supply of goods or services or for administrative purposes; or
(b) be sold in the ordinary course of business.

Investment property is stated at historical cost less the depreciation charged by the acqusition. On annual basis, the historical cost is compared with the fair value. The fair value is based on effective market prices adjusted, if needed, with the differences in type, location or condition of the respective asset. If no information is available, the Group uses alternative evaluation methods such as current prices on less active markets or discounted estimate cash flows.

Approximate estimates and assumptions

The basic assumptions associated with future and other sources of uncertainties in the approximate estimates at the reporting date, and for which significant risk exists to result in material adjustments in the net book amounts of assets and liabilities during the next reporting period, are listed below:

Employment benefits upon retirement

The liability for employment benefits upon retirement is determined by actuarial assessment. Such assessment requires making assumptions for the discount rate, the future increase of salaries, the staff turnover and the death rate. Due to the long-term nature of employment benefits upon retirement, these assumptions are subject to significant uncertainty. As at 31 December 2010, the group's liability for employment benefits upon retirement is within the amount of BGN 0 thousand (2009: BGN 46 thousand).

Useful life of property, machinery and equipment, and intangible assets

The financial reporting of property, machinery and equipment and intangible assets involves the use of approximate estimates for their expected useful life and remaining values that are based on judgments on behalf of the managements of the Companies of the group.

4. Standards Issued but not yet Effective

Standards and clarifications issued by IASB and adopted by the EU, which have not yet become effective

The following IFRS, amendments to IFRS and clarifications have been adopted by the EU as of the date of approval of this financial statement, but are still not effective:

- Amendments to IFRS 7 Financial Instruments: Disclosures – transfer of financial assets, adopted by the EU on 22 November 2011 (effective for annual financial periods beginning on or after 1 July 2011).

The Company has chosen not to adopt these standards, amendments and clarifications before they become effective. The Company expects that the adoption of these standards, amendments and clarifications will not have a substantial effect on the financial statement of the Company during the period of their initial application.

Standards and clarifications issued by IASB, which have not yet been adopted by the EU

Currently, IFRSs adopted by the EU do not differ substantially from the ones adopted by the IASB with the exception of the following standards, amendments of existing standards and clarifications, which are still not approved by the EU as of the date of approval of this financial statement:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2015),
- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013),
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013),
- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013),
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013),
- IAS 27 (revised in 2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013),
- IAS 28 (revised in 2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 First-time Adoption of IFRS – Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- Amendments to IFRS 7 Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure – Mandatory effective date and previous disclosures,

4. Standards Issued but not yet Effective (continued)

- Amendments to IAS 1 Presentation of Financial Statements – presentation of items from other comprehensive income (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- Amendments to IAS 19 Employee Benefits – improvements in the accounting for post-employment employee benefits (effective for annual periods beginning on or after 1 January 2013),

5. Revenues and Expenses

5.1 Revenues slae of goods

	2011	2010
	000'BGN	*000'BGN*
Revenues from:		
Cars and scooters	71,491	61,263
Spare parts and accessories	10,319	11,513
Lubricants	690	7,366
Other	469	6
	82,969	**80,148**

5.2 Other revenue

	2011	2010
	000'BGN	*000'BGN*
Sale of fixed assets	7,797	2,403
Net book value of assets sold	(1,186)	(1,157)
Revenue from sale of investments	-	4,929
Revenue from investment property revaluation	1,608	-
Revenue from bonuses, penalties, compensations and others	3,024	2,552
	10,613	**8,727**

5.3 Expenses on materials

	2011	2010
	000'BGN	*000'BGN*
Fuels	411	459
Consumables	592	513
Spare parts	604	758
Office consumables	82	89
Advertising materials	267	84
Other	380	829
	2,335	**2,732**

5.4 Expenses on hired services

	2011	2010
	000'BGN	*000'BGN*
Advertising	1,529	1,541
Selling expenses and hired services	1,253	374
Transport, maintenance and communications	483	641
License fees and insurances	2,200	2,077
Rentals and security, etc.	4,139	5,659
	9,604	**10,292**

