



Annual Activity Report
Independent Auditor's Report
Financial Statements

CHIMIMPORT AD

31 December 2010



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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Chimimport AD
2 Stefan Karadja Str., Sofia

Report on the financial statements

We have audited the accompanying financial statements of **Chimimport AD** as of 31 December 2010, which comprise statement of financial position as of 31 December 2010, and the statement of comprehensive income, changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by European Union, and the national legislation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of **Chimimport AD** as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by European Union and the national legislation.

Report on Other Legal and Regulatory Requirements – Management’s report for the year ended 31 December 2010

We have reviewed the management’s report for the year ended 31 December 2010 of **Chimimport AD**, which is not part of the financial statements. The historical financial information in the management’s report complies in its main aspects with the financial information, presented in the financial statements for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards, as adopted by EU and the national legislation. The preparation of the management’s report is responsibility of the management.

Mariy Apostolov
Managing partner

Gergana Mihaylova
Registered Auditor

Grant Thornton Ltd.
Auditing Company

31 March 2011
Bulgaria, Sofia

Statement of financial position

| | Note | 31.12.2010 BGN '000 | 31.12.2009 BGN '000 |
|--------------------------------------|------|------------------------|------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 19 791 | 18 529 |
| Investment property | 10 | 4 162 | 4 049 |
| Investment in subsidiaries | 7 | 568 832 | 294 459 |
| Investment in associates | 8 | 16 773 | 26 470 |
| Intangible assets | 5 | 5 | 9 |
| Long-term financial assets | 11 | 19 622 | 20 595 |
| Long-term related party receivables | 40 | 96 214 | 191 106 |
| Long-term receivables | 12 | 160 211 | 71 806 |
| Deferred tax assets | 13 | 24 | 11 |
| | | 885 634 | 627 034 |
| Current assets | | | |
| Inventories | 14 | 384 | 46 |
| Short-term financial assets | 15 | 55 669 | 25 360 |
| Loans granted | 16 | 33 538 | 109 543 |
| Trade receivables | 17 | 84 823 | 68 988 |
| Short-term related party receivables | 40 | 120 286 | 187 592 |
| Tax receivables | 18 | 116 | 70 |
| Other receivables | 19 | 3 186 | 9 872 |
| Cash and cash equivalents | 20 | 101 883 | 122 775 |
| | | 399 885 | 524 246 |
| Total assets | | 1 285 519 | 1 151 280 |

Prepared by: _____
/A. Kerezov/

Executive Director: _____
/I. Kamenov/

Date: 30 March 2011

Audited according to the auditor's report dated 31 March 2011:



Statement of financial position (continued)

| Equity and liabilities | Note | 31.12.2010 BGN '000 | 31.12.2009 BGN '000 |
|--|---------------------|------------------------|------------------------|
| Equity | | | |
| Share capital | 21.1 | 239 646 | 239 646 |
| Share premium | 21.2 | 260 599 | 260 475 |
| Other reserves | 21.3 | 6 477 | 6 534 |
| Retained earnings | | 325 148 | 234 719 |
| Net profit for the year | | 91 822 | 90 429 |
| Total equity | | 923 692 | 831 803 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term dividend liabilities | 22 | 65 285 | 74 101 |
| Long-term borrowings | 24.1 | 14 772 | 5 474 |
| Long-term related party payables | 40 | 133 426 | 225 |
| Finance lease liabilities | 9.1 | - | 491 |
| Pension and other employee obligations | 23.2 | 50 | 27 |
| Deferred tax liabilities | 13 | 5 189 | 1 971 |
| | | 218 722 | 82 289 |
| Current liabilities | | | |
| Short-term dividend liabilities | 22 | 16 773 | 8 432 |
| Short-term bank loans | 24.2 | 2 920 | 2 920 |
| Other short-term borrowings | 24.3 | 36 906 | 42 720 |
| Trade payables | 25 | 15 394 | 16 916 |
| Finance lease liabilities | 9.1 | 921 | 1 650 |
| Pension and other employee obligations | 23.2 | 122 | 174 |
| Short-term related party payables | 40 | 67 407 | 155 510 |
| Tax liabilities | 26 | 570 | 2 971 |
| Other liabilities | 27 | 2 092 | 5 895 |
| | | 143 105 | 237 188 |
| Total liabilities | | 361 827 | 319 477 |
| Total equity and liabilities | | 1 285 519 | 1 151 280 |
| Prepared by: _____ | Executive Director: | _____ | |
| /A. Kerezov/ | | /I. Kamenov/ | |
| Date: 30 March 2011 | | | |

Audited according to the auditor's report dated 31 March 2011:

Statement of comprehensive income

| | Note | 2010 BGN '000 | 2009 BGN '000 |
|--|------|------------------|------------------|
| Gains from transactions with financial instruments | 28 | 90 464 | 70 511 |
| Losses from transactions with financial instruments | 29 | (59) | (51) |
| Net profit from transactions with financial instruments | | 90 405 | 70 460 |
| Interest income | 30 | 40 647 | 35 015 |
| Interest expense | 31 | (32 559) | (19 509) |
| Net profit from interest | | 8 088 | 15 506 |
| Gains from foreign exchange differences | 33 | 874 | 468 |
| Losses from foreign exchange differences | 33 | (929) | (117) |
| Net profit from foreign exchange differences | | (55) | 351 |
| Other financial income | 32 | 202 | 4 831 |
| Other financial expenses | 32 | (1 468) | (575) |
| Other financial (expenses)/income | | (1 266) | 4 256 |
| Operating revenue | 34 | 7 838 | 10 746 |
| Gains from sale of non-current assets | 36 | 144 | 794 |
| Operating expenses | 35 | (9 637) | (6 785) |
| Profit from operating activities | | (1 654) | 4 755 |
| Profit for the period before tax | | 95 517 | 95 328 |
| Tax expense | 37 | (3 695) | (4 899) |
| Net profit for the period | | 91 822 | 90 429 |
| Total comprehensive income | | 91 822 | 90 429 |
| Earnings per share in BGN | 38 | 0.6094 | 0.6039 |
| Diluted earnings per share in BGN | 38 | 0.4178 | 0.3784 |

Prepared by: _____
/A. Kerezov/

Executive Director: _____
/I. Kamenov/

Date: 30 March 2011

Audited according to the auditor's report dated 31 March 2011:



Statement of changes in equity

| All amounts are presented in BGN '000 | Share capital | Share premium | Other reserves | Retained earnings | Total equity |
|--|----------------|----------------|----------------|-------------------|----------------|
| Balance at 1 January 2010 | 239 646 | 260 475 | 6 534 | 325 148 | 831 803 |
| Increase in share premium through conversion of preference shares in ordinary shares | - | 124 | - | - | 124 |
| Transactions with owners | - | 124 | - | - | 124 |
| Net profit for the period, ending at 31 December 2010 | - | - | - | 91 822 | 91 822 |
| Total comprehensive income | - | - | - | 91 822 | 91 822 |
| Other changes in equity | | | | | |
| Donations | - | - | (57) | - | (57) |
| Total other changes in equity | - | - | (57) | - | (57) |
| Balance at 31 December 2010 | 239 646 | 260 599 | 6 477 | 416 970 | 923 692 |

Prepared by: _____
 /A. Kerezov/

Executive Director: _____
 /I. Kamenov/

Date: 30 March 2011

Audited according to the auditor's report dated 31 March 2011:



Statement of changes in equity (continued)

| All amounts are presented in BGN '000 | Share capital | Share premium | Other reserves | Retained earnings | Total equity |
|---|----------------|------------------|-------------------|----------------------|----------------|
| Balance at 1 January 2009 | 150 000 | 232 343 | 6 734 | 234 719 | 623 796 |
| Increase in share capital and share premium through issue of preference shares and conversion of preference shares in ordinary shares | 89 646 | 30 165 | - | - | 119 811 |
| Transaction costs related to the issue of preference shares | - | (2 033) | - | - | (2 033) |
| Transactions with owners | 89 646 | 28 132 | - | - | 117 778 |
| Net profit for the period, ending at 31 December 2009 | - | - | - | 90 429 | 90 429 |
| Total comprehensive income | - | - | - | 90 429 | 90 429 |
| Other changes in equity | | | | | |
| Donations | - | - | (200) | - | (200) |
| Total other changes in equity | - | - | (200) | - | (200) |
| Balance at 31 December 2009 | 239 646 | 260 475 | 6 534 | 325 148 | 831 803 |

Prepared by: _____
/A. Kerezov/

Executive Director: _____
/I. Kamenov/

Date: 30 March 2011

Audited according to the auditor's report dated 31 March 2011:



Statement of cash flows

| | Note | 2010 BGN '000 | 2009 BGN '000 |
|---|------|------------------|------------------|
| Operating activities | | | |
| Proceeds from short-term loans | | 259 748 | 111 802 |
| Payments for short-term loans | | (167 678) | (144 712) |
| Proceeds from sale of short-term financial assets | | 24 154 | 8 387 |
| Purchase of short-term financial assets | | (12 228) | (8 154) |
| Cash receipt from customers | | 16 809 | 34 666 |
| Cash paid to suppliers | | (7 576) | (24 496) |
| Interest received | | 8 226 | 4 623 |
| Cash paid to employees and social security institutions | | (1 299) | (732) |
| Taxes paid | | (3 087) | (6 534) |
| Other proceeds | | 179 | - |
| Other payments | | (207) | - |
| Net cash flow from operating activities | | 117 041 | (25 150) |
| Investing activities | | | |
| Purchase of property, plant and equipment | 6 | (1 326) | (10 825) |
| Proceeds from sale of property, plant and equipment | | 1 512 | 7 500 |
| Proceeds from sale of interest in subsidiaries and associates | | 1 000 | 34 905 |
| Acquisition of subsidiaries and associates | | (373) | (1 658) |
| Dividends received | | 536 | - |
| Loan repayments received | | 79 153 | - |
| Loans granted | | (192 027) | (31 699) |
| Net cash flow from investing activities | | (111 525) | (1 777) |
| Financing activities | | | |
| Proceeds from issue of preference shares | | - | 199 015 |
| Payments of commissions related to issue of preference shares | | - | (3 391) |
| Dividends paid on preference shares | 22 | (9 532) | - |
| Long-term loans received | | 11 484 | 68 650 |
| Payments for long-term and bank loans received | | (14 826) | (207 677) |
| Discharge of finance lease liability | 9.1 | (1 930) | (2 167) |
| Interest paid | | (11 610) | (6 915) |
| Net cash flow from financing activities | | (26 414) | 47 515 |
| Net change in cash and cash equivalents | | (20 898) | 20 588 |
| Cash and cash equivalents, beginning of year | | 122 775 | 101 840 |
| Exchange gains/(losses) from cash and cash equivalents | | 6 | 347 |
| Cash and cash equivalents, end of year | 20 | 101 883 | 122 775 |

Prepared by: _____ Executive Director: _____
/A. Kerezov/ /I. Kamenov/
Date: 30 March 2011

Audited according to the auditor's report dated 31 March 2011:

Notes to the financial statements

1. Nature of operations

Chimimport AD was registered as a joint-stock company at Sofia city court on 24 January 1990. The address of the Company's registered office is 2 St. Karadja Str., Sofia, Bulgaria.

The Company is registered on the Bulgarian Stock Exchange – Sofia on 30 October 2006.

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 pension insurance;
- Securitization of real estate and receivables;
- Extraction of oil and natural gas;
- Construction of output capacity in the area of oil-processing industry, production of biodiesel and production of rubber items;
- Production and trading with oil and chemical products;
- Production of vegetable oil, purchasing, processing and trading with grain foods;
- Aviation transport and ground activities on servicing and repairing of aircrafts and aircraft engines;
- River and sea transport and port infrastructure;
- Commercial agency and brokerage;
- Commission, forwarding and warehouse activity.

The Company has a two-tier management structure consisting of a Supervisory Board and a Managing Board.

The members of the Supervisory Board are as follows:

Chimimport Invest AD
CCB Group EAD
Mariana Bazhdarova

The members of the Managing Board are as follows:

Alexander Kerezov
Ivo Kamenov
Marin Mitev
Nikola Mishev
Miroljub Ivanov
Tzvetan Botev

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

As at 31 December 2010 the Company has 60 employees.

2. Basis for the preparation of financial statements

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union (EU).

The financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the Company. All amounts are presented in thousand Bulgarian leva (BGN'000) (including the comparative information for 2009) unless otherwise stated.

The Company also prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and approved by EU. Investments in subsidiaries are accounted for and disclosed in accordance with IAS 27 “Consolidated and Separate Financial Statements”.

The financial statements are prepared under the going concern principle.

