

## Annual Consolidated Activity Report of the Group of CHIMIMPORT AD, Sofia for 2010

The following Annual Consolidated 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 2010 – 31 December 2010.

It has been prepared in accordance with Article 33, Paragraph 1 from the Accountancy Act; Article 100n, 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.

Managing bodies: General Meeting of the Shareholders, Supervisory Board and Managing Board.

### 1 Members of the Supervisory Board:

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

### 2 Members of the Managing Board:

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 Martin Mitev together and separately.

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

**Share capital:** The Company's share capital amounts to BGN 229 758 894.

**Number of shares issued:** The registered share capital of Chimimport AD as at 31 December 2010 consists of 150 858 809 (2009: 150 577 390) ordinary shares with par value of BGN 1 and 88 787 458 (2009: 89 068 877) preferred shares with par value of BGN 1. The preferred shares include also 5 784 484 (2009: 5 643 171) ordinary shares and 4 102 889 (2009: 4 140 794) preferred shares acquired from entities from the Group of Chimimport AD. The ordinary shares of Chimimport AD are dematerialized, by name and freely transferable, as well as grant the right to 1 vote and liquidating dividend. The preferred shares grant no voting rights. Their holders have the right to a cumulative guaranteed dividend and to a guaranteed liquidating dividend from the Group's assets.

On 12 June 2009, Chimimport AD issued obligatory convertible preferred shares with a fixed guaranteed annual dividend of 9 % and a guaranteed liquidating dividend. The issue consists of 89 646 283 subscribed and paid for preferred shares at issue price of BGN 2.22, representing



99.61 % from the shares offered. The accumulated capital from the offering amounts to BGN 199 014 748.26. The mandatory conversion of the shares happens at the end of the seventh year after the subscription and the increase of the share capital in the Trade register.

	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Issued and fully paid shares:		
- beginning of the year	229 862 302	144 138 806
- issued during the year /preferred shares/	-	89 646 283
- reduction of preferred shares due to conversion into ordinary shares during the year	(281 419)	(577 406)
- increase in ordinary shares due to conversion of preferred shares into ordinary shares during the year	281 419	577 406
- treasury shares /ordinary and preferred/, acquired by subsidiaries during the year	(103 408)	(3 922 787)
<b>Shares issued and fully paid as at period end</b>	<b>229 758 894</b>	<b>229 862 302</b>

#### Share premium

	<b>2009</b>	<b>2008</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Premium reserve from 2009, 2007 and 2006	219 995	260 475
Decrease of the share premium resulting from purchase of shares by subsidiaries	(234)	(40 480)
	<b>219 761</b>	<b>219 995</b>

In 2010 the share premium is reduced by BGN 234 thousand (2009: BGN 40 480 thousand) as a result of the acquisition of treasury shares by subsidiaries.

As at 31 December 2010 share premium amounts to BGN 219 995 thousand (2009: BGN 260 475 thousand). Share premium is formed by the following issues:

- Share premium amounting to BGN 28 256 thousand from the issue of preferred shares in 2009. The issue premium is reduced by the portion of the issue expenses, attributable to equity, at the amount of BGN 2 033 thousand. In 2010, the issue premium is increased by BGN 124 thousand, related to the converted during the year 281 419 preferred shares.
- Share premium amounting to BGN 199 418 thousand from secondary public offering of shares of the Group in 2007. The premium is reduced by the issue expenses at the amount of BGN 581 thousand.
- Share premium amounting to BGN 32 925 thousand from initial public offering of shares of the Group for the period of 7 September 2006 to 20 September 2006. Share premium of the issue is reduced by the share issue expenses at the amount of BGN 327 thousand.

#### The Group of Chimimport AD is engaged in the following business activities:

The main business activity of the Group consists of:

- Acquisition, management and sale of shares in Bulgarian and foreign companies;
- Financing of companies, in which interest is held;



- Bank services, finances, 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 trade 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.

### List of subsidiaries, part of the Group of Chimimport AD

Name of the subsidiary	Country of incorporation	Main activities	31.12.2010	31.12.2009
			%	%
Central Cooperative Bank AD	Bulgaria	Finance	75.33%	75.30%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	62.24%	62.18%
Stater Bank AD	Macedonia	Finance	70.65%	-
CCB Group EAD	Bulgaria	Finance	100.00%	100.00%
CCB Assets Management EOOD	Bulgaria	Finance	100.00%	100.00%
ZAD Armeec	Bulgaria	Finance	87.90%	87.90%
ZAED CCB Life	Bulgaria	Finance	100.00%	100.00%
ZOK CCB Health EAD	Bulgaria	Finance	100.00%	100.00%
POAD CCB Sila	Bulgaria	Finance	46.78%	89.30%
DPF CCB Sila	Bulgaria	Finance	46.78%	89.30%
UPF CCB Sila	Bulgaria	Finance	46.78%	89.30%
PPF CCB Sila	Bulgaria	Finance	46.78%	89.30%
Chimimport Holland B.V.	The Netherlands	Finance	100.00%	100.00%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	53.94%	54.16%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	60.07%	60.84%
Bulgarian Oil Refinery EOOD	Bulgaria	Production, Trade and Services	53.94%	54.16%
Slanchevi lachi Provadia EOOD	Bulgaria	Production, Trade and Services	60.07%	60.84%
Prime Lega Consult OOD	Bulgaria	Production, Trade and Services	70.00%	70.00%
SK HGH Consult OOD	Bulgaria	Production, Trade and Services	59.34%	59.34%
Omega Finance OOD	Bulgaria	Production, Trade and Services	83.80%	83.80%
Sofgeoprouchvane EOOD	Bulgaria	Production, Trade and Services	53.94%	54.16%
PDNG – Serviz EOOD	Bulgaria	Production, Trade and Services	53.94%	54.16%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	37.75%	37.91%



Chimimport Group EAD	Bulgaria	Production, Trade and Services	100.00%	100.00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%
Chimoil Trade OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%
Orgachim Trading 2008 OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%
Chimceltex OOD	Bulgaria	Production, Trade and Services	60.13%	60.13%
Fertilizers Trade OOD	Bulgaria	Production, Trade and Services	52.00%	52.00%
Dializa Bulgaria OOD	Bulgaria	Production, Trade and Services	50.00%	50.00%
Chimimport Pharma AD	Bulgaria	Production, Trade and Services	60.00%	60.00%
Siliko 07 OOD	Bulgaria	Production, Trade and Services	50.00%	50.00%
Medical Center Health Medica OOD	Bulgaria	Production, Trade and Services	90.00%	90.00%
Chimsnab AD Sofia	Bulgaria	Production, Trade and Services	97.29%	93.33%
Brand New Ideas EOOD	Bulgaria	Production, Trade and Services	-	100.00%
IT Systems Consult EOOD	Bulgaria	Production, Trade and Services	100.00%	100.00%
Aris 2003 EOOD	Bulgaria	Production, Trade and Services	-	60.13%
Anitas 2003 EOOD	Bulgaria	Production, Trade and Services	100.00%	100.00%
Goliama Dobrudjanska Melnitsa EAD	Bulgaria	Production, Trade and Services	60.07%	60.84%
Chimtrans OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	53.94%	-
Trans intercar EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%
MAYAK KM AD	Bulgaria	Sea and River Transport	77.44%	77.62%
Port Balchik AD	Bulgaria	Sea and River Transport	62.07%	70.63%
Bulgarian Shipping Company EAD	Bulgaria	Sea and River Transport	100.00%	100.00%
Parahodstvo Bulgarsko Rečno Plavane AD	Bulgaria	Sea and River Transport	82.16%	82.36%
Blue sea horizon corp	Seychelles	Sea and River Transport	82.16%	-
Interlihter EOOD	Slovakia	Sea and River Transport	82.16%	82.36%
ViTiSi AD	Bulgaria	Sea and River Transport	41.90%	42.00%



Port Lesport AD	Bulgaria	Sea and River Transport	99.00%	99.00%
Lesport Project Management EOOD	Bulgaria	Sea and River Transport	99.00%	99.00%
Bulgarian Logistic Company EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%
Port Pristis OOD	Bulgaria	Sea and River Transport	45.19%	-
Bulgarian Aviation Group EAD	Bulgaria	Aviation Transport	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Aviation Transport	99.99%	99.99%
Molet EAD	Bulgaria	Aviation Transport	100.00%	100.00%
Airport Services EOOD	Bulgaria	Aviation Transport	100.00%	100.00%
Bulgaria Air Technique EOOD	Bulgaria	Aviation Transport	99.99%	-
Energoproekt AD	Bulgaria	Construction and engineering	83.20%	83.20%
Triplan Architects EOOD	Bulgaria	Construction and engineering	83.20%	83.20%
Golf Shabla AD	Bulgaria	Real estate	35.06%	35.20%
Sporten Complex Varna AD	Bulgaria	Real estate	65.00%	65.00%
Bulchimex OOD	Germany	Real estate	100.00%	100.00%

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

General changes in the profit and revenue from non-financial activity of the Group by segments:

Business Segments	Production, Trade and Services	Financial sector	Transport sector	Real estates	Construction and Engineering sector
31 December 2010	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Share of the single segment in the Group's profit	12,70%	78,38%	8,62%	0,21%	0,10%

The Finance segment has the biggest share of the Group's net profit in 2010.

Business Segments	Production, Trade and Services	Financial sector	Transport sector	Real estates	Construction and Engineering sector
31 December 2009	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Share of the single segment in the Group's profit	11,35%	75,62%	12,89%	0,08%	0,05%

**Information regarding the income, distributed in separate activity category, internal and external markets**



Operating segments	Production, trade and services	Financial sector	Transport sector	Real estate sector	Construction and engineering sector	Elimination	Consolidated
31 December 2010	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Income from non-financial activities from external customers	246 233	24 096	362 115	231	4 108	-	636 783
Gain from sale of non-current assets	(2 783)	20	404	-	-	6	(2 353)
Inter-segment income from non-financial activities	19 861	2 618	6 463	2 176	272	(31 390)	-
<b>Total income from non-financial activities</b>	<b>263 311</b>	<b>26 734</b>	<b>368 982</b>	<b>2 407</b>	<b>4 380</b>	<b>(31 384)</b>	<b>634 430</b>
<b>Result from non-financial activities</b>	<b>27 252</b>	<b>26 734</b>	<b>21 848</b>	<b>(98)</b>	<b>487</b>	<b>850</b>	<b>77 073</b>
Insurance income from external customers	-	289 963	-	-	-	-	289 963
Inter-segment insurance income	-	11 331	-	-	-	(11 331)	-
<b>Total insurance income</b>	<b>-</b>	<b>301 294</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11 331)</b>	<b>289 963</b>
<b>Result from insurance</b>	<b>-</b>	<b>24 891</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10 900)</b>	<b>13 991</b>
Interest income	8 810	218 364	9 120	510	117	(37 102)	199 819
Interest expenses	(11 794)	(124 450)	(14 132)	(31)	(431)	37 583	(113 255)
<b>Result from interest</b>	<b>(2 984)</b>	<b>93 914</b>	<b>(5 012)</b>	<b>479</b>	<b>(314)</b>	<b>481</b>	<b>86 564</b>
Gains from transactions with financial instruments from external customers	4 755	293 754	3 500	-	-	(1 990)	300 019
Inter-segment gains from transactions with financial instruments	27	-	1 084	-	-	(1 111)	-
<b>Gains from transactions with financial instruments</b>	<b>4 782</b>	<b>293 754</b>	<b>4 584</b>	<b>-</b>	<b>-</b>	<b>(3 101)</b>	<b>300 019</b>
<b>Result from transactions with financial instruments</b>	<b>4 782</b>	<b>111 842</b>	<b>4 580</b>	<b>-</b>	<b>-</b>	<b>(110)</b>	<b>121 094</b>
Administrative expenses	(6 988)	(155 177)	(11 617)	(16)	(7)	6 380	(167 425)
Gain from purchases	-	-	-	-	-	6 940	6 940
<b>Net result from equity accounted investments in associates</b>	<b>90</b>	<b>16</b>	<b>8 542</b>	<b>-</b>	<b>-</b>	<b>347</b>	<b>8 995</b>
Other financial income/ expense	(576)	42 184	(4 059)	-	1	(8 486)	29 064
Profit for allocating insurance batches	-	(16 770)	-	-	-	-	(16 770)
<b>Profit for the period before tax</b>	<b>21 576</b>	<b>127 634</b>	<b>14 282</b>	<b>365</b>	<b>167</b>	<b>(4 498)</b>	<b>159 526</b>
Tax expenses	(1 893)	(6 163)	(929)	(41)	(18)	33	(9 011)
<b>Net profit for the year</b>	<b>19 683</b>	<b>121 471</b>	<b>13 353</b>	<b>324</b>	<b>149</b>	<b>(4 465)</b>	<b>150 515</b>



Information regarding the income, distributed in separate activity category, 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% 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.

### Income and expenses structure

#### Income from non-financial activities

	2010 BGN'000	2009 BGN'000	Change
Income from the sale of plane tickets	228 585	226 013	1,14%
Income from sale of trading goods	208 158	155 135	34,18%
Income from services rendered	109 075	108 517	0,51%
Income from sale of finished goods	23 790	43 410	(45,20%)
Other	67 175	41 887	60,37%
	<b>636 783</b>	<b>574 962</b>	<b>10,75%</b>

#### Expenses for non-financial activities

	2010 BGN'000	2009 BGN'000	Change
Cost of finished and trading goods sold	(189 062)	(161 499)	17.07%
Cost of materials	(105 979)	(98 693)	7 38%
Hired services	(176 067)	(177 237)	(0.66%)
Depreciation and amortization	(37 513)	(32 717)	7,28%
Employee expenses	(32 113)	(35 070)	14.66%
Other	(16 623)	(27 690)	(39.97%)
	<b>(557 357)</b>	<b>(532 906)</b>	<b>4.59%</b>

#### Insurance income

	2010 BGN'000	2009 BGN'000	Change
Insurance premium income	146 233	142 001	2,98%
Regression income	7 236	6 746	7,26%
Income from released insurance reserves	116 126	105 710	9,85%
Income from reinsurance operations	20 081	13 040	54,00%
Other insurance income	287	3 207	(91,05%)
	<b>289 963</b>	<b>270 704</b>	<b>7,11%</b>



### Insurance expenses

	2010 BGN'000	2009 BGN'000	Change
Indemnities paid off	(70 871)	(64 613)	9,69%
Expenses for participation in the insurance result	-	(70)	(100,00%)
Liquidation of damages expenses	(2 396)	(2 029)	18,09%
Acquisition expenses	(33 502)	(33 994)	(1,45%)
Expenses for insurance reserves set aside	(131 283)	(115 868)	13,30%
Reinsurance expenses	(11 358)	(24 878)	(54,35%)
Other insurance expenses	(26 562)	(10 694)	148,38%
	<b>(275 972)</b>	<b>(252 146)</b>	<b>9,45%</b>

  

