

ASTERION BULGARIA AD

ANNUAL BUSINESS ACTIVITY REPORT AND
SEPARATE FINANCIAL STATEMENT
December 31, 2019

ASTERION BULGARIA AD

Table of contents

Background information	i
Activity Report.....	ii
Report of the independent auditor to the shareholders of Asterion Bulgaria AD.....	
Statement of Comprehensive Income - separate	1
Statement of financial position - separate	2
Statement of changes in the equity - separate	3
Statement of cash flows - - separate.....	4

Explanatory notes

1. Corporate information.....	5
2.1 Basis for preparation	5
2.2 Summary of the significant accounting policies	5
2.3 Changes in the accounting policies and disclosures.....	13
3 Significant accounting judgments, estimates and assumptions	14
4 Published standards that have not yet entered into force	16
5. Income and expenses	16
6. Investments	17
7. Trade and other receivables	17
8. Financial assets held for trading.....	17
9. Cash and short-term deposits.....	18
10. Share capital and reserves	18
11. Interest-bearing loans and borrowings	19
12. Trade and other payables	19
13. Related party disclosures.....	20
14. Financial risk management objectives and policy	20
15. Financial instruments	21
16. Events, occurred after the reporting period	23
17. Remuneration for audit.....	23

Board of Directors

Nikolay Kinevski
Todor Stefanov
Biserka Markova-Denkova

Address

1592 Sofia
43, Christopher Columbus Blvd.

Servicing banks:

Postbank AD
First Investment Bank AD
UniCredit Bulbank AD

Registration codes

UIC: 175248523
VAT ID: BG175248523

Auditor

Audit company reg. No. 151, AUDIT VICTORY GROUP OOD
Sofia, 6, Prof. Nikola Mihaylov Street

DECLARATION ON CORPORATE GOVERNANCE

This Declaration on Corporate Governance is based on the principles and norms of good corporate governance set by Bulgarian legislation through the provisions of the National Code of Corporate Governance, Commerce Act, the Public Offering of Securities Act, the Accounting Act, the Independent Financial Audit Act, and other legal and regulatory acts and internationally recognized standards.

I. Information under Art. 100m, para. 8, item 3 of the Public Offering of Securities Act

Asterion Bulgaria AD (the Company) has a well-established system of risk management and internal control that ensures the effective operation of accounting and financial reporting and disclosure systems. The internal control system is being developed and functioning also in order to identify the risks accompanying the Company's activity and to support their effective management.

The internal control and risk management aim to provide a reasonable degree of certainty regarding the achievement of the holding's strategic goals towards achieving efficiency and effectiveness of operations, reliability of financial statements, compliance with and implementation of existing legal and regulatory frameworks. The Internal control and risk management are implemented by the Board of Directors, as well as by the executive directors of the subsidiaries.

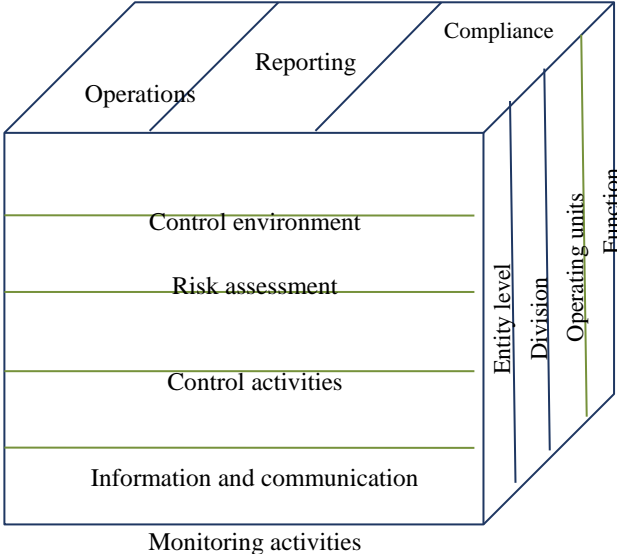
Asterion Bulgaria AD has adopted and applies rules and procedures regulating the effective functioning of the accounting and financial reporting systems and the disclosure of information by the Company. The rules describe in detail the different types of information created and disclosed by the Company, the processes of internal business document flow, the different levels of access to the types of information of the persons responsible and the time limits for processing and managing the information flows.

The established risk management system ensures effective internal control over the creation and management of all company documents, including financial statements and other regulated information that the Company is required to disclose in accordance with legal regulations.

The main components of the internal control system are as follows:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring activities

These components are relevant to the organization as a whole and to its individual levels and divisions, or to individual operating units, functions, or other its structural elements, and this link is represented through the COSO Cube.¹



The main features of the internal control system are summarized in the following scheme²:

Components

Principles

Control environment

- 1. Commitment to integrity and ethical values
- 2. Independent board of directors oversight
- 3. Structures, reporting line, authorities, responsibilities
- 4. Attract, develop and retain competent people
- 5. People held accountable for internal control

Risk assessment

- 6. Clear objectives specified
- 7. Risks identified to achievement of objectives
- 8. Potential for fraud considered
- 9. Significant changes identified and assessed

Control activities

- 10. Control activities selected and developed.
- 11. General IT controls selected and developed.
- 12. Controls deployed through policies and procedures

¹ COSO - A basic concept for internal control

² Internal Control Model - An Integrated Framework Model, COSO

Information and communication	13.	Quality information obtained, generated and used
	14.	Internal control information internally communicated
	15.	Internal control information externally communicated
Monitoring activities	16	Ongoing and/or separate evaluations conducted
	17	Internal control deficiencies evaluated and communicated

One of the main objectives of the implemented internal control and risk management system is to assist management and other stakeholders in assessing the reliability of the Company's financial statements.

