

Annual Activity Report of Chimimport AD, Sofia for 2011

This Annual Activity Report presents comments and analysis of the financial reports and other substantial information regarding the financial statement and results from the activity for the period 1 January - 31 December 2011.

It has been prepared in accordance with Article 33, Paragraph 1 from the Accountancy Act; Article 100, Paragraph 7 from the Public Offering of Securities Act and Appendix No. 10 to Article 32, Paragraph 1, Section 2, Article 35, Paragraph 1, Section 2, Article 41, Paragraph 1, Section 2.

Chimimport AD is a public joint-stock company with a registered office at 2 Stefan Karadja Str., Sofia, Bulgaria.

The Company has the following managing bodies: General Meeting of the Shareholders, Supervisory Board and Managing Board.

1 Members of the Supervisory Board are:

1. Chimimport Invest AD, represented by Marin Mitev;
2. CCB Group EAD, represented by Miroljub Ivanov;
3. Mariana Bazhdarova.

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2 Members of the Managing Board are:

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

The Company is represented by its executive directors Ivo Kamenov and Marin Mitev both together and separately.

The shares of the company are listed on the Bulgarian Stock Exchange – Sofia AD.

Share capital: The Company's share capital is at the amount of BGN 239 646 267.

Number of shares issued: The share capital of the Company as at 31 December 2011 consists of 150 875 596 ordinary shares with a par value of BGN 1 and 88 770 671 preferred shares with a par value of BGN 1. The shares of the Company are ordinary, registered and subject to unrestricted transfers and entitle 1 voting right and liquidation quota. The preferred shares do not entitle voting rights. They give the owner the right to a cumulative guaranteed dividend and to a guaranteed liquidation quota of the Company's estate.

The Company's main economic activity is:

- Acquisition, management and sale of shares in Bulgarian and foreign companies;
- Financing of companies, in which interest is held;
- Bank services, finance, insurance and social security;
- Securitization of real estate and receivables;
- Extraction of oil and natural gas;
- Creation of facilities in the area of oil industry, production of bio fuel and production of rubber products;
- Production and trading with oil and chemical products;
- Production of vegetable oil, purchase, processing and trade with grain foods;
- Aviation transport and ground activities on servicing and repairing of aircrafts and aircraft engines;
- River and sea transportation and port infrastructure;
- Commercial agency and brokerage;
- Commission, forwarding and warehousing services.



1. Information regarding the value and quantity of general categories of goods, products and/or provided services including their contribution to the issuer's revenue from sales in general and changes occurred in the current year

Due to the specific character of the issuer's business activity - holding activity, the majority of the Company's revenue includes not only the operating revenue, but also financial revenue, which is formed by gains from transactions with financial instruments, interest income and dividends received. The operating income consists of revenue from renting of aircrafts, services and sale of non-current assets.

Percentage ratios of the operating revenue

	2011	2010
	BGN'000	BGN'000
	Change to prior period	Change to prior period
Total revenue from sales	23 873	9 362
Change in revenue from sale of goods in %	(97.16%)	2 414.29%
Change in revenue from sale of services in %	13.41%	(62.25%)
Change in rental income in %	(11.31%)	5.46%
Change in other operating income in %	(97.54%)	(29.79%)
Change in gain from sale of non-current asset in %	361.22%	68.40%
Change in gain on investment property revaluation in %	100.00%	-

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

2.1. Financial indicators

The Company closed the financial year of 2011 with total revenue amounting to BGN 141 051 thousand. The total revenue for 2011 has decreased with 0.35% compared to BGN 141 549 thousand in 2010.

Operating expenses for the year amount to BGN 46 261 thousand, which is an decrease of BGN 1 359 thousand in comparison with the previous period i.e. decrease with 2.85%.

The financial result for the year ended 2011 is profit before taxes amounting to BGN 94 790 thousand and profit after taxes amounting to BGN 93 127 thousand. There is a positive growth of BGN 2 241 thousand (2.47% increase) in the financial result compared to the financial result for 2010.



The Company's financial indicators for 2011 are as follows:

