

**2018**



# **ANNUAL ACTIVITY REPORT**



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## GENERAL INFORMATION

### INTRODUCTION

For more than 70 years, Chimimport AD is one of the most successful Bulgarian enterprises. It started as a foreign trade company specializing in the marketing of chemical products, today “Chimimport” AD is an established holding company, uniting more than 70 successful companies. They hold leading positions in the different economic sectors in which they carry out their activities: banking, insurance and pension insurance; aviation, river and maritime transport; production, extraction and trading of petroleum products and natural gas; production, processing and marketing of cereals, vegetable oils and biofuels.

Each of the 6 000 employees in Chimimport's structure contributes to the successful integration of the Bulgarian business in compliance with the European standards. Recent years have strengthened the company as a leader of the “Bulgarian Stock Exchange - Sofia” AD which is the result of the proper planning of the investments and the professional actions and the efforts of the management.

The company's activity as a public company is the creation and validation of effectively functioning models of corporate management, guaranteeing equal treatment and protection of the rights of all shareholders. Practice is the transparently and correct disclosure of information needed by current shareholders, stakeholders and potential investors.

The goals of Chimimport AD for the following years remain unchanged - increasing the growth rate of the company; consolidating the positions of the investment portfolio companies as leading in their market sectors not only on the Bulgarian market but also on the international market; increasing the efficiency of manufacturing enterprises through the continuous introduction of new technologies and products; raising the reputation and assets of the company.



A handwritten signature in blue ink, appearing to be 'Ivo Kamenov'. The signature is fluid and cursive, written over a light gray rectangular background.

**IVO KAMENOV**  
**CEO /Chief Executive Officer/**

## GENERAL INFORMATION

### THE COMPANY TODAY

**Share capital**

**BGN 239 646 million**

**Equity**

**BGN 1 219 929 thousand**

**Assets**

**BGN 1 464 379 million**

**Net Profit**

**BGN 36 679 million**

**Executive directors**

**Ivo Kamenov**

**Marin Mitev**

**Majority shareholder**

**Company management in the face of “Invest Capital” AD -72,96 %**

**Minority shareholders of Chimimport AD are respected international companies and institutions**

**Uncredit Bank Austria - Austria**

**Eurobank Ergasias - Greece**

**The Bank of New York Mellon – USA**

**Eaton Vance Emerging Markets Funds – USA**

**Raiffeisen Bank International – Austria**

**BNP Paribas Securities Services S.C.A. – France**

**Euroins Romania Asigurare – Reasigurare -**

**Horizon Growth Fund N.V.**

**Approximately 250 legal entities and over 3 500 individuals.**

## GENERAL INFORMATION

### MANAGING BODIES



#### *Members of Supervisory Board:*

Chairman of the Supervisory Board  
Invest Capital AD

Member of the Supervisory Board  
CCB Group EAD

Member of the Supervisory Board  
Mariana Bazhdarova.

#### *Members of Managing Board:*

Chairman of the Managing Board  
Tsvetan Botev

Deputy Chairman of the Managing Board;  
Alexander Kerezov

Executive Director and Member of the Managing Board  
Ivo Kamenov

Executive Director and Member of the Managing Board  
Marin Mitev

Member of the Managing Board  
Nikola Mishev

Member of the Managing Board  
Mirolyub Panchev

The Company is managed by a two-tier management system.

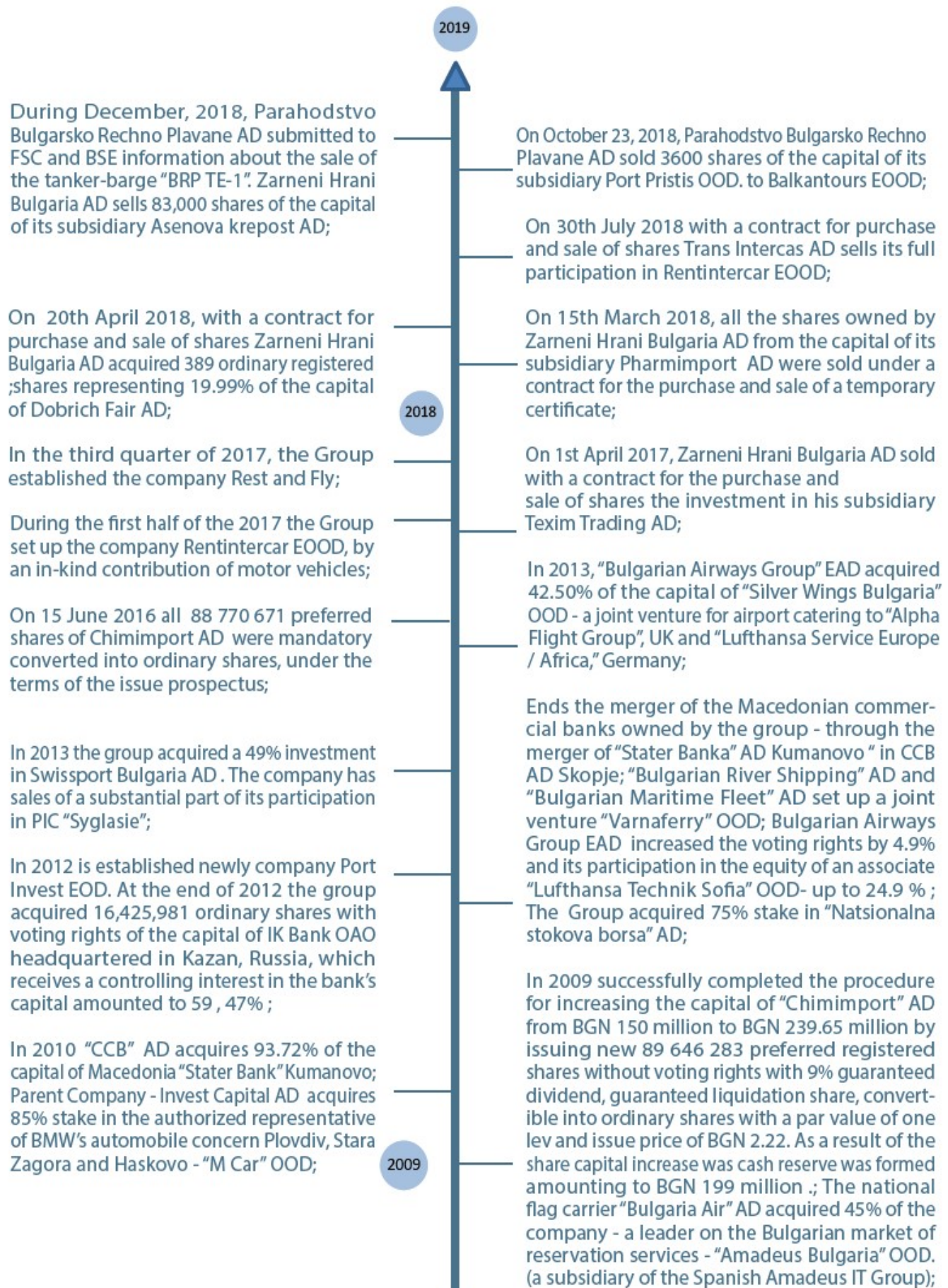
Boards are:

- General Meeting of Shareholders
- Supervisory Board
- Managing Board

“Chimimport” AD is represented by its executive directors Ivo Kamenov and Marin Mitev together and separately.

## GENERAL INFORMATION

## HISTORY OF CHIMIMPORT AD



## GENERAL INFORMATION

## HISTORY OF CHIMIMPORT AD

In 2008 "CCB" AD acquired majority stake in the Macedonian bank "Silex Bank" AD Macedonia renamed later "CCB Skopje" AD. In the same year "Chimimport" AD successfully placed an issue of secured exchangeable bonds worth EUR 65 mln, with 7-year maturity, convertible to common shares of "Chimimport" AD;

In 2006 "Chimimport" AD acquired 99.13% of the capital of "Bulgarian River Shipping" AD; The subsidiary "Port Lesport" AD concluded the 30-year contract; Through "Port Balchik" AD, the group won concession for a period of 25 years of "Terminal Balchik";

In 2004 the financial sub-holding "CCB Group Assets Management" AD (currently "CCB Group" EAD) was established; Chimimport AD acquired the shares of the CCB AD from "Central Cooperative Union" CCB - 23.45% of the bank's capital;

In 2003 privatization of "Oil and gas exploration and production" AD was successfully completed;

On 5 October 1994, the Privatization Agency entered a contract with the company's managerial team, united in Invest Capital AD /Chimimport Invest AD/ for the selling of 58.7% of the capital of Chimimport AD, increased to 63.01 % in the 1995;

The export product list reached more than 125 position in the beginning of 80s;

Chimimport AD has had nomenclature of more than 70 export positions and 41 import stock groups in the end of 60s;

The 50s mark the beginning of export activity - herbs, essential oils and cultivated plant materials; In 1959 DTP Chimimport merged with DTPP Bulgarian rose and began export of rose oil;

In 2007 "Chimimport" AD acquired 99.99% of the capital of "Bulgaria Air" AD, such as the Bulgarian state retains a "golden share"; Bulgarian Airways Group EAD / Bulgarian Aviation Group "EAD / conclude an agreement establishing a joint venture with Lufthansa Technik AG "Lufthansa Technik Sofia". In the same year licenses from the Financial Supervision Commission for life insurance company "CCB Life" EAD and Health Insurance Company "CCB Health" EAD were received- sold in 2013;

The capital of "Chimimport" AD increased to BGN 130 million. "Chimimport" AD became a public interest company;

In 2005 the following sub-holding structures were established - "Bulgarian Shipping Company" EAD - for river and sea transport and "Chimimport Group" EAD - commercial and manufacturing activities; "Chimimport" AD acquired 49.28% of the third by assets and market share pension insurance company in Bulgaria - PIC "Syglasie" AD. Nearly 50% of the acquired interest was sold in 2013 realizing a significant return;

In 2002 "Chimimport" AD - acquired 32.77% of "CCB" AD; -acquired 91.92% of the capital of Armeec Insurance JSC - acquired a controlling stake in the capital of POAD "CCB-Sila";

In 2001 "Chimimport" EAD acquired 23% of the capital of "CCB" AD and established consortium to manage the bank with another major shareholder - the "Central Cooperative Union";

On the grounds of Order No. 56 Resolution No. 1 dated January, 24, 1990, company case No 2655/1989 Joint-stock Company named Chimimport was established with own capital at the amount of EUR 5.11 mln

IDTP "Chimimport" VTP "Neftochim" and VTD "Lesoimpeks" join to create VTO "Chimimport", which imports, exports and re-exports chemicals, chemical raw materials, natural gas, petroleum, petrochemicals, pulp and paper in 1977;

In 1963 the first re-export deal is realized- the sale of calcined sodium from Belgium to Japan;