Regarding the current information about the foreseeable future at the date of financial statements, the Management has assessed the ability of the Company to continue performing its main activity on going concern basis. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

3. Changes in accounting policies

3.1. Overall considerations

The Company has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2010:

- IFRS 3 “Business Combinations” (revised 2008), adopted by the EU on 12 June 2009;;
- IAS 27 “Consolidated and Separate Financial Statements” (revised 2008), adopted by the EU on 12 June 2009;
- IAS 39 “Financial Instruments: Recognition and Measurement” (amended) – Eligible Hedged Items, adopted by the EU on 16 September 2009;
- Annual Improvements to IFRSs 2008 – IFRS 5 “Non-current Assets Held for Sales and Discontinued Operations”, adopted by the EU;
- Annual Improvements to IFRSs 2009, adopted by the EU on 23 March 2010

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described as follows:

IFRS 3 “Business Combinations” (revised 2008) is a further development of the acquisition model. Transaction costs no longer form a part of the acquisition price; they are expensed as incurred. Consideration now includes the fair value of all interests that the acquirer may have held previously in the acquired business. This includes any interest in an associate or joint venture or other equity interests of the acquired business. If the interests in the target were not held at fair value, they are remeasured to fair value through the income statement. The revised standard gives entities the option, on a transaction-by-transaction basis, to measure non-controlling interests (previously minority interest) at the value of their proportion of identifiable

assets and liabilities or at full fair value. The second approach will record goodwill on the non-controlling interest as well as on the acquired controlling interest.

IAS 27 “Consolidated and Separate Financial Statements” (revised 2008) requires a mandatory adoption of the economic entity model. The economic entity approach treats all providers of equity capital as the entity’s shareholders, even when they are not shareholders in the parent company. A partial disposal of an interest in a subsidiary in which the parent company retains control does not result in a gain or loss but in an increase or decrease in equity under the economic entity approach. Purchase of some or all of the non-controlling interest is treated as a treasury transaction and accounted for in equity.

IAS 39 amendment “Eligible Hedged Items” prohibits designating inflation as a hedgeable component of a fixed rate debt and in a hedge of one-sided risk with options, it prohibits including time value in the hedged risk.

Annual Improvements to IFRSs 2008:

- IFRS 5 “Non-current Assets Held for Sales and Discontinued Operations” amendment clarifies that an entity that is committed to a sale plan involving loss of control of a subsidiary shall classify all the assets and liabilities of that subsidiary as held for sale when the criteria set out in paragraphs 6-8 are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.

Annual Improvements to IFRSs 2009 include significant changes to the following standards:

- IFRS 2 amendment achieves consistency between the scope of IFRS 3 (revised) and IFRS 2 and confirms that common control transactions and the contribution of a business on the formation of a joint venture are not within the scope of IFRS 2.
- IAS 1 amendment clarifies that conversion features that are at the holder’s discretion do not impact the classification of the liability component of the convertible instrument.
- IAS 7 amendment clarifies that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.
- IAS 17 amendment clarifies that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17’s general principles.
- IAS 18 amendment adds an additional paragraph to the appendix to IAS 18, providing guidance on whether an entity is acting as principal or agent.
- IAS 36 amendment states that for the purpose of impairment testing, the cash-generating unit or groups of cash-generating units to which goodwill is allocated should not be larger than an operating segment (as defined by IFRS 8 “Operating segments”) before aggregation.
- IAS 38 amendment removes the exceptions from recognising intangible assets on the basis that their fair values cannot be reliably measured. The amendment specifies different valuation techniques that may be used to value intangible assets where there is no active market.
- IAS 39 amendment clarifies that the scope exemption within IAS 39.2(g) only applies to forward contracts that will result in a business combination at a future date, as long as the term of the forward contract does ‘not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction’.
- IFRIC 9 amendment clarifies that IFRIC 9 does not apply to embedded derivatives in contracts acquired in a business combination within the scope of IFRS 3 (revised), in a business



combination between entities or businesses under common control; or as part of the formation of a joint venture.

- IFRIC 16 amendment confirms that hedging instrument can be held anywhere in the group including within the entity that is being hedged.

The following standards, amendments and interpretations to existing standards, are not relevant to the business activities of the Company and have no effect on the financial statements:

- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (amended) – Additional Exemptions for First-time Adopters, adopted by the EU on 25 June 2010;
- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (revised 2008), adopted by the EU, adopted by the EU on 25 November 2009;
- IFRS 2 “Share-based Payment” (amended) – Group Cash-settled Share-based Payment Transactions, adopted by the EU on 23 March 2010;
- IFRIC 15 “Agreements for the Construction of Real Estate”, effective 1 January 2009, although EU endorsed on 23 June 2009 for periods beginning on or after 1 January 2010;
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”, effective 1 October 2008, although EU endorsed for 1 July 2009;
- IFRIC 17 “Distributions of Non-cash Assets to Owners”, adopted by the EU on 25 November 2009;
- IFRIC 18 “Transfers of Assets from Customers”, adopted by the EU on 27 November 2009 for periods beginning on or after 31 October 2009;
- Annual Improvements to IFRSs 2008 – IFRS 5 “Non-current Assets Held for Sales and Discontinued Operations”, adopted by the EU;

3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below.

IFRS 7 “Financial Instruments: Disclosures” – Derecognition, effective from 1 July 2011, not yet adopted by the EU

The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.

IFRS 9 “Financial Instruments” effective from 1 January 2013, not yet endorsed by the EU

IFRS 9 “Financial instruments” represents the first milestone in the comprehensive IASB project to replace IAS 39 “Financial instruments: Recognition and measurement” by the end of 2010. It replaces multiple measurement categories in IAS 39 with a single principle-based approach to classification. IFRS 9 requires all financial assets to be measured at either amortised cost or full



fair value. Amortised cost provides decision-useful information for financial assets that are held primarily to collect cash flows that represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value represents the most relevant measurement basis. IFRS 9 eliminates the need for multiple impairment models, such that only one impairment model for financial assets carried at amortised cost will be required. Additional sections related to impairment and hedge accounting are still in the process of development. The Company's management is to assess the changes' effects on the financial statements. However it does not expect for the changes to be implemented before the publication of all of the standard's sections and before their overall effect can be assessed.

IAS 12 “Income Taxes” – Deferred Tax, effective from 1 January 2012, not yet adopted by the EU

Currently IAS 12 “Income Taxes”, requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 “Investment Property”. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21 “Income taxes- recovery of revalued non-depreciable assets”, would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

Annual Improvements to IFRSs 2010 effective from 1 January 2011 unless otherwise stated, not yet adopted by the EU:

- IFRS 3 amendment (effective from 1 July 2010) clarifies that contingent consideration balances arising from business combinations that occurred before an entity's date of adoption of IFRS 3 (Revised 2008) shall not be adjusted on the adoption date. Also provides guidance on the subsequent accounting for such balances.