5. Other Revenue and Expense (continued)

5.5 Expenses on employees

	2011	2010
	000'BGN	*000'BGN*
Salaries	7,695	8,459
Social-security contributions	1,302	1,298
Expenses on unused paid leave	8	(17)
Employment benefits	-	1
	9,005	**9,741**

5.6 Other expenses

	2011	2010
	000'BGN	*000'BGN*
Expenses on business trips	96	155
Training	56	63
Selling expenses	-	78
Bank fees and commissions	114	106
Penalties	12	107
Taxes	428	233
Other expenses	732	777
Losses from impairment of:		
Trade and other receivables	211	78
Inventory	6	243
Other	145	84
	1,800	**1,924**

5.7 Financial expenses

	2011	2010
	000'BGN	*000'BGN*
Interest expenses under loans and borrowings	1,778	2,170
Interest expenses under financial lease contracts	1,590	1,514
Total interest expense	*3,368*	*3,684*
Other	344	423
	3,712	**4,107**

5.8 Financial revenue

	2011	2010
	000'BGN	*000'BGN*
Revenue from loans granted	462	179
Other	89	15
	551	**194**

6. Income tax

The main components of the income tax expense for the years ending on 31 December 2011 and 2010 are:

	2011	2010
	000'BGN	*000'BGN*
Current income tax expense	317	(64)
Deferred taxes revenue	(68)	162
Income tax expense reported in the income statement	**249**	**98**

The applicable income tax rate for 2011 is 10% (2010: 10%). In 2011 the applicable tax rate is 10 %.

	2011	2010
Deferred tax assets:	*000'BGN*	*000'BGN*
Opening balance	208	114
Tax effect form long-term employment benefits	4	7
Tax effect from unused leave payables	27	22
Tax effect from undercapitalization regulation	188	189
Tax effect from impairment of receivables and inventory	116	133
Tax effect from disposed receivables	-	8
Tax effect from revalued disposed assets	1	1
Tax effect on surpassing of the tax over the accounting balance value of non-current assets	9	12
Tax effect from unrealized tax losses	138	192
Total deferred tax assets	**691**	**678**

	2011	2010
Deferred tax liabilities:	*000'BGN*	*000'BGN*
Tax effect on the reevaluation reserve	240	241
Tax effect on unrecognized revenue from subsequent evaluations	(1)	(1)
Tax effect on the surpassing of the accounting over the tax balance value of non-current assets	21	64
Total deferred tax liabilities	**260**	**304**

7. Property, Plant and Equipment

	Land, buildings and equipment	Machinery, equipment and fixtures and fittings	Vehicles	Assets under construction	Other	Total
	000'BGN	*000'BGN*	*000'BGN*	*000'BGN*	*000'BGN*	*000'BGN*
Cost:						
At 1 January 2010	6,997	5,735	26,814	5,231	1,549	46,326
Additions	469	673	9,609	780	169	11,700
Transfers	2,641	193	-	(2,834)	-	-
Disposals	(416)	(597)	(8,572)	(305)	(7)	(9,897)
Of sold companies	(3,608)	(611)	(1,129)	(2,066)	-	(7,414)
At 31 December 2010	**6,083**	**5,393**	**26,722**	**806**	**1,711**	**40,715**
From newly acquired companies	9,975	1,959	1,031	2,066	-	15,031
Additions	95	573	17,318	259	38	18,283
Transfers	18	(18)	-	-	-	-
Disposals	(1,135)	(160)	(10,513)	(190)	(210)	(12,208)
Of sold companies	-	(83)	(29,875)	-	-	(29,958)
At 31 December 2011	**15,036**	**7,664**	**4,683**	**2,941**	**1,539**	**31,863**
Depreciation:						
At 1 January 2010	(2,449)	(3,754)	(5,605)	-	(885)	(12,693)
Depreciation charge for the year	(70)	(659)	(5,784)	(5)	(114)	(6,632)
Disposals	9	472	5,388	-	2	5,871
Of sold companies	(94)	270	647	-	-	823
At 31 December 2010	**(2,604)**	**(3,671)**	**(5,354)**	**(5)**	**(997)**	**(12,631)**
From newly acquired companies	(743)	(1,627)	(872)	-	-	(3,242)
Depreciation charge for the year	(130)	(673)	(10,253)	(5)	(116)	(11,177)
Disposals	213	161	4,656	-	-	5,030
Of sold companies	-	70	9,948	-	-	10,018
At 31 December 2011	**(3,264)**	**(5,740)**	**(1,875)**	**(10)**	**(1,113)**	**(12,002)**
Net book value:						
At 1 January 2010	**4,548**	**1,981**	**21,209**	**5,231**	**664**	**33,633**
At 31 December 2010	**3,479**	**1,722**	**21,368**	**801**	**714**	**28,084**
At 31 December 2011	**11,772**	**1,924**	**2,808**	**2,931**	**426**	**19,861**