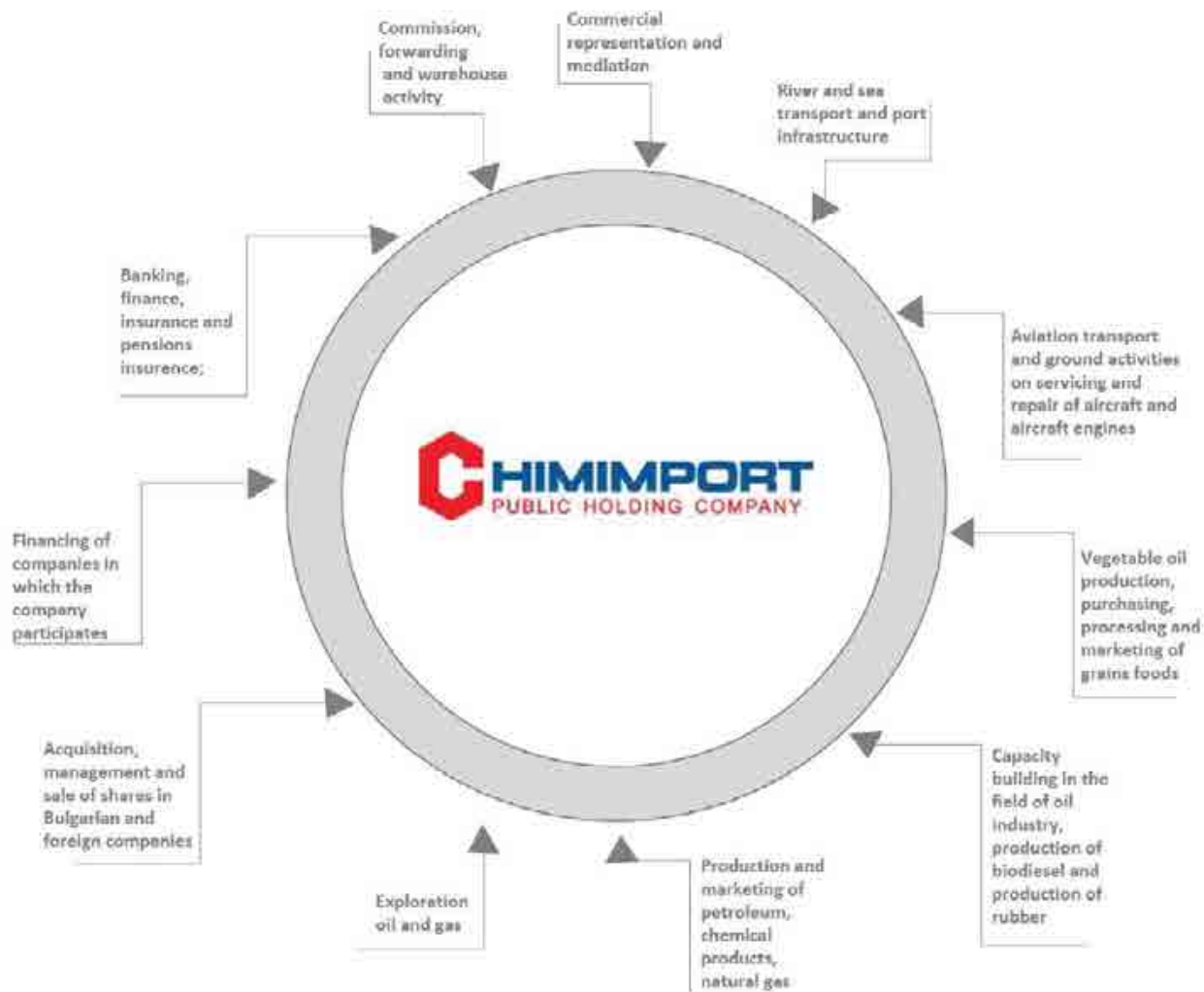
On the grounds of a report, issued by the Minister of Commerce and Food dated March, 24, 1947, the Council of Ministers on their meeting held on April, 04, 1947, with Resolution No. 7 - Protocol No. 50, established the State Commercial Enterprise under the name "Chimimport" for import of chemical products;



## INFORMATION ON COMPANY'S OPERATIONS

### SCOPE OF ACTIVITY

Chimimport AD develops its activities through its subsidiaries. Its financial position, operating results and prospects are directly dependent on the status, results and prospects of its subsidiaries.



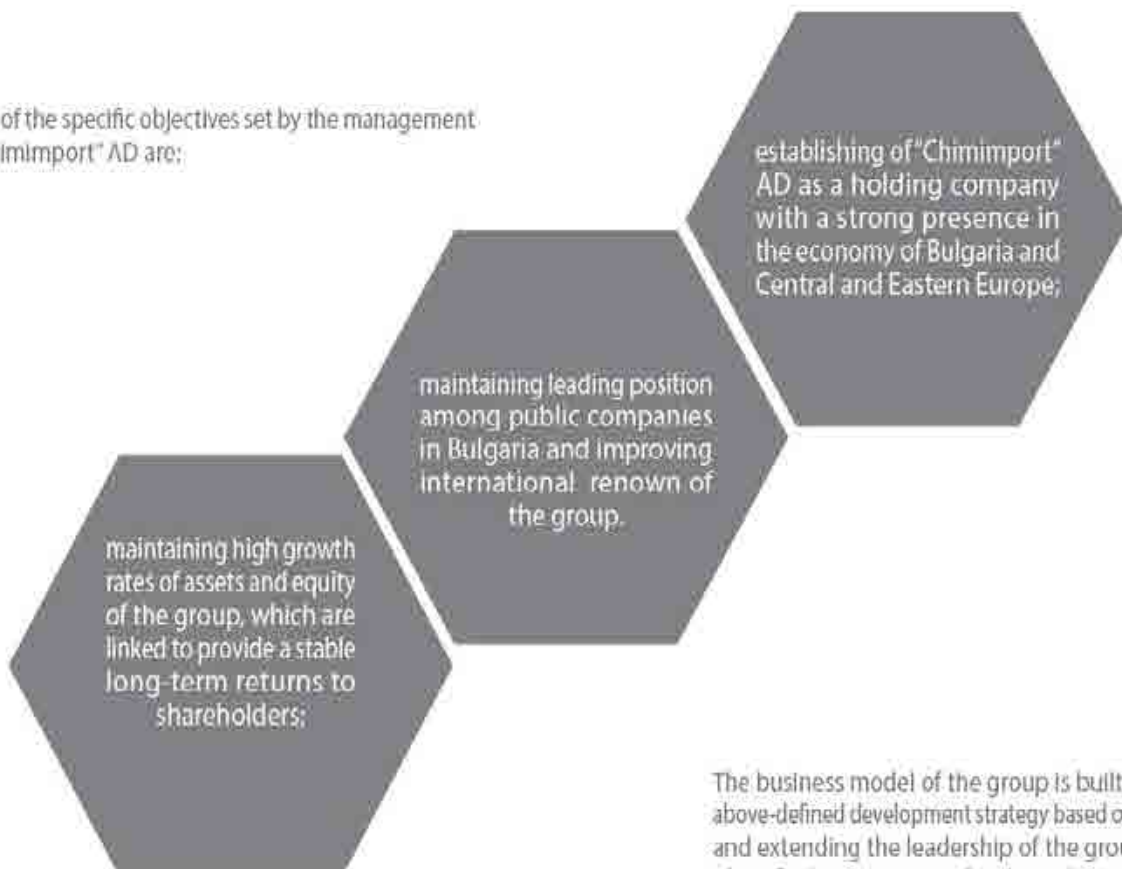


## MAIN STRATEGY AND BUSINESS MODEL

The basic strategy and investment policy of "Chimimport" AD are focused on positioning the group as a significant partner in servicing the traditional for the country and region trade flows. In particular, this motivates the entry of the group in sectors such as transport, agriculture, financial operations and real estate.



Some of the specific objectives set by the management of "Chimimport" AD are:



The business model of the group is built to meet the above-defined development strategy based on maintaining and extending the leadership of the group in sectors identified as important for the Bulgarian economy.

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## INFORMATION ON COMPANY'S OPERATIONS

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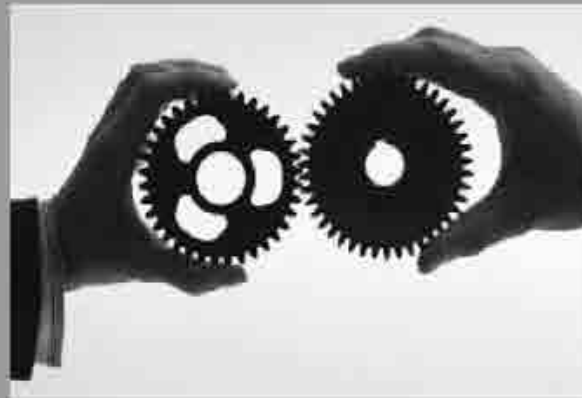
# MAIN STRATEGY AND BUSINESS MODEL

The financial sector, an area where the group strives to offer a full range of services to its clients. The financial group under the "Chimimport" AD now includes a universal commercial bank, which has traditionally good positions in lending, life and non-life insurance companies, pension company, management company (mutual funds).

Transport is an important sector for the group. Bulgaria is geographically located at the crossroads between Europe and Asia / Middle East, as five of the ten Trans-European transport corridors pass through the country. The group of "Chimimport" AD develops air, river and sea transport, and in all three cases seek to cover the entire spectrum of activities, not just transport (incl. the management of airports and ports, repair and maintenance vehicles, cargo handling, agency).

Both in the transport sector and in agriculture, "Chimimport" AD seeks to spread its activities over the full spectrum of business - in this case, focusing firstly on buying, trading, logistics, storage of grain and oilseeds, actively seeking and exploiting interconnections and synergies with other businesses (transport, finance, etc.).

The sector exploration and production of oil and gas is primarily develop through its subsidiary PDNG AD, which is the only Bulgarian company engaged in the full range of activities in prospecting, exploration, development and exploitation of oil and gas fields and processing crude oil into finished products for the market. And is the successor of the main geological, scientific research and production enterprises and objects of Bulgarian oil industry with over 50 years of history.



The company's development and investment plans in the short term are structured in two main directions - strengthening and optimization of already achieved and entering new markets.

## INFORMATION ACCORDING TO REGULATIONS

*Appendix № 10 to Art. 32, para. 1, p. 2 of Ordinance №2 / 17.09.2003*

- Information regarding the quantitative and qualitative characteristics of general categories of goods, products and/or provided services including their contribution to the company's revenue from sales in general and changes occurred in the current year.

The main activities include:

- investment activity
- operations with financial instruments
- sale of non-current assets
- lending
- operation of investment properties

In reference to its core business, the Company realized the following types of income:

- profits from transactions with financial instruments
- revenues from the sale of non-current assets
- interest income, foreign exchange differences and other
- rental income, services and investment property
- dividend income

## Presentation

The Company closed with a total revenue amounting to BGN 57 000 thousand.