The choice of measuring non-controlling interest (NCI) either at fair value or at the proportionate share in the recognized amounts of an acquiree's identifiable net assets, is now limited to NCI that are present ownership instruments and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. IFRS 3 amendment clarifies that all other components of NCI shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs.

IFRS 3 amendment clarifies the guidance for the accounting of share-based payment transactions of the acquiree that were voluntarily replaced by the acquirer and acquiree awards that the acquirer chooses not to replace, in accordance with the method, described in IFRS 2 as at the date of the acquisition.

- IFRS 7 amendment clarifies the disclosure requirements of the standard to remove inconsistencies, duplicative disclosure requirements and specific disclosures that may be misleading.

- IAS 1 amendment clarifies that entities may present the required reconciliations for component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

- IAS 21, IAS 28, IAS 31 amendments (effective from 1 July 2010) relate to the transition requirements to apply certain consequential amendments arising from the 2008 IAS 27 amendments prospectively, to be consistent with the related IAS 27 transition requirements.



- IAS 34 amendment aims to improve interim financial reporting by clarifying disclosures required, including the interaction with recent improvements to the requirements of IFRS 7.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

4. Summary of accounting policies

4.1. Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used for the preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2. Presentation of financial statements

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements" (revised 2007). The Company has elected to present the statement of comprehensive income as a single statement.

Two comparative periods are presented for the statement of financial position when the Company:

- i) applies an accounting policy retrospectively,
- ii) makes a retrospective restatement of items in its financial statements, or
- iii) reclassifies items in the financial statements.

In these financial statements the Company presents comparative information for one comparative period. The management considers unnecessary to present comparative information for a second prior reporting period, as the comparative information for 2009 corresponds to that presented in the separate financial statements as at 31 December 2009. When necessary, the comparative information is reclassified and/or recomputed, so that consistency with changes in presentation for the current year is achieved.

4.3. Investments in subsidiaries

Subsidiaries are firms under the control of the Company. Control of a subsidiary is the right to manage financial and operating policies of an entity in order to obtain benefits from its activities. In the separate financial statements of the Company investment in subsidiaries is accounted at cost of the investment.

The Company recognizes a dividend from a subsidiary in profit or loss in its separate financial statements when its right to receive the dividend is established.

4.4. Investments in associates

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries, nor interests in a joint venture. Investments in associates are initially recognized and subsequently measured at cost.



The Company recognizes a dividend from an associate in profit or loss in its separate financial statements when its right to receive the dividend is established.

4.5. Foreign currency translation

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.6. Revenue

Revenue comprises revenue from sale of goods and rendering of services. Revenue from major products and services is shown in note 28, 30, 31 and 34.

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding VAT, rebates and trade discounts.

Revenue is recognized, provided all of the following conditions are satisfied:

- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The costs incurred or to be incurred can be measured reliably;
- When the criteria for each of the Company's different activities has been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are described below.

4.6.1. Sale of goods

Revenue from sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods supplied. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

4.6.2. Rendering of services

Revenue from services is recognized when the services are provided by reference to the stage of completion of the contract at the reporting date.

Rental income from operating leases of the Company's investment properties is recognized on a straight-line basis over the term of the lease.

4.6.3. Interest and dividend income

Interest income is reported on an accrual basis using the effective interest method. Dividend income, other than those from investments in associates, is recognized at the time the right to receive payment is established.

4.7. Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

4.8. Interest expenses and borrowing costs

Interest expenses are reported on an accrual basis using the effective interest method.

Borrowing costs primarily comprise interest on the Company's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'Finance costs'.

4.9. Intangible assets

Intangible assets include property rights, trade marks, software licenses and intangible assets in process of acquisition. They are accounted for using the cost model. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the income statement for the respective period.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and this expenditure can be measured and attributed to the asset reliably. If these two conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

Residual values and useful lives are reviewed at each reporting date.

Amortization is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Software 2 years
- Property rights 5 years

Amortization has been included within 'Operating expenses'.

The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in profit or loss within 'Gain/(Loss) from sale of non-current assets'.

The recognition threshold adopted by the Company for the intangible assets amounts to BGN 700.

4.10. Property, plant and equipment

Property, plant and equipment are initially measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

After initial recognition, the property, plant and equipment is carried at its cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Impairment losses are recognized in the income statement for the respective period.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that this expenditure will enable the asset to



generate future economic benefits in excess of its originally assessed standard of performance. All other subsequent expenditure is recognized as incurred.

Residual value estimates and estimates of useful life of property, plant and equipment are updated as at each reporting date.

Property, plant and equipment acquired under finance lease agreement, are depreciated based on their expected useful life, determined by reference to comparable assets or based on the period of the lease contract, if shorter.

Depreciation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- | | |
|--------------------------|-----------|
| • Buildings | 25 years |
| • Machines and equipment | 3-5 years |
| • Computers | 2 years |
| • Aircrafts | 10 years |
| • Other | 6-7 years |

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within 'Gain/(Loss) from sale of non-current assets'.

The recognition threshold adopted by the Company for property, plant and equipment amounts to BGN 700.

4.11. Leases

Lessee

In accordance with IAS 17 “Leases” (revised 2007), the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

The related asset is recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

The finance lease liabilities are reduced by subsequent lease payments, which consist of repayment of principal and finance costs.

Assets acquired under the terms of finance lease are depreciated or amortized in accordance with IAS 16 “Property, Plant and Equipment” or IAS 38 “Intangible Assets”.

The interest element of lease payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Lessor

Assets subject to operating lease agreements are presented in the statement of financial position and are depreciated and amortized in accordance with the depreciation and amortization policy of the Company for similar assets and with the requirements of IAS 16 “Property, Plant and



Equipment” and IAS 38 “Intangible Assets”. Income from operating lease contracts is recognized on a straight-line basis in the income statement for the reporting period.

4.12. Impairment testing of intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce the carrying amount of the assets allocated to that cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.13. Investment property

The investment property of the Company includes buildings held to earn rentals and/or for capital appreciation, and are accounted for using the cost model.

The investment property is initially measured at cost, which comprises the purchase price and any directly attributable expenses, e. g. legal fees, property transfer taxes and other transaction costs.

Following the initial recognition, the investment property is measured at cost less any subsequent accumulated depreciation and any subsequent impairment losses.

