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Translation from Bulgarian

EURO-FINANCE AD

FINANCIAL STATEMENTS

31.12.2014

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ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE ACTIVITY OF EURO-FINANCE AD IN 2014

I. ABOUT THE ECONOMY

2014 turned out to be one of a series of years of unrealized expectations for a serious global economic upsurge. A large number of the developed countries continued struggling against the severe consequences of the world financial crisis, while the growth in developing economies considerably slowed down its rate. According to preliminary data of the World Bank (WB), last year the world's GDP sped up by the symbolic 0,1% reaching 2,6% compared to 2,5% in the year 2013.

In 2014 there were several clearly outlined divergent tendencies. On the one hand, the economic activity in the USA and Great Britain started gaining speed as a result of the visible improvement on the labour market and the stimulating monetary policies pursued by the central banks of the two countries. On the other hand, the recovery of the Japanese and European economies kept "skidding" as a result of their chronic structural problems. According to the calculations of the WB, the failure to reach the prognostic growth of the world's GDP for the year 2014 is predominantly due to the EU and Japan. The combination of a restrictive fiscal and monetary policy and a weak growth of export has brought United Europe to stagnation, while the twofold increase of the sales tax pushed the Japanese economy into a recession.

The process of slowdown of Chinese economy continued throughout 2014 and the country registered the lowest annual growth of its GDP (7,4%) in the latest quarter of a century. The fears that the flagman of the world's growth is no more "sailing with the wind" have had their repercussions all over the world, causing a slump in the prices of basic raw materials. The crisis in Ukraine and the subsequent sanctions against Russia, the outflow of capitals from Russian economy and the devaluation of the rouble made Russia sink into a deep form of depression and inflation that is difficult to control. The growth of the other developing economies was far below the expectations, this being due to the low external demand, the restrictive monetary policies, the political instability and the limitations on the production capacity.

According to the prognostic data of the WB, in 2015 the global GDP will increase by 3% and will keep increasing by an average of 3,3% yearly until 2017. Next year the developed countries are expected to have a GDP growth of 2,2% (compared to 1,8% in the year 2013). There are several basic factors which determine the future prospects of global economy in 2015 – the prices of basic raw materials, the low-interest environment throughout the world and the expected divergence of the monetary policies pursued by the central banks of the developed industrial countries. The slump in fuel prices in the second half of the previous year, which was mostly supply-driven, is expected to be a powerful stimulating factor in the economic activity of the year 2015 and will probably neutralize the effect of those factors which have a negative impact on the growth of developing economies.

According to the analysts of the IMF, more specifically, the growth of the American economy is expected to exceed 3% in the period 2015–2016 as a result of the higher domestic demand conditioned by the low prices of petrol, the moderate rate of fiscal consolidation and the monetary policy, which is still a sufficiently pro-inflation one, regardless of the expectations of a gradual increase in interest rates. The continuing speedy rise in the US dollar price will have a negative effect on the country's export.

The economic activity in the Eurozone is expected to be fostered by the low prices of fuel, the start of the quantitative easing programme announced by the European Central Bank, the relatively neutral fiscal policy and, last but not least, by the expected devaluation of the single currency.

The recession in Japan is a fact. The expansionist monetary policy and the increased expenses on infrastructure projects have not been able to neutralize the negative effect that the increase in the sales tax produced on domestic demand. The slowdown of the increase in the said tax, the monetary stimuli, the low prices of petrol and the devaluation of the yen are supposed to exert positive influence upon the economy of Japan in the year 2015.

Most economists are of the opinion that 2014 was one of a series of years of missed opportunities for structural reforms in Bulgaria. The failure to carry out reforms has deepened the economic stagnation – lasting for six years now – and has lowered the chances of the country to speed up the processes of modernization and convergence. The political instability and the crisis in the banking sector, which followed the bankrupt of the fourth largest bank of the country, have additionally deteriorated the investment climate. The forecasts of Bulgaria's economic growth in the year 2015 do not exceed 0,8%. The excessive dependence of Bulgarian economy on the export, in combination with the poor growth in the country's basic export markets, and the weakened confidence in the banking system will impede the next year's growth. According to the forecasts of the European Commission (EC), the country's deficit will continue growing throughout the next two years. No serious growth of inflation is expected – according to the prognostic data of the EC, in 2015 inflation will be 0,4% only. The dependence of Bulgarian economy on the import of Russian gas constitutes a serious risk factor in view of the complex geopolitical situation in Ukraine.

II. OVERVIEW OF THE BUSINESS ACTIVITY

The previous year 2014 can be classified as beneficial for the company. Our forecasts of the development of the income and the change in its structure have been justified.

In the year 2014 EURO-FINANCE AD realized net income amounting to 2 012 thousand BGN. The profit before tax is 634 thousand BGN.

The table below presents the significant revenue sources of the company for the past four years, this revenue being related to the company's main business activity as an investment intermediary.

Name of revenue	2014 (BGN)	2013 (BGN)	2012 (BGN)	2011 (BGN)
Fees and commissions from transactions with financial instruments	881 593	539 929	342 359	663 151
Interest revenue and similar revenue	555 663	635 543	869 593	857 941
Trading book revenue/expense	308 325	198 085	123 149	48 199
Impairment of investments in an investment portfolio	-	-	-	-429 046
Total	1 745 581	1 373 557	1 335 101	1 140 245

The revenue from fees and commissions increased as a result of the increased market activity of the customers of the company. This revenue increased from 540 thousand BGN to 882 thousand BGN. However, the interest revenue and similar revenue decreased by 13%, and the trading book revenue shows an increase of over 60% – from 198 thousand BGN to 308 thousand BGN.

The table below presents the changes in the main indicators related to the activity of the company with regard to the realization of transactions in equity financial instruments within the country. The number of orders increased by 8% in comparison with the previous year and reached 7,520. The total turnover of transactions in shares increased by almost 70% in comparison with 2013 and reached over 160 million BGN.

Business activity	Year 2014	Year 2013	Year 2012
Accepted orders for purchase/sale of shares*	7,520	6,967	6,856
incl. submitted through EFOCS	5,778	5,373	4,650
Executed orders	2,997	2,737	3,204
Share transactions made**	4,506	3,268	4,716
incl. on an organized market	4,308	2,711	3,532
on a non-organized market	198	557	1,184
Total turnover in BGN	160,906,474	95,445,513	93,211,455

* does not include the orders under repo transactions/includes only orders in BGN

** executed transactions (without repo transactions)/ includes only transactions in BGN

Except for the purely nominal growth of the indices of Bulgarian Stock Exchange (BSE), in 2014 there were not many things in the official statistics of the country's capital market dynamics that can give reasons for optimism. The 35% growth in the number of transactions made during the year was overshadowed by the almost 50% decrease in the traded volumes. This undoubtedly shows that the trade on the country's regulated market continues being dominated by petty investors and

speculators. The market capitalization of the companies listed for trading on the BSE reached its lowest level since the beginning of the world financial crisis.

Data about trading on a regulated market within the country (according to data from BSE-Sofia AD)	Year 2014	Year 2013	Year 2012
Number of transactions made	118,074 ↑	87,069	68,855
Turnover in BGN	774,899,861 ↓	1,521,771,756	864,038,427
Capitalization in BGN	9,756,246,657 ↓	9,960,772,567	9,828,089,752
SOFIX	522,10 ↑	491,52	345,46
BGBX 40 *	104,61 ↑	100,00	-
BG TR30	407,50 ↑	349,03	257,87
BG REIT	98,75 ↑	88,66	79,62

* BGBX 40 is a BSE-Sofia index which was started on 02.01.2014 and replaced the BG 40 index

We expect that next year – 2015 – the prospects of Bulgarian capital market will be directly dependent on the performance of Bulgarian economy. The economy of the country keeps growing at an insufficient rate. According to preliminary data, the GDP in 2014 increased by approximately 1,5%. The year 2014 was mostly a year of crises – a year of political instability, reforms blocked, deficit accumulation, banking crisis. The economic problems outlined in the previous year, including the deterioration of the trade balance of the country, the decrease in direct foreign investments and the deflation remain unresolved. As a result of the Corporate Commercial Bank crisis, at the end of the year 2014 the credit rating of the country was downgraded to a level below investment grade.

In view of the general economic situation in Bulgaria, we do not expect any considerable upsurge or change in the dynamics of BSE trading in the year 2015.

In the previous year EURO-FINANCE AD made systematic efforts to develop the service segment oriented to transactions in foreign financial instruments. The main index on the Frankfurt Stock Exchange – DAX – has added 2,6% compared to the levels at the beginning of the year, while the leading index on the local capital market – SOFIX – has added 6,2% to its level of a year ago.

Since the middle of 2009, EURO-FINANCE AD has been a member of Deutsche Boerse – XETRA. This fact has had an extremely favourable influence upon the company, as it enabled the development of new trading segments and the expansion of the coverage of the analytical unit of the company.

