

**INTERIM ACTIVITY REPORT**  
**of the Group of Chimimport AD, Sofia**  
for the period of first quarter of 2012,  
in accordance Article 100o, Paragraph 4 from the Public Offering of Securities Act

**1) Significant events for the Group for the period of first quarter of 2012 (01.01.2012 – 31.03.2012)**

On 30 March 2012 Chimimport AD issued the Annual Financial Statements for the year end as at 31.12.2011 in Bulgarian and English.

On 29 February 2012 the Company issued the consolidated financial statements for the fourth quarter of 2011.

On 30 January 2012 the Company issued the financial statements for the fourth quarter of 2011.

**2) Significant events for the Company for the period of first quarter of 2012 (01.01.2012 – 31.03.2012)**

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

No unusual events for the issuer that might have a significant impact on its activities occurred in the first quarter of 2012.

**4) Risk to which Group is exposed in the current financial year**

Before investing in the share capital of the Group of Chimimport the potential investors should carefully assess the risk factors in this section, in addition to the other information in other official documentation, presented by the Group. If one or more of the stated below risks is carried out, this may significantly impact the activity of the Group of Chimimport, the results of its operations and financial condition. If this leads to a decrease of the shares market price, the investors may lose partially or fully their investments. The risks and uncertainties described below are not the only ones that threaten Group of Chimimport. Additional risks and other uncertain events, which at this moment are unknown or considered insignificant, can influence unfavorably the activity of

the Group of Chimimport, the results of its operations, or its financial condition. The potential investors should consider depending on broader information, than the exhibited in this section.

The investment in the Company will be exposed to different kind of risks – risks, specific for the Company, as well as common risks, to which all commercial companies are exposed. The revenue and the profit of the Company can be unfavorably affected by a multiple of external factors: business situation; the Company's ability to develop successfully its business; the economic climate in the country and other, the major ones of which are described below.

### **Risks associated with the activity and structure of the Group**

#### ***Segments structure of the group:***

##### **Segments**

- Production, trade and services
- Finance sector
- Transport sector
- Real estate sector
- Construction and engineering sector



Name of the subsidiary	Country of incorporation	Main activities	31.03.2012	31.12.2011	31.03.2011
			%	%	%
Central Cooperative Bank AD	Bulgaria	Finance	77.12%	77.12%	75,33%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	78.78%	78.78%	56,35%
Stater Bank AD	Macedonia	Finance	-	-	0.00%
CCB Group EAD	Bulgaria	Finance	100.00%	100.00%	100.00%
CCB Assets Management EOOD	Bulgaria	Finance	77.12%	77.12%	100.00%
ZAD Armeec	Bulgaria	Finance	87.19%	87.19%	87.90%
ZAED CCB Life	Bulgaria	Finance	100.00%	100.00%	100.00%
ZOK CCB Health EAD	Bulgaria	Finance	100.00%	100.00%	100.00%
POAD CCB Sila	Bulgaria	Finance	46.75%	46.75%	46,77%
DPF CCB Sila	Bulgaria	Finance	46.75%	46.75%	46,77%
UPF CCB Sila	Bulgaria	Finance	46.75%	46.75%	46,77%
PPF CCB Sila	Bulgaria	Finance	46.75%	46.75%	46,77%
Chimimport Holland B.V.	The Netherlands	Finance	100.00%	100.00%	100.00%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	51.88%	51.88%	53.94%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	59.77%	59.77%	60.07%
Bulgarska Petrolna Rafinieria EOOD	Bulgaria	Production, Trade and Services	51.88%	51.88%	53.94%
Slanchevi lachi Provadia EOOD	Bulgaria	Production, Trade and Services	59.77%	59.77%	60.07%
Prime Lega Consult OOD	Bulgaria	Production, Trade and Services	70.00%	70.00%	70.00%
SK HGH Consult OOD	Bulgaria	Production, Trade and Services	59.34%	59.34%	59.34%