Impairment of property, plant and equipment

In 2011 the Group has not recognized plant, machinery and equipment impairment losses since the management of the group, on the basis of fixed tangible asset impairment review, has not found any indications that the net book value of the assets exceeds their recoverable amount.

8. Intangible Assets

	Software	Acquisition cost	Improvements	Property rights	Know-how	Other	Total
	000'BGN	*000'BGN*	*000'BGN*	*000'BGN*	*000'BGN*	*000'BGN*	*000'BC*
Cost:							
At 1 January 2010	342	315	134	2	1,121	-	1,914
Additions	72	78	-	-	-	66	216
Of sold companies	(35)	-	-	-	-	-	(3
Disposals	(71)	-	(93)	-	-	-	(16
At 31 December 2010	**308**	**393**	**41**	**2**	**1,121**	**66**	**1,9**
Additions	99	126	38	-	-	10	2
From newly acquired companies	8	1	-	-	-	-	
Of sold companies	(4)	-	-	(100)	-	-	(10
Disposals	(101)	(102)	-	-	-	-	(20
At 31 December 2011	**310**	**418**	**79**	**(98)**	**1,121**	**76**	**1,9**
Depreciation:							
At 1 January 2010	(258)	(9)	(88)	-	(113)	-	(46
Depreciation charge for the year	(29)	(2)	(21)	-	(58)	(6)	(11
Of sold companies	16	-	-		-	-	
Disposals	70	-	68	-	-	-	1
At 31 December 2010	**(201)**	**11**	**(41)**	**-**	**(171)**	**(6)**	**(43**
Depreciation charge for the year	(54)	(1)	(5)	(4)	(56)	(10)	(13
From newly acquired companies	-	-	-	-	-	-	
Of sold companies	4	-	-	102	-	-	1
Disposals	90	-	-	-	-	-	
At 31 December 2011	**(161)**	**(12)**	**(46)**	**98**	**(227)**	**(16)**	**(36**
Net book value:							
At 1 January 2010	**84**	**306**	**46**	**2**	**1,008**	**-**	**1,446**
At 31 December 2010	**107**	**382**	**-**	**2**	**950**	**60**	**1,501**
At 31 December 2011	**149**	**406**	**33**	**-**	**894**	**60**	**1,542**

Impairment of intangible assets

The group has reviewed the intangible assets impairment as at 31.12.2011. No indications that the net book value of the assets exceeds their recoverable amount are found and thus no impairment loss is recognized in the financial statement.

