

Annual Activity Report of Chimimport AD, Sofia for 2010

This Annual Activity Report presents comments and analysis of the financial reports and other substantial information regarding the financial statement and results from the activity for the period 1 January - 31 December 2010.

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

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

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

1 Members of the Supervisory Board are:

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

2 Members of the Managing Board are:

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

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

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

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

Number of shares issued: As at 31 December 2010 the registered share capital of the Company consists of 150 858 809 ordinary shares with par value of 1 BGN and 88 787 458 preference shares with par value of 1 BGN.

The Company's main economic activity is:

The Company is engaged in the following business activities:

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



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

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

Percentage ratio of the operating revenue

	2010	2009
	'000 BGN	'000 BGN
	Change from prior period	Change from prior period
Total revenue from sales	9 362	11 651
% revenue from sale of goods	2 414.29%	0.12%
% revenue from sale of services	(62.25%)	56.11%
% rental income	5.46%	18.70%
% other operating income	(29.79%)	17.30%
% gain from sale of non-current asset	68.40%	7.77%

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

2.1. Financial indicators

The Company closed the financial year of 2010 with total revenue amounting to BGN 141 549 thousand. The total revenue for 2010 has increased with 15.57% compared to BGN 122 476 thousand in 2009.

Operating expenses for the year amount to BGN 46 031 thousand, which is an increase of BGN 18 883 thousand in comparison with the previous period i.e. increase with 69.56%

The financial result for the year ended 2010 is profit before taxes amounting to BGN 95 517 thousand and profit after taxes amounting to BGN 91 882 thousand. There is a positive growth of BGN 1 393 thousand (1.54% increase) in the financial result compared to the financial result for 2009.

The Company's financial indicators for 2010 are as follows:

MAIN FINANCIAL INDICATORS

	2010	2009	Increase/ (decrease)
	BGN'000	BGN'000	
Total revenue	132 187	122 476	7.93%
Operating expenses	32 583	27 148	20.02%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	129 063	115 848	11.41%
EBITDA / Sales Revenue (%)	97.64%	94.59%	3.22%
Earnings before interest and tax (EBIT)	128 076	114 837	11.53%
EBIT / Sales Revenue (%)	96.89%	93.76%	3.34%
Profit before taxes	95 517	95 328	0.20%
Net profit	91 822	90 429	1.54%
Cash flow (profit+depreciation)	92 809	91 440	1.50%
Current assets	419 294	612 785	(31.58%)
Current liabilities	143 105	237 611	(39.77%)
Working capital	276 189	375 174	(26.38%)
Non-current capital	1 142 414	913 669	25.04%
Cash to current liabilities ratio	0.71	0.52	36.91%

2.2. Revenue and expenses structure

For 2010 the structure of revenue amounting to BGN 141 549 thousand includes:

- gains from transactions with financial instruments – 63.91%,
- gains from sale of non-current assets – 1.08%,
- interest income, gains from foreign exchange differences and other gains (net) – 29.72%,
- revenue from rents and services – 5.29%.

General revenue structure (changes compared to the previous period)

	31.12.2010 BGN'000	31.12.2009 BGN'000	Increase/ (Decrease)
Gains from transactions with financial instruments	90 464	70 511	28.30%
Interest income	40 647	35 015	16.08%
Gains from foreign exchange differences	874	468	86.75%
Other financial income	202	4 831	(95.82%)
Operating revenue	9 362	11 651	(19.65%)

General expenses structure (changes compared to the previous period)

	2010 BGN'000	2009 BGN'000	Increase/ (Decrease)
Losses from transactions with financial instruments	(59)	(51)	15.69%
	(59)	(51)	15.69%
Interest expense, related to:			
- bank loans	(833)	(797)	4.52%
- finance leases	(543)	(488)	11.27%
- interest, associated with preference shares	(9 237)	(4 687)	97.08%
- interest, associated with pension provisions	(2)	(2)	0.00%
- loans received	(21 944)	(13 535)	62.13%
	(32 559)	(19 509)	66.89%



	2010	2009	Increase/ (Decrease)
	BGN'000	BGN'000	
Other financial expenses			
Bank fees and commissions	(63)	(307)	(79.48%)
Fees and penalties	-	(268)	(100.00%)
Other financial expenses	(1 404)	-	100.00%
	(1 467)	(575)	155.13%
	2010	2009	Increase/ (Decrease)
	BGN'000	BGN'000	
Cost of goods sold	(344)	(10)	3 340.00%
Cost of materials	(83)	(73)	13.70%
Hired services expenses	(3 802)	(2 864)	32.75%
Depreciation and amortization	(987)	(1 011)	(2.37%)
Employee benefits expenses	(1 122)	(2 083)	(46.14%)
Written-off receivables	(2 740)	(464)	490.52%
Other expenses	(559)	(280)	99.64%
	(9 637)	(6 785)	42.03%

The Company reports operating expenses for 2010 amounting to BGN 46 031 thousand, which is an increase of 69.56% compared to 2009.