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Omega Finance OOD	Bulgaria	Production, Trade and Services	83.80%	83.80%	83.80%
Sofgeoprouchvane EOOD	Bulgaria	Production, Trade and Services	0.00%	0.00%	53.94%
PDNG – Serviz EOOD	Bulgaria	Production, Trade and Services	51.88%	51.88%	53.94%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	37.75%	37.75%	37.75%
Chimimport Group EAD	Bulgaria	Production, Trade and Services	100.00%	100.00%	100.00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%	60.00%
Chimoil Trade OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%	60.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%	60.00%
Orgachim Trading 2008 OOD	Bulgaria	Production, Trade and Services	-	60.00%	60.00%
Chimceltex OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%	60.13%
Fertilizers Trade OOD	Bulgaria	Production, Trade and Services	0.00%	52.00%	52.00%
Dializa Bulgaria OOD	Bulgaria	Production, Trade and Services	50.00%	50.00%	50.00%
Chimimport Pharma AD	Bulgaria	Production, Trade and Services	60.00%	60.00%	60.00%
Siliko 07 OOD	Bulgaria	Production, Trade and Services	-	50.00%	50.00%

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Medical Center Health Medica OOD	Bulgaria	Production, Trade and Services	90.00%	90.00%	90.00%
Chimsnab AD Sofia	Bulgaria	Production, Trade and Services	0.00%	0.00%	0.00%
Brand New Ideas EOOD	Bulgaria	Production, Trade and Services	-	-	-
IT Systems Consult EOOD	Bulgaria	Production, Trade and Services	100.00%	100.00%	100.00%
Aris 2003 EOOD	Bulgaria	Production, Trade and Services	-	-	-
Anitas 2003 EOOD	Bulgaria	Production, Trade and Services	100.00%	100.00%	100.00%
Goliama Dobrudjanska Melnitsa EAD	Bulgaria	Production, Trade and Services	-	-	60.07%
Chimtrans OOD	Bulgaria	Production, Trade and Services	-	60.00%	60.00%
Plovdivska Stokova Borsa AD	Bulgaria	Production, Trade and Services	75.00%	75.00%	-
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	51.88%	51.88%	53.94%
Trans intercar EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%
MAYAK KM AD	Bulgaria	Sea and River Transport	78.16%	78.16%	77.44%
Port Balchik AD	Bulgaria	Sea and River Transport	61.78%	61.78%	62.07%
Bulgarian Shipping Company EAD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%

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Parahodstvo Bulgarsko Rechno Plavane AD	Bulgaria	Sea and River Transport	81.91%	81.91%	82.16%
Blue sea horizon corp	Seychelles	Sea and River Transport	82.16%	82.16%	82.16%
Interlihter EOOD	Slovakia	Sea and River Transport	81.91%	81.91%	82.16%
VTC AD	Bulgaria	Sea and River Transport	0.00%	42.29%	41.90%
Port Lesport AD	Bulgaria	Sea and River Transport	99.00%	99.00%	99.00%
Lesport Project Management EOOD	Bulgaria	Sea and River Transport	99.00%	99.00%	99.00%
Bulgarian Logistic Company EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%
Port Pristis OOD	Bulgaria	Sea and River Transport	45.61%	45.61%	45.19%
Portstroj Invest	Bulgaria	Sea and River Transport	100.00%	100.00%	-
Bulgarian Aviation Group EAD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Aviation Transport	99.99%	99.99%	99.99%
Bulgaria Air Russia	Russia	Aviation Transport	99.99%	99.99%	-
Molet EAD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%
Airport Services EOOD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%
Bulgaria Air Technique EOOD	Bulgaria	Aviation Transport	100.00%	100.00%	99.99%
Energoproekt AD	Bulgaria	Construction and engineering	83.20%	83.20%	83.20%
Triplan Architects EOOD	Bulgaria	Construction and engineering	83.20%	83.20%	83.20%

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Golf Shabla AD	Bulgaria	Real Estate	36.38%	36.38%	35.06%
Sporten Complex Varna AD	Bulgaria	Real Estate	65.00%	65.00%	65.00%
Bulchimex OOD	Germany	Real Estate	100.00%	100.00%	100.00%

**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 preferred shareholders and 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).

**The global economic crisis increases the risk for the investors when investing in shares of Chimimport AD**

Such an event is the "mortgage crisis", which started in the USA during the second half of 2007 and affected the real estate markets and the financial markets. Due to the high extent of globalization, the crisis had a negative impact both in the United States and all other financial markets. This resulted in a serious decrease in the prices of traded shares on the Bulgarian Stock Exchange. The difficulty to foresee those events and the inability for a full insurance requires the use of a precise method for analysis of the available information, insurance of owned property and definition of a strategic plan, to be used in case of a crisis. According to data from the economic review of Bulgarian National Bank for the first quarter of 2009, the effects of the global financial crisis on the Bulgarian economy, for the period from the end of 2007 to the middle of September 2008, were limited.