The annual separate financial statements and the annual consolidated financial statements of Asterion Bulgaria AD are subject to an independent financial audit, which provides an objective external opinion about the way they are prepared and presented. The Company prepares and maintains its accounting in accordance with International Financial Reporting Standards (IFRS).

The risk management policy is implemented in an integrated way and in accordance with all other policies and principles regulated in the internal acts of Avto Union AD.

A detailed description of the risks typical of the activities of Asterion Bulgaria AD and the subsidiaries and companies is presented in the Separate statement on the activities of the company for 2019.

II. Information under Art. 100m, para. 8, item 4 of the Public Offering of Securities Act

The members of Asterion Bulgaria AD provide information under Article 10, paragraph 1, letters "c", "d", "e", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the Council dated 21 April 2004 on the takeover proposals:

Para. letter "c"	1, Significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC.	Asterion Bulgaria AD has a significant direct shareholding, which is described in detail in the individual report on the activities of the Company for 2019.
Para. letter "d"	1, Holders of all securities with special rights of control and description of these rights	There are no shares to give special control rights.
Para. letter "f"	1, Any restrictions on voting rights, such as restrictions on the voting rights of holders of a certain percentage or number of votes, deadlines for the exercise of voting rights; or systems through which, through cooperation with the company, the financial rights granted to the securities, are separated from the possession of the securities;	There are no restrictions on the voting rights of holders of a certain percentage or number of votes, deadlines for the exercise of voting rights; or systems through which, through cooperation with the Company, the financial rights granted to the securities, are separated from the possession of the securities.
Para. letter "f"	1, Rules governing the appointment or the replacement of members of the board and making the amendments to the	Rules governing the appointment or the replacement of members of the board and making the amendments to the Articles of association are

	Articles of association.	set out in the statutes of Asterion Bulgaria AD.
Para. 1, letter "h"	The powers of the members of the board, and in particular the right to issue or buy back shares;	The powers of the members of the Board of Directors are governed by the Articles of Association of Asterion Bulgaria AD.

This Statement of Corporate Governance of Asterion Bulgaria AD has been drawn up and signed on April 15, 2020.

Declarer:

/illegible signature/

Round seal of Asterion Bulgaria AD, Sofia

Nikolay Kinevski
Executive Director

ANNUAL BUSINESS ACTIVITY REPORT
(separate)

of ASTERION BULGARIA AD

FOR THE 2019 FINANCIAL YEAR

The management presents its annual report and the annual financial statements as of December 31, 2019.

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 “100H”, 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 2019.

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
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 31.12.2019, the receivable amounts to BGN 1,038 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	15,145 499 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.
- purchase and sale of short-term financial assets.

IMPORTANT EVENTS

Asterion Bulgaria AD is an issuer of a debenture loan of EUR 7,500 thousand. As of December 31, 2019, the principal of the debenture loan amounts to EUR 4,400 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 annex was signed on 14.01.2019.

On 28.03.2019, Asterion Bulgaria AD and insurance company Euroins AD have concluded an add on to the insurance policy № 290000 1758/02.03.2011. - Insurance contract "Bond loan" for providing full insurance coverage under the changed conditions of bond issue, with ISIN code BG2100006092, issued by Asterion Bulgaria AD.

INVESTMENT PORTFOLIO

As of December 31, 2019, 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 2019 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 01.01.2019 to 31.12.2019, the company has no sales revenue. Interest income on loans granted is BGN 5,000, and dividend income is BGN 1,000. Revenues from reimbursed expenses for impairment of financial assets are BGN 32 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 54 thousand, interest expenses on loans and accrued interest on a debenture loan in the amount of BGN 849 thousand. BGN, expenses from revaluation of financial assets - BGN 60 thousand. and other financial expenses BGN 4 thousand.

For 2019, Asterion Bulgaria AD formed a negative financial result in the amount of BGN 929 thousand, and for 2018 a negative financial result - BGN 939 thousand.

Revenue and expenditure structure on a non-consolidated basis:

Income	31.12.2019		31.12.2018	
	BGN thousand	share	BGN thousand	share
Operating income	0	0%	-	0%
Financial income	6	100%	62	100%
Total revenue	6	100%	62	100%
Expenses				
Operating expenses	(54)	6%	(55)	5%
Impairment of financial assets recovered	32	-3%	51	-5%
Operating expenses	(22)	2%	(4)	0%
Financial expenses	(913)	98%	(997)	100%
Total expenses	(935)	100%	(1.001)	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	31.12.2019		31.12.2018	
	BGN thousand	share	BGN thousand	share
Financial income, incl.	6	100%	62	100%
Income from interest	5	80%	56	90%
Income from dividends	1	20%	6	10%
Financial expenses, incl.:	(913)	100%	(997)	100%
Interest expense on loans granted	(849)	93%	(987)	99%
Negative difference from trading in financial assets	(60)	7%	(9)	1%
Other financial expenses	(4)	0%	(1)	0%
Outcome of the financial activity	(907)		(935)	

NET PROFIT

The result of the company on an individual basis in 2019 is a loss of BGN 0.098 per share.