3 Post balance sheet events

On 01 March 2011 the Company issued the consolidated financial statements for the fourth quarter of 2010.

On 08 February 2010 the Company provided inside information under Art. 4 of the Law against Market Abuse with Financial Instruments regarding the conversion of preferred shares into ordinary shares.

On 31 January 2010 the Company issued the financial statements for the fourth quarter of 2010.

4 Important Research and Development

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

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

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

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

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

Transactions with owners	31.12.2010	31.12.2009
	BGN'000	BGN'000
<i>- sale of financial instruments</i>		
Chimimport Invest AD – parent company	-	7 915
<i>- sale of services, rental income and interest income</i>		
Chimimport Invest AD – parent company	6 224	-
Transactions with subsidiaries and associates	31.12.2010	31.12.2009
	BGN'000	BGN'000
Sales		
<i>- sale of financial instruments</i>		
Chimimport Group OOD	-	6 800
	<hr/>	<hr/>
	-	6 800
<i>- sale of goods</i>		
CCB AD	274	-
Bulchimtrade OOD	22	4
POAD CCB AD	4	-
Brand New Ideas EOOD	-	38
	<hr/>	<hr/>
	300	42
<i>- revenue from sale of non-current assets</i>		
CCB AD	669	-
POAD CCB AD	333	-
CCB Assets Management EAD	38	-
Omega Finance OOD	36	-
Parahodstvo BRP AD	12	19
Zarneni Hrani Bulgaria AD	-	650
Bulchimtrade OOD	-	5
	<hr/>	<hr/>
	1 088	674

	31.12.2010	31.12.2009
	BGN'000	BGN'000
<i>- sale of services, rental income and interest income</i>		
CCB AD	3 850	-
CCB Group EAD	2 866	2 937
Bulgarian Shipping Company EAD	2 558	2 401
Hemus Air EAD	2 389	2 298
Bulgarian Aviation Group EAD	1 071	6 351
Trans Intercar EOOD	816	1 048
Omega Finance OOD	754	-
Konor OOD	608	-
Energoproekt AD	420	166
Chimimport Group EAD	420	-
Chimsnab AD	390	-
Bulchimex OOD	313	176
ZAD Armeec	187	-
Port Balchik AD	119	-
POAD CCB AD	36	-
PDNG AD	21	-
Zarneni Hrani Bulgaria AD	10	-
Rubber Trade OOD	9	-
Chimceltex OOD	6	-
Parahodstvo BRP AD	5	-
HGH Consult Ltd.	2	-
Prime Lega Consult OOD	2	-
Holding Nov vek AD	-	588
Other	238	144
	17 090	16 109

Transactions with subsidiaries and associates	31.12.2010	31.12.2009
Purchases	BGN'000	BGN'000
<i>- purchases of services, goods and interests (subsidiaries)</i>		
Chimimport Holland B.V.	16 297	9 211
CCB AD	556	-
Trans Intercar EOOD	442	726
HGH Consult Ltd.	327	227
ZAD Armeec	292	246
Chimoil Trade OOD	279	-
Port Lesport AD	269	-
PDNG AD	266	-



ZAED CCB Life	194	-
Orgachim trading 2008 OOD	114	-
Omega Finance OOD	96	-
Prime Lega Consult OOD	90	-
Bulgarska Petrolna Rafineriya EOOD	84	-
Rubber Trade OOD	69	-
Chimtrans OOD	49	-
Chimsnab AD	48	-
ZOK CCB	47	-
Chimceltex OOD	41	-
Sofgeoprouchvane EOOD	17	-
Zarneni Hrani Bulgaria AD	14	-
Sport Complex Varna AD	12	-
CCB Group EAD	6	-
Other	2	641
	19 611	11 051

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

The transactions with key management personnel are as follows:

	2010	2009
	BGN'000	BGN'000
Short-term compensations:		
salaries including bonuses	568	1 308
social security costs	28	12
company car allowance	11	11
Total short-term compensations	607	1 331
Total compensations	607	1 331

7 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.