The table below presents summarized information about the company's business activity related to transactions on the Frankfurt Stock Exchange, Germany. The turnover realized during the year decreased, but the number of the orders accepted and the transactions made increased.

The new 2015 will be the next challenge to the participants in the financial markets. The business activity of EURO-FINANCE AD will be aimed at seeking the optimum balance between the calculated risk and the liquidity of investments.

Business activity	Year 2014	Year 2013	Year 2012
Accepted orders for purchase/sale of financial instruments on the Deutsche Boerse	1,423 ↑	1,175	1,104
incl. submitted through EFOCS	525 ↑	467	698

Executed orders	1,113 ↑	747	800
Transactions made	1,118 ↑	836	955
Total turnover in BGN	22,384,536 ↓	32,725,348	32,853,975

III. DISCLOSURE OF INFORMATION WITH REGARD TO THE IMPLEMENTATION OF ORDINANCE No. 35 of the Financial Supervision Commission (FSC) on capital adequacy and liquidity of investment intermediaries

In compliance with the provisions of Ordinance № 35 of the FSC on capital adequacy and liquidity of investment intermediaries, EURO-FINANCE AD has accepted and currently applies the Rules on Risk Assessment and Management, the Procedures for Adjustment of Valuations or Reserves and the Rules on Disclosure of Information. The goals and policy of the investment intermediary with regard to risk management have been initially formulated through a decision of the Board of Directors dated 30.05.2007, according to which the company follows a moderately conservative policy on risk management, which is aimed at ensuring a profit increase that is stable and consistent over time, and protecting the value of equity.

The table below shows the structure of the investments of EURO-FINANCE AD as at 31.12.2014 in accordance with the risk management policy.

Name	Year 2014		Year 2013		Year 2012	
	Amount in thousand BGN	Equity share in %	Amount in thousand BGN	Equity share in %	Amount in thousand BGN	Equity share in %
Cash, current accounts and short-term deposits	1 252	7.75	1 282	8.11	1 221	7.83
Equity securities (shares, rights, and the like)	4 961	30.70	7 532	47.63	5 465	35.06
Debt securities (bonds and treasury bills issued by governments and financial institutions)	589	3.65	574	3.63	592	3.80
Debt securities of other issuers	2 077	12.86	4 388	27.75	5 805	37.24
Net receivables under repo transactions	7 710	47.71	2 452	15.51	2 113	13.56
Total	16 589	102.67	16 228	102.63	15 196	97.49%

During the previous reporting period, EURO-FINANCE AD constantly monitored the compliance with those requirements regarding capital adequacy and liquidity which ensue from Art. 21 of the Ordinance and the policy mentioned above. No deviations were established. At all times the capital base of the company exceeded substantially the amount of capital requirements for coverage of all risks resulting from the business activity of EURO-FINANCE AD.

We are drawing special attention to the fact that part of the investments in equity securities shown in the table above are reported in the investment portfolio of the company (see Note No. 6).

The important positions in the investment portfolio are as follows:

Issuer	Number available	Unit value	Book value	Market value as at 31.12.2014	Market value of the position
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Bulland Investments REIT	787 000	1.250	983 750	1.0045	790 542
Etropal AD	32 525	5.491	178 595	4.75	154 494
EF Asset Management AD	76 000	1.05	79 800	1.5878*	120 673
Total:			1 242 145		1 065 709

* The price of EF Asset Management is determined by the equity method.

The management of EURO-FINANCE AD has assumed that – in view of the existing unusual circumstances on the capital market within the country, these circumstances being characterized by limited liquidity and outflow of investors – as at the date of preparation of this statement it is impossible for these assets to be measured at fair value, and there are no permanent or definitive indications of their impairment, this being due to the fact that the company is able to keep the abovementioned assets for an indefinite period of time. Along with the instruments specified in the table above, the company has also included in its investment portfolio an issue of bonds of Eurolease Auto AD with a nominal value of EUR 1 000 000, which are accounted for at 100% of their acquisition price and are disclosed in the non-current debt securities.

According to the audited statement of the company's financial position, as at 31.12.2014 the company's equity amounts to 16 159 thousand BGN and the capital base amounts to 15 394 thousand BGN, the latter being calculated in the following way:

Name / Year		Year 2014	Year 2013	Year 2012
A	Core capital (BGN), incl.	15 587 845	15 587 845	15 583 376
1	fixed (registered capital)	14 100 000	14 100 000	14 100 000
2	Statutory reserves	1 410 000	1 410 000	1 410 000
3	other reserves	77 845	77 845	73 376
B	Additional capital	-	-	-
1	debt-equity (hybrid instrument)	-	-	-
C	Total core and additional capital (A+B)	15 587 845	15 587 845	15 583 376
D	Profit from the current year and retained earnings	571 008	222 554	4 470
E	Balance sheet equity (C+D)	16 158 854	15 810 399	15 587 845
F	Total decrease in core and additions capital	193 522	215 588	239 199
1	non-current intangible assets	96 241	121 007	147 719
2	participations in insurers, reinsurers and insurance holdings	17 481	14 781	11 680
3	Participations in other financial institutions	79 800	79 800	79 800
	CAPITAL BASE (C-F)	15 394 323	15 372 257	15 344 177

As at 31.12.2014 the capital requirements for covering the risks amounted to 3 079 thousand BGN. In accordance with the policy adopted, when calculating the capital requirements, EURO-FINANCE AD applies the standardized approach, except for the operational risk with respect to which the base indicator approach is applied.

The capital requirements reflecting the nature and scope of the business activity of EURO-FINANCE AD are shown in the table below:

Name	Capital requirement in BGN
Credit risk	2 038 088
Settlement risk	-
Position, currency and commodities risks	803 980
Operational risk	237 100
Total capital requirements	3 079 168

The capital requirement for credit risk is calculated on the basis of the following information (in BGN) as at 31.12.2014:

Name	2014 balance
Computers, peripherals and software	78 199
Transport vehicles	42 780
Inventory	29 740
Long-term investments – non-controlling interest	1 242 155
Non-current debt securities	1 955 830
Depreciation of FTA	-124 776
Receivables from customers	19 063
Interest and dividend payables	-85
Receivables from interest accrued on deposits	69
Receivables from exchange differences with respect to CFD revaluations	11 659
Receivables from exchange differences with respect to Netting revaluations	9 157
Receivables from exchange differences with respect to Margine Trades revaluations	10 661
Receivables from warranties	1 200
Accounts with administrative institutions	2 872
Accounts with financial institutions	80 184
Investment portfolio interest	22 167
Other debtors	91 474
Deferred expenses	12 193
Receivables and payables under repo transactions	11 044 527
TOTAL:	14 529 069

In accordance with the standardized approach, the receivables are divided into groups, each of them being assigned a risk weight. Each group has its capital requirement calculated, the latter amounting to 8% of the weighted risk value of the exposition, as follows:

Type of receivable (group)	Receivable amount	Risk weight in %	Weighted risk value of the receivable	Capital requirement (8%)
Repo transactions	11 044 527	100	11 044 527	883 562
Receivables from institutions	83 057	20	16 611	1 329
Minor expositions	124 219	75	93 164	7 453
Other positions	14 321 793	100	14 321 793	1 145 744
Total:	25 573 596			2 038 088

The capital requirement for position, currency and commodities risks, which amounts to 804 thousand BGN, is the aggregate of the requirements for position risk of debt instruments, shares and currency risk. During the reporting period, there were no commodities or currency risks in the business activity of EURO-FINANCE AD. The trading book of EURO-FINANCE AD is presented in detail in Section "Additional Information" at the end of the statement.

The calculation of the capital requirements for the position risk of debt securities is made on the basis of the maturity approach, the separate currency positions being combined in accordance

with their maturity structure and coupon. The capital requirement for the specific risk of debt instruments is calculated separately.

The capital requirement for the position risk in shares consists of two components – a general risk and a specific risk, the capital requirements for them being 8% and 4%, respectively. Apart from that, the capital requirement for the positions in collective investment undertakings amounts to 32% of the respective position.

The common long and, respectively, short position in foreign currency other than Euro is formed for the purpose of determining the capital requirement for currency risk, this requirement being calculated as 8% of the respective position.

The components of the capital requirements for position, currency and commodities risks are shown in the table below:

Name	Capital requirement amount in BGN
Position risk of debt instruments	26 333
Position risk of shares	777 647
Currency risk	-
Commodities risk	-
Total	803 980

The determination of the capital requirements for operational risk by the basic indicator method is carried out by way of calculating 15% of the average amount of the aggregate of the net income from interest and the net income from sources other than interest, on the basis of a three-year period, not including the result from the sale of investment portfolio positions, the extraordinary income and the insurance indemnities received.

