Notes to the Non-consolidated Interim Financial Statement for Q1 2013

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

1. INFORMATION ABOUT THE GROUP

Eurohold Bulgaria AD is a public joint stock company established pursuant to the provisions of article 122 of the Law for Public Offering of Securities and article 261 of the Commerce Act. The company is registered in the Sofia City Court under corporate file 14436/2006 and is formed through the merger of Eurohold AD registered under corporate file № 13770/1996 as per the registry of Sofia City Court, and Starcom Holding AD, registered under corporate file № 6333/1995 as per the registry of Sofia City Court.

Eurohold Bulgaria has its seat and registered address in the city of Sofia, Izgrev Region, 16 G.M. Dimitrov Blvd., EIK 175187337.
Since 21st of January, 2010, the new registered address of Eurohold Bulgaria AD is: City of Sofia, 43 Hristofor Kolumb Blvd.

The governing bodies of the company are: the general meeting of shareholders, the supervisory board /two-tier system/ and the management board.

1.1 Scope of Activities

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

2. SUMMARY OF THE GROUP'S ACCOUNTING POLICY

2.1 Basis for Preparation of the Financial Statement

The financial statements of Eurohold Bulgaria AD are prepared in compliance with the Accounting Act and all International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of the Standing Interpretation Committee (SIC), interpretations of the IFRS interpretation committee (IFRIC), which are effectively in force since 01 January 2009 and are adopted by the Commission of the European Union.

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

The separate financial statement is drafted in compliance with the historic cost principle, excluding those financial instruments and financial liabilities, which are measured at fair value.

New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets – *effective for annual periods beginning on or after 1 July 2011, endorsed by the EU on 22 November 2011, published in the Official Journal on 23 November 2011*

The amendment to IFRS 7 leads to greater transparency in the reporting of transfer transactions of financial instruments and facilitates the understanding of the users of financial statements on exhibiting the risks in the transfer of financial assets and their effect on the financial position of the company, especially in the case of securitization of financial assets.

This amendment has no impact on the financial statements of the Group.

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

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Fixed Dates for First Time-Adopters, *effective for annual periods beginning on or after 1 January 2013, endorsed by the EU on 11 December 2012, published in the Official Journal on 29 December 2012*

The amendments include two changes in the standard. The date 1 January 2004 is replaced by the date of transition to IFRS in transactions connected with disposal of assets and liabilities and in the case of determination of fair value of financial assets and liabilities using valuation techniques. The second change allows the company after a period of hyperinflation to rate financial assets and liabilities held before the normalization of the economy, at fair value, and use it as a default value in the preparation of the first report under IFRS.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities - *effective for annual periods beginning on or after 1 January 2013, endorsed by the EU on 13 December 2012, published in the Official Journal on 29 December 2012*

The new disclosures are associated with quantitative information on recognized financial instruments, netted in the statement of financial position as well as those financial instruments for which a netting agreement exists regardless if they are netted or not.

IFRS 10 Consolidated Financial Statements, *effective for annual periods beginning on or after 1 January 2014, endorsed by the EU on 11 December 2012, published in the Official Journal on 29 December 2012*

IFRS 10 Consolidated Financial Statements introduces a new definition of control based on certain principles that should apply to all investments in determining the basis for consolidation.

IFRS 11 Joint Arrangements, *effective for annual periods beginning on or after 1 January 2014, endorsed by the EU on 11 December 2012, published in the Official Journal on 29 December 2012*

IFRS 11 Joint Arrangements replaces IAS 31 Interests in Joint Ventures and replaces the three categories of "jointly controlled entities", "jointly controlled operations" and "jointly controlled assets" with two categories – "joint operations" and "joint ventures". The choice on the application of proportionate consolidation in the reporting of joint ventures is no longer permissible.The equity method is mandatory for the reporting of all joint ventures.

IFRS 12 Disclosure of Interests in Other Entities, *effective for annual periods beginning on or after 1 January 2014, endorsed by the EU on 11 December 2012, published in the Official Journal on 29 December 2012*

IFRS 12 Disclosure of interests in other entities is a new standard on disclosure requirements for all forms of interests in other entities, including joint ventures, associates, special purpose companies and other unconsolidated companies.