8 Information regarding off-balance transactions

Under article 240 of the Commercial Act, guarantees from Chimimport AD at the total amount of BGN 27 thousand as a member of the managing and supervisory board of the Parahodstvo Bulgarsko Rečno Plavane AD, Investicionna Kompania Galata AD, Oil and Gas Exploration and Production Plc, Bulgaria Air AD, Hemus Air EAD.

Co-debtor on line of credit contract with repayment schedule signed between DSK EAD and Zarneni Hrani Bulgaria AD for the amount of BGN 10 000 thousand with maturity date on 25 March 2012 and continuation option until 25 January 2013.

Co-debtor on line of credit contract 558/20.08.2009 with repayment schedule signed between Alpha Bank EAD and Zarneni Hrani Bulgaria AD for the amount of EUR 9 300 thousand with maturity date on 31 December 2013.

Co-debtor on a refinancing contract 876/11.08.2009 with repayment schedule signed between Alpha Bank EAD and Zarneni Hrani Bulgaria AD for the amount of EUR 3 187 thousand with maturity date on 11 August 2013.

Co-debtor on a framework revolving credit contract 26/28.08.2007 and overdraft contract from 28.08.2007 signed between UniCredit Bulbank and Zarneni Hrani Bulgaria AD for the amount of BGN 18 195 thousand with maturity date on 20 September 2013.

Co-debtor on line of credit contract signed between DSK EAD and Bulgarian Shipping Company EAD for the amount of EUR 11 000 thousand with maturity date on 25 April 2016.

Guarantee contract between Chimimport AD and Landesbank Baden-Württemberg in addition to loan agreement 068/3124508 dated 29 August 2008, signed with Zarneni Hrani Bulgaria AD, with maturity date 28 August 2017 and a contractual limit of EUR 2 231 thousand.

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

- Bank guarantees in favor of Imorent Bulgaria at the amount of EUR 114 thousand.
- Bank guarantees in favor of National Revenue Agency at the total amount of BGN 299 thousand.
- Bank guarantee in favor of the Ministry of Economy and Energy for the amount of BGN 113 thousand



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

• **Investment in subsidiaries**

The Company has the following investments in subsidiaries:

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

During 2010 the Company received a dividend amounting to BGN 536 thousand from Brand New Ideas EOOD.



- **Investment in associates**

The Company has the following investments in associates:

Name of associates	2010	share	2009	share
	BGN'000	%	BGN'000	%
POK SAGLASIE AD	16 768	49.43%	16 768	49.43%
Konor OOD	5	20.00%	5	20.00%
Holding Nov vek AD	-	0.00%	9 697	28.20%
	<u>16 773</u>		<u>26 470</u>	

During the financial period, the Company did not received dividends from investments in associates.

- **Held to maturity investments**

	2010	2009
	BGN'000	BGN'000
Convertible bonds of Chimimport Invest AD	19 409	19 263
	<u>19 409</u>	<u>19 263</u>

- **Financial assets available-for-sale**

Country		2010	share	2009	share
		BGN'000	%	BGN'000	%
Plovdivska Stokova Borsa AD	Bulgaria	88	4.37%	88	4.37%
Chimimport Hungary KKFT	Hungary	82	48.00%	82	48.00%
Petrochim Trade AD	Bulgaria	17	33.33%	-	0.00%
BZOK Zakrila AD	Bulgaria	10	5.00%	10	5.00%
Oksimoron 2003 OOD	Bulgaria	5	47.00%	5	47.00%
Gasinvest AD	Bulgaria	8	8.00%	8	8.00%
Inofert OOD	Bulgaria	2	20.00%	2	20.00%
Unicredit Bulbank AD	Bulgaria	1	0.00%	1	0.00%
Tatinvest bank	Russia, Kazan	-	5.01%	1 136	5.01%
		<u>213</u>		<u>1 332</u>	

As at 31 December 2010 there are no financial assets held for sale pledged as collateral.



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

	2010	2009
	BGN'000	BGN'000
Options agreement	24 680	-
David 202 AD	19 788	519
MIT 2003 EOOD	9 153	161
Investicionna kompaniya GalataAD	900	19 971
Holding Nov VEK AD	3	-
	54 524	20 651

- **Available-for-sale short-term financial assets**

	Country	2010	share	2009	share
		BGN'000	%	BGN'000	%
Tatinvest bank	Russia	1 136	5.01%	-	0.00%
Zarneni Hrani Varna OOD	Bulgaria	3	60.00%	3	60.00%
Zarneni Hrani Plovdiv OOD	Bulgaria	3	51.00%	3	51.00%
Bulgarian government securities	Bulgaria	3	0.00%	3	0.00%
PFK Chernomorec AD	Bulgaria	-	91.67%	4 700	91.67%
		1 145		4 709	

Short-term financial assets are classified as available for sale financial instruments. They are mostly carried at cost, because their fair value cannot be measured reliably. Bulgarian government securities are carried at fair value.

