

ASTERION BULGARIA AD

ANNUAL BUSINESS ACTIVITY REPORT AND
SEPARATE FINANCIAL STATEMENT
December 31, 2018

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Board of Directors

Nikolay Kinevski
Todor Stefanov
Biserka Markova-Denkova

Address

1592 Sofia
43, Christopher Columbus Blvd.

Servicing banks:

Piraeus Bulgaria AD
First Investment Bank AD
UniCredit Bulbank AD

Registration codes

UIC: 175248523
VAT ID: BG175248523

Auditor

Audit Company AUDIT VICTORY GROUP OOD
Sofia
6 "Prof. Nikola Mihaylov Street

ANNUAL BUSINESS ACTIVITY REPORT
(separate)

of ASTERION BULGARIA AD

FOR THE 2018 FINANCIAL YEAR

The management presents its annual report and the annual financial statements as of December 31, 2018.

This report have been prepared based on:

- article “100m” of the Public Offering of Securities Act;
- article 39 of the Accountancy Act;
- article 247 of the Commerce Act

and contains information in compliance with:

- Annex № 10 to article 32, paragraph 1, item 2 of Ordinance № 2 of 17 September 2003 on the prospectuses for public offering and admission to trade on regulated market of securities and for disclosure of information;
- Article “100m”, paragraph 7 and paragraph 8 of the Public Offering of Securities Act;
- Article 39 and Article 40 of the Accountancy Act;
- article 247 of the Commerce Act

The Annual Activity Report of the Asterion Bulgaria AD presents a commentary and an analysis of the financial statements and other substantial information regarding the financial position and the results achieved from the operations of the parent company and its subsidiaries. The report describes the position and the perspectives for development of the company as well as the main risks it is exposed to.

In terms of the governance of the Company the members of the Board of Directors apply the best world corporate governance practices and make efforts to establish the company as a leader in the implementation of transparent corporate practices in Bulgaria. The business model established by the company is based on major principles, such as ensuring the rights of all shareholders and their equal treatment.

The company also prepares an Annual Consolidated Business Activity Report, including the results of the parent company and its subsidiaries. In order to gain a full understanding of the financial position of the Group as a whole, users of this non-consolidated annual business activity report need to read it together with the consolidated annual report for 2018.

I. COMPANY INFORMATION

HISTORY

Asterion Bulgaria AD is a holding company registered in the Republic of Bulgaria and it carries out its operations in accordance with the Bulgarian legislation.

The company is registered in company case № 231 according to the inventory of the Sofia District Court from 2007 with the name Cargomotors EAD and was re-registered in the Commercial Register on 29.05.2008. At the end of 2008, the name of the company was changed to Eurohold Automotive Group EAD, and in 2009 to Avto Union Group EAD. At the end of 2010, due to a change in the shareholder structure, Avto Union Group changed from a sole proprietorship to a joint stock company. On November 13, 2012, the name of the company was changed from Avto Union Group AD to Asterion Bulgaria AD.

SCOPE OF BUSINESS ACTIVITY

Scope of business activity of Asterion Bulgaria AD Acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies; Acquisition, management and sale of bonds; Acquisition, evaluation and sale of patents, assignment of licenses for use of patents to companies in which the holding company participates; Financing of companies in which the Company holds a share; funding companies, in which the Company holds a share.

HEADQUARTERS AND REGISTERED ADDRESS

The headquarters and registered address of the company is: Republic of Bulgaria, city of Sofia, 43, Christopher Columbus Blvd. The administrative management is performed at the same address and the main place where the company carries out its activity is located. This is also the official mailing address.

Business address:	city of Sofia, 43, Christopher Columbus Blvd.
Phone	02/ 489 75 56; 02/ 489 75 18
Fax	02/ 965 16 52
E-mail	asterionbg@gmail.com

The scope of activity of the Company has not been changed.

MANAGEMENT BODIES

The management body of Asterion Bulgaria AD is a Board of Directors.

Board of Directors

The composition of the Board of Directors consists of 3 persons. All members of the board are natural persons.

Todor Petrov Stefanov	Chairperson of the Board of Directors
Biserka Markova-Denkova	Member of the Board of Directors
Nikolay Kinevski	Member of the Board of Directors and Chief Executive Officer

The Company is represented by Nikolay Kinevski.

The members of the board of directors may not be changed until the bond loan is repaid.

SHARE CAPITAL

The initial court registered capital of Asterion Bulgaria AD amounts to BGN 6,545,500, divided into 6,545,500 ordinary registered dematerialized shares, with one vote, each with a nominal value of BGN 1.

As of the date of preparation of the Activity Report, the capital of the company amounts to BGN 15,145,500, divided into 15,145,500 ordinary registered dematerialized shares, with the right to one vote, each with a nominal value of BGN 1.

The capital of the company is also formed by non-monetary contributions, as follows:

non-monetary contribution made in 2007 of:

- Cargo Express Ltd. - representing 500 shares of the capital, at a total value of BGN 6,545,500, at the time of the contribution;

non-monetary contributions made in 2009 of:

- Eurolease Rent a Car EOOD - representing 6,350 company shares of the capital at a total value of BGN 1,500,000;
- Nissan Sofia AD - representing 2,134,944 ordinary, available, registered, non-preferred voting shares worth BGN 6,500,000;
- Scandinavia Motors EAD - 200 ordinary, available, registered, non-preferred voting shares worth BGN 600,000.

At the end of 2010 Asterion Bulgaria AD sold the above-mentioned companies, as a result of which a receivable in the amount of BGN 18,213 thousand was recorded. As of 31.12.2018, the receivable amounts to BGN 2,285 thousand.

SHAREHOLDING STRUCTURE

As of the end of the financial year, there is one legal entity holding 99.99% of the voting shares.

There are no other legal or natural persons - shareholders who directly own more than 5 percent of the voting shares.

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

Majority shareholder	Seat and management address:	Number of shares	Participation in the capital
Asterion Capital LLC	USA, Delaware 19803, Newcastle County, Wilmington, Folk Road 910, apt. 201	15,000 499 pcs	99,99 %
TOTAL			99,99 %

The Company has not issued shares which do not represent capital. All shares issued by Asterion Bulgaria AD provide voting rights to their owners during the General Meeting of the Shareholders.

As at the date of preparation of this report, there is no procedure for increasing the capital of the Company.

II. BUSINESS ACTIVITY REVIEW

BASIC ACTIVITIES:

Asterion Bulgaria AD is registered in the Republic of Bulgaria. Its main activities include:

- acquisition, management, assessment and sale of interest in Bulgarian and foreign companies;
- funding companies, in which the holding company holds a share;
- interest in Bulgarian and foreign companies.

IMPORTANT EVENTS

Asterion Bulgaria AD is an issuer of a debenture loan of EUR 7,500 thousand. As of 31.12.2018, the principal of the debenture loan amounts to EUR 4,700 thousand. At a general meeting of bondholders, which was held regularly on November 5, 2018, it was decided to change the terms and parameters of the bond issue issued by Asterion Bulgaria AD, with ISIN code BG2100006092, as follows:

- extension of the term of the debenture loan by 60 (sixty) months, namely: from 14.04.2019 to 14.04.2024 (date of final maturity of the issue);

- payment of EUR 1,500,000 (one million and five hundred thousand euros) from the principal until 14.10.2023 (inclusive) and one last payment on the principal in the amount of EUR 3,200,000 (three million and two hundred thousand euros) on 14.04.2024;

- for the new term of the debenture loan, respectively from 14.04.2019 to 14.04.2024, the interest rate coupon is set at 5.25% (five whole and twenty five percent) on an annual basis;

- change in the repayment plan of the debenture loan corresponding to the above amendments;

- to cover the entire residual amount of the principal in the maximum amount of EUR 4,700,000 (four million seven hundred thousand euros), together with the interest due of 5.25% (five whole and twenty-five percent) on an annual basis, interest for delay and additional expenses, to conclude an addendum to the insurance contract with IC Euroins AD;

- Contract for the "Trustee of the bondholders" from 07.03.2011, concluded with Raiffeisenbank (BULGARIA) EAD, UIC 831558413, to annex for the new term of the bond issue;

The Insurer, Insurance Company Euroins AD has given prior written consent No. 18225 / 18.10.2018, for providing full insurance coverage under the insurance policy № 290000 1758/02.03.2011 - Bond loan insurance contract and for signing an addendum to it for changes in the policy, for providing full insurance coverage under the changed bond issue conditions, with ISIN code BG2100006092, issued by Asterion Bulgaria AD. As of the date of the report, the Addendum is in the process of agreement between the parties and conclusion.

Pursuant to the above, the Trustee of the bondholders has taken action to conclude an annex to the contract for the performance of the function "Trustee of the bondholders" dated 07.03.2011. The annex was concluded on January 14, 2019.

INVESTMENT PORTFOLIO

As of December 31, 2018, Asterion Bulgaria AD has a direct controlling interest in 2 subsidiaries:

- iLearn Limited (formerly Avto Union Holding Limited), BVI;
- Bopar Express SRL (formerly Eurohold Automotive - Romania).

III. RESULTS FROM THE ACTIVITY

REVENUES

In 2018 the revenues of Asterion Bulgaria AD are formed from the core business, related to the acquisition and management of participations and finance subsidiaries.

For the period under review from 01.01.2018 to 31.12.2018, the company has no sales revenue. Interest income on loans granted is BGN 56 thousand, and dividend income is BGN 7 thousand. Revenues from reimbursed expenses for impairment of financial assets amount to BGN 51 thousand. The expenses for carrying out the entire activity of Asterion Bulgaria AD amount to BGN 1,052 thousand, of which for external services - BGN 55 thousand, interest expenses on loans and accrued interest on a debenture loan in the amount of BGN 987 thousand and other financial expenses BGN - 10 thousand.

For 2018, Asterion Bulgaria AD formed a negative financial result in the amount of BGN 938 thousand, and for 2017 a negative financial result - BGN 825 thousand.

