

FOURTH QUARTER OF

2021



INTERIM ACTIVITY REPORT



INTRODUCTION

The current interim report on the activities of Chimimport AD is a commentary and analysis of the financial statements and other material information about the financial position and results of the Company for the fourth quarter of 2021.

The report is prepared in accordance with the requirements of the Accountancy Act, with Art. 100o of the Law on the Public Offering of Securities Act and the provisions of ORDINANCE № 2 of 09 November 2021.

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 successful businesses. The main area of activity of "Chimimport" AD is the acquisition, sale of shares in Bulgarian and foreign companies, restructuring and management of subsidiaries of the portfolio. Subsidiaries occupy leading positions in various economic sectors, which operate:

- banking and finance
- non-life insurance
- life insurance
- pensions
- air transport and ground activities on servicing and repair of aircraft
- manufacture, production and marketing of petroleum and chemical products and natural gas
- production, processing and trade with cereals and vegetable oils.

Each of nearly 6 000 employees in the structure of "Chimimport" AD contributes to the successful integration of Bulgarian business to European standards. Recent years have strengthened the company as a leader of the "Bulgarian Stock Exchange - Sofia" AD, included in "Premium" segment share, in the indices SOFIX, BGBX40 and BGTR30, which is the result of proper planning of investments and professional actions and efforts of management. The company's activities as a public company is the creation and establishment of effectively functioning corporate governance models to ensure equal treatment and protection of the rights of all shareholders. The common practice is the transparent and fair disclosure of information needed by current shareholders, stakeholders and potential investors.

At this stage the main advantages of "Chimimport" AD are:

- Knowledge of economic and political conditions and resources in Bulgaria, needs and specificities of clients conquered good positions in strategic sectors of the economy;
- Approved management team - the group has a highly motivated team of managers with a vision for the growth of the holding company, with proven skills and experience in management, acquisition and restructuring of companies in both favorable and unfavorable market environment.



IVO KAMENOV
CEO /Chief Executive Officer/

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- **Information on important events that occurred in the third quarter of 2021**

- On 29th November 2021 Chimimport AD issued an Interim Condensed Consolidated Financial Statement for the third quarter of 2021..
- On 01st November 2021 Chimimport AD issued Interim Condensed Financial Statements for the third quarter of 2021.
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- On 08th October 2021 Chimimport AD presents a Protocol from AGM of Shareholders.
- On 01st October 2021 Chimimport AD presents an insider information regarding art. 7of Regalement 596/2014 of EP
- On 4th September 2021 Chimimport AD presents an invitation for AGM of Shareholders
- On 30th August 2021 Chimimport AD issued an Interim Condensed Consolidated Financial Statement for the second quarter of 2021..
- On 30th July 2021 Chimimport AD issued Interim Condensed Financial Statements for the second quarter of 2021.
- On 31st May 2021 Chimimport AD presents a Quarterly Consolidated Report for the first quarter of 2021.
- On 5th May 2021 Chimimport AD presents a Quarterly Report for the first quarter of 2021.
- On 5th May 2021 Chimimport AD presents Annual Consolidated Report for 2020.
- On 31st March 2021 Chimimport AD issued Annual financial report for 2020.
- On 1st March 2021 Chimimport AD issued Interim Condensed Consolidated Financial Statement for the fourth quarter of 2020.
- On 1st February 2021 Chimimport AD issued Interim Condensed Financial Statements for the fourth quarter of 2020.

- **Financial indicators**

- Due to the specific character of the activity of the issuer - holding activity, the main revenues of the company are both income from operating activities and financial, formed by positive differences from operations with financial instruments, interest income and dividends. Operating revenues are mainly related to investment property, services and others.

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BGN 37 133
thousand

• REVENUES
31.12.2021

BGN 23 660
thousand

• PROFIT BEFORE THE TAX
31.12.2021

BGN 21 294
thousand

• NET PROFIT OF SHAREHOLDERS
31.12.2021

**Detailed information on financial performance is described in the Interim Condensed Financial Statement.*

- **Influence of significant events on the financial results for the current period**

During the reporting period for the activity of the Company the influence of the spread of coronavirus (Covid-19) continued, which occurred in the beginning of 2020 worldwide, when employees appeared in the business and economic activity of a number of enterprises and entire economic branches.