IFRS 13 Fair Value Measurement*, effective for annual periods beginning on or after 1 January 2013, endorsed by the EU on 11 December 2012, published in the Official Journal on 29 December 2012*

IFRS 13, Fair Value Assessment defines fair value as the price that would be received upon sale of an asset or paid to transfer a liability in an ordinary transaction between market participants as at the measurement date.The standard clarifies that fair value is based on trade executed on the main market for the asset or liability, or in lack of such - the market with the most favorable conditions. The main market is the largest volume and activity for the asset or liability.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income* - effective for annual periods beginning on or after 1 July 2012, endorsed by the EU on 5 June 2012, published in the Official Journal on 6 June 2012*

The amendments require the presentation of the individual elements of other comprehensive income into two groups depending on whether they will be reclassified to profit or loss during succeeding periods. Items that are not reclassified, for example revaluation of property, plant and equipment are presented separately from items that will be reclassified, for example deferred gains and losses on cash flow hedges. Companies which have elected to present items of other comprehensive income before taxes must show the amount of tax for each group separately. The name of the income statement has been changed to "statement of profit or loss and other comprehensive income ", but other titles can be used. The amendments should be applied retrospectively.

Amendments to IAS 12 Income Taxes - Deferred taxes: Recovery of Underlying Assets *- effective for annual periods beginning on or after 1 January 2013, endorsed by the EU on 11 December 2012, published in the Official Journal on 29 December 2012*

The standard requires companies to calculate deferred tax assets related to assets based on the expected recovery of their carrying amount - through use or sale. For investment properties at fair value in accordance with IAS 40 Investment Property the determination of the recovery of the carrying amount by subsequent use and/or sale is difficult and subjective. The amendment introduces an exception to the stated principle – a rebuttable presumption that the carrying value of these investment properties will be recovered entirely through sale. As a result of the amendment to the standard SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets is included has been repealed.

Amendments to IAS 19 Employee Benefits*, effective for annual periods beginning on or after 1 January 2013, endorsed by the EU on 5 June 2012, published in the Official Journal on 6 June 2012*

The amendment to IAS 19 removes the corridor method and requires the presentation of financial costs and revenues on a net basis. Actuarial gains and losses are renamed as revaluations and should be recognized immediately in other comprehensive income. They are not reclassified to profit or loss during succeeding periods. The amendments apply retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

IAS 27 Separate Financial Statements (revised in 2011)*, effective for annual periods beginning on or after 1 January 2014, endorsed by the EU on 11 December 2012, published in the Official Journal on 29 December 2012*

IAS 27 Separate Financial Statements (revised) now applies only to individual financial statements; the requirements are not substantially amended.

IAS 28 Investments in associates and joint ventures (Revised in 2011)*, effective for annual periods beginning on or after 1 January 2014, endorsed by the EU on 11 December 2012, published in the Official Journal on 29 December 2012*

IAS 28 Investments in associates and joint ventures (revised) continues to prescribe the equity method. A change in the scope of the standard is made due to the publication of IFRS 11 Joint Arrangements.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*, effective for annual periods beginning on or after 1 January 2014, endorsed by the EU on 13 December 2012, published in the Official Journal on 29 December 2012*

The amendment specifies that the right of offsetting of assets and liabilities should be current and legally enforceable and not dependent on a future event. It should also be exercised by all parties in the ordinary course of business and in the case of default, insolvency or bankruptcy.

IFRIC 20 Stripping costs in the Production Phase of a Surface Mine*, effective for annual periods beginning on or after 1 January 2013, endorsed by the EU on 11 December 2012, published in the Official Journal on 29 December 2012*

The interpretation requires pre-existing stripping costs to be reclassified as a component of the asset to which the stripping activity relates. If there is no identifiable section of the ore body to which that component can be directly atributted, it is recognized in retained earnings.

These amendments have no impact on the financial statements of the Group.