As at 31 December 2010 there are no short-term financial assets pledged as collateral.

The companies are stated in the financial statement using the cost method.

There has been no reorganization in the company during the period.

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

During 2010 no reorganization has occurred within the Company.

In 2010 the Company sold major part of its share in Investicionna kompaniya Galata AD.

In 2010 the Company reduced its interest in Holding Nov Vek AD to 1.11% of its registered capital

During the current financial year the Company has sold all its shares in Brand New Ideas EOOD.

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

Long-term receivables from:	2010	2009
	BGN'000	BGN'000
<i>- subsidiaries</i>		
CCB Group EAD	41 146	41 362
Bulgarian Shipping Company EAD	35 757	37 124
Bulchimex OOD	4 423	3 650
Trans Intercar EOOD	9 288	-
Energoproekt AD	5 600	-
Bulgarian Aviation Group EAD	-	108 842
Parahodstvo BRP AD	-	128
	96 214	191 106
<i>Including interest receivables</i>	<i>17 066</i>	<i>18 894</i>
Short-term receivables from:	2010	2009
	BGN'000	BGN'000
<i>- owners</i>		
Chimimport Invest AD	113 435	22 275
<i>- subsidiaries</i>		
Port Balchik AD	1 347	1 227
Bulgarian Shipping Company EAD	888	528
Hemus Air AD	380	1 509
Port Lesport AD	219	3
Chimceltex OOD	229	261
Rubber Trade OOD	182	319
Parahodstvo BRP AD	175	37
ZAD Armeec	62	1 144
Lufthansa Technik OOD	5	2 151
Chimimport Group EAD	-	115 025
Bulgarian Aviation Group EAD	-	16 018
Trans Intercar EOOD	-	8 690
Energoproekt AD	-	5 243
Brand New Ideas EOOD	-	1 241
Chimoil Trade OOD	-	116
Other below BGN 100 thousand	200	364
	117 122	176 151
<i>Including trade receivables</i>	<i>1 977</i>	<i>18 588</i>
<i>Including interest receivables</i>	<i>9 603</i>	<i>23 928</i>



	2010	2009
	BGN'000	BGN'000
<i>- associates</i>		
Konor OOD	1 756	1 083
PIC Saglasie Co.Ltd.	739	739
Holding Nov Vek AD	-	9 605
	2 495	11 427
<i>Including trade receivables</i>	-	1
<i>Including interest receivables</i>	873	1 991
<i>- other related parties outside Chimimport Group</i>		
Asenova Krepost AD	669	14
	669	14
<i>Including interest receivables</i>	57	-
Total short-term receivables from related parties	120 286	187 592

Long term payables to:

	2010	2009
	BGN'000	BGN'000
<i>- associates</i>		
Chimimport Holland B.V.	133 104	-
Sofgeoprouchvane EOOD	322	-
Parahodstvo BRP AD	-	225
	133 426	225
<i>Including interest receivables</i>	296	-

Short-term payables to:	2010	2009
	BGN'000	BGN'000
<i>- owners</i>		
Chimimport Invest AD	727	-
<i>- subsidiaries</i>		
Omega Finance OOD	29 952	2 035
Port Lesport AD	7 559	7 290
CCB AD	4 107	695
CCB Live EAD	3 586	2 392
Oil and Gas Exploration and Production AD	3 263	3 022
Sport Complex Varna AD	1 867	2 742
Chimimport Holland B.V.	1 416	130 742
Bulgarska Petrolna Rafineriya EOOD	1 247	390
ZOK CCB AD	694	647
Chimsnab AD	691	7
Anitas 2003 EOOD	499	499
ZAD Armeec AD	410	131
Hemus Air AD	189	212
Chimoil Trade OOD	170	-
Bulgaria Air AD	168	348
HGH Consult OOD	118	65
Sofgeoprouchvane EOOD	-	242
Other, below BGN 100 thousand)	10 744	3 717
	67 407	155 176
<i>Including trade receivables</i>	<i>1 093</i>	<i>761</i>
<i>Including interest receivables</i>	<i>4 375</i>	<i>5 482</i>
<i>- associates</i>		
Holding Nov Vek AD	-	334
	-	334
<i>Including interest receivables</i>	<i>-</i>	<i>334</i>
Total short-term payables to related parties	67 405	155 510

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

In 2010 the Company has not increased its registered capital.