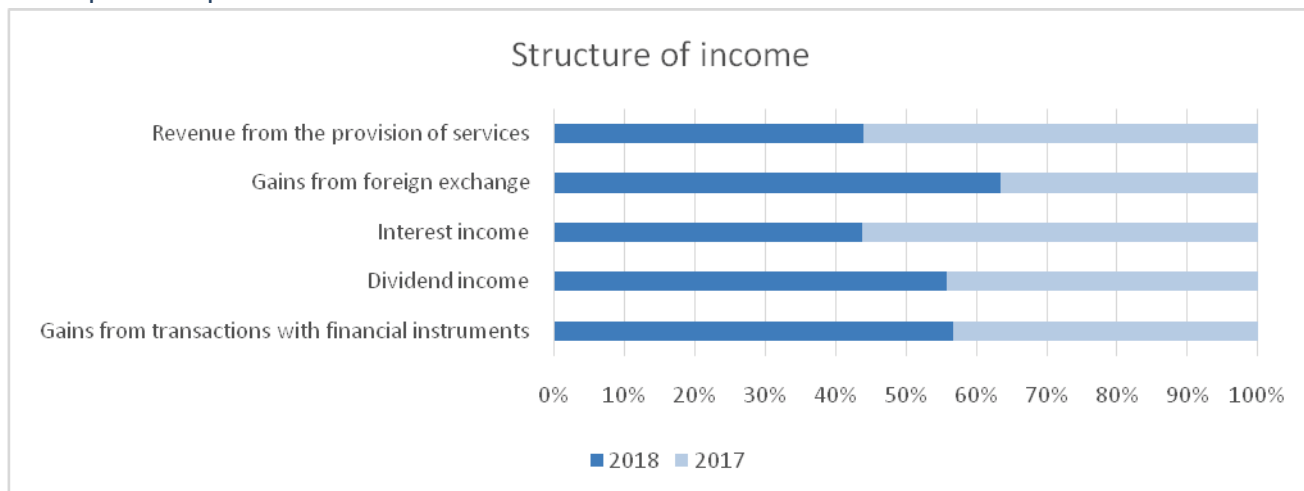
Reported an increase in the amount of 12,58% compared comparable 2017 or BGN 6 394 thousand. The increase in revenue was primarily due to dividend income and in earnings from operations with financial instruments.

	<b>2018</b>	<b>2017</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Gains from transactions with financial instruments</b>	<b>31 962</b>	<b>24 381</b>
<b>Dividend income</b>	<b>10 755</b>	<b>8 491</b>
<b>Interest income</b>	<b>11 858</b>	<b>15 254</b>
<b>Gains from foreign exchange</b>	<b>530</b>	<b>306</b>
<b>Revenue from the provision of services</b>	<b>1 895</b>	<b>2 412</b>

## INFORMATION ACCORDING TO REGULATIONS

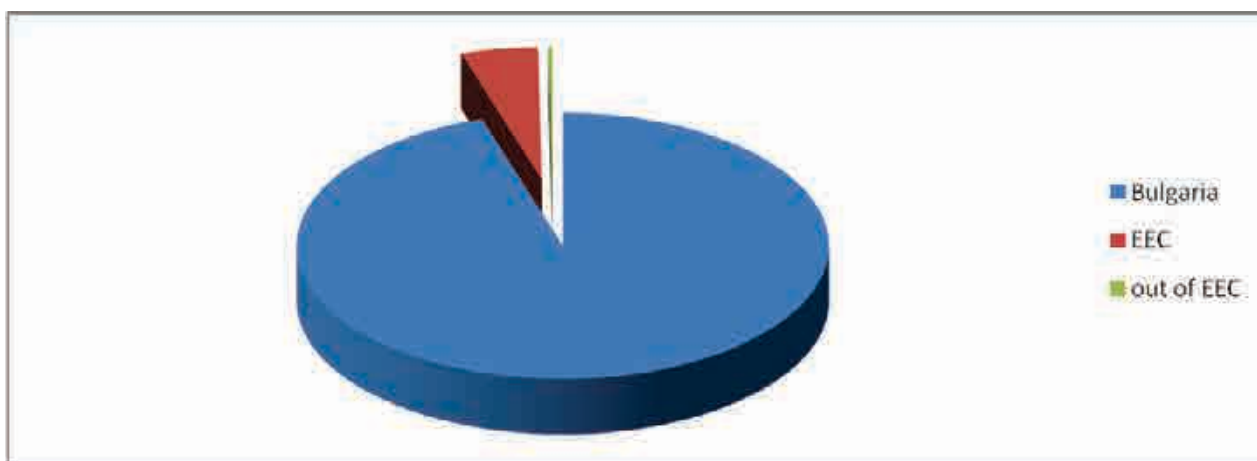
**Appendix № 10 to Art. 32, para. 1, p. 2 of Ordinance №2 / 17.09.2003**

The following table presents the structure of revenues and the percentage increase (decrease) compared to the previous period.



- **Information regarding income, distributed in separate activity categories, internal and external markets, as well as information on the rendering of services, reflecting the degree of dependency for each customer. In case the percentage of any of the customers exceeds 10 percent of the sales revenue or expenses, information should be provided for each person individually, the client's contribution to sale or purchases and its relationship with the issuer.**

Presentation of revenue on domestic and foreign markets:

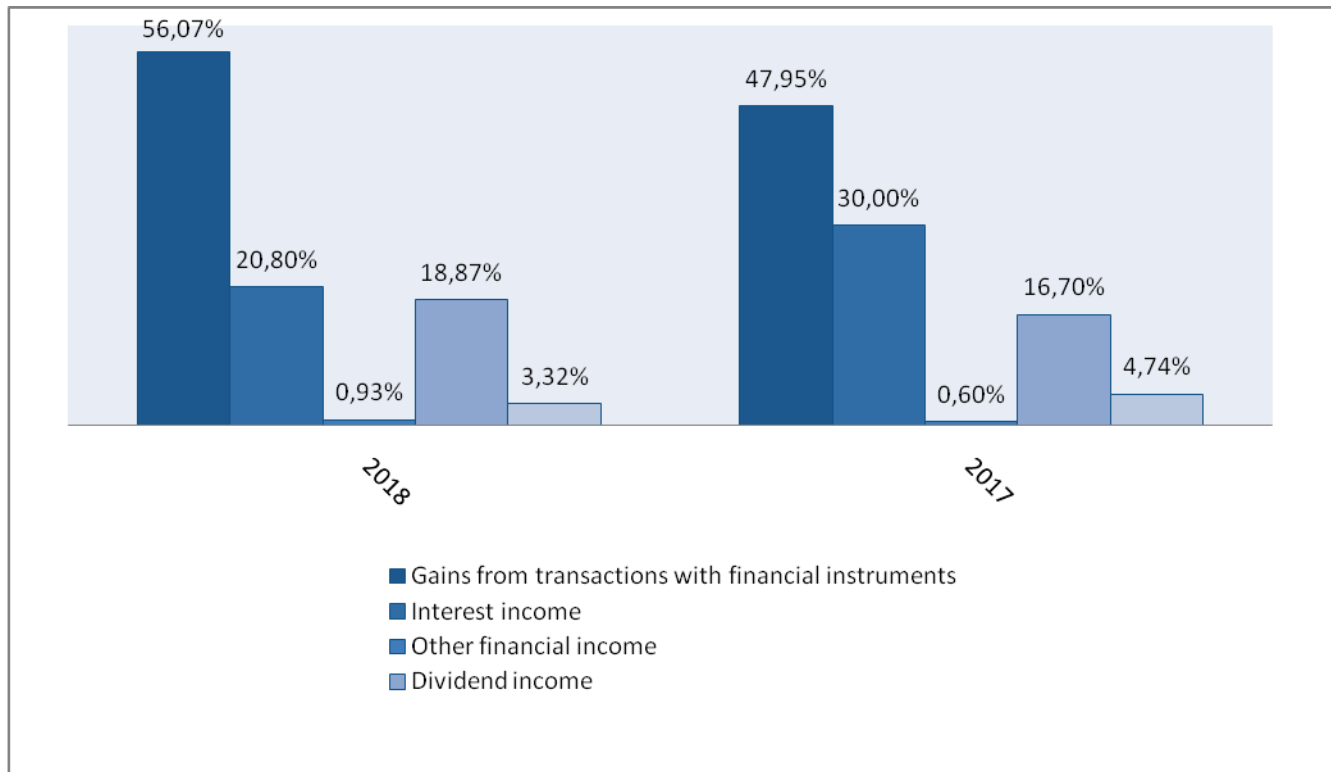


**Ratio of revenue by markets for 2018**

## INFORMATION ACCORDING TO REGULATIONS

**Appendix № 10 to Art. 32, para. 1, p. 2 of Ordinance №2 / 17.09.2003**

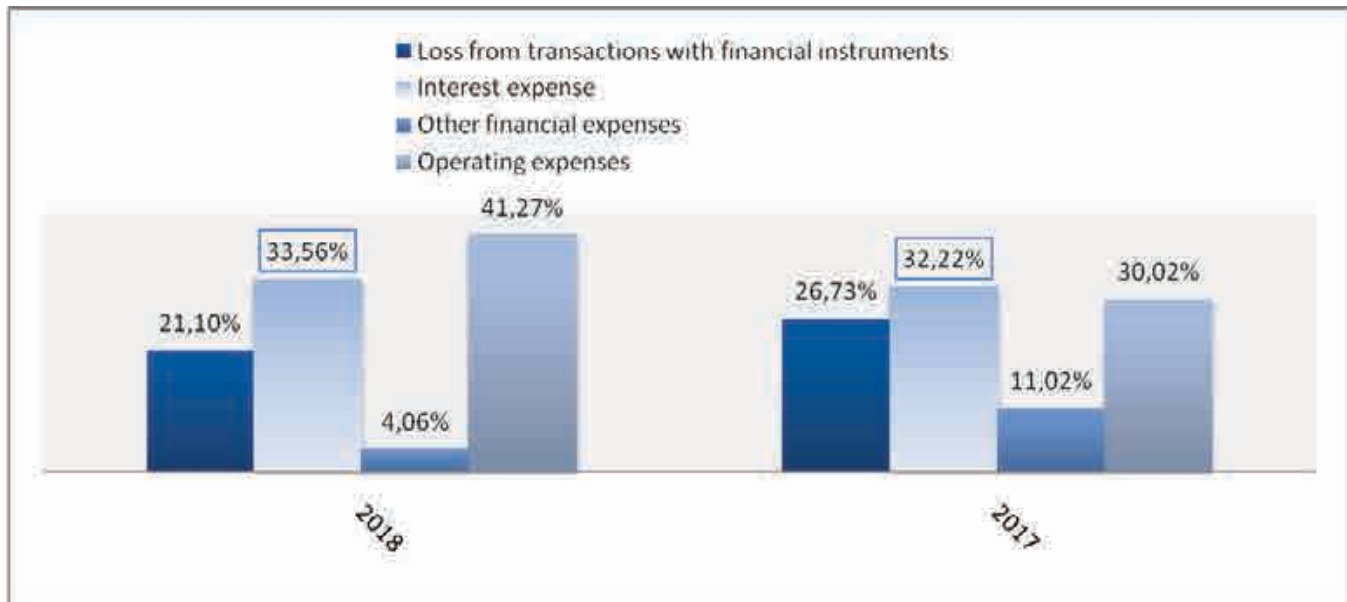
The following table presents the percentage of revenue by type of activity compared to the total size of the respective years:



The operating expenses for the year amounted to BGN 17 442 thousand or BGN 1 614 thousand more compared with the previous period, representing an increase of 10,20%.