While the company operates through its investments in various sectors of the economy, supply chain review, disruption of transport flows and quarantine data has a direct impact on some sectors such as air transport, the impact of the pandemic is reflected in investor activity and price volatility of the financial instruments that the Company provides.

The impact of the coronavirus pandemic on the financial condition and results of the Company's activities in the fourth quarter of 2021 is unfavorable, given the continuing pandemic situation and the affected aviation business;

- Increase in net profit in the amount of BGN 3 464 thousand.

Overall, the impact had a negative effect on the Company's operations, however, the Group continues to assist in expanding its operations and supporting the businesses in which it participates. The measures taken by the Company and the Group as a whole are focused on the restructuring of loans and receivables.

As a result of the measures taken, the Company as a whole is in a strong position and has sufficient capital and liquidity to service its operating activities and debts.

As of the date of the report, the Company has not taken advantage of the measures provided by the state to overcome the consequences of COVID -19.

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- **Information regarding the transactions between the company and its related parties**
 - ***Related party transactions entered into during the reporting period of the current financial year that materially affected the financial position or results of the company's operations in that period***
 - The related parties of the Company include: the parent company, its subsidiaries, the key management personnel and other parties. The key management personnel of the Company include the members of the Management Board and the Supervisory Board. During the reporting period there were no transactions that materially affected the financial position or the results of the company's activity during this period
 - ***Changes in related party transactions disclosed in the annual report that have a material impact on the financial position or results of the company during the respective accounting period of the current financial year.***
 - During the reporting period there was no impact on the financial position or the results of the company's operations as a result of the changes in the related transactions with related parties, disclosed in the annual report.

GENERAL RISKS AND UNCERTAINTIES



Chimimport AD is a holding company and any decline in the operating results, financial position and prospects for the operations of its subsidiaries may have a significant adverse effect on the results of the operations and the financial position of the Issuer, including its capability to pay dividends

Since Chimimport conducts business through its subsidiary companies exclusively, its financial position, operating results and prospects are in a direct relation to the position, results and prospects for its subsidiary companies, especially the Principal Subsidiaries. The stock exchange price of the Issuer's Shares reflects the business potential and assets of the Group as a whole. The ability of Chimimport to continue investing its own funds in the growth of the Group and to pay dividends to the holders of ordinary shares, should a decision to this effect be made by the Issuer's general meeting of shareholders, will depend on a number of factors related to its subsidiary companies, including the amount of profit and cash flows from the subsidiary companies and the growth in the stock exchange price of the shares in its subsidiary companies which are public companies and traded on the Bulgarian Stock Exchange Sofia (BSE), and for the last time in 2019 a dividend was paid.

If the Group fails to carry out or integrate successfully future acquisitions, and to implement reorganizations, the results of the Group's operations and its financial position may be damaged

Until now, the Group has developed its operations in Bulgaria primarily through acquisitions of companies and assets and Chimimport expects that these acquisitions will

continue in the future as well. The Group intends to pursue a strategy of identifying and acquiring businesses, companies and assets with a view to expanding its activities. There is no certainty, however, whether the Group will succeed in the future to identify appropriate objects for acquisition and investment opportunities or whether the companies and assets acquired in the future will be as profitable as the operations so far. In addition, the acquisitions and investments are subject to a number of risks, including possible adverse effects on the results of the operations of the Group, unexpected events as well as obligations and problems related to the integration of the operations.

Chimimport Group is in the process of introducing a number of reorganizations. The Group expects that these reorganizations will result in economies of funds and a more effective management of the businesses. There is no certainty, however, that Chimimport Group will manage to implement the planned reorganizations timely and completely, no that they will generate the expected benefits, including economies of expenses.

Rapid growth of Chimimport Group and the restructuring in the Group can be a challenge for its systems of operational, administrative and financial control

It is expected that the rate of growth and expansion of the activities of Chimimport Group and the restructuring in the Group will continue and there will be a respective increase in the need to ensure greater management and operational resources. Chimimport is trying to optimize its operational structure, its control and financial systems and to recruit and train qualified staff. The management of Chimimport Group believes that it has the necessary resources for the continuing expansion of its operations. There is no certainty, however, that the systems of operational and financial control of Chimimport are appropriate to support and manage its future growth effectively.