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

In 2009 the Company has not published any forecasts of the financial result for year 2010. All publicly announced targets and objectives were accomplished.



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

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

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

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

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

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

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

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

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

According to a reference from the Central Depository issued as at 31 December 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.	Miroliub Ivanov	55 666	0.04%

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



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

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

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

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

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

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

Information regarding this point is presented in a separate document.

22 Changes in the Company's share prices

According to information from the Bulgarian Stock Exchange – Sofia, the prices of the ordinary and preference shares during the twelve month period in 2010 are as follows:

Ordinary shares

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

Preference shares

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



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

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

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

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

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

- The first manifestation of the crisis was on the Bulgarian Stock Exchange, where as a result of the global uncertainty and declining liquidity that started in October 2007, a decline of indexes and daily turnovers has begun. The SOFIX index has lost nearly 70% of its value for the period from the middle of October 2007 to the middle of October 2008.
- Increased risk perceptions and lower liquidity in the international context affected the interbank money market, where spreads to euro zone interest rates began to rise from the last quarter of 2007. As at October 2008 the spread between LEONIA and EONIA indexes was approximately 250 b.p. The same spread was below 20 b.p. in the middle of the previous year. A similar dynamics was observed in interest rates on loans and deposits.
- Banks, operating domestically, as well as those operating worldwide, began to tighten terms and conditions for lending and to raise interest rates. In the end of the second



quarter of 2008 in Bulgaria, the receivables of banks from non-governmental sector increased by 12.4% compared to the first three months, and in the end of the third quarter - by 7.1% compared to the end of June.

- The decrease of international prices of major raw materials and fuel from the second half of 2008 has contributed for rapid slowdown of inflation in the country.

After September 2008 (after the bankruptcy of Lehman Brothers) the global financial crisis has become a global economic crisis and the decline in economic activity in the developed countries in its scope and scale is defined as the most serious since the Great Depression in the 30 years of XX century. The contraction of world trade and production worldwide affected markedly the Bulgarian economy:

- Industrial export sales have fallen significantly. The availability of export orders in industry is deteriorating, indicating that in subsequent periods economic activity in the sector will remain low. Capacity utilization in industry fell from nearly 75% in 2008 to below 70% in the first months of 2009.
- Increasing uncertainty in the economic environment appears to be the most serious constraint for business development in all economic sectors and forces some companies to postpone their investment projects and plans for hiring of more employees.
- Consumers react to uncertainty about future income by postponing purchases of durables and repairs of houses and in this way increase the savings rates.
- As a result of weaker domestic consumer and investment demand, the import started to decline.

The effects from substantial fiscal and monetary measures taken in the world's leading economies in order to tackle the crisis began to influence more tangibly the economic activity and at the end of 2009 reported data for growth of the Euro zone, USA and China are higher than expectations at the beginning of the year. Uncertainty about the sustainability of the ongoing recovery of the global economy remains high and the trend towards improvement are not yet synchronized in all regions of the world. Asymmetry is observed on a sectoral level as well, such as between optimism in the industry and the more moderate expectations in the services sector. The main challenge in 2010 will be determination of time, tools and speed of fiscal consolidation and downloading the attached cash incentives in a way that will not disrupt the fragile balance of tentative recovery of the economies of the leading countries. This makes the estimates of global growth in 2010 and even for the subsequent years extremely uncertain.

The Company assesses the impact and risks of global financial crisis as follows:

1. The effect from it occurs in two directions
 - raising the price of financial resources (domestic and international) and
 - a crisis in the capital market after several years of rapid development.
2. The crisis is the main "external" risk for the development of Bulgarian economy in the next 1-2 years, especially if possible secondary (spill-over) effects occurred on European economy.
3. Slowdown in the euro zone in 2009 was expected. Negative consequences for Bulgaria in this case arise from the fact that the major share of exports and foreign direct investments are to and from trading partners and EU investors.
4. The crisis has affected all sectors of economy in varying degrees, but the sectors that registered the most dynamic development in recent years - the financial sector and construction and real estate, are exposed to the greatest risk are exposed.



5. Crisis trends in the construction and real estate sector relate to vacation properties as well as to some of the projects for construction and operation of shopping malls. Congestive tendencies exist also in trade with land and in some segments of the housing.