The following table presents the percentage of expenditure by type to the total size of the respective years.

## INFORMATION ACCORDING TO REGULATIONS

**Appendix № 10 to Art. 32, para. 1, p. 2 of Ordinance №2 / 17.09.2003**

The financial result for the year ended 2018 is profit before taxes amounting to BGN 39 557 thousand and profit after taxes amounting to BGN 36 679 thousand. The reported increase of 12.97% for the gross and decrease of 5.89% for the net result or increase of BGN 4 541 thousand, respectively decrease with BGN 2 298 thousand, compared to the previous period is due to the raise in market values of financial assets and increase of dividends income and respectively for the net result, the effect is the reversal of tax temporary differences.

For reporting in 2018 the Company has the following financial indicators:

MAIN FINANCIAL INDICATORS	31.12.2018 BGN'000.	31.12.2017 BGN'000	Change to prior period in %
Non-current assets	1 027 185	1 030 559	(0,33%)
Non-current liabilities	87 941	126 355	(30,40%)
Cash and cash equivalents	68 798	72 619	(5,26%)
Current assets	437 194	463 428	(5,66%)
Current liabilities	156 509	105 717	48,05%
Working capital	280 685	357 711	(21,53%)
Equity capital	1 219 929	1 261 915	(3,33%)
Non-current capital	1 307 870	1 388 270	(5,79%)
Financial leverage ratio	0,07	0,10	(30,00%)
Solvency ratio	13,87	9,99	38,84%
Current ratio	2,79	4,38	(36,30%)
Cash to current liabilities ratio	0,44	0,69	(36,23%)
ROE	0,15	0,16	(6,25%)
ROA	0,03	0,03	0,00%

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**INFORMATION ACCORDING TO REGULATIONS**



**INFORMATION ACCORDING TO REGULATIONS***Appendix № 10 to Art. 32, para. 1, p. 2 of Ordinance №2 / 17.09.2003*

- **Information regarding concluded significant transactions or such of a significant importance for the activity of the issuer**

- During the 2018 Chimimport AD has no significant transactions

**Information regarding the transactions between the company and its related parties**

The Company has executed a number of transactions with related parties, all transactions being concluded in the ordinary course of business in the course of the Company's activities and are not distinguished from market conditions

- The related parties of the Company include: the parent company, its subsidiaries, the key management personnel and other parties, described below.

<b>Transactions with owners</b>	<b>2018 BGN '000</b>	<b>2017 BGN '000</b>
<b>Sales</b>		
<b>sale of services, rental income and interest income</b>		
- owner	-	336
<b>Purchases</b>		
<b>purchase of services, goods and interest income</b>		
	(153)	(194)

<b>Transactions with subsidiaries and associates</b>	<b>2018 BGN '000</b>	<b>2017 BGN '000</b>
<b>Sales</b>		
<b>sale of services, rental income and interest income</b>		
- subsidiaries	7 327	8 616
- other related parties	20	1 148
<b>Purchases</b>		
<b>purchase of services, goods and interest income(subsidiaries)</b>		
<b>Subsidiaries</b>	<b>(5 176)</b>	<b>(2 603)</b>

- **Information regarding unusual events and indices for the issuer that has a significant influence on its activity and realized income and expenses; valuation of this influence on the financial results for the current year.**

- No unusual events for the issuer that might have a significant impact on its activities that have occurred in 2018

## GENERAL RISKS AND UNCERTAINTIES

### Appendix № 10 to Art. 32, para. 1, p. 2 of Ordinance №2 / 17.09.2003

- **Information about off-balance sheet transactions – nature and business purpose, indication of the financial impact of transactions on the business if the risk and benefits of those transactions are significant to the issuer and disclosure of such information is material to the assessment of the financial position of the issuer.**

The Company has provided guarantees under Article 240 of the Commercial Act as a member of the managing and supervisory board of the Parahodstvo Bulgarsko Rechno Plavane AD and Oil and Gas Exploration and Production AD.

The Company is co-signer on the following contracts:

- credit line contract with repayment schedule signed between DSK Bank EAD and Zyrneni Hrani Bulgaria AD for the amount of BGN 4 033 thousand as at 31.12.2018 and with maturity date on 25 September 2019; The fair value of the pledged assets owned by the borrower amounts to BGN 21 481 thousand.
- credit contract with repayment schedule signed on 16 March 2011 between Alpha Bank EAD and Slanchevi lachi Provadia AD for the amount of EUR 597 thousand (BGN 1 168 thousand) The fair value of the pledged assets owned by the borrower amounts to BGN 21 119 thousand.
- credit contract with repayment schedule signed on 13 December 2013 between UniCredit Bulbank AD and Zarneni Hrani Grain EOOD for the current amount of BGN 7 000 thousand as at 31.12.2018 The fair value of the pledged assets owned by the borrower amounts to BGN 13 150 thousand.

The Company is guarantor of the following contracts::

- bank loan №739 / 21.06.2013, concluded between the Bulgarian Development Bank and Slanchevi lachi Provadia AD amounted to BGN 9 815 thousand with a repayment plan with a deadline 22 May 2023; The fair value of the pledged assets owned by the borrower amounts to BGN 46 504 thousand.
- bank loan agreement signed between Unicredit Bulbank AD and Bulgaria Air Maintenance dated 23 December 2015 with a present value of the obligation of BGN 64 667 thousand and maturity on 31 December 2025. The fair value of the pledged assets owned by the borrower is at the amount of BGN 94 822 thousand.
- bank loans agreements signed between Unicredit Bulbank AD and Bulgaria Air Maintenance dated 1 November 2016 with a present value of the obligation of BGN 11 703 thousand and maturity on 30.09.2028. The fair value of the pledged assets owned by the borrower is at the amount of BGN 39 533 thousand.
- bank loans agreement signed between Eurobank Bulgaria AD and M Car Sofia OOD dated 02.08.2016 with a present value of the obligation of BGN 23 370 thousand and maturity on 02 February 2019. The fair value of the pledged assets owned by the borrower is at the amount of BGN 23 470 thousand.
- bank loans agreement signed between Unicredit Bulbank AD and Energoproekt AD dated 11.08.2017 and with first absorption on 28.12.2018 and with a present value of the obligation of

BGN 1 125 thousand and maturity on 28 February 2026. The total amount of the bank loan is BGN 16 625 thousand .

The Company has concluded agreements for issuance of bank guarantees to companies within the Group with a limit of BGN 1 million, maturing in November 2019.

The company is co-borrower or guarantor to its subsidiary companies on loans granted by Central Cooperative Bank AD totalling BGN 28 493 thousand.

**GENERAL RISKS AND UNCERTAINTIES****Appendix № 10 to Art. 32, para. 1, p. 2 of Ordinance №2 / 17.09.2003**

- **Information on shares of the issuer, its major investments in the country and abroad (in securities, financial instruments, intangible assets and real estate) as well as investments in equity securities outside its economic group and sources / methods of financing:**

Investments in subsidiaries are recognized in the separate financial statements of the Company at cost.

During the reporting period the following changes occurred in terms of investments in subsidiaries:

- During the period of 2018 Chimimport AD acquires 15 new shares from its subsidiary Prime Lega Consult EOOD, as a result of which it increased its participation by 20% and became a sole owner of the capital.

The Company has the following direct investments in subsidiaries:

Name of subsidiary	Country of	Main activities	31.12.2018	Share %	31.12.2017	Share %
			BGN '000		BGN '000	
CCB Group EAD	Bulgaria	Financial services	251 996	100.00%	251 996	100.00%
Zyrneni Hrani Bulgaria AD	Bulgaria	Manufacturing and trade	165 363	63.65%	165 363	63.65%
Bulgarian Airways Group EAD	Bulgaria	Aviation Services	209 611	100.00%	209 611	100.00%
Bulgarian Shipping Company EAD	Bulgaria	Sea and river transport	44 393	100.00%	44 393	100.00%
CCB AD	Bulgaria	Financial services	22 492	6.65%	22 492	6.65%
Sport Complex Varna AD	Bulgaria	Real estate	22 474	65.00%	22 474	65.00%
Oil and Gas Exploration and Production AD	Bulgaria	Manufacturing and trade	16 929	13.84%	16 929	13.84%
Port Lesport AD	Bulgaria	Sea and river transport	16 380	99.00%	16 380	99.00%
ZAD Armeec	Bulgaria	Financial services	20 419	9.74%	20 419	9.74%
Bulchimex GmbH	Germany	Manufacturing and trade	2 500	100.00%	2 500	100.00%
Energoproekt AD	Bulgaria	Engineering sector	2 168	83.25%	2 168	83.25%
Trans Intercar EOOD	Bulgaria	Transport	4 855	100.00%	4 855	100.00%
Natsionalna stokova borsa AD	Bulgaria	Manufacturing and trade	1 879	67.00%	1 879	67.00%
TI AD	Bulgaria	Manufacturing and trade	480	87.67%	480	87.67%
HGH Consult Co. OOD	Bulgaria	Services	111	59.34%	111	59.34%
Prime Lega Consult EOOD	Bulgaria	Services	4	100.00%	4	70.00%
<b>TOTAL</b>			<b>782 054</b>		<b>782 054</b>	

## GENERAL RISKS AND UNCERTAINTIES

### Appendix № 10 to Art. 32, para. 1, p. 2 of Ordinance №2 / 17.09.2003

- **Signed loan agreements (as borrowers)**

- The Company obtained loans from companies within and outside the Group at interest rates of 3-8%. Obligations of borrowing outside the group at 31.12.2018 amounted to BGN 64 557 thousand, of which BGN 54 289 thousand are long-term. Borrowings from related parties amounted to BGN 161 895 thousand, of which short on 31.12.2018 amounted to BGN 140 987 thousand.

- **Signed loan agreements (as lender)**

- The Company has granted loans to companies in and outside the group at interest rates of 2,2-8%. The granted loans to companies outside the group at 31.12.2018 amounted to BGN 187 200 thousand, of which BGN 126 657 thousand are long-term. Loans granted to related parties as of 31.12.2018 amounted to BGN 134 970 thousand, of which 49 952 thousand are long-term.

- **Information regarding the use of the funds, received from new emission of shares during the reporting period**

- No new issue of shares during the reporting period

- **Information regarding changes that occurred during the accounting period in the basic management principles of the issuer and its economic group**

- During the accounting period, no changes took place in the issuer's basic management principles.

- **Information regarding changes in the Managing and the Supervisory boards during the accounting period.**

- During the accounting period, there are no changes in the members and number of managing personnel in the Managing and the Supervisory Boards of the Company.

- **Analysis of the relationship between the financial result in the financial statements and the previously was published forecasted results.**

- The Company has not published any forecasts of the financial result for 2018. All publicly announced targets and objectives were accomplished.