9. Investment Properties

	Total *000'BGN*
Cost:	
At 1 January 2010	9,528
Reclassified	31
Disposals	-
At 31 December 2010	**9,559**
Additions	2,294
Disposals	-
At 31 December 2011	**11,853**
Depreciation:	
At 1 January 2010	(18)
Depreciation charge for the year	(16)
Disposals	-
At 31 December 2010	(34)
Depreciation charge for the year	(21)
Disposals	-
At 31 December 2011	(55)
Net book value:	
At 1 January 2010	**9,510**
At 31 December 2010	**9,525**
At 31 December 2011	**11,798**

10. Investments

Company	Share in capital %	2011 *000'BGN*	2010 *000'BGN*
Motobul OOD	-	-	7,789
Proalfa OOD	40	2	2
		2	**7,791**

11. Goodwill

Company	Share in capital %	2011 *000'BGN*	2010 *000'BGN*
Auto Italia EAD	100	2,876	2,876
Bulvaria Varna EOOD	100	5,591	5,591
Eurolease Rent-a-Car EOOD	-	-	1,312
Daru Car AD	98,84	1,461	-
Motobul EOOD	100	12,538	-
		22,466	**9,779**

12 Inventory

	2011	2010
	000'BGN	*000'BGN*
Cars and scooters	13,179	10,267
Spare parts	7,406	6,250
Lubricants	2,004	107
Materials	1,219	121
	23,808	**16,745**

13 Trade and other receivables

13.1 Long-term receivables

	2011	2010
	000'BGN	*000'BGN*
Receivables on loans granted to related parties	14	249
Interest bearing loans to third parties	1,642	5,124
Financial lease receivables	4	6
	1,660	**5,379**

13.2 Short-term receivables

	2011	2010
	000'BGN	*000'BGN*
Trade receivables, gross	4,482	8,890
Receivables from related parties, gross	2,599	5,350
Less: accumulated impairment	(591)	(577)
Trade receivables, net	6,490	13,663
Refundable taxes	181	76
Prepaid expense	113	443
Receivables under loans granted	136	2,641
incl. to related parties	*111*	*851*
Prepaid corporate income tax	99	213
Legal receivables	39	146
Damage receivables	-	152
Refundable VAT	139	180
Advances granted	240	134
Other receivables	961	463
	8,398	**18,111**

Trade receivables are not interest bearing receivables.

14 Cash and Cash Equivalents

	2011	2010
	000'BGN	*000'BGN*
Cash in bank accounts	1,182	665
Cash on hand	529	998
Blocked cash	1	-
	1,712	**1,663**

Cash in bank accounts accumulate interest with floating rates based on the daily interest rates for bank deposits. As at 31.12.2011 the fair value of cash and short-term deposits is BGN 1,712 thousand. (2010: BGN 1,663 thousand).

15 Share Capital and Reserves

15.1 Share capital

	2011	2010
	000'BGN	*000'BGN*
44,243 ordinary shares with nominal value of BGN 500 each	-	22,122
69,943 ordinary shares with nominal value of BGN 500 each	34,972	-

The change in share capital is presented below:

	Number of ordinary shares (thousand pcs.)	Registered and issued capital (000'BGN)
At 1 January 2010	39,117	19,559
At 1 January 2011	44,244	22,122
Issued and registered shares in 2011	25,700	12,850
Unpaid capital	2,000	(1,000)
At 31 December 2011	**69,943**	**33,972**

15.2 Reserves

Statutory reserves

The statutory reserves are established by the joint stock companies as an allocation of profit under the provisions of Art. 246 of the Commerce Law. They are allocated until they reach one tenth or bigger part of the capital. The sources for establishment of statutory reserves are at least one tenth of the net profit, share premiums and funds provided for in the Statutes or by resolution of the general meeting of shareholders. Statutory reserves may be used only for covering losses from the current and past reporting periods.

16. Interest Bearing Loans and Borrowings

	2011	2010
16.1 Long-term	*000'BGN*	*000'BGN*
		-
Bank and other loans, overdrafts	5,779	23,533
Loans from related parties	10,325	2,045
	16,104	**25,578**

	2011	2010
16.2 Short-term	*000'BGN*	*000'BGN*
Bank and other loans, overdrafts	11,460	9,044
Loans from related parties	5	885
	11,465	**9,929**

The net book value of short-term loans is close to their fair value.
All long-term loans will mature within 1 to 5 years.