	2010 Indemnities paid off BGN'000	2010 Share BGN'000	2009 Indemnities paid off BGN'000	2009 Share %	Change
Casco	48 244	68,07%	46 545	69,63%	3,65%
Motor public liability insurance	11 647	16,43%	13 587	20,33%	(14,28%)
Fire and natural calamities	1 768	2,50%	926	1,39%	90,93%
Loans and leases	4 000	5,64%	492	0,74%	713,01%
Accident	1 135	1,60%	460	0,69%	146,74%
Travel assistance	704	0,99%	439	0,66%	60,36%
Casco of vessels	73	0,10%	160	0,24%	(54,38%)
Casco of aircrafts	140	0,20%	1 758	2,63%	(92,04%)
Aircraft public liability insurance	14	0,02%	20	0,03%	(30,00%)
Property damage	928	1,31%	126	0,19%	636,51%
General public liability insurance	406	0,57%	21	0,03%	1833,33%
Cargo during transportation	7	0,01%	14	0,02%	(50,00%)
Financial losses	261	0,37%	35	0,05%	645,71%
Guarantees	-	0,00%	15	0,02%	(100,00%)
Health activity	215	0,30%	15	0,02%	1333,33%
Life insurance	1 329	1,88%	0	0,00%	100%
	<b>70 871</b>	<b>100,00%</b>	<b>64 613</b>	<b>100,00%</b>	<b>9,69%</b>





	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>BGN'000</b>	<b>BGN'000</b>	
<b>Interest income by types of sources:</b>			
Legal entities	134 047	112 089	19,59%
Government securities	21 812	12 607	73,01%
Banks	696	4 751	(85,35%)
Individuals	42 096	45 268	(7,01%)
Other	1 168	528	121,21%
	<b>199 819</b>	<b>175 243</b>	<b>14,02%</b>

	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>BGN'000</b>	<b>BGN'000</b>	
<b>Interest expenses by depositors:</b>			
Legal entities	(49 257)	(22 087)	123,01%
Individuals	(52 136)	(45 250)	15,22%
Banks	(11 504)	(26 505)	(56,60%)
Other	(358)	(5 705)	(93,72%)
	<b>(113 255)</b>	<b>(99 547)</b>	<b>13,77%</b>

**Gains from transactions with financial instruments**

	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>BGN'000</b>	<b>BGN'000</b>	
Revaluation of financial instruments	203 178	83 013	144,75%
Gains from transactions with securities	94 999	75 125	26,45%
Other	1 842	12 362	(85,10%)
	<b>300 019</b>	<b>170 500</b>	<b>75,96%</b>

**Losses from transactions with financial instruments**

	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>BGN'000</b>	<b>BGN'000</b>	
Revaluation of financial instruments	(154 348)	(56 362)	173,85%
Losses from transactions with securities	(24 053)	(6 184)	288,96%
Other	(524)	(1 868)	(71,95%)
	<b>(178 925)</b>	<b>(64 414)</b>	<b>177,77%</b>



<b>Administrative expenses</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>BGN'000</b>	<b>BGN'000</b>	
Cost of materials	(5 730)	(5 389)	6,33%
Hired services	(51 246)	(46 640)	9,88%
Depreciation and amortization	(12 788)	(12 134)	5,39%
Employee expenses	(60 170)	(60 883)	(1,17%)
Other	(37 491)	(35 169)	6,60%
	<b>(167 425)</b>	<b>(160 215)</b>	<b>4,50%</b>

<b>Employee expenses</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>BGN'000</b>	<b>BGN'000</b>	
Wages	(78 748)	(81 052)	(2,84%)
Social security expenses	(13 535)	(14 901)	(9,17%)
	<b>(92 283)</b>	<b>(95 953)</b>	<b>(3,82%)</b>

<b>Other financial income, net</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>BGN'000</b>	<b>BGN'000</b>	
Fees and commissions income, net	22 343	22 478	(0,60%)
Net result from foreign exchange differences	3 100	3 649	(15,05%)
Cessions income	-	6 249	(100,00%)
Others	3 621	910	297,91%
	<b>29 064</b>	<b>33 286</b>	<b>(12,68%)</b>

<b>Fees and commissions income</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>BGN'000</b>	<b>BGN'000</b>	
Servicing loans	2 681	3 057	(12,30%)
Servicing commitments and contingencies	1 299	1 417	(8,33%)
Servicing of deposit accounts	3 187	2 081	53,15%
Bank transfers in Bulgaria and abroad	9 709	16 191	(40,03%)
Other income	6 939	5 567	24,65%
Other fees and commissions income, different from banks	4 978	434	1047%
<b>Total fees and commissions income</b>	<b>28 793</b>	<b>28 747</b>	<b>0,16%</b>



<b>Fees and commissions expenses</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>BGN'000</b>	<b>BGN'000</b>	
Servicing of accounts	(180)	(135)	33,33%
Bank transfers in Bulgaria and abroad	(2 546)	(3 087)	(17,53%)
Transactions with securities	(134)	(145)	(7,59%)
Release of precious parcels	(125)	(79)	58,23%
Other expenses	(3 465)	(2 823)	22,74%
<b>Total fees and commissions expenses</b>	<b>(6 450)</b>	<b>(6 269)</b>	<b>2,89%</b>

  

<b>Gain/ (loss) from sale of non-current assets</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>BGN'000</b>	<b>BGN'000</b>	
Revenue from sales	8 693	65 888	(86,81%)
Carrying amount of the non-current assets sold	(11 046)	(26 622)	(58,51%)
<b>Gain/ (loss) from sale of non-current assets</b>	<b>(2 353)</b>	<b>39 266</b>	<b>(105,99%)</b>

In 2010 Chimimport AD paid to its shareholders, owners of preferred shares as at 19 July 2010, guaranteed dividend at the total of BGN 9 532 thousand or BGN 0.1077 per preferred share.

### **Important Research and Development**

The Group did not appoint or perform any important research and development activities during 2010.

### **Information regarding conclusion of major deals or such of a significant importance for the activity of the issuer**

The Group has not made any significant deals according to article 1 of the Law on Public Offering of Securities throughout the accounting period that may have any serious impact on the future activity of the issuer.

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

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

Unless particularly stated, transactions with related parties were not performed under special conditions and no assurance were issued or received.



<b>Transactions with the owners</b>	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Sale of goods and services, interest income and other income</b>		
<i>- interest income</i>		
Chimimport Invest AD	9 651	1 239
<b>Purchase of services</b>		
<i>- purchase of services</i>		
Chimimport Invest AD	(25)	-
<b>Transactions with associates and related parties outside the Group</b>		
<b>Sale of goods and services, interest income and other income</b>	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<i>- sale of finished goods</i>		
Kavarna Gas OOD	1 316	1 431
Fraport TSAM AD	248	193
Preslava EOOD	11	-
Others	3	-
<i>- sale of finished goods</i>		
Fraport TSAM AD	724	-
Hemus Air AD	88	-
Asenova Krepost AD	83	-
Others	41	-
<i>- sale of services</i>		
Consortium Energoproekt-Royal Haskoning	1 649	-
Hemus Air AD	1 426	1 803
CCB Leader DF	443	417
CCB Active DF	335	304
Chimimport Trade OOD	11	30
CCB Garant DF	6	10
Others	147	-
<i>- interest income</i>		
Hemus Air AD	5 207	2 166
Conor – Switzerland	608	503
Fraport TSAM AD	187	181
Holding Asenova Krepost AD	42	-
Asenova Krepost AD	22	-
Park Build EOOD	5	9
Others	682	225



<b>Purchase of services and interest expenses</b>	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<i>- purchase of services</i>		
Fraport TSAM AD	(6 200)	(7 035)
Hemus Air AD	(7 994)	(2 935)
Capital Invest EAD	(5)	
Chimsnab Trade	(4)	-
Others	-	-
<i>- interest expense</i>		
Fraport TSAM AD	(443)	-
Amadeus Bulgaria OOD	(17)	-
Invest Capital EAD	(13)	-
Capital Invest EAD	(8)	-
Chimsnab Trade OOD	(1)	-
POK Saglasie Co.Ltd.	(1)	-
Others	(5)	-

#### **Transactions with key management personnel**

Key management personnel of the Group include the members of the Managing board and Supervisory board. Key management personnel remuneration consists of salaries and bonuses as follows:

Key management personnel remuneration includes the following expenses:

	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Short-term employee benefits:		
Salaries, including bonuses	568	1 308
Social security costs	28	12
Group car allowance	11	11
Total short-term benefits	607	1 331
<b>Total remunerations</b>	<b>607</b>	<b>1 331</b>



**Related party balances at year-end**

	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Non-current receivables from:</b>		
<i>- related parties outside the Group</i>		
Fraport TSAM	2 738	5 867
Lufthansa Technique Sofia OOD	673	-
Chimsnab Trade OOD	25	-
Hemus Air EAD	-	5 459
Others	3	28
	<b>3 439</b>	<b>11 354</b>
	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Current receivables from:</b>		
<i>- owners</i>		
Chimimport Invest AD	137 979	27 925
	<b>137 979</b>	<b>27 925</b>
<i>- associates</i>		
Fraport TSAM AD	3 129	-
Lufthansa Technik Sofia OOD	1 256	2 151
PIC Saglasie Co.Ltd.	739	739
Kavarna Gas OOD	389	518
Holding Nov Vek AD	-	9 605
Other	3 702	2 207
	<b>9 215</b>	<b>15 220</b>
<i>- other related parties outside the Group</i>		
Hemus AIR EAD	58 876	36 577
Asenova krepost AD	728	-
Air BAN EOOD	-	8 405
	<b>59 604</b>	<b>44 982</b>
<b>Total current receivables from related parties</b>	<b>206 798</b>	<b>88 127</b>



**Non-current payables to related parties outside the Group**

	2010	2009
	BGN'000	BGN'000
<b>Non-current payables to:</b>		
<i>-associates</i>		
Fraport TSAM AD	496	-
Others	330	-
	826	-
<b>Current payables to:</b>		
<i>-owners</i>		
Chimimport Invest AD	360	-
	360	-
<i>-associates</i>		
Holding Nov Vek AD	-	334
Holding Varna AD	-	-
Fraport TSAM AD	22 793	3 263
Others	2 288	-
	25 081	3 597
<i>- other related parties outside the Group</i>		
Hemus Air EAD	189	514
Others	-	3 341
	189	3 855

**Information regarding unusual events and indices for the issuer that have 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 2010.

**Information regarding off-balance transactions**

As at 31 December 2010, the Group has the following contingent assets and liabilities:

As at 31 December 2010 and 2009, the Group has entered into lease contracts with customers for the total amount of BGN 73 590 thousand and BGN 90 713 thousand respectively. The future disbursement of the sum depends on whether the lessees fulfill certain requirements, including no overdue loans, granting collateral with certain quality and liquidity, etc.



In regards to its insurance activity in 2010, the Group is counterparty in 5 985 claims at the amount of BGN 8 554 thousand, including claims, filed for voluntary compliance and those which have been brought to court. Claims brought to the Group as at 31 December 2010 are 477 totaling BGN 1 088 thousand, including those filed for voluntary compliance and those which have been brought to court. As required by Regulation N27/ 29 March 2006, the Group sets aside reserve for claims that covers more than the amount claimed to the insurance companies of the Group.

The Group is a counterparty to a bank guarantee issued by Eurobank EFG Bulgaria AD at the amount of BGN 1 800 thousand in favour of the Customs Agency, expiring 5 April 2011.

The Group is a counterparty to bank guarantees issued under contract dated 2 October 2006 with DSK Bank EAD, secured by mortgage on the building “House of geologist” located in resort St. Constantine and Elena, owned by Park Build Ltd.:

- Bank guarantee in favor of Immorent Bulgaria at the amount of EUR 114 thousand
- Bank guarantee on behalf of PDNG AD in favor of the National Revenue Agency at the amount of BGN 299 thousand.
- Bank guarantee in favor of the Ministry of Economy, Energy and Tourism at the amount of BGN 113 thousand.

The Group is a counterparty to bank guarantees issued by UniCredit Bulbank at the amount of BGN 427 thousand. The bank guarantees expire on 30 November 2030.

On 6 August 2010 DSK Bank EAD, Sofia has issued a bank guarantee at the amount of EUR 50 thousand, guaranteeing the activities of environmental protection and reclamation of damaged as a result of geological activities plots in Block 1-12 Kneja, Bulgarian land.

On 19 July 2010 DSK Bank EAD, Sofia has issued a bank guarantee at the amount of EUR 32 thousand, guaranteeing the fulfilling of the work program of the Group for the first year under the Treaty on prospecting and exploration of crude oil and natural gas in Block 1-12 Kneja, Bulgarian land.

Contract for multiple bank guarantees under the contract dated 5 November 2010 with collateral – mortgage on building “House of geologist” located in resort St Constantine and Elena, property of Park Build Ltd, expiring on 5 November 2015. No guarantees are issued under this contract.

Under Sofia City Court Decision №1 dated 27 May 2004 regarding Bulgarian Petroleum Refinery Ltd. a contract for pledge on commercial enterprise is registered – Bulgarian Petroleum Refinery Ltd, as a set of rights, obligations and factual relations including the assets describes in Annex №1 thereto signed between Bulgarian Post Bank AD and Bulgarian Petroleum Refinery Ltd. regarding the bank loan agreement № 532-1464/30.09.2003, concluded with Bulgarian Post Bank AD at the amount of EUR 4 807 thousand. The loan was repaid in full at the end of September 2008, the pledge has not yet been withdrawn.



**Information regarding the shares of the issuer, its major domestic and foreign investments (in securities, financial instruments, intangible assets and real estate), as well as investments in equity securities outside its economic group and the source of financing**

### Investments in associates

The Company owns shares of the capital in the following companies:

Name of the associated entity	2010 BGN'000	Share %	2009 BGN'000	Share %
Fraport TSAM AD	55 779	40,00%	75 242	40,00%
POK Saglasie Co.Ltd.	34 101	49,43%	17 317	49,43%
Amadeus Bulgaria OOD	6 234	45,00%	3 055	45,00%
Lufthansa Technique OOD	3 808	20,00%	79	20,00%
Dobrich Fair AD	1 887	37,92%	-	37,92%
Kavarna Gas OOD	685	35,00%	481	35,00%
Holding Nov Vek AD	-	0,00%	9 350	28,20%
	<b>102 494</b>		<b>105 524</b>	

In 2010 the Group reports gain from acquisition of Dobrich fair AD at the total of BGN 147 thousands. The gain from the acquisition is included in "Gain from purchases" in the consolidated statement of comprehensive income.

In 2010 and 2009 the Group has received no dividends from associates. Investments in associates are presented in the financial statements of the Group using the equity method.

### Information regarding the changes in the long-term and short-term investments of the Company:

#### Acquisition of Stater Bank AD

In 2010 the Group acquired 323 839 ordinary shares with voting rights of Stater Bank AD's share capital with headquarters in Kumanovo, Republic of Macedonia. As a result the Group acquired 70.65 % of Stater Bank AD's share capital which let to controlling interest in the capital of the subsidiary. Before the acquisition the Group possessed 5 975 preferred shares with no voting right of the capital of the subsidiary.

The incorporation of Stater Bank AD was realized in order to expand the banking sector of the Group in Macedonia and expected decrease in costs for bank activity due to economies of size.

The acquisition costs at the total of BGN 8 539 thousands was paid entirely in cash. Total fair value of acquired net assets is BGN 21 702 thousand. As a result of the acquisition profit is recognized at the total of BGN 6 793 thousands, which is reported in the consolidated statement of comprehensive income in line "Gain from purchases".