Structure of income and expenses on non-consolidated basis:

Приходи	31.12.18		31.12.17	
	BGN thousand	share	BGN thousand	share
Operating income	0	0%	45	19%
Impairment and impairment losses on financial assets, net	51	45%		0%
Financial income	62	55%	198	81%
Total revenue	113	100%	243	100%
Expenses				
Operating expenses	55	5%	37	3%
Financial expenses	997	95%	1 028	97%
Total expenses	1 052	100%	1 065	100%

Given the nature of the business, a major part of revenues and expenses on an unconsolidated basis are financial income and expenses (considered in more detail below).

Result of financial activity on an individual basis:

Financial income/expenses	31.12.18		31.12.17	
	BGN thousand	share	BGN thousand	share
Financial income, incl.	62	101%	191	100%
Income from interest	56	90%	191	100%
Income from transactions in financial instruments	-	0%	-	0%
Income from dividends	6	11%	-	
Financial expenses, incl.:	(997)	100%	(1 028)	100%
Interest expense on loans granted	(987)	99%	(1 021)	99%
Negative difference from trading in financial assets	(9)	1%	-	0%
Other financial expenses	(1)	0%	(7)	1%
Outcome of the financial activity	(935)		(837)	

NET PROFIT

The result of the company on an individual basis in 2018 is a loss of BGN 0.054 per share.

Profit/Loss	31.12.18	31.12.17
	BGN thousand	BGN thousand
Result of the business activity	(4)	8
Outcome of the financial activity	(935)	(830)
Financial outcome before tax	(939)	(822)
Costs/savings for taxes	-	-
Net financial result	(939)	(822)
Number of shares (in thousand)	15 145	15 145
Average number of shares (in thousand)	15 145	15 145
Net result per share, BGN	(0.062)	(0.054)

FINANCIAL CONDITION ON AN INDIVIDUAL BASE

In 2018, the amount of non-current assets decreased compared to 2017, which is due to trade loans settled during the reporting period. In 2018, the amount of current assets increased compared to 2017, due to increased trade receivables. The total assets of the company decrease by 15%.

Dynamics of assets:

ASSETS	31.12.18		31.12.17
	BGN thousand	change	BGN thousand
Non-current assets			
Investments	15 647	-	15 647
Receivables from trade loans granted	-	-	4 974
Trade and other receivables	1 156	(54)%	2 518
Prepaid expenses	-	(100)%	2
	16 803	(27)%	23 141
Current assets			
Trade and other receivables	3 339	80%	1 854
Receivables from trade loans granted	337	47%	229
Prepaid expenses	2	(75)%	8
Financial assets held for trading	8 039	(2)%	8233
Cash and cash equivalent	50	(30)%	71
	11 766	13%	10 395
Total assets	28 569	(15)%	33 536

Dynamics of liabilities:

LIABILITIES	31.12.18		31.12.17
	BGN thousand	change	BGN thousand
Non-current liabilities			
Liabilities on bond loans	8 605	(6)%	9 192
Interest-bearing loans and borrowings	2 648	14%	2 330
Trade and other payables	-	(100)%	2 383
	11 253	(19)%	13 905
Current liabilities			
Liabilities on debenture loans	587	(57)%	1 369
Trade and other payables	3 063	(16)%	3 665
Interest-bearing loans and borrowings	435	55%	281
Liabilities for income tax	-	#DIV/0!	-
	4 085	(23)%	5 315
Capital			
Registered capital	15 145	-	15 145
Reserves	-	#DIV/0!	-
Cumulative loss	(975)	24 275%	(4)
Current result	(939)	14%	(825)
Equity	13 231	(8)%	14 316
Total equity and liabilities	28 569	(15)%	33 536

KEY COEFFICIENTS ON A NON-CONSOLIDATED BASE

Profitability - that is it a basic indicator of the return on the funds invested by the activity carried out. Profit-based indicators are calculated in the following table:

Profitability of own and borrowed capital.

Profitability of assets and liabilities.

Indicators on a non-consolidated basis	31.12.18	31.12.17
1. Current profit/loss (before taxes)	(939)	(822)
2. Net profit/loss (after taxes)	(939)	(825)
3. Equity	13 231	14 316
4. Liabilities (non-current and current)	15 338	19 220
5. Liabilities (non-current + current)	28 569	33 536
Financial autonomy ratio (3: 4)	0.86	0.74
Debt factor (4: 3)	1.16	1.34
Gross return on equity (1: 3)	(7)%	(6)%
Net return on equity (2: 3)	(7)%	(6)%
Gross return on liabilities (1: 4)	(6)%	(4)%
Net return on liabilities (2: 4)	(6)%	(4)%
Gross return on assets (1: 5)	(3)%	(2)%
Net return on assets (2: 5)	(3)%	(2)%

CAPITAL RESOURCES

The ratios characterizing the debt and the equity show how the company is financed. As of 31.12.2018, Asterion Bulgaria AD is not substantially changed its capital structure, as the share of equity for 2018 and 2017 years respectively 86% and 74%.

CAPITAL STRUCTURE

	Non-consolidated data	
	31.12.2018	31.12.2017
1. Equity	13 231	14 316
2. Long-term liabilities	11 253	13 905
3. Short-term liabilities	4 085	5 315
4. Total liabilities (2 + 3)	15 338	19 220
Financial autonomy ratio (1: 4)	0.86	0.74
Debt factor (4: 1)	1.16	1.34

IV. IMPORTANT EVENTS AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENT

The Board of Directors of Asterion Bulgaria AD is not aware of any significant or material events that occurred after the reporting date of the financial statements.

V. ENVIRONMENTAL PROTECTION

Asterion Bulgaria AD, as a holding company does not carry out independent commercial and manufacturing activities. In this sense, the Company's efforts are focused on the environmental impact which the subsidiaries provide, in the performance of their current activities.

VI. RESEARCH AND DEVELOPMENT

Asterion Bulgaria AD, as a holding company does not carry out independent scientific - research and development.

VII. INFORMATION REQUIRED UNDER THE COMMERCIAL ACT

1. Number and nominal value of the acquired and transferred during the year own shares, the part of the capital they represent, as well as price for the acquisition or the transfer

In 2018 the Company did not purchase own shares and own shares were not transferred, respectively the Group does not have own shares.

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

The Company does not own any own shares.

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

Asterion Bulgaria AD has not paid remuneration to the members of the Board of Directors, nor compensation in kind during the specified period.

Asterion Bulgaria AD, as well as its subsidiaries, does not set aside amounts for payment of pensions, retirement compensations or other similar indemnities to the members of the board of directors.

The members of the Board of Directors are appointed under a management contract. Existing contracts between the members of the managing bodies and the Company are valid until retirement from service.

4. Shares of the company owned by the members of the Management and Supervisory Boards

The members of the Board of Directors do not own shares in the capital of Asterion Bulgaria AD.

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

The members of the BD of the company may freely acquire shares of the capital, as well as Company bonds on a regulated securities market by observing the provisions of the Measures Against Market Abuse with Financial Instruments Act and the Public Offering of Securities Act.

For the benefit of the board of directors, employees or third parties, no options for the acquisition of shares by the company have been issued.

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

Board of Directors

Name:	Todor Petrov Stefanov
Position:	Chairperson of the Board of Directors
Office address:	City of Sofia, 43, Christopher Columbus Blvd.
Information about activities performed outside of the company, which are of importance to the company	As of 2018, there are no data on activities performed outside of the company, which are of importance to the company
Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years	<p>Current:</p> <p>ET Fani - M - Todor Stefanov - sole trader Association "Child Protection - Triaditsa" - Chairman of the Management Board Association "Children's Center for Educational, Cultural and Sports Activities - Triaditsa" - Member of the Management Board; Association "Sports Club Special Olympics - Triaditsa" - a member of the Management Board; Association "Judo Club - Triaditsa" - Chairman of the Management Board; Association "Sports Club Triaditsa" - Chairman of the Management Board; Association "National Basketball Association" - member of the Management Board; Association FC Triaditsa Association - Executive Director; Association "Bulgarian Sports Dance Federation" - Member of the Management Board; National Chitalishte "Dimitar Dinev - 1937" - Chairman of the Management Board; Orthodox Church "St. First Martyr and Archdeacon Stefan" - member of the Church Board. Association "Sports Club Levski" - Member of the Management Board</p> <p>Terminated:</p> <p>As of 31.12.2018, there are no data for terminated participations as a member of a management/control body and/or a partner during the last 5 years.</p>
Relative professional experience	Todor Stefanov holds a master's degree in sports management from NSA "Vasil Levski" - city of Sofia. He specialized in international economic relations at the University of National and World Economy - city of Sofia. In the period 1990-1999, he held various administrative positions in the field of trade and agriculture. For the period 1999-2007, he was deputy mayor of the Triaditsa region, responsible for culture, education and sports. Since 2008 he has been the head of the coordination department of agencies, offices and representative offices in Insurance company Euroins AD.
Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years	There is no data for bankruptcy, management by a receiver in bankruptcy or liquidation, to which the person as a member of the management or supervisory bodies was related in the last 5 years
Coercive administrative measures and punishments	During the last five years the person no coercive administrative measures or administrative penalties have been imposed in connection with his activity; not convicted of fraud; has not been deprived by a court of the right to participate in the management and/or control bodies of other companies.