The Group “Chimimport” may choose inappropriate market strategy

The future profits and economic value of Chimimport Group depend on the strategy chosen by the management team of the Issuer and its subsidiary companies. Opting for an inappropriate market strategy may lead to losses or earnings foregone. Chimimport Group strives to manage the strategic risk by constantly monitoring the implementation of its strategy and results in order to be able to react as quickly as possible if changes in the strategy are needed. Any inappropriate or delayed changes in the strategy of the Group might have a material adverse effect on its activities, operating results and financial position.

Most of the activities of the Group are carried out in a highly competitive environment

With its accession to the EU on 1 January 2007, Bulgaria has become significantly more attractive to foreign investment and the operation of foreign and mostly European companies has been greatly facilitated. This holds true especially for the sector of financial services which is strategic for the Group due to the possibility for loan, insurance and other financial institutions licensed in other EU Member States to transact business directly in Bulgaria in the conditions of free offering of services.

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Fierce competition is especially typical of the financial services market where some of the Principal Subsidiaries operate. There have been significant restructurings in these sectors after the privatization of the state shares in the Bulgarian banks and insurance companies. Foreign strategic investors have acquired shares in most large Bulgarian banks and insurance companies pursuing aggressive growth strategies and introducing modern systems, technologies and practices. Some Bulgarian banks have found themselves in wider international processes of consolidation and this has greatly strengthened their position on the internal market. Certain banks owned by foreign financial conglomerates may continue to have priority access to fresh financial resources at a competitive cost, even during the ongoing financial crisis. The intense competition in the financial sector may lead to an outflow of clients of CCB and Armeec and a decrease in their market share. These and other factors may affect unfavorably the financial position and the results of the financial institutions in the Group.

The mass entry of the so called low-cost air carriers in the Bulgarian aviation market may lead to a decrease in the revenue of the air company of the Group - Bulgaria Air. The entry into force of the open skies agreement pursuant to which all air companies complying with the European flight security norms have an equal access to the Bulgarian aviation market may lead to a decrease in the revenue of the aviation carriers in the Group.

The growing competition may have an adverse effect on other businesses of the Group, too: production of and trading in fertilizers and chemicals.

In brief, the overall business of the Group faces a strong competition from both large multinational companies and larger and smaller local companies. Many of the international competitors of the Group are larger and have financial, technical and marketing resources that are significantly greater than those of the Group. The factors which determine whether consumers choose the products and services of the Group include price, quality of products and service, reputation and customer relations. Chimimport expects a growth in competition in the sectors and markets where its subsidiary companies operate and there is no guarantee that the Group will maintain its strong competitive position in the future.

Force majeure events such as climatic changes, accidents and terrorist attacks may have a significant impact on the business of the Group.

Abrupt climate changes and natural disasters may have a negative impact on the yield of grains which will have an adverse effect on the grain business of the Group, including cargo turnover of Parahodstvo BRP and make it difficult to obtain payments on the loans to agricultural producers given by CCB. A decline in the yield of agricultural activities related to unfavorable climate conditions, pests or other reasons may lead to overdue receivables related to the sale of fertilizers with deferred payments and, as a result, to a decrease in the revenue of the Group from the production of and trading in chemical products. The coming into being of large-scale insurance events may lead to difficulties for ZAD Armeec with the compensation payments, irrespective of the reinsurance strategy of the company. Terrorist attacks on sites of the air, river and maritime transport in the region may bring about a reduction in the flow of travelers and traffic and to losses for the

companies of the transport branch of the Group: Air Company Bulgaria Air, and Parahodstvo BRP. The activities of the latter may suffer the negative impact of changes in the navigability of the Danube. Both extremes – a critically low and a critically high BGNel of the river - are exceedingly problematic for shipping, because the impeded or completely interrupted navigation results in an increase in expenses and a drop in income for the company.

The global pandemic of COVID-19 could significantly affect the Group's business

According to the latest economic forecast from the European Commission, the coronavirus pandemic represents a major shock to the global and European economies, leading to very severe socio-economic consequences. Despite swift and comprehensive measures at both European and national level, the EU and Bulgarian economies are declining in 2020. Although some sectors are even expected to grow during the crisis (eg supplies of some health and sanitation products) products, medicines, foodstuffs, online deliveries and related courier services, etc.), any economic downturn would adversely affect the consumption and hence the income of almost all business agents, including companies in the Group. In addition, in case of a certain unfavorable development of the pandemic in the country, additional operational risk may be created for all business entities, including the companies of the Group (related to the staff, suppliers, customers, etc.).