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

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

IFRS 9 Financial Instruments (issued on 12 November 2009) and Additions to IFRS 9 and IFRS 7 (issued on 16 December 2011)*, effective 1 January 2015, not yet endorsed by the EU*

IFRS 9 is the first part of the project of the International Accounting Standards Board (IASB) to replace IAS 39 "Financial Instruments: Recognition and Measurement" by the end of 2010, replaced four categories of financial assets in their evaluation of IAS 39 classification based on a single principle. IFRS 9 requires all financial assets to be measured at either amortized cost or fair value. Amortized cost provides information that is useful in making decisions concerning financial assets that are held primarily to the receipt of cash flows represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value is the most relevant measurement basis. IFRS 9 removes the need for several methods of depreciation and depreciation method provides only for assets carried at amortized cost. Additional sections in relation to impairment and hedge accounting are still being developed. Company management should assess the effect of the amendments on the financial statements. However, it does not expect changes to be applied before the release of all sections of the standard before it can assess their overall effect.

Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards (released on March 13, 2012) - government loans*, effective January 1, 2013, not yet adopted by the EU*

The amendment provides guidance on how to report public loan at lower than market levels in the preparation of the first report under IFRS. It also adds an exemption from retrospective application in accordance with IAS 20.

Annual Improvements 2009 - 2011 of (issued on 17 May 2012)*, effective January 1, 2013, not yet adopted by the EU*

Amendments to IFRS 1 explain that an entity can apply IFRS 1 more than once under certain circumstances. An option to chose the date of transition or an earlier date in the application of IAS 23 is introduced.
IAS 1 amendment clarifies that entities that represent two comparative periods in the statement of financial position in accordance with IAS 8, should not include information about the opening balances of the previous period in the notes. If management presents on their own additional comparative information in the statement of financial position or income statement and notes, it should include additional information.
The amendment to IAS 16 clarifies that spare parts and servicing equipment are classified as property, plant and equipment, and not as inventory, if the definition of property, plant and equipment is applicable and they are used for more than one year.

The amendment to IAS 32 clarifies that the reporting of profit tax in respect of dividends and expenses on transactions with owners is in accordance with IAS 12. The income tax in relation to the distribution of dividends is recognized in profit or loss as the income tax, income tax in relation to expenses related to transactions with owners recognized directly in equity.

The amendment to IAS 34 clarifies that the total assets and liabilities by segment is presented in the interim consolidated financial statements in the event that this information is provided regularly to the persons responsible for making operating decisions and has changed significantly compared to information disclosed in the last annual financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012) entered into force on 1 January 2013 and are applicable to Transition guidance.

Amendments to IFRS 10, IFRS 12 and IAS 27 (issued on October 31, 2012) entered into force on 1 January 2014 and are applicable to investment entities.

2.2 Comparative Data

Eurohold Bulgaria AD presents comparative information for a single previous period.

2.3 Functional and Reporting Currency

The Bulgarian Lev (BGN) is the functional and reporting currency of the group. Data presented in the statement and the attachments thereto are in thousand BGN (000'BGN). Since 1 January 2009, the Bulgarian Lev is pegged to the EURO at the exchange rate: BGN 1, 95583 for EUR 1. Cash, receivables and payables denominated in foreign currency are reported in the BGN equivalent on the basis of the exchange rate as at the date of the operation and are revaluated on annual basis using the official exchange rate of the Bulgarian National Bank on the last working day of the year.

2.4 Accounting Assumptions and Accounting Estimates

Upon preparing the financial statement in compliance with IAS, the management is required to apply approximate estimates and assumptions, which affect the reported assets and liabilities, and the disclosure of the contingent assets and liabilities as at the date of the balance sheet.

Despite the estimates are based on the management's knowledge of current developments, the actual results may vary from the estimates used.