Name:	Biserka Georgieva Markova - Denkova
Position:	Deputy – Chairman of the Board of Directors
Office address:	City of Sofia, 43, Christopher Columbus Blvd.
Data on activities performed outside the company, which is significant for the company	As of 2018, there are no data on activities performed outside of the company, which are of importance to the company
Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years	<p>Current:</p> <ul style="list-style-type: none"> ♦ Double Com EOOD - sole owner of the capital; ♦ Italtech Service - Bulgaria EOOD - manager and sole owner of the capital; ♦ East Rent a Car EOOD - manager and sole owner of the capital; ♦ Eurowest Financial Bulgaria EOOD - manager and sole owner of the capital <p>Terminated:</p> <p>Double Com EOOD - manager until March 27, 2013</p>
Relative professional experience	Biserka Markova - Denkova graduated from Higher Pedagogical Institute - Blagoevgrad, and has a bachelor's degree from Sofia University. St. Kliment Ohridski - Teacher Information and Training Center - Sofia in preschool pedagogy. She has worked in the field of print media for many years.
Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years	There is no data for bankruptcy, management by a receiver in bankruptcy or liquidation, to which the person as a member of the management or supervisory bodies was related in the last 5 years
Coercive administrative measures and punishments	During the last five years the person has not been imposed coercive administrative punishments were imposed on the person in relation to his activity; he has not been convicted for frauds; in his capacity of a person in charge he has not been involved either directly or through related parties in insolvency, liquidation or management proceedings by a trustee in bankruptcy; has not been deprived by a court of the right to participate in the management and/or control bodies of other companies.

Name:	Nikolay Hristov Kinevski
Position:	Executive member of the Board of Directors
Office address:	City of Sofia, 43, Christopher Columbus Blvd.
Information about activities performed outside of the company, which are of importance to the company	As of 2018, there are no data on activities performed outside of the company, which are of importance to the company
Data for all other participations as a member of a management/ supervisory body and/or a shareholder/partner in the last 5 years	<p>Current:</p> <ul style="list-style-type: none"> ♦ Eurolease Taxi EOOD - manager ♦ Dimitar Dinev 1937, Chitalishte, town of Sofia - manager ♦ Basketball Club "St. George", Association - Manager ♦ St. George Athletics Sports Club, Association - Manager ♦ Multi-sports student club at the private high school "St. George", Association - manager ♦ United Sports Club "St. George", Association - Manager ♦ Swimming Club "St. George, Association - Manager <p>Terminated:</p> <ul style="list-style-type: none"> ♦ Basketball Club - Black Sea EAD - Executive Director until 14.10.2011 ♦ Evroauto OOD - manager until 25.10.2016.

Relative professional experience	Nikolay Kinevski holds a master's degree in sports management from NSA "Vasil Levski" - city of Sofia. In the period from 2002 to 2008 he was the manager of the sports hall "Triaditsa", and from 2008 to the present he is the manager of the transport company "Eurolease Taxi" EOOD.
Information about insolvency, receivership or liquidation, with which the person in his capacity of a member of the management or supervisory bodies was connected in the last 5 years	There is no data for bankruptcy, management by a receiver in bankruptcy or liquidation, to which the person as a member of the management or supervisory bodies was related in the last 5 years
Coercive administrative measures and punishments	During the last five years the person has not been imposed coercive administrative punishments were imposed on the person in relation to his activity; he has not been convicted for frauds; in his capacity of a person in charge he has not been involved either directly or through related parties in insolvency, liquidation or management proceedings by a trustee in bankruptcy; has not been deprived by a court of the right to participate in the management and/or control bodies of other companies.

7. Contracts entered into in 2018 with the members of the Management Board and the Supervisory Board or persons related to them, which go beyond the usual activity of the Company or materially depart from the market conditions

No agreements that fall outside of the usual scope of the business activity of the company or deviate significantly from the market conditions have been signed with the company by the members of the Management Board and Supervisory Board or related to them parties.

8. Number of persons employed:

As of 12/31/2018, no employees have been employed in Asterion Bulgaria AD. The holding does not employ temporary workers.

Since the establishment of Asterion Bulgaria AD until now there are no trade unions of employees. As of the date of preparation of this document, no agreements or other arrangements have been reached with the employees of the company for their participation in the capital of the company.

9. Conflict of interests

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

10. Presence of company branches

The company has no registered branches in the country and abroad.

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

The efforts of the management of Asterion Bulgaria AD will be focused on carrying out activities that will ensure the fulfillment of the undertaken commitments for collateral and repayment of the bond issue.

VIII. INFORMATION REGARDING THE GOOD CORPORATE GOVERNANCE PROGRAM AND ITS IMPLEMENTATION

Asterion Bulgaria AD program applies to implement internationally recognized standards of good corporate governance in compliance with POSA. This program regulates the guidelines and principles of good corporate governance in Bulgaria Asterion AD, in accordance with internationally recognized standards and in compliance with Bulgarian laws and regulations.

The Corporate Governance Program complies with the current legislation and the Internationally Recognized Standards for Good Corporate Governance in order to protect the rights of shareholders and bondholders. The Board of Directors of the Company has adopted the practice for public disclosure of any information substantial for the Company, within the term and of the type determined by law.

To increase the confidence of shareholders, bondholders and other stakeholders Company applies the - best practices in corporate governance. The program is based on basic principles such as guaranteeing the rights of all investors and their equal treatment.

The company provides periodic and incidental information to the FSC and the public. Asterion Bulgaria AD prepares unconsolidated and consolidated annual financial statements and disclose them within the statutory deadline and order the FSC and the public. The interim non-consolidated and consolidated reports for each quarter of the financial year are also submitted to the FSC and the public in accordance with the procedure provided by the law. The disclosed information is accessible, accurate and comprehensive, and the materials are presented in a way understandable to any investor.

Asterion Bulgaria AD disseminate information to the public through the system X3NEWS based on the contract with the Financial Markets Service EOOD. The Board of Directors of the Company believes, that e created prerequisites for sufficient transparency in its dealings with bondholders, financial media and analysts in the capital market.

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

Company's policy for transactions with stakeholders and related parties

The company has developed and applies rules for transactions with interested and related parties. The Board of Directors monitors the transactions carried out by the company or its subsidiaries, which could have a significant impact on the company or in the aggregate lead to a significant change in its position.

Management Bodies

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

The members of the Board of Directors of Asterion Bulgaria, according to the requirements of POSA, notify the Financial Supervision Commission (FSC) and BSE - Sofia: about the legal entities in which they directly or indirectly hold at least 25 percent of the votes in the general meeting or on which they have control; about the legal entities in whose managing or supervisory bodies they participate, or whose procurists (administrators) they are; about the existing or future transactions they are aware of and believe that might be considered stakeholders.

Information disclosure policy

The Board of Directors of Asterion Bulgaria AD treats all shareholders equally with regard to disclosure of information. The Company shall publish at least periodic reports and notifications of inside information within the meaning of Article 4 of the Market Abuse of Financial Instruments Act, within the terms and with content, in accordance with the requirements of the Public Offering of Securities Act. Asterion Bulgaria AD has entered into

agreement with Service Financial Markets OOD (specialized financial media X3News as at Bulgarian Stock Exchange - Sofia) for disclosure of regulated information within the meaning of the Public Offering of Securities Act to the general public, the regulated market of bonds and FSC. The information is available at the relevant e-mail addresses of the media – <http://x3news.com>.

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

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

As a holding company, the main activity of Asterion Bulgaria AD is acquisition, management, valuation and sale of participations in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, evaluation and sale of patents, cession of licenses for the use of patents to companies, in which the company participates; financing of companies, in which the company participates.

The company does not perform independent commercial and manufacturing activity. The revenues of Asterion Bulgaria are formed from financial activity.

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

The company does not perform independent commercial and manufacturing activity. The revenues of Asterion Bulgaria AD are formed from financial activity.

3. Information on large transactions and transactions that are essential for the issuer's business.

In 2018, such transactions have not been concluded.

4. Information on transactions concluded during the reporting period between the issuer and related parties.

In 2018, within the holding, by virtue of two tripartite agreements, Asterion Bulgaria AD enters into the debt of iLearn Limited in the total amount of BGN 4,400 thousand. Against this entering into debt, Asterion Bulgaria AD repays its debt to iLearn Limited for BGN 2,130 thousand and iLearn Limited transferred its receivable from Asterion Capital LLC for BGN 2.2270 thousand.

Transactions between the holding and the subsidiaries are typical, where the intragroup loans manage the liquidity of the individual companies and conduct an investment policy.

As of December 31, 2018, Asterion Bulgaria AD has no loans granted to related parties or taken by related parties.

5. Information on events and indicators with an unusual nature for the issuer which have a significant impact on its activities

During the reporting period there were no events, which were unusual for the company and which have a considerable impact on its activity and its revenues and expenses.

6. Information about off-balance sheet transactions during the reporting period

The Company does not have any off-balance sheet deals.

7. Information about shareholdings of the issuer, its main investments in the country and abroad.

As of December 31, 2018, Asterion Bulgaria AD has a shareholding in the following subsidiaries:

Company	Share in capital %	2018 BGN thousand
I Lern Limited	100	15.646
Bopar Express SRL	99	1
		15.647

8. Information about the contracts concluded by the issuer, its subsidiary or parent company as borrowers, loan agreements.

Liabilities on non-bank loans

Company	Creditor	Agreed interest	Currency	Principal	Interest	Current exposure	Maturity
Asterion Bulgaria AD	Specialized Logistic Systems AD	7,5%	EUR	1,050,000	103.155	1,050,000	25.10.2019 2020
Asterion Bulgaria AD	Euroins Insurance Group EAD	8.00%	BGN	594.663	108.568	703.231	30.11.2019

Liabilities on debenture loans

Company	Currency	Principal	Interest until	Agreed interest	Maturity
Asterion Bulgaria AD	EUR	4,700,000	62.763	5.25%	14.4.2019-14.4.2024

1. Information about the contracts concluded by the issuer, its subsidiary or parent company as lenders, loan agreements.

Receivables from non-bank loans

Company	Debtor	Agreed interest	Currency	Principal	Interest	Current exposure	Maturity
Asterion Bulgaria AD	Avto Union AD.	410%	BGN	-	78.014	78.014	24.4.2019
Asterion Bulgaria AD	Kamalia Trading Ltd.	5.00%	BGN	194.349	64.595	258.944	29.9.2019

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

During the reporting period until 31.12.2018, the company has not made a new issue of securities.

11. Comparison between the achieved actual financial results presented in the financial statements for the financial year and previously published forecasts.

The company has not published forecasts for the reporting 2018.