17. Liability for employment benefits

Pursuant to the Bulgarian labor legislation and the Collective Agreement, the Group Companies are obliged to pay two to six gross monthly salaries to their employees upon retirement depending on the length of service. Provided the employee has worked at the holding for a period of 10 years, he is entitled to six gross monthly salaries upon retirement, and if he has worked less than 10 years – two gross monthly salaries. The employment benefit plan upon retirement is not financed.

The components of the expenses for employment benefits upon retirement recognized in the statement of comprehensive income and the liabilities recognized in the statement of financial position as at 31 December 2011 and 2010 are summarized below:

Expenses for employment benefits

	2011	2010
	000'BGN	*000'BGN*
Expenses for current length of service	12	3
Interest expenses	3	2
Net actuarial (gains)/losses recognized during the year	(18)	7
Expenses for past length of service	(9)	-
Expenses for employment benefits recognized in the statement of comprehensive income	**(12)**	**12**

17. Employment benefits (continued)

Liability for employment benefits

	2,011	2,010
	000'BGN	*000'BGN*
Current value of the liability for employment benefits	46	58
Liability for employment benefits upon retirement recognized in the statement of financial position	**46**	**58**

The changes in the current amount of the liability for employment benefits are as follows:

	2011	2010
	000'BGN	*000'BGN*
At 1 January	42	46
Interest expenses	2	2
Expenses for current length of service	17	3
Employment benefits paid	(9)	-
Actuarial (gains)/losses	(6)	7
At 31 December	**46**	**58**

	2011
Discount rate	6%
Future increase in benefits	6%
Average retirement age – men	63-65
Average retirement age – women	60-63

18. Financial lease liabilities

The liabilities for financial lease to third parties are analyzed as follows:

	2011	2010
	000'BGN	*000'BGN*
Gross liabilities	3,489	21,513
Unrealized financial expense	(284)	(1,735)
Net liabilities	**3,205**	**19,778**

The net liabilities for financial lease are analyzed as follows:

	2011	2010
Net liabilities	*000'BGN*	*000'BGN*
Up to 1 year	305	1,884
From 1 to 5 years	229	1,288
	534	**3,172**

The net liabilities for financial lease to related parties are as follows:

	2011	2010
Net liabilities	*000'BGN*	*000'BGN*
Up to 1 year	751	4,638
From 1 to 5 years	1,920	11,968
	2,671	**16,606**

19 Trade and Other Payables

19.1 Long-term

	2011	2010
	000'BGN	*000'BGN*
Payables for purchase of shares	13,172	16,850
Payables to related parties	1,450	-
Other	13	-
	14,635	**16,850**

19.2 Short-term

	2011	2010
	000'BGN	*000'BGN*
Payables to suppliers	14,329	11,742
Payables to related parties	1,212	1,042
Payables for purchase of shares	1,418	1,392
Payables to employees	750	730
VAT payable	386	63
Payables to insurance companies	322	132
Tax liabilities	54	106
Budget liabilities	2,176	900
Payables for unused leaves	68	88
Advances received	1,730	1,634
Other	4,570	1,493
	27,015	**19,322**

20. Related Party Disclosure

Ultimate Parent company
The Ultimate Parent company of the Group is Eurohold Bulgaria AD.

Entities with controlling interest:
99.99 % of the shares of Avto Union AD are owned by Eurohold Bulgaria AD.

Other related parties
The other related parties are under the common control of Eurohold Bulgaria AD (Ultimate Parent Company).