2.5 Income

The Company's income is recognized on the accrual basis and to the extent economic benefits are obtained by the Company and as far as the incomes may be reliably measured. Upon sales of goods incomes are recognized when all material risks and benefits from the title of goods are transferred to the buyer.
Upon provision of services, incomes are recognized considering the stage of completion of the transaction as at the date of the balance sheet, if such stage may be reliably measured, as well as the costs incurred for the transaction.
Dividend incomes are recognized upon certifying the right to obtain them.
Eurohold Bulgaria AD generates financial incomes mainly from the following activities:

- Income from operations with investments
- Income from dividends
- Income from interests under loans granted to subsidiaries
- Income from Services

2.6 Expenses

Expenses are recognized at the time of occurrence thereof and on the accrual and comparability basis.
Administrative expenses are recognized as expenses incurred during the year, and are relevant to the management and administration of the company, including expenses that relate to the administrative staff, officers, office expenses, and other outsourcing.
Financial expenses include: expenses incurred in relation to investment operations, negative differences from financial instruments operations and currency operations, expenses on interest under granted bank loans and obligatory issues, as well as commissions.
Deferred expenses (prepaid expenses) are carried forward for recognition as current expenses for the period in which the contracts they pertain to are performed.
Other operating income and expenses include items of secondary character in relation to the main activity of the Company.

2.7 Interest

Interest income and expenses are recognized in the Statement of Comprehensive Income using the effective interest rate method. The effective interest rate is the rate for discounting the expected cash payments and proceeds during the term of the financial asset or liability up to the net book value of the respective asset or liability. The effective interest rate is calculated upon the initial recognition of the financial asset or liability and is not adjusted afterwards.
The calculation of the effective interest rate includes all received or paid commissions, transaction costs, as well s discounts or premiums, which are an integral part of the effective interest rate. Transaction costs are the inherent costs directly attributable to the financial asset or liability acquisition, issue or derecognition.
The interest income and expenses stated in the Statement of Comprehensive Income include interest recognized on the basis of effective interest rate under financial assets and liabilities carried at amortized value.

2.8 Fees and Commissions

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

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

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

2.9 Types of Activities

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

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

Insurance and Health Insurance line:
- Insurance services
- Health insurance services

Leasing line:
- Leasing services
- Car rentals

- **Financial line:**
  - Investment intermediation

Automobile line:
- Sales of new cars
- Car repairs services

Real estates:
- Investment property management
- Tourist property management

2.10 Business Combinations and Goodwill

Business combinations are reported by using the purchase method. This method requires the assignee to recognize, on the date of acquisition, the acquired differentiated assets, undertaken liabilities and participation, which is not controlling the acquired entity, separately from the goodwill. Any costs directly pertaining to the acquisition are reported in the statement of comprehensive income for the period. Differentiated acquired assets and undertaken liabilities and contingent obligations within a business combination are measured at fair value on the date of acquisition, regardless of the extent of non-controlled participation. The company is able to measure participations, which are not controlling for the acquired entity, either at fair value, or as proportional share in the differentiated net assets of the acquired entity.
The acquisition cost in excess of the share of assignee in the net fair value of differentiated assets, liabilities and contingent obligations of acquisitions, is reported as goodwill. In case the acquisition cost is less than the investor share in the fair values of the company's net assets, the difference is recognized directly in the statement of comprehensive income.

2.11 Taxes

Income Tax
The current tax includes the tax amount, which should be paid over the expected taxable profit for

the period on the basis of the effective tax rate or the tax rate applicable on the day of preparation of the balance sheet and all adjustments of due tax for previous years.

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

Current income taxes are defined in compliance with the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal tax rate for 2013 is 10% of the taxable profit.

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

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

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

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

Withholding tax
Pursuant to the Corporate Income Tax Act, payment of incomes to foreign individuals or legal entities is subject to withholding tax within the territory of the Republic of Bulgaria.
Withholding tax is not due provided the foreign legal entity has proved grounds for application of the Agreements for Avoidance of Double Taxation before tax rate or applicable tax rate on the day of expiration of the tax payment term.

2.12. Fixed Assets
2.12.1 Fixed Tangible Assets

Fixed tangible assets are measured at acquisition cost, less the amount of accrued amortization and possible impairment losses.
The company has fixed the 2013 value materiality threshold to BGN 700, under which acquired assets, regardless if they have the characteristics of fixed assets, are reported as current expenses at the time of acquisition thereof.