MAIN FINANCIAL INDICATORS	2011	2010	2009	2011	2010
	BGN'000	BGN'000	BGN'000	Change to prior period in %	
Operating revenue	94 645	99 826	82 162	(5.2%)	21.5%
Operating expenses	11 771	12 125	6 868	(2.9%)	76.5%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	84 669	86 678	80 833	(2.3%)	7.2%
EBITDA / Sales Revenue (%)	0,89	0,87	0,98	3.0%	(11.7%)
Earnings before interest and tax (EBIT)	83 743	85 770	79 901	(2.4%)	7.3%
EBIT / Sales Revenue (%)	0,88	0,86	0,97	3.0%	(11.6%)
Profit before taxes	94 790	94 468	95 407	0.3%	(1.0%)
Net profit	93 127	90 886	90 508	2.5%	0.4%
Cash flow (profit plus depreciation)	94 053	91 794	91 440	2.5%	0.4%
Non-current assets	894 167	891 139	633 588	0.3%	40.6%
Non-current liabilities	91 515	219 257	82 937	(58.3%)	164.4%
Current assets	512 862	399 885	524 246	28.3%	(23.7%)
Current liabilities	293 711	143 105	237 188	105.2%	(39.7%)
Working capital	219 151	256 780	287 058	(14.7%)	(10.5%)
Equity capital	1 021 803	928 662	837 709	10.0%	10.9%
Non-current capital	1 113 318	1 147 919	920 646	(3.0%)	24.7%
Financial leverage ratio	0.09	0.24	0.10	(62.1%)	138.5%
Solvency ratio	11.17	4.24	10.10	163.6%	(58.1%)
Current ratio	1.75	2.79	2.21	(37.5%)	26.4%
Cash to current liabilities ratio	0.36	0.71	0.52	(49.3%)	37.5%
Financial balance	219 151	256 780	287 058	(14.7%)	(10.5%)
ROE	0.39	0.38	0.38	2.5%	0.4%
ROA	0.07	0.07	0.08	(6.0%)	(9.9%)
Cash	106 114	101 883	122 775	4.2%	(17.0%)

Revenue and expenses structure

For 2011 the structure of revenue amounting to BGN 141 051 thousand includes:

- gains from transactions with financial instruments – 18.53%,
- gains from sale of non-current assets – 4.98%,
- interest income, gains from foreign exchange differences and other gains (net)– 32.90%,
- revenue from rents, services and gain on investment property revaluation – 18.58%,
- dividend income – 25.01%.

General revenue structure (changes compared to prior period)

	2011 BGN'000	2010 BGN'000	Increase/ (Decrease)
Gains from transactions with financial instruments	26 139	89 928	(70.93%)
Interest income	43 821	40 647	7.81%
Gains from foreign exchange differences	1 713	874	96.00%
Other financial income	872	202	331.68%
Operating revenue	33 235	9 362	255.00%
Dividend income	35 271	536	6 480.41%

General expenses structure (changes compared to prior period)

	2011 BGN'000	2010 BGN'000	Increase/ (Decrease)
Losses from transactions with financial instruments	(74)	(59)	25.42%
	(74)	(59)	25.42%
Interest expense, related to:			
- bank loans	(1 764)	(833)	111.76%
- finance leases	(155)	(543)	(71.45%)
- interest, associated with preference shares	(8 709)	(9 237)	(5.72%)
- interest, associated with pension provisions	(3)	(2)	50.00%
- loans received	(22 143)	(21 944)	0.91%
	(32 774)	(32 559)	0.66%

	2011 BGN'000	2010 BGN'000	Increase/ (Decrease)
Other financial expenses			
Bank fees and commissions	(82)	(63)	30.16%
Fees and penalties	(26)	-	-
Other financial expenses	-	(1 405)	(100%)
	(108)	(1 468)	(92.64%)
	2011 BGN'000	2010 BGN'000	Increase/ (Decrease)
Cost of goods sold	(7)	(344)	(97.97%)
Cost of materials	(75)	(83)	(9.64%)
Hired services expenses	(5 350)	(3 802)	40.72%
Depreciation and amortization	(926)	(908)	1.98%
Employee benefits expenses	(896)	(1 122)	(20.14%)
Written-off receivables	(182)	(2 740)	(93.36%)
Loss from revaluation of investment property	-	(1 128)	(100%)
Other expenses	(307)	(559)	(45.08%)
	(7 743)	(10 686)	(27.54%)

The Company reports operating expenses for 2011 amounting to BGN 44 653 thousand, which is an increase of 3.25% compared to 2010.

3 Post balance sheet events

On 29 February 2011 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.

On 05 January 2012 the Company published information, that on 30 December 2011 it has acquired 1 252 570 shares /62.6%/ from the share capital of Plovdivska Stokova Borsa AD. By this acquisition the Company has gained direct control of 1 340 000 shares /67%/, and indirect control, through related party CCB AD of 160 000 number of shares. Chimimport AD controls 75 % of Plovdivska Stokova Borsa AD. This acquisition was performed after approval in accordance with Art. 24 of the Law on Commodity Exchanges and Wholesale, issued by the State Commission on Commodity Exchanges and Wholesale Markets (Protocol 03/2011).

4 Important Research and Development

The Company did not appoint or perform any important research and development activities during 2011.

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

Chimimport AD has no significant transactions during the period within the meaning of Art. 114, Par.1 of the Public Offering of Securities Act.