- The first manifestation of the crisis was on the Bulgarian Stock Exchange, where as a result of the global uncertainty and declining liquidity that started in October 2007, a decline of indexes and daily turnovers has begun. The SOFIX index has lost nearly 70% of its value for the period from the middle of October 2007 to the middle of October 2008.
- Increased risk perceptions and lower liquidity in the international context affected the interbank money market, where spreads to euro zone interest rates began to rise from the last quarter of 2007. As at October 2008 the spread between LEONIA and EONIA indexes was approximately 250 b.p. The same spread was below 20 b.p. in the middle of the previous year. A similar dynamics was observed in interest rates on loans and deposits.
- Banks, operating domestically, as well as those operating worldwide, began to tighten terms and conditions for lending and to raise interest rates. In the end of the second quarter of 2008 in Bulgaria, the receivables of banks from non-governmental sector increased by 12.4% compared to the first three months and in the end of the third quarter - by 7.1% compared to the end of June.
- The decrease of international prices of major raw materials and fuel from the second half of 2008 has contributed for rapid slowdown of inflation in the country.



- After September 2008 (after the bankruptcy of Lehman Brothers ) the global financial crisis has become a global economic crisis and the decline in economic activity in the developed countries in its scope and scale is defined as the most serious since the Great Depression in the 30 years of XX century. The contraction of world trade and production worldwide affected markedly the Bulgarian economy:
- Industrial export sales have fallen significantly. The availability of export orders in industry is deteriorated. Capacity utilization in industry fell from nearly 75% in 2008 to below 70% in the first months of 2009.
- Increasing uncertainty in the economic environment appears to be the most serious constraint for business development in all economic sectors and forces some companies to postpone their investment projects and plans for hiring of more employees.
- Consumers react to uncertainty about future income by postponing purchases of durables and repairs of houses and in this way increase the savings rates.
- As a result of weaker domestic consumer and investment demand, the import started to decline.

**The impact of the global economic crisis on the Bulgarian economy can be conditionally divided mainly into two periods, according to the speed of recovery of business processes in the country:**

1. The first period of the crisis is in the first quarter of 2010. This period was characterized by deterioration in key macroeconomic indicators in the country. Negative GDP growth of -3.5% in the first quarter of 2009, -4.9% in the second quarter and -5.4% for the third quarter led to a recession in 2009. The Bulgarian economy was hit by the global financial crisis with some delay, mainly through the shrinking external demand and sharply diminished financial inflows, including FDI. These factors, together with the contraction of domestic demand and led to a negative -5.8% GDP growth in the fourth quarter of 2009. The resulting negative trend in 2009 continued in the first quarter of 2010.

2. The second period covers the second quarter of 2010 until within the time of writing this report (April 2012). This period was characterized by improvement of basic macroeconomic indicators in the country. Refunds of exported to EU countries is one of the main reasons for this. From the second quarter of 2010 when GDP growth was positive by 0.5% to the third quarter of 2011 (2.3% positive real growth rate) data from the Bulgarian National Bank registered an uptrend, the main macroeconomic indicators (GDP). Given the difficult economic situation and the ongoing debt crisis in the Eurozone, it is possible the growth rate of GDP decline noted in 2012. During this second period, the government maintains relative macroeconomic stability, as a number of economic indicators (such as the budget deficit and the level of public debt) of Bulgaria that are fairly good against the economies of the European Union.

**The impact of the global financial crisis on world economy and the euro zone**

The recovery of the global economy became more stable by the end of 2010 despite prevailing differences in patterns of growth in countries and regions. At the same time, global inflationary pressures are also increasing, driven in particular by the relatively high oil prices and non-oil commodities. Although so far the rate of inflation remains under control in developed economies during the second half of 2010 and in 2011 it gradually increases. Amid increasing global inflation in the fourth quarter of 2011 in Bulgaria inflation of 1.0% is reported over the previous period, which is mainly related to the country pursued tight monetary policy. In the dynamic and energy-intensive economies of emerging markets, the inflation rate increased substantially due to pressure from overheating, which has developed in some countries.