The respective values for EURO-FINANCE AD for the past three years are as follows:

Year	Value	Average amount	Capital requirement in BGN (15%)
2013	1 716 017		
2012	1 695 506		
2011	1 330 474		
		1 580 666	237 100

As at 31.12.2014, EURO-FINANCE AD has formed an exposition to the parent company (EUROHOLD BULGARIA AD) and subsidiaries of the parent company amounting to 2,577 thousand BGN as follows:

Issuer	ISIN	Balance in BGN
IC Euroins AD	BG1100081055	17 481
EUROHOLD BULGARIA AD	BG1100114062	16 945
Avto Union AD	BG2100025126	11 042
Starcom Holding AD	BG2100010110	53 722
Eurolease Auto AD	BG2100019129	1 977 997
Delta Credit REIT	BG1100088068	499 977
TOTAL:		2 577 164

The exposition formed does not exceed the statutory maximum of 25% of the capital base. As at 31.12.2014, the capital base of the company, after the decrease, exceeds the statutory amount by 12 315 thousand BGN.

The rules and procedures for evaluating and maintaining the value, the types and the distribution of the internal equity necessary for the adequate coverage of the risks to which EURO-FINANCE AD is exposed constitute an element of the Rules on Risk Assessment and Management,

the reliability and effectiveness of these Rules being checked by the Board of Directors not later than 30th January each year.

IV. DISCLOSURE OF OBLIGATORY AND SIGNIFICANT ADDITIONAL INFORMATION

As at the date of preparation of this statement, the Board of Directors (BD) of EURO-FINANCE AD is composed of:

Assen Hristov	President of the BD
Ivo Seizov	Vice President of the BD
Kiril Boshov	Executive member of the BD
Krassimir Kirov	Executive member of the BD
Momchil Petkov	Member of the BD

During the previous year there were no changes in the composition of the Board of Directors of EURO-FINANCE AD.

The members of the Board of Directors do not own directly any shares and/or bonds issued by EURO-FINANCE AD and have no special rights or options for acquiring shares and bonds of the company. No member of the Board of Directors participates in a commercial company as a general partner.

Mr. Assen Milkov Hristov owns over 25% of the capital of the following commercial companies:
 STARCOM HOLDING AD – Etropole;
 ALPHA EUROACTIVE EOOD – Sofia;
 BALKAN INTERNATIONAL BASKETBALL LEAGUE OOD;
 EUROHOLD BULGARIA AD – Sofia – indirectly through STARCOM HOLDING AD;
 EUROINS INSURANCE GROUP AD – Sofia – indirectly through EUROHOLD BULGARIA AD;
 EURO-FINANCE AD – Sofia – indirectly through EUROHOLD BULGARIA AD;
 AVTO UNION AD – Sofia – indirectly through EUROHOLD BULGARIA AD;
 EUROLEASE GROUP EAD – Sofia – indirectly through EUROHOLD BULGARIA AD.

Mr. Kiril Ivanov Boshov owns over 25% of the capital of the following commercial companies:
 STARCOM HOLDING AD – Etropole;
 ALKOMERS EOOD - Sofia;
 EUROHOLD BULGARIA AD – Sofia – indirectly through STARCOM HOLDING AD;
 EUROINS INSURANCE GROUP AD – Sofia – indirectly through EUROHOLD BULGARIA AD;
 EURO-FINANCE AD – Sofia – indirectly through EUROHOLD BULGARIA AD;
 AVTO UNION AD – Sofia – indirectly through EUROHOLD BULGARIA AD;
 EUROLEASE GROUP EAD – Sofia – indirectly through EUROHOLD BULGARIA AD.

Mr. Ivo Ivanov Seizov owns over 25% of the capital of the following commercial companies:
 CAPITAL ADVISOR EOOD – Sofia;
 ADVISOR.BG EOOD – Sofia – indirectly through CAPITAL ADVISOR EOOD;
 HUMAN ADVISOR EOOD – Sofia – indirectly through CAPITAL ADVISOR EOOD.

Mr. Krassimir Kirov owns over 25% of the capital of ECO RESIDENCE EOOD.

Mr. Assen Milkov Hristov participates in the management of the following commercial companies:

AVTO UNION AD – President of the Board of Directors;
ALPHA EUROACTIVE EOOD – Manager;
BALKAN INTERNATIONAL BASKETBALL LEAGUE OOD – Manager;
BULSTAR INVESTMENT AD – President of the Board of Directors;
EUROINS OSIGURUVANJE A.D., Macedonia – President of the Board of Directors;
EUROINS ROMANIA. ASIGURARE – REASIGURARE S.A. – Member of the Board of Directors;
EURO-FINANCE AD – President of the Board of Directors;
EUROHOLD BULGARIA AD – President of the Supervisory Board;
SMARTNET EAD – President of the Board of Directors;
STARCOM HOLD AD – Executive member of the Board of Directors;

STARCOM HOLDING AD – Executive member of the Board of Directors;
FORMOPLAST 98 AD – President of the Board of Directors.

Mr. Kiril Ivanov Boshov participates in the management of the following commercial companies:

AVTO UNION AD – Vice President of the Board of Directors;
ALKOMERS EOOD – Manager;
EUROAUTO OOD – Manager;
EUROINS INSURANCE GROUP AD – President of the Board of Directors;
EUROINS HEALTH INSURANCE ZEAD – President of the Board of Directors;
EUROINS ROMANIA. ASIGURARE – REASIGURARE S.A. – President of the Board of Directors;
EUROINS OSIGURUVANJE AD, Macedonia – Member of the Board of Directors;
EUROLEASE AUTO EAD, Romania – Member of the Board of Directors;
EURO-FINANCE AD – Vice President of the Board of Directors;
EUROHOLD BULGARIA AD – President of the Management Board;
CAPITAL 3000 AD – President of the Board of Directors;
NISSAN SOFIA EAD – Member of the Board of Directors;
STARCOM HOLDING AD – President of the Board of Directors;
STARCOM HOLD AD – President of the Board of Directors.

Mr. Ivo Ivanov Seizov participates in the management of the following commercial companies:

CAPITAL ADVISOR EOOD – Sofia – Manager;
ADVISOR.BG EOOD – Sofia – Manager;
HUMAN ADVISOR EOOD – Sofia – Manager;
EF ASSET MANAGEMENT AD MANAGEMENT COMPANY – Sofia – Executive member of the Board of Directors;
MEDICAL ASSISTANCE MARTSIANOPOL EAD – Sofia – Member of the BD;
EURO-FINANCE AD – Sofia – Member of the BD.

Mr. Momchil Petkov Petkov participates in the management of the following commercial companies:

EUROSIS EOOD – Sofia – Manager;
EURO-FINANCE AD – Sofia – Member of the BD.

Mr. Krassimir Svilenov Kirov participates in the management of the following commercial companies:

EURO-FINANCE AD – Sofia – Executive member of the BD;
ECO RESIDENCE EOOD – Manager.

During the reporting period, the Board of Directors has not taken decisions regarding transactions going beyond the scope of the ordinary business activity of the company. As at the time of preparation of this statement, there is no information about any forthcoming transactions which will be of major importance for the business activity of the company. There will be an imperative need for us to preserve the prudent approach applied until now, and our efforts will be aimed at further expansion of the transactions in foreign financial instruments.

V. IMPORTANT EVENTS OCCURRING AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENT

There are no important events occurring at the time of preparation of this statement.

MANAGEMENT RESPONSIBILITIES

According to Bulgarian legislation, the management has to prepare a financial statement for each financial year, and the said statement should give a true and fair view of the financial position of the company as at the end of the year, and the company's financial results. The management has prepared the financial statement attached hereto in accordance with the IFRSs adopted by the EU.

The management confirms that, upon preparation of the financial statement as at 31 December 2014, they have consistently applied an adequate accounting policy and have observed the principle of prudence when evaluating the assets, liabilities, revenue and expenses.

The management also confirms that they have abided by the effective IFRSs, and the financial statements have been prepared in accordance with the going concern principle.

The management is responsible for the proper keeping of accounting ledgers, the expedient management of assets and for taking the measures necessary for avoidance and detection of any possible abuse and other irregularities.

Sofia,
12.03.2015

Kiril Boshov (Signature)
Executive Director

Krassimir Kirov (Signature)
Executive Director

SEAL of EURO-FINANCE AD, Sofia

Financial Statements as at 31.12.2014

STATEMENT OF COMPREHENSIVE INCOME

	<u>NOTES</u>	<u>31.12.2014</u> <u>BGN'000</u>	<u>31.12.2013</u> <u>BGN'000</u>
Interest revenue and similar revenue		2 272	1 016
Interest expenses and similar expenses		(1 716)	(380)
Net income from interest		556	636
Other revenue from main business activity	3	1 456	1 047
Gross income from main business activity		2 012	1 683
Operating expenses	4	(1 378)	(1 426)
Net result before taxes and extraordinary operations		634	257
Result from extraordinary operations		-	-
Net result before taxes		634	257
Tax expense	5	(63)	(35)
Profit (loss)		571	222
Other comprehensive income		-	-
Total comprehensive income		571	222
Net profit (loss) per share (BGN)		0,040	0,016

Date: 12.03.2015

Milena Avramova (Signature)
CFOKiril Boshov (Signature)
Executive Director

SEAL of EURO-FINANCE AD, Sofia

Krassimir Kirov (Signature)
Executive Director

Audited by: BDO Bulgaria OOD

Bogdanka Sokolova, Manager (Signature)
Certified Public Accountant, Registered AuditorNedyalko Apostolov, Manager
(Signature)Stoyanka Apostolova, Manager
(Signature)

SEAL of BDO Bulgaria OOD, Specialized auditing company, Sofia

The explanatory notes from page 16 to page 32 form an integral part of the financial statement.