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

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

Further Measurement
Further costs for repairs and maintenance are accounted in statement of financial position when the same criteria as at initial recognition are in place.
Upon sales of fixed assets, the difference between the net book value and the sales price of the asset is reported as profit or loss in the statement of comprehensive income, in "Other Incomes" item.
Fixed tangible assets are derecognized from the balance sheet upon sale or when the asset is finally decommissioned and no further economic benefits are expected after derecognition.

2.12.2 Amortization Methods

The company applies the straight-line method of depreciation/amortization. Depreciation/Amortization of assets begins from the

month following the month of acquisition thereof. Land and assets in process of construction are not depreciated. The useful life by groups of assets depends on: the usual wear and tear, equipment specificity, future intentions for use and the probable moral aging.
The estimated useful lives by groups of assets are as follows:

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

2.12.3 Impairment

Net book values of fixed tangible assets are subject to review for impairment, when events or changes in circumstances have occurred, which evidence that the net book value might permanently differ from their recoverable amount. If there are indicators that the estimated recoverable value is less than their net book value, the latter is adjusted up to the recoverable value of assets.
Impairment losses are recognized as expense in the statement of comprehensive income during the year of occurrence thereof.

2.12.4 Fixed Intangible Assets

Intangible assets are presented in the financial statement at cost, less the accumulated amortization and possible impairment losses.
The company applies the straight-line method of amortization of intangible assets at expected useful lives of 5-7 years.
Net book value of intangible assets is subject to review for impairment, when events or changes in circumstances have occurred, which evidence that their net book value might exceed their recoverable value.

2.12.5 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, or use in supply of services or for administrative purposes. Investment property is measured at fair value.

2.12.6 Positive Goodwill

After initial recognition, goodwill is accounted at acquisition cost, less accumulated impairment losses.
The positive goodwill is reviewed for impairment on annual basis. The impairment loss of goodwill is not subject to recovery in future periods.

2.13 Employment Benefits

Annual Paid Leave
The Company recognizes the undiscounted amount of estimated costs relevant to annual leaves that are expected to be paid against the employees' service for the ended period as a liability.

2.14 Financial Assets
2.14.1 Investments in Financial Assets

Investments in subsidiaries are measured at costs in the separate statement of the parent-company.

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

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

Conditional Remuneration
The remuneration that the acquirer transfers to the acquiree in exchange for a company includes any asset or liability arising from the arrangement under consideration. The acquirer shall recognize the fair value of the contingent consideration at the acquisition date as part of the consideration transferred to the acquiree in exchange for the company. The acquirer shall classify an obligation to pay the remuneration condition as a liability or as own equity on the basis of the definitions of an equity instrument and financial liability in paragraph 11 of IAS 32, Financial Instruments: presentation and other applicable IFRS regulations.

The acquirer shall classify as an asset the right to return the previously transferred consideration, if specified conditions are met. Paragraph 58 provides guidance on subsequent accounting for conditional remuneration.

2.14.2 Investments in Financial Instruments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value in the profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or derivatives defined as hedging instruments in effective hedge, where appropriate. The company classifies its financial instruments at their initial recognition.
Financial assets include cash and short-term deposits, trade and other receivables, financial instruments and financial instrument derivatives quoted and unquoted on the stock exchange.

Financial Assets at Fair Value in Profit or Loss
Financial assets at fair value in profit or loss include financial assets held for trading and those designated at fair value at inception. Financial assets, which are usually acquired for the purposes of selling in the near term, are classified as held for trading.

Investments Held-to-Maturity
Investments held-to-maturity are financial assets, which are non-derivative and have fixed or determinable payments and fixed maturity, that the company has the positive intention and ability to hold to maturity. Initially, these investments are recognized at acquisition cost, which includes the amount of consideration paid for acquisition of the investment. All transaction costs directly related to the acquisition are also included in the acquisition cost. After the initial measurement, held-to-maturity investments are carried at amortized cost by using the method of the effective interest rate. Gains and losses from held-to-maturity investments are recognized in the statement of comprehensive income when the investment is derecognized or impaired.