12. Analysis and evaluation of the policy on financial resources management, indicating the abilities for servicing the obligations, the possible threats and measures that the company has taken or is about to take to mitigate the risks.

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

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

In 2018 Asterion Bulgaria AD did not perform any investment activity.

14. Information about changes that occurred during the reporting period in the main management principles of the Issuer and its economic group.

During the reporting period there were no changes in the economic group of Asterion Bulgaria AD.

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

Asterion Bulgaria AD operates an internal control system, which ensures the effective operation of information disclosure and reporting systems.

The external audit, accounting procedures, policies and financial statements of the holding and its divisions are performed by leading audit companies.

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

In 2018 no changes were made in the management and supervisory bodies of the company.

17. Information on shares of the issuer held by the members of the management and control bodies, the procurators and the senior management

Asterion Bulgaria AD is not a public company.

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

The Company is not aware of any agreements, which could have an impact on the relative share of bonds by current bondholders.

19. Information on pending litigation, administrative or arbitration proceedings concerning liabilities or receivables of the Company amounting to at least 10 percent of its equity.

The company is not aware of any such existing proceedings.

20. Information for the investor relations director

Business address:	city of Sofia, 43, Christopher Columbus Blvd.
Phone	02/ 489 75 56; 02/ 489 75 18
Fax	02/ 965 16 52
E-mail	asterionbg@gmail.com

MANAGEMENT RESPONSIBILITIES

According to Bulgarian legislation, the Management should prepare financial statements for each financial year which give a true and fair view of the financial position of the Company at the end of the year, its financial performance and its cash flows.

The Management confirms that it is applied consistently adequate accounting policies used in preparing the annual financial statements as of December 31, 2018 and made reasonable and prudent judgments, assumptions and estimates.

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

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

Asterion Bulgaria AD prepares consolidated financial statements for 2018.

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Round seal of Asterion Bulgaria AD

Nikolay Kinevski
Executive Director
ASTERION BULGARIA AD
city of Sofia
11.03.2019

AUDIT COMPANY

REG. No. 151 AUDIT VICTORY GROUP OOD

city of Sofia, 6, Prof. Nikola Mihaylov Street 0885 / 678 919, e-mail: oditg@abv.bg

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ASTERION BULGARIA AD

Opinion

We have performed an audit of the attached financial statement of ASTERION BULGARIA AD, including a statement of financial position as of December 31, 2018, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year, then ended as well as a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Company's financial position at Monday, December 31, 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards financial reporting standards (IFRS) adopted by the European Union (EU).

Basis for Opinion

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

Emphasis of Matter

At the time of issuing this audit report, the consolidated financial statements have not been prepared. For greater clarity on equity, these separate financial statements should be read at the same time as the consolidated financial statements.

Key Audit Matters

Key audit questions are those issues that, according to our professional judgment, were of the highest importance in the audit of the financial statement for the current period. These issues are considered as part of our audit of the financial statements as a whole and the formation of our opinion about it, and we do not provide separate views on these matters.

Key Audit Issue	How this key audit question was addressed in the audit performed by us
<p><i>The valuation of investments in financial assets is a key issue for our audit. Investments in financial assets are an important part of the total assets of the Company, as they represent 2455% of the total assets. The valuation of financial assets is based on prices quoted in active markets.</i></p>	<ul style="list-style-type: none"> • In the course of our audit, we took into account the composition of financial assets - issues of shares traded on the BSE and repo transactions. We also confirmed the valuation of financial assets based on quoted prices in an active market. • We focused on the adequacy of the disclosures made regarding financial assets and their valuation. • The disclosures are included in item 2.2e, item 9 and item 16 of the explanatory notes to the financial statements.

Information other than the Financial Statements and Auditor’s Report thereon

Management is responsible for the other information. The other information consists of an activity report including a corporate governance statement prepared by the management under Chapter Seven of the Accountancy Act, but does not include the financial statements and our audit report that we received before the date of our audit report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is in material inconsistency with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

We have nothing to report in this regard.

Responsibilities of management and persons charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS, applicable in EC and for such internal control system as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or mistake.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to the assumption of a going concern and using the accounting basis on the assumption of a going concern, unless

the management intends to liquidate the Company or cease its operations or if the management has virtually no other alternative but to do so.

The persons charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide to those charged with governance, a statement that we have complied with applicable ethical requirements in relation to independence, and that we will communicate with them all relationships and other matters, which could reasonably be considered as having a bearing on our independence, and, where applicable, associated safeguards.

Among the issues communicated to those charged with governance, we identify those issues that were of the highest importance in the auditing of the financial statements for the current period and which are therefore key audit questions. We describe these issues in our audit report except in cases where a law or regulation prevents the public disclosure of information about this issue, or when, in extremely rare cases, we decide that a question should not be communicated in our report, since it could reasonably be expected that the adverse consequences of this action would outweigh the benefits in terms of the public interest in this communication.

Report on other legal and regulatory requirements

Additional Matters to be Reported according to the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the section "Other information other than the financial statements and the audit report thereon" regarding the activity report and the corporate governance statement, we have also implemented the procedures added to the required No ISAs in accordance with the Guidelines for the Professional Organization of Certified Public Accountants and Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICAAP) issued on 29.11.2016/approved by its Management Council on 29.11.2016. These procedures concern checks on the existence and verification of the form and content of such other information in order to assist us in formulating opinions as to whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Article 100m, paragraph 8, items 3 and 4 of the POSA) applicable in Bulgaria.

Opinion in relation to Art. 37, par. 6 of the Accountancy Act

Based on the conducted procedures, our opinion is that:

- a) The information included in the Management's activity Report for the financial year for which the financial statements have been prepared is consistent with the financial statements.
- b) The Business Activity Report is prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and Article 100 (m), para. 7 of the Public Offering of Securities Act.
- c) The corporate governance statement for the financial year for which the financial statements have been prepared presents the required information under Seventh Chapter of the Accountancy Act and Art. 100 (m), para. 8 of the Public Offering of Securities Act.

Reporting pursuant to Art. 10 of the Regulations (EU) No 537/2014 in relation to the requirements of Art. 59 of the Independent Financial Audit Act

According to the requirements of the Law for independent financial audit in relation to art. 10 of Regulation (EU) № 537/2014 we report further and the Information set out below.

Audit company reg. No. 151, **AUDIT VICTORY GROUP OOD** has been appointed statutory auditor of the consolidated financial statements for the year ended December 31, 2018 of **Asterion Bulgaria AD** at the General Meeting of Shareholders held on 15.05.2018 for a period of one year.

The audit of the financial statement for the year ended December 31, 2018 of the Group represents is the third complete, continuous commitment for a statutory audit of the Company, carried out by us.

- We confirm that the audit opinion expressed by us is in accordance with the additional report presented to the Audit committee of the Company, according to the requirements of art. 60 of the Independent Financial Audit Act.
- We confirm that prohibited non-audit services, appointed in the Art. 64 of the Independent Financial Audit Act, were not provided.
- We confirm that in conducting the audit we have maintained our independence towards the Company.
- For the period to which it relates on our statutory audit, despite the audit, we have not provided other services to the Company.

AUDIT VICTORY GROUP OOD

Audit Company

Reg. No. 151

Iliana Porozhanova /*illegible signature*/
Manager

6, Prof. Nikola Mihaylov Street
Sofia city, PO 1142 Sofia,

Date: 29.03.2019

*Oval Seal of Audit Radoslav Porozhanov
Company Audit Victory/illegible signature/
Group OOD, Sofia, Reg.Registered Auditor
No. 151*

ASTERION BULGARIA AD**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended on December 31, 2018

	Explanatory note	31.12.18	31.12.17
Income		-	45
Expenses for external services	5.1	(55)	(32)
Impairment and impairment of financial assets, net	5.2	51	-
Other operating expenses		-	(5)
Result of operational activity		(4)	8
Financial expenses	5.3	(997)	(1 028)
Financial income	5.4	62	198
Result of the financial activity		(935)	(830)
Financial outcome before tax		(939)	(822)
Savings / (Expenses) for taxes		-	(3)
Financial result, net		(939)	(825)

The financial statements were approved by the Board of Directors on 11.03.2019 and signed as follows:

Executive Director: */illegible signature/*

\Nikolay Kinevski

Prepared by: */illegible signature/*

Round seal of Asterion Bulgaria AD

\ Milena Rashkova-Lyubanova \

Registered auditor responsible for the audit: */illegible signature/*

\Radoslav Porozhanov\

Manager of Audit company Audit Victory Group OOD: */illegible signature/*

\ Iliana Porozhanova \

Date of certification: 29.03.2019

The Explanatory notes from page 5 to page 23 constitute an inseparable part of the Financial Statements.

ASTERION BULGARIA AD

STATEMENT OF FINANCIAL POSITION

For the year ended on December 31, 2018

	<u>Note</u>	<u>31.12.18</u>	<u>31.12.17</u>
ASSETS			
Non-current assets			
Investments	6	15,647	15,647
Prepaid expenses		-	2
Receivables from trade loans granted	8	-	4,974
Trade and other receivables	7.1	1,156	2,518
		16,803	23,141
Current assets			
Trade and other receivables	7.2	3,339	1,854
Receivables from trade loans granted	8	337	229
Prepaid expenses		2	8
Financial assets held for trading	9	8,039	8,233
Cash and cash equivalent	10	50	71
		11,766	10,395
TOTAL ASSETS		28,569	33,536
EQUITY AND LIABILITIES			
Capital, belonging to the company			
Registered capital	11	15,145	15,145
Reserves		-	-
Accumulated profit/(losses)		(1,914)	(829)
		13,231	14,316
Non-current liabilities			
Interest-bearing loans and borrowings	12.1	2,648	2,330
Bond issue payables	12.2	8,605	9,192
Trade and other payables	13.1	-	2,383
		11,253	13,905
Current liabilities			
Trade and other payables	13.2	3,063	3,665
Bond issue payables	12.2	587	1,369
Interest-bearing loans and borrowings	12.1	435	281
		4,085	5,315
Total liabilities		15,338	19,220
TOTAL EQUITY AND LIABILITIES		28,569	33,536

The financial statements were approved by the Board of Directors on 11.03.2019 and signed as follows:

Executive Director: */illegible signature/* Prepared by: */illegible signature/*
Round seal of Asterion Bulgaria AD
 \Nikolay Kinevski\ \ Milena Rashkova-Lyubenova \

Registered auditor responsible for the audit: */illegible signature/*
 \Radoslav Porozhanov\

Manager of Audit company Audit Victory Group OOD: */illegible signature/*
 \ Iliana Porozhanova \

Date of certification: 29.03.2019

The Explanatory notes from page 5 to page 23 constitute an inseparable part of the Financial Statements.