The total cost of acquisition was BGN 8 539 thousands and includes the components stated below:

	<b>BGN'000</b>
Purchase price, settled in cash	8 539
<b>Total consideration</b>	<b>8 539</b>

The amounts recognized for each class of the acquiree's assets and liabilities of Stater Bank AD recognized at the acquisition date are as follows:

	<b>Recognized at acquisition date</b>
	<b>BGN'000</b>
Cash and balances on accounts of the Bulgarian National Bank	7 290
Granted credits and advances to clients	10 941
Other assets	298
Financial assets available for sale	30 605
Fixed assets	5 805
Intangible assets	5 988
Distraigned assets	4 747
Payables to other depositors	(39 944)
Other payables	(3 530)
Net value of the assets	22 200
Net deferred tax	(498)
<b>Net value of the assets, net of deferred tax</b>	<b>21 702</b>
<b>Non-controlling interests</b>	<b>(6 370)</b>
<b>Fair value of identifiable net assets acquired by the Group</b>	<b>(15 332)</b>

	<b>BGN'000</b>
Consideration transferred settled in cash	(11 336)
Cash and cash equivalents acquired	11 068
<b>Net cash outflow on acquisition</b>	<b>(268)</b>

The non-controlling interest (29.35 %) in Stater Bank AD recognized at the acquisition date was measured at the value of their proportion of identifiable assets and liabilities. Gain has been recognized as a result of the acquisition as follows:

	<b>BGN'000</b>
Total consideration	8 539
Fair value of identifiable net assets acquired	(15 332)
<b>Gain</b>	<b>6 793</b>

No major lines of business have been disposed of as a result of the combination.

### Acquisition of Port Pristis OOD

In 2010 the Group obtained control of Port Pristis OOD with headquarters in Rousse, Bulgaria by registration of the company, as a result of which acquired 45.19 % of its share capital and voting rights.

The incorporation of Port Pristis OOD is conducted for the purpose of commercial services provided in ports and other related services.

The total cost of acquisition was BGN 35 thousands and includes the components stated below:

	BGN'000
Purchase price, settled in cash	35
<b>Total consideration</b>	<b>35</b>

The allocation of the purchase price to the assets and liabilities of Port Pristis OOD was completed in 2010. The amounts recognized for each class of the acquiree's assets, liabilities and contingent liabilities recognized at the acquisition date are as follows:

	Recognized at acquisition date BGN'000
Cash and cash equivalents	100
<b>Total current assets</b>	<b>100</b>
<b>Total identifiable net assets and liabilities</b>	<b>100</b>
<b>Non-controlling interests</b>	<b>(45)</b>
<b>Fair value of identifiable net assets acquired by the Group</b>	<b>55</b>

	BGN'000
Consideration transferred settled in cash	55
Cash and cash equivalents acquired	(55)
<b>Net cash outflow on acquisition</b>	<b>-</b>
Transaction costs of the acquisition	-
<b>Net cash paid relating to the acquisition</b>	<b>-</b>

No goodwill or gain has been recognized as a result of the acquisition:

	BGN'000
Total consideration	55
Fair value of identifiable net assets acquired	(55)
<b>Goodwill/ (Gain)</b>	<b>-</b>



### Acquisition of Bulgaria Air Technique EOOD

In 2010 the Group obtained control of Bulgaria Air Technique EOOD with headquarters in Sofia, Bulgaria by registration of the company, as a result of which acquired 99.99 % of its share capital and voting rights.

The incorporation of Bulgaria Air Technique EOOD is conducted to repair aircraft and other related services.

The total cost of acquisition was BGN 200 thousands and includes the components stated below:

	<b>BGN'000</b>
Purchase price, settled in cash	200
<b>Total consideration</b>	<b>200</b>

The allocation of the purchase price to the assets and liabilities of Bulgaria Air Technique EOOD was completed in 2010. The amounts recognized for each class of the acquiree's assets, liabilities and contingent liabilities recognized at the acquisition date are as follows:

	<b>Recognized at acquisition date BGN'000</b>
Cash and cash equivalents	200
<b>Total current assets</b>	<b>200</b>
<b>Total identifiable net assets and liabilities</b>	<b>200</b>

	<b>BGN'000</b>
Consideration transferred settled in cash	200
Cash and cash equivalents acquired	(200)
<b>Net cash outflow on acquisition</b>	<b>-</b>
Transaction costs of the acquisition	-
<b>Net cash paid relating to the acquisition</b>	<b>-</b>

No goodwill or gain has been recognized as a result of the acquisition:

	<b>BGN'000</b>
Total consideration	200
Fair value of identifiable net assets acquired	(200)
<b>Goodwill/ (Gain)</b>	<b>-</b>



### Acquisition of Chimoil BG EOOD

On 12 August 2010 the Group acquired 53.94 % of the share capital in Chimoil BG EOOD with headquarters in Sofia, Bulgaria.

The total cost of acquisition was BGN 3 thousands and includes the components stated below:

	<b>BGN'000</b>
Purchase price, to be settled in cash	3
<b>Total consideration</b>	<b>3</b>

The allocation of the purchase price to the assets and liabilities of Chimoil BG EOOD was completed in 2010. The amounts recognized for each class of the acquiree's assets, liabilities and contingent liabilities recognized at the acquisition date are as follows:

	<b>Recognized at acquisition date BGN'000</b>
Cash and cash equivalents	5
<b>Total current assets</b>	<b>5</b>
<b>Total identifiable net assets and liabilities</b>	<b>5</b>
<b>Non-controlling interests</b>	<b>(2)</b>
	<b>3</b>
	<b>BGN'000</b>
Consideration transferred settled in cash	-
Cash and cash equivalents acquired	5
<b>Net cash inflow on acquisition</b>	<b>5</b>

As at 31 December 2010 the acquisition price is not paid to the previous owner.

### Disposal of Brand New Ideas EOOD

In 2010 the Group disposed of its equity interest (100 %) in its subsidiary Brand New Ideas EOOD for the total of BGN 1 000 thousands.

The carrying amounts of the net assets of the subsidiary Brand New Ideas EOOD recognized in the consolidated financial statements at the date of disposal were at the total of BGN 737 thousands. The Group recognized profit at the total of BGN 263 thousands.

	<b>BGN'000</b>
<b>Total net assets</b>	<b>(737)</b>
<b>Total consideration received</b>	<b>1 000</b>
<b>Cash and cash equivalents disposed of</b>	<b>(1 059)</b>
<b>Net cash received</b>	<b>(59)</b>
<b>Gain on disposal</b>	<b>263</b>



### Disposal of ownership interest in 2010

On 12 February 2010 a merger under a universal inheritance of POD Lukoil Garant - Bulgaria AD into POAD CCB – Sila was registered in the Registry Agency as a result of which the share of the Group in POAD CCB - Sila decreased from 89.30 % to 46.78 %. The Group continues to recognize its participation as controlling because it continues to control the operational and financial policies of the company.

More detailed information about the acquired net assets is presented below:

	<b>BGN'000</b>
<b>Carrying amount of each class of acquired assets and liabilities as at 12 February 2010</b>	
Plant and equipment	135
Intangible assets	3
Deferred tax assets	8
Current receivables	489
Financial assets	4 588
Cash and cash equivalents	1 024
Share capital	5 000
Accumulated loss	(361)
Pension reserves	1 368
Non-current liabilities	68
Payables to employees and social security institutions	139
Other payables	33
<b>Net value of the assets</b>	<b>4 639</b>
Net assets for non-controlling interest	(4 639)
Share acquired by the Group	-

The acquisition cost of POD Lukoil Garant - Bulgaria AD as at 12 February 2010 was BGN 5 000 thousands, which has increased the share capital of POAD CCB - Sila and the shares of POAD CCB - Sila are provided to the shareholders of POAD Lukoil Garant - Bulgaria AD.

The difference between the acquisition cost and the acquired net assets amounts to BGN 361 thousands and is recognized as a decrease in the share capital of the Group.





**Information regarding the loan contracts concluded by the issuer, its subsidiary or its parent company as borrowers.**

**Financial liabilities**

	Current		Non-current	
	2010	2009	2010	2009
	BGN'000	BGN'000	BGN'000	BGN'000
Financial liabilities measured at amortized cost:				
Liabilities to depositors	1 342 391	985 618	534 999	430 792
Liabilities for dividends	15 974	8 040	62 174	70 655
Bonds and debenture loan	2 256	128 935	128 884	2 973
Bank loans	38 781	54 210	106 952	103 372
Other borrowings	51 078	50 127	22 300	6 731
Insurance contract liabilities	14 515	13 015	-	-
Derivatives, held-for-trading	6 916	12 107	-	-
Deposits from banks	11 564	4 276	-	-
Liabilities under repurchase agreements	22 748	3 825	-	-
<b>Total carrying amount</b>	<b>1 506 223</b>	<b>1 260 153</b>	<b>855 309</b>	<b>614 523</b>

**Long- and short-term liabilities to depositors**

**Analysis by term and type of currency:**

	2010	2009
	BGN'000	BGN'000
Demand deposits		
in BGN	351 315	315 710
in foreign currency	112 474	80 789
	463 789	396 499
Term deposits		
in BGN	514 819	345 376
in foreign currency	795 248	596 462
	1 310 067	941 838
Savings account		
in BGN	50 153	32 698
in foreign currency	35 918	33 966
	86 071	66 664
Other deposits		
in BGN	11 982	7 968
in foreign currency	5 481	3 441
	17 463	11 409
<b>TOTAL LIABILITIES TO DEPOSITORS</b>	<b>1 877 390</b>	<b>1 416 410</b>



	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Individual deposits		
in BGN	552 578	376 990
in foreign currency	652 562	501 430
	<u>1 205 140</u>	<u>878 420</u>
Legal entities deposits		
in BGN	363 709	308 821
in foreign currency	290 012	219 074
	<u>653 721</u>	<u>527 895</u>
Deposits of other institutions		
in BGN	11 982	5 575
in foreign currency	6 547	4 520
	<u>18 529</u>	<u>10 095</u>
<b>TOTAL LIABILITIES TO OTHER DEPOSITORS</b>	<b><u>1 877 390</u></b>	<b><u>1 416 410</u></b>

#### Dividend liabilities

As at 31 December 2010 dividend liabilities for the preferred shares are as follows:

	<b>Current</b>		<b>Non-current</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
Dividend liabilities	15 974	8 040	62 174	70 655
	<u>15 974</u>	<u>8 040</u>	<u>62 174</u>	<u>70 655</u>

In 2010 the Group has paid out guaranteed dividend to its preferred shareholders, as at 19 July 2010, at the amount of BGN 8 506 thousand or BGN 0.1077 per share.

Dividend obligations of the Group are due to the issued in 2009 mandatory convertible preferred shares by 9% guaranteed fixed annual dividend. Each outstanding preferred share entitles the holder to cumulative guaranteed dividend at the amount of 9% of the issue price. Due to the fact that the preferred shares dividend is guaranteed, it is payable by the Group, no matter whether the General Assembly has decided to allocate dividends in the respective year or not. Due to the fact that the guaranteed dividend is cumulative, it is payable by the Group, no matter whether the Group has formed attributable profit for the respective year.

When converted, the preferred shareholders are considered ordinary shareholders at the date they are registered as such by the Central Depository.



### Bonds and debenture loan

	Current		Non-current	
	2010	2009	2010	2009
	BGN'000	BGN'000	BGN'000	BGN'000
Chimimport Holland B.V.	-	125 962	128 884	-
Zarneni Hrani Bulgaria AD	2 256	2 973	-	2 973
	<b>2 256</b>	<b>128 935</b>	<b>128 884</b>	<b>2 973</b>

#### **Chimimport Holland B.V. – debenture loan**

On 22 August 2008 the Group by its subsidiary Chimimport Holland B.V. has issued a debenture loan, amounting to EUR 65 million with a 7-year maturity. The loan is with attached coupons bearing a fixed annual interest rate amounting to 7%, as the coupon payments are carried out twice a year, respectively on 22 February and on 22 August. The first payment is due on 22 February 2009. According to the call option in the contract, agreed upon with Chimimport Invest AD, the bonds can be exchanged with ordinary shares of Chimimport AD with par value of BGN 1.00. The redemption of the bonds will be carried out on 22 August 2015 and the price of the redemption will be 118.9%. The increase of the principal amounts to EUR 12 785 thousand will be capitalized to the principal in the period of the 7-year maturity. The fair value of the bonds as of the issue date is EUR 65 000 thousand. The expenditures that are directly attributable to the issue of the bonds – amounting to EUR 2 737 thousand, are deducted from the value of the principal of the bonds. Those expenditures will be amortized in the 7-year maturity period, beginning on 22 September 2008. The value of the redemption and the respective expenditures, related to the bonds are accounted for on the basis of effective interest rate - 9.787968312%, applied to the principal, amounting to EUR 65 000 thousand. The market value of the bonds and the effective interest rate are calculated based on the method of discounted cash flows. The bonds are valued using the amortized value. In favor of the bond holders 11.6 million ordinary shares of Chimimport AD, owned by the main shareholder “Chimimport Invest” AD, are pledged as collateral

As at 31 December 2009, regarding a debenture loan granted to a company from the Chimimport AD Group each debenture holder had the right to claim the repurchase right for all or a portion of the bonds, according to Condition 8 (c) from the Terms and Conditions of the issued by Chimimport Holland B.V. bonds (with a sole shareholder Chimimport AD). The bonds are issue on 22 August 2008 at the amount of EUR 65 000 thousand, with interest rate at 7% and exchangeable for ordinary shares of Chimimport AD. The repurchase right was exercisable on 22 August 2010. On 22 August 2010, none of the repurchase rights were exercised. The next date for exercising the right is 22 August 2012.

#### **Zaneni Hrani Bulgaria AD – debenture loan**

The debenture loan is signed on 10 November 2005 with Central Cooperative Bank AD, as the debenture holders are individuals and legal entities, which are not part of the Chimimport Group. The short-term portion comprises of payables to individuals outside of the Group at the amount of BGN 2 256 thousand (2009: BGN 2 973 thousand). The interest rate of the loan is 6-month EURIBOR, plus 6% premium. The payments are carried out in euro. The maturity of the debenture loan is 11 November 2011 and the repayment schedule is EUR 2 000 thousand until 11 November 2011.



### Bank loans

	Current		Non-current	
	2010	2009	2010	2009
	BGN'000	BGN'000	BGN'000	BGN'000
Bank loans	38 781	54 210	106 952	103 372

### Long-term bank loans

	2010	2009
	BGN'000	BGN'000
Bulgarian Development Bank	40 062	40 068
Unicredit Bulbank AD – revolving credit	17 995	17 995
Alpha Bank, branch Bulgaria – revolving credit	14 911	5 867
Landensbank Baden-Wuerttemberg – investment loans	13 053	13 576
DSK Bank EAD – revolving credit	10 001	12 266
DSK Bank EAD – investment credit, long-term portion	5 000	5 000
United Bulgarian Bank AD – investment credit	4 843	6 149
Hypovereisenbank AD	862	1 455
Other	225	996
	<b>106 952</b>	<b>103 372</b>

### Bulgarian Development Bank

As at 31 December 2010 the Group was granted the following loans by the Bulgarian Development Bank:

- program for targeted refinancing of commercial banks amounting to BGN 35 000 thousand as loan funds are provided by the Group for medium and long-term investment lending and project financing for technical innovation, introduction of new technologies, know-how, increase competitiveness and export potential projects under EU structural funds and short-term pre-export financing of small and medium enterprises registered under the Commercial Code. The deadline for repayment of the loan is 30 December 2018. The Group owes annual interest on the unpaid portion of the loan at the amount of 5%.
- program for providing targeted credit lines to commercial banks, used for financing farmers at the amount of BGN 5 062 thousand, including interest payments. The deadline for repayment of the loan is 30 March 2014. The Group owes annual interest on the unpaid portion of the loan at the amount of 5%.