Subsequent expenditure relating to investment property, which is already recognized in the Company's financial statements, is added to the carrying amount of the investment property when it is probable that this expenditure will enable the existing investment property to generate future economic benefits in excess of its originally assessed value. All other subsequent expenditure is recognized as incurred.

The investment property is derecognized upon its sale or permanent withdrawal from use in case that no future economic benefits are expected from its disposal. Gains or losses arising from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Depreciation is calculated using the straight-line method over the estimated useful life of the buildings, which is 25 years.



Rental income and operating expenses from investment property are reported within 'Operating revenue' and 'Operating expenses' respectively, and are recognized as described in note 4.6 and note 4.7.

4.14. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

All financial assets are recognized on their transaction date.

Financial assets and financial liabilities are subsequently measured as described below.

4.14.1. Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets are assigned to the different categories, depending on the purpose for which the investments were acquired. The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets are recognized in profit or loss regardless of the measurement of the financial assets and presented within 'Other financial expense', 'Other financial income', except for impairment of trade receivables which is presented within 'Operating expenses'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available feature of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables are presented within 'Operating expenses'.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include shares. Financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they do not have fixed date of payment. Changes in fair value are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, net of income taxes, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'Interest income'. Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

4.14.2. Financial liabilities

The Company's financial liabilities include bank and other loans, overdrafts, trade and other payables and finance lease liabilities.



Financial liabilities are recognized when the Company becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or contractual liability for exchange of financial instruments with another company under unfavorable terms. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'Finance costs' or 'Finance income'.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Bank and other loans are raised for support of long-term and short-term funding of the Company's operations. They are recognized in the statement of financial position of the Company, net of any costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accrual basis using the effective interest method and are added to the carrying amount of the financial liability to the extent that they are not settled in the period in which they arise.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividends payable to shareholders are recognized when the dividends are approved at the general meeting of the shareholders.

4.15. Inventories

Inventories include raw materials and goods. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not included in the cost of the inventories. At the end of every accounting period, inventories are carried at the lower of cost and net realizable value. The amount of impairment of inventories to their net realizable value is recognized as an expense for the period of impairment.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, than the new net realizable value is adopted. The reversal amount can only be up to the carrying amount of the inventories prior to their impairment. The reversal of the impairment is accounted for as decrease in inventory expenses for the period in which the reversal takes place.

The Company determines the cost of inventories by using the weighted average cost.

When inventories are sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognized.

4.16. Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.



Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 4.21.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4.17. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current bank accounts and demand deposits.

4.18. Equity, reserves and dividend payments

Share capital of the Company is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital.

Other reserves are formed on the basis of the requirements of the Commercial Act for forming statutory reserves.

Retained earnings include retained earnings and uncovered losses from past periods.

All transactions with owners of the Company are recorded separately within equity.

4.19. Post employment benefits and short-term employee benefits

The Company reports short-term payables relating to unutilized paid leaves, which shall be compensated in case it is expected the leaves to occur within 12 months after the end of the accounting period during which the employees have performed the work related to those leaves. The short-term payables to personnel include wages, salaries and related social security payments.

In accordance with Labor Code requirements, in case of retirement, after the employee has gained the legal right of pension due to years of services and age, the Company is obliged to pay him/her compensation at the amount of up to six gross wages.

The liability recognized in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan



assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

Management estimates the defined benefit obligation annually with the assistance of independent actuaries. The estimate of its post-retirement benefit obligations is based on standard rates of inflation, expected resignation rate and mortality. It also takes into account the Company's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to yield of government bonds.

Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately.

Interest expenses related to pension obligations are included in 'Interest expense' in comprehensive income. All other post employment benefit expenses are included in 'Employee benefits expense'.

Short-term employee benefits, including holiday entitlement, are current liabilities included in 'pension and other employee obligations', measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

4.20. Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Contingent liabilities are subsequently measured at the higher of the above described comparable provision and initially recognized value, less accumulated amortization.



Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.21. Significant management judgment in applying accounting policies

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 4.22

4.21.1. Leases

In applying the classification of leases in IAS 17 “Leases”, management considers its leases of aircrafts as finance lease arrangements. In some cases, the lease transaction is not always conclusive, and management uses judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

4.21.2. Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

4.21.3. Held-to-maturity investments

Management has confirmed its intention and ability to hold the bonds that are classified as held-to-maturity investments until they mature. This is based on the Company's current liquidity and capital maintenance requirements and plans.

4.22. Estimation uncertainty

When preparing the financial statements management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

4.22.1. Impairment

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 4.12). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.



In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

4.22.2. Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date.

At 31 December 2010 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in notes 5 and 6. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

4.22.3. Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability BGN 50 thousand (2009: BGN 43 thousand) is based on standard rates of inflation, expected resignation rate and mortality. It also takes into account the Company's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to yield of government bonds.

4.22.4. Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.



5. Intangible assets

Intangible assets of the Company include acquired property rights, trademarks and software licenses. Their carrying amount for the current accounting period can be presented as follows:

| | Property rights | Trade marks | Software licenses | Total |
|--|-----------------|-------------|-------------------|--------------|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| Gross carrying amount | | | | |
| Balance at 1 January 2010 | 978 | 10 | 10 | 998 |
| Balance 31 December 2010 | 978 | 10 | 10 | 998 |
| Amortization | | | | |
| Balance at 1 January 2010 | (978) | (1) | (10) | (989) |
| Amortization | - | (4) | - | (4) |
| Balance 31 December 2010 | (978) | (5) | (10) | (993) |
| Carrying amount at 31 December 2010 | - | 5 | - | 5 |

| | Property rights | Trade marks | Software licenses | Intangible assets in process of acquisition | Total |
|--|-----------------|-------------|-------------------|---|--------------|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| Gross carrying amount | | | | | |
| Balance at 1 January 2009 | 978 | 1 | 10 | 601 | 1 590 |
| Additions, separately acquired | - | 9 | - | - | 9 |
| Disposals | - | - | - | (601) | (601) |
| Balance 31 December 2009 | 978 | 10 | 10 | - | 998 |
| Amortization | | | | | |
| Balance at 1 January 2009 | (978) | (1) | (9) | - | (988) |
| Amortization | - | - | (1) | - | (1) |
| Balance 31 December 2009 | (978) | (1) | (10) | - | (989) |
| Carrying amount at 31 December 2009 | - | 9 | - | - | 9 |

In 2008 the Company has recognized intangible assets in process of acquisition at the amount of BGN 601 thousand in relation to a project for construction of a new airport in Kazan, Russia. The project is sold in 2009.