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

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

Financial Assets Available for Sale
Financial assets available for sale are non-derivative financial assets that are so classified and are not classified in any of the three categories listed above. Initially, these investments are presented at fair value. Subsequent to initial recognition, financial assets available for sale are measured at fair value. Unrealized gains and losses from fair value are carried in separate item of the other comprehensive income until the financial assets are not derecognized or are not defined as impaired. Upon derecognition or impairment, cumulative gains and losses previously recognized in equity, are recognized in the statement of comprehensive income.

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

2.15 Inventory

Materials and goods are measured at delivery cost. Their value includes the sum of all purchase expenses, as well as other expenses incurred in relation to the delivery thereof to their current location and condition.

2.16 Short-Term Receivables

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

2.17 Liability Provisions

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

2.18 Deferred Tax Liabilities

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

2.19 Equity

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

2.20 Liabilities

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

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

2.21 Financial Risk Management
2.21.1 Factors Determining Financial Risk

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

Currency Risk
As a result of foreign currency exposures, gains and losses occur, which are carried in the statement of comprehensive income. These exposures include the cash assets of the Group, which are not denominated in the currency used in the local companies' financial statements.
Eurohold Bulgaria AD has no investments in other countries, except in the countries in which it operates – Bulgaria, Romania, Macedonia, and the Netherlands. In case the local currency is exposed to currency risk, it is managed through investments in assets denominated in Euro.

Interest Risk
The company is exposed to interest risk in relation to the used bank and trade loans as part of the loans obtained have floating interest rate agreed as basis interest (EURIBOR/LIBOR) increased with the respective allowance. In 2010, the floating interest rate loans are denominated in euro.
The interest rates are specified in the respective appendixes.

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

Liquidity Risk
Liquidity risk is the risk that the company may encounter difficulties in servicing its financial obligations when they become payable. Policy in this field is aimed at ensuring that there will be enough cash available to service its maturing obligations, including in exceptional and unforeseen conditions. The management's objective is to maintain continuous balance between continuity and flexibility of financial resources by using adequate forms of funding. The company's management is responsible for managing the liquidity risk and involves maintaining enough cash available, arranging adequate credit lines, preparation of analysis and update of cash flows estimates.

2.22 Measuring Fair Values

Fair value of financial instruments traded on active market (for example securities held for trading and held for sale) is based on the market quotes as at the balance sheet date. The market quote used to define the values of financial assets and financial liabilities held by the Company, is the price at the Bulgarian Stock Exchange.

2.23 Cash Flows

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

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

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

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

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

3. Dividend income

	31.3.2013	31.3.2012
	BGN'000	*BGN'000*
Euro-Finance AD	-	-
	-	**-**

4. Gains from financial activities

	31.3.2013	31.3.2012
	BGN'000	*BGN'000*
Gains from sale of investments	-	8
	-	**8**

5. Interest income

	31.3.2013	31.3.2012
	BGN'000	*BGN'000*
Interest income – from related party loans	2	155
Interest income – from third party loans	3	17
Interest income – from subordinated term loan	171	-
Interest income – from deposits	-	-
	176	**172**

6. Interest expense

	31.3.2013	31.3.2012
	BGN'000	*BGN'000*
Interest expense – bank loans	786	956
Interest expense – from related party loans	217	91
Interest expense – from third party loans	71	3
	1,074	**1,050**

7. Losses on financial activities

	31.3.2013	31.3.2012
	BGN'000	*BGN'000*
Losses on sale of investments	-	-
Other financial expenses	25	28
	25	**28**

8. Hired services and other expenses

	31.3.2013	31.3.2012
	BGN'000	*BGN'000*
Hired services expenses	255	127
Other expenses	19	48
	274	**175**