### UniCredit Bulbank AD – revolving loan

In 2007 the Group was granted a revolving bank loan, with maturity date 20 September 2013 at the amount of BGN 17 995 thousand with interest rate - 1-month SOFIBOR, plus 3% premium. Payments are carried out in Bulgarian leva. The loan is secured with mortgage on property, plant and equipment under the Law on Registered Pledges, as well as with pledge of future inventories and receivables.



**Alpha Bank, branch Bulgaria – revolving loan**

The revolving bank loan contracts dated 20 August 2008 and 11 August 2009 between the Group and Alpha Bank, branch Bulgaria expire on 30 December 2015 and 11 August 2013, respectively. The interest rate on both loans equals 3-month EURIBOR, plus 7.5% premium. All payments are carried out in euro. The loan is secured with mortgages on real estate, pledge on machines, plant and equipment, owned by a subsidiary. The repayment installments amount to EUR 93 750 monthly payments on the first loan and EUR 900 thousand semi-annual payments on the second loan.

**Landensbank Baden-Wuerttemberg – Investment loans**

The Group was granted four revolving bank loans by Landensbank Baden-Wuerttemberg on 10 November 2006, 16 November 2006, 14 March 2008 and 29 August 2008, with maturity dates 30 April 2015, 28 August 2017, 14 March 2011 and 28 August 2017, respectively. The interest rate on all four loans equals 6-month EURIBOR, plus a premium of 0.875. All payments are carried out in euro.

**DSK Bank EAD – investment loan**

The Group is granted an investment loan by DSK Bank EAD under a contract, dated 28 January 2008, with maturity date 25 March 2012. The interest rate equals 1-month SOFIBOR, plus 6% premium. Payments are carried out in Bulgarian leva. According to the repayment schedule, the Group repays the loan by semi-annual payments at the amount of BGN 1 667 thousand. The loan is secured with mortgages on real estate, pledge in machines, plant and equipment, and with pledge on tangible fixed assets under the Law on registered pledges.

**DSK Bank EAD – revolving loan**

The Group is granted a loan by DSK Bank EAD under Contract 114, dated 6 June 2006, with maturity date 25 April 2016. The interest rate is 3-month EURIBOR, plus 4.5%. The loan is secured with real estate – “Dom na geologa”, located in Varna, St. St. Constantine and Elena resort. Payments are carried out in euro. According to the repayment schedule, the Group repays the loan by EUR 96 500 monthly payments.

**United Bulgarian Bank AD – investment credit**

As at 31 December 2010, the Group is granted an investment loan by United Bulgarian Bank AD, with maturity date 18 February 2015. The payments are carried out in American dollars and the interest rate is 3-month LIBOR, plus 3.5% premium. The loan is secured with an aircraft BOING 737 – 300 /owned by Bulgaria Air AD/. The outstanding amount of the loan as at 31 December 2010 amounts to BGN 4 843 thousand.



### Short-term bank loans

	2010	2009
	BGN'000	BGN'000
Bulgarian Development Bank - overdraft	9 588	9 198
Alpha Bank, branch Bulgaria – short-term portion and short-term revolving credit	8 830	20 390
DSK Bank EAD – short-term loan and short-term revolving credit	7 265	7 920
Landesbank Baden-Wuerttemberg – short-term portion	3 233	3 583
Eurobank EFG Bulgaria AD – revolving bank loan	2 420	2 497
DSK Bank EAD – short-term portion of revolving credit	2 265	2 265
BNP Paribas S.A. – credit line	2 054	-
United Bulgarian Bank AD – short-term portion	1 546	1 193
Eurobank EFG Bank Bulgaria AD – short-term portion of investment loan	653	876
Eurobank EFG Bank Bulgaria AD – bank loan	-	3 287
Allianz Bank Bulgaria – investment loan	-	534
Hypovereinsbank	-	505
Other	927	1 962
	<b>38 781</b>	<b>54 210</b>

#### **Bulgarian development bank - overdraft**

On 12 May 2009 the Group has signed an overdraft credit contract with Bulgarian development bank at the amount of EUR 6 135 thousand. The initial repayment date is 31 August 2010. According to annex, dated 25 August 2010, the repayment date is extended to 30 September 2012. Within this period the Group can obtain overdraft amounts, but only if the obligations are repaid. Therefore, the loan is classified as short-term. The interest rate on the contract is 3-month EURIBOR, plus 7 points, but not less than 8.51%. The contract is secured by Group's assets – a hangar with a carrying amount of BGN 6 833 thousand, pledged rental receivables according to signed operating lease contract with Lufthansa Technik OOD, pledged assets of the related party Hemus Air EAD and a warrantee of the related party Bulgarian Aviation Group.

#### **Alpha Bank, branch Bulgaria – revolving credit**

The revolving credit contract is signed with Alpha Bank branch Bulgaria on 20 August 2008 and has a maturity date 11 August 2013 and interest rate – 12-month EURIBOR and a premium of 7.50 points. The payments are carried out in euro (EUR). The revolving credit is secured with mortgage on a real estate, owned by a subsidiary of the Group. The monthly installments are at the amount of EUR 93 750.

#### **DSK Bank AD – credit contract**

Under the terms of Loan agreement 599/02.10.2006 the Group was granted a loan with a maturity date 02 October 2011. The loan is secured with a mortgage on real estate property – “Dom na Geologa” in the city of Varna, St. St. Constantine and Helena resort, owned by Park



Build OOD. The interest rate on the loan is the bank interest with 3.50 points premium. The approved maximum loan amount is BGN 3 000 thousand. The currency in which the payments are settled is Bulgarian leva.

**Eurobank EFG Bulgaria AD – revolving credit**

The loan contract is signed with Eurobank EFG Bulgaria AD on the 10 August 2006 with maturity date on 10 August 2011. The interest is 3-month SOFIBOR plus 3.50% premium. Payments are carried out in Bulgarian leva. The loan is secured with a mortgage of real estates, pledge on fixed assets under the terms of the Law for the Registered Pledges, special pledge on plant, equipment and intangible assets.

**BNP Paribas – credit line**

On 1 November 2010, the Group has signed a credit line with BNP Paribas. The interest rate is 1-month EURIBOR, plus 2.5% premium and the total amount of the loan is EUR 1 050 560, with maturity date – 1 February 2011. Payments are carried out in euro. The loan is secured with a special pledge on 6 566MT of barley.

**Other borrowings**

	Current		Non-current	
	2010	2009	2010	2009
	BGN'000	BGN'000	BGN'000	BGN'000
Other borrowings	51 078	50 127	22 300	6 731

**Other non-current borrowings**

	2010	2009
	BGN'000	BGN'000
Niko Commerce EOOD	10 033	-
Bulgarian Mills EOOD	2 989	-
Dar Trade EOOD	1 320	-
BuildCo EOOD	1 238	-
Financing from State Agricultural Fund	634	1 252
Sila Holding AD	512	-
Rentapark EOOD	-	3 482
Neftena Targovska Kompania EOOD	-	1 569
Other	5 574	428
	<b>22 300</b>	<b>6 731</b>

Other non-current borrowings are received under annual interest rates from 8% to 11% depending on the contract period.





As at 31 December 2010, the Group's borrowing from Niko Commerce EOOD amounts to BGN 10 033 thousand, including principal at the amount of BGN 9 498 thousand and interest payables at the amount of BGN 535 thousand. The liability is incurred under framework agreement for temporary financial assistance concluded for the amount of BGN 11 000 thousand at 8% interest rate. The maturity date is 31 December 2014.

### Other current borrowings

	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Bulgarian Mills AD	13 998	11 244
Neftena Targovska Kompania EOOD	9 188	4 120
Holding Varna AD	6 192	3 214
Viaggio Air EOOD	5 200	-
Capital Management REIT	3 908	591
Kamchia AD	3 894	3 591
Rentapark EOOD	3 657	-
Sparg EOOD	1 244	1 430
Plovdiv stokova borsa AD	1 463	1 375
Gama Finance EOOD	736	1 065
Financing from State Agricultural Fund – short-term portion	383	753
Finance Consulting EAD	22	12 113
Niko Commerce EOOD	-	8 364
BuildCo EOOD	-	1 274
Other	1 193	993
	<b>51 078</b>	<b>50 127</b>

Other current borrowings are received under annual interest rates from 8% to 12% depending on the contracted period. The period of repayment is on demand by the Group. The loans are not pledged with any collateral. The fair value of the loans is not separately determined as the management considers that the carrying amount of the loans is a reasonable approximation of their fair value.

### Leases

The Group participates in its capacity of a lessee in the following more significant finance lease contracts:

- five year finance lease contract with ANSEF London for the purchase of three aircrafts – BAE from 31 March 2006 with maturity date April 2011.
- seven finance lease contracts with Imorent Bulgaria EOOD for river, dry cargo, covered, self-propelled units type Europe II, drilling tools, stabilizer, a triple and a sixfold axis semi-trailer GOLDHOFER, emergency tool set, equipment for core drilling, drilling equipment – AC Ideal Ring System, maturing in 2015, 2016 and 2017.
- finance lease contract with Porsche leasing for the purchase of a car, with a maturity date 16 October 2014.

- two contracts with Unicredit Leasing AD for the purchase of a manufacturing machinery and a forklift truck with gas engine, with maturity date in 2012.
- finance lease contract with Unicredit Leasing AD for the purchase of Reno Master with maturity date 5 July 2011.
- four finance lease contracts with Unicredit Leasing AD for the purchase of vehicles with maturity dates in 2011.
- eleven finance lease contracts with Interlease EAD for the purchase of a tester for express determination of quantitative indicators of grain and flour, truck tractors and a bus with maturity dates 2012 and 2013, and 2014, respectively.
- eight finance lease contracts, signed with Interlease Auto EAD for six automobiles with maturity in 2011 and 2012.
- six finance lease contracts, signed with Interlease Auto EAD for the purchase of automobiles with maturity in 2011 and 2012.
- eight finance lease contracts with DSK Auto Leasing EOOD for the purchase of eleven automobiles with maturity until 2011 and 2013.
- four contracts with Hypo Alpe- Adria- Autoleasing EOOD for 6 cars with maturity in 2011, 2012 and 2013.
- six agreements with Hyundai Leasing EAD, about 6 vehicles with term of the agreements till year 2011 and year 2014.

The net carrying amount of the assets acquired under the terms of lease contracts amounts to BGN 31 673 thousand (2009: BGN 58 142 thousand).

Finance lease liabilities are secured by the related assets held under finance lease arrangements.

Future minimum finance lease payments at the end of each reporting period under review are as follows:

<b>31 December 2010</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>After 5 Years</b>	<b>Total</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
Lease payments	10 452	26 338	2 837	39 627
Finance charges	(1 638)	(3 002)	(47)	(4 687)
<b>Net present values</b>	<b>8 814</b>	<b>23 336</b>	<b>2 790</b>	<b>34 940</b>
<b>31 December 2009</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>After 5 Years</b>	<b>Total</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
Lease payments	12 043	32 274	6 793	51 110
Finance charges	(1 960)	(5 987)	(181)	(8 128)
<b>Net present values</b>	<b>10 083</b>	<b>26 287</b>	<b>6 612</b>	<b>42 982</b>

The lease agreements include fixed lease payments and purchase option in the last year of the lease term. The agreements are non-cancellable but do not contain any further restrictions. No



contingent rents were recognized as an expense and no sublease income is expected to be received as all assets are used exclusively by the Group.

### Operating leases as lessee

The Group's future minimum operating lease payments are as follows:

	<b>Within 1 year BGN'000</b>	<b>1 to 5 years BGN'000</b>	<b>After 5 Years BGN'000</b>	<b>Total BGN'000</b>
31 December 2010	48 155	123 004	10 327	181 486
31 December 2009	48 253	170 835	3 749	222 837

Lease payments recognized as an expense during the period amount to BGN 51 714 thousands (2009: BGN 49 692 thousands).

During 2010 the Group has the following more significant operating lease contracts.

- Aircrafts Boeing 737-300 - 3 aircrafts with lessor Galaxy Aviation One Limited. The terms of the contracts are as follows: for LZ BOU – 12 July 2011, for LZ BOV – 17 September 2011, for LZ BOW – 30 August 2011.
- Aircraft Boeing 737-500 – 1 aircraft with lessor Q Aviation. The term of the contract of LZ BOQ is until 03 December 2009.
- Aircraft Boeing 737-500 – 1 aircraft with lessor ORIX. The term of the contract of LZ BOP is until 05 January 2010.
- Aircrafts Boeing 737-500 – 2 aircrafts with lessor Ansett. The terms of the contracts are as follows: for LZ BOR until 24 October 2013, and for LZ BOY until 08 March 2013.
- Aircraft Boeing 737-400 – 1 aircraft with lessor Aisling Airlease, Ireland. The term of the contract of MSN 28702 with initials BDB is until 03 June 2014.
- Aircraft Airbus 320 - 1 aircraft with lessor CIT Aerospace International. The term of the contract of LZ FBC is until 09 December 2014.
- Aircraft Airbus 320 - 1 aircraft with lessor CIT Aerospace International. The term of the contract of LZ FBD is until 30 April 2015.
- Aircraft Airbus 320 – 1 aircraft with lessor GECAS. The term of the contract for LZ FBE is until 28 January 2017.
- Aircraft Airbus 319 – 1 aircraft with lessor GECAS. The contract maturity date for the LZ FBF is 30 April 2015.

The Group is party to lease contracts of a massive office building located in the center of Sofia, which will be used as a headquarters of the Bank. The right of use over the building was established for the period up to 2016. The Group is party to operating leases of fourteen massive office buildings located in several major cities across the country that will be used for branches of the Bank. The right of use over the buildings is established for a period up to 2020.

The Group's operating lease agreements do not contain any contingent rent clauses or purchase options.

### Operating leases as lessor

In 2010 and 2009 the Group provides aircrafts to other companies under the conditions of operating lease contracts

The rental revenue recognized in 2010 amounts to BGN 37 726 thousand (2009: BGN 34 201 thousand).

Aircraft	Type of aircraft	Contract date	Period		Payment
LZFBC	Airbus 320	17.08.2010	58 months	Alma Fly	Not fixed
LZFBD	Airbus 320	17.08.2010	58 months	Alma Fly	Not fixed
	B 737 300	17.08.2010	12 months	Alma Fly	Not fixed
VQBAP(BOT)	Boeing 737-300	17.08.2008	60 months	Tatarstan	160 000,00 USD
VQBBN (BOY)	Boeing 737-500	09.12.2008	51 months	Tatarstan	140 000,00 USD
VQBBO(BOR)	Boeing 737-500	16.02.2009	56 months	Tatarstan	140 000,00 USD
VQBDC(BOO)	Boeing 737-300	29.06.2009	60 months	Tatarstan	150 000,00 USD
MSN 28702	Boeing 737-400	26.05.2009	60 months	Tatarstan	165 000,00 USD

In 2010 and 2009 the Group leases out investment properties from the group of Property, plant and equipment and Investment property on operating leases.

Rental revenue in 2010 amounts to BGN 1 305 thousands (2009: BGN 737 thousands).

Future minimum lease payments are as follows:

	Minimum lease payments due			
	Within 1	1 to 5 years	After 5	Total
	year		years	
	BGN'000	BGN'000	BGN'000	BGN'000
31 December 2010	619	2 164	57	2 840
31 December 2009	208	242	14	464

As of 31 December 2010 the Group operates under the following more significant 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.