- **Analysis and valuation of the financial resources management policy, including the ability to meet debt payments, possible threats and precautions that have been taken or are to be taken by the issuer for their avoidance**

- The Company successfully manages its financial resources and regularly pays its liabilities

- **Valuation of the opportunity of realization of investment objectives, indicating the available amounts and possible changes in the financing structure of the activity.**

- The Company has not declared and at the time of preparation of this report there is no planned investment intentions

**GENERAL RISKS AND UNCERTAINTIES***Appendix № 10 to Art. 32, para. 1, p. 2 of Ordinance №2 / 17.09.2003*

- **Research and development**

- In 2018 the Company has not performed any action on research and development.

- **Information about the main characteristics applied by the issuer in the process of preparing financial statements, internal control system and risk management.**

- The main features of the internal control system and risk management are detailed on this Report.

- **Information regarding pending suits, administrative or arbitration proceedings, relating to issuer's liabilities or receivables amounting to a minimum of 10% from the owner's equity. If the total amount of the liabilities or the receivables from all pending suits and proceedings exceed 10% of the owner's equity, the information is presented individually for each case.**

- The Company has not registered any pending court, administrative or arbitration proceedings, related to receivables or liabilities that together or apart exceed 10% of the owner's equity.

- **Information regarding the Company's agreements (including period after the reporting date), that may cause changes in the relative number of the shares and bonds, owned by the current shareholders and bondholders.**

- The Company is not aware of any agreements that may cause changes in the relative number of the shares and bonds, owned by the current shareholders

- **Information about the amount of remuneration, rewards and / or benefits of each of the members of the management and control bodies for the financial year, paUIC by the issuer and its subsidiaries, regardless of whether they have been included in the expenses of the issuer or arise from the distribution profits, including:**

Name	<i>By Issuer TBGN</i>	<i>By Subsidiaries TBGN</i>
<b>Supervisory Board</b>		
Mariana Bazhdarova	24	-
<b>Management Board</b>		
Ivo Kamenov	224	215
Nikola Mishev	24	59
Cvetan Botev	24	79
Miroljub Ivanov	24	163
Marin Mitev	224	179
Alexandar Kerezov	24	162

- **Post balance sheet events**

- There are no significant events after the balance sheet date

## GENERAL RISKS AND UNCERTAINTIES



- **Information about shares held by Managing Bodies**

According to a reference from the Central Depository issued as at 31 December 2018, the members of the Managing and Supervisory Board own the following number of shares:

*Members of the Managing Board:*

IVO KAMENOV	495 880	0,21%
ALEXANDER KEREZOV	160 000	0,07%
MIROLYUB IVANOV	89 066	0,04%
NIKOLA MISHEV	36 790	0,02%
MARIN MITEV	26 533	0,01%

*Members of the Supervisory Board:*

INVEST CAPITAL AD	174 847 247	72.96%
CCB GROUP EAD	1 296 605	0,54%
MARIANA BAZHDAROVA	199	0,00%

## INFORMATION ACCORDING TO REGULATIONS

**Additional information for Managing Bodies**

Information about participation of Members of Supervisory and Managing Board in other trade companies as general partners, as owners' of more than 25 % in other companies' shares, as managers of other companies and as members of other companies' Supervisory, Managing Boards and Boards of, in accordance with Art. 247 of Commercial act.

***Ivo Kamenov Georgiev - Executive director, Member of Supervisory and Managing Board of Chimimport AD:***

Company	UIC	Participation
Chimimport AD	000627519	Member of the Management Board, Member of the Supervisory Board and Executive Director
Invest Capital AD	831541734	Member of the Board of Directors and Executive Director
CCB Group AD	121749139	Chairman of the Management Board
CCB AD	831447150	Member of the Supervisory Board
Capital Invest EAD	121878333	Representative, who exercising the rights and obligations of the member of Investl Capital AD in the Board of Directors
Invest Capital Asset Management EAD	200775128	Представител, който упражнява правата и задълженията на члена Инвест Кепитъл АД в Съвета на директорите
Invest Capital Management OOD	103045368	Owner of more than 25% of the shares
Varnenska Konsultantska Kompania OOD	103060548	Owner of more than 25% of the shares
National Association of Combat Sports	176868502	Chairman of the Management Board and manager

***Mariana Angelova Bazhdarova - Member of Supervisory Board of Chimimport AD:***

Company	UIC	Participation
Chimimport AD	000627519	Member of the Supervisory Board
MB Consult Commerce	203868694	Owner of more than 25% of the shares

**Does not participate in the management of other companies or cooperatives as a procurator, manager or board member under art. 247 of Comercial act.**



## INFORMATION ACCORDING TO REGULATIONS

### *Additional information for Managing Bodies*

Information about participation of Members of Supervisory and Managing Board in other trade companies as general partners, as owners' of more than 25 % in other companies' shares, as managers of other companies and as members of other companies' Supervisory, Managing Boards and Boards of, in accordance with Art. 247 of Commercial act.

#### *Marin Velikov Mitev - Executive director, Member of Supervisory and Managing Board of Chimimport AD:*

<b>Company</b>	<b>UIC</b>	<b>Participation</b>
<b>Chimimport AD</b>	000627519	Member of the Management Board, Member of the Supervisory Board and Executive Director
<b>Golf Shabla AD</b>	124712625	Member of the Board of Directors and Executive Director
<b>Invest Capital AD</b>	831541734	Member of the Board of Directors and Executive Director
<b>Spotren Comlex Varna AD</b>	103941472	Member of the Board of Directors and Executive Director
<b>Varna Plod AD</b>	103106697	Member of the Board of Directors
<b>CCB Group EAD</b>	121749139	Member of the Supervisory Board
<b>CCB AD</b>	831447150	Member of the Supervisory Board
<b>Association Sports Club TIM</b>	103014351	Chairman of the Management Board and manager
<b>Martial Sports Club Association TIM</b>	103606634	Chairman of the Management Board and manager
<b>Bulgarian Karate Kyokushin Federation</b>	103570622	Chairman of the Management Board and manager
<b>Association "Aerobics Club" Tim - Class "</b>	103556156	Member of the Management Board
<b>Association of Sports Clubs Black Sea</b>	000090542	Member of the Management Board
<b>Association National Tourism Board</b>	175090938	Member of the Management Board
<b>Marin Mitev Project Management</b>	103326073	Owner
<b>Varna Consulting Company OOD</b>	103060548	Owner of more than 25% of the shares
<b>Invest Capital Management OOD</b>	103045368	Owner of more than 25% of the shares

#### *Tsvetan Tsankov Botev - Chairman of the Managing Board of Chimimport AD:*

<b>Company</b>	<b>UIC</b>	<b>Participation</b>
<b>Chimimport AD</b>	000627519	Chairman of the Management Board
<b>CCB AD</b>	831447150	Deputy Chairman of the Management Board
<b>Bulhimitread OOD</b>	200477808	Manager
<b>Pharma GBS</b>	176397025	Manager
<b>Consortium Chimimport-biofarm engineering DZZD</b>	131071224	Manager

**Does not hold directly more than 25 per cent of the capital of other commercial companies.**



## INFORMATION ACCORDING TO REGULATIONS

### ***Additional information for Managing Bodies***

Information about participation of Members of Supervisory and Managing Board in other trade companies as general partners, as owners' of more than 25 % in other companies' shares, as managers of other companies and as members of other companies' Supervisory, Managing Boards and Boards of, in accordance with Art. 247 of Commercial act.

#### ***Alexander Dimitrov Kerezov - Deputy Chairman and member of the Managing Board of Chimimport AD:***

<b>Company</b>	<b>UIC</b>	<b>Participation</b>
<b>Chimimport AD</b>	000627519	Member of the Management Board
<b>CCB AD</b>	831447150	Member of the Management Board
<b>Bulgarian Airways Group" EAD</b>	131085074	Member of the Board of Directors
<b>CCB Group EAD</b>	121749139	Member of the Management Board
<b>Zarneni Hrani Bulgaria AD</b>	175410085	Member of the Management Board and Executive Director
<b>Armeec Insurance Company AD</b>	121076907	Member of the Management Board
<b>Parahodstvo Bulgarsko Rechno Plavane AD</b>	827183719	Member of the Management Board
<b>Pension Insurance Joint Stock Company CCB - Sila" AD</b>	825240908	Member of the Supervisory Board
<b>Assenova Krepost AD</b>	115012041	Member of the Management Board
<b>AH "HGH Consult" OOD</b>	130452457	Manager
<b>Protekt Art OOD</b>	203844348	Manager and Owner of more than 25% of the shares
<b>Association Agreement 066</b>	176941060	Chairman of the Management Board and manager
<b>Foundation Agreement Sofia</b>	205004556	Chairman of the Management Board and manager
<b>Association "United Grand Lodge of Bulgaria</b>	130688048	Member of the Management Board

#### ***Nikola Peev Mishev - member of the Managing Board of Chimimport AD:***

<b>Company</b>	<b>UIC</b>	<b>Participation</b>
<b>Chimimport AD</b>	000627519	Member of the Management Board
<b>Zarneni Hrani Bulgaria AD</b>	175410085	Member of the Management Board
<b>Assenova Krepost AD</b>	115012041	Member of the Management Board and Executive Director
<b>Asella AD</b>	115023575	Member of the Board of Directors
<b>Energoproekt AD</b>	831367237	Member of the Supervisory Board
<b>Chimsnab Trade OOD</b>	131388356	Manager
<b>Bulhimtrade OOD</b>	200477808	Manager
<b>Rabur Trade OOD</b>	130430425	Manager
<b>Chimeltex EOOD</b>	130434434	Manager

**Does not hold directly more than 25 per cent of the capital of other commercial companies.**

## INFORMATION ACCORDING TO REGULATIONS

### ***Additional information for Managing Bodies***

Information about participation of Members of Supervisory and Managing Board in other trade companies as general partners, as owners' of more than 25 % in other companies' shares, as managers of other companies and as members of other companies' Supervisory, Managing Boards and Boards of, in accordance with Art. 247 of Commercial act.

#### ***Mirolyub Pantchev Ivanov - member of the Managing Board of Chimimport AD:***

<b>Company</b>	<b>UIC</b>	<b>Participation</b>
<b>Chimimport AD</b>	000627519	Member of the Management Board
<b>Armeec Insurance Company</b>	121076907	Member of the Management Board and Executive Director
<b>National Stock Exchange AD</b>	115223519	Member of the Board of Directors
<b>Bulgarian Shipping Company AD</b>	175389730	Member of the Board of Directors
<b>CCB REAL ESTATE FUND REIT</b>	131550406	Member of the Board of Directors and Executive Director
<b>Exploration and Production of Oil and Gas AD</b>	824033568	Member of the Management Board
<b>Capital Invest EAD</b>	121878333	Executive Director
<b>"Invest Capital Asset Management" EAD</b>	200775128	Executive Director
<b>Pension Insurance Joint Stock Company CCB - Sila" AD</b>	825240908	Member of the Supervisory Board
<b>Omega Finance</b>	181385114	Manager
<b>Prime Lega Consult EOOD</b>	130993620	Manager
<b>TI AD</b>	121483350	Member of the Board of Directors and Executive Director
<b>Zarneni Hrani Bulgaria AD</b>	175410085	Member of the Management Board
<b>Project company 1AD</b>	205105587	Member of the Board of Directors and Executive Director
<b>Rubikon Preject EOOD</b>	202902446	Manager
<b>Mutual Fund "High Capital Investment"</b>	175860666	Manager
<b>Energomat EOOD</b>	131095780	Manager
<b>Energoproekt AD</b>	831367237	Member of the Supervisory Board
<b>Consortium Technocapital</b>	176018753	Manager

**Does not hold directly more than 25 per cent of the capital of other commercial companies.**

## GENERAL RISKS AND UNCERTAINTIES

### FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to its financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated by the central administration of the Company in cooperation with the Managing Board. Priority management is to provide short- and medium-term cash flows by minimizing exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

Consequently, the use of financial instruments the Company is exposed to market risk and in particular to the risk of exchange rate changes, interest rate risk and risk of modifying specific prices due to operating and investing activities of the Company.