9. Property, plant and equipment

	Vehicles	Fixtures and fittings	Total
	BGN'000	*BGN'000*	*BGN'000*
Cost:			
At 1 January 2012	**-**	58	**58**
Additions	16	-	**16**
Disposals	-	-	**-**
At 31 December 2012	16	58	**74**
Additions	-	-	**-**
Disposals	-	-	**-**
At 31 March 2013	**16**	**58**	**74**
Depreciation:			
At 1 January 2012	-	24	**24**
Accrued depreciation	2	9	**11**
Written-off	-	-	**-**
At 31 December 2012	2	33	**35**
Accrued depreciation	1	2	**3**
Written-off	-	-	**-**
At 31 March 2013	**3**	**35**	**38**
Carrying value:			
At 1 January 2012	**-**	**34**	**34**
At 31 December 2012	**14**	**25**	**39**
At 31 March 2013	**13**	**23**	**36**

10. Intangible assets

	Software
	BGN'000
Cost:	
At 1 January 2011	4
Additions	-
Disposals	-
At 31 December 2011	**4**
Additions	-
Disposals	-
At 31 March 2013	**4**
Depreciation:	
At 1 January 2011	**-**
Accrued depreciation	2
Written-off	-
At 31 December 2011	**2**
Accrued depreciation	1
Written-off	-
At 31 March 2013	**3**
Carrying value:	
At 1 January 2012	**-**
At 31 December 2012	**2**
At 31 March 2013	**1**

11. Trade and other receivables

	31.3.2013	2012
	BGN'000	*BGN'000*
Trade and other receivables	264	307
Subordinated term loan granted	9,779	9,779
	10,043	**10,086**

12. Investments in subsidiaries, associates and other companies

12.1 Investments in subsidiaries

	Value as at 1.1.2013	Increase	Decrease	Value as at 31.3.2013	Share capital of the subsidiary	% control in the subsidiary
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Euroins Insurance Group AD	207,512	-	-	207,512	268,263	80.82%
Avto Union AD	66,775	-	-	66,775	40,004	99.99%
BG Autolease Holding B.V.	28,042	-	-	28,042	26,468	100.0%
Euro-Finance AD	18,145	-	-	18,145	14,100	99.99%
Eurohold Imoti EOOD	1,447	-	-	1,447	500	100.0%
Eurolease Group EAD	50	-	-	50	50	100.00%
Unpaid capital of Eurolease Group EAD	*(38)*	-	-	*(38)*		
	321,933	**-**	**-**	**321,933**		

12.2 Investments in associates

	Value as at 1.1.2013	Increase	Decrease	Value as at 31.3.2013
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Juliunica AD	1	-	-	1
	1	**-**	**-**	**1**

12.3 Investments in other companies

	Value as at 1.1.2013	Increase	Decrease	Value as at 31.3.2013
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Sevko AD	9	-	-	9
Hebar AD	1	-	-	1
	10	**-**	**-**	**10**

13. Financial assets

	31.3.2013	2012
	BGN'000	*BGN'000*
Securities	24	24
	24	**24**

14. Trade receivbles

	31.3.2013	2012
	BGN'000	*BGN'000*
Trade receivbles	28	23
Tax receivables	98	94
	126	**117**

15. Receivables from related paries

	31.3.2013	2012
15.1 Interest receivables	*BGN'000*	*BGN'000*
Eurohold Imoti EOOD	-	3
Eurohold Imoti Veliko Tarnovo EOOD	-	57
Erolease Auto – Macedonia	21	21
Bulvaria Holding EAD	1	1
Eurolease Auto EAD	-	2
	22	**84**

16.2 Dividend receivables

	31.3.2013	2012
	BGN'000	*BGN'000*
Nissan Sofia EOOD	-	24
	-	**24**

15.3 Other receivables

	31.3.2013	2012
	BGN'000	*BGN'000*
Avto Union AD	-	9
Auto Italia EAD	3	26
Avto Union Service EOOD (Espas Auto EOOD)	16	49
Bulvaria Varna EOOD	4	4
Daru Car AD	8	6
Euroins - Health Insurance AD	3	2
Euroins AD	113	28
Euroins - Romania	141	37
Eurolease Auto EAD	6	678
Star Motors EOOD	-	1
Espas Auto OOD	-	1
	294	**841**

16. Other current receivables

	31.3.2013	2012
	BGN'000	*BGN'000*
Receivables from sale of investments	99	298
Interest receivables	82	82
Interest receivables on subordinated term loan	286	114
Deferred expenses	238	256
Other receivables	350	350
	1,055	**1,100**

17. Cash and cash equivalents

	31.3.2013	2012
	BGN'000	*BGN'000*
Cash at banks	333	27
Cash in hand	15	23
	348	**50**

18. Share capital

	31.3.2013	2012
	BGN	*BGN*
Issued shares	127,345,000	127,345,000

All ordinary shares are fully paid.