### **Information regarding the resources from the issuance of securities during the reporting period**

- In 2010 the issuer did not increase its share capital.

### **Analysis of the relationship between the financial result in the financial statements and the previously forecasted results.**

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

### **Analysis and valuation of the financial resources management policy, including the ability to cover debt payments, subsequent 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 services its debt.

### **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.

### **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 Group's basic management principles.

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

During the accounting period no changes took place in the number and the individual, participating in the Managing and Supervisory boards of the company.



**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 2010, the members of the Managing and Supervisory Board own the following number of shares:

**Members of the Supervisory Board**

Name	Number of shares	% of share capital
1. Chimimport Invest AD	109 348 114	72.48%
2. CCB Group EAD	5 192 408	3.44%

**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	235 007	0.16%
4. Nikola Mishev	33 464	0.02%
5. Miroljub Ivanov	55 666	0.04%

During the period the following change in the number of shares held by members of the Managing Board has occurred: Marin Velikov Mitev – member of the Managing Board and Executive Director of the Company has reduced its interest in the share capital with 74 917 shares, representing 0.05 % of the share capital of Chimimport AD.

The issuer has not presented neither options for its shares, nor privileges to the Managing Board.

**Information regarding the Company's agreements (including post balance sheet period), 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 and bondholders.

**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 suits, administrative or arbitration proceedings, receivables or liabilities that together or apart are equal to or exceed 10 % of the owner's equity.



## **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 section is presented in a separate document.

### **Changes in the Company's share prices**

According to information from the Bulgarian Stock Exchange – Sofia, the share prices during 2010 are as follows:

#### Ordinary shares

Opening price : BGN 2.699 on 04 January 2010  
Closing price : BGN 2.321 on 30 December 2010

#### Preferred shares

Opening price : BGN 2.620 on 04 January 2010  
Closing price : BGN 2.372 on 30 December 2010

## **Risk management objectives and policies**

Due to the use of financial instruments and as a result of its operating and investment activities, the Group is exposed to various risks – insurance risks, market risk, foreign currency risk, interest risk, as well as price risk. The Group's risk management is coordinated by the Managing board, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to risks. Long-term financial investments are managed to generate lasting returns.

The Group is exposed to different types of risk with regards to its financial statements. The most significant financial risks to which the Group is exposed to are described below.

### **Insurance risk**

The insurance risk is the risk of occurrence of insured event, where the damage cost and the indemnity owed exceeds the set-aside insurance reserves.

This depends on the frequency of the occurring insurance events, the type of the insurance portfolio and the size of the indemnities. The diversity of the insurance portfolio and the probability theory are of major importance for the mitigation of this risk.

The Group is exposed mainly to the following risks:

- Mortality – risk of loss due to increased mortality of insured individuals than expected;
- Incidence – risk of loss due to increasing incidence of the insured individuals than expected;
- Survival – risk of loss resulting from survival of insured individuals with annuities insurance than expected;
- Risk, related to the profitability of the investments – risk of loss when the profitability of the investment is different from what is expected;
- Risk, related to the expenses – risk of loss when the expenses are different from what is expected.





- Risk of loss for errors related to insured individuals when terminating their insurance contracts.

The Group is aiming at relatively steady allocation of the insurance contracts. It also seeks to analyze the different types of insurance risks, which is included in the general conditions. By means of variable methods of assessment and control, the director of Internal Control department is making regularly assessments of the risks and scrutinizes the accumulation of insured amounts by groups of clients and regions. The risk management is performed by the Internal Control department in collaboration with actuaries and the management of the Group.

The positive financial result of the Group depends on primary factors such as the quota for damages, the quota for expenses and income from investments.

The following table illustrates the Group's sensitivity to the profit, owner's equity, solvency limit, and coefficient of solvency limit coverage (callable capital) with equity.

<b>Simulations as at 31.12.2010</b>	<b>Profit before taxes BGN'000</b>	<b>Equity BGN'000</b>	<b>Solvency limit BGN'000</b>	<b>Coverage Coefficient %</b>	<b>Δ of the coverage coefficient %</b>
Current capital position	6 572	41 706	25 254	165%	-
Return on investments (+2%)	8 345	43 479	25 254	172%	31%
Return on investments (-1.5%)	5 242	40 376	25 254	160%	29%
Increase of the expenses quota (+10%)	3 324	38 458	25 254	152%	29%
Increase of the damages (+10%)	3 232	38 366	25 254	152%	33%

When there is a simulated increase of the investments income by 2 % and the amounts of the damages quota and the expenses quota stay the same, an increase of the profit, owner's equity and coverage coefficient occurs. The solvency limit remains the same because there is no change in the premium income or damages.

When there is a simulated decrease of the investments income by 1.5% and the amounts of the damages quota and the expenses quota remain the same, a decrease of the profit, owner's equity and coverage coefficient occurs. The solvency limit again remains the same because there is no change in the premium income or damages.

When there is a simulated increase of the net quota for expense by 10%, a decrease of the profit, owner's equity and coverage coefficient occurs. The solvency limit remains unchanged because the premium income, used for calculation basis of the solvency limit, remains the same.

When there is a simulated increase of the net quota for expenses by 10%, a decrease of the profit, owner's equity and coverage coefficient occurs. The solvency limit does not change.

The sensitivity analysis presented above shows a good level of capitalization for the Group.



### Reinsurance strategy

The Group reinsures part of its risks with the purpose of controlling its exposition to losses and protection of its capital resources. All contracts for facultative reinsurance are preliminary approved by the management. Before signing a reinsurance contract, the Group analyzes the credit rating of the respective reinsurer. Only the ones with high credit rating are being chosen. The Group periodically analyzes the current financial position of the reinsurers, which the Group has reinsurance engagements with.

The Group enters reinsurance engagements with different reinsurers with high credit ratings, to control the exposure to losses caused by the insurance event.

### Damages settlement procedure

The damages table and namely the percentage of the damages quota ensures the opportunity for more precise information about the risk development during the reporting periods:

Type of insurance	2010		2009	
	Damages quota, gross %	Damages quota, net %	Damages quota, gross %	Damages quota, net %
Accident insurance	53.3%	53.3%	15.4%	16.6%
Including obligatory accident insurance of the passengers in the public transport	0%	0%	0.5%	0.5%
Insurance of vehicles, excluding rail vehicles	55.4%	55.5%	50.7%	50.4%
Casco of aircrafts	38.6%	47.2%	14.5%	69.0%
Casco of vessels	30.0%	49.8%	24.8%	11.1%
Cargo insurance during transportation	11.9%	12.7%	3.8%	4.5%
Fire and natural calamities insurance	13.0%	0.3%	17.9%	18.7%
Property damage insurance	135.8%	149.8%	9.3%	10.9%
Insurance associated with the ownership and usage of motor vehicles, including:	18.7%	12.6%	76.2%	75.8%
Third-party vehicle insurance	17.5%	11.6%	76.6%	76.1%
“Green Card” insurance	39.3%	46.4%	135.0%	183.8%
Third-party boarder insurance	57.7%	53.2%	4.9%	4.9%
Third-party carrier insurance	93.7%	96.2%	77.6%	88.2%
Third-party aviation insurance	0.6%	8.5%	0.0%	(0.3%)
Third party vessels insurance	172.7%	192.4%	80.1%	80.1%
General third-party insurance	175.0%	197.7%	(9.3%)	(11.0%)
Credit insurance	601.5%	601.5%	42.2%	42.2%
Guarantees insurance	0.0%	0.0%	2.4%	2.4%
Insurance against financial losses	(1.9%)	(1.9%)	57.0%	57.0%
Travel assistance	45.7%	45.7%	34.7%	34.7%
Life insurance and annuity	99%	99%	74%	74%
Additional insurance	70%	52%	13%	13%
Accident insurance	4%	4%	2%	2%

The following table shows the paid indemnities, classified by type and group of insurances:

Type of insurance	Average indemnity 2010 BGN	Average indemnity 2009 BGN
Accident insurance	967	512
Including obligatory accident insurance of the passengers in the public transport	-	794
Insurance of vehicles, excluding rail vehicles	735	804
Casco of aircrafts	14 077	97 693
Casco of vessels	12 199	20 002
Cargo insurance during transportation	414	1 724
Fire and Natural calamities insurance	1 476	1 179
Property damage insurance	9 433	3 008
Third-party insurance associated with the ownership and usage of motor vehicles	2 291	2 154
Third-party aviation insurance	-	-
Third-party vessels insurance	14 200	20 292
General third-party insurance	14 572	1 287
Credit insurance	78 899	21 405
Guarantees insurance	-	7 270
Insurance against financial losses	13 152	5 801
Travel assistance	836	858
Life insurance and annuity	16	24
Additional insurance	1	1
	<b>936</b>	<b>966</b>

The table below presents the development of the reserve for unsettled insurance claims from prior periods so it can be compared to the reserve, disclosed in the current consolidated financial statements. The reserves for the upcoming payments, included in the statement of financial position, and an assessment of the general risks are also stated.

	Year the insurance event occurred						Total
	2010 BGN'000	2009 BGN'000	2008 BGN'000	2007 BGN'000	2006 BGN'000	2005 BGN'000	
<b>At the end of the period</b>	47 163	42 582	34 215	19 627	11 694	7 497	162 778
1 year later	-	16 907	20 188	13 057	7 046	4 384	61 582
2 years later	-	-	2 503	2 239	1 056	860	6 658
3 years later	-	-	-	2 037	1 093	1 082	4 212
4 years later	-	-	-	-	325	506	831
5 years later	-	-	-	-	-	632	632
Current cumulative payments	47 163	59 489	56 906	36 958	21 214	14 962	236 693
<b>General assessment of the indemnities</b>	<b>86 748</b>	<b>71 392</b>	<b>64 636</b>	<b>39 512</b>	<b>22 149</b>	<b>14 961</b>	<b>299 400</b>
As at 31 December							
Payments:							
Assessment:	39 585	11 903	7 730	2 554	935	0	62 707
Actual	<b>26 596</b>	<b>14 581</b>	<b>6 360</b>	<b>6 362</b>	<b>1 459</b>	<b>612</b>	<b>55 971</b>



The presented table shows that the reserves for unsettled payments are adequate as at the end of 2010.

### Solvency limit

As at the end of the reporting periods the defined solvency limit is in accordance with the respective legal requirements:

	<b>2010</b>
	<b>BGN '000</b>
<b>Equity, less intangible assets</b>	<b>43 291</b>
Share capital	24 419
Reserves and funds	38 344
Revaluation reserve	(18 991)
<b>Deductions</b>	
Participation in subsidiaries	(50)
Intangible assets	(219)
<b>Solvency limit</b>	<b>25 289</b>
<b>Surplus/Deficit</b>	<b>9 509</b>
	<b>2009</b>
	<b>BGN '000</b>
<b>Equity, less intangible assets</b>	<b>31 789</b>
Share capital	15 019
Reserves and funds	35 307
Revaluation reserve	(18 142)
<b>Deductions</b>	
Participation in subsidiaries	(50)
Intangible assets	(345)
<b>Solvency limit</b>	<b>23 763</b>
<b>Surplus/Deficit</b>	<b>8 029</b>

## Foreign currency risk

### Group's policies regarding other than banking activities

Most of the Group's transactions are carried out in Bulgarian leva. Exposures to currency exchange rates arise from the Group's overseas transactions, mainly denominated in US-Dollars. The Group's long-term commercial liabilities and financial lease liabilities carried out in US-Dollars are related to purchases of aircrafts. These liabilities are recorded at their amortized cost. The Group has short- and long-term loans in US-Dollars. These receivables are classified as loans and receivables.



Group's foreign transactions, denominated in Euro, do not expose the Group to foreign currency risk due to the fact that under the conditions of the Currency Board Act, the Bulgarian Lev (BGN) is fixed to the Euro.

In order for the foreign currency risk to be decreased, the non-BGN cash flows are monitored by the Group. Generally, the Group has different procedures for risk management for the short-term (due within 6 months) and long-term non-BGN cash flows.

#### **Group's policies regarding the banking activities**

The foreign currency risk is a potential cause for losses for the Group when the foreign currency rates fluctuate.

In the Republic of Bulgaria the rate of the Bulgarian Lev (BGN) to the Euro (EUR) is fixed under the Currency Board. The long position in Euro of the Bulgarian bank does not carry any risk for the Group.

The foreign currency positions include mainly subsidiary's assets and liabilities, denominated in Macedonian denars, which is the functional currency of the subsidiary. As a result of this, these positions do not expose the Group to foreign currency risk.

The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2010 is as follows:

	<u>BGN</u>	<u>EUR</u>	<u>USD</u>	<u>Other</u>	<u>Total</u>
<b>Financial assets</b>					
Placements with, and advances to, banks	2 052	57 716	31 484	2 398	93 650
Receivables under repurchase agreements	27 813	-	13 208	-	41 021
Financial asset held-for-trading	28 022	12 693	6 356	2 056	49 127
Loans and advances to customers, net	749 452	401 887	42 835	25 606	1 219 780
Available-for-sale financial assets	32 493	96 326	47	4 121	132 987
Held-to-maturity financial assets	59 996	78 973	-	52 933	191 902
<b>Total assets</b>	<b>899 828</b>	<b>647 595</b>	<b>93 930</b>	<b>87 114</b>	<b>1 728 467</b>
<b>Financial liabilities</b>					
Deposits from banks	6 292	5 221	44	1	11 558
Credits from banks	40 062	-	-	297	40 359
Liabilities under repurchase agreements	3 010	19 739	-	-	22 749
Liabilities to other depositors	1 055 122	758 719	120 758	69 643	2 004 242
Other attracted funds	1 017	-	-	2 198	3 215
<b>Total liabilities</b>	<b>1 105 503</b>	<b>783 679</b>	<b>120 802</b>	<b>72 139</b>	<b>2 082 123</b>
<b>Net Position</b>	<b>(205 675)</b>	<b>(136 084)</b>	<b>(26 872)</b>	<b>14 975</b>	<b>(353 656)</b>



The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2009 is as follows:

	<b>BGN</b>	<b>EUR</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>					
Placements with, and advances to banks	27	29,169	32,108	2,991	64,295
Receivables under repurchase agreements	11,528	-	-	-	11,528
Financial assets held-for-trade	6,123	7,310	12,358	1,181	26,972
Loans and advances to customers, net	778,990	328,206	40,777	8,946	1,156,919
Available-for-sale financial assets	40,399	14,938	43	221	55,601
Held-to-maturity financial assets	36,816	54,904	-	12,744	104,464
<b>Total assets</b>	<b>873,883</b>	<b>434,527</b>	<b>85,286</b>	<b>26,083</b>	<b>1,419,779</b>
<b>Financial liabilities</b>					
Deposits from banks	4,125	118	19	30	4,292
Credits from banks	40,068	-	-	284	40,352
Liabilities under repurchase agreements	3,001	824	-	-	3,825
Liabilities to other deposits	729,483	687,592	104,863	22,661	1,544,599
Other attracted funds	2,005	-	-	-	2,005
<b>Total liabilities</b>	<b>778,682</b>	<b>688,534</b>	<b>104,882</b>	<b>22,975</b>	<b>1,595,073</b>
<b>Net Position</b>	<b>95,201</b>	<b>(254,007)</b>	<b>(19,596)</b>	<b>3,108</b>	<b>(175,294)</b>

## Interest rate sensitivity

### Group's policy regarding other than banking activities

The Group's policy is to minimize interest rate risk exposures on short-term financing. As at 31 December 2001, the Group is exposed to changes in market interest rates through short-term bank loans at variable interest rates.