20. Related Party Disclosure (continued)

The total amount of related party transactions and the balances due for the current and previous reporting period are presented as follows:

Sales to/ purchases from related parties		Sales to related parties	Purchases from related parties	Amounts due by related parties	Amounts due to related parties
		000'BGN	*000'BGN*	*000'BGN*	*000'BGN*
End Parent Company					
Eurohold Bulgaria AD	2010	-	7	2,932	8
Eurohold Bulgaria AD	2011	-	-	-	13
Associate companies					
Motobul EOOD	2010	-	-	-	29
Other related parties (under common control)					
Euroins – Health Insurance AD	2010	12	58	1	14
Euroins – Health Insurance AD	2011	14	49	3	-
Euroins Romania /Asitrans/	2010	489	413	-	6
Euroins Romania /Asitrans/	2011	-	28	-	35
Eurolease Auto Romania	2010	47	-	-	7
Eurolease Auto Skopje	2011	1	-	1	-
Eurolease Auto AD	2010	19,070	1,010	937	131
Eurolease Auto AD	2011	834	1,198	852	233
Eurolease Auto Finance EOOD	2010	5	96	1	110
Eurolease Auto Finance EOOD	2011	7	122	8	25
Eurohold Imoti EOOD	2010	128	2,810	-	539
Eurohold Imoti EOOD	2011	35	2,057	41	333
Euro Ins AD Insurance Company	2010	5,433	356	1,468	159
Euro Ins AD Insurance Company	2011	8,180	342	1,088	1,919
Euroins Insurance Group AD	2010	142	-	11	-
Euroins Insurance Group AD	2011	145	-	4	-
Euroins Insurance – Skopje	2010	22	-	-	-
Euroins Insurance – Skopje	2011	48	-	2	-
Eurofinance AD	2010	1	-	-	-
Eurolease Rent-a-Car EOOD	2011			216	74
	2010			**5,350**	**1,003**
	2011			**2,213**	**2,632**

20. Related Party Disclosure (continued)

Loans to/by related parties		Interest received	Interest paid	Amounts due by related parties	Amounts due to related parties
		000'BGN	*000'BGN*	*000'BGN*	*000'BGN*
Long-term					
End Parent Company					
Eurohold Bulgaria AD	2010	-	-	249	1,112
Eurohold Bulgaria AD	2011	-	-	14	6,270
Other related parties					
Euroins Romania /Asitrans/	2010	-	-	-	933
Euroins Insurance Group AD	2011	226	-	-	4,118
	2010			**249**	**2,045**
	2011			**14**	**10,325**

Short-term		Interest received	Interest paid	Amounts due by related parties	Amounts due to related parties
		000'BGN	*000'BGN*	*000'BGN*	*000'BGN*
End Parent Company					
Eurohold Bulgaria AD	2010	5	172	851	19
Eurohold Bulgaria AD	2011	13	198	111	5
Subsidiaries					
Motobul EOOD	2010	-	-	-	715
Other related parties					
Eurohold Imoti EOOD	2010	-	10	-	151
Eurohold Imoti EOOD	2011	-	4	-	-
	2010			**851**	**885**
	2011			**111**	**5**

20. Related Party Disclosure (continued)

Financial Leasing		Interest, fee and default revenue	Expenses on interests, fees and penalties	Amounts due by related parties	Amounts due to related parties
		000'BGN	*000'BGN*	*000'BGN*	*000'BGN*
Long-term					
Other related parties					
Euroins – Health Insurance AD	2010	-	-	-	11
Eurolease Auto AD	2010	-	-	-	10,711
Eurolease Auto AD	2011	-	-	-	1,920
Eurolease Auto Finance EOOD	2010	-	-	-	1,246
	2010			-	**11,968**
	2011			-	**1,920**

Short-term		Interest, fee and default revenue	Expenses on interests, fees and penalties	Amounts due by related parties	Amounts due to related parties
		000'BGN	*000'BGN*	*000'BGN*	*000'BGN*
Other related parties					
Eurolease Auto AD	2010	-	1,004	-	4,001
Eurolease Auto AD	2011	-	1,310	-	740
Eurolease Auto Finance EOOD	2010	-	169	-	551
Eurolease Auto Finance EOOD	2011	-	129	-	11
Euro Ins AD Insurance Company	2010	-	-	-	86
	2010			-	**4,638**
	2011			-	**751**

Dividends		Announced dividends from related parties	Announced dividends to related parties	Amounts due by related parties	Amounts due to related parties
		000'BGN	*000'BGN*	*000'BGN*	*000'BGN*
Eurohold Bulgaria AD	2010	-	-	-	30
Eurohold Bulgaria AD	2011	-	-	-	30
Todor Angelov	2010	-	-	-	9
	2010			-	**39**
	2011			-	**30**

Provisions of related party transactions

Sales to and purchases from related parties are performed under agreed prices. Each financial year, the Company reviews receivables impairment on the basis of analysis of related party's financial position and of the market it operates on.