A year after the debt crisis in Greece, which subsequently spread, to many countries, public finances in the euro zone as a whole is stabilizing broadly, though, like other regions of the world remains worrying. At this stage it is essential that governments fulfill their commitments to fiscal consolidation, as tensions in the markets for government bonds, remains but a bit weakened. Therefore it is essential that all euro zone countries to fully implement their plans for fiscal consolidation in 2011. Where adopted plans are inadequate, should urgently develop and implement additional corrective measures. In 2011 parties should identify in their stability programs specific policy measures, preferably based on structural cost reduction and reform of pension systems and health. This should build confidence in their targets for fiscal consolidation to ensure prompt correction of excessive deficits in the medium term return to a balanced budget or surplus position and reduce sufficiently the ratio of government debt.

Even though the activities of the Group have been significantly diversified by branches (banking, insurance, air, river and maritime transport, production of chemical products, vegetable oils, processing of and trading with grain foods, real estate, etc.), the unfavorable development of one or more of the key economic sectors where the companies of the Group operate could have a material adverse effect on the activities of the Group, its operating results and financial position. The business of the Group as a whole and its individual areas are subject to various risks, including change for the worse of the financial-economic conditions in the country, in the region and in the world (for example, decrease in the number of passengers and loads carried by the transport companies of the Group, drop in the prices of main raw materials, such as oil, grain, etc., unfavorable changes in the credit politic of the banks, decrease in the solvent demand, problems in the tourist sector), transport and production accidents and failures, unfavorable changes in the legislation and regulatory framework, ecological problems, disasters such as droughts, floods, earthquakes, unexpected geological conditions, labor disputes.

**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 is making, as well as it will have to make a number of reorganizations, including restructuring of the aviation business. 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 nor 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 level 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.

### **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.

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 level 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.

**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.

**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, 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 carries out activities exclusively in Bulgaria which is now an EU Member State but has so far been classified as a newly-emerging market by the international investors. The newly-

emerging markets are associated with higher risks in comparison to the more developed markets, including, in some cases, material legal, economic and political risks (refer to “*Risks Related to Bulgaria*” below).

A delay in the growth of Bulgaria’s economy as a result of political or economic factors (internal and external) will lead to a decrease in the demand for products and services of the Group. In particular, the development of negative macroeconomic processes (decrease in income, increase in unemployment, decrease in assets prices, including real estate, deteriorating in the business climate, general macroeconomic instability, etc.) in the country may lead to direct and indirect impact on the operations of the companies in Chimimport Group, such as:

The creditworthiness of part of CCB’s clients worsened and an increase in the amount of unserved loans in its portfolio also worsened. In addition, significant decline in the real estate prices is also possible and may result in impairment of part of the collateral, pledged to CCB. Various factors, including regulatory changes, may force the Bank to allocate more funds for provisions which in turn would decrease her profit.

A decrease in the growth rate of the social security contributions to pension funds (most notably the voluntary, but also for the mandatory ones).

A decrease in the willingness and ability for private and business trips, limiting the cargo turnover and purchases (including imported goods) and other may have an adverse impact on the business of the transport companies in the Group.

The unfavorable political or economic events in other Central or East European countries may have a great negative impact on, along with other things, Bulgaria’s gross domestic product, foreign trade and the economy as a whole. Investors also need to take into account that the newly-emerging markets change quickly 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 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.

As at 31 December 2011, equity securities representing 401 companies were registered for trading at the Bulgarian Stock Exchange. 24 of these are listed on the Official Market, 307 on the Unofficial Market, and 70 on the Special Investment Purpose Companies Market.

As at 31 December 2011 the market capitalization of the companies traded on the BSE amounted to BGN 3 123,456 million for those traded on the Official Market, BGN 7 628,952 million for those traded on the Unofficial Market and BGN 1 683,447 million for ones traded on the Special Investment Purpose Companies Market.

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 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. Presidential elections were held in October 2011. 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 that 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 2008 financial crisis. The government's ability to implement economic growth encouragement policies is conditional both on the extent to which the members of the government can continue to co-operate in promoting



the reforms undertaken, and the effectiveness and the fast application of anti-crisis measures, adopted by the government. No assurance can be given that a change of administration will not result in a significant and rapid change in the political and economic conditions in the country which may have a materially adverse effect on Chimimport's business, results of operations and financial condition.

The current Bulgarian political system is vulnerable to economic hardship, widespread dissatisfaction with reform and EU membership due to unrealistic expectations, as well as social instability and changes in government policies, organized crime and corruption, any of which could have a materially adverse effect on Chimimport Group's business, results of operations and financial condition.