6 Information regarding the transactions between the issuer and its related parties in 2010, the proposals for concluding such transactions, as well as transactions not related to the main activity, including the amount of the transactions, the relationship between the parties and any other information, needed for valuation of the impact on the financial statement of the issuer

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

Transactions with owners

	2011 BGN'000	2010 BGN'000
<i>- sale of services, rental income and interest income</i>		
Chimimport Invest AD – parent company	14 133	6 224
	14 133	6 224

Loans	2011 BGN'000	2010 BGN'000
Loans provided	23 041	54 484

Transactions with subsidiaries and associates

	2011 BGN '000	2010 BGN '000
Sales		
<i>- sale of goods</i>		
CCB AD	102	274
Bulchimtrade OOD	10	22
POAD CCB AD	-	4
	112	300
<i>-revenue from sale of non-current assets</i>		
CCB AD	-	669
POAD CCB AD	-	333
CCB Assets Management EAD	-	38
Omega Finance OOD	-	36
Parahodstvo BRP AD	-	12
Zarneni Hrani Bulgaria AD	-	-
Bulchimtrade OOD	-	-
	-	1 088

	2011	2010
	BGN '000	BGN '000
<i>- sale of services, rental income and interest income</i>		
CCB Group EAD	4 033	2 866
Bulgarian Shipping Company EAD	2 218	2 558
CCB AD	2 217	3 850
Hemus Air EAD	2 040	2 389
Bulgarian Airways Group EAD	1 547	1 071
Omega Finance OOD	1 229	754
Trans Intercar EOOD	835	816
Energoproekt AD	553	420
Port Balchik AD	119	119
Zarneni Hrani Bulgaria AD	87	10
Konor OOD	86	608
Chimimport Group EAD	73	420
Chimsnab AD	-	390
Bulchimex GmbH	-	313
ZAD Armeec	-	187
Other	153	319
	15 190	17 090

Purchases	2011	2010
	BGN'000	BGN'000
<i>- purchases of services, goods and interests (subsidiaries)</i>		
Chimimport Holland B.V.	13 158	16 297
Omega Finance	1 335	96
ZAD Armeec	838	292
CCB AD	737	556
Trans Intercar EOOD	446	442
HGH Consult OOD	297	327
PDNG AD	296	266
Port Lesport AD	269	269
ZEAD CCB Life	247	194
Bulgarska Petrolna Rafineriya EOOD	113	84
Plovdivska Stokova Borsa AD	96	-
Prime Lega Consult OOD	81	90
ZOK CCB	47	47
Other	123	651
	18 083	19 611

Loans	2011 BGN'000	2010 BGN'000
Loans provided	20 556	56 568
Loans received	141 903	31 447

Key management personnel comprise the members of Supervisory and Managing Boards. The remuneration of key management personnel includes current salaries and wages, as follows

The transactions with key management personnel are as follows:

	2011 BGN'000	2010 BGN'000
Short-term compensations:		
salaries including bonuses	2 193	568
social security costs	28	28
company car allowance	8	11
Total compensations	2 229	607

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

No unusual events for the issuer that might have a significant impact on its activities occurred in 2011.

8 Information regarding off-balance transactions

The Company has provided guarantees under Article 240 of the Commercial Act amounting to BGN 27 thousand as a member of the managing and supervisory board of the Parahodstvo Bulgarsko Rechno Plavane AD, Investicionna Kompania Galata AD, Oil and Gas Exploration and Production Plc, Bulgaria Air AD, Hemus Air EAD.

The company is co-signer on the following contracts:

- credit line contract with repayment schedule signed between DSK EAD and Zarneni Hrani Bulgaria AD for the amount of BGN 10 000 thousand with maturity date on 25 March 2012 and with option for extension until 25.01.2013;
- credit contract with repayment schedule signed on 05.12.2011 between Alpha Bank EAD and Slanchevi lachi AD for the amount of EUR 10 050 thousand (BGN 19 656 thousand) with maturity date on 31.12.2015;
- contract signed on 25.11.2011 between Bulgarian Development Bank EAD and Zarneni Hrani Bulgaria AD for the amount of BGN 30 000 thousand with maturity date on 31.07.2012. (As at 31.12.2011 the loan is not used);

- credit contract 100-342/10.08.2006 signed between Eurobank EFG Bulgaria AD and Zarneni Hrani Bulgaria AD for the amount of BGN 2 493 thousand with maturity date on 31.08.2012;
- framework revolving credit contract 26/28.08.2007 and overdraft contract from 28.08.2007 signed between UniCredit Bulbank EAD and Zarneni Hrani Bulgaria AD for the amount of BGN 18 200 thousand with maturity date on 20.09.2013;
- credit contract between DSK Bank EAD and Bulgarian shipping company EAD for the amount of EUR 11 000 thousand (BGN 21 514 thousand) with maturity date 25.04.2016;
- credit contract between Corporate Commercial Bank EAD and Bulgarian Airways Group EAD for the amount of EUR 20 000 thousand (BGN 39 117 thousand) with maturity date 25.07.2017.