No material contractual commitments were entered into during the period.

All amortization is included in the Statement of comprehensive income within 'Operating expenses'.

No intangible assets have been pledged as security for liabilities.



6. Property, plant and equipment

Property, plant and equipment of the Company comprise land, buildings, machines and equipment, aircrafts, vehicles, assets in process of acquisition and other assets. The carrying amount can be analyzed as follows:

| | Land | Buildings | Machines and equipment | Aircrafts | Vehicles | Other | Assets in process of acquisition | Total |
|---|--------------|-------------|---------------------------|----------------|--------------|-------------|--|----------------|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| Gross carrying amount | | | | | | | | |
| Balance at 1 January 2010 | 8 580 | 26 | 178 | 8 787 | 167 | 258 | 4 053 | 22 049 |
| Additions, separately acquired | - | - | 17 | - | - | 1 | 2 178 | 2 196 |
| Disposals | - | - | (77) | - | - | (88) | - | (165) |
| Balance at 31 December 2010 | 8 580 | 26 | 118 | 8 787 | 167 | 171 | 6 231 | 24 080 |
| Depreciation | | | | | | | | |
| Balance at 1 January 2010 | - | (15) | (174) | (3 076) | (167) | (88) | - | (3 520) |
| Disposals | - | - | 67 | - | - | 69 | - | 136 |
| Depreciation | - | (1) | (4) | (878) | - | (22) | - | (905) |
| Balance at 31 December 2010 | - | (16) | (111) | (3 954) | (167) | (41) | - | (4 289) |
| Carrying amount as at 31 December 2010 | 8 580 | 10 | 7 | 4 833 | - | 130 | 6 231 | 19 791 |



The carrying amount as at 31 December 2009 can be analyzed as follows:

| | Land | Buildings | Machines and equipment | Aircrafts | Vehicles | Other | Assets in process of acquisition | Total |
|---|--------------|-------------|------------------------------|----------------|--------------|-------------|--|----------------|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| Gross carrying amount | | | | | | | | |
| Balance at 1 January 2009 | 8 580 | 144 | 740 | 8 787 | 179 | 276 | 4 637 | 23 343 |
| Additions, separately acquired | - | - | 43 | - | - | 837 | 9 950 | 10 830 |
| Disposals | - | (118) | (605) | - | (12) | (855) | (10 534) | (12 124) |
| Balance at 31 December 2009 | 8 580 | 26 | 178 | 8 787 | 167 | 258 | 4 053 | 22 049 |
| Depreciation | | | | | | | | |
| Balance at 1 January 2009 | - | (53) | (724) | (2 197) | (179) | (95) | - | (3 248) |
| Disposals | - | 43 | 572 | - | 12 | 32 | - | 659 |
| Depreciation | - | (5) | (22) | (879) | - | (25) | - | (931) |
| Balance at 31 December 2009 | - | (15) | (174) | (3 076) | (167) | (88) | - | (3 520) |
| Carrying amount as at 31 December 2009 | 8 580 | 11 | 4 | 5 711 | - | 170 | 4 053 | 18 529 |

Assets in a process of acquisition amounting to BGN 6 231 thousand (2009: BGN 4 053 thousand) comprise:

- expenditures for obtaining a building permit on a plot owned by the Samokov municipality subject to a contract with this municipality, signed on 22 May 2007, amounting to BGN 4 053 thousand. The Company's obligation to this contract is to build a municipal center for recreation, training and qualification.

- and expenditure amounting to BGN 2 178 thousand related to a concession agreement with Varna Municipality for sport complex "Mladost" from 2007. Under the terms of the Concession agreement Chimimport AD obtains the right to use the sports complex for a period of 35 years and is obliged to prepare an investment plan and make investments amounting to BGN 26 330 thousand

On 18 April 2006 three of the Company's aircrafts (British Aerospace BAE/Model 146-300) acquired under the terms of a hire purchase agreement, signed with ANZEF Limited, United Kingdom, are pledged as collateral and registered in the Special Pledges Register. Their carrying amount as at 31 December 2010 is BGN 4 833 thousand (31 December 2009 - BGN 5 711 thousand) (See note 9).

All depreciation charges are included in the Statement of comprehensive income within 'Operating expense'.



7. Investments in subsidiaries

The Company has the following investments in subsidiaries:

| Name of subsidiary | Country of incorporation | Main activities | 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 | |



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

In 2010, the increase of investments in subsidiaries Bulgarian Aviation Group EAD amounting to BGN 157 277 thousand and Chimimport Group EAD amounting to BGN 116 284 thousand represent amounts provided to the subsidiaries under loan contracts with no maturity date that can be redeemed at the discretion of subsidiaries.

As of 31.12.2010 Chimimport AD has increased its investments in Energoproekt EAD and Chimsnab respectively by BGN 444 thousand and BGN 373 thousand through additional contributions.

In 2010, the Company has received a dividend of BGN 536 thousand from Brand New Ideas EOOD. In 2009, the Company has not received any dividends from subsidiaries

In 2010 Chimimport has sold its investment in Brand New Ideas EOOD.

The Company has not incurred any contingent liabilities or other commitments relating to its investments in subsidiaries

8. Investments in associates

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

| Name of the associate | 2010 | share | 2009 | share |
|-----------------------|---------------|--------|---------------|--------|
| | BGN '000 | % | BGN '000 | % |
| PIC Saglasie Co. Ltd. | 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% |
| | 16 773 | | 26 470 | |

The financial information about the associates can be summarized as follows:

| | 2010 | 2009 |
|---|----------|----------|
| | BGN '000 | BGN '000 |
| Assets | 18 733 | 85 023 |
| Liabilities and pension reserves | 8 034 | 45 860 |
| Revenue | 11 529 | 11 000 |
| Profit / (Loss) | 33 | (1 659) |
| Share in profit / (loss), attributable to the Company | 16 | (559) |

In 2010 Chimimport has sold its investment in Holding Nov Vek AD. Profit from the transaction is presented under "Gains from transactions with financial instruments" in the Statement of comprehensive income.

In 2010 and 2009 the Company has not received any dividends from associates. The investments in associates are recognized in the financial statements using the cost method.



9. Lease

9.1. Finance leases as lessee

The Company is a lessee by a 5-year contract for finance lease signed with ANZEF London on 31 March 2006 for the purchase of 3 aircrafts – BAE with a termination date in April 2011 (See note 6)

The net carrying amount of the assets acquired under the terms of a lease contract amounts to BGN 4 833 thousand (2009 –BGN 5 711 thousand). The assets are disclosed in note “Property, plant and equipment“ (See note 6).