Rights of the Group on certain sites of national importance may be terminated in the event of non-fulfillment of the obligations under the respective concession agreements

The Bulgarian state has granted the company Oil and Gas Exploration and Production AD, a subsidiary company of Chimimport, concessions to extract crude oil from over 10 fields. The Group is also a party to a concession agreement concerning Lesport Port Terminal which is part of Varna Port, a public transport port of national importance. As well the Group owns a share of 40% in the concessioner of the airports Varna and Bourgas: Fraport Twin Star Airport Management consortium. The concessions held by the Group have different periods (between 7 and 35 years) but, in the event of failure of the Group to fulfill its obligations under the respective agreements (for example, if the use of the objects is suspended for a period, or if there is a significant failure to realize the investment program of the concession-holder, failure to reach certain agreed parameters, on the basis of a judicial decision, etc.), the Bulgarian state may terminate the concessions in advance. There could also be further challenging of the concession agreements in the court by third parties on the grounds of their being unlawful. The loss of concession rights of the Group may have a significant negative impact on its activities.

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Compliance with the legislation concerning the protection of the environment requires constant expenses and commitments by the Group and any noncompliance with the regulatory obligations may lead to significant sanctions and termination of activities.

The ecological legislation in the Republic of Bulgaria requires of the companies to take a number of measures concerning the prevention, control and reduction of the various types of environmental pollution. The policy of the Group is to comply strictly with all regulatory obligations and restrictions related to the protection of the environment which is related to constant expenses, including expenses for planning, monitoring and reporting, ensuring and maintaining compliance of the equipment with the required standards and norms, re-cultivation of locations, etc. Regardless of the action taken, if Chimimport Group is found guilty of causing ecological damages, it will have to pay compensations and fines in a significant amount, some of its activities may be terminated which could affect greatly its financial position and operating results.

The Group may fail to fund the planned capital expenses and investments.

The businesses of the Group require significant capital expenses, including such for production, exploitation, marketing, environment protection, etc. Chimimport Group expects a great part of these expenses to be funded from the Group's own funds. In case of unfavorable economic situation or the coming into being of other unfavorable events, it may be necessary to fund these expenses primarily from external sources. There is no certainty whether external funding will be found under acceptable conditions. It may be necessary for Chimimport Group to reduce its planned capital expenses and investment which would have an adverse effect on the operating results and the financial position of the Group.

Group's financial results depend on the prices of several raw materials (such as crude oil, petroleum products, grain, oil seeds, vegetable oils and other) and exchange rates.

The financial position and operating results of the Group are under the influence of the market prices of crude oil, process mixtures and petroleum products which are subject to international demand and supply and various other factors outside the control of Chimimport Group. In the past years, especially in the present year, these prices have varied widely. A prolonged decline in prices of petroleum products may lead to a reduction in the revenue of Oil and Gas Exploration and Production, a subsidiary company of the Issuer. In addition, a move in consumer demand for other energy sources as a result of a global crisis on the market of petroleum products could have a material adverse effect on the income of Oil and Gas Exploration and Production and, respectively, of the Group. At the same time the fuel expenses are a significant expenditure for the Group's transport companies.

The volatility of international prices of grain, oil seeds, vegetable oils and other have an impact on the revenue and profit of Zarneni Hrani Bulgaria, as it can result in decrease in the turnover and margins, as well as in increasing the risk of operations (in particular,

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taking into account the influence of the changes in the exchange rates, specifically USD/EUR).

The Group's operations are subject to risks, related to the conditions in Bulgaria and the region

The Group operates mainly in Bulgaria, which is already a EU member, but so far it has been classified as an emerging market. Emerging markets are associated with higher risks than more developed markets, including, in some cases significant legal, economic and political risks (see below the section Risks related to Bulgaria).

A slowdown in the economy of Bulgaria, as a result from political or economic factors (internal or external to the country) will lead to a decline in the demand for the products and services of the Group. In particular, the development of a negative macroeconomic processes (decrease of income, increased unemployment, a significant decline in the prices of assets, incl. Real estate, deteriorating business climate and expectations, general macroeconomic instability, etc.) in the country could lead to direct or indirect effects on the Group companies, such as:

Deterioration in the creditworthiness of some of Central Cooperative Bank's clients and an increase of the share of problematic loans in its portfolio. Also, a significant decline in real estate prices may be a cause for impairment of collateral accepted by CCB. A number of factors, including regulatory changes may force the Bank to allocate more funds for provisions that would lead to a decline in its net profit.