Profit/Loss	31.12.2019	31.12.2018
	BGN thousand	BGN thousand
Result of the business activity	(22)	(4)
Outcome of the financial activity	(907)	(935)
Financial outcome before tax	(929)	(939)
Costs/savings for taxes	-	-
Net financial result	(929)	(939)
Number of shares (in thousand)	15,145	15,145
Average number of shares (in thousand)	15,145	15,145
Net result per share, BGN	(0.061)	(0.062)

FINANCIAL POSITION ON AN SEPARATE BASE

The amount of non-current assets decreased in 2019 compared to 2018, which is due to trade receivables settled during the reporting period. The total assets of the company decrease by 2%.

Dynamics of assets:

ASSETS	31.12.2019		31.12.2018
	BGN thousand	change	BGN thousand
Non-current assets			
Investments	15,647	-	15,647
Trade and other receivables	83	(93)%	1,156
Prepaid expenses	38	-	-
	15,768	(6)%	16,803
Current assets			
Trade and other receivables	3,891	17%	3,339
Receivables from trade loans granted	186	(45)%	337
Prepaid expenses	12	500%	2
Financial assets held for trading	8,011	(0)%	8039
Financial assets	63	26%	50
	12,163	3%	11,766
Total assets	27,931	(2)%	28,569

Dynamics of liabilities:

LIABILITIES	31.12.2019		31.12.2018
	BGN thousand	change	BGN thousand
Non-current liabilities			
Liabilities on bond loans	8,019	(7)%	8,605
Interest-bearing loans and borrowings	-	(100)%	2,648
	8,019	(29)%	11,253
Current liabilities			
Liabilities on bond loans	587	-	587
Trade and other payables	5,410	77%	3,063
Interest-bearing loans and borrowings	1,613	271%	435
	7,610	86%	4,085
Capital			
Registered capital	15,145	-	15,145
Cumulative loss	(1,914)	96%	(975)
Current result	(929)	(1)%	(939)
Equity	12,302	(7)%	13,231
Total equity and liabilities	27,931	(2)%	28,569

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	31.12.2019	31.12.2018
1. Current profit/loss (before taxes)	(929)	(939)
2. Net profit/loss (after taxes)	(929)	(939)
3. Equity	12,302	13,231
4. Liabilities (non-current and current)	15,629	15,338
5. Liabilities (non-current + current)	27,931	28,569
Financial autonomy ratio (3: 4)	0.79	0.86
Debt factor (4: 3)	1.27	1.16
Gross return on equity (1: 3)	(8)%	(7)%
Net return on equity (2: 3)	(8)%	(7)%
Gross return on liabilities (1: 4)	(6)%	(6)%
Net return on liabilities (2: 4)	(6)%	(6)%
Gross return on assets (1: 5)	(3)%	(3)%
Net return on assets (2: 5)	(3)%	(3)%

CAPITAL RESOURCES

The ratios characterizing the debt and the equity show how the company is financed. As of 31.12.2019, Asterion Bulgaria AD is not substantially changed its capital structure, as the share of equity for 2019 and 2018 years respectively 79% and 86%.

CAPITAL STRUCTURE

	Non-consolidated data	
	31.12.2019	31.12.2018
1. Equity	12,302	13,231
2. Long-term liabilities	8,019	11,253
3. Short-term liabilities	7,610	4,085
4. Total liabilities (2 + 3)	15,629	15,338
Financial autonomy ratio (1: 4)	0.79	0.86
Debt factor (4: 1)	1.27	1.16

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

Significant and significant events occurred after the reporting date of the financial statements.

At the end of 2019, the coronavirus pandemic started in China and spread around the world. In Bulgaria, the first positive tests were confirmed on March 8, 2020, and subsequently, by a decision taken by Parliament, a state of emergency was imposed on March 13, 2020. Strict anti-epidemic measures and restrictions were imposed, leading to disruption of normal economic activity almost all businesses in the country. Due to the unpredictable dynamics of COVID-19, the scope and effects on business are complex and practically impossible to estimate accurately at this stage.

Board of Directors of Asterion Bulgaria AD, considered the situation related to COVID-19 for significant non-adjusting event under IAS 10 but does not expect a material impact on the Company and its ability to continue as a going concern.

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 2019 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 31.12. 2019, 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: 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: As of 31.12.2019, 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 31.12. 2019, 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	Current: Double Com EOOD - sole owner of the capital; Italtech Service - Bulgaria EOOD - manager and sole owner of the capital; Eurowest Financial Bulgaria EOOD - manager and sole owner of the capital Terminated: East Rent a Car EOOD - manager until March 28.03.2019.
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 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	As of 31.12. 2019, there are no data on activities performed outside of the company, which are of importance to the company

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><u>Current:</u></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><u>Terminated:</u></p> <ul style="list-style-type: none"> ♦ 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 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 2019 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 December 31, 2019, 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.

In 2019, Asterion Bulgaria AD has launched an investment intention by concluding a contract for the acquisition of 12% of the capital of a foreign company. As of 31.12.2019, from of the total agreed 750 thousand euros, 350 thousand euros have been paid

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 2019, Asterion Bulgaria AD has launched an investment intention by concluding a contract for the acquisition of 12% of the capital of a foreign company. As of 31.12.2019, from of the total agreed 750 thousand euros, 350 thousand euros have been paid

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

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, 2019, 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, 2019, 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%	BGN	702,235	292,747	994,982	25.10.2020
Asterion Bulgaria AD	Synthetica AD	5.00%	BGN	380,000	581	380,581	20.12.2020
Asterion Bulgaria AD	Euroins Insurance Group EAD	8.00%	BGN	-	140,000	140,000	25.03.2020

Liabilities on bond loans

Company	Currency	Principal	Interest until 31.12.2019	Agreed interest	Maturity
Asterion Bulgaria AD	EUR	4,400,000	49,229	5.25%	14.4.2019-14.4.2024

9. 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	Kamalia Trading Ltd.	5.00%	BGN	115,349	71,881	187,230	31.12.2020

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

During the reporting period until 31.12.2019, 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 2019.