**STATEMENT OF FINANCIAL POSITION
AS AT 31.12.2014**

	<u>NOTES</u>	<u>31.12.2014</u> <u>BGN'000</u>	<u>31.12.2013</u> <u>BGN'000</u>
ASSETS			
Fixed assets			
Other investments	6	1 242	1 242
Non-current debt securities	7	1 956	2 817
Fixed non-financial assets	8	122	152
		3 320	4 211
Current assets			
Cash	9	6 209	2 320
Equity securities	10	3 719	6 290
Debt securities	11	710	2 146
Other short-term assets	12	9 586	4 308
Other assets	13	31	44
		20 255	15 108
Total assets		23 575	19 319
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	14	14 100	14 100
General reserves	15	1 410	1 410
Other reserves	16	78	78
Result from the current period		571	222
		16 159	15 810
Non-current liabilities			
Financial lease payables	17	3	10
		3	10
Current liabilities			
Financial lease payables	17	6	6
Bank payables	18	2	3
Tax payables	19	27	7
Other	20	7 378	3 483
		7 413	3 499
Total equity and liabilities		23 575	19 319

Date: 12.03.2015

Milena Avramova (Signature)
CFO

Kiril Boshov (Signature)
Executive Director
SEAL of EURO-FINANCE AD, Sofia
Krassimir Kirov (Signature)
Executive Director

Audited by: BDO Bulgaria OOD

Bogdanka Sokolova, Manager (Signature)
Certified Public Accountant, Registered Auditor

Nedyalko Apostolov, Manager
(Signature)
Stoyanka Apostolova, Manager
(Signature)

SEAL of BDO Bulgaria OOD, Specialized auditing company, Sofia

The explanatory notes from page 16 to page 32 form an integral part of the financial statement.

STATEMENT OF CASH FLOWS
AS AT 31.12.2014

	<u>31.12.2014</u> BGN'000	<u>31.12.2013</u> BGN'000
Net result before taxes	634	257
Adjusted for:		
Depreciation	41	57
Taxes	(63)	(35)
Changes in investments and non-current debt securities	860	1 389
Changes in current assets	(1 258)	(2 426)
Changes in prepaid expenses for the next period	-	(3)
Changes in current liabilities and adjustments	3 913	1 070
Cash flow from business activity	4 127	309
Cash flows from non-specialized investment activity	(11)	9
Cash flows from financial activity	(227)	(10)
Net cash flows	3 889	308
Cash at the beginning of the year	2 320	2 012
Cash at year end	6 209	2 320

Date: 12.03.2015

Milena Avramova (Signature)
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Executive Director

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The explanatory notes from page form an integral part of the financial statement.

**STATEMENT OF CHANGES IN EQUITY
AS AT 31.12.2014**

	SHARE CAPITAL BGN'000	GENERAL RESERVES BGN'000	OTHER RESERVES BGN'000	PROFIT (LOSS) BGN'000	TOTAL BGN'000
Balance as at 31.12.2012	14 100	1 410	73	5	15 588
Changes in equity in the year 2013					
Increase in reserves			5	(5)	-
Comprehensive income for the year	-	-	-	222	222
Dividends	-	-	-	-	-
Balance as at 31.12.2013	14 100	1 410	78	222	15 810
Changes in equity in the year 2014					
Increase in reserves			-	-	-
Comprehensive income for the year	-	-	-	571	571
Dividends	-	-	-	(222)	(222)
Balance as at 31.12.2014	14 100	1 410	78	571	16 159

Date: 12.03.2015

Milena Avramova (Signature)
CFO

Kiril Boshov (Signature)
Executive Director

SEAL of EURO-FINANCE AD, Sofia

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The explanatory notes from page 16 to page 32 form an integral part of the financial statement.

NOTES TO FINANCIAL STATEMENTS
As at 31.12.2014

1. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

It is the International Financial Reporting Standards adopted by the Commission of the European Union that are operative on the territory of the Republic of Bulgaria

The management presents its financial statement as at 31.12.2014, which is prepared in conformity with the International Accounting Standards adopted by the European Parliament and is also in line with the national accounting legislation.

The financial statements are presented in Bulgarian leva (BGN) because the main operations are carried out in this currency.

2. ACCOUNTING POLICY

Effects from the changes in exchange rates

In accordance with the requirements of the Bulgarian legislation, the Company keeps its accounting ledgers in BGN. The exchange rate of the Bulgarian lev (BGN) is fixed to the Euro: 1 EUR = 1.95583 BGN. The financial statements are prepared in thousands BGN.

Upon their initial reporting, the transactions in foreign currency are registered in BGN, the exchange rate applied to the amount in foreign currency being the central exchange rate of the Bulgarian National Bank (BNB) as at the date of the transaction.

As for the annual financial statement and the interim financial statements, the monetary and non-monetary items in foreign currency are presented therein as follows:

The monetary items in foreign currency are evaluated at the closing rate, while during the year they are evaluated according to the central exchange rate of the Bulgarian National Bank as at the date of preparation of the statement.

Those non-monetary items which are reported at fair value expressed in foreign currency are evaluated in accordance with the currency exchange rate as at the date on which the fair value was determined.

The exchange differences occurring as a result of changes in the exchange rates are reflected in the Statement of Comprehensive Income.

Recognition of revenue and expenses

Revenue evaluation – the revenue is determined at the fair value of the remuneration received or receivable in the form of cash or cash equivalents.

The revenue is formed on the basis of the principle of accrual of interest, commissions, etc.

The revenue is reported in the financial result for the period during which the business activity is realized, regardless of the period it is paid in.

The expenses incurred throughout the whole financial period, until the end thereof, are recorded and disclosed in the Statement of Comprehensive Income.

Fixed tangible assets

The fixed tangible assets comprise real estates, plant and equipment, transport vehicles and inventory that have an acquisition price exceeding 700 BGN and their useful operating life is more than one year long and can be individually determined.

Initially, the fixed tangible assets are measured at acquisition price, the latter including the purchase price (inclusive of customs duties and non-refundable taxes) and all direct expenses.

Subsequent expenses – the subsequent expenses related to a specific fixed tangible asset are used for adjusting the carrying amount of the asset in those cases where the company is likely to have economic benefit in excess of the existing asset's standard efficiency that was initially determined.

Post initial recognition assessment – the alternative approach may be applied to land and buildings. Following the initial asset recognition, each individual fixed tangible asset is reported at acquisition price less the accumulated depreciation, and the price is adjusted for the revaluations made.

All other FTAs are assessed in accordance with the recommended approach, namely, at acquisition price less the accrued depreciation and the accumulated impairment loss.

Recoverability of carrying amount – the company reviews the carrying amount of the fixed tangible assets and determines their recoverable amount. An asset is derecognized in those cases where no economic benefit is expected from it.

Derecognition of fixed tangible assets from the balance sheet is applied in those cases where an asset is either sold or completely decommissioned and no other economic benefits are expected from it following the derecognition.

The depreciation of fixed tangible assets is calculated by way of applying the straight-line method to their useful operating life. The carrying amount or the revaluation amount of the assets is reduced to the amount of their residual value on the basis of the following annual depreciation rates:

Buildings	4%
Machines, production equipment, installations	30%
Computers, software and the right to use software	50%
Vehicles	25%
Other fixed assets	15%

Intangible assets

Intangible assets consist of software products and licences.

During their initial recognition upon acquisition, intangible assets are assessed at acquisition price, which comprises the purchase price (including custom duties and non-refundable taxes) and all direct expenses ensuing from the asset's preparation for its being used in accordance with its purpose.

Post initial recognition amount – The intangible asset is accounted for at acquisition price (cost value) less the accrued depreciation and any accumulated impairment losses.

Recoverability of carrying amount – The company does not determine the recoverable amount. In case sufficiently reliable conditions are present, the company reconsiders the intangible assets' carrying amount and determines their recoverable amount.

Derecognition of intangible assets from the balance sheet is applied in those cases where an asset is either sold or completely decommissioned and no other economic benefits are expected from it following the derecognition.