### Group's policy regarding banking activities

Regarding the Group's banking activities interest risk is the probability of potential changes of the net interest income or the net interest margin, resulting from changes of the general market interest rates. The Group's interest risk management is aiming at minimizing the risk of a decrease of the net interest income, due to the changes in the interest rates.

For measurement and evaluation the interest rate risk the Group applies the method of the GAP analysis. (gap/ imbalance analysis). It identifies the sensitivity of the expected revenue and expenses, in relation to the interest rate.

The method of the GAP analysis determines the Group's position, totally and the separate types of financial assets and liabilities, in relation to expected changes of the interest rates and the impact of this change over the net interest income. It facilitates the assets' and the liabilities' management and it is an instrument for providing sufficient and stable net interest profitability.

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2010 is negative, amounting to BGN 403 833 thousand. The GAP coefficient, as an indicator for this



imbalance, compared to the total income generating assets of the bank of the Group (interest bearing assets and equity instruments) is minus 23.57%.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
<b>Interest-bearing assets</b>						
Placements with, and advances to banks	77,808	-	12,908	-	2,934	93,650
Receivables under repurchase agreements	22,008	19,013	-	-	-	41,021
Financial assets held-for-trade	-	-	4,157	7,002	5,798	16,957
Loans and advances to customers, net	67,626	168,250	280,798	469,649	233,457	1,219,780
Financial assets available-for-sale	1,162	-	12,053	22,969	78,746	114,930
Financial assets held-to-maturity	52,770	-	4,684	132,385	2,063	191,902
<b>Total interest-bearing assets</b>	<b>221,374</b>	<b>187,263</b>	<b>314,600</b>	<b>632,005</b>	<b>322,998</b>	<b>1,678,240</b>
<b>Interest-bearing liabilities</b>						
Deposits from banks	7,558	-	4,000	-	-	11,558
Credits from banks	-	-	-	5,293	35,066	40,359
Liabilities under repurchase agreements	20,884	1,865	-	-	-	22,749
Liabilities to other depositors	803,530	231,616	426,873	542,219	4	2,004,242
Other attracted finds	1996	63	360	634	162	3,215
<b>Total interest-bearing liabilities</b>	<b>833,968</b>	<b>233,544</b>	<b>431,233</b>	<b>548,146</b>	<b>35,232</b>	<b>2,082,123</b>
<b>Imbalance between interest bearing assets and liabilities, net</b>	<b>(612,594)</b>	<b>(46,281)</b>	<b>(116,633)</b>	<b>83,859</b>	<b>287,766</b>	<b>(403,883)</b>

The Group is exposed to a reduction of the interest income when the interest rates rise, as the Group holds a negative imbalance. The imbalance impact, as at 31 December 2010, over the net interest income, assuming an increase of 2 % (2009: 2 %) of the interest rates for one year is a reduction of the net interest income amounting to BGN 1 920 thousand (2009: BGN 576 thousand).

## Other price risk sensitivity

A threat for the Group is the decrease of the market prices of its equity instruments, held-for-trade, which will lead to a decrease of the net profit. The Group does not possess significant exposure to derivative instruments, based on the equity instruments and indices.

## Credit risk sensitivity

### Group's policy regarding banking activities

The credit risk represents the probability of losses, due to the inability of the counterparty to meet its liabilities in time. The Group structures the credit risk as it sets limits for the credit risk as a maximum exposure to one debtor, to a group of related parties, to geographic regions and the different business sectors. In order to reduce the credit risk, in compliance with the internal credit rules, corresponding securities and guarantees are required.

The cash and bank accounts in the Central bank, amounting to BGN 497 530 thousand do not carry any credit risk for the Group, due to their nature and the ability of the Group to dispose of them.

The placements and advances to banks with book value BGN 93 785 thousand are mainly deposits in first-class international and Bulgarian financial institutions with maturity up to 7 days. These financial assets bear certain credit risk, whose maximum exposure, according to the Group, as percentage is 20% and as absolute value equals BGN 25 340 thousand. As at 31 December 2010 the provisions for coverage of losses from impairments of the placements and advances to banks amount to BGN 135 thousand.

The receivable under repurchase agreements, amounting to BGN 41 021 thousand, does not carry any credit risk to the Group, as they are secured by the Bulgarian government securities.

The held-for-trading financial assets, amounting to BGN 49 127 thousand carry mainly market risk to the Group, which is analyzed in the notes, related to the market risk.

The equity instruments held-for-sale, amounting to BGN 18 299 thousand, are shares in financial and non-financial companies, that carry credit risk, whose maximum exposure percentage is 100% or BGN 18 299 thousand. As at 31 December 2010 the provisions for coverage of losses from impairment of the held-for-sale equity instruments, amount to BGN 241 thousand.

The debt instruments held-for-sale and issued by the Republic of Bulgaria, amounting to BGN 40 645 thousand bear the credit risk of the country issuer.

The debentures held-for-sale and issued by local and foreign companies, amounting to BGN 74 284 thousand, bear credit risk, whose maximum exposure is 100% or BGN 74 284 thousand.

The debt instruments held-to-maturity and issued by the Republic of Bulgaria, amounting to BGN 117 865 thousand, do not expose the Group to any credit risk, as they are secured by the Bulgarian government. The debt instruments held-to-maturity and issued by the National Bank of the Republic of Macedonia, amounting to BGN 48 249 thousand, do not bear any credit risk for the Group, as they are secured by the National Bank of the Republic of Macedonia. The debt instruments held-to-maturity and issued by the National Bank of the Republic of Macedonia at the amount of BGN 4 684 thousand do not bear any credit risk as they are guaranteed by the Republic of Macedonia.

The debt instruments held-to-maturity and issued by foreign company at the amount of BGN 21 104 thousand bear credit risk with maximum exposure of 100% or BGN 21 104 thousand.

Loans and advances to customers with book value of BGN 1 246 949 thousand expose the Group to credit risk. In order to determine the amount of exposure of the Group to this kind of risk, an analysis is being conducted of the individual risk for the Group, originating from every specifically determined exposure, as the Group applies the criteria for evaluation and classification of the risky exposures, set in the bank legislation of the Republic of Bulgaria and the Republic of Macedonia. In accordance with these criteria and the conducted analysis the Group's maximum exposure amounts to BGN 967 894 thousand. In order to minimize the credit risk, in the process of granting credits detailed procedures, regarding the analysis of the economic appropriateness of any single project, the different kinds of securities acceptable by the Group, the control of the placements and their administration, are applied. The Group monitors the observance of the limits for credit exposure by regions and industries. The purpose of the above-mentioned limits is to limit the concentration of one region or industry in the portfolio, which could lead to increased credit risk. The Group has adopted the methodology for calculating the provisions for impairment





of loans and advances to customers, based on the requirements of the bank legislation, respectively in the Republic of Bulgaria and the Republic of Macedonia, as they do not differ significantly. As at 31 December 2010 the provisions for coverage of losses from impairment of loans and advances amount to BGN 27 169 thousand.

Classes of financial assets as at 31 December 2010:

Debt Group	Granted loans			Unutilized engagement Amount BGN '000	Given guarantees		
	Amount BGN '000	Share %	Provisions BGN '000		Amount BGN '000	Share %	Provisions BGN '000
Regular	1 122 180	89.99	2 036	72 978	65 290	100	137
Monitored	65 293	5.24	1 504	527	-	-	-
Irregular	20 254	1.62	2 763	109	-	-	-
Not serviced	39 222	3.15	20 866	107	-	-	-
<b>Total</b>	<b>1 246 949</b>	<b>100</b>	<b>27 169</b>	<b>73 721</b>	<b>65 290</b>	<b>100</b>	<b>137</b>

Classes of financial assets as at 31 December 2009:

Debt Group	Granted loans			Unutilized engagement Amount BGN '000	Given guarantees		
	Amount BGN '000	Share %	Provisions BGN '000		Amount BGN '000	Share %	Provisions BGN '000
Regular	1 079 542	91.56	2 269	89 381	103 345	100	8
Monitored	49 047	4.16	1 511	814	-	-	-
Irregular	25 914	2.20	3 661	387	-	-	-
Not serviced	24 486	2.08	14 629	131	-	-	-
<b>Total</b>	<b>1 178 989</b>	<b>100</b>	<b>22 070</b>	<b>90 713</b>	<b>103 345</b>	<b>100</b>	<b>8</b>

The loans granted by the Group can be summarized in the following table:

Name of the group	31.12.2010		31.12.2009			
	Loans, granted to non-financial clients	Loans to banks and receivables under repurchase agreements	Loans, granted to non-financial clients	Loans to banks and receivables under repurchase agreements		
	BGN '000	%	BGN '000	%		
Not outstanding and not impaired	848,995	68.08	41,021	804,670	68.25	11,528
Outstanding but not impaired	329,832	26.45	-	334,129	28.34	-
Impaired on individual base	68,122	5.47	-	40,190	3.41	-
<b>Total</b>	<b>1,246,949</b>	<b>100</b>	<b>41,021</b>	<b>1,178,989</b>	<b>100</b>	<b>11,528</b>
Set-aside provisions	27,169		-	22,070		-
<b>Net loans</b>	<b>1,219,780</b>		<b>41,021</b>	<b>1,156,919</b>		<b>11,528</b>



As at 31 December 2010 and 2009 the predominant share of the loans, represented as outstanding but not impaired, are loans, for which a 30-day delay in payment is allowed. The Group considers that such incidental delays are not indication for impairment of these loans.

Loans and advances, which are not outstanding and not impaired, are presented in the following table:

	<u>31.12.2010</u>	<u>31.12.2009</u>
Individuals		
Credit cards and overdrafts	22,854	21,789
Consumer loans	131,869	157,769
Mortgage loans	61,446	74,602
Corporate clients	<u>632,826</u>	<u>550,510</u>
<b>Total</b>	<b><u>848,995</u></b>	<b><u>804,670</u></b>

The value of the outstanding loans that are not impaired is presented in the table below. These loans are not impaired, as the delays are accidental and of up to a 30-day period, which does not necessitate their impairment.

	<u>31.12.2010</u>	<u>31.12.2009</u>
Individuals		
Credit cards and overdrafts	9,329	9,770
Consumer loans	29,353	32,032
Mortgage loans	24,493	22,631
Corporate clients	<u>266,657</u>	<u>269,696</u>
<b>Total</b>	<b><u>329,832</u></b>	<b><u>334,129</u></b>

The book value of the loans, with accrued provision on an individual basis as at 31 December 2010 and 2009, is BGN 68 122 thousand and BGN 40 190 thousand, respectively. These amounts do not include cash flows from the collaterals of these loans.

	<b>Book value before impairment</b>	<b>Book value before impairment</b>	<b>Book value before impairment</b>	<b>Total highly liquid collateral</b>
<b>2010</b>	<b>Group II</b>	<b>Group III</b>	<b>Group IV</b>	
Credit cards and overdrafts	2,826	1,230	3,730	
Consumer loans	10,889	4,423	10,168	4,323
Mortgage loans	91	194	704	1,094
Corporate clients	<u>1,678</u>	<u>872</u>	<u>9,521</u>	<u>7,680</u>
<b>Total</b>	<b><u>15,484</u></b>	<b><u>6,719</u></b>	<b><u>24,123</u></b>	<b><u>13,097</u></b>



2009	Book value before impairment	Book value before impairment	Book value before impairment	Total highly liquid collateral
	Group II	Group III	Group IV	
	BGN'000	BGN'000	BGN'000	BGN'000
Credit cards and overdrafts	2 393	1 200	2 644	-
Consumer loans	11 022	5 370	8 674	1 514
Mortgage loans	49	154	882	1 662
Corporate clients	1 714	1 437	3 166	1 208
<b>Total</b>	<b>15 178</b>	<b>8 161</b>	<b>15 366</b>	<b>4 384</b>

The following table presents the Group's portfolio by type of collateral:

	2010	2009
Secured with cash and government securities	94,953	108,545
Mortgage	516,115	484,835
Other collateral	510,635	512,638
No collateral	125,246	72,971
Expenses for provisions of impairment losses	(27,169)	(22,070)
<b>Total</b>	<b>1,219,780</b>	<b>1,156,919</b>

Business segment, classification group and delays of payments as at 31 December 2010:

Segment	Amount Group	Number of transactions	Debt	Delays of payments			Provisions	Unutilized engagement
				Principal	Interest	Court receivables		
Trade	Regular	81,553	263,387	585	328	-	1,977	35,426
	Monitored	5,255	26,171	806	496	-	1,382	428
	Not serviced	2,166	12,108	988	557	-	2,532	79
	Loss	7,533	17,754	3,071	811	8,898	12,974	99
<b>Total</b>		<b>96,507</b>	<b>319,420</b>	<b>5,450</b>	<b>2,192</b>	<b>8,898</b>	<b>18,865</b>	<b>36,032</b>
Corporate	Regular	1,696	842,530	5,428	2,507	-	-	37,370
	Monitored	167	39,122	1,168	580	-	122	99
	Not serviced	97	8,146	738	392	-	231	30
	Loss	301	21,468	5,205	1,049	5,997	7,951	8
<b>Total</b>		<b>2,261</b>	<b>911,266</b>	<b>12,539</b>	<b>4,528</b>	<b>5,997</b>	<b>8,304</b>	<b>37,507</b>
Budget	Regular	8	16,263	-	-	-	-	51
	Monitored	-	-	-	-	-	-	-
	Not serviced	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-
<b>Total</b>		<b>8</b>	<b>16,263</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51</b>
<b>Total portfolio</b>		<b>98,776</b>	<b>1,246,949</b>	<b>17,989</b>	<b>6,720</b>	<b>14,895</b>	<b>27,169</b>	<b>73,590</b>

Business segment, classification group and delays of payments as at 31 December 2009:

Segment	Amount Group	Number of transactions	Debt	Delays of payments			Provisions	Unutilized engagement
				Principal	Interest	Court receivables		
Trade	Regular	90,711	294,746	725	281	-	2,264	42,217
	Monitored	6,608	28,134	794	464	-	1,347	657
	Not serviced	3,016	13,553	945	595	-	3,222	358
	Loss	6,446	14,968	1,881	762	6,833	11,341	98
<b>Total</b>		<b>106,781</b>	<b>351,401</b>	<b>4,345</b>	<b>2,102</b>	<b>6,833</b>	<b>18,174</b>	<b>43,330</b>
Corporate	Regular	1,820	774,539	2,425	1,115	-	6	44,672
	Monitored	202	20,915	630	280	-	164	157
	Not serviced	92	12,361	1,099	537	-	439	29
	Loss	129	9,520	1,034	364	3,161	3,287	33
<b>Total</b>		<b>2,243</b>	<b>817,335</b>	<b>5,188</b>	<b>2,296</b>	<b>3,161</b>	<b>3,896</b>	<b>44,891</b>
Budget	Regular	6	10,253	-	-	-	-	2,492
	Monitored	-	-	-	-	-	-	-
	Not serviced	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-
<b>Total</b>		<b>6</b>	<b>10,253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,492</b>
<b>Total portfolio</b>		<b>109,030</b>	<b>1,178,989</b>	<b>9,533</b>	<b>4,398</b>	<b>9,994</b>	<b>22,070</b>	<b>90,713</b>

#### **Group's policy regarding other than banking activities**

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

	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Financial assets – carrying amounts:		
Non-current assets		
Long-term financial assets	1 226 814	1 108 843
Long-term receivables	3 439	11 354
Current assets	1 071 875	675 739
Related parties receivables	206 798	88 127
Cash and cash equivalents	681 959	437 801
Trade and other receivables	311 680	294 278
<b>Carrying amount:</b>	<b>3 502 745</b>	<b>2 616 142</b>

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group'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.