ASTERION BULGARIA AD

SEPARATE STATEMENT OF CASH FLOWS

For the year ended on December 31, 2018

	Equity	General reserves	Accumulated profit/(losses)	Total
	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>
On January 1, 2017	15,145	187	(191)	15.141
Loss for the period	-	-	(825)	(825)
Total comprehensive income	-	-	-	-
Coverage of a losses	-	(187)	187	-
On December 31, 2017	15,145	-	(829)	14.316
<i>Корекция от първоначално прилагане на МСФО 9 (Explanatory note 2.2.)</i>			(146)	(146)
On January 1, 2018	15,145	-	(975)	14.170
Loss for the period	-	-	(939)	(939)
Total comprehensive income	-	-	-	-
On December 31, 2018	30.290	-	(1.914)	13.231

The financial statements were approved by the Board of Directors on 11.03.2019 and signed as follows:

Executive Director: */illegible signature/*

Prepared by: */illegible signature/*

Round seal of Asterion Bulgaria AD

\Nikolay Kinevski\

\ Milena Rashkova-Lyubenova \

Registered auditor responsible for the audit: */illegible signature/*

\Radoslav Porozhanov\

Manager of Audit company Audit Victory Group OOD: */illegible signature/*

\ Iliana Porozhanova \

Date of certification: 29.03.2019

The Explanatory notes from page 5 to page 23 constitute an inseparable part of the Financial Statements.

ASTERION BULGARIA AD

SEPARATE STATEMENT OF CASH FLOWS

For the year ended on December 31, 2018

	<u>31.12.18</u>	<u>31.12.17</u>
	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Net cash flow from operating activity		
Proceeds from counterparties	-	
Payments to counterparties	(69)	(143)
Paid / reimbursed taxes (excluding corporate income tax)	-	(12)
Foreign currency exchange differences	-	-
Other proceeds/payments from operating activity	2 046	1 955
Net cash flow from operating activity	<u>1 977</u>	<u>1 800</u>
 Cash flow from investment activities		
Purchase of investments	(6)	-
Proceeds from sale of investments	200	-
Dividends from investments	7	7
Loans granted	(2 267)	(14 373)
Repayed (paid) loans granted	4 796	11 736
Interest received on loans granted	123	15
Other proceeds/payments from investing activity	(2 404)	-
Net cash flow from investing activities	<u>449</u>	<u>(2 615)</u>
 Cash flow from financial activities		
Proceeds from bank and trade loans	6 079	11 882
Repayment of loans	(7 843)	(10 185)
Interest payments	(682)	(876)
Other revenues/payments from financing activity	(1)	(2)
Net cash flow from financing activities	<u>(2 447)</u>	<u>819</u>
 Net (decrease) / increase in cash and cash equivalents	<u>(21)</u>	<u>4</u>
Cash and cash equivalents at January 1	<u>71</u>	<u>67</u>
Cash and cash equivalents at September 30	<u><u>50</u></u>	<u><u>71</u></u>

The financial statements were approved by the Board of Directors on 11.03.2019 and signed as follows:

Executive Director: */illegible signature/* Prepared by: */illegible signature/*
Round seal of Asterion Bulgaria AD
 \Nikolay Kinevski\ \ Milena Rashkova-Lyubenova \

Registered auditor responsible for the audit: */illegible signature/*
 \Radoslav Porozhanov\

Manager of Audit company Audit Victory Group OOD: */illegible signature/*
 \ Iliana Porozhanova \

Date of certification: 29.032019

The Explanatory notes from page 5 to page 23 constitute an inseparable part of the Financial Statements.

ASTERION BULGARIA AD

EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:

For the year ended on December 31, 2018

1. Corporate information

The financial statements of Asterion Bulgaria AD for the year ended December 31, 2018 have been approved for issue in accordance with a decision of the Board of Directors dated March 11, 2019.

Asterion Bulgaria AD is a joint-stock company, established by Decision № 231/08.03.2007 of the Sofia District Court, with seat in the town of Sofia, 43, Christopher Columbus blvd., The financial year of the Company ends on December 31.

The main scope of business activity of the Company is acquisition, management, evaluation and sale of shares in Bulgarian and foreign companies, trade in cars, auto parts and services.

The final Parent - company as of 31.12.2018 is Asterion Capital LLC.

2.1 Preparation basis

Statement of compliance

The financial statements of Asterion Bulgaria AD have been drawn up in accordance with the International Financial Reporting Standards accepted by the European Union (the "IFRS accepted by the EU").

The financial statements have been prepared on a historical cost basis.

This Financial Statement is an Separate Statement The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and adopted by the EU, in which investments in subsidiaries are accounted for and disclosed in accordance with IFRS 10 "Consolidated Financial Statements".

They are presented in Bulgarian Leva (BGN) and all values are rounded to the nearest thousand (BGN thousand) except when otherwise indicated.

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

The company reports a loss for the period in the amount of BGN 939 thousand and a positive cash flow from operating activities.

This circumstance indicates the existence of uncertainty, which may raise doubts about the ability of the Company to continue to operate as a going concern without the support of the owners and other sources of funding.

Management has taken the following - significant measures to improve the financial position of the Company:

- The Company has rescheduled its short-term liabilities to the bondholders, which will significantly improve the financial condition of the Company in terms of the ratio between current assets and liabilities.

At the date of preparation of these financial statements, management has made an assessment of the enterprise's ability to continue as a going concern based on available information for the foreseeable future. After the review of the Company's activity, Board of Directors expects the Company to have sufficient financial resources to continue its operations in the near future and continues to apply the going concern principle to the preparation of the financial statements.

2.2 Summary of significant accounting policies.

a) Foreign currency translation

The financial statements are prepared in BGN, which is the functional currency of the Company. Transactions in foreign currency are initially recorded in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities, denominated in foreign currencies are translated into the functional currency, at the end of each month at the closing exchange rate of the Bulgarian National Bank on the last working day of the month. All currency exchange differences are recognized in the statement of comprehensive income. Non-monetary assets and liabilities, which are measured at historical cost in foreign currencies are retranslated to the functional currency at the exchange rate at the date of the original transaction (acquisition).

b) Income recognition

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

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it acts as a principal in all such arrangements. Prior revenue to be recognized, the following specific recognition criteria must also be met:

Sales of production and goods

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

Provision of services

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

Income from interest

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

Income from dividends

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

c) Taxes

Current income tax

Current tax assets and liabilities for the current and previous periods are recognized at the amount anticipated to be recovered by or paid to the tax authorities. When calculating the current taxes the tax rates and tax laws that are in force or substantially adopted as at the report date are applied. The management analyzes the individual items in the tax return, in respect of which the applicable tax provisions are subject to interpretation and recognizes provisions when it is appropriate.

Current taxes are recognized directly in the equity (rather than in the statement of comprehensive income), when the tax refers to items that were directly recognized in equity.

Deferred income tax

Deferred taxes are recognized under the balance sheet method for all temporary differences as at the report date, which arise between the tax base of the assets and the liabilities and their book values.

Deferred tax liabilities are recognized for all taxable temporary differences:

- except to the extent such a deferred tax liability arises from the initial recognition of an asset or liability from a transaction, which is not a business combination and does not have an impact either on the accounting profit or on the tax profit or loss as at the time of performance of the transaction; and
- for taxable temporary differences related to investments in subsidiaries, associates and participations in joint ventures, except to the extent, to which the Company is capable of controlling the time of the reversal of the tax temporary difference and it is likely that the temporary difference will not have reversal in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carried unused tax credits and unused tax losses, to the extent it is likely that there will be a taxable profit, against which the deductible temporary differences will be used, the carried unused tax credits and the unused tax losses:

- unless the deferred tax asset arises from an initial recognition of an asset or liability from a transaction that is not a business combination and does not have an impact either on the accounting profit or on the tax profit or loss as at the time of performance of the transaction; and
- for deductible temporary differences related to investments in subsidiaries, associated enterprises and participations in joint ventures, deferred tax asset is only recognized to the extent, to which it is likely that the temporary difference will have reversal in the foreseeable future and that taxable profit will be made, against which the temporary difference will be utilized.

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The Company reviews the book values of the deferred tax assets as at each reporting date and decreases it to the extent to which it is no longer likely to realize sufficient taxable profit allowing all or a portion of the deferred tax to be recovered. Unrecognized deferred tax assets are revised as at each reporting date and are recognized to the extent, to which it has become probable that future taxable profit will be realized allowing recovery of the deferred tax asset.

Deferred tax assets and liabilities are estimated at the tax rates expected to be in force for the period, in which the asset is realized or the liability is settled, on the grounds of the tax rates (and tax laws), which are in force or substantially in force as at the report date.

Deferred taxes related to items recognized separately from profit or loss are recognized separately from profit or loss. Deferred taxes are recognized depending on the transaction related to them or in other comprehensive income, or directly in equity.

The Company only offsets deferred tax assets and liabilities when it has the legal right to deduct current tax assets against current tax liabilities and the deferred tax assets and liabilities refer to income taxes imposed by one and the same tax authority for one and the same taxable entity.

d) Employee retirement benefits

According to the Bulgarian labor legislation, the Company, as an employer, is obliged to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of service. If the employee concerned worked for the same employer in the last 10 years of his/her entire length of service, he/she must receive six gross monthly salaries upon retirement, and if he/she worked less than 10 years for the same employer – two gross monthly salaries.

e) Financial assets and liabilities in accordance with IFRS 9, as of January 1, 2018.