Amortisation of intangible assets is calculated using the straight-line method with the following amortisation rates:

Software and the right to use software	50%
--	-----

Amortisation accrual starts from the month following the month in which the amortisable asset was acquired or commissioned.

The Company uses a specialized software product designed for the main business activity of financial institutions – investment intermediaries and management companies.

Investments in subsidiaries and associated companies

Upon their initial acquisition, financial assets are accounted for at acquisition price, which includes the fair price and any expenses related to carrying out the transaction.

Financial assets in subsidiaries and associated companies are reported at acquisition price (cost value). Due to the fact that the investments in subsidiaries and associated companies are not actively traded on stock markets, their fair value cannot be determined with a sufficient degree of certainty even if alternative procedures are used.

Financial instruments

Financial instruments are classified as held for trading:

Upon acquisition, financial instruments are initially recorded at acquisition price, which includes all transaction costs.

According to the Risk Management Rules of EURO-FINANCE AD, the subsequent valuation of the financial instruments is performed on a daily basis using readily available closing prices, provided by an independent source, such as stock exchange prices or prices from market information systems and quotations from independent dealers who have developed a sound reputation. For the purposes of market valuation, the more conservative from the “Buy” and “Sell” rates is used unless EURO-FINANCE AD is a market-maker regarding the respective financial instrument and may close its position at an average market price.

Where no market valuation is possible, the company uses a valuation model for its positions and portfolios. The valuation using the said model consists in making a comparison with the values of comparative valuation (the benchmark) and an extrapolation or some other way of calculation made on the basis of market data. The valuation model should meet the requirements provided for in Ordinance No. 35 on capital adequacy and liquidity of investment intermediaries.

Following the above methodology and considering the extraordinary market conditions resulting from the deepening financial crisis, EURO-FINANCE AD performs subsequent valuation of its assets in the trading portfolio by way of using the following procedures:

/1/ for Bulgarian and foreign shares and rights admitted to trading on a regulated securities market in the Republic of Bulgaria and Bulgarian shares and rights admitted to trading on a regulated market in Member States:

a/ at the latest price of a transaction involving them, this price being announced in the exchange bulletin, providing that the volume of these transactions for the day is: not less than 0.02% of the volume of the respective issue, or has reached the valuation volume.

b/ in case no price can be determined pursuant to the procedure described in item a/, the price of the shares and, respectively, the price of the rights is determined as an average arithmetic of the highest “Buy”, or respectively, “Sell” price for short positions from the orders that are valid as at the time of the regulated market’s closing on the valuation day, and the latest price of a transaction involving the respective securities which is made on the same day. The price is determined under this procedure only in case that there are transactions made and “Buy”, respectively, “Sell” orders submitted.

c/ in case on the valuation day there are no transactions in securities of the respective issue, the subsequent valuation of the shares, and the rights, respectively, is made by way of using the average arithmetic of the highest “Buy” or, respectively, “Sell” price for short positions valid as at the time of closing the regulated market on the valuation day, and the weighted average price of the latest prices of the transactions made in the respective securities and the trading volumes within the last 30-day period. In those cases where, during the last 30-day period, an increase in capital or an issuer’s stock split has taken effect, the weighted average price is calculated on the basis of the period following the day after which the shareholders have no more the right to participate in the capital increase, or, respectively, the period from the day of the split until the date of the valuation of shares.

d/ in case it is impossible to apply the valuation methods described in items “a” through “c”, the valuation of rights is calculated using the following formula:

$$Pr = (Pxr - E) * X / Y,$$

where:

Pxr – current price of an Ex Rights share;

- E – issue price of new shares;
 Pr – fair value of rights;
 X – number of new shares that can be subscribed per one right;
 Y – number of rights.

e/ in case it is impossible to apply the valuation methods described in items “a” through “c”, as well as in case the shares are not traded on regulated markets, the subsequent valuation is made on the basis of the net carrying amount of the assets.

/2/ for those shares under collective investment schemes which are non-tradable on a regulated market, including the cases of temporary suspension of redemption:

a/ at the most recently announced share redemption price;

b/ at the most recently determined and announced issue price per share less the amount of the expenses on both the issue and the redemption of a share, these expenses being provided for in the rules of the mutual fund, this being valid in those cases where the collective investment scheme had not reached the minimum amount of the net value of the assets.

/3/ for derivative financial instruments – in accordance with the procedure specified in /1/, and, in case it is impossible to apply the said valuation method – in accordance with a valuation method which is suitable for the valuation of derivative financial instruments;

/4/ for Bulgarian and foreign bonds admitted to trading on a regulated market in the Republic of Bulgaria, Bulgarian bonds admitted to trading on a regulated market of securities in Member States under Ordinance No. 35 on capital adequacy and liquidity of investment intermediaries, these bonds not being traded on a regulated market, as well as for government securities issued under the provisions of Ordinance No. 5 of the Bulgarian National Bank (BNB), the valuation is made by the discounted future cash flow method with a discount factor consisting of a risk-free rate and a risk premium. The risk-free rate is assumed to be equal to the yield to maturity (YTM) of German government securities, the remaining term to maturity corresponding to the remaining term to maturity of the securities under valuation. The risk premium is determined as follows:

- for government securities issued under the provisions of Ordinance No. 5 – 200 basis points /2.00%/;
- for corporate bonds – 350 basis points /3.50%/.

/5/ for foreign securities admitted to or accepted for trading on internationally recognized and liquid regulated markets of securities abroad:

a) at the latest price of a transaction made in such securities on the respective market on the valuation day;

b) in those cases where it is impossible for the valuation method under item “a” to be applied, the valuation is made at the “Buy”, or, respectively, the “Sell” price at the time of the market closing on the valuation day, this being the price quoted in an electronic system for information about security prices;

c) in those cases where it is impossible for the valuation method under item “b” to be applied, the valuation is made at the latest price of a transaction in such securities made within the last 30-day period;

/6/ In those cases where no trade is carried out on a regulated market during days which are working days in the country, as well as in those cases where no trading session is held on a regulated market due to the fact that the day is a holiday in the respective country, the said day being a working day in the Republic of Bulgaria, it is assumed that the subsequent valuation of securities admitted to trading on a regulated market is equal to the valuation valid on the day of the latest trading session. As for the subsequent valuation of bonds under the preceding sentence, the interest accumulated for the respective days is also taken into account.

/7/ Bank deposits, cash in hand, cash in current accounts and short-term receivables are valued as at the valuation day as follows:

1. bank deposits – at their nominal value and the interest accumulated and due according to the contract;
2. cash in hand – at its nominal value;
3. cash in current accounts – at its nominal value;
4. short-term receivables without a specified interest rate or income – at cost value;
5. short-term receivables with a specified interest rate or income – at cost value increased by the interest accumulated and due according to the contract or the respective income.

/8/ Financial assets denominated in foreign currency are recalculated in BGN using the Bulgarian National Bank’s exchange rate valid on the day of valuation.

The sources of prices are the regulated markets of securities – Bulgarian Stock Exchange AD and foreign regulated markets on which the respective securities are admitted to trading.

Other sources of quotations can be the recognized international information agencies, such as REUTERS, BLOOMBERG, etc.

Taxes

According to the Bulgarian tax legislation, the company is subject to corporate income tax. The corporate income tax rate is 10%.

The Company is registered under the Value Added Tax Act and the sales it conducts are subject to a tax of 20%.

Risk management

The significant risks can be classified into the following main categories: credit risk, market risk, liquidity risk and currency risk.

Credit risk

The credit risk is related to the impossibility of the clients and the counterparties to discharge their obligations.

The Company's credit risk is mainly connected with its commercial and financial receivables. The amounts presented in the statement are on a net basis and do not include the allowances for doubtful receivables, the latter being identified as such by the management on the grounds of previous experience and the current economic conditions.

The credit risk related to liquidity resources and financial instruments is limited since the counterparties are mainly banking institutions of high credit rating.

The company is characterized by insignificant concentration of credit risk, the latter being diversified as the number of counterparties is large.

Market risk

Market risk is a result of the change in market conditions – a change in the market prices of financial instruments, the currency exchange rates or the interest rates.

Liquidity risk

Liquidity risk originates from the timing structure of the cash flows of the assets, liabilities and off-balance sheet instruments of the company.

The management of the company has built up the necessary framework for managing the risk.

Currency risk

As a result of the existence of the currency board in the country, the Bulgarian currency is fixed to the Euro. Since the company presents its financial statements in Bulgarian leva (BGN), these statements are only exposed to the effect of changes in foreign exchange rates of currencies outside the Eurozone and the BGN.

Derivatives

Derivatives represent off-balance sheet financial instruments the value of which is determined on the basis of interest rates, foreign exchange rates or other market prices. The derivatives are an effective tool in the management of market risk and the limitation on the exposure to a specific counterparty.

The most commonly used derivatives are:

- currency swap;
- interest swap;
- floors and ceilings;
- forward currency and interest contracts;
- futures;
- options.