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 2019, Asterion Bulgaria AD has launched an investment intention by concluding a contract for the acquisition of 12% of the capital of a foreign company. As of 31.12.2019, from of the total agreed 750 thousand euros, 350 thousand euros have been paid

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 accounting procedures, policies and preparation of financial statements in the holding are performed by leading highly qualified specialists.

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

In 2019 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
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, 2019 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 2019.

/illegible signature/

Round seal of Asterion Bulgaria AD

Nikolay Kinevski
Executive Director
ASTERION BULGARIA AD
city of Sofia
15.04.2020 г.

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, containing the statement of financial position as at December 31, 2019 and the consolidated statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended that date, as well as the notes to the financial statements, containing a summary disclosure of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Company's financial position at December 31, 2019 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) (including International Independence Standards) 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 28.68% 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 2.2 e, item 8 and item 15 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 the risk of an essential incorrect reporting which is the result of mistake since fraud may include secret agreement, falsification, deliberate omissions, misrepresentations aiming to mislead the auditor, as well as override or evasion of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- we conclude on the appropriateness of use by the management of the going concern basis of accounting and, on the basis of the audit evidence obtained, whether there is material uncertainty related to events or conditions that could cast 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 MOC 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, para. 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 under Art. 10 of Regulation (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) № 537/20H 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, 2019 of Asterion Bulgaria AD at the General Meeting of Shareholders held on 17.06.2019 for a period of one year.

- The audit of the financial statement for the year ended December 31, 2019 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 we have not provided the mentioned in Art. 64 of the Independent Financial Audit Act prohibited non-audit Services.
- 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: 22.05.2020

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

ASTERION BULGARIA AD

INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

For the year ended on December 31, 2019

	<u>Note</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
Income		-	-
Expenses for external services		(54)	(55)
Impairment and impairment of financial assets, net	5.2	32	51
Result of operational activity		(22)	(4)
Financial expenses	5.2	(913)	(997)
Financial income	5.3	6	62
Outcome of the financial activity		(907)	(935)
Financial outcome before tax		(929)	(939)
Financial result, net		(929)	(939)
<i>Net profit/loss per share, in BGN</i>		(0.061)	(0.062)

The financial statements were approved by the Board of Directors on 15.04.2020 and signed as follows:

Executive Director: */illegible signature/*

\Nikolay Kinevski\

Prepared by: */illegible signature/*

Round seal of Asterion Bulgaria AD

\ 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: 22.05.2020

Oval seal of Audit company reg. No. 151, Audit Victory Group OOD, Sofia

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

ASTERION BULGARIA AD
SEPARATE STATEMENT OF FINANCIAL POSITION
For the year ended on December 31, 2019

	<u>Note</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
ASSETS			
Non-current assets			
Investments	6	15,647	15,647
Prepaid expenses		38	-
Trade and other receivables	7.1	83	1,156
		15,768	16,803
Current assets			
Trade and other receivables	7.2	3,891	3,339
Receivables from trade loans granted		186	337
Prepaid expenses		12	2
Financial assets held for trading	8	8,011	8,039
Cash and cash equivalent	9	63	50
		12,163	11,766
TOTAL ASSETS		27,931	28,569
EQUITY AND LIABILITIES			
Capital, belonging to the company			
Registered capital	10	15,145	15,145
Accumulated profit/(losses)		(2.843)	(1.914)
		12,302	13,231
Non-current liabilities			
Interest-bearing loans and borrowings	11.1	-	2,648
Bond issue payables	11.2	8,019	8,605
		8,019	11,253
Current liabilities			
Trade and other payables	12.2	5,410	3,063
Bond issue payables	11.2	587	587
Interest-bearing loans and borrowings	11.1	1,613	435
		7,610	4,085
Total liabilities		15,629	15,338
TOTAL EQUITY AND LIABILITIES		27,931	28,569

The financial statements were approved by the Board of Directors on 15.04.2020 and signed as follows:

Executive Director: */illegible signature/*

Prepared by: */illegible signature/*

\Nikolay Kinevski\

Round seal of Asterion Bulgaria AD

\ 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: 22.05.2020

Oval seal of Audit company reg. No. 151, Audit Victory Group OOD, Sofia

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

ASTERION BULGARIA AD
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
For the year ended on December 31, 2019

	Equity	General reserves	Accumulated profit/(losses)	Total
	<i>BGN thousand</i>	<i>BGN thousand</i>	<i>BGN thousand</i>	<i>BGN thousand</i>
On January 1, 2018	15,145	-	(975)	14,170
Loss for the period	-	-	(939)	(939)
Total comprehensive income	-	-	-	-
On Monday, December 31, 2018	15,145	-	(1,914)	13,231
On January 1, 2019	15,145	-	(1,914)	13,231
Loss for the period	-	-	(929)	(929)
Total comprehensive income	-	-	-	-
On December 31, 2019	15,145	-	(2,843)	12,302

The financial statements were approved by the Board of Directors on 15.04.2020 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: 22.05.2020