A reduction in the growth rate of contributions to pension funds (mostly voluntary, but also the obligatory),

Decrease in the willingness and opportunity for private and business travels and cargo limiting purchases (including imported goods) and others. have a negative effect on the business of the transport companies in the Group.

The unfavorable political or economic events in other Central and Eastern European countries can have a significant negative impact on, among other things, the gross domestic product of Bulgaria, foreign trade and economy in general. Investors should also be aware that emerging markets are changing rapidly and the information contained in this document may be outdated soon.

The success of the Group depends on key personnel. If the Group fails to attract and keep experienced and qualified personnel, its business may suffer.

The business of the Group depends a lot on the contribution of a number of people taking part in the management and supervisory bodies and the top management of Chimimport Group and the Principal Subsidiaries and, to the greatest extent, on the Executive Directors of Chimimport Group. There is no certainty that the services of these "key" staff will also be available to the Group in the future. The competition for qualified staff among the employers in the financial and other sectors in Bulgaria is very strong. The success of the Group will depend partly on its ability to retain and motivate these people. The inability

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of the Group to maintain sufficiently experienced and qualified staff in managerial, operational and technical positions could have a significant adverse effect on the activities of Chimimport, its operating results and financial position. At present, the Group does not have “key staff” insurance.

Insurance coverage of the activities and assets of the Group may prove to be insufficient

Chimimport strives to maintain an adequate and economically effective protection of the assets and activities of the Group. There is no certainty, however, that the insurance coverage will be enough to cover any possible losses to a satisfactory degree if insurance events come into being, for example production accidents, suspension of activities, natural disasters and ecological damages.

Chimimport Group operates in a highly regulated environment and changes in the applicable legislation, the interpretation or practice of the application of the legislation, or the Group’s failure to comply with this legislation may have a significant adverse effect on it

The introduction of any regulatory restrictions by the Bulgarian National Bank may limit the growth possibilities of Central Cooperative Bank. The unfavorable changes in the legislation (for example, reduction or elimination of tax reliefs for people paying insurance and social insurance) could lead to an outflow of funds from the pension and social insurance system which will have a negative impact on the pension companies in the Group.

A change in government policy concerning the awarded concessions on oil and gas extraction could have a negative impact on the activities of the company Oil and Gas Exploration and Production.

Changes in the State policy regarding the mixing of biofuels with petroleum-based fuels, and associated time limits endorsed in the normative acts, would have a negative impact on the income of Zarneni Hrani Bulgaria” in the future.

The legislation application system of Chimimport Group could prove not sufficiently effective

The ability of Chimimport Group to comply with the requirements of all applicable laws and rules depends, to a large extent, on the creation and maintenance of systems and procedures for compliance with the laws, such as accounting, control, audit and reporting systems (provision of information), as well as of the Issuer’s ability to retain qualified staff with respect to the application of the regulatory requirements and risk management. The management of Chimimport Group cannot guarantee to the potential investors that these systems and procedures are completely effective. Chimimport is subject to intense supervision on the part of the regulatory bodies, including regular inspections. In the event of a real or suspected incompliance with the rules, Chimimport Group may be subject to investigation under administrative and judicial proceedings which may result in the imposition of significant sanctions or the filing of judicial cases with a significant interest,

including by clients of Chimimport, for compensation. Any of these circumstances could have a significant adverse impact on the activities of Chimimport, the company image, its operating results and financial position.

General risks

Emerging markets

Investors in emerging markets such as Bulgaria should be aware that these markets are subject to greater risks than those inherent to more developed markets, including in some cases significant legal, economic and political risks. In addition, adverse political or economic developments in other countries could have a significant negative impact on, among other things, Bulgaria's GDP, foreign trade and economy in general. Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, an investment in the Shares is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Investors should also note that a feature of emerging markets is that they are subject to rapid change and the information contained in this document may become outdated relatively quickly.

Risks associated with the Bulgarian securities market

There may be less information available in the Bulgarian securities market than is available on companies in other securities markets. There is a difference in the regulation and monitoring of the Bulgarian securities markets, and the activities of investors, brokers and other participants, compared with markets in Western Europe and the United States. The Financial Supervision Commission monitors for the disclosure and the compliance with the other regulatory standards for the Bulgarian securities markets, for the compliance with laws, and issues regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Bulgarian companies than is regularly made available to the investors by public companies in other securities markets, which could affect the price of the Shares.