In respect of trade and other receivables, the Group 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 different industries and geographical areas. Based on historical indicators, the management considers that the trade receivables that are not past due are of good credit quality.

The credit risk related to cash and cash equivalents and financial market funds is considered immaterial as the contracting parties are banks with good reputation and good credit rating.

The carrying amounts presented above represent the maximum exposure to credit risk the Group might experience, regarding these financial instruments.

### Liquidity risk analysis

Liquidity risk is the risk that the Group cannot meet its liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash in- and outflows due to 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. The need for cash is compared to the available loans in order to determine shortage or surplus. This analysis determines whether the loans available will be enough to cover the Group's needs for the period.

The Group maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and sale of long-term financial assets.

As at 31 December 2010 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

31 December 2010	Current		Non-current
	Within 12 months BGN'000	From 1 to 5 years BGN'000	More than 5 years BGN'000
Dividend payables	15 951	38 450	23 638
Bank and other loans	92 115	237 515	20 621
Related parties payables	25 630	826	-
Financial lease payables	8 814	23 336	2 790
Trade and other payables	1 629 589	356 666	178 333
<b>Total</b>	<b>1 772 099</b>	<b>656 793</b>	<b>225 382</b>



In the previous reporting period the maturity of the contractual liabilities of the Group are summarized as follows:

31 December 2009	Current		Non-current
	Within 12 months BGN'000	From 1 to 5 years BGN'000	More than 5 years BGN'000
Dividends payables	8 040	46 233	24 422
Bank and other loans	233 272	91 919	21 157
Related parties payables	4 189	-	-
Financial lease payables	10 083	26 287	6 612
Trade and other payables	1 174 776	324 479	130 630
<b>Total</b>	<b>1 430 360</b>	<b>488 918</b>	<b>182 821</b>

As at 31 December 2009, in regards to the issued secured exchangeable bonds by a company from the group of Chimimport AD there is an option in accordance with Condition 8 (c) from Terms and Conditions of the bonds issued on 22 August 2008 by Chimimport Holland B.V. (with sole owner of the share capital being Chimimport AD) at the amount of EUR 65 000 000 with 7% interest rate and exchangeable for ordinary shares of Chimimport AD (called "the Bonds"), each bondholder had the right (option) to present for repurchasing to the issuer Chimimport Holland B.V., all or a portion of the owned bonds. The right is exercisable on 22 August 2010. As at 22 August 2010 none of the rights were exercised. The following date for exercising the repurchasing rights is 22 August 2012.

The amounts, reported in this analysis for the maturity of the liabilities represent the non-discounted cash flows from the contracts, which may differ from the carrying amounts of the liability as at the reporting date. The annual interest payments amount to BGN 29 951 thousand (2009: BGN 17 221 thousand).

#### **Financial assets as means for managing the liquidity risk**

While appraising and managing the liquidity risk the Group measures the expected cash flows from financial instruments, namely the available cash and trade receivables. The available cash resources and trade and other receivables significantly exceed the current needs of cash outflow. According to the concluded agreements all cash flows from trade and other receivables are due within 1 year.

### **Capital management policies and procedures**

The Group's capital management objectives are:

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

The Group monitors capital on the basis of the correlation between capital to net debt.



The Group determines the capital based on the carrying amount of the equity presented in the statement of financial position.

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

Group'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 Group 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The capital for the presented reporting periods is summarized as follows:

	2010	2009
	BGN'000	BGN'000
Shareholders' equity	1 324 283	1 168 752
<b>Equity</b>	<b>1 324 283</b>	<b>1 168 752</b>
Debt	3 140 180	2 274 382
- Cash and cash equivalents	(681 959)	(437 801)
<b>Net debt</b>	<b>2 458 221</b>	<b>1 836 581</b>
<b>Capital to net debt</b>	<b>1.86</b>	<b>1.57</b>

The increase in ratio during 2010 is primarily a result of the increase in the Group's net debt due to its bank and other activities.

The Group has honoured its covenant obligations, including maintaining capital ratios.

### Significant Post-reporting date events

➤ On 9 December 2010 the General Meeting of the shareholders, of the subsidiaries Stater Bank AD, Kumanovo and Central Cooperative Bank AD Skopje, agrees on the acquisition of Stater Bank AD, Kumanovo by CCB AD Skopje. Under the Agreement new ordinary shares of CCB AD Skopje are issued. The volume of the issue is 233 944 shares with nominal value EUR 41.2069 or MKD 593 795 205. The issue is intended only for the shareholders of Stater Bank AD, Kumanovo and the ratio of the existing shares of Stater Bank AD, Kumanovo to the new issue, is 1:0.6776. As a result of the trade, the Group acquires 219 425 ordinary shares of CCB AD Skopje new issue in exchange for its 323 839 ordinary shares of Stater Bank AD, Kumanovo.

On 3 January 2011 Stater Bank AD Kumanovo merges with CCB AD Skopje and all assets of Stater Bank AD Kumanovo are passed to CCB AD, Skopje – the acquiring entity. On 3 January 2011, by a decision of the Central Register of Republic of Macedonia, Stater Bank AD, Kumanovo cease to exist as a legal entity. Following the conclusion of the transformation process, the capital of CCB AD Skopje is divided into 553 087 ordinary shares with nominal value of EUR 41.2069.



➤ Under par. 4a of the Social Security Code, in force since 1 January 2011, funds in individual accounts available as at 1 January 2011, to women born from 1 January 1955 to 31 December 1959, and men born in the period 1 January 1952 to 31 December 1959, that were provided in a professional pension fund are transferred to the Pension Fund of the State Social Security by 31 March 2011.

On 1 March 2011 the Group has transferred BGN 9 983 thousand to the Pension Fund of the State Social Security, which derive from the individual accounts of the above mentioned groups available as at 1 January 2011.

In relation to the regulation, establishing of its inconstituality before the Constitutional Court of Bulgaria is requested. As at the date of the authentication of financial statements the request is approved for consideration on the merits.

➤ At the end of the reporting period, the Group initiated a merger under Chapter sixteen of the Commercial Act. Under Art. 77, par. 1 of TIPS a notification is submitted to the Territorial Directorate of the National Revenue Agency with ent. № 24422/ 16.11.2010.

The procedure will be performed by merger of Chimsnab AD, Sofia; EKOEL EOOD, Sofia; Sofgeoprouchvane EOOD, Sofia; Kazanlak mill EOOD, Kazanlak; Burgaska Melnitsa EOOD, Dorich; DAVID 202 AD, Sofia and MIT 2003 EOOD, Varna into a commercial entity – EMPI AD, Topolovo village, Plovdiv Municipality, which becomes their universal successor.

As a result of the merger, under Art. 262, par.1 of the Commercial Code the transforming companies will be terminated without liquidation, due to the merger into the host company – EMPI AD, the common universal successor; all assets, liabilities, tangible and intangible rights and obligations will be transferred to EMPI AD.

Due to the fact that as at the date of the financial statements, the business combination is not yet concluded, the Managing Board of Chimsnab AD considers the presentation of the accounting and financial information in the financial statements to be accurate and reliable.

➤ As a result of the foundation of Varnaferry OOD by the Group and Parahodstvo Balgarski Morski Flot AD and due to the specific mode of eventual equity concentration, a notification for same concentration has been submitted with the Commission for Protection of Competition. The decision of the Commission, allowing equity concentration, is the only requirement in order to register the new company with the Trade register.

The commission for protection of competition with decision № 275 from 08 March 2011, based on Art.60 Al. 1 Pt. 1 in relation with Art. 82 Al. 3 Pt. 2 and Art. 22 Al. 2, Art. 26 Al. 1 of Protection of Competition Act allows concentration of the capital, which will appear after acquisition of jointly-controlled company Varnaferry OOD of the Group and Parahodstvo Balgarski Morski Flot AD.

➤ On 28 January 2011 the fixed and variable part of the concession fee was paid to Port Balchik AD at the amount of BGN 164 thousand for the second half of 2010.





➤ On 2 March 2011 contracts are concluded for bank guarantees № 80800BBG –A-0265 and № 80800BBG-A-0266 at the amounts of BGN 2 189 and BGN 220 thousand, respectively. The contracts are concluded for securing the completion of the investment program for the fifth year of the concession and securing of the Groups obligations under Concession contract with Port Balchik.

➤ Regarding the liabilities under the Concession contract with Port Lesport AD due on 30 January 2011, a bank guarantee is issued amounting to BGN 49 thousand in favour of the Ministry of Transport, Communications and Information Technology for the investment program for the fifth year of the investment term of the concession. The guarantee is secured by long-term assets, owned by the Group and expires on 30 May 2012.

On 28 January 2011 the Group's obligation to the Ministry of Transport, Communications and Information Technology in conjunction with the variable part of the annual concession fee for 2010, at the amount of BGN 628 thousand.

Based on Art.III.2.7, par. 2 of the Decision of the European Commission to grant financial assistance for project of common interest, "Studies related to project to expand the port Lesport" in November 2010, Port Lesport AD has made a request to the European Commission for extension until 31 December 2011. The request was approved by MTTTC by letter with ref № 40-01-38/23.11.2010 and by Executive Agency TEN - T and on 1 March 2011 the request is submitted to the European Commission for approval.

➤ On 23 February 2011, VTC AD held an extraordinary General Meeting of the shareholders and it was decided dividends amounting to BGN 2 400 thousand to be distributed. The dividends are distributed among the shareholder in proportion to the number of shares they hold, as follows:

<b>Shareholder</b>	<b>Dividend BGN'000</b>
Parahodstvo Bulgarsko Rečno Plavane AD	1 224
Konstruktus EOOD	576
Ali Gyurun	300
Jem Seven	300
<b>Total</b>	<b>2 400</b>

Dividend payables are to be paid out in 3-month period after the decision for the distribution is made.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.





## INFORMATION REGARDING

### Chimimport AD,

according to Annex No.11 to Article 32, Paragraph 1, Item 4 of Regulation No. 2 as at 17.09.2003 for the prospectus for the public offering and admission to trading on the regulated market for securities and the disclosure of information by the public entities and other issuers of securities

**Capital structure of the Group of Chimimport AD, including the securities, unadmitted to trading on the regulated market in the Republic of Bulgaria or other member-country, indicating the different classes of shares, the rights and the obligations, related to each class of shares, and the portion of the total share capital, constituting each class.**

As at 31 December 2010, the registered capital of Chimimport AD consists of 150 858 809 (2009: 150 577 390) ordinary shares with par value of BGN 1 per share and 88 787 458 (2009: 89 068 877) preferred shares with par value BGN 1, including 5 784 484 (2009: 5 643 171) ordinary shares and 4 102 889 (2009: 4 140 794) preferred shares, acquired by companies of the Group of Chimimport. The Group's ordinary shares are dematerialized, registered and freely transferable and entitle 1 vote share and a liquidation quota. Preferred shares entitle no voting rights. They entitle their holders to a cumulative guaranteed dividend and a guaranteed liquidation share of the Group's assets.

	2010 BGN'000	2009 BGN'000
Shares issued and fully paid:		
- beginning of the year	229 862 302	144 138 806
- issued during the year /preferred shares/	-	89 646 283
- reduction of preferred shares due to conversion into ordinary shares during the year	(281 419)	(577 406)
- increase in ordinary shares due to conversion of preferred shares into ordinary shares during the year	281 419	577 406
- treasury shares /ordinary and preferred/, acquired by subsidiaries during the year	(103 408)	(3 922 787)
<b>Shares, issued and fully paid at the end of the period</b>	<b>229 758 894</b>	<b>229 862 302</b>

On 12 June 2009, Chimimport AD issues mandatory convertible preferred shares with a 9% guaranteed fixed annual dividend and a guaranteed liquidation quota. 89 646 283 preferred shares are registered and paid with issue price BGN 2.22 each, representing 99.61% of the offered shares. The accumulated capital amounts to BGN 199 014 748.26. The mandatory conversion of the shares occurs at the end of the seventh year from registration of the capital increase in the Trade Register.

The acquired on 12 June 2009 funds above the face value of the share capital at the amount of BGN 105 083 thousand are distributed as follows:

- BGN 27 622 thousand – issue premium
- BGN (943) thousand – reduced premium from issuing treasury shares, acquired by subsidiaries
- BGN 8 348 thousand – current dividend payables



- BGN (634) thousand – reduced current dividend payables for treasury shares, acquired by subsidiaries.
- BGN 70 008 thousand – non-current dividend payables
- BGN (2 710) thousand – reduced non-current dividend payables for treasury shares, acquired by subsidiaries
- BGN 3 391 thousand – issue expenses

The dividend payables and issue premiums, following the change due to the conversion of 858 825 preferred shares into ordinary shares and the acquired 103 408 own preferred shares by subsidiaries during the period, are distributed as follows:

- BGN 28 388 thousand – issue premium
- BGN (1 346) thousand – reduced issue premium due to treasury shares issued, acquired by subsidiaries
- BGN 16 773 thousand – current dividend payables
- BGN (799) thousand - reduced non-current dividend payables for treasury shares, acquired by subsidiaries
- BGN 65 285 thousand - non-current dividend payables
- BGN (3 111) thousand – reduced non-current dividend payables for treasury shares, acquired by subsidiaries

The majority shareholder Chimimport Invest AD has fulfilled its obligation by subscribing for its rightful rights. Over 51% of the remaining new shares are subscribed to local investors, including nearly 32% institutional investors.