The finance lease liabilities are secured with the leased assets.

Future minimum finance lease payments at the end of the current and prior reporting periods under review are as follows:

| 31 December 2010 | Within 1 year | From 1 to 5 years | Total |
|--------------------------|---------------|----------------------|------------|
| | BGN'000 | BGN'000 | BGN'000 |
| Lease payments | 1 075 | - | 1 075 |
| Finance charges | (154) | - | (154) |
| Net present value | 921 | - | 921 |

| 31 December 2009 | Within 1 year | From 1 to 5 years | Total |
|--------------------------|---------------|----------------------|--------------|
| | BGN'000 | BGN'000 | BGN'000 |
| Lease payments | 2 148 | 635 | 2 783 |
| Finance charges | (498) | (144) | (642) |
| Net present value | 1 650 | 491 | 2 141 |

The lease contract includes fixed lease payments and a purchase option in the end of the lease period. The lease agreement is irrevocable but does not contain any further restrictions. The Company has not recognized contingent rent expenses.

The acquired aircrafts under the lease contract are rented to Aviation Company Hemus Air EAD under an irrevocable contract for operating subleasing (See note 9.2).

9.2. Operating leases as lessee

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

| | Minimum lease payments due | | |
|------------------------|----------------------------|--------------------------|--------------------------|
| | Within 1 year BGN'000 | Within 1 year BGN'000 | Within 1 year BGN'000 |
| As at 31 December 2010 | 507 | 429 | 936 |
| As at 31 December 2009 | 456 | 798 | 1 254 |



Lease payments recognized as an expense during the period amount to BGN 482 thousand (2009: BGN 384 thousand). This amount consists of minimum lease payments.

The Company has signed the following lease contracts:

- On 1 September 2006 the Company has signed an operating lease contract with Trans intercar EOOD for lease of 9 automobiles with monthly payments at the amount of BGN 38 thousand until 1 September 2012.
- On 15 September 2006 the Company has signed an operating lease contract with ZAD Armeec for lease of 1 automobile with monthly payments in accordance with repayment schedule until 15 August 2014.

The Company's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contains renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

9.3. Operating leases as lessor

The Company's future minimum operating lease proceeds to the Company in its capacity of a lessor are as follows:

| | Within 1 year BGN'000 | 1 to 5 years BGN'000 | Total BGN'000 |
|------------------------|--------------------------|-------------------------|------------------|
| As at 31 December 2010 | 759 | - | 759 |
| As at 31 December 2009 | 2 081 | 694 | 2 775 |

On 30 April 2006 the Company has signed a 5-year contract with Aviation Company Hemus Air EAD for operating lease of 3 aircrafts BAE 146-300 with a monthly payment of USD 128 856.

10. Investment property

Changes to the carrying amounts presented in the statement of financial position can be summarized as follows:

| | Investment property BGN '000 |
|---|---------------------------------|
| Gross carrying amount | |
| Balance at 1 January 2010 | 4 996 |
| Improvement costs | 1 391 |
| Disposals | (1 199) |
| Balance at 31 December 2010 | <u>5 188</u> |
| Depreciation | |
| Balance at 1 January 2010 | (947) |
| Depreciation | (79) |
| Balance at 31 December 2010 | <u>(1 026)</u> |
| Carrying amount as at 31 December 2010 | <u><u>4 162</u></u> |



| | Investment property |
|------------------------------|----------------------------|
| | BGN '000 |
| Gross carrying amount | |
| Balance at 1 January 2009 | 1 964 |
| Improvement costs | 3 032 |
| Balance at 31 December 2009 | <u>4 996</u> |
| Depreciation | |
| Balance at 1 January 2009 | (868) |
| Depreciation | (79) |
| Balance at 31 December 2009 | <u>(947)</u> |
| Carrying amount as at | |
| 31 December 2009 | <u><u>4 049</u></u> |

The investment property owned by the Company is a building, which is located on 1 Batenberg Str, Sofia, which is held with the purpose of increasing the value of share capital.

.In 2010 and 2009 the Company has made improvements to the investment property respectively for the amount of BGN 1 391 thousand and BGN 3 302 thousand.

As at 31 December 2010 the fair value of the investment property amounts to BGN 13 795 thousand (as at 31 December 2009 – BGN 18 859 thousand) and is estimated by the Company according to the current market levels. The investment property was not valued by an independent appraiser.

As at 31 December 2010 and 31 December 2009 the Company has entered into an agreement for repair of the investment property.

In 2010 the Company has not realized any operating income from investment property. Contingent rental income has not been recognized. Direct operating expenses amounting to BGN 405 thousand are recognized as “hired services – taxes and fees” (2009: BGN 97 thousand).

11. Long-term financial assets

Long-term financial assets, recognized in the statement of financial position, include the following categories:

| | Note | 2010 | 2009 |
|-------------------------------------|------|---------------|---------------|
| | | BGN'000 | BGN '000 |
| Held-to-maturity financial assets: | 11.1 | 19 409 | 19 263 |
| Available-for-sale financial assets | 11.2 | 213 | 1 332 |
| | | <u>19 622</u> | <u>20 595</u> |



11.1. Held-to-maturity financial assets

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

Chimimport Invest AD - Convertible bonds

The Convertible bonds were issued on 19 November 2009 with a nominal value of EUR 100 thousand per bond and an annual interest rate of 7%. The bond loan has a maturity date on 19 November 2012. The Company has the right to demand repayment of the loan on 19 November 2011 and November 19 2012. Chimimport AD holds 100 bonds.

Holders of the bonds may convert them into ordinary shares throughout the period of the loan, Each bond with a nominal value of EUR 100 thousand can be converted into 185 716 ordinary shares.

11.2. Available-for-sale financial assets

| Shares | Country of incorporation | 2010 BGN'000 | Share % | 2009 BGN'000 | Share % |
|-----------------------------|-----------------------------|-----------------|------------|-----------------|------------|
| 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% |
| | | 213 | | 1 332 | |

During the period the Company has acquired shares in Petrochim Trade AD at the amount of BGN 17 thousand.

Investment in Tatinvest Bank, Tatarstan has been reclassified as current financial assets as the company intends to sell its investment in 2011.

These companies are not traded on a regulated market and their fair value cannot be determined at of 31.12.2010.