Recognition and derecognition

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

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

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

Classification and measurement of financial assets

Financial assets are initially measured at fair value, adjusted by transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not contain a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted by transaction costs that are reported as current expenses. The initial measurement of trade receivables that do not contain a significant financial component is the transaction price under IFRS 15.

Depending on the method of subsequent accounting, financial assets are classified into one of the following categories:

- Debt instruments measured at depreciated value
- Financial assets at fair value through profit and loss;
- financial assets at fair value through other comprehensive income, with or without reclassification in profit or loss, depending on whether they are debt or equity instruments.

The classification of financial assets is determined on the basis of the following two conditions:

- the business model for managing the financial assets of the Company;
- the characteristics of the contractual cash flows of the financial asset.

All income and expense associated with financial assets recognized in profit or loss should be included in financial expenses, financial income or other financial items, except for the impairment of trade receivables, which is presented under 'Other expenses' in the statement of comprehensive income.

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Debt instruments measured at depreciated value

Financial assets are measured at amortized cost if the assets meet the following criteria and are not designated for fair value through profit or loss:

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

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest rate. Discarding is not performed when its effect is inessential. In this category, the Company classifies cash and cash equivalents, trade and other receivables, as well as exchange-listed bonds that have previously been classified as held-to-maturity financial assets in accordance with IAS 39.

Financial assets measured at fair value through profit or loss

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

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

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

Recognition

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

Writte-off

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

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

Impairment of financial assets

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

Instruments that fall within the scope of the new requirements, include loans and other debt financial assets measured at amortized cost and at fair value, trade receivables, assets under contracts recognized and measured

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under IFRS 15, and credit commitments and certain financial guarantee contracts (with the issuer), which are not recognized at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the occurrence of a event with credit loss. Instead, in assessing credit risk and assessing expected credit losses, the Company considers a wider range of information, including past events, current conditions, reasonable and supporting forecasts that affect the expected future cash flow of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments whose credit quality did not deteriorate significantly compared to the time of initial recognition or have a low credit risk (Stage 1) and
- financial instruments whose credit quality has deteriorate significantly compared to the time of initial recognition or where the credit risk is not low (Stage 2)
- "Stage 3" covers financial assets that have objective evidence of impairment at the accounting date.

12-month expected credit losses are recognized in the first category while the expected loss for the full term of the financial instruments are recognized in the second category. Expected credit losses are determined as the difference between all contractual cash flows that are due to the Company and the cash flows it is actually expected to receive ("cash deficit"). This difference is discounted at the original effective interest rate (or the adjusted effective interest rate against the credit).

The calculation of expected credit losses is determined on the basis of the probability-weighted measurement of credit losses during the expected period of the financial instruments.

Trade and other receivables, assets under contracts and receivables under leasing contracts

In accounting for trade and other receivables as well as contract assets, the Company uses a simplified approach and recognizes impairment losses as expected credit losses over the entire period. They represent the expected deficit in contractual cash flows, given the possibility of default at any time during the term of the financial instrument. The Company uses its accumulated experience, external indicators and long-term information to calculate the expected credit losses by allocating customers by industry and term structure of receivables and using a maturity of provisions.

Financial assets

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

Receivables from loans granted

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

f) Financial assets and liabilities, in accordance with IAS 39, until December 31, 2017.

- **Financial assets**

Initial recognition

Financial assets within the scope of IAS 39 Financial Instruments: recognition and measurement are classified as financial assets reported at fair value through profit or loss, or as loans and receivables, or as held-to-maturity investments, or as available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial Assets at Fair Value in Profit or Loss.

The position contains two sub-categories: financial assets held for trading and assets initially designated for reported at fair value through profit or loss A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or is designated in this category by management because its performance is measured and monitored based on its fair value. Derivatives are also classified as held-for-trading unless they are intended to be used as hedging instruments.

The Management determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not reported at fair value through profit or loss, the transaction costs directly attributable to the acquisition of the financial asset.

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Purchases or sales of financial assets whose conditions require delivery of an asset within a time frame usually established by regulation or convention in the marketplace (ordinary trades) are recognised on the trade date (the transaction), i.e., the date on which the Company undertook to buy or sell the asset.

The financial assets of the Company include cash and cash equivalents, trade and other receivables, granted loans, unquoted investments and other financial assets.

In addition to these unconsolidated financial statements, the Company will present consolidated financial statements of the Company and its subsidiaries. In these financial statements, investments in subsidiaries are reported under acquisition price. According to this method, the Company records its capital investments at acquisition price and annually performs a review for possible impairment.

Subsequent measurement

Available-for-sale assets and financial assets at fair value through profit or loss after initial recognition, are reported at fair value.

Fair value measurement

The fair value is the price which would be obtained upon an asset sale or would be paid upon a liability transfer in an ordinary deal among market participants at the basic market, or in the lack of such a market – at the most beneficial market to which the company has access on the valuation date. The best evidence of a fair value upon initial recognition is the price of the transaction (i.e. the fair value of the remuneration received or given). If the Company considers that there is a difference between the initial recognition fair value and the price of the transaction, and that the fair value is neither supported by proof of a quoted price at an active market for an identical asset or liability, nor based on a valuation technique using only data of observable markets, then the financial instrument is initially recognized at a fair value adjusted by the difference between the initial recognition fair value and the price of the transaction. Upon subsequent valuation this difference is recognized in the profit or loss in a suitable way depending on the life of the instrument, but no later than the time when it is possible to make an estimate of the asset while fully making use of entirely observable market data or when the transaction is discontinued.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to the debtor without an intention to trade in these estimates. They are included in short-term assets, except for the ones, the maturity of which exceeds 12 months after the date of the financial statement, which are classified as long-term. Loans and receivables are included in trade and other receivables in the balance sheet.

Write-off

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

- the contractual rights to receive cash flows from the financial asset have expired;
- the contractual rights to receive cash flows from the financial asset have been transferred or the Company has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the title to the financial asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the title to the financial asset, but has not retained the control of the asset.

When the Company has transferred its contractual rights to receive cash flows from a financial asset or has entered into a pass-through arrangement, and it has neither transferred nor retained substantially all of the risks and rewards of the title to the financial asset but retained control of the asset, the transferred financial asset is still recognized by the group to the extent of the group’s continuing involvement in the asset. In that case, the group also recognizes an associated liability. In this case, the Company also recognizes the related obligation. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an “incurred loss event”) and that incurred loss event has an impact on the estimated future

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cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will declare insolvency/over-indebtedness or enter other financial reorganisation or where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in delays or economic conditions that correlate with defaults on the part of the debtors.

- **Financial liabilities**

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities reported at fair value through profit or loss, or as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus transaction costs directly attributable to the acquisition of the financial liability.

The Company's financial liabilities include commercial and other payables and interest-bearing loans

A financial liability is derecognised when discharged, i.e. when the obligation defined in the contract is cancelled or expires.

When an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

g) Compensation of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is an enforceable legal right to offset the recognised amounts and there is an intention on the part of the Company to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(h) Fair value of financial instruments

At each reporting date the fair value of financial instruments that are traded actively in markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis and other valuation models.

i) Fixed capital

The share capital is presented at par value of the issued and paid shares. The receipts from issued shares over and above their par value are reported as premium reserves.

i) Property, plant and equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

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

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

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k) Leasing

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

The Company as a lessee

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

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

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

The Company as a lessor

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

l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the acquisition cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs include the interests and other expenses made by the Company in relation to the obtaining of borrowings.

The Company capitalizes borrowing costs for eligible assets when construction commenced on or after January 1, 2009.

m) Intangible assets

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

The useful lives of intangible assets are defined as limited.

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

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

n) Impairment of non-financial assets

At each reporting date, the Company assesses whether there are indications that an asset is impaired. In the case of such indications or when an annual impairment test of an asset is required, the Company determines the recoverable amount of that asset. The recoverable amount of the asset is the higher of the fair value less costs to sell the asset or the cash-generating unit (CGU) and its value in use. The recoverable amount is determined for a separate asset

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unless upon the use of the asset does not generate cash flows which significantly be substantially independent of cash flows generated by other assets or groups of assets. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to the debtor without an intention to trade in these estimates.

In determining the value in use of an asset, the expected future cash flows are discounted to their present value using a discount rate before tax that reflects the current market valuation of the time value of money and the risks specific to the asset. Fair value less costs to sell is determined based on recent market transactions, if any. If such transactions can not be identified, an appropriate valuation model should be applied. The calculations made are confirmed using other valuation models or other available sources of information about the fair value of an asset or a cash-generating unit.

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

Impairment losses are recognized as an expense in the statement of comprehensive income and are classified by their function according to the use (designation) of the impaired asset.

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

o) Cash and cash equivalents

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

For the purpose of the cash-flow statement, cash and cash equivalents include cash and cash equivalents as defined hereinabove.

p) Provisions

General

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

2.3 Changes in the accounting policies and disclosures

New standards, amendments and Interpretations to IFRS that came into effect on January 1, 2018

The Company has applied the following new standards, amendments and interpretations to IFRSs, developed and published by the International Accounting Standards Board, which are binding for the period beginning on or after January 1, 2018 but do not have a material effect on their financial results and the financial position of the Company:

- IFRS 2 "Share-based Payment" (amended) effective from January 1, 2018, adopted by the EU
- IFRS 4 "Insurance Contracts" (amended) effective from January 1, 2018, adopted by the EU
- IFRS 15 "Revenue from contracts with customers" effective from January 1, 2018, adopted by the EU
- IFRS 40 "Investment Instruments" (amended) - Transfer of investment properties effective from January 1, 2018, adopted by the EU
- IFRIC 22 "Transactions and prepayments in foreign currency" effective from January 1, 2018, adopted by the EU
- Annual improvements to IFRS 2014-2016, in force since January 1, 2018, adopted by the EU

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The Company applies the following new standards, amendments and interpretations to IFRS developed and published by the International Accounting Standards Board, which have an impact on the Company's financial statements and are mandatory for annual periods beginning on January 1, 2018:

- IFRS 9 "Financial Instruments" in force as of January 1, 2018, adopted by the EU

IFRS 9 Financial Instruments supersedes IAS 39 Financial Instruments: Recognition and Measurement". The new standard introduces significant changes in the classification and assessment of financial assets, as well as a new model of expected credit losses for impairment of financial assets.