According to estimates of international analysts recession in the global economy began to fade at the end of 2009. It seems logical as a result of the organized and purposeful actions of the state authorities and financial authorities in international aspect. The crisis will inevitably play a role as a natural regulator for sectors of world and national economy, including the financial sphere.

The Group operates in various branches of the economy and is a subject to many risks that are specific to these branches

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

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

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

Chimimport is making, as well as it will have to make a number of reorganizations, including restructuring of the aviation business. The Group expects that these reorganizations will result in economies of funds and a more effective management of the businesses. There is no certainty, however, that Chimimport Group will manage to implement the planned reorganisations timely and completely nor that they will generate the expected benefits, including economies of expenses.



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

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

Group Chimimport may choose inappropriate market strategy

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

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

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

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

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



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

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

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

Abrupt climate changes and natural disasters may have a negative impact on the yield of grains which will have an adverse effect on the grain business of the Group, including cargo turnover of Parahodstvo BRP and make it difficult to obtain payments on the loans to agricultural producers given by CCB. A decline in the yield of agricultural activities related to unfavorable climate conditions, pests or other reasons may lead to overdue receivables related to the sale of fertilizers with deferred payments and, as a result, to a decrease in the revenue of the Group from the production of and trading in chemical products. The coming into being of large-scale insurance events may lead to difficulties for ZAD Armeec with the compensation payments, irrespective of the reinsurance strategy of the company. Terrorist attacks on sites of the air, river and maritime transport in the region may bring about a reduction in the flow of travelers and traffic and to losses for the companies of the transport branch of the Group: air companies Hemus Air and Bulgaria Air, and Parahodstvo BRP. The activities of the latter may suffer the negative impact of changes in the navigability of the Danube. Both extremes – a critically low and a critically high level of the river - are exceedingly problematic for shipping, because the impeded or completely interrupted navigation results in an increase in expenses and a drop in income for the company.

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

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



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

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

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

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

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

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

The volatility of international prices of grain, oil seeds, vegetable oils and other have an impact on the revenue and profit of Zarneni hrani Bulgaria, as it can result in decrease in the turnover and margins, as well as in increasing the risk of operations (in particular, taking into account the influence of the changes in the exchange rates, specifically USD/EUR).

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



The Group carries out activities exclusively in Bulgaria which is now an EU Member State but has so far been classified as a newly-emerging market by the international investors. The newly-emerging markets are associated with higher risks in comparison to the more developed markets, including, in some cases, material legal, economic and political risks (refer to “*Risks Related to Bulgaria*” below).

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

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

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

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

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

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

The business of the Group depends a lot on the contribution of a number of people taking part in the management and supervisory bodies and the top management of Chimimport Group and the Principal Subsidiaries and, to the greatest extent, on the Executive Directors of Chimimport Group. There is no certainty that the services of these “key” staff will also be available to the Group in the future. The competition for qualified staff among the employers in the financial and other sectors in Bulgaria is very strong. The success of the Group will depend partly on its ability to retain and motivate these people. The inability of the Group to maintain sufficiently experienced and qualified staff in managerial, operational and technical positions could have a significant adverse effect on the activities of Chimimport, its operating results and financial position. At present, the Group does not have “key staff” insurance.

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

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



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

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

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

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

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

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

General risks

Emerging markets

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



rapid change and the information contained in this document may become outdated relatively quickly.

Risks associated with the Bulgarian securities market

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

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

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

As at 31 December 2010, equity securities representing 397 companies were registered for trading at the Bulgarian Stock Exchange. 23 of these are listed on the Official Market, 307 on the Unofficial Market, and 67 on the Special Investment Purpose Companies Market.

As at 31 December 2010 the market capitalisation of the companies traded on the BSE amounted to BGN 3 479,304 million for those traded on the Official Market, BGN 5 862,735 million for those traded on the Unofficial Market and BGN 1 412,061 million for ones traded on the Special Investment Purpose Companies Market.

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

Risks associated with Bulgaria

Political risks

Under international financial and economic crisis conditions, the usual political risks have an additional burden, related to timely and adequate response of political structures, legislative and executive authorities to the economic situation. In 2011 regular presidential elections will be held.