### **Economic risks**

From January to November 2011, according to the National Bank of Bulgaria there is a current account surplus and trade deficit from March to November 2011. As a result of increased imports (FOB) of the country, which in October and November 2011 represents respectively 45.5% and 50.6% of GDP. Bulgaria has an open-type of economy and its development is directly influenced by international market conditions, which were favorable in the last years. In this sense, the global financial crisis started, which has been raging since 2008, has a detrimental effect on the business conjuncture in the country, mostly because of the decrease of export and the drop in the flow of foreign capitals, which impacts the investment activity, unemployment level (10.4% for 2011), income, internal consumption and led to negative real economic growth. The negative growth rate of -3,5% of the GDP in the first quarter of 2009, -4,9% in the second quarter and -5,4% in the third quarter has resulted in a recession in 2009. The Bulgarian economy was affected by the financial crisis with a certain delay, especially regarding the shrinking external demand and the sharp decrease in financial inflows, including FDI. These factors, along with the reduction of the internal demand, led to a negative GDP growth rate of -6,3% in the last quarter of 2009 as well. Particularly important is the speed at which the economy begins to recover after the restoration of stability in the international scene, for Bulgaria a recognized increase of the positive trend started in the second quarter of 2010 and the third quarter of 2011. GDP reported 2.3% positive growth. The positive trend formed 0.2% of GDP in 2010 and the anticipated positive trend of actual GDP growth for 2011 for a yearly basis.

In addition to the political risks presented above, it should be noted that the business in Bulgaria has a limited operating history in free market conditions. Accordingly, when compared to the companies, functioning in the countries with a developed market economy, such businesses are characterized by a lack of management experienced in responding to the market, limited capital resources with which to develop their operations, and low labor efficiency.

Bulgaria has a limited capacity to support stable the market system. In that regard, the stability and predictability in the foreign exchange regime have a key significance. In February 2009, the Bulgarian government has stated intentions to keep the Foreign exchange board arrangements until the country becomes a part of the Euro zone. During the same month, leading political parties, forming the opposition, have also agreed on the same idea – to keep the Foreign exchange board and the current fixed BGN/EUR exchange rate until the country enters the Euro zone. In March 2009, during a speech to the investment community, BNB's manager has stated that regardless of what adaptation is needed for the Bulgarian economy as a result of the global financial and economic crisis, that adaptation will happen within the limits of the already existing currency board regime and at the existing exchange rate of BGN 1.95583 per EUR 1. The manager emphasized that Bulgaria will not experiment and speculate with its foreign exchange regime, which is the milestone of the Bulgarian macro economical and financial stability. The credit rating

of Bulgaria is BBB, long-term, according to the Standard & Poor's scale. As at 1 December 2009 the perspective has been increased from negative to stable. On 22 July 2011, according to Moody's scale the credit rating of Bulgaria has been increased from Baa 3 to Baa 2 for long term bank deposits with stable perspective.

According to the Medium-term fiscal frame for the period 2010 – 2013, approved by the Bulgarian government in the end of August 2009, the main goal of the fiscal policy will be to maintain balanced budget, by performing the necessary structural reforms and to increase the state efficiency.

The business of the Issuer, the results of its operations and its financial condition largely depend on the condition of the Bulgarian economy, which in turn affects loan growth, interest costs and customers' ability to meet their obligations on time. Any negative change in one or more macroeconomic factors, such as interest rates, which are influenced by Euro zone interest rates by virtue of the Currency Board arrangements, inflation, wage levels, unemployment, foreign investment and international trade, could have a materially adverse effect on the business of the Issuer, 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.

### **5) Additional information for the first quarter of 2012: In accordance to changes in the requirements of Article 33, paragraph 1, item 6 of Ordinance № 2 of 17.09.2003 for the prospects for public offering and admission to trading on a regulated securities market and disclosure of information by public companies and other issuers of securities**

#### **5.1 Information about the changes in accounting policy, the reasons of their achievements and the effects on Companies and his subsidiaries financial results and equity**

There are no changes in accounting policy.

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

All significant changes for the period are presented in section 5.3 of this document.

## **5.3. Information for the results of organizational changes within the issuer, such as conversion, sale of interest in subsidiaries and associates, apportionment in companies, rental property, long-term investments, withdrawal of business**

5.3.1. There are no transformations in the Company for the period; .

5.3.2. Changes in long - term and short - term Companies investments:

5.3.2.1. As at 31 March 2012 Chimimport AD has acquired 550 shares of Zarneni Hrani AD - Bulgaria representing - less than 1% of company's share capital.