### MARKET RISK ANALYSIS

#### • Foreign currency risk

Most of the Company's transactions are carried out in Bulgarian leva. Exposures to currency exchange rates arise from the Company's sales and purchases, which are primarily denominated in US-Dollars and Euro.

To mitigate the Company's exposure to foreign currency risk, non-BGN cash flows are monitored and forward exchange contracts are entered into in accordance with Company's risk management policies. Generally, Company's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from long-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

Foreign currency denominated financial assets and liabilities, translated into Bulgarian leva at the closing rate are as follows:

	Short-term exposure		Long-term exposure	
	USD '000	EUR '000	USD '000	EUR '000
<b>31 December 2018</b>				
Financial assets	139	82 352	-	-
Financial liabilities	(5)	(11 251)	-	(3 183)
<b>Total exposure</b>	134	71 101	-	(3 183)
	Short-term exposure		Long-term exposure	
	USD '000	EUR '000	USD '000	EUR '000
<b>31 December 2017</b>				
Financial assets	132	9 414	-	41 726
Financial liabilities	-	-	-	(3 295)
<b>Total exposure</b>	132	9 414	-	38 431

The following tables illustrate the sensitivity of post-tax financial result for the year and equity in regard to exchange rate differences between the Bulgarian Lev (BGN) and the following currencies 'all other things being equal.

## GENERAL RISKS AND UNCERTAINTIES

The table assumes that the percentage change as at 31 December 2018 of the exchange rate of Bulgarian lev against the US dollar is +/- 4.99% (2017: 7.78%). These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date.

If the exchange rate of the Bulgarian lev against the US dollar increases / decreases by +/- 4.99% (2017: +/- 7.78%), the change will be reflected in the following way:

	Net financial result after tax for the year	Net financial result after tax for the year
	Increase BGN '000	Decrease BGN '000
<b>31 December 2018</b>	(6)	6
<b>31 December 2017</b>	(9)	9

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

### • Interest rate risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Therefore, long-term debt is usually with fixed interest rates. As at 31 December 2018, the Bank's variable-rate bank borrowings do not expose the Company to material interest rate risk. All other financial assets and liabilities of the Company are at fixed interest rates.

### • Other price risk

The Company is exposed to other price risk in respect of the following direct investments in subsidiaries and short-term financial assets, the shares of which are listed on the Bulgarian Stock Exchange - Sofia:

- Central Cooperative Bank AD - subsidiary;
- Oil and Gas Exploration and Production AD - subsidiary;
- Zarneni Hrani Bulgaria AD - subsidiary

Investments in shares of subsidiary companies traded on the Bulgarian Stock Exchange - Sofia act as short- and long-term strategic investments. In accordance with the policy of the Company no specific hedging activities have been initiated in connection with such investments. The operation of these companies is monitored on a regular basis and the control or significant influence over these companies is used to maintain the value of the investments in these companies.

The short-term assets, described above, are held with the purpose of trade on the Bulgarian Stock Exchange-Sofia.

**GENERAL RISKS AND UNCERTAINTIES*****CREDIT RISK***

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, etc. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2018 BGN '000	2017 BGN '000
<b>Classes of financial assets - carrying amounts:</b>		
Securities / financial assets /	204 613	163 922
Loans granted	187 200	250 645
Related party receivables	134 970	134 832
Trade and other receivables	46 849	50 113
Cash and cash equivalents	68 798	72 619
<b>Carrying amount</b>	<b>642 430</b>	<b>672 131</b>

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Company's financial assets are pledged as collateral on other transactions.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents, money market funds, debentures and derivate financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. The carrying amounts disclosed above are the Company's maximum possible risk exposure in relation to these financial instruments.

***LIQUIDITY RISK***

The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Company maintains cash to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longterm financial assets.

**GENERAL RISKS AND UNCERTAINTIES**

As at 31 December 2018 the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2018	Short-term		Long-term
	Within 6 months BGN '000	Within 12 months. BGN '000	2 to 5 years BGN '000
Bank and other borrowings	2 199	8 069	54 289
Related party payables	108 059	32 928	20 908
Trade and other payables	1 196	-	-
<b>Total</b>	<b>111 454</b>	<b>40 997</b>	<b>75 197</b>

31 December 2017	Short-term		Long-term
	Within 6 months BGN '000	Within 12 months. BGN '000	2 to 5 years BGN '000
Bank and other borrowings	5 119	5 847	52 062
Related party payables	85 568	3 981	59 388
Trade and other payables	175	-	-
<b>Total</b>	<b>90 862</b>	<b>9 828</b>	<b>111 450</b>

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date. Annual interest payments amount to BGN 5 854 thousand (2017: BGN 5 100 thousand).

**FINANCIAL ASSETS USED FOR MANAGING LIQUIDITY RISK**

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within 1 year.

**GENERAL RISKS AND UNCERTAINTIES****FAIR VALUE MEASUREMENT:**

- Fair value measurement of financial instruments**

The fair value of financial instruments is presented in comparison with their carrying value at the end of the reporting periods in the table below:

Financial assets	31 December 2018		31 December 2017	
	Fair value BGN '000	Carrying amount BGN '000	Fair value BGN '000	Carrying amount BGN '000
<b>Financial assets measured at fair value through profit or loss</b>	204 613	204 613	141 432	141 432
<b>TOTAL</b>	<b>204 613</b>	<b>204 613</b>	<b>141 432</b>	<b>141 432</b>

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows.

31 December 2018	Level 1	Level 2	Level 3	Total
	BGN '000	BGN '000	BGN '000	
<b>Assets</b>				
<b>Non-listed equity instruments</b>	-	-	204 613	<b>204 613</b>
31 December 2017	Level 1	Level 2	Level 3	Total
	BGN '000	BGN '000	BGN '000	
<b>Assets</b>				
<b>Non-listed equity instruments</b>	-	-	141 432	<b>141 432</b>

During the reporting periods, there have been no significant transfers between levels 1 and 2

**GENERAL RISKS AND UNCERTAINTIES****MEASUREMENT OF FAIR VALUE**

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Shares, not publicly traded

The fair value of these instruments is based on observed rates of recent market transactions with shares of similar companies, adjusted for specific factors

- **Fair value measurement of non-financial assets**

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2018 and 31 December 2017:

31 December 2018	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
<b>Investment property</b>				
<b>- land and buildings</b>	-	-	35 831	35 831

31 December 2017	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
<b>Investment property</b>				
<b>- land and buildings</b>	-	-	35 831	35 831

Fair value of the Company's main property assets is estimated based on valuations performed by independent, professionally- qualified property appraisers.

Land and buildings (Level 3)

The fair values of the land and buildings are estimated using an income approach. Investment properties are not revalued in 2018 because the value of 2017 is retained

**CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to the shareholder by pricing products and services commensurately with the level of risk. The Company monitors capital on the basis of the correlation between capital and net debt.



**GENERAL RISKS AND UNCERTAINTIES**

The Company determines the capital based on the carrying amount of equity included in the statement of financial position.

Net debt comprises of total liabilities less the carrying amount of cash and cash equivalents.

The objective of the Company is to maintain a ratio of capital to net debt at levels which would ensure relevant and conservative ratio of financing.

The Company manages the capital structure and adjusts according to changes in the economic conditions and the risk

characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The amount of the correlation for the presented accounting periods is summarized as follows:

	2018 BGN '000	2017 BGN '000
<b>Equity</b>		
Capital	1 219 929	1 261 915
+Total Liabilities	244 450	232 072
- Cash and cash equivalents	(68 798)	(72 619)
<b>Net debt</b>	<b>175 652</b>	<b>159 453</b>
<b>Capital to net debt</b>	<b>1:0.14</b>	<b>1:0.13</b>

The ratio in 2018 decreased compared to 2017 due to the increase in related party liabilities during the period. The Company has honoured its covenant obligations, including maintaining capital ratios.

## **DECLARATION OF CORPORATE MANAGEMENT**

The declaration of corporate management of Chimimport AD is prepared pursuant the Bulgarian legislation requirements and principles of good corporate management, set out in the National Corporate Governance Code, the Commercial Act (CA), the Public Offering of Securities Act (POCA), the Accountancy Act (AA), the Independent Financial Audit Act (IFAA) and other laws and regulations and internationally recognized standards. The declaration of corporate management is prepared in accordance with the requirements of Article 39 of the Accountancy Act and Article 100m of POCA.

### ***1. Information under Article 100m, paragraph 8, subparagraphs 1 and 2 of POCA***

Implementation, enforcement and compliance, as appropriate, by Chimimport AD of the principles of the National Corporate Governance Code

As at 18 January 2008, Chimimport AD embraced the National Corporate Governance Code and conducts its activity in accordance with the set principles and provisions.

In its activities Chimimport AD is governed by the national corporate governance principles recommended for application by the National Committee on Corporate Governance, reflecting the international standards of good corporate governance and best practices. The management of Chimimport AD aims at strengthening the principles of good corporate governance, enhancing the confidence of shareholders, investors and other stakeholders interested in the management and operations of the Company. The management of Chimimport AD considers that the effective application of the good corporate management practices, contribute to sustainable growth and reaching the long-term goals of the Company, and to establish transparent and honest relationships with all stakeholders.

Information on corporate governance practices applied by the issuer in addition to the corporate governance code approved by the Deputy Chairperson or any other corporate governance code

Chimimport AD does not apply other corporate management practices in addition of the National Corporate Governance Code. Explanation by the issuer as to which parts of the corporate management code, approved by the Deputy Chairperson or any other corporate governance code the issuer does not comply with and to what was the ground for the non-compliance when the issuer opted not to refer to any of the rules of the corporate management code

The basic principle of the National Corporate Governance Code is the principle of “comply or explain”. The Company aims to comply with the recommendations of the Code and in case of deviation, the management provides explanations on the reasons for the non-compliance.

Chimimport AD presents the current information regarding compliance with the Code, and the same will be published on the website of the company.

### ***INFORMATION REGARDING CORPORATE MANAGEMENT***

Chimimport AD is a listed company with two-tier management system. All members of the Managing Board and the Supervisory Board comply with the legal requirements for their appointment.

## DECLARATION OF CORPORATE MANAGEMENT

The managing bodies of the Company comprise: General meeting of the shareholders, Supervisory Board and Managing Board.