In applying IFRS 9, the Company has used the transitional relief and has chosen not to recalculate previous periods. Differences arising from the application of IFRS 9 in relation to classification, measurement and impairment are recognized in retained profit.

IFRS 9 also contains new requirements for hedge accounting. The new requirements aim to make hedge accounting more closely to the Company's risk management activities by increasing the admissible range of both hedged items and hedging instruments and a more general approach to measuring the effectiveness of hedging. The Company applies the new hedge accounting requirements for future periods and all hedging relationships may be treated as continuing hedging relationships.

The application of IFRS 9 has affected the following areas:

- Classification and measurement of the financial assets of the Company

The management holds most of the financial assets in order to collect the related contractual cash flows. A large part of the investments previously classified as held-to-maturity investments continue to be measured at amortized cost. Some of the investments previously classified as available-for-sale investments and some other financial assets are currently measured at fair value through profit or loss as cash flows do not represent only principal and interest payments.

- Impairment of financial assets based on expected credit losses

The pattern of expected credit losses has an effect on both the Company's trade receivables and debt instruments that have previously been classified into held-to-maturity or available-for-sale categories. For contract assets arising from IFRS 15 and for trade receivables, the Company applies a simplified approach to recognizing the expected credit losses as they do not have a significant component of financing.

	Effect from application of IFRS 9		
	Balance at 31.12.2017	Expected credit losses / Revaluation	Balance at January 1, 2018 (recalculated) IFRS 9
	<i>BGN thousand</i>	<i>BGN thousand</i>	<i>BGN</i>
ASSETS			
Current			
Trade and other receivables	1,854	(68)	1,787
Interest-bearing loans	229	(1)	228
Cash and cash equivalent	25	-	25
Non-current			
Trade and other receivables	2,518	(60)	2,458
Interest-bearing loans	4,974	(17)	4,957
TOTAL ASSETS	9,600	(146)	9,455
EQUITY AND LIABILITIES			
Retained earnings	829	(146)	683
	829	(146)	683

3. Significant accounting judgments, estimates and assumptions

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

Assessments

Deferred tax assets

Tax loss

The assessment of probability for future taxable income for the utilisation of deferred tax assets is based on the last approved budget forecast adjusted with regard to material untaxable income and expenses and specific restrictions for carrying forward unused tax losses or credits. If a reliable estimate for taxable income suggests the probable use of deferred tax asset, in particular in case the asset may be used without time limit, then the deferred tax asset is recognised in full. The recognition of deferred tax assets that are subject to specific legal or economic restrictions or uncertainty should be judged by the management on case by case basis on the grounds of specific facts and circumstances.

Based on this approach and with a high conservative rate, the Management has decided not to recognize a deferred tax asset for tax losses for the transfer in the separate financial statement for 2018 amounting to BGN 1.148 thousand (December 31, 2017: BGN 263 thousand). The amount of temporary difference on which no tax asset is recognized is BGN 114 thousand (December 31, 2017: BGN 26 thousand).

Estimates and assumptions

The main assumptions that relate to future and other major sources of uncertainty in the estimates at the reporting date, and for which there is a significant risk of leading to significant adjustments in the carrying amounts of assets and liabilities in the next reporting period, are set out below:

Impairment of financial assets

Accounting policy applicable until December 31, 2017

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

Accounting policy applicable from January 1, 2018

Details of the Company's accounting policies and models for impairment of financial assets as of January 1, 2018 are set out in Explanatory note 2.3. As of December 31, 2018, the management's best estimate of the expected credit losses on related party receivables, loans and trade and other receivables amounted to BGN 95 thousand. (January 1, 2018: BGN 146 thousand). (Explanatory note 2.3)

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

Financial reporting of property, machines, facilities and the intangible assets involves the use of approximate estimates for their expected useful life and remaining values, which are based on the assessments by the Company's management. Information on the useful lives of property, machinery and equipment and intangible assets is provided in Explanatory note 2.2.

4. Published standards that have not yet entered into force

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

As of the date of approval of these financial statements, new standards, amendments and interpretations to existing standards have been published but have not entered into force or been adopted by the EU for the financial year beginning on January 1, 2018 and have not been applied from an earlier date by the Company. They are not expected to have a material effect on the financial statements of the Company. The management expects all standards and

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amendments to be adopted in the Company's accounting policies for the first period beginning after the date of their entry into force.

The changes are related to the following standards:

- IFRS 9 "Financial Instruments" (amended) - Prepayments with negative compensation, effective from January 1, 2019, adopted by the EU
- IFRS 14 "Deferred Accounts at Regulated Prices" effective from January 01, 2016, not yet adopted by the EU
- IFRS 16 "Leases" (amended) effective from January 1, 2019, adopted by the EU
- IFRS 17 "Insurance contracts" effective from January 1, 2021, not yet adopted by the EU
- IAS 19 "Employee Benefits" (as amended) - Change in plan, termination or settlement - in effect from January 1, 2019, not yet adopted by the EU
- IAS 28 Investments in Associates and Joint Ventures - Long-term Investments in Associates and Joint Ventures effective from January 1, 2019) - not yet adopted by the EU
- IFRIC 23 "Uncertainty about reporting income tax" effective from January 1, 2019 has not yet been adopted by the EU
- Annual improvements to IFRS 2015-2017, in force since January 1, 2019, have not yet been adopted by the EU

5. Revenues and expenses

5.1 Expenses on hired services

	<u>31.12.18</u>	<u>31.12.17</u>
	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Insurances	8	8
Consulting services	1	16
Other external (hired) services	46	8
	<u>55</u>	<u>32</u>

5.2 Impairment and recovered impairment of financial assets, net

	<u>2018</u>	<u>2017</u>
	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Accrued expenses for impairment of financial assets	(2)	-
Reimbursed expenses for impairment of financial assets	53	-
<i>Total expenses for impairment of financial assets, net</i>	<u>51</u>	<u>-</u>

5.3 Financial expenses

	<u>31.12.18</u>	<u>31.12.17</u>
	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Interest expenses on loans and borrowed funds	987	1 021
Expenses from revaluation of financial assets	9	-
Other financial expenses	1	7
	<u>997</u>	<u>1 028</u>

5.4 Financial income

	<u>31.12.18</u>	<u>31.12.17</u>
	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Income from loans granted and receivables	56	191
Income from dividends	6	7
Income from revaluation of financial assets	-	-
	<u>62</u>	<u>198</u>

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6. Investments in subsidiaries

Company	Share in equity %	<u>31.12.18</u>	<u>31.12.17</u>
		<i>BGN thousand</i>	<i>BGN thousand</i>
iLearn Limited (formerly Avto Union Holding Limited), BVI;	100	15 646	15 646
Bopar Express SRL - Romania	99	1	1
		<u>15 647</u>	<u>15 647</u>

7. Trade and other receivables

7.1 Non-current receivables

	<u>31.12.18</u>	<u>31.12.17</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Receivables under contract for sale of subsidiaries - non- current part	1 185	2 518
Minus: accumulated impairment	(29)	-
Receivables under contract for sale of subsidiaries - non- current part, net	1 156	2 518
	<u>1 156</u>	<u>2 518</u>

7.2 Current receivables

	<u>31.12.18</u>	<u>31.12.17</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Receivables under contract for sale of subsidiaries - current part, gross	1 100	1 813
<i>Minus: accumulated impairment</i>	(26)	-
Receivables under contract for sale of subsidiaries, net	1 074	1 813
Receivables from related parties, gross	2 277	5
<i>Minus: accumulated impairment</i>	(14)	-
Receivables from related parties, net	2 263	5
Other receivables	25	36
<i>Minus: accumulated impairment</i>	(23)	-
Other receivables, net	2	36
	<u>3 339</u>	<u>1 854</u>

Trade receivables are not interest-bearing.

8. Loans granted

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Long-term		
Interest-bearing loans to third parties	-	4 974
<i>Minus: accumulated impairment</i>	-	-
Interest-bearing loans to third parties, net	<u>-</u>	<u>4 974</u>

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For the year ended on December 31, 2018

	<u>31.12.2018</u>	<u>31.12.2017</u>
Short-term		
	<i>BGN thousand</i>	<i>BGN thousand</i>
Interest-bearing loans to third parties	340	229
<i>Minus: accumulated impairment</i>	<u>(3)</u>	<u>-</u>
Interest-bearing loans to third parties, net	<u>337</u>	<u>229</u>

9. Financial assets held for trading

	<u>31.12.18</u>	<u>31.12.17</u>
	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Purchases of financial assets, held for trading	8,039	8,233
	<u>8,039</u>	<u>8,233</u>

The financial assets held for trading are revalued at fair value as of December 31, 2018 on the basis of a stock exchange bulletin.

10. Cash and short-term deposits

	<u>31.12.18</u>	<u>31.12.17</u>
	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Cash on hand	44	46
Cash in bank accounts	6	25
	<u>50</u>	<u>71</u>

Cash in bank accounts is accrued at floating interest rates based on daily interest rates on bank deposits. As of 31.12.2018 the fair value of cash and short-term deposits is BGN 50 thousand. (2017 – BGN 71 thousand).