The Company has signed declaration of guarantor with Landesbank Baden-Württemberg related to loan contract 068/31245208 from 29.08.2017 and 30.05.2015 with contract limit of EUR 6 050 thousand (BGN 11 833 thousand).

Bank guarantees issued under contract with DSK Bank EAD, dated 2 October 2006, secured by mortgage on a building “Dom na geologa” in resort St.st. Constantine and Elena, owned by Park Build EOOD:

- Bank guarantees in favor of Imorent Bulgaria at the amount of EUR 114 thousand (BGN 233 thousand);
- Bank guarantees for Oil and Gas Exploration and Production AD in favor of National Revenue Agency at the amount of BGN 299 thousand;
- Bank guarantees in favor of Ministry of Economy, Energy and Tourism at the total amount of BGN 113 thousand.

Bank guarantees issued under contract with UniCredit Bulbank AD at the amount of BGN 427 thousand with validity up to 30.11.2030.

The Company has signed contract for several bank guarantees from 05.11.2010 with secured by mortgage on a building “Dom na geologa” in resort St.St. Constantine and Elena, owned by Park Build EOOD with due date up to 05.11.2015. There are no bank guaranties issued yet.

Cash deposit amounting to BGN 60 000 thousand has been provided by the Company as guarantee under credit contract provided to Omega Finance OOD.



9 Information regarding shares of the issuer, its major investments both domestic and foreign (securities, financial instruments, intangible assets and real estate), as well as investments in securities other than its economic entity and the sources / methods of funding.

Investment in subsidiaries

The Company has the following investments in subsidiaries:

Name of subsidiary	Country of incorporation	Main activities	2011 BGN '000	share %	2010 BGN '000	share %	2009 BGN '000	share %
Bulgarian Aviation Group EAD	Bulgaria	Aviation Services	215 487	100.00%	182 316	100.00%	25 039	100.00%
CCB Group EAD	Bulgaria	Financial services	191 770	100.00%	160 270	100.00%	160 270	100.00%
Chimimport Group EAD	Bulgaria	Manufacturing and trade	117 754	100.00%	117 282	100.00%	998	100.00%
Airport services-Bulgaria EAD	Bulgaria	Aviation Services	27 626	100.00%	27 626	100.00%	27 626	100.00%
Sport Complex Varna AD	Bulgaria	Real estate	22 474	65.00%	22 474	65.00%	22 474	65.00%
CCB AD	Bulgaria	Financial services	33 707	9.90%	20 477	2.88%	20 477	2.88%
Port Lesport AD	Bulgaria	Sea and river transport	16 380	99.00%	16 380	99.00%	16 380	99.00%
ZAD Armeec	Bulgaria	Financial services	9 492	4.30%	9 492	4.30%	9 492	4.30%
Bulchimex GmbH	Germany	Manufacturing and trade	2 500	100.00%	2 500	100.00%	2 500	100.00%
Energoproekt AD	Bulgaria	Engineering sector	2 166	83.20%	2 166	83.20%	1 722	83.20%
Trans Intercar EOOD	Bulgaria	Transportation	2 095	100.00%	2 095	100.00%	2 095	100.00%
Bulgarian Shipping Company EAD	Bulgaria	Sea and river transport	2 000	100.00%	2 000	100.00%	2 000	100.00%
Plovdivska stokova borsa AD	Bulgaria	Manufacturing and trade	1 878	67.00%	-	-	-	-
Chimimport Holland B.V.	The Netherlands	Financial services	1 294	100.00%	1 294	100.00%	1 294	100.00%
Oil and Gas Exploration and Production AD	Bulgaria	Manufacturing and trade	956	3.65%	956	3.65%	956	3.65%
HGH Consult Co. OOD	Bulgaria	Services	111	59.34%	111	59.34%	111	59.34%
Anitas 2003 EOOD	Bulgaria	Manufacturing and trade	5	100.00%	5	100.00%	5	100.00%
Prime Lega Consult OOD	Bulgaria	Services	4	70.00%	4	70.00%	4	70.00%
Chimsnab AD	Bulgaria	Manufacturing and trade	-	-	1 384	93.33%	1 011	93.33%
Brand New Ideas EOOD	Bulgaria	Services	-	-	-	0.00%	5	100.00%
			647 699		568 832		294 459	



The investments in subsidiaries are recognized in the separate financial statements using the cost method.

On 06.01.2012 the name of Bulgarian Aviation Group EAD was changed to Bulgarian Airways Group EAD. On 29.02.2012 Molet EAD has changed its name to Airport Services - Bulgaria EAD following a merger of Airport services EOOD to its sole owner Molet EAD.