The Bulgarian Stock Exchange is substantially smaller and less liquid than securities markets in certain other countries

The Bulgarian Stock Exchange is substantially smaller and less liquid than securities markets in certain other countries, such as those in the United States and Western Europe.

At the end of the fourth quarter of 2021, shares of 89 companies were registered for trading on the Main Market of the BSE, 7 of which were registered for trading in the Premium segment, 65 in the Standard segment and 17 in the special investment purpose segment. Separately, shares of 168 companies are registered for trading on the Alternative Market, of which 132 per segment for shares, and 36 are registered per segment for special investment purpose companies.

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At the end of the fourth quarter of 2021 the market capitalization of the companies traded on the Main Market of the BSE amounted to BGN 1,535 billion (Premium shares segment), BGN 9,026 billion (Standard shares segment) and BGN 1,045 billion (segment). for special purpose vehicles). Separately, the companies traded on the Segment for shares on the Alternative Market have a capitalization of BGN 18,562 billion, and those traded on the Segment for special purpose vehicles on the same market - BGN 0,335 billion.

At the same time, a very small number of companies represent a large portion of the market capitalization and a significant part of the trading volumes of the Bulgarian Stock Exchange. This low liquidity also leads to other complications, such as excessive volatility, with the market arguably also vulnerable to speculative activity because liquidity is occasionally so low that prices can be manipulated by relatively small trades. Consequently, there is no guarantee that the Shares will be actively traded, and if they are not, this is likely to increase price volatility.

Risks associated with Bulgaria

Political risks

Under continued international financial and economic crisis conditions, the usual political risks have an additional burden, related to timely and adequate response of political structures, legislative and executive authorities to the economic situation.

A political risk is also the successful carry on of Bulgaria's integration to the EU. Bulgaria's accession to the EU legitimates the economic reforms have been undertaken in the name of the country's integration to the Union. In the future the economic growth will depend on the political will to carry on with the economic reforms and to apply the best market practices of the EU, as well as on the impact on the Bulgarian economy of the financial crisis. The government's ability to carry out reforms in turn depends on the extent to which members of the government can continue their efforts to promote the current reform, especially in conditions of economic uncertainty. At the moment, Bulgaria is in a situation of recent early parliamentary elections (third in 2021) and regular presidential elections. As a result of the parliamentary elections, a government was formed, supported by a broad coalition, and as a result of the presidential elections, the incumbent head of state was re-elected for a new term.

The relatively unstable political situation in the short term poses risks that have not yet manifested themselves. Despite the lack of expectations for serious shocks and significant policy changes, uncertainty about the future governance of the country is a significant risk that could affect the economic development of the country. In view of all this, the political risk in the country remains increased.

The current Bulgarian political system is vulnerable to fragmentation of political forces (often caused by the pursuit of personal interests or external), economic hardship, widespread dissatisfaction with reform and EU membership due to unrealistic expectations and social instability and changes in government policies, organized crime and corruption, all of which could have a material adverse effect on the Group of Chimimport, its operating results and financial condition.

Economic risks

This is the risk of macro economical concussion, which could be reflected on economic growth, incomes, demand and supply, profits and etc. Bulgaria has an open-ended economy and its development depends directly on the international market conditions. Thus raging since mid-2008 global economic crisis is negatively affected the economic situation in the country, mainly through the reduction in exports and a decline in inflows of foreign capital, which reflects the investment activity, unemployment, income and domestic consumption. This led to a negative real economic growth through 2009.

In next few years, the growth rate of GDP again remained positive, but quite low .

It was not until the second half of 2014 that GDP began to grow solidly and the economy entered a phase of recovery. According to preliminary data, in 2018 GDP growth is 2.74%, and for 2019 is 4%. In 2020, in view of the consequences of the Covid-19 pandemic, the GDP growth rate is already negative and amounts to -4.4%. In the first quarter of 2021, the GDP growth rate is 0.2.%while in the second and third quarter it is already a stable positive value of 6.5% and 3.9% respectively. In its latest economic forecast, the EC expects GDP growth of 3.8% in 2021 for Bulgaria.