The contract terms and conditions are determined through standard documents.

As for the procedures of market and credit risk control applied to derivatives, they are the same as those applied to the other financial instruments. The derivatives are aggregated with the other exposures for the purpose of monitoring the overall exposure to a given counterparty and they are managed within the limits approved for a given counterparty.

The derivatives are held both for trading and as hedging instruments used for managing the interest and currency risks.

The derivatives held for trading are evaluated at fair value, the profits and losses being reported in the statement of comprehensive income as resulting from commercial operations.

The derivatives used as hedging instruments are recognized in accordance with the accounting treatment of the hedging object. The criterion for recognising a derivative as a hedging one is the presence of documented evidence of the intent to have a certain instrument hedged and, in addition, the hedging instrument should provide a reliable basis for eliminating the risk.

When a given hedged exposition is closed, the hedging instrument is recognized as held for trading at fair value. The profits and losses are immediately recognized in the statement of comprehensive income by analogy to the hedged instrument.

The hedging transactions which are closed prior to the hedged exposition are measured at fair value, the profits and losses being reported for the period of existence of the hedged exposition.

Securities of customers

Initially, the customers' securities are accounted for at the price of the order. The subsequent evaluation is made on the basis of the fair value method for those securities the fair value of which can be measured. The value differences resulting from a change in their fair value are accounted for as an increase or a decrease in the value of securities.

For the purposes of the Financial Supervision Commission, the company prepares a report containing information regarding the clients' securities and cash, as well as the payables on them. More detailed information is presented in Section "Additional information for better understanding of financial statements and business activity".

Accounting Standards

The adopted accounting policies are consistent with those applied during the previous reporting period.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF 1 JANUARY 2014

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

- IFRS 10 Consolidated financial statements, effective for annual periods commencing on or after 1 January 2014, adopted by the EU on 11 December 2012, published in the OJ on 29 December 2012
- IFRS 11 Joint Arrangements, effective for annual periods commencing on or after 1 January 2014, adopted by the EU on 11 December 2012, published in the OJ on 29 December 2012
- IFRS 12 Disclosure of Interests in Other Entities, effective for annual periods commencing on or after 1 January 2014, adopted by the EU on 11 December 2012, published in the OJ on 29 December 2012
- IAS 27 Separate Financial Statements (revised in 2011), effective for annual periods commencing on or after 1 January 2014, adopted by the EU on 11 December 2012, published in the OJ on 29 December 2012
- IAS 28 Investments in Associates and Joint Ventures (revised in 2011), effective for annual periods commencing on or after 1 January 2014, adopted by the EU on 11 December 2012, published in the OJ on 29 December 2012
- Amendments to IAS 32 Financial Instruments: Presentation – netting of financial assets and financial liabilities, effective for annual periods commencing on or after 1 January 2014, adopted by the EU on 13 December 2012, published in the OJ on 29 December 2012
- Amendments to IAS 36 Impairment of Assets – disclosure of the recoverable amount of non-financial assets, effective for annual periods commencing on or after 1 January 2014, adopted by the EU on 19 December 2013, published in the OJ on 20 December 2013
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – novation of derivatives and continuing reporting of hedging, effective for annual periods commencing on or after 1 January 2014, adopted by the EU on 19 December 2013, published in the OJ on 20 December 2013
- Amendments to IFRS 10 Consolidated financial statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities – transfer manual, effective for annual periods commencing on or after 1 January 2014, adopted by the EU on 4 April 2013, published in the OJ on 5 April 2013
- Amendments to IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements, effective for annual periods commencing on or after 1 January 2014, adopted by the EU on 20 November 2013, published in the OJ on 21 November 2013

The adoption of these amendments to the existing standards has not brought about any changes in the accounting policy of the company.

Standards, interpretations and amendments to standards issued by the IASB and adopted by the EU which have not taken effect yet

- Amendments to IAS 19 Employee Benefits – defined income schemes: employees' contributions (issued on 21 November 2013), effective as of 1 July 2014, adopted by the EU on 17 December 2014, published in the OJ on 9 January 2015
- Annual improvements 2010 – 2012 (issued on 12 December 2013), effective as of 1 July 2014, adopted by the EU on 17 December 2014, published in the OJ on 9 January 2015
- Annual improvements 2011 – 2013 (issued on 12 December 2013), effective as of 1 July 2014, adopted by the EU on 18 December 2014, published in the OJ on 19 December 2014
- IFRIC 21 Levies (issued on 20 May 2013), effective as of 1 January 2014, adopted by the EU on 13 June 2014, published on 14 June 2014

Documents issued by IASB/IFRIC which have not been approved for application in the EU:

The following new or revised standards, new interpretations and amendments to the existing standards were issued by the International Accounting Standards Board (IASB) prior to the reporting date, but have not been approved for application in the EU yet and, respectively, have not been taken into consideration when preparing this financial statement.

- IFRS 9 Financial Instruments (issued on 12 November 2009) and Supplements to IFRS 9 and IFRS 7 Obligatory date of entry into force and disclosures regarding transition (issued on 16 December 2011), effective as of 1 January 2015; Accounting for hedging and amendments to IFRS 9, IFRS 7 and IAS 39 (issued on 19 November 2013).
- IFRS 14 Deferral Accounts in sectors subject to price regulation (issued on 30 January 2014), effective as of 1 January 2016
- IFRS 15 Revenue from contracts with customers (issued on 28 May 2014), effective as of 1 January 2017
- Amendments to IFRS 11 Accounting for the acquisition of shares in joint companies (issued on 6 May 2014), effective as of 1 January 2016
- Amendments to IAS 16 and IAS 38: Interpretations regarding admissible methods of depreciation (issued on 12 May 2014), effective as of 1 January 2016
- Amendments to IAS 16 and IAS 41: Fruit-bearing plants (issued on 30 June 2014), effective as of 1 January 2016
- Amendments to IAS 27: Equity method in separate financial statements (issued on 12 August 2014), effective as of 1 January 2016
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and his associated or joint enterprise (issued on 11 September 2014), effective as of 1 January 2016
- Annual improvements to IFRS 2012 – 2014 (issued on 25 September 2014), effective as of 1 January 2016
- Amendments to IAS 1: Initiative of disclosure (issued on 18 December 2014), effective as of 1 January 2016
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment companies: Application of the consolidation exception (issued on 18 December 2014).

3. OTHER OPERATING REVENUE

The structure of the Other Operating Revenue is as follows:

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Foreign currency exchange gains	986	2 613
Foreign currency exchange losses	(925)	(2 595)
Net foreign currency exchange results	<u>61</u>	<u>18</u>
Income from equity interest	188	270
Investment transactions revenue	466	1 401
Book value of investments	(450)	(1 389)
Investment transactions net result	<u>16</u>	<u>12</u>
Revenue from transactions in financial assets and instruments	7 054	8 885
Expenses incurred in operations involving financial assets and instruments	(6 746)	(8 687)
Financial assets and instruments operations net result	<u>308</u>	<u>198</u>
FTA sales revenue	-	40
Book value of FTA sold	-	(33)
FTA sales result	<u>-</u>	<u>7</u>
Other financial operations revenue	989	620
Other financial operations expenses	(107)	(80)
Other financial operations net result	<u>882</u>	<u>540</u>
Other revenue	1	2
Other expenses	-	-
Other revenue net result	<u>1</u>	<u>2</u>
	<u>1 456</u>	<u>1 047</u>

4. OPERATING EXPENSES

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Expenses on materials and external services	(531)	(539)
Expenses on remuneration and social security contributions	(631)	(599)
Depreciation expenses	(41)	(57)
Other	(175)	(231)
	<u>(1 378)</u>	<u>(1 426)</u>

5. TAX EXPENSES

	31.12.2014 BGN'000	31.12.2013 BGN'000
Current tax	(63)	(35)
	(63)	(35)
	31.12.2014 BGN'000	31.12.2013 BGN'000
Profit before tax	634	257
Corporate income tax – tax rate 10%	(63)	(26)
Tax effect from expenses unrecognized for tax purposes and tax relieves	-	(9)
Tax expenses	(63)	(35)

6. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

	31.12.2014 BGN'000	31.12.2013 BGN'000
Non-controlling interest	1 242	1 242
	1 242	1 242

Due to the fact that the company's long-term financial assets mainly include co-participations in companies that are not actively traded on stock markets, their fair value cannot be determined with a sufficient degree of certainty. The management is of the opinion that there are no conditions for impairment (see also page 6).

Non-controlling interest:

Issuer	Number available	Unit price	Carrying value BGN'000
Central Depository AD	1	-	-
Bulland Investments REIT	787 000	1.25	984
Etropal AD	32 525	5.49	178
EF Asset Management AD	76 000	1.05	80
Total:			1 242

7. NON-CURRENT DEBT SECURITIES

	31.12.2014 BGN'000	31.12.2013 BGN'000
Bonds	1 956	2 817
	1 956	2 817

The non-current debt securities include bond issue of Eurolease Auto AD with a nominal value of EUR 1,000,000 reported at 100% of the acquisition price.