The list of the major shareholders, owning Group's ordinary shares, is presented as follows:

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>Number of</b>	<b>%</b>	<b>Number of</b>	<b>%</b>
	<b>ordinary shares</b>		<b>ordinary shares</b>	
Chimimport Invest AD	109 348 114	72.48%	109 724 464	72.87%
ARTIO INTERNATIONAL EQUITY FUND	10 693 367	7.09%	10 693 367	7.10%
CCB Group EAD	5 192 408	3.44%	5 192 408	3.45%
CASIAS Bank Deutschland	2 840 358	1.88%	1 275 706	0.85%
DIAS Investment company	1 501 935	1.00%	1 171 377	0.78%
Scandinavian Enskilda Banken	1 495 999	0.99%	1 345 999	0.89%
EFG EUROBANK ERGASIAS	1 362 229	0.90%	1 362 229	0.90%
UniCredit Bank, Austria	1 198 300	0.79%	1 266 249	0.84%
Consolid Commerce AD	704 276	0.47%	704 276	0.47%
FINASTA AB FMI – Lithuania	594 679	0.39%	1 422	0.00%
MEI – Romanian and Bulgarian funds	543 188	0.36%	708 188	0.47%
Eaton Vance Tax-Managed Emerging Markets	487 988	0.32%	487 988	0.32%
The Royal Bank of Scotland	452 430	0.30%	-	0.00%
EFG Eurobank Clients ACC	431 434	0.29%	458 168	0.30%
Reiffeisen – mutual funds	401 959	0.27%	120 000	0.08%

THE BANK OF NEW YORK MELLON	328 842	0.22%	-	0.00%
DANSKE Fund Eastern Europe – Luxembourg Invest Bank AD	320 500	0.21%	320 500	0.21%
Reiffeisen Central Bank – Austria	298 207	0.20%	417 697	0.28%
DSK Bank – funds (OTP Group)	281 959	0.19%	592 361	0.39%
Standard Investment – mutual funds	250 324	0.17%	325 324	0.22%
HVB AG ATHENS	164 561	0.11%	109 802	0.07%
ANC Amro Bank – London	-	0.00%	564 981	0.38%
Other legal entities	-	0.00%	405 471	0.27%
Other individuals	6 039 754	4.00%	6 986 908	4.64%
	5 925 998	3.93%	6 342 505	4.22%
	<b>150 858 809</b>		<b>150 577 390</b>	
<b>Owned shares, acquired by subsidiaries</b>				
CCB Group AD	(5 192 408)	3.44%	(5 192 408)	3.45%
ZAD Armeec	(463 100)	0.31%	(405 848)	0.27%
CCB AD	(56 309)	0.04%	-	-
POAD CCB Sila	(72 667)	0.05%	(44 915)	0.03%
	<b>(5 784 484)</b>	<b>3.83%</b>	<b>(5 643 171)</b>	<b>3.75%</b>
<b>Net number of shares</b>	<b>145 074 325</b>		<b>144 934 219</b>	

The list of major shareholder, owning shares (ordinary and preferred) of the Group's capital, presented as follows:

	2010	2010	2009	2009
	Number of shares /ordinary and preferred/	%	Number of shares /ordinary and preferred/	%
Chimimport Invest AD	180 713 551	75.41%	181 149 195	75.59%
ARTIO INTERNATIONAL EQUITY FUND	17 109 388	7.14%	17 729 376	7.40%
CCB Group EAD	8 266 061	3.45%	8 307 853	3.47%
UniCredit Bank, Austria	2 102 255	0.88%	2 257 850	0.94%
Scandinavian Enskilda Banken	1 495 999	0.62%	1 345 999	0.56%
Consolid Commerce AD	704 276	0.29%	704 276	0.29%
DSK – funds (OTP Group)	630 544	0.26%	630 544	0.26%
MEI – Romanian and Bulgarian funds	613 188	0.26%	778 188	0.32%
FINASTA AB FMI – Lithuania	594 679	0.25%	1 422	0.00%
Reiffeisen – mutual funds	555 828	0.23%	273 869	0.11%
DANSKE Fund Eastern Europe – Luxembourg	479 500	0.20%	452 500	0.19%



EFG Eurobank Clients ACC	432 034	0.18%	1 822 317	0.76%
Invest Bank AD	353 989	0.15%	453 679	0.19%
The Royal Bank of Scotland	452 430	0.19%	-	0.00%
THE BANK OF NEW YORK MELLON	401 816	0.17%	-	0.00%
Reiffeisen Central Bank – Austria	281 959	0.12%	592 361	0.25%
Standard Investment – mutual funds	164 561	0.07%	109 802	0.05%
ANC Amro Bank – London	-	0.00%	405 471	0.17%
Other legal entities	16 090 333	6.71%	13 940 503	9.28%
Other individuals	8 203 876	3.42%	8 691 062	3.64%
	<b>239 646 267</b>	<b>100.00%</b>	<b>239 646 267</b>	<b>100.00%</b>

**Own shares, acquired by  
subsidiaries**

CCB Group AD	(8 266 061)	3.45%	(8 307 853)	3.47%
ZAD Armeec	(463 100)	0.19%	(551 864)	0.23%
CCB AD	(81 509)	0.03%	-	-
POAD CCB Sila	(1 076 703)	0.45%	(924 248)	0.39%
	<b>(9 887 373)</b>	<b>4.13%</b>	<b>(9 783 965)</b>	<b>4.08%</b>

The dividend tax for individuals and foreign entities amounts to 5% for 2009, 2010 and 2011 and the tax is deducted from the gross amount of dividends.

**Limitations on share transfer, such as limitations on the holding of shares or the requirement for approval by the company or another shareholder.**

Issue and disposal of dematerialized shares requires mandatory registration with the Central Depository

**Information regarding the direct and indirect holding of more than 5% from the voting right at the General Meeting of the Shareholders, including shareholders data, the amount of the equity and the manner, in which the shares are held.**

As at 31 December 2010, shareholders owning 5% and more Group's capital, are as follows:

Name	Number of shares	%
Chimimport Invest AD	109 348 114	72.48%
Artio international equity fund Julius Baer Investment Management LLC - USA	10 693 367	7.09%

The rest of the shareholders (legal entities and individuals) own shares for less than 5% of the Group's capital.

**Shareholders with special control rights**

No shareholders of the Group have special control rights.

**Control system and restrictions on the exercise of the voting right at the shareholders' General Meeting.**

Chimimport AD lacks control system when exercising the voting rights in the cases when Group's employees are also its shareholders and the rights are exercised by them personally. All shareholders, who are also Group's employees, exercise their voting rights at their own judgment.

**Agreements between shareholders**

The Company is not familiar with any agreements between shareholders that may lead to limitations in share transfer or voting rights.

**Electing and dismissing of Group's managing bodies**

The Group's managing bodies are:

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

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

The members of the Managing Board are appointed by the Supervisory Board, which can replace them anytime. One person cannot be both a member of the Managing and Supervisory Board of the Group. The members of the Managing Board may be re-elected without any restriction.

For members of the Managing Board of the Group of Chimimport can be elected only individuals, who meet the law requirements, namely:

to be able physical or legal entities;

at the date of the election are not convicted for crimes against the property, business or financial, tax or insurance system, conducted in Republic of Bulgaria or abroad, unless rehabilitated;

were not members of managing or supervisory body of companies, ceased due to bankruptcy in the last 2 years preceding the date of the declaration of bankruptcy, if there are unsatisfied creditors;

Amendments and additions to the Group's Statute are adopted by the General Meeting of the Shareholders.

**Responsibilities of the governing bodies of the Group, including decisions on the issue and redemption of shares**

The Managing board of the Group of Chimimport manages ongoing activities of the Group and represents it before the legal and natural persons in Bulgaria and abroad. The Managing Board shall decide all matters not within the exclusive competence of the General Meeting or the Supervisory Board, subject to the General Meeting resolutions and the Supervisory Board, the provisions of the Statute and the law. For its activities the Managing board reports to the Supervisory board and the General Meeting.

The Managing Board adopts rules of procedure, approved by the Supervisory Board.

The Managing Board shall report its activities to the Supervisory Board of the Group at least once every three months. The Managing Board shall immediately notify the Chairman of the Supervisory Board of any relevant circumstances, essential to the Group.



The Managing Board submits to the Supervisory Board the annual financial statements, the annual activity report and the auditor's report, as well as the proposal for profit distribution, which it will present to the General Meeting of Shareholders.

By decision dated 17.09.2007 within 5 (five) years from the registration of this amendment to the Statute in the trade register, the Managing board may decide to issue bonds, including convertible to a total of BGN 100 000 000 (one hundred million) or the equivalent in another currency. In its decision-making the Managing board determines the type of bonds, bond loan parameters and procedures for the issuance of the bonds. Decisions under this Article shall be adopted by the Board with the approval of the Supervisory Board.

Under decision dated 17 September 2007 within 5 years of registering of this amendment to the statutes in the commercial register under Art. 196, para. 1 of the Commercial Code, the Managing Board may decide to increase the share capital up to an aggregate nominal value of BGN 175 000 000 /one hundred seventy-five million/, by issuing new ordinary or preferred shares. Decisions under the preceding sentence are adopted by the managing Board with the approval of the Supervisory Board.

#### **Major contracts of the Group of Chimimport**

The Group has not entered into any agreements that might cause any activity, change or be terminated as a result of a change in the Group's control.

#### **Agreements between the Group and its managing bodies**

The Company has not entered into any agreements with its managing bodies and employees, providing compensation in case of a dismissal or a lay off without legal basis or when the termination of the labor contract is relating to tender offerings.





**INFORMATION REGARDING**  
**THE IMPLEMENTATION BY THE CORPORATE MANAGEMENT OF**  
**CHIMIMPORT AD OF THE RECOMMENDATIONS OF**  
**THE NATIONAL CODE OF CORPORATE GOVERNANCE**

On 18 January 2008, **Chimimport AD** adopted the National Code of Corporate Governance. The corporate governance program of Chimimport AD is subject to the principal of “APPLICATION OR EXPLANATION”, according to which the corporate governance of the Company should present information about the degree to which the Company applies the behavior principals, founded in the Code and should present explanation of how the problematic situation would be resolved, when one or more principles are not applicable according to **Chimimport AD**.

As at the date of adopting the National Code, the Company operates in full accordance with its principles and regulations.

**CORPORATE GOVERNANCE – MANAGING BOARD**

Chimimport AD is a public company with a two-tier system of governance.

All members of the Managing Board and the Supervisory Board fulfill the legal requirements for holding their posts. The functions and obligations of the corporate government, as well as their structure and competence are in compliance with the requirements of the Code.

- The Managing Board governs according to the established vision, goals and strategy of Chimimport AD
- The members of the Managing Board are guided in their actions by the accepted principles of integrity and managerial and professional competence.

The remunerations of the members of the Managing Board are disclosed in the interim management report in compliance with the legal and regulatory deeds of the Company. The shareholders have easy access to the information regarding the remunerations.

The members of the Managing Board avoid and prevent actual and potential conflict of interest.

**CORPORATE GOVERNANCE – SUPERVISORY BOARD**

The Supervisory Board regulates the activities performed by the Managing Board regarding the management of the Company, guaranteeing that the actions of the Managing Board increase the shareholders wealth and assist in the application of the principles for good corporate governance of the Company. It takes part in all significant decision-making processes, regarding the Company’s operations.

The Supervisory Board, if necessary, may take the necessary studies to support their duties by consultation with experts.

The Supervisory Board appoints and dismisses members of the Managing Board delimiting the rights delegated to them, the manner in which they apply their rights and the frequency with which they are accountable to the Supervisory Board.

The Supervisory Board adopts rules concerning the age limit for individuals elected to the Managing Board.

The Supervisory Board assesses the overall performance of the Company, paying particular

attention to the information received by the Managing Board and regularly compares the planned and achieved results, and analyses the reason for the differences.

The Supervisory Board monitors and controls the process of disclosure of information about the Company.

The Supervisory Board adopts guidelines regarding the maximum number of companies in which members of the Managing and Supervisory Board of Chimimport AD participate in as managing and supervisory bodies, the participation in which is considered acceptable regarding the requirements for effective implementation of the obligations they have as members of the Boards of the Company.

The Supervisory Board defines criteria that differentiate the participations in other companies, depending on the assumed position and the time that each of them requires.

Following the requirement of the Law on the Public Offering of Securities and the Statute of the Company, the Supervisory Board if necessary revises the structure of the Managing Board, the distribution of obligations, rights and remunerations of each of the members of the Managing Board and if necessary takes measures to change them.

In carrying out their activities, the members of the Supervisory Board are obligated to perform their duties in a manner they consider to be in all shareholders' interests of the Company and use only information that is considered to be reliable and complete, and to be loyal to the Company under the requirements of the Law on Public Offering of Securities.

The Supervisory Board of the Company is supported by the Auditing Committee. On the General Meeting of the Shareholders conducted on 11.03.2009, acting on a proposal of the Supervisory Board, the shareholders of Chimimport AD elected the following individuals to the Auditing Committee. Dina Krusteva Paskova, 7906246297 - chairman, Mariana Zarkova Purvanova 5712316258 and Zornitsa Krasimirova Aleksova 7707306773 – members.

The structure and functions of the Committee are defined in the Corporate Management Programme of Chimimport AD.

### **AUDIT AND INTERNAL CONTROL**

**Chimimport AD** has a developed and functioning system for internal control that guarantees the accurate identification of the risks, related to the Company's activity and promotes their effective management; secures the adequate functioning of the reporting systems and information disclosure.

Registered auditor, appointed by the General Meeting of the Shareholders of Chimimport AD for authorization of the annual financial report of the Company for 2010 is the specialized audit company "Grant Thornton" OOD, registered under No.32 in the special register of the BICPA. In respect to ensuring the efficiency of the work of the external auditors of **Chimimport AD**, in 2010 the Managing Board developed and adopted measures for ensuring the effective fulfillment of the duties of the auditors of the Company, based on the requirements of the Law on the Independent Financial Audit.

Following the requirements of the Law on Independent Financial Audit, the Managing Board of **Chimimport AD** recommended to the audit committee to comply with this principle regarding the newly offered auditors of the Company.





## **PROTECTION OF SHAREHOLDERS' INTERESTS**

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

The Company ensures the protection of the rights of each shareholder by:

- Facilitating the effective participation of the shareholders in the work process of the General Meetings of the Shareholder by the timely announcement of the materials for GMS on the following websites: [www.x3news.com](http://www.x3news.com), [www.investor.bg](http://www.investor.bg), as well as on the Group's website [www.chimimport.bg](http://www.chimimport.bg)
- Conducting of clear procedures regarding the convening and conducting of the General Meetings of the Shareholders – regular and extraordinary meetings
- Developing rules for representation of a shareholder in the General Meeting, including submission of samples of proxies both in Bulgarian and English
- Possibility for participating in the distribution of the Company's profit, in case the General Meeting of the Shareholders accept the decision for dividend distribution
- Undertaking policy for facilitating the execution of the shareholders' rights.

## **DISCLOSURE OF INFORMATION**

The company has adopted regulations for the internal information and the internal for the Company individuals. These regulations regulate the obligations, order and the responsibility for the public disclosure of internal information about Chimimport AD, prohibition of the trade with internal information and manipulation of the market for financial instruments.

The public information, related to the operations of Chimimport AD is presented to the Financial Supervisory Commission, the Bulgarian Stock Exchange – Sofia AD and the investing community. The information spreads to the public through the X3 NEWS - [www.x3news.com](http://www.x3news.com).

**Chimimport AD** regularly renews its corporate web page [www.chimimport.bg](http://www.chimimport.bg) both in Bulgarian and English, in respect to the structure and volume of the presented information with the recommendations of the National Code and the approved good practices regarding the systems for disclose of information. On the web page general information could be found regarding the Company and the operating segments of all companies from the economic group, current data regarding the financial and economic condition of the Company, including the interim and annual financial reports of **Chimimport AD** both individual and consolidated, as well as information regarding the structure of the economic group, the corporate governance and management of the Company, corporate documents, constructed and approved by the Managing Board of the Company and the issued securities. All shareholders, investors and interested parties can receive information regarding the forthcoming and the already occurred significant corporate events, sessions of the General Meeting of the Shareholders and the planned investment policy of the Company.



### **INTERESTED PARTIES**

**Chimimport AD** identifies as interested parties in its operations, all individuals, who are not shareholders and benefit from the economic prosperity of the Company

- bondholders, if such are issued,
- employees,
- customers,
- suppliers,
- creditor banks and
- the society as a whole.

the following group of individuals: customers, employees, creditors, suppliers and other contracting parties, related to the activity of the Company.

In applying its policy regarding the interested parties, the Company considers the legal requirements on the principles of transparency, accountability and business ethics. The interested parties receive necessary information regarding the activity of the Company, current data for the financial situation and everything that may assist them in their orientation and decision-making process.

The Managing Board encourages the cooperation between the Company and the interested parties for increasing the welfare of the parties and the ensuring of the steady development of the Company.

### **Authorization of the Annual Consolidated Activity Report**

The Annual Activity Report of the Chimimport Group as at 31 December 2010, (including comparatives) was approved by the Managing Board on 29 April 2011.

**MANAGING BOARD  
OF CHIMIMPORT AD  
SOFIA**