21. Financial Risk Management Objectives and Policy

The main financial liabilities of the group comprise interest bearing loans and deposits received in financial institutions and trade payables. The main purpose of these financial instruments is to ensure finance for the group's operations. The group holds financial assets such as trade receivables and cash and short-term deposits, which are directly generated by the operations.

In 2011, as well as in 2010, the group does not hold and does not trade with derivative financial instruments.

The major risks pertaining to the financial instruments of the group are interest risk, liquidity risk, currency risk and credit risk. The policy implemented by the management of the group for managing such risks is summarized below.

Interest risk

The group is exposed to a risk from changes in market interest rates mainly in relation to its short- and long-term financial liabilities with variable (floating) interest rate. The group's policy is to manage the interest expense through the use of financial instrument with both fixed and floating interest rates.

Liquidity risk
The effective management of the group's liquidity suggests ensuring enough cash available, mainly through maintaining permitted credit lines and short-term financing from related parties.

Currency risk
The group buys and receives loans in foreign currencies – euro. Since the BGN/EUR exchange rate is fixed to 1.95583, the currency risk pertaining to the group's EURO expositions is minimum.

Credit risk
The group trades only with solvent counterparties. Its policy is to check the solvency of all counterparties who want to trade under the conditions of deferred payment. Furthermore, the trade receivable balances are subject to continuous review, and thus the group's exposure to hardly collectible and uncollectible receivables is not significant. There are no significant concentrations of credit risk within the group. The credit risk that occurs from other financial assets of the group such as cash and other financial assets, represents the credit exposure of the group resulting from the possibility its counterparties to fail performing their obligations.
The maximum credit exposure of the group in relation to the recognized financial assets amounts to their respective amount as per the statement of financial position as at 31 December 2011.

Capital management
The main objective of group's capital management is to ensure stable credit rating and capital indicators with view of the continuous functioning of the business and maximizing its value for the shareholders.

The group manages its capital structure and changes it, if needed, depending on the changes in the economic conditions. With view of maintaining or changing its capital structure, the group may adjust the payment of dividends to the shareholders, to redeem own shares and to decrease or increase its share capital upon resolution of the shareholders. In 2011, as well as in 2010, there are no changes in the objectives, policies or processes in relation to the group's capital management.

22. Financial Instruments

Fair values

The fair value is the value for which a financial instrument can be exchanged or settled between informed and willing parties in a fair transaction between them, and which is used as the best indicator for its market price at an active market.

The group determines the fair value of financial instruments on the basis of the market information available, or if no such information is available, through appropriate valuation models. The fair value of financial instruments that are actively traded on organized financial markets is determined on the basis of quoted "bid" prices at the end of the last working day of the reporting period. The fair value of financial instruments for which no active market exist, is determined by valuation models. These models comprise recent market transactions between informed, fair and willing parties; use of the current fair value of another instrument with similar characteristics; analysis of discounted cash flows or other valuation techniques.

The management of Avto Union AD believes that the fair values of financial instruments that include cash and short term deposits, trade and other receivables, interest bearing loans and deposits received in financial institutions, trade and other payables, do not differ from their net book values, especially if they are of short-term nature or the applicable interest rates are changed according to the market conditions.

23. Events after the Balance Sheet Date

No events took place after 31 December that require additional adjustments and/or disclosures in the group's financial statement for the year ending on 31 December 2011.

I, the undersigned Liliya Petrova Babulkova, certify that this is a true and accurate translation done by me from Bulgarian into English of the attached document. The translation consists of 55 (fifty five) pages.
Translator: Liliya Petrova Babulkova

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