Members of the Supervisory Board:

1. Invest Capital AD
2. CCB Group EAD;
3. Mariana Bazhdarova.

Members of the Managing Board:

1. Alexander Kerezov
2. Ivo Kamenov
3. Marin Mitev
4. Nikola Mishev
5. Miroljub Ivanov
6. Tsvetan Botev

### ***Key functions, responsibilities, structure and competence***

The Supervisory Board of Chimimport AD consists of three members. It conducts regular control over the Managing Board, concerning the management of the Company by ensuring that the actions of the MB increase the interest of shareholders and facilitate the application of good corporate governance principles within the Company. The Supervisory Board, if necessary, may take the necessary steps to facilitate their duties through consultations with experts. The Supervisory Board shall appoint and dismiss members of the Managing Board delimiting the powers delegated to them, the application of their powers and the frequency with which they are to report to the SB. The Supervisory Board assesses the overall performance of the Company, paying special attention to the information received by the Managing Board and periodically reconciles and analyses the difference between the achievements and goals. The Supervisory Board monitors and controls the process of disclosing information by the Company.

The Supervisory Board has included restrictions in its internal rules on the maximum number of companies in which members of the Managing and the Supervisory Board of Chimimport AD can sit on the managing and supervisory bodies, participation in which is considered acceptable in view of the requirement for effective implementation of obligations as a member of the boards of the Company. The Supervisory Board has set criteria that distinguish participations in other companies, depending on the position held and the time that each of the positions requires for the relevant obligations.

Following the requirements of the POSA and the Statute of the Company, the Supervisory Board, if necessary, reassesses the structure of the Managing Board, the division of duties, powers and the remuneration of each member of the MB.

In carrying out its activities, the Supervisory Board members are obliged to perform their duties with due diligence in a manner that reasonably believed is in the interest of all shareholders and by using only

## DECLARATION OF CORPORATE MANAGEMENT

information that they reasonably believe is reliable and complete, and show loyalty to the Company under POSA.

The Supervisory Board of the Company is supported by the Audit Committee. The structure and functions of the Committee are set out in the Internal rules of operation of the Audit Committee of Chimimport AD.

The Managing Board of Chimimport AD consists of six members. The competence, rights and obligations of the Managing Board are conducted in accordance with the legal requirements, the requirements of the current Company's Statute and the rules for its operation as approved by the Supervisory Board. The Managing Board reports, on its activities, to the Supervisory Board at least quarterly. The Managing Board shall immediately notify the chairman of the Supervisory Board of any circumstances that are essential for the Company. The Managing Board provides to the Supervisory Board the Annual Financial Statements, the Annual Activity Report and the Independent Auditor's Report, together with proposal for profit distribution, which will be brought to the General Meeting of Shareholders.

The Managing Board governs in accordance with the established vision, goals and strategy of Chimimport AD.

The Board members are guided in their activities by the generally accepted principles of integrity and management and professional competence.

### ***Appointment and dismissal of board members***

Members of the Supervisory Board are appointed and dismissed by the General Meeting of the Shareholders, in accordance with the Company's Statute.

Members of the Managing Board are appointed by the Supervisory Board, which also determines their remuneration and can dismiss them at any point in time.

### ***Remunerations of the Managing and Supervisory Boards***

The General Meeting of the Shareholders has affirmed the remuneration policy of the Managing and Supervisory Boards of the Company, developed by the Supervisory Board.

The remuneration paid to the members of the Managing and Supervisory Boards of the Company, may be permanent (fixed) or variable in the form of premiums, bonuses, retirement benefits and other incentives, based on assessment criteria of the conducted activities. The proportion of the fixed remuneration in the total amount of the remuneration shall allow the implementation of flexible policy by the Company on the variable remuneration of the members of the Managing and Supervisory Boards of the Company.

The remuneration policy observes the following principles and criteria:

- Consistency of the remunerations with the business goals and development strategy of the Company, the protection of the interests and promotion of the values of Chimimport AD;

## DECLARATION OF CORPORATE MANAGEMENT

- Providing remuneration that allows attraction, retention and motivation of board members with the necessary skills for successful management and development of the Company.
- Excluding discrimination, conflict of interest and unequal treatment of members of the Supervisory Board of the Company in setting and negotiating remunerations;
- Appreciation of the duties and input of each member of the Managing Board in the performance and results of the Company.

The Management discloses the remunerations of the Managing Board in accordance with the legal requirements and Company's policies regularly within the quarterly financial statements. Shareholders are provided easy access to information on remunerations.

### ***Conflict of interest***

The members of the Supervisory and Managing Boards avoid any real or potential conflict of interest. Procedures for preventing and detecting conflicts of interest are regulated by the statutes of the Company.

### ***Committees***

The Company has set Audit Committee in accordance with the requirements of the Independent Financial Audit Act of public interest companies.

In view of the change in the regulatory framework regarding requirements for Audit Committees, changes in the composition of the committee will be proposed at the next general meeting of the shareholders, as to comply with the new requirements of the IFAA. The Management of the Company will prepare and submit for approval to the General Meeting of Shareholders the statute of the Audit Committee regulating its structure, scope, tasks, operation and reporting procedures consistent with the new requirements of the legislation.

## ***INFORMATION REGARDING CONDUCT OF AUDIT AND INTERNAL CONTROL***

Chimimport AD has developed and implemented internal control system, that ensures the proper identification of risks associated with the Company's operations and supports their effective management, and adequate operation of the reporting systems and disclosure of information.

The Audit Committee shall apply the requirements of the Code of Ethics for Professional Accountants regarding the rotation of registered auditors in preparing proposals and recommendations on the appointment of external auditors.

The registered auditor, appointed by the General Meeting of the Shareholders of Chimimport AD, to perform independent financial audit of the annual financial statements of the Company for 2018, is Grant Thornton OOD auditing company, registered under number 032 in the register of the Institute of Certified Public Accountant.

## DECLARATION OF CORPORATE MANAGEMENT

To ensure the effectiveness of the external auditors of Chimimport AD, the Managing Board implements measures to ensure effective implementation of the obligations of auditors of the Company based on the requirements of the Independent Financial Audit Act.

### **INFORMATION ON PROTECTION OF THE RIGHTS OF SHAREHOLDERS**

The management of Chimimport AD guarantees equal treatment of all shareholders of the Company, including minority and international.

The Company applies established rules of the organization and conduct of regular and extraordinary General Meetings of Shareholders.

The protection of shareholders' rights is ensured through:

- facilitation of the shareholders' effective participation in the work of the General Meetings of shareholders through timely disclosure of all materials for the GMS, on the following websites: [www.x3news.com](http://www.x3news.com), [www.investor.bg](http://www.investor.bg) and [www.chimimport.bg](http://www.chimimport.bg).
- transparent procedures regarding organization and conduct of regular and extraordinary General Meetings of Share holders;
- established procedures on representation of shareholders at the GMS, including templates of letter of attorney both in Bulgarian and English;
- providing opportunity for participation in the profit distributions to the Company, if the General Meeting of Share holders adopts a specific resolution for dividend distribution;
- implementing a policy to assist shareholders in exercising their rights.

### **INFORMATION ON PROCEDURES FOR DISCLOSURE OF INFORMATION**

The Company has adopted rules for internal personnel and internal information, that regulate the obligations, order and responsibility for the public disclosure of inside information for Chimimport AD, prohibit insider trading and market manipulation of financial instruments. The public information regarding the activities of Chimimport AD is presented to the Financial Supervisory Commission, the Bulgarian Stock Exchange - Sofia AD and the investing community, distributed through the information agency X3 NEWS - [www.x3news.com](http://www.x3news.com).

Chimimport AD regularly updates its corporate website [www.chimimport.bg](http://www.chimimport.bg) both in Bulgarian and English, consistent in structure and volume with the information provided with the recommendations of the National Code and established good practices on systems of disclosure of information.

The website provides general information about the Company and the segments of operations of all companies within the economic group, current data on the financial and economic situation of the Company, including interim and annual financial statements of Chimimport AD on an individual and consolidated basis, as well as information on the Group structure, corporate governance and management of the company, corporate documents prepared and approved by the Managing Board of the Company and the securities issued. All shareholders, investors and interested parties can obtain information about upcoming and already held important corporate events, meetings of the General Meeting of Shareholders and the planned investment policy of the Company.

### **INFORMATION ABOUT INTERESTED PARTIES AND RECOGNITION OF THEIR RIGHTS AND INTERESTS**

The Company has developed its own rules on accounting for the interests of stakeholders, but for all matters that directly or indirectly affect them, coordination procedures are carried out.

## DECLARATION OF CORPORATE MANAGEMENT

Chimimport AD identifies as stakeholders with respect to its activities all persons who are not shareholders and who have an interest in the economic prosperity of the Company:

- bondholders,
- employees,
- clients,
- suppliers,
- bank - creditors;
- the public, in general.

Within its policy towards stakeholders, the Company complies with the legal requirements and principles of transparency, accountability and business ethics. The Stakeholders are provided with the necessary information about the company's current data of the financial situation and everything that would help correct their orientation and make an informed and reasoned decision.

### **2. Information under Article 100m, paragraph 8, subparagraph 3 of the POSA**

#### *Characteristics of the internal control and risk management systems Internal control and risk management*

The Managing Board is responsible for the internal control and risk management systems and monitors their effectiveness. These systems are created to manage but cannot fully eliminate the risk from falling behind the set business objectives. They can only provide reasonable, but not absolute assurance on the lack of any substantial inaccuracies or errors. The Managing Board has established an ongoing process for identifying, evaluating and managing significant risks for the Company.

#### *Internal control*

Every year, the Company reviews and confirms the degree of compliance with the policies of the National Corporate Governance Code.

All major plans and programs of the Company require approval by the Managing Board.

There are limits to the authority to ensure that the appropriate approvals are obtained, if the Board is not required to verify the segregation of duties.

Financial policies, controls and procedures are enforced within the Company and are reviewed and updated regularly.

The main activities comprised within the system of internal control of the Company are:

- Control over the functioning of the current reporting and documentation of the Company;
- Maintaining the high competence of personnel with financial and reporting functions;
- Control over the content, accuracy and timeliness of financial statements;
- Completeness of the range and reliability of the financial information system;
- Lawful implementation of tax and social security obligations;
- Protection and preservation of assets;
- Control over disposal of assets and resources.

A system of internal control and risk management operates to ensure the effective functioning of the reporting and disclosure of information. The internal control system is built and functions to identify inherent risks of the company and support their effective management.

The code of conduct of employees of Chimimport AD, determining the required levels of ethics and conduct, is communicated to all employees and any amendments to it are included in the employee training.

## DECLARATION OF CORPORATE MANAGEMENT

Management has overall responsibility of ensuring proper maintenance of accounting data and processes to ensure that financial information is relevant, reliable, consistent with applicable law and the financial statements and management reports are prepared and published by the Company in due course. The Company's management reviews and approves the financial statements to ensure that the financial position and results of the Company are presented fairly and correctly. The financial information, published by the Company is subject for approval by the Supervisory Board.

Annual review of the internal control environment is carried out by the Managing Board, with the assistance of the Audit Committee.