5.3.2.2. As at 31 March 2012, Fertilizers Trade OOD and Chimtrans OOD have been liquidated

5.3.2.3. As at 31 March 2012 Chimimport Group EAD sold its entire share in Silico 07 OOD

5.3.2.4. A shareholder meeting of Orgachim Trading OOD was held on 26 March 2012 regarding the liquidation of the Company

5.3.2.5. On 10 January 2012, Parahodstvo Balgarsko Rechno Plavane AD has entered into a selling agreement with Konstructus EOOD for the sale of 1 100 shares of the capital of VTC AD, thus decreasing its shareholding in the company to 41%

5.3.3. The Group has no discontinued operations for the current period.

5.3.4. The Group has signed the following operating lease contracts as a lessor:

- - Agreements dated 16 November 2010 and 16 November 2009 with Agrokom EOOD for lease of capacity in Grain base – Dobrich, Byala and Ruse with terms of lease till 16 March 2015 and 16 March 2016 respectively;
- - Agreement dated 30 December 2010 with Klas Olio OOD for a lease of capacity in Grain base - Karapelit with term of lease till 30 June 2011;
- - Agreement dated 01 April 2009 with Golyama Dobrudzhanska melnitsa EOOD for a lease of capacity in Grain base – Dobrich with term of lease till 01 April 2011;
- - Agreement dated 01 June 2010 with Kynak EOOD for lease of grain bases in Kaynardzha and Silistra till 31 December 2011;
- - Agreement dated 26 May 2010, agreement dated 01 October 2009 and agreement dated 15 September 2010 with Oliva AD for a lease of capacity in Grain base in Lozovo district, Bourgas; Strajica, V. Tarnovo and Tervel with term of lease till 26 May 2012; 01 October 2013 and 01 July 2015 respectively;
- - Agreement with Mobitel EAD dated 1 September 2005 for use of roof spaces with term of lease till 1 September 2015;

- - Agreement dated 17 May 2006 with BTC Mobile EOOD for lease of roof spaces with term of lease till 17 May 2016.

**5.4. Information on direct and indirect ownership of 5 percent or more of the voting rights in the general meeting of the company, including data for shareholders, the size of their holding and the manner in which shares are held**

As at 31 March 2012 shareholders directly holding 5% or more of the capital are as follows:

	<b>Name</b>	<b>Number of shares</b>	<b>%</b>
	Chimimport Invest AD	108 533 269	71,94%
	Julius Baer Investment Management LLC - USA / Artio International Equity Fund	10 693 367	7,09%

**5.5. Information on the shares held by management and supervisory bodies of the issuer at the end of the respective quarter, and changes brought about since the end of the previous quarter for each member of the supervisory body individually**

**Members of Management Board**

	<b>Name</b>	<b>Number of shares</b>	<b>%</b>
1.	Alexander Kerezov	95 000	0,06%
2.	Ivo Kamenov	309 925	0,21%
3.	Marin Mitev	65 301	0,04%
4.	Nikola Mishev	33 790	0,02%
5.	Miroljub Ivanov	55 666	0,04%

**Changes in the number of votes held during the period  
01.01.2012 – 31.03.2012**

There are no changes during the period occurred in the number of shares held by members of Management board.

**Members of Supervisory Board**

	<b>Name</b>	<b>Number of shares</b>	<b>%</b>
1.	Chimimport Invest AD	108 533 269	71,94%

**5.6. As at end of the first quarter 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 equity.**

**DECLARATION**  
**in accordance to Article 100, Paragraph 4 from the Public Offering of Securities Act**

Today May 30th 2012, Sofia  
The undersigned,

1. Ivo Kamenov - CEO of the Board of Directors of **Chimimport AD**
- and
2. Alexander Kerezov – Chief accountant of **Chimimport AD**

We DECLARE, that to our knowledge:

1. The set of interim condensed consolidated financial statements for the first quarter of 2012 prepared in accordance with applicable accounting standards give a true and fair statement of assets and liabilities, financial position and profit or loss of the Group of Chimimport AD;

2. The interim activity report of the Group of Chimimport AD for the first quarter of 2012 includes a fair review of the information in accordance to Article 100, Paragraph 4 from the Public Offering of Securities Act;

30 May 2012  
Sofia

Declarants:



1.....  
/CEO/

2.....  
/Chief Accountant/