Oval seal of Audit company reg. No. 151, Audit Victory Group OOD, Sofia

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, 2019

	<u>31.12.2019</u>	<u>31.12.2018</u>
Net cash flow from operating activity	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Payments to counterparties	(101)	(69)
Payments related to remuneration	(1)	-
Other proceeds/payments from operating activity	3,343	2,046
Net cash flow from operating activity	3,241	1,977
Cash flow from investment activities		
Purchase of investments	(758)	(6)
Proceeds from sale of investments	56	200
Dividends from investments	1	7
Loans granted	-	(2.267)
Repayed (paid) loans granted	80	4,796
Interest received on loans granted	78	123
Other proceeds/payments from investing activity	-	(2.404)
Net cash flow from investing activities	(543)	449
Cash flow from financial activities		
Proceeds from bank and trade loans	1,380	6,079
Repayment of loans	(3.533)	(7.843)
Interest payments	(522)	(682)
Other revenues/payments from financing activity	(10)	(1)
Net cash flow from financing activities	(2.685)	(2.447)
	13	(21)
Net decrease/increase in cash and cash equivalents	13	(21)
Cash and cash equivalents at January 1	50	71
Cash and cash equivalents at December 31	63	50

The financial statements were approved by the Board of Directors on 15.04.2020 and signed as follows:

Executive Director: */illegible signature/*

\Nikolay Kinevski\

Prepared by: */illegible signature/*

Round seal of Asterion Bulgaria AD

\ 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: 22.05.2020

Oval seal of Audit company reg. No. 151, Audit Victory Group OOD, Sofia

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, 2019

1. Corporate information

The financial statements of Asterion Bulgaria AD for the year ended December 31, 2019 have been approved for issue in accordance with a decision of the Board of Directors dated April 15, 2020.

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 subject of activity of the Company is acquisition, management, evaluation and sale of participations in Bulgarian and foreign commercial companies.

The final Parent - company as of 31.12.2019 is Asterion Capital LLC.

2.1 Preparation basis

Statement of compliance

The financial statements of Avto Union 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 929 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

ASTERION BULGARIA AD

EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:

For the year ended on December 31, 2019

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.

ASTERION BULGARIA AD

EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:

For the year ended on December 31, 2019

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

Debt instruments measured at depreciated value

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest rate. Discarding is not performed when its effect is inessential. The Company's management has concluded, the financial assets representing cash in current accounts, litigation and claims and debts on loans, which under IAS 39 have been classified as "loans and receivables", will be held by the Company to obtain the agreed cash flows expected to result in cash, representing solely payments of principal and interest. These financial assets are classified and will be subsequently measured at IFRS 9 at amortized cost.

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 for which the company irrevocably has chosen at initial recognition to be recognized in this category.

ASTERION BULGARIA AD

EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:

For the year ended on December 31, 2019

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.

Write-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

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

The Company applies a simplified depreciation model for financial assets falling within the scope of IFRS 9 (portfolio approach) based on Moody's statistics on the probability of execution, the default losses and the expected credit losses. The statistical databases in question have the following temporal and geographical dimensions:

External statistics for the whole world for the period since 1990;

Local country statistics (adapting external to the local environment) for the period from 2011 to 2019

The set of guidelines for impairment adopted by the Company, including information on the underlying financial assets (divided into separate portfolios) within the scope of IFRS 9, classified mainly on these types of assets :

- Cash and deposits - including cash held by the Company in banks, as well as deposits with a repayment term and more than 3 months from the date of the statement; The Company categorizes the banks in which it holds cash on the basis of their rating agencies (Moody's, Fitch, S&P, Bulgarian Credit Rating Agency) and, depending on it, applies a different percentage of expected credit losses;
- Receivables on loans granted -receivables on loans granted, which are categorized according to whether the Borrower has a rating and whether they are overdue.
- Trade and other receivables - a large group of receivables arising from the normal business activity of the Company and related to general transactions in the normal course of business. The Company divides the portfolio of the above assets into 5 main portfolios according to their specific characteristics, namely:
 - (A) Corporate clients - includes all receivables arising from commercial (non-financial) transactions, which are further subdivided according to their geographic features (1) Sub Portfolio A - International customers (including all types of international, non-local customers) and (2) Sub-Portfolio B - local customers (including all local customers at the respective place of operation);
 - (B) Individual customers - the portfolio includes all receivables and other receivables (non-financial) from individuals;
 - (C) Related parties - includes all trade and other receivables from related parties of the Group as well as within the Group in accordance with the general requirements of IAS 24 Related Party Disclosures;
 - (D) Receivables under surveillance - the last portfolio includes all other receivables that are overdue for more than 120 days but are not yet considered as being individually reviewed due to the specific nature of the counterparty relationship;
 - (E) Other individually assessed receivables - all other assets (trade and other receivables) that are overdue for more than 150 days and must be individually assessed for impairment.

ASTERION BULGARIA AD

EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:

For the year ended on December 31, 2019

f) Financial liabilities

Financial liabilities include debt on bonds, borrowing (credit) liabilities to suppliers and other contractors.

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

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

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.

k) Leasing

Accounting policy applicable until December 31, 2018

Until December 31, 2018, leasing of property, machinery and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership, were classified as finance leases. A finance lease is capitalized when the lease is started at the fair value of the leased property or, if it is lower, the present value of the minimum lease payments. The corresponding rent obligations, excluding financial charges, were included in other short and long term liabilities. Each lease payment was distributed between liabilities and financing costs. Financial expenses were accrued on the profit or loss during the lease period so as to obtain a constant periodic interest rate on the remaining balance of the liability for each period. Property, machines and equipment acquired under a finance lease are amortized over the useful life of the asset or the shorter of the useful life of the asset and the lease term, unless there is reasonable assurance that the Company will acquire the property at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under an operating lease (without any incentive received by the lessor) were charged to the straight-line profit or loss during the lease term.