The share capital is distributed as follows:

Share holders	%	Number of shares	Par value
Starcom Holding AD	50,13%	63,841,960	63,841,960
Dar Finance EOOD	19,94%	25,394,755	25,394,755
Other companies	25,31%	32,234,297	32,234,297
Other individuals	4,62%	5,873,988	5,873,988
	100.00%	**127,345,000**	**127,345,000**

19. Non-current borrowings

	31.3.2013	2012
	BGN'000	*BGN'000*
Accession Mezzanine	23,979	24,332
	23,979	**24,332**

Analysis of borrowings from financial institutions:

Bank	Type	Currency	Size contracted	Balance as at 31.3.2013	Balance as at 31.12.2012	Interest rate	Maturity date	Security
Accession Mezzanine	Loan - Principal	EUR	15,000,000 €	12,250,000 €	13,350,000 €	8.70%	12.2015	Pledge on shares
Accession Mezzanine	Capitalized interest		-	1,410,066 €	1,340,531 €	2%	12.2015	
Unicredit Bulbank AD	Working capital related to the leasing activities - Principal	EUR	10,000,000 €	2,690,000 €	3,200,000 €	Annual interest rate for regular loan + 5%	1.8.2013	Pledge on property and shares

20. Related parties liabilities

	31.3.2013	2012
	BGN'000	*BGN'000*
Starcom Holding AD	4,530	4,687
Eurolease Auto EAD	4,080	2,172
Avto Union AD	2,028	1,808
Cargoexpress Imoti EAD	70	76
Eurolease Rent-A-Car EOOD	45	45
Eurohold Imoti EOOD	2,363	437
Repo contracts liabilities	8,970	9,056
	22,086	**18,281**

21. Other non-current liabilities

	31.3.2013	2012
	BGN'000	*BGN'000*
Non-current loans from third parties	3,256	3,256
	3,256	**3,256**

22. Current borrowings

	31.3.2013	2012
	BGN'000	*BGN'000*
Accession Mezzanine	2,738	4,420
Unicredit Bulbank-financing leasing activities	5,261	6,259
	7,999	**10,679**

23. Trade payables

	31.3.2013	2012
	BGN'000	*BGN'000*
Trade payables	788	480
Payables to employees and social security institutions	25	22
	813	**502**

24. Related parties liabilities
24.1 Interest payables

	31.3.2013	2012
	BGN'000	*BGN'000*
Eurolease Rent-A-Car EOOD	6	5
Starcom Holding AD	2	22
Avto Union AD	20	7
Eurolease Auto EAD	42	48
Euroins Insurance Group AD	51	39
Cargoexpress Imoti EAD	-	4
Eurohold Imoti EOOD	30	2
BG Autolease Holding B.V.	52	27
	203	**154**

24.2. Current borrowings

	31.3.2013	2012
	BGN'000	*BGN'000*
BG Autolease Holding B.V.	1,213	1,490
	1,213	**1,490**

24.3 Other payables

	31.3.2013	2012
	BGN'000	*BGN'000*
United Health Insurance EAD	2	2
Eurolease Auto EAD	6	4
Eurolease Rent-A-Car EOOD	2	2
Eurohold Imoti EOOD	18	-
	28	**8**

25. Other current liabilities

	31.3.2013	2012
	BGN'000	*BGN'000*
Payables for acquisition of investments	102	104
Interest payables	646	689
Tax payables	332	332
Other liabilities	9	7
	1,089	**1,132**

26. Events after the reporting period.

No significant events after the reporting date have been identified by the Board of Directors of Eurohold Bulgaria AD, that may influence the financial statements.

Asen Minchev
Executive member of the BD
Eurohold Bulgaria AD,

29 April 2013