The corporate bonds of Eurolease Auto AD are issued under the conditions of private placement as they are assented stock.

8. FIXED NON-FINANCIAL ASSETS

The group of fixed non-financial assets includes:

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Fixed Tangible Assets (FTA)	26	31
Fixed Intangible Assets (FIA)	96	121
	<u>122</u>	<u>152</u>

The structure of FTA is described in the table below:

	Other FTA	Computer equipment and peripherals	FTA acquisition expenses	Total
Book value				
As at 31.12.2013	79	80	-	159
Acquired	-	9	-	9
Written-off	(7)	(12)	-	(19)
Transfers	-	-	-	-
As at 31.12.2014	<u>72</u>	<u>77</u>	<u>-</u>	<u>149</u>
Depreciation				
As at 31.12.2013	(53)	(75)	-	(128)
Depreciation for the year	(8)	(6)	-	(14)
Written-off	7	12	-	19
As at 31.12.2014	<u>(54)</u>	<u>(69)</u>	<u>-</u>	<u>(123)</u>
Carrying value				
As at 31.12.2013	<u>26</u>	<u>5</u>	<u>-</u>	<u>31</u>
As at 31.12.2014	<u>18</u>	<u>8</u>	<u>-</u>	<u>26</u>

The carrying value of the fixed tangible assets held under financial lease terms is 9 thousand BGN.

The structure of FIA is presented in the table below:

	Licences	Other	Total
Book value			
As at 31.12.2013	172	33	205
Acquired	2	-	2
Written-off	(4)	-	(4)
As at 31.12.2014	<u>170</u>	<u>33</u>	<u>203</u>
Depreciation			
As at 31.12.2013	(76)	(8)	(84)
Depreciation for the year	(22)	(5)	(27)
Written-off	4	-	4
As at 31.12.2014	<u>(94)</u>	<u>(13)</u>	<u>(107)</u>
Carrying value			
As at 31.12.2013	<u>96</u>	<u>25</u>	<u>121</u>
As at 31.12.2014	<u>76</u>	<u>20</u>	<u>96</u>

In its amortisation plan, the Company has available assets the carrying value of which as at 31.12.2014 is zero. Their depreciable value is as follows: 87 thousand BGN (FTA) and 26 thousand BGN (FIA).

9. CASH

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Cash in hand	60	35
Cash in current accounts	5 962	2 285
Other cash	187	
	6 209	2 320

Cash is distributed as follows:

	EURO-FINANCE AD	Clients	Total
Cash in hand	54	6	60
Cash in current accounts	1 011	4 951	5 962
Other cash	187	-	187
	1 252	4 957	6 209

10. EQUITY SECURITIES

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Equity securities (additional information)	3 719	6 290
	3 719	6 290

11. DEBT SECURITIES

Debt securities are structured as follows (additional information):

	31.12.2014	Share	31.12.2013	Share
	BGN'000	%	BGN'000	%
Bonds	678	95	2 079	97
Other	32	5	67	3
	710	100	2 146	100

12. OTHER CURRENT FINANCIAL ASSETS

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Repo transaction receivables	9 377	4 119
Customer receivables	91	64
Accounts with administrative institutions	3	-
Other	115	125
	9 586	4 308

13. OTHER ASSETS

	31.12.2014 BGN'000	31.12.2013 BGN'000
Other assets	31	44
	31	44

The other assets represent the prepaid expenses for the following period (12 thousand BGN) and receivables from customers under non-financial transactions (19 thousand BGN).

14. SHARE CAPITAL

As at 31.12.2014 the share capital structure is as follows:

	31.12.2014 BGN'000	31.12.2014 Number of shares	31.12.2013 BGN'000	31.12.2013 Number of shares
Legal entities	14 100		14 100	
<i>EUROHOLD BULGARIA AD</i>	14 100	14 099 999	14 100	14 099 999
<i>IC Euroins AD</i>	-	1	-	1
	14 100		14 100	

15. GENERAL RESERVES

	31.12.2014 BGN'000	31.12.2013 BGN'000
General reserves	1 410	1 410
	1 410	1 410

The general reserves are set aside in compliance with the requirements of the Commerce Act.

16. OTHER RESERVES

	31.12.2014 BGN'000	31.12.2013 BGN'000
Additional reserves	78	78
	78	78

17. FINANCIAL LEASE LIABILITIES

Financial lease liabilities have the structure as follows:

	2014	2013
Gross liabilities	10	17
Unrealized financial expenses	(1)	(1)
Net liabilities	9	16

Financial lease net liabilities have the structure as follows:

	2014	2013
Net liabilities		
Up to 1 year	6	6
From 1 to 5 years	3	10

<u>9</u>	<u>16</u>
----------	-----------

This includes net liabilities under financial lease to related parties, these liabilities being as follows:

	2014	2013
Net liabilities		
Up to 1 year	6	6
From 1 to 5 years	3	10
	<u>9</u>	<u>16</u>

18. BANK LIABILITIES

	31.12.2014 BGN'000	31.12.2013 BGN'000
Bank liabilities	2	3
	<u>2</u>	<u>3</u>

Bank liabilities represent credit card liabilities.

19. TAX LIABILITIES

	31.12.2014 BGN'000	31.12.2013 BGN'000
Tax liabilities	27	7
	<u>27</u>	<u>7</u>

20. OTHER SHORT-TERM LIABILITIES

	31.12.2014 BGN'000	31.12.2013 BGN'000
Other short-term liabilities	7 378	3 483
	<u>7 378</u>	<u>3 483</u>

As at 31.12.2014 the structure of the other short-term liabilities is as follows:

	31.12.2014 BGN'000	31.12.2013 BGN'000
Payables to investors	4 959	1 116
Payables under repo transactions	1 667	1 667
Payables under securities transactions	628	592
Payables under currency transactions and exchange rate differences	104	86
Payables to personnel and social security contributions	-	4
Suppliers	20	7
Other	-	11
	<u>7 378</u>	<u>3 483</u>

21. RELATED PARTIES

As at 31.12.2014 the company has the following transactions with related parties:

Cash-related liabilities (Note 20)

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Eurohold Bulgaria AD	2	3
Eurolease Auto EAD	1	1
IC EUROINS AD	-	3
EUROINS ROMANIA S.A.	23	3
Eurohold Imoti EOOD	-	-
Starcom Holding AD	1	1
EUROLEASE-RENT A CAR EOOD	2	2
STAR MOTORS EOOD	1	1
AVTO UNION AD	1	3
Avto Union Service EOOD	2	2
EUROINS INSURANCE GROUP EAD	8	-
IC EUROINS LIFE EAD	1	-
	42	19

Receivables under repo transactions

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Starcom Holding AD	2 846	3 042
	2 846	3 042

Other receivables

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Starcom Holding AD	1	6
Eurolease Auto EAD	22	23
Euroins Osiguruvanje Skopje	-	1
Avto Union AD	-	1
	23	31

Revenue from commissions (Note 3)

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Eurohold Bulgaria AD	22	8
EUROINS INS. GROUP EAD	20	-
Eurolease Auto EAD	1	8
AVTO UNION AD	-	9
IC EUROINS AD	139	68
IC EUROINS LIFE EAD	52	-
STAR MOTORS EOOD	-	4
Euroins – Health Insurance EAD	13	3
EUROINS ROMANIA SA	128	75
EUROINS OSIGURUVANJE SKOPJE	2	3
Starcom Holding AD	102	65
	479	243

21. RELATED PARTIES – Continuation**Other revenue (Note 3)**

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Euroins Osiguruvanje Skopje	-	2
IC Euroins AD	624	39
Eurohold Bulgaria AD	192	149
EUROINS ROMANIA S.A.	4	2
EUROINS INSURANCE GROUP EAD	1	-
Eurolease Auto EAD	-	31
	821	223

Revenue from repo transactions interest

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Eurohold Bulgaria AD	152	222
	152	222

Interest revenue

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Eurohold Bulgaria AD	3	-
Eurolease Auto EAD	136	139
IC EUROINS AD	1	1
EUROINS ROMANIA SA	1	3
AVTO UNION AD	7	17
Starcom Holding AD	25	31
	173	191

Other expenses

	31.12.2014	31.12.2013
	BGN'000	BGN'000
Bulvaria Holding EAD	3	1
Euroins Insurance Group EAD	-	1
IC EUROINS AD	73	1
Eurohold Bulgaria AD	220	-
Avto Union AD	3	-
Eurolease Auto EAD	1	2
EUROLEASE-RENT A CAR EOOD	8	-
IC EUROINS LIFE EAD	9	-
	317	5

21. RELATED PARTIES – Continuation

		Interest, fees and penalties expenses	Amounts due to related parties
		<u>BGN'000</u>	<u>BGN'000</u>
Financial lease			
Eurolease Auto EAD	2014	1	9
Eurolease Auto EAD	2013	2	16
	2014	<u>1</u>	<u>9</u>
	2013	<u>2</u>	<u>16</u>

Investment portfolio securities (Note 7)

Asset	ISIN code	Name	Number of securities 31.12.2014	Number of securities 31.12.2013	Currency	Value 31.12.2014 BGN'000	Value 31.12.2013 BGN'000
Bonds	BG2100019129	EUROLEASE AUTO AD	1,000	1,000	EUR	1,956	1,956

Trading portfolio securities (Notes 10 and 11)

These securities are explained under the section of Additional information for better understanding of financial statements and business activity.