Accounting policy applicable from 01.01.2019

The Company as a lessee

As of January 1, 2019, the Company assesses whether the contract represents or contains elements of a Lease if, under this agreement, the right to control the use of an asset for a specified period of time is transferred for consideration. If it is established that the contract contains a lease, the Company recognizes it as an asset with a right of use and a corresponding obligation at the date on which the leasing asset is available for use by the Company.

A reassessment of whether a contract represents or contains elements of a lease is made only in the event of a change in the terms and conditions of the contract. The assets and liabilities arising from lease initially measured as the present value.

Leasing liabilities include the net present value of the following lease payments:

- fixed payments (including substantially fixed payments) minus any lease incentive receivables;
- variable lease contribution based on an index or interest initially measured using the index or rate at the commencement date;
- amounts expected to be paid by the Company under guarantees of residual value;
- price of exercising a purchase option if the Company has reason to exercise that option;
- - payments of damages for termination of the lease, if the lease term reflects the fact that the Company exercises this option.

Lease payments that are made under reasonably defined extension options are also included in the liability measurement. When evaluating a leasing contract with an option to extend, the term of the contract should be plus 1 year to the fixed period. The company assumes that this is the minimum for which there is certainty that can be extended term of the contract with an option.

Lease payments are discounted using the interest rate included in the leasing contract. If this interest rate cannot be directly determined, the lessee's differential interest rate is used, which is the rate that the individual lessee would have to pay to obtain the funds needed to obtain an asset of similar value to the asset with a right to usage in similar economic environment with similar conditions, security and conditions.

The Company applies a three-stage approach in determining the differential interest rate based on:

- average yield of 10-year government bonds over the last 3 years;
- by financial spread - loans granted to new enterprises, non-financial corporations in local currency, to determine the initial interest rate for a period of 3 years (for real estate) or the average rate of financial leasing to unrelated persons for the last 3 years (for vehicles);
- specific adjustment for leases, associated with the particular asset (at the discretion of each individual asset).

The Company is exposed to potential future increases in variable lease payments based on an index or interest rate that are not included in the lease liability until they are in force. When adjustments to lease payments take effect, based on an index or interest, the lease liability is remeasured and adjusted against the eligible asset.

Lease payments are allocated between capital costs and financial costs. Financial expenses were accrued on the profit or loss during the lease period so as to obtain a constant periodic interest rate on the remaining balance of the liability for each period.

Assets with right of use should be measured at cost, including the following:

- the amount of the initial measurement of the lease liability;
- any leasing payments made on or before the initial date less the leasing incentives received;
- all initial direct costs and reimbursement costs.

Assets with rights of use are usually amortized over the shorter of the asset's life and the lease term on a straight-line basis. If the Company has reasonable grounds to use a purchase option, the right to use the asset is amortized over the useful life of the main asset.

Payments related to short-term leases of equipment and vehicles, as well as all leases of low value assets, are recognized on a straight-line basis as an expense in profit or loss.

ASTERION BULGARIA AD

EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:

For the year ended on December 31, 2019

The Company has accepted the threshold for recognition of assets with a usage right of BGN 10,000.00, taking into account the cost of the asset as new for this estimation.

The Company as a lessor

Lessors will continue to classify all leases by applying the same classification principle as in IAS 17 and distinguishing between two types of lease: operational and financial.

Operating lease income, when the company is a lessor, is recognized as income on a straight-line basis over the term of the leasing contract. The Company did not need adjustments in accounting for assets held as a lessor as a result of the adoption of the new leasing standard.

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 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.

ASTERION BULGARIA AD

EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:

For the year ended on December 31, 2019

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 01, 2019

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 1 January 2019 but do not have a material effect on their financial results and the financial position of the Company:

The Company applies 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, 2019

IFRS 16 "Leases" (amended) effective from January 1, 2019, adopted by the EU

IAS 16 Leases replaces IAS 17 Leases, as well as three clarifications: IFRIC 4 Determining Whether an Arrangement Contains a Lease, Standing Interpretation Committee (SIC) 15 - Operating Leases - Incentives and SIC 27 - Evaluating the substance of transactions involving the legal form of a lease.

The adoption of this new standard will result in the Company recognizing the leased asset and its related leasing obligations in relation to all previous operating leasing contracts, with the exception of those identified as low value asset or leasing asset less than 12 months from the date of initial application.

The Company has no lease agreements concluded.

IFRS 9 "Financial Instruments" (amended) - Prepayment Features with Negative Compensation, effective from January 01, 2019, adopted by the EU

The amendments allow companies to measure certain financial assets that can be paid in advance with negative compensation, at amortized cost or at fair value in other comprehensive income, rather than as financial assets at fair value through profit or loss.

To take account of financial asset at amortized cost, the negative compensation must be a "reasonable compensation for early termination of the contract" and the asset should be "held to collect contractual cash flows."