A political risk is also the successful carry on of Bulgaria's integration to the EU. Bulgaria's accession to the EU legitimates the economic reforms that have been undertaken in the name of the country's integration to the Union. In the future the economic growth will depend on the political will to carry on with the economic reforms and to apply the best market practices of the EU, as well as on the impact on the Bulgarian economy of the 2008 financial crisis. The government's ability to implement economic growth encouragement policies is conditional both on the extent to which the members of the government can continue to co-operate in promoting the reforms undertaken, and the effectiveness and the fast application of

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

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

Economic risks

Like other transitional countries, Bulgaria runs a huge trade and current account deficits. Bulgaria has an open-type of economy and its development is directly influenced by international market conditions, which were favorable in the last years. In this sense, the global financial crisis started, which has been raging since 2008, has a detrimental effect on the business conjuncture in the country, mostly because of the decrease of export and the drop in the flow of foreign capitals, which impacts the investment activity, unemployment level (9.2% for 2010), income, internal consumption and led to negative real economic growth. The negative growth rate of 3,5% of the GDP in the first quarter of 2009, -4,9% in the second quarter and -5,4% in the third quarter has resulted in a recession in 2009. The Bulgarian economy was affected by the financial crisis with a certain delay, especially regarding the shrinking external demand and the sharp decrease in financial inflows, including FDI. These factors, along with the reduction of the internal demand, led to a negative GDP growth rate of -6,3% in the last quarter of 2009 as well. It is especially important to note the speed at which the country's economy is recovering following the international stabilisation. In Bulgaria there is an increase in the positive trend that started in the second quarter of 2010 and the GDP reports 1% positive growth rate for the third quarter of 2010.

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

Bulgaria has a limited capacity to support stable the market system. In that regard, the stability and predictability in the foreign exchange regime have a key significance. In February 2009, the Bulgarian government has stated intentions to keep the Foreign exchange board arrangements until the country becomes a part of the Euro zone. During the same month, leading political parties, forming the opposition, have also agreed on the same idea – to keep the Foreign exchange board and the current fixed BGN/EUR exchange rate until the country enters the Euro zone. In March 2009, during a speech to the investment community, BNB's manager has stated that regardless of what adaptation is needed for the Bulgarian economy as a result of the global financial and economic crisis, that adaptation will happen within the limits of the already existing currency board regime and at the existing exchange rate of BGN 1.95583 per EUR 1. The manager emphasized that Bulgaria will not experiment and speculate with its foreign exchange regime, which is the milestone of the Bulgarian macroeconomical and financial stability. The credit rating of Bulgaria is BBB, long-term, according to the Standard & Poor's scale. As at 1 December 2009 the perspective has been increased from negative to stable. The credit rating of Bulgaria is Baa3, long-term, according Moody's scale. As at 31 August 2010 the rating agency retains the perspective as positive.



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

The business of the Issuer, the results of its operations and its financial condition largely depend on the condition of the Bulgarian economy, which in turn affects loan growth, interest costs and customers' ability to meet their obligations on time. Any negative change in one or more macroeconomic factors, such as interest rates, which are influenced by Euro zone interest rates by virtue of the Currency Board arrangements, inflation, wage levels, unemployment, foreign investment and international trade, could have a materially adverse effect on the business of the Issuer, results of operations and financial condition. Businesses in Bulgaria have a limited operating history in free market conditions. Accordingly, when compared to the companies, functioning in the countries with a developed market economy, such businesses are characterised by a lack of management experienced in responding to the market, limited capital resources with which to develop their operations, and low labor efficiency. In addition, Bulgaria has a limited capacity to support stable the market system.

Taxation

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

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

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



Financial instruments risks

Categories of financial assets and liabilities.

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

Financial assets	2010	2009
	BGN '000	BGN '000
Available-for-sale financial:		
Shares	1 358	6 041
Held-to-maturity investments:		
Bonds	19 409	19 263
Financial assets available-for-sale designated at fair value through profit or loss:		
Current financial assets	54 524	20 651
Loans and receivables:		
Loans Granted	193 749	181 349
Related party receivables	216 500	378 698
Trade and other receivables	88 125	78 930
Cash and cash equivalents	101 883	122 775
	600 257	761 752
Financial liabilities		
	2010	2009
	BGN '000	BGN '000
Borrowings measured at amortized cost:		
Non-current liabilities:		
- dividend liabilities	65 285	74 101
- loans	148 198	5 699
- finance lease liabilities	-	491
- other	-	-
Current liabilities:		
- dividend liabilities	16 773	8 432
- loans	106 140	200 389
- finance lease liabilities	921	1 650
- trade and other receivables	18 578	23 572
	355 895	314 334

Risk management objectives and policies

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

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

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

Market risk analysis

Foreign currency risk

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

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

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

	Short-term exposure		Long-term exposure	
	USD BGN'000	Euro BGN'000	USD BGN'000	Euro BGN'000
31 December 2010				
Financial assets	918	11 845	-	3 284
Financial liabilities	(1 075)	(6 971)	-	(133 104)
Total exposure	(157)	4 874	-	(129 820)
31 December 2009				
Financial assets	1 982	16 826	-	4 974
Financial liabilities	(1 650)	(127 192)	(491)	-
Total exposure	332	(110 366)	(491)	4 974

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



It assumes a +/- 4,35% change of the BGN/USD exchange rate for the year ended at 31 December 2010 (2009: +/- 5,06%). Both of these percentages have been estimated based on the average market volatility in the exchange rates for the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at the end of the reporting period.