11. Share capital and reserves

10.1 Fixed capital

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<i>хил. лв.</i>	<i>хил. лв.</i>
15,145,500 ordinary shares	15.145	15.145
with a nominal value of BGN 1 each	<u>15.145</u>	<u>15.145</u>

10.2 Reserves

Statutory reserves

The statutory reserves are formed by the joint stock companies, such as Asterion Bulgaria AD, as a distribution of the profit by the order of art. 246 of the Commercial Code. They are set aside until they become one tenth or more of the capital. Sources of formation of the statutory reserves are at least one tenth of the net profit, premiums from issues of shares and the funds envisaged in the articles of association or by a resolution of the general meeting of the shareholders. The statutory reserves can only be used for covering losses from the current and previous reporting periods. In 2009, the Company has allocated one tenth of the positive financial result from 2008 in the amount of BGN 84 thousand for statutory reserves. In 2011, the Company distributed one tenth of the positive financial result from 2010 in the amount of BGN 103 thousand for statutory reserves. In 2017, by decision of the General Meeting of Shareholders, the annual financial result for 2016 is distributed as follows: according to art. 246 of the Commercial Law allocates 1/10 of the profit in the "Reserve" fund of the company. The rest of the retained earnings for 2016, the retained earnings from previous years, as well as the funds from the Reserve Fund, cover the uncovered loss from previous years.

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In 2018, no statutory reserves are set aside, as the result for 2017 is a loss.

12. Interest-bearing loans and borrowings

12.1 Bank and other loans

	<u>31.12.18</u>	<u>31.12.17</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Long-term		
Loans from third parties	2,648	2,330
	2,648	2,330
	<u>31.12.18</u>	<u>31.12.17</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Short-term		
Interest payable on debenture loan and other borrowed funds	435	281

The carrying amount of short-term loans is close to their fair value.

All long-term loans will reach maturity within 1 to 10 years.

12.2 Debenture loans

			<u>31.12.18</u>	<u>31.12.17</u>
	Effective interest rate	Maturity	<i>BGN thousand</i>	<i>BGN thousand</i>
First ranking issue with ISIN BG2100006092				
Short-term part	5.25%	2019	587	1 369
Long-term part	5.25%	2020-2024	8 605	9 192

On 11.04.2014 a meeting of the General Meeting of Bondholders was held, in which it was decided that the bond issue of Asterion Bulgaria AD with ISIN code BG2100006092 will be extended until 14.04.2019 and the interest rate was changed to 6.25%. The principal will be repaid on each interest payment, as of April 14, 2015 at EUR 350 thousand.

According to IFRS 13 "Assessment of the fair value", this liability should be valued at fair value. The bond loan is categorized according to the hierarchy of fair value in Level 3 - Valuation techniques, for which observable hypotheses from - lower rank, which are significant to the fair value, are unobservable.

13. Trade and other payables

13.1 Non-current

	<u>31.12.18</u>	<u>31.12.17</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Liabilities to related parties	-	2,134
Liabilities to third parties	-	249
	-	2,383

13.2 Current

	<u>31.12.18</u>	<u>31.12.17</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Liabilities to suppliers and customers	-	6
Liabilities under repo transactions	3,062	3,058
Other payables	1	601
	3,063	3,665

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14. Related party disclosure

As of 31.12.2018 related parties with Asterion Bulgaria AD are :

Ultimate parent company

The final company - parent company is Asterion Capital LLC.

Enterprises with controlling participation in the Company

99.99% of the shares of Asterion Bulgaria AD are owned by Asterion Capital LLC.

Subsidiaries

iLearn Limited is a sole subsidiary of Asterion Bulgaria AD. Asterion Bulgaria AD also controls Bopar Express SRL, owning 99% of its capital.

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

Related party disclosure

		Sales to related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
		<u>BGN thousand</u>	<u>BGN thousand</u>	<u>BGN thousand</u>	<u>BGN thousand</u>
Sales of / purchases from related parties					
Subsidiaries					
iLearn Limited BVI	2017	-	-	5	2 134
iLearn Limited BVI	2018	-	-	7	-
Asterion Capital LLC	2017	-	-	-	-
Asterion Capital LLC	2018	-	-	2 270	-
	2017	<u> </u>	<u> </u>	<u>5</u>	<u>2 134</u>
	2018	<u> </u>	<u> </u>	<u>2 277</u>	<u>-</u>

15. Financial risk management objectives and policy

The Company's main financial liabilities include interest-bearing loans and borrowings, and trade payables. The main purpose of these financial instruments is to provide funding for the Company's activities. The Company has financial assets such as trade receivables and cash and short-term deposits that arise directly from the operations.

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

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, currency risk and credit risk. The policy that Company management applies to managing these risks is summarized below.

Interest rate risk

The Company is exposed to risk of a change in the market rates of interest, mainly with respect to its short-term and long-term financial liabilities with variable (floating) rate of interest. The policy of the Company is to manage the interest costs by using financial instruments, both with fixed and variable interest rates.

Liquidity risk

The liquidity risk is related to the possibility that Asterion Bulgaria AD, is not able to repay its liabilities in the amount agreed and/or within the stipulated deadline. The presence of good financial indicators of profitability and capitalization of a certain Company does not guarantee the smooth coverage of current payments. Liquidity risk may also arise in the event of late payments by counterparties. The company strives to minimize this risk through optimal cash flow management within the group itself. The issuer applies an approach, which would provide the necessary liquidity resources, to meet its liabilities under normal or emergency conditions.

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Currency risk

The company makes purchases and receives loans in foreign currencies - euros. As the BGN/Euro exchange rate is fixed at 1.95583, the currency risk ensuing from the group's euro exposures is minimal.

Credit Risk

The Company trades only with solvent counterparties. Its policy is that all customers wishing to trade on a deferred payment are subject to procedures to verify their solvency. Additionally, trade receivables are monitored on an ongoing basis, with the result that the Company's exposure to hard -to-collect and uncollectible claims is not material. There are no significant concentrations of credit risk in the Company. Credit risk arising from other financial assets of the Company, such as cash and other financial assets, cash and other financial assets is the credit exposure of the Company arising from the ability of its counterparties to default on their obligations.

The Company's maximum credit exposure for recognized financial assets amounts to their respective amount in the statement of financial position as at December 31, 2018.

Capital management

The main objective of the Company capital management is to ensure a stable credit rating and capital indicators, in view of the continuing functioning of the business and maximization of its value for the shareholders.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. With view of maintaining or changing its capital structure, the Company may correct the payment of dividends to the shareholders, redeem own shares, decrease or increase its capital, by a resolution of the shareholders. In 2018, as well as in 2017, there are no changes in the objective, policies or process with respect to the Company capital management.

15. Financial instruments

Fair value

Fair value is the amount, for which a financial instrument can be exchanged or settled between informed and willing parties in a fair transaction between them, and which serves as the best indicator of its market value on an active market

The Company determines the fair value of financial instruments on the basis of available market information or, if there is none, by appropriate valuation models. The fair value of the financial instruments traded actively on organized financial markets is determined on the basis of the quoted "buy" prices in the end of the last working day of the reporting period. The fair value of financial instruments, for which there is no active market, is determined through valuation models. These models include use of recent market transactions between informed, fair and willing parties; use of the current fair value of another instrument having similar characteristics; analysis of the discounted cash-flows or other valuation techniques.

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

- *Level 1* - inputs data comprise quoted (non-adjusted) prices of instruments on active markets for identical financial instruments;
- *Level 2* - inputs comprise inputs for an asset or liability other than quoted prices in Level 1, which are directly or indirectly observable. This category includes instruments valued by making use of: quoted prices of similar assets or liabilities at active markets; quoted prices of identical or similar assets or liabilities at markets which are not considered active; other valuation techniques where all the significant incoming data are directly or indirectly accessible for observation using market data;
- *Level 3* - inputs are unobservable inputs for an asset or liability. This category includes all the instruments whereupon the valuation technique does not include observable incoming data, and the non-observable incoming data have a significant impact on the instrument valuation. This category includes instruments valued on the basis of quoted prices of similar instruments where significant non-observable adjustments or assumptions are required to reflect the differences among the instruments.

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The following table analyzes the fair value of financial instruments by hierarchy level where the measured fair value is classified:

December 31, 2018 <i>in BGN thousand</i>	Level 1	Level 2	Level 3	Total fair value	Total book value
Assets					
Cash and short-term deposits	50			50	50
Financial assets held for trading		8,039		8,039	8,039
Interest-bearing loans			337	337	337
Trade and other receivables			4,495	4,495	4,495
Total assets	50	8,039	4,831	12,920	12,920
Liabilities					
Interest-bearing loans and borrowings			3,083	3,083	3,083
Bond issue payables			9,192	9,192	9,192
Trade and other payables			3,063	3,063	3,063
Total liabilities	-	-	15,338	15,338	15,338
December 31, 2017 <i>in BGN thousand</i>	Level 1	Level 2	Level 3	Total fair value	Total book value
Assets					
Cash and short-term deposits	71			71	71
Financial assets held for trading		8,233		8,233	8,233
Interest-bearing loans			5,203	5,203	5,203
Trade and other receivables			4,372	4,372	4,372
Total assets	71	8,233	9,575	17,879	17,879
Liabilities					
Interest-bearing loans and borrowings			2,611	2,611	2,611
Bond issue payables			10,561	10,561	10,561
Trade and other payables			6,048	6,048	6,048
Total liabilities	-	-	19,220	19,220	19,220

The management of Asterion Bulgaria AD considers that the fair values of financial instruments that include cash and short-term deposits, trade and other receivables, interest-bearing loans and borrowings, trade and other payables do not differ from their book value, especially if they are short-term nature or applicable interest rates are changed according to market conditions.

16. Events after the end of the reporting period

No events have occurred since December 31, to impose additional adjustments and/or disclosures in the financial statements of the Company for the period ending on December 31, 2018.

17. Audit fee

According to Art. 30 para 1 of the current Accounting Act, the company announces that the remuneration for audit of individual, interim and consolidated financial statements amounts to a total of BGN 6,100.00 excluding VAT.

I, the undersigned Savina Hadzhieva, certify the accuracy of the translation from Bulgarian to English of the attached document – Financial Statements of Asterion Bulgaria AD for 2018. The translation consists of 47 pages.

Translator: _____ Savina Hadzhieva