ASTERION BULGARIA AD

EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:

For the year ended on December 31, 2019

IAS 19 "Employee Benefits" (as amended) - Change in plan, termination or settlement - in effect from January 01, 2019, not yet adopted by the EU

These changes clarify the accounting for specific changes to the defined benefit plan, redundancy or settlement plan. They confirm that undertakings should:

- calculate current and probation costs so that the pension obligation is presented for the remaining period after the date of change, reduction or settlement of the plan, using updated assumptions after the date of change;
- to recognize in profit or loss as part of past service cost or as a gain/loss on settlement of the obligation any reduction in the excess, even if that excess has not been recognized before due to the use of an asset's upper limit.
-

Annual improvements to IFRS 2015-2017, in force since January 1, 2019, adopted by the EU

These amendments include minor changes to:

- IFRS 3 Business Combinations - the company should reassess its previous share in a jointly controlled activity when it acquires control of the business.
- IFRS 11 Joint ventures - the company should reassess its previous share in a jointly controlled activity when it acquires joint control of the business.
- IAS 12 Income Taxes - the company accounts for all effects on income tax resulting from dividends (including payments on financial instruments classified as equity) in accordance with transactions that generate distributable profit - ie. in profit or loss, other comprehensive income or equity;
- IAS 23 Borrowing Costs - the Company considers each loan originally taken to develop an asset as part of total loans when the asset is ready for the intended use or sale.

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 or after 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.

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 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 2019 amounting to BGN 308 thousand (December 31, 2018: BGN 215 thousand). The amount of temporary difference on which no tax asset is recognized is BGN 3083 thousand (December 31, 2018: BGN 2154 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 investments in subsidiaries

An impairment loss recognizes the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount that is higher than the fair value less costs to sell an asset and its value in use.

The company has not reported impairment losses on investments in subsidiaries in 2019 and 2018.

Impairment of financial assets

As of December 31, 2019, the management's best estimate of the expected credit losses on related party receivables, loans and trade and other receivables amounted to BGN 63 thousand.

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 1 January 2019 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 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

- IAS 1 and IAS 8 (revised) - Definition of materiality, effective January 1, 2020, adopted by the EU
- Amendments to the Financial Reporting Conceptual Framework as of January 1, 2020, adopted by the EU
- IFRS 3 (revised) - Definition of Business effective January 01, 2020, not yet adopted by EU
- Amendments in IFRS 9, IAS 39 and IFRS 7: Reference rate reform, in force since January 01, 2020, not yet adopted by EU

ASTERION BULGARIA AD**EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:**

For the year ended on December 31, 2019

- IFRS 14 "Deferred Accounts at Regulated Prices" effective from January 01, 2016, not yet adopted by the EU
- IFRS 17 "Insurance contracts" effective from 1 January 2021, not yet adopted by the EU

5. Revenues and expenses**5.1 External service costs**

	<u>31.12.2019</u>	<u>31.12.2018</u>
	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Insurances	11	8
Applicants services	8	1
Other external services	35	46
	<u>54</u>	<u>55</u>

5.2 Impairment and recovered impairment of fin. assets, net

	<u>31.12.2019</u>	<u>31.12.2018</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	32	53
<i>Total income/expenses from impairment of financial assets, net</i>	<u>32</u>	<u>51</u>

5.3 Financial costs

	<u>31.12.2019</u>	<u>31.12.2018</u>
	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Interest expenses on loans and borrowed funds	849	987
Expenses from revaluation of financial assets	154	232
Revenue from revaluation of financial assets	94	223
Revaluation costs of financial assets, net	60	9
Other financial expenses	4	1
	<u>913</u>	<u>997</u>

5.4 Financial income

	<u>31.12.2019</u>	<u>31.12.2018</u>
	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Income from interest on loans granted to subsidiaries	5	56
Income from dividends	1	6
	<u>6</u>	<u>62</u>

6. Investments

Company	Share in capital %	<u>31.12.2019</u>	<u>31.12.2018</u>
		<i>BGN</i>	<i>BGN</i>
		<i>thousand</i>	<i>thousand</i>
- iLearn 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>31.12.2019</u>	<u>31.12.2018</u>
<i>BGN</i>	<i>BGN</i>
<i>thousand</i>	<i>thousand</i>

ASTERION BULGARIA AD**EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:**

For the year ended on December 31, 2019

Receivables under contract for sale of subsidiaries - non- current part, gross	85	1,185
<i>Expected credit losses</i>	(2)	(29)
Receivables under contract for sale of subsidiaries - non- current part, net	83	1,156
	83	1,156

7.2 Current receivables

	<u>31.12.2019</u>	<u>31.12.2018</u>
	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Receivables under contract for sale of subsidiaries		
- current part, gross	953	1,100
<i>Expected credit losses</i>	(22)	(26)
Receivables under contract for sale of subsidiaries, net	931	1,074
Receivables from related parties, gross	2,281	2,277
<i>Expected credit losses</i>	(14)	(14)
Receivables from related parties, net	2,267	2,263
Advance for acquisition of shares *	684	-
Other receivables, gross	32	25
<i>Expected credit losses</i>	(23)	(23)
Other receivables, net	9	2
	3,891	3,339

* During the reporting period the company has entered into a contract for the acquisition of 12% of the capital of a foreign company. As of 31.12.2019, from of the total agreed 750 thousand euros, 350 thousand euros have been paid Trade receivables are not interest-bearing.

8. Financial assets held for trading

	<u>31.12.2019</u>	<u>31.12.2018</u>
	<i>BGN</i>	<i>BGN</i>
	<i>thousand</i>	<i>thousand</i>
Purchases of financial assets, held for trading	8,011	8,039
	8,011	8,039

The financial assets held for trading are revalued at fair value as of December 31, 2019 on the basis of a stock exchange bulletin.

9. Cash and short-term deposits

	<u>31.12.2019</u>	<u>31.12.2018</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Cash on hand	43	44
Cash in bank accounts	20	6
	63	50

Cash in bank accounts is accrued at floating interest rates based on daily interest rates on bank deposits. As of 31.12.2019 the fair value of cash and short-term deposits is BGN 63 thousand. (2018 – 50 thousand BGN).