If the BGN had strengthened/weakened against the USD by 4.35% (2009: +/- 5.06%) then this would have had the following impact:

	Net financial result after tax for the year	Net financial result after tax for the year
	Increase BGN'000	Decrease BGN'000
31 December 2010	(7)	+7
31 December 2009	(7)	+7

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

Interest rate risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. As at 31 December 2010, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates. All other financial assets and financial liabilities of the Company are at fixed interest rates.

The following table illustrates the sensitivity of the net financial result after tax to a reasonably possible increase/decrease in the following interest rates: BIR (*basic interest rate*) (for 2009 – BIR). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the volatility of the average market interest rate for each period. All other variables are held constant.

31 December 2010	Impact on post-tax profit of the year			
	BIR		Total	
	+ 6,00%	- 6,00%	+	-
	BGN'000	BGN'000	BGN'000	BGN'000
	(11)	11	(11)	11

31 December 2009	Impact on post-tax profit of the year			
	BIR		Total	
	+ 55,2%	- 55,2%	+	-
	BGN'000	BGN'000	BGN'000	BGN'000
	(127)	127	(127)	127



Other price risk

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

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

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

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

Credit risk analysis

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

	2010 BGN'000	2009 BGN'000
Classes of financial assets – carrying amounts:		
Shares / financial assets /	75 291	46 250
Loans granted	193 749	158 248
Related party receivables	216 500	378 698
Trade and other receivables	101 883	164 522
Cash and cash equivalents	88 125	101 736
Carrying amount	675 548	807 707

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

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

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

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

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

Liquidity risk

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

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

As at 31 December 2010, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2010	Current		Non-current	
	Within 6 months BGN'000	6 to 12 months BGN'000	From 2 to 5 years BGN'000	More than 5 years BGN'000
Dividend liabilities	-	16 773	40 430	24 855
Bank and other long-term borrowings	15 598	24 229	14 772	-
Related party payables	-	67 407	133 426	-
Finance lease liabilities	921	-	-	-
Trade and other payables	15 394	2 029	-	-
Total	31 913	110 501	188 628	24 855



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

31 December 2009	Current		Non-current	
	Within 6 months BGN'000	6 to 12 months BGN'000	From 2 to 5 years BGN'000	More than 5 years BGN'000
Dividend liabilities	4 216	4 216	35 109	38 992
Bank and other long-term borrowings	12 774	32 866	5 474	-
Related party payables	-	155 510	225	-
Finance lease liabilities	825	825	491	-
Trade and other payables	16 916	5 895	-	-
Total	34 731	199 312	41 299	38 992

As at 31 December 2009 in regards to the issued secured exchangeable bonds by a company from the group of Chimimport AD there was 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 was exercisable on 22 August 2010. At 22 August 2010 none of the bondholders have exercised their right to present for repurchasing to the issuer, Chimimport Holland B.V., all or a portion of the owned bonds. The right will be exercisable again on 22 August 2012.

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date. Annual interest payments amount to BGN 11 610 thousand (2009: BGN 6 915 thousand).

Financial assets used for managing liquidity risk

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

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

Capital management policies and procedures

The Company’s capital management objectives are:

- To ensure the Company’s ability to continue as a going concern; and

- To provide an adequate return to the shareholder by pricing products and services commensurately with the level of risk.

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

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

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

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

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

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

	2010	2009
	BGN'000	BGN'000
Shareholders' equity	923 692	831 803
Equity	923 692	831 803
+Debt	361 827	319 477
- Cash and cash equivalents	(101 883)	(122 775)
Net debt	259 944	196 702
Capital to net debt	1:0.28	1:0.24

The increase of the ratio in 2010 was mainly due to the increase in net debt of the Company by issuing preferred shares.

The Company has honored its covenant obligations, including maintaining capital ratios.

March 2011

Ivo Kamenov
/Executive Director/