GDP growth in recent years has not immediately led to a decrease in the number of unemployed. So for 2011, the unemployment rate rose to 11.3% (via NSI). Until the end of 2012 the unemployment rate rose to 12.3%. During 2013 it is notices that there is an increase in unemployment rates to 12.9 %. This trend starts to change rapidly and in 2014 (11.4%), there is a tendency to reduce the unemployment on a monthly basis. During the 2015, 2016, 2017 and 2018 the rate continued to decrease reaching 9.1%, 7.6%, 6.2% and 5.2%. For 2019, the ratio is even better and amounts to 4.2%. In 2020, the unemployment rate increased to 5.1%, due to the effects of the COVID-19 pandemic. In the first quarter of 2021 the unemployment rate increased to 6.3%, and for the second quarter decrease to 5.6% and for the third quarter the decrease is 4.6%.

Meanwhile there is a permanent growth in the average monthly salary. In 2010 the monthly salary is up to BGN 648, in 2011 – BGN 686, in 2012 – BGN 731, and 2013 - BGN 775, during 2014 - BGN 822, in 2015 - BGN 878 , in 2016 – BGN 948, in 2017 – BGN 1 037, in 2018 - BGN 1 146, in 2019 BGN 1,267, and in 2020 a new increase to BGN 1,391 was registered.

According to the National Statistical institute the average annual inflation (average annual change in the CPI) for 2012 and 2013 is 3.4% and 0.94% respectively. In 2014, the country recorded deflation of 1.4%. During 2015 and 2016 the country recorded lower deflations, of 0.1% for 2015 and 0.8% for 2016. Outline trend of decline in inflation from 2012 onwards is partly due to the decrease in international fuel prices (particularly in 2014 and 2015). So in 2017 the country recorded for the first time in tree years inflation of 2.1% . At the end of December 2018, the average CPI for the past 12 months reported a growth to 2.8%. In 2019, the average annual CPI, compared to the corresponding period of the previous year, is even higher and amounts to 3.1%. In 2020, the change in the CPI was

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1.7%, and in the fourth quarter of 2021, compared to the corresponding period of the previous year, is already a very serious figure of 73.8%.

In 2020, according to preliminary BNB data, Bulgaria has a current account deficit of EUR 161.2 million (0.3% of GDP), compared to a surplus of EUR 1 47.8 million in 2019 (1.9% of GDP).

The decrease in the surplus is mainly due to the contraction of the surplus in services. The balance on the capital and financial account from a positive amount of EUR 3,298.2 million in 2019 (5.4% of GDP) increased slightly to a positive amount of EUR 3 567.6 million in 2020 (5.8%) of GDP).

In 2011, the compliance with strict fiscal discipline, led to the reduction of the budget deficit below the projected in Maastricht threshold of 3% of GDP (1.7% according to Eurostat), while in the previous year a deficit of 3.7 % was recorded. For 2012, the budget deficit is still low at 0.8%, while in 2013 and 2014 deficit is higher, reaching respectively to 0.7% and 5.4% of GDP (increasing last year was mainly result of the inclusion of the deficit in the Fund for guaranteeing bank deposits). In the next few years after 2015, according to Eurostat, the country's budget ended in surplus.

The budget balance under the consolidated fiscal program at the end of December 2020 is negative (deficit) amounting to BGN 3.532 billion, mainly as a result of increased public expenditures caused by the pandemic. Revenues under the consolidated fiscal program at the end of December 2020 amounted to BGN 44,317.7 million (compared to BGN 44,048.6 million at the end of the previous year). The budget balance under the consolidated fiscal program as of November 2021 is positive in the amount of BGN 638.7 million and is formed by a surplus in the national budget in the amount of BGN 806.6 million and a deficit in European funds in the amount of BGN 167,9 million.

The fiscal reserve at the end of 2020 was BGN 8.6 billion against BGN 8.8 billion a year earlier. At the end of November 2021, the fiscal reserve was BGN 12.8 billion, incl. BGN 12.5 billion deposits of the fiscal reserve with the BNB and banks and BGN 0.3 billion receivables from European Union funds for certified expenditures, advances and others.

At the end of 2019, according to Eurostat, the level of indebtedness of the country (government and government guaranteed debt) fell to 20% of GDP, compared to 22.1% in the previous year, 25.1% at the end of 2017, 29.1% at the end of 2016, 25.9% at the end of 2015, 27% at the end of 2014 and 17% in 2013.

According to this indicator the country has the second lowest ratio among all EU countries (only Estonia have better data). It is alarming that in 2014 public debt almost doubled, after the end of 2017 the situation is significantly more optimistic (it should be noted, however, that our country has been a leader in fast-growing debt growth in recent years).