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events have occurred during the period between the accounting date and the date of preparation of this report that could necessitate any changes in the financial statements as at 31.12.2014.

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements are approved by the Management of the company and are signed on its behalf by:

Kiril Boshov (Signature)

Executive Director

SEAL of EURO-FINANCE AD, Sofia

Krassimir Kirov (Signature)

Executive Director



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TO

THE SHAREHOLDERS

OF EURO-FINANCE AD

SOFIA

INDEPENDENT AUDITOR'S REPORT

We have performed an audit of the attached financial statements of **EURO-FINANCE AD**, which include the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of equity and the statement of cash flows for the year ending on the said date, as well as the summarized disclosure of significant accounting policies and other explanatory supplements.

Management's responsibility for the financial statement

The Management bears the responsibility for the preparation and the truthful presentation of this financial statement in compliance with the International Financial Reporting Standards adopted by the EU, as well as for the introduction of an internal control system which the Management regards as sufficient for the preparation of financial statements, which are free from considerable inaccuracies, deviations and discrepancies, regardless to whether they are due to a fraud or an error.

Auditor's responsibility

Our responsibility consists in expressing an auditor's opinion regarding this financial statement, the said opinion being based on the audit performed by us. Our audit was carried out in compliance with the professional requirements of the International Standards on Auditing. These standards impose adherence to the ethical requirements as well as planning and performing the audit in a way that enables us to make sure, to a reasonable degree of certainty, that the financial statement is free from considerable inaccuracies, deviations and discrepancies.

The audit includes the implementation of procedures for the purpose of obtaining audit evidence concerning the amounts and disclosures presented in the financial statement. The selected procedures depend on the auditor's opinion, including the assessment of the risks of considerable inaccuracies, deviations and discrepancies, regardless to whether they are due to a fraud or an error. When performing these risk assessments, the auditor takes into consideration the internal control system connected with the preparation and the truthful presentation of the financial statement on the part of the company, so that he/she is able to develop audit procedures which are appropriate under the given circumstances, this not including the purpose of expressing an opinion on the effectiveness of the internal control system of the company. In addition, the audit also includes an assessment of the relevance of the accounting policies applied and the reasonableness of the accounting estimates made by the Management, as well as an assessment of the overall presentation of information in the financial statement.

We are of the opinion that the audit performed by us provides a sufficient and appropriate basis for the auditor's opinion that we have expressed.



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Opinion

In our opinion, the financial statement provides a true and fair view of the financial position of EURO-FINANCE AD as at 31 December 2014 and the financial results of its business activity and the cash flows for the year ending on the said date, in compliance with the International Financial Reporting Standards adopted by the EU.

Report on other legal and regulatory requirements

In accordance with the requirements of the Accountancy Act, we have checked the management report of EURO-FINANCE AD as at 31 December 2014 from the viewpoint of compliance between the management report and the financial statement for the same reporting period.

As a result of this check, we certify the compliance between the management report and the financial statement as at 31 December 2014 with regard to the financial information.

Sofia, 31 March 2015

BDO Bulgaria OOD

**Nedyalko Apostolov, Manager
(Signature)**

**Bogdanka Sokolova, Partner in Charge
(Signature)
Certified Public Accountant, Registered Auditor**

**Stoyanka Apostolova, Manager
(Signature)**

SEAL of BDO Bulgaria OOD, Specialized auditing company, Sofia

**ADDITIONAL INFORMATION FOR BETTER UNDERSTANDING OF FINANCIAL STATEMENTS AND
BUSINESS ACTIVITY**

Securities owned by EURO-FINANCE AD

Structure of equity securities

						In BGN '000	
Asset	Code	Name	Number of securities 31.12.2014	Number of securities 31.12.2013	Currency	Market value 31.12.2014	Market value 31.12.2013
1	2	3	4	5	6	7	8
Stock	NL0000732295	ABN AMRO Bank N.V.	150	-	EUR	8	-
Stock	DE000A11QW50	EPIGENOMICS AG	500	-	EUR	5	-
Stock	AU000000QBE9	QBE Insurance Group Limited	25	-	EUR	1	-
Stock	BG1100067054	Bulland Investments REIT	1 523 555	1 523 555	BGN	1 530	1 366
Stock	BG1100088068	Delta Credit REIT	14 283	-	BGN	500	-
Stock	BG1100114062	EUROHOLD BULGARIA AD	17 486	35 979	BGN	17	32
Stock	BG1100114062	EUROHOLD BULGARIA AD	-	142 654	PLN	-	168
Stock	BG1100001038	Etropal AD	54 700	211 850	BGN	260	949
Shares	BG9000005058	EF Rapid	808 791	808 791	BGN	1 121	1 072
Shares	BG9000002055	EF Principal	19 083	19 083	BGN	21	20
Stock	BG1100081055	IC Euroins AD	16 066	16 066	BGN	17	15
Stock	BG11FOKAAT18	Formoplast AD	51 381	317 381	BGN	239	1 254
Stock	BG1100008132	Synthetica AD	-	44 100	BGN	-	1 414
TOTAL :						3 719	6 290

Debt securities structure

Other bonds:

In BGN '000

Asset	Code	Name	Number/ nominal value of securities 31.12.2014	Number/ nominal value of securities 31.12.2013	Currency	Market value 31.12.2014	Market value 31.12.2013
gov. secu- rities	DE0001135382	Germany	250 000	250 000	EUR	567	552
secu- rities	XS0221854200	Portugal Telecom International Finance BV	14 000	-	EUR	27	-
gov. secu- rities	XS0212694920	Republic of Turkey	6 000	-	EUR	13	-
secu- rities	BG2100025126	Avto Union AD	11	170	BGN	11	170
secu- rities	BG2100006092	Asterion Bulgaria AD	4	10	EUR	7	20
secu- rities	BG2100010110	STARCOM HOLDING AD	53	413	BGN	53	413
secu- rities	BG2100016125	Formoplast AD	-	911	BGN	-	911
gov. secu- rities	XS0441511200	Republic of Hungary	-	3 000	EUR	-	6
gov. secu- rities	SI0002102984	Republic of Slovenia	-	4 000	EUR	-	8
TOTAL:						678	2 080

Securities owned by customers of EURO-FINANCE AD

Structure

In BGN'000

Asset	Currency	Number/ nominal value of securities 31.12.2014	Number/ nominal value of securities 31.12.2013	Market value 31.12.2014		Market value 31.12.2013	
				Total	Incl. those held at a depository institution	Total	Incl. those held at a depository institution
Stock	BGN	133 599 214	133 825 351	257 694	257 694	242 618	242 618
	EUR	115 782	364 323	1 762	1 762	816	816
	USD	19 797	20 014	531	531	420	420
	GBP	78 613	53 690	4	4	3	3
	SEK	150	150	4	4	6	6
	PLN	-	44 500	-	-	46	46
	NOK	409	1 286	3	3	7	7
			133 813 965	134 309 314	259 998	259 998	243 916
Mutual funds shares	BGN	1 763 321	864 557	1 651	1 651	901	901
Compensatory instruments	BGN	1 747 213	1 523 851	1 246	1 246	1 076	1 076
Bonds of non-governmental issuers	BGN	33 059	21 511	22 409	22 409	21 688	21 688
	EUR	1 560 805	23 450	7 568	7 568	4 820	4 820
	USD	-	-	-	-	-	-
			1 593 864	44 961	29 977	29 977	26 508
Government securities	BGN	2 890 808	3 011 626	3 124	3 124	3 333	3 333
	EUR	1 221 778	1 432 778	2 613	2 613	2 978	2 978
	USD	52 000	282 000	87	87	439	439
			4 164 586	4 726 404	5 824	5 824	6 750
TOTAL		143 082 949	141 469 087	298 696	298 696	279 151	279 151

I, the undersigned Merdjanova certify the fidelity of the translation I have made from Bulgarian into English of the document attached hereto – Financial Statements of EURO-FINANCE AD as at 31 December 2014 and Independent Auditor's Report prepared by BDO Bulgaria OOD dated 31 March 2015. The translation consists of 37 pages.

Sworn translator :

Marina Chudomirova Merdjanova
Personal Number 5508116334