### *Analysis and risk management*

The Managing Board determines the main risks of the Company regularly and monitors throughout the year the measures to address those risks, including through internal control and monitoring. The risk analysis includes business and operational risks, health and safety of employees, financial, market and operational risks, reputation risks, which may affect the Company, as well as specific areas identified in the business plan and the budget process.

All significant plans relating to the acquisition of assets or realization of operating income include consideration of relevant risks and appropriate action plans.

Inherently the risk management is a set of processes to identify, assess and control the risks that ensure that the objectives of the Group of Chimimport AD are met and effective management is achieved. Risk management is systematic, structured and in due time and thus facilitates continuous improvement of the organization.

The risk management system comprises the following activities:

- identification of the different groups of risks (indicated in the reports on the activities of the group)
- evaluation and risk analysis (indicated in the reports on the activities of the group)
- monitoring and procedures that will be applied to prevent or reduce the effects of onset risks.

Risk management is part of the internal control system. The goal of management is to detect risks that cast doubt on the functioning of the company, to assess and reduce critical risks. Well-managed risk-taking is a prerequisite for sustainable improvement of the organization. The Company management seeks to develop an active risk management by introducing a risk management system and directing efforts to improve it in line with international best practices.

The risk management system defines the duties and responsibilities in the structural divisions of the Company, organization, and procedure for interaction in risk management, analysis, and evaluation of information related to risks, preparing periodic reporting on risk management.

The internal control system and the risk management system are continuously improved following the legislative requirements and best practices. Their goals may be summarized as follows: compliance with the strategies, plans, internal regulations and procedures for the implementation of the activities to ensure effective and efficient operations, reliable financial reporting, storage and protection of assets. Risk management in Chimimport AD is performed by employees at all levels of management and is an integral part of operations and the corporate governance of the Company.

### *Statement by the directors on the Annual Activity Report and the Financial Statements*

Pursuant to the requirements of the Code, the directors confirm their responsibility for preparing the annual activity report and the annual financial statements and consider the Annual Activity Report is



## DECLARATION OF CORPORATE MANAGEMENT

transparent, balanced and understandable and provides the necessary information to shareholders, to assess the Company's position and operations, its business model and strategy.

### *Responsibilities and interaction between the Supervisory Board, the Audit Committee and the external auditor of the Company*

As a public company, according to the Independent Financial Audit Act and the National Corporate Governance Code, Chimimport AD has established an Audit Committee, which is responsible for monitoring of the financial reporting and the independent financial audit as well as the effectiveness of the internal audit function and control and risk management systems of the Company.

At the General Meeting of Shareholders held on 27 June 2017, under the proposal of the Managing Board, the shareholders of Chimimport AD elected the following Audit Committee members: Peter Krasimirov Terziev- Chairperson, Veselina Petrova Stefanova and Elena Milcheva Karakasheva - members. The structure and functions of the Committee are defined under Article 108, Paragraph 1 of the Independent Financial Audit Act.

The Committee recommends the registered auditor to conduct an independent financial audit of the company and monitor its independence in accordance with the law and the Code of Ethics for Professional Accountants.

The mandate and the number of members of the Audit Committee shall be determined by the General Meeting of Shareholders. The functions and responsibilities of the Audit Committee are regulated by the Rules of the Audit Committee.

Committee members have unlimited access to the members of the Supervisory Board, the Managing Board and the senior management personnel directly responsible for the activities falling within the scope of the delegated competence of the Committee. The Audit Committee reports its activity to the General Meeting of Shareholders annually.

The main functions of the Audit Committee include:

- to monitor the financial reporting processes;
- to monitor the effectiveness of internal control systems;
- to monitor the effectiveness of risk management systems;
- to monitor the independent financial audit on the Company;
- to oversee the independence of the registered auditor of the Company in accordance with the IFAA and monitor the provision of ancillary services by the auditor

### **3. Information in accordance with Article 10, paragraph 1, items “c”, “d”, “f”, “h”, and “i” of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004**

*3.1 Information in accordance with Article 10, paragraph 1, item “c” of Directive 2004/25/EC on takeover bids regarding significant direct and indirect shareholdings (including indirect shareholdings through pyramUIC structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC.*

In 2018, no changes have been made relating to the acquisition or sale of shares of the Company that reach, exceed or fall below one of the thresholds of 10%, 20%, 1/3, 50% and 2/3 of the voting rights of the Company for the period as defined in Article 85 of Directive 2001/34 / EC.

**DECLARATION OF CORPORATE MANAGEMENT**

The share capital of the Company as of 31 December 2018 consists of 239 646 267 ordinary shares with par value of BGN 1 per share. The ordinary shares of the Company are dematerialized, registered and freely transferable and entitle to one (1) vote and liquidation share.

On 15 June 2016, all preferred shares of the Company issued on 12 June 2009, were mandatory converted into ordinary, per the prospectus for the issue.

The list of major shareholders holding more than 5% of the shares of the Company is as follows:

	Ordinary shares As at 31.12.2018	Ordinary shares As at 31.12.2018 %
<b>Invest Capital AD</b>	174 847 247	72.96%
<b>Other legal entities and individuals not exceeding 5%</b>	64 799 020	27.04%
<b>TOTAL</b>	239 646 267	100.00%

*3.2 3.2 Information in accordance with Article 10, paragraph 1, item “d” of Directive 2004/25/EC on takeover bids regarding the holders of any securities with special control rights and a description of those right*

*Chimimport AD has no shareholders with special control rights.*

*3.3 Information in accordance with Article 10, paragraph 1, item “f” of Directive 2004/25/EC on takeover bids regarding any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities;*

There are no restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities

*3.4 Information in accordance with Article 10, paragraph 1, item “h” of Directive 2004/25/EC on takeover bids regarding the rules governing the appointment and replacement of board members and the amendment of the articles of association;*

The management bodies of the Company are:

## DECLARATION OF CORPORATE MANAGEMENT

- General Meeting of the Shareholders;
- Supervisory Board;
- Managing Board.

The General Meeting of the Shareholders elects and dismisses members of the Supervisory Board and determines their compensation and bonuses.

The members of the Managing board are appointed by the Supervisory Board, which can replace them at any time. One individual cannot be both a member of the Managing and Supervisory Board. Members of the Managing Board may be re-elected without limitation.

Members of the Managing Board of "Chimimport" AD are elected only if they meet the following legal requirements:

- be either individuals or legal persons;
- at the moment of election have not been convicted of crimes against property, economy or against the fiscal, tax and insurance authorities of the Republic of Bulgaria or abroad, unless rehabilitated;
- are not members of the managing or supervisory body of a company terminated due to bankruptcy in the past two years preceding the date of the declaration of insolvency, if any unsatisfied creditors remain;

Amendments to the Articles of Association of the Company are approved by General Meeting of the Shareholders.

### *3.5 Information in accordance with Article 10, paragraph 1, item "i" of Directive 2004/25/EC on takeover bids regarding the powers of board members, and in particular the power to issue or buy back shares;*

The amount of capital may be amended in the manner provided by the law and the Statutes of the Company. The decision to amend shall contain all the details required by law.

The decision to increase the capital is taken by the General Meeting of the Shareholders or the Managing Board, within the mandate under Article 17 of the Statute of the Company.

If new shares are sold at a price higher than nominal, their issue price is determined with the decision to increase the capital.

Each shareholder is entitled to acquire part of the new shares, which corresponds to its share capital before the increase, unless that right is limited by law (Article 113, paragraph 2, subparagraph 2 of the Public Offering of Securities Act).

In the event of a capital increase through the capitalization of retained earnings and other assets by issuing new shares, the latter shall be acquired by the shareholders in proportion to shares already owned.

In its decision for capital increase under Article 17, the Managing Board sets the amount and purpose of the increase; the number and type of the new shares, their rights and privileges, deadline and conditions of transfer of rights under § 1, p. 3 of POSA issued against existing shares; the deadline and conditions for subscription of new shares; the amount of the issue price and terms and conditions for its payment;

## DECLARATION OF CORPORATE MANAGEMENT

the investment intermediary entrusted with the implementation of the subscription; as well as determines any other terms and conditions provided for in the regulations or necessary to make the corresponding increase in equity.

### *Capital decrease*

The capital reduction is carried out by decision of the General Meeting of Shareholders by decreasing the nominal value of shares or through cancellation of shares.

Cancellation of shares shall be allowed only through the purchase of company's own shares under the conditions and according to the Commercial Code.

### **4. Composition and functions of the administrative, management and supervisory bodies**

The Supervisory Board of Chimimport consists of 3 members who are elected by the General Meeting of the Shareholders for a term of five years.

The Supervisory Board performs its activities in conformity with the Statute of Chimimport AD and the Internal rules of the Supervisory Board.

The Managing Board of Chimimport AD consists of six members who are elected by the Supervisory Board for a term of five years.

The Managing Board performs its activities in conformity with the Statute of Chimimport AD and the Internal rules of the Managing Board.

In carrying out their duties and responsibilities the members of the Managing and Supervisory Boards are governed by the legal requirements, by-laws of the Company and the standards of integrity and competence.

The Managing Board:

- governs and represents Chimimport AD;
- manages the operating activities of the Company;
- approves plans and programs for the Company's activities;
- approves the organizational and managerial structure of the Company;
- approves decisions that are not in the express competence of the General Meeting of the Shareholders and the Supervisory Board;
- decides on capital increase or decrease under the Articles of Association;

The Managing Board, with the approval of the Supervisory Board:

- approves and proposes for approval to the General Meeting of Shareholders the annual financial statements and the activity report of the Company;
- based on the financial performance of the Company at the end of the reporting year, makes a proposal on the appropriation of the profit

Members of the Managing Board are guided in their activities by the generally accepted principles of integrity and management and professional competence.

## DECLARATION OF CORPORATE MANAGEMENT

Members of the Supervisory and Managing Board apply the principle of avoidance and prevention of actual or potential conflict of interest. Any conflict of interest should be disclosed to the Supervisory Board. Members of the Managing Board should inform the Supervisory Board about whether directly, indirectly or on behalf of third parties have a significant interest in any transactions or matters that have a direct impact on the Company.

### **5. Description of the diversity policy**

Chimimport AD, appoints and recommends for election by the Supervisory Board, candidates for members of the Management Board, taking into account the balance of professional knowledge and skills, the various qualifications and professional experience of the members of the board, necessary for the management of the Company.

## CONTACT US

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Медии за разкриване на информация  
[www.x3news.com](http://www.x3news.com)

All current shareholders, interested persons/stakeholders and potential investors may receive the necessary information related to the activities of the company and its financial results at the following address:

2 "Stefan Karadja" Str., Sofia 1000, every Friday from 13.00 till 17.00,



FOR ADDITIONAL INFORMATION  
PLEASE VISIT OUR WEBSITE  
[www.chimimport.bg](http://www.chimimport.bg)



### USEFUL LINKS

Financial Supervision Commission  
<http://www.fsc.bg/>

Bulgarian Stock Exchange  
<http://www.bse-sofia.bg/>

Central Depository  
<http://www.csd-bg.bg/>

Bulgarian National Bank  
<http://www.bnb.bg/>

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