In 2011 and 2010, the increase in investments in subsidiaries Bulgarian Airways Group EAD amounting to BGN 33 171 thousand (2010: BGN 157 277 thousand) and Chimimport Group EAD amounting to BGN 472 thousand (2010: BGN 116 284 thousand) is related to the amounts provided to the subsidiaries under loan contracts with no maturity date that can be redeemed at the discretion of subsidiaries.

In 2011 the Company has increased its investments in CCB Group EAD and CCB AD respectively with BGN 31 500 thousand and BGN 13 230 thousand in relation to increase in share capital of CCB AD.

In 2011 the Company has lost control over its subsidiary Chimsnab AD as a result of its merger in Chimsnab Bulgaria AD and partial disposal of its interest. The share of the Company in the acquiring company Chimsnab Bulgaria AD is classified as short-term financial asset at fair value through profit and loss.

In 2010 Chimimport AD has increased its investments in Energoproekt EAD and Chimsnab respectively by BGN 444 thousand and BGN 373 thousand through additional contributions.

In 2011, the following subsidiaries have distributed dividends to the Company as follows:

	2011 BGN'000	2010 BGN'000
CCB Group EAD	23 601	-
Bulgarian shipping company EAD	10 156	-
Trans Intercar EOOD	900	-
Bulgarian airways group EAD	614	-
Brand New Ideas EOOD	-	536
	35 271	536

- **Investment in associates**

The Company has shares from the share capital of the following companies:

Name of the associate	2011	share	2010	Share	2009	share
	BGN '000		BGN '000		BGN '000	
PIC Saglasie Co. Ltd.	16 768	49.43%	16 768	49.43%	16 768	49.43%
Holding Nov vek AD	-	-	-	-	9 697	28.20%
Other	5	20.00%	5	20.00%	5	20.00%
	16 773		16 773		26 470	



In 2011 the Company has not received any dividends from associates. The Company has not received any dividends from its investments in associates.

- **Long-term held to maturity investments**

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Convertible bonds of Chimimport Invest AD	-	19 409	19 263
	-	19 409	19 263

- **Long-term financial assets available-for-sale**

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Shares	108	213	1 332
	108	213	1 332

As at 31 December 2011 there are no financial assets held for sale pledged as collateral.

- **Short-term held to maturity investments**

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Convertible bonds of Chimimport Invest AD	19 566	-	-
	19 566	-	-

- **Short-term financial assets at fair value through profit or loss**

	2011 BGN '000	2010 BGN '000	2009 BGN '000
Shares	35 729	54 524	20 651
	35 729	54 524	20 651

The short-term financial assets are classified as financial instruments at fair value through profit or loss. As at 31 December 2011 the financial assets are presented at fair value based on the prices quoted on the Bulgarian Stock Exchange – Sofia.

- **Short-term available-for-sale short-term financial assets**

	2011 BGN '000	2010 BGN '000	2009 BGN '000
Shares	1 145	1 145	4 709
	1 145	1 145	4 709

The shares in these companies are not traded on a regulated market and their fair value cannot be determined as at 31 December 2011.

10 Information regarding the changes of the company's short and long-term investments:

Information regarding the changes of the company's short and long-term investments:

As at 31.12.2011 the convertible bonds are reclassified as short-term financial assets as they have maturity date on 19 November 2012.

In 2011 the Company has sold its shares in Petrochim Trade AD. Gain from the transaction is presented under "Gains from transactions with financial instruments" in the Statement of comprehensive income.

In 2011 and 2010 the investment in Tatinvest Bank, Tatarstan has been reclassified as current financial assets as the company intends to sell its investment in the following reporting period.

11 Information regarding loan agreements signed by the issuer, the subsidiaries, and the parent company

Long-term receivables from:	2011 BGN'000	2010 BGN'000	2009 BGN'000
<i>- subsidiaries</i>			
Bulgarian Shipping Company EAD	39 106	35 757	37 124
CCB Group EAD	29 838	41 146	41 362
Trans Intercar EOOD	9 955	9 288	-
Energoproekt AD	7 484	5 600	-
Airport Services-Bulgaria EAD	2 872	-	-
Bulchimex GmbH	881	4 423	3 650
Bulgarian Aviation Group AD	-	-	108 842
Parahodstvo BRP AD	-	-	128
	90 136	96 214	191 106
<i>Including trade receivables</i>	-	-	-
<i>Including interest receivables</i>	13 023	17 066	18 894
Total long-term related party receivables	90 136	96 214	191 106



Short-term receivables from:

	2011	2010	2009
	BGN'000	BGN'000	BGN'000
<i>- parent company</i>			
Chimimport Invest AD	112 675	113 435	22 275
<i>- subsidiaries</i>			
CCB Group EAD	23 875	-	-
Bulgarian Shipping Company EAD	10 516	888	528
Bulgarian Airways Group EAD	1 905	-	16 018
Port of Balchik AD	1 466	1 347	1 227
Chimimport Group EAD	1 073	-	115 025
Trans Intercar EOOD	900	-	8 690
Chimcelteks OOD	101	229	261
Rubber Trade OOD	70	182	319
ZAD Armeec	32	62	1 144
Port Lesport AD	30	219	3
Parahodstvo BRP AD		175	37
Energoproekt AD		-	5 243
Brand New Ideas EOOD		-	1 241
Chimoil Trade OOD		-	116
Others	187	200	364
	40 155	3 302	150 216
<i>Including trade receivables</i>	<i>1 358</i>	<i>1 977</i>	<i>18 588</i>
<i>Including interest receivables</i>	<i>1 250</i>	<i>9 603</i>	<i>23 928</i>
<i>- associates</i>			
Konor OOD	9 422	1 756	1 083
PIC Saglasie Co. Ltd.	649	739	739
Lufthansa Technik Sofia OOD	5	5	2 151
Holding Nov Vek AD	-	-	9 605
	10 076	2 500	13 578
<i>Including trade receivables</i>	<i>-</i>	<i>-</i>	<i>1</i>
<i>Including interest receivables</i>	<i>963</i>	<i>873</i>	<i>1 991</i>
<i>- other related parties under common control</i>			
Aviation Company Hemus Air AD	1 429	380	1 509
Asenova Krepost AD	-	669	14
	1 429	1 049	1 523
<i>Including trade receivables</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Including interest receivables</i>	<i>-</i>	<i>57</i>	<i>-</i>
Total short-term related party receivables	164 335	120 286	187 592



Long-term payables to:

	2011	2010	2009
	BGN '000	BGN '000	BGN '000
<i>- subsidiaries</i>			
Chimimport Holland B.V.	1 364	133 104	-
Sofgeoprouchvane EOOD	-	322	-
Parahodstvo BRP AD	-	-	225
	1 364	133 426	225
<i>Including trade payables</i>	-	-	-
<i>Including interest payables</i>	113	296	-
Total long-term related party payables	1 364	133 426	225

Short-term payables to:

	2011	2010	2009
	BGN '000	BGN '000	BGN '000
<i>- parent company</i>			
Chimimport Invest AD	494	727	-
<i>- subsidiaries</i>			
Chimimport Holland B.V.	137 138	1 416	130 742
Omega Finance OOD	26 676	29 952	2 035
CCB AD	24 340	4 107	695
ZAD Armeec AD	10 762	410	131
Port Lesport AD	7 675	7 559	7 290
CCB Life EAD	3 834	3 586	2 392
Zyrneni Hrani Bulgaria AD	6 792	-	-
Oil and Gas Exploration and production Plc.	3 651	3 263	3 022
Bulgarska Petrolna Rafineriya EOOD	1 360	1 247	390
Sport Complex Varna AD	1 015	1 867	2 742
ZOK CCB AD	741	694	647
Anitas 2003 EOOD	497	499	499
Chimoil Trade OOD	170	170	-
Bulgaria Air AD	168	168	348
HGH Consult OOD	127	118	65
Chimsnab AD	-	691	7
Sofgeoprouchvane EOOD	-	-	242
Others	7 486	10 744	3 717
	232 926	67 218	154 964
<i>Including trade payables</i>	175	1 093	761
<i>Including interest payables</i>	12 869	4 375	5 482
<i>- associates</i>			
Holding Nov Vek AD	-	-	334
	-	-	334
<i>Including interest receivables</i>	-	-	334
<i>- other related parties under common control</i>			
Aviation Company Hemus Air EAD	-	189	212
	-	189	212
Total short-term related party payables	232 926	67 407	155 510

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

In 2011 the Company has not increased its registered capital.

13 Analysis of the relationship between the financial result in the financial statements and the previously published forecasted results.

In 2010 the Company has not published any forecasts of the financial result for 2011. All publicly announced targets and objectives were accomplished.

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

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

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

The Company will realize its investing objectives through debt and equity.

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

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

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

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

18 Information regarding the issuer's shares owned by the members of the Managing and Supervisory Boards

According to a reference from the Central Depository issued as at 31 December 2011, the members of the Managing and Supervisory Board own the following number of shares:

Members of the Managing Board

	Name	Number of shares	% of share capital
1.	Alexander Kerezov	95 000	0.06%
2.	Ivo Kamenov	309 925	0.21%
3.	Marin Mitev	65 301	0.04%
4.	Nikola Mishev	33 464	0.02%
5.	Miroliub Ivanov	55 666	0.04%

During the period the following change in the number of shares held by members of the Board has occurred: Marin Velikov Mitev - member of the Managing Board and Executive Director of the Company has reduced his participation with 169 706 shares, representing 0.07% of the capital of Chimimport AD.