According to Eurostat data, at the end of 2019 the nominal amount of government debt amounted to EUR 12,314 million against EUR 12,427.2 million in 2018. For 2020, according to Eurostat, its amount is 15,135.6 million euros (24.7% of GDP). At the end of November 2021, however, according to the Ministry of Finance, the nominal amount of

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government debt increased and amounted to BGN 32 526 million (EUR 16 630.3 million), of which BGN 8 887 million BGN internal and BGN 23 638.4 million external. At the end of November the government debt / GDP ratio was 25.3%. The ratios of domestic and external government debt to GDP are 6.9% and 18.4%, respectively. In the debt structure, the relative share of domestic government debt is 26.2%, and of external debt - 73.8%. At the end of November, the share of debt denominated in euro reached 7%, in levs – 25.8%, in US dollars - 0.1%, and in other currencies - 0.1%.

In the structure of debt to creditors with the largest relative share are Eurobonds issued on international capital markets - 54.3%, followed by domestic debt - 26.2%, and loans from various international institutions. The interest rate structure of the debt at the end of August also showed some minimal changes - the share of debt with fixed interest rates increased slightly to 98.3%, and that with floating interest rates was 1.7%. The residual maturity of the debt in circulation is dominated by the long-term debt (up to 1 year - 8.55%, from 1 to 5 years - 35.67%, from 5 to 10 years - 31.77% and over 10 years - 24.01%).

Bulgaria's credit rating is BBB long-term on the Standard & Poor's scale. For the last time, on November 29, 2019, the BBB rating itself was raised - to BBB with a positive outlook (currently the outlook, according to the agency, is stable). The rating agency Moody's last increased on 9.10.2020. the credit rating of the Republic of Bulgaria from Baa2 to Baa1 for long-term bank deposits, as the outlook is stable. According to the Fitch scale, Bulgaria's credit rating for foreign currency is BBB with a positive outlook (last raised on 01.12.2017, and in February 2021 the outlook was changed from stable to positive).

Crucial for the Bulgarian macroeconomic and financial stability is the stability and predictability of the exchange rate regime and credibility. For now, in society, in general, there is consensus on the need Currency Board and the current fixed exchange rate of the BGN to the EUR be maintained until Bulgaria joins the euro zone (in the middle of 2018, the country apply for joining the ERM II -Single Currency Facility, along with an application for close co-operation with the ECB on banking supervision and in 2020, the membership is already a fact). Also conducted in 2016 a review of the assets and stress tests of banks in the country (and then the insurance and pension companies) should also have a positive effect on the stability of the financial sector.

In addition to the above-mentioned political risks with regards to the crisis it should be noted that business in Bulgaria has a relatively limited operating history in free market conditions. Compared to companies operating in countries with developed market economy, the Bulgarian companies are largely characterized by a lack of managerial experience in market conditions and have limited capital resources to develop their operations, and also have low labor efficiency.

The Results of the Group, of operations and financial condition largely depend on the Bulgarian economy, which in turn affects the growth of loans, interest costs and the ability of customers to fulfill their obligations on time. Any negative change in one or more macroeconomic factors like interest rates, which are influenced by Eurozone interest rates under the current rules in Bulgaria currency board, inflation, wage BGN, unemployment,

foreign investment and international trade may have significant adverse effect on the issuer's results of operations and financial condition.

Taxation

Taxes payable by Bulgarian companies include withholding taxes, local (municipal) taxes and fees, corporate tax, value-added tax, excise duties, export and import duties and property taxes. In recent years, under conditions of international and domestic economic growth, several governments have taken measures to optimize and reduce the tax burden on businesses and on citizens. During economic crisis opportunities for further reducing the tax burden are very limited. It is possible to reverse the process (by increasing the tax burden or by reducing the amount of services, investments and etc., provided by government).

Bulgaria`s accession in EU led to increased competition and additional and more burdensome regulations

Since the accession of Bulgaria on 1 January 2007 in the European Union the issuer faces a competitive pressure from companies in the same branch on the single market. Accession to the European Union led to increased competition for the issuer as the elimination and reduction of barriers led to new competitors from other Member-States entering the Bulgarian market. This leads to reduced revenues and profits of the Group. On the other hand, the harmonization of Bulgarian legislation with the legal acts of European Union on competition is essential. Each change in legislation leads to the need for the Issuer to comply with additional and more onerous rules.

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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.



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