10.? ?**10.1 Fixed capital**

	<u>31.12.2019</u>	<u>31.12.2018</u>
		16

ASTERION BULGARIA AD**EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:**

For the year ended on December 31, 2019

	<i>BGN thousand</i>	<i>BGN thousand</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>

The change in share capital is presented below:

	Number of ordinary shares (in BGN thousands)	Registered and issued capital (in BGN thousand)
On January 1, 2018	15,145	15,145
On January 1, 2019	15,145	15,145
On December 31, 2019	<u>15,145</u>	<u>15,145</u>

10.2 Reserves*Statutory reserves*

The 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.

In 2019, no statutory reserves are set aside, as the result for 2018 is a loss.

11. Interest-bearing loans and borrowings**11.1 Bank and other loans**

	31.12.2019	31.12.2018
	<i>BGN thousand</i>	<i>BGN thousand</i>
Long-term		
Loans from third parties	-	2,648
	<u>-</u>	<u>2,648</u>
Short-term		
Interest payable on debenture loan and other borrowed funds	1,613	435
	<u>1,613</u>	<u>435</u>

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

All long-term loans will reach maturity within 1 to 5 years.

11.2 Debenture loans

First ranking issue with ISIN BG2100006092 Effective Maturity

ASTERION BULGARIA AD**EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:**

For the year ended on December 31, 2019

	interest rates		<u>31.12.2019</u> <i>BGN thousand</i>	<u>31.12.2018</u> <i>BGN thousand</i>
Short-term part	5.25%	2020 г.	587	587
Long-term part	5.25%	2021-2024	8,019	8,605

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;

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.

12. Trade and other payables**12.2 Current**

	<u>31.12.2019</u> <i>BGN thousand</i>	<u>31.12.2018</u> <i>BGN thousand</i>
Liabilities to suppliers and customers	17	-
Liabilities under repo transactions	5,392	3,062
Other payables	1	1
	<u>5,410</u>	<u>3,063</u>

13. Related party disclosure

As of 31.12.2019 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

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

	<u>31.12.2019</u> <i>BGN thousand</i>	<u>31.12.2018</u> <i>BGN thousand</i>
iLern Limited BVI, gross	11	7
Asterion Capital LLC, gross	2,270	2,270
Trade and other receivables from related parties, gross	<u>2,281</u>	<u>2,277</u>
<i>Expected credit losses</i>	<u>(14)</u>	<u>(14)</u>
Trade and other receivables from related parties, net	<u>2,267</u>	<u>2,263</u>

ASTERION BULGARIA AD

EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:

For the year ended on December 31, 2019

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.

14. 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 that arise directly from the operations.

In 2019, as in 2018, 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.

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, 2019.

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 2019, as well as in 2018, 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

ASTERION BULGARIA AD**EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:**

For the year ended on December 31, 2019

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.

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

31.12.2019	Level 1	Level 2	Level 3	Total fair value	Total book value
<i>in thousand BGN</i>					
Assets					
Cash and short-term deposits	63			63	63
Financial assets held for trading		8,011		8,011	8,011
Interest-bearing loans			186	186	186
Trade and other receivables			3,974	3,974	3,974
Total assets	63	8,011	4,160	12,234	12,234

Liabilities					
Interest-bearing loans and borrowings			1,613	1,613	1,613
Bond issue payables			8,606	8,606	8,606
Trade and other payables			5,410	5,410	5,410
Total liabilities	-	-	15,629	15,629	15,629

December 31, 2018	Level 1	Level 2	Level 3	Total fair value	Total book value
<i>in thousand BGN</i>					
Assets					
Financial assets	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	4,832	12,921	12,921

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

ASTERION BULGARIA AD

EXPLANATORY NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS:

For the year ended on December 31, 2019

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.

Each financial year, management analyzes and assesses whether there are indicators of impairment of its investments in subsidiaries. The Company performed its annual impairment test in March 2020. The Company took into account the carrying amount of investments and their net assets, among other factors, when reviewing impairment indicators. The tests and judgments of management for impairment of the investment in the subsidiary iLearn Limited are based on the Applied Value Standard and the "Net Asset Value" method is used. The calculations are made with the assistance of an independent licensed appraiser.

As a result of the analysis, the recoverable amount was exceeded over the value of the investment and the management did not identify the need for impairment.

The Company's management believes that in the current circumstances, the estimates of financial assets and liabilities presented in the separate statement of financial position are as reliable, adequate and reliable as possible for the purposes of the financial statements.

16. Events after the end of the reporting period

There have been no events after December 31 that would require additional adjustments in the financial statements of the Company for the year ended December 31, 2019.

The Company discloses the following non-adjusting event:

At the end of 2019, the coronavirus pandemic started in China and spread around the world. In Bulgaria, the first positive tests were confirmed on March 8, 2020, and subsequently, by a decision taken by Parliament, a state of emergency was imposed on March 13, 2020. Strict anti-epidemic measures and restrictions were imposed, leading to disruption of normal economic activity almost all businesses in the country. Due to the unpredictable dynamics of COVID-19, the scope and effects on business are complex and practically impossible to estimate accurately at this stage.

Board of Directors of Asterion Bulgaria AD, considered the situation related to COVID-19 for significant non-adjusting event under IAS 10 but does not expect a material impact on the Company and its ability to continue as a going concern.

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 2019. The translation consists of 49 pages.

Translator: _____ Savina Hadzhieva