Members of the Supervisory Board

	Name	Number of shares	% of share capital
1.	Chimimport Invest AD	108 533 269	71.94%

The issuer has not presented neither options for its shares, nor special rights to the members of the Managing Board.

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

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

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

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

21 Information regarding the Program for Applying the Internationally Recognized Corporative Governance Standards through the article 100n from Public Offering of Securities Act

Information regarding this point is presented in a separate document.

22 Changes in the Company's share prices

According to information from the Bulgarian Stock Exchange – Sofia, the prices of the ordinary and preference shares during the twelve month period in 2011 are as follows:

Ordinary shares

Opening price : 2.362 BGN on 04 January 2011
Closing price : 1.349 BGN on 30 December 2011

Preference shares

Opening price : 2.361 BGN on 04 January 2011
Closing price : 1.808 BGN on 30 December 2011



RISKS, TO WHICH THE COMPANY IS EXPOSED IN THE NEXT FINANCIAL PERIOD

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 financial crisis increases the risk for the investors when investing in shares of Chimimport AD. The increased risk is due to decline in the economic activity, the assets traded on the exchange markets and other circumstances, which are the result of any financial crisis.

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 deteriorating, indicating that in subsequent periods economic activity in the sector will remain low. 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 financial 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 (December 2011). This period was characterized by improvement of basic macroeconomic indicators in the country. From the second quarter of 2010 when GDP growth was positive by 0.5% to the second quarter of 2011 (2.3% positive real growth rate) data from the Bulgarian National Bank registered an uptrend, the main macroeconomic indicators (GDP)

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. 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 reorganisations 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 fulfil 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:

Worsening of the creditworthiness of part of the clients of CCB and an increase in the amount of unserved loans in its portfolio. 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 capitalisation 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 capitalisation 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 characterised 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 macroeconomical 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.



Financial instruments risks

Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

Financial assets	2011	2010	2009
	BGN '000	BGN '000	BGN '000
Available-for-sale financial:			
Shares	108	213	1 332
Held-to-maturity investments:			
Bonds	-	19 409	19 263
Financial assets available-for-sale designated at fair value through profit or loss:			
Current financial assets	56 440	55 669	25 360
Loans and receivables:			
Loans Granted	204 911	193 749	181 349
Related party receivables	254 471	216 500	378 698
Trade and other receivables	72 683	88 009	78 860
Cash and cash equivalents	106 114	101 883	122 775
	694 727	675 432	807 637
Financial liabilities	2011	2010	2009
	BGN '000	BGN '000	BGN '000
Borrowings measured at amortized cost:			
Non-current liabilities:			
- dividend liabilities	56 245	65 285	74 101
- loans	29 075	148 198	5 699
- finance lease liabilities	45	-	491
- other	-	-	-
Current liabilities:			
- dividend liabilities	16 770	16 773	8 432
- loans	255 852	107 233	201 150
- finance lease liabilities	16	921	1 650
- trade and other receivables	19 376	17 486	22 811
	377 379	355 896	314 334

Risk management objectives and policies

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

The Company's risk management is coordinated at its headquarters, in close co-operation with the Managing board, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Market risk analysis

Foreign currency risk

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

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

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

	Short-term exposure		Long-term exposure	
	USD BGN'000	Euro BGN'000	USD BGN'000	Euro BGN'000
31 December 2011				
Financial assets	9 736	74 883		881
Financial liabilities	(10 038)	23 354		(75 803)
Total exposure	(302)	51 529		(74 922)
31 December 2010				
Financial assets	918	11 845	-	3 284
Financial liabilities	(1 075)	(6 971)	-	(133 104)
Total exposure	(157)	4 874	-	(129 820)
31 December 2009				
Financial assets	1 982	16 826	-	4 974
Financial liabilities	(1 650)	(127 192)	(491)	-
Total exposure	332	(110 366)	(491)	4 974

The following table illustrates the sensitivity of post-tax profit for the year and other components of equity in regards to the Company's financial assets and financial liabilities and the USD/BGN exchange rate.

It assumes a +/- 3,05% change of the BGN/USD exchange rate for the year ended at 31 December 2011 (2009: +/- 4.35%). Both of these percentages have been estimated based on the average market volatility in the exchange rates for the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at the end of the reporting period.

If the BGN had strengthened/weakened against the USD by 3.05% (2009: +/- 4.35%) then this would have had the following impact:

	Net financial result after tax for the year	Net financial result after tax for the year
	Increase BGN'000	Decrease BGN'000
31 December 2011	(603)	+603
31 December 2010	(7)	+7

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

Interest rate risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. As at 31 December 2011, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates. All other financial assets and financial liabilities of the Company are at fixed interest rates.

The following table illustrates the sensitivity of the net financial result after tax to a reasonably possible increase/decrease in the following interest rates: BIR (*basic interest rate*) (for 2010 – BIR). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the volatility of the average market interest rate for each period. All other variables are held constant.

31 December 2011	Impact on post-tax profit of the year			
	BIR		Total	
	+ 2.00%	- 2.00%	+	-
	BGN'000	BGN'000	BGN'000	BGN'000
	(2)	2	(2)	2



31 December 2010

Impact on post-tax profit of the year			
BIR		Total	
+ 6.00%	- 6.00%	+	-
BGN'000	BGN'000	BGN'000	BGN'000
(11)	(11)	11	(11)

Other price risk

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

- CCB AD - subsidiary;
- Oil and Gas Exploration and Production Plc. – subsidiary;
- Holding Nov Nek AD – short-term financial asset;
- Investicionna kompaniya Galata AD - short-term financial asset;
- Chimsnab Bulgaria AD – short-term financial asset.

The investments in listed subsidiaries are considered long-term, strategic investments. In accordance with the Company's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Company's favor.

Short-term financial assets described above are held for trading on the Bulgarian Stock Exchange.

Credit risk analysis

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

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Classes of financial assets – carrying amounts:			
Shares / financial assets /	56 548	75 291	45 955
Loans granted	204 911	193 749	181 349
Related party receivables	254 471	216 500	378 698
Trade and other receivables	72 683	88 009	78 860
Cash and cash equivalents	106 114	101 883	122 775
Carrying amount	694 727	675 432	807 637

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

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

The credit risk for cash and cash equivalents, money market funds, debentures and derivate financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The carrying amounts disclosed above are the Company's maximum possible risk exposure in relation to these financial instruments.

Liquidity risk

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

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

As at 31 December 2011, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2011	Current		Non-current	
	Within 6 months BGN'000	6 to 12 months BGN'000	From 2 to 5 years BGN'000	More than 5 years BGN'000
Dividend liabilities	-	16 770	56 245	-
Bank and other long-term borrowings	21 399	1 527	27 711	-
Related party payables	-	232 926	1 364	-
Finance lease liabilities	8	8	45	-
Trade and other payables	16 614	2 762	-	-
Total	38 021	253 993	85 365	-



31 December 2010

	Current		Non-current	
	Within 6 months BGN'000	6 to 12 months BGN'000	From 2 to 5 years BGN'000	More than 5 years BGN'000
Dividend liabilities	-	16 773	40 430	24 855
Bank and other long-term borrowings	15 598	24 228	14 772	-
Related party payables	-	67 407	133 426	-
Finance lease liabilities	921	-	-	-
Trade and other payables	15 394	2 092	-	-
Total	31 913	110 500	188 628	24 855

In the previous reporting period the maturities of contractual commitments of the Company are summarized as follows:

31 December 2009

	Current		Non-current	
	Within 6 months BGN'000	6 to 12 months BGN'000	From 2 to 5 years BGN'000	More than 5 years BGN'000
Dividend liabilities	4 216	4 216	35 109	38 992
Bank and other long-term borrowings	12 774	32 866	5 474	-
Related party payables	-	155 510	225	-
Finance lease liabilities	825	825	491	-
Trade and other payables	16 916	5 895	-	-
Total	34 731	199 312	41 299	38 992

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date. Annual interest payments amount to BGN 16 310 thousand (2010: BGN 11 610 thousand).

Financial assets used for managing liquidity risk

In assessing and managing liquidity risk the Company takes into account the expected cash flows from financial instruments, particularly cash and trade receivables. Available cash resources and trade and other receivables substantially exceed the current needs of cash outflow. Under the contracts all the cash flows of trade and other receivables are due within one year.

The notes to the financial statements provide information regarding accounting policies for each category of financial instruments and description of the policies and objectives for risk management of the Company on financial instruments.

Capital management policies and procedures

The Company's capital management objectives are:

- To ensure the Company's ability to continue as a going concern; and
- To provide an adequate return to the shareholder by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the correlation between capital and net debt.

The Company determines the capital based on the carrying amount of the equity presented in the statement of financial condition.

Net debt is calculated as general debt less the carrying amount of the cash and cash equivalents.

Company's goal is to maintain a capital-to-net-debt ratio in a reasonable range, which would ensure relevant and conservative ratio of financing.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

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

	2010 BGN'000	2009 BGN'000	2009 BGN'000
Shareholders' equity	1 021 803	928 662	837 709
Equity	1 021 803	928 662	837 709
+Debt	385 226	362 362	320 125
- Cash and cash equivalents	(106 114)	(101 883)	(122 775)
Net debt	279 112	260 479	197 350
Capital to net debt	1:0.27	1:0.28	1:0.24

The ratio in 2011 has remained stable in comparison with 2010 with slight deviation only.

The Company has no deviations from its contract obligations, including maintaining capital ratios.

29 March 2012




Ivo Kamenov
/Executive Director/