12. Long-term receivables

| | 2010 | 2009 |
|---------------------------------|----------------|---------------|
| | BGN '000 | BGN '000 |
| Pavleks 97 EOOD | 46 258 | 44 611 |
| Abas EOOD | 36 256 | - |
| General Stock Investment EOOD | 15 229 | - |
| Rostinvest AD | 14 874 | 10 352 |
| Holding Nov Vek AD | 8 488 | - |
| AKIN EOOD | 7 311 | - |
| Franchise Development OOD | 7 000 | 6 527 |
| Technoimportexport AD | 6 513 | - |
| Armada Group EOOD | 5 600 | - |
| Nova industrialna kompania EOOD | 2 337 | - |
| Prima Chim EOOD | 2 097 | 5 313 |
| ARMY GROUP EOOD | 2 774 | 2 471 |
| Invest Capital Consult EOOD | 3 149 | 2 001 |
| Novico Nord EOOD | 1 476 | - |
| Business Centre Izgrev EOOD | 849 | - |
| Other (below 100 000 BGN) | - | 531 |
| | 160 211 | 71 806 |

Long-term loan receivable from Pavleks 97 EOOD amounting to BGN 46 258 thousand includes a principal amounting to BGN 37 339 thousand and interest receivables at the amount of BGN 8 919 thousand. The loan is provided under a contract for temporary financial assistance signed on 30.03.2009 for loan amount of BGN 41 000 thousand at annual interest rate of 12.50%. The maturity date is on 31.12.2014.

Long-term loan receivable from Abas EOOD amounting to BGN 36 256 thousand includes a principal amounting to BGN 28 238 thousand and interest receivables at the amount of BGN 8 018 thousand. The loan is provided under a contract for temporary financial assistance signed on 15.12.2007 for loan amount of BGN 30 000 thousand at annual interest rate of 10.00%. The maturity date is on 31.12.2012.

Long-term loan receivable from General Stock Investment EOOD amounting to BGN 15 229 thousand includes a principal amounting to BGN 14 000 thousand and interest receivables at the amount of BGN 1 229 thousand. The loan is provided under a contract for temporary financial assistance signed on 01.03.2007 for loan amount of BGN 14 000 thousand at annual interest rate of 10.00%. The maturity date is on 31.12.2012.

Long-term loan receivable from Rostinvest AD amounting to BGN 14 874 thousand includes a principal amounting to BGN 12 813 thousand and interest receivables at the amount of BGN 2 060 thousand. The loan is provided under a contract for temporary financial assistance signed on 23.05.2008 for loan amount of BGN 15 000 thousand at annual interest rate of 10.00%. The maturity date is on 23.05.2014.



Long-term loan receivable from Holding Nov Vek AD amounting to BGN 8 488 thousand includes a principal amounting to BGN 5 985 thousand and interest receivables at the amount of BGN 2 503 thousand. The loan is provided under a contract for temporary financial assistance signed on 23.10.2008 for loan amount of BGN 8 000 thousand at annual interest rate of 10.00%. The maturity date is on 31.12.2014.

Long-term loan receivable from AKIN EOOD amounting to BGN 7 311 thousand includes a principal amounting to BGN 5 155 thousand and interest receivables at the amount of BGN 2 155 thousand. The loan is provided under a contract for temporary financial assistance signed on 15.12.2008 for loan amount of BGN 6 200 thousand at annual interest rate of 14.00%. The maturity date is on 31.12.2014.

13. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences from revaluation of financial instruments, provisions for unused leave and provisions for pensions and can be summarized as follows:

| | 1 January 2010 BGN '000 | Recognized in profit and loss BGN '000 | 31 December 2010 BGN '000 |
|-------------------------------------|-------------------------------|--|---------------------------------|
| Current assets | | | |
| Short-term financial assets | 1 971 | 3 218 | 5 189 |
| Trade receivables | - | (13) | (13) |
| Non-current liabilities | | | |
| Employee pension obligations | (3) | (2) | (5) |
| Current liabilities | | | |
| Other payables to employees | (3) | 2 | (1) |
| Provisions for unused paid leaves | (5) | - | (5) |
| | <u>1 960</u> | <u>3 205</u> | <u>5 165</u> |
| Recognized as: | | | |
| Deferred tax asset | <u>(11)</u> | | <u>(24)</u> |
| Deferred tax liability | <u>1 971</u> | | <u>5 189</u> |
| Net deferred tax liabilities | <u>1 960</u> | | <u>5 165</u> |



Deferred taxes for the comparative period 2009 can be summarized as follows:

| | 1 January 2009 | Recognized in profit and loss | 31 December 2009 |
|--|-------------------|----------------------------------|---------------------|
| | BGN '000 | BGN '000 | BGN '000 |
| Current assets | | | |
| Short-term financial assets | - | 1 971 | 1 971 |
| Non-current liabilities | | | |
| Employee pension obligations | - | (3) | (3) |
| Current liabilities | | | |
| Other payables to employees | (1) | (2) | (3) |
| Provisions for unused paid leaves | (5) | - | (5) |
| | <u>(6)</u> | <u>1 966</u> | <u>1 960</u> |
| Recognized as: | | | |
| Deferred tax asset | <u>(6)</u> | | <u>(11)</u> |
| Deferred tax liability | <u>-</u> | | <u>1 971</u> |
| Net deferred tax (assets)/liabilities | <u><u>(6)</u></u> | | <u><u>1 960</u></u> |

All deferred tax assets have been recognized in the statement of financial position.

14. Inventories

Inventories recognized in the statement of financial position can be analyzed as follows:

| | 2010 BGN '000 | 2009 BGN '000 |
|-------------------------------|------------------|------------------|
| Raw materials and consumables | 2 | 2 |
| Goods | 382 | 44 |
| | <u>384</u> | <u>46</u> |

None of the inventories are pledged as securities for liabilities.



15. Short-term financial assets

Short-term financial assets for the presented reporting periods include various investments, held for short-term trading.

| | Note | 2010 BGN '000 | 2009 BGN '000 |
|---|------|------------------|------------------|
| Financial assets at fair value through profit or loss | 15.1 | 54 524 | 20 651 |
| Available-for-sale financial assets | 15.2 | 1 145 | 4 709 |
| | | 55 669 | 25 360 |

As at 31 December 2010 the Company has not pledged any short-term financial assets.

15.1. Financial assets at fair value through profit or loss

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

The short-term financial assets are classified as financial instruments at fair value through profit or loss. As at 31 December 2010 the financial assets are presented at fair value based on the prices quoted on the Bulgarian Stock Exchange – Sofia.

15.2. Available-for-sale financial assets

| | Country of incorporation | 2010 BGN '000 | share % | 2009 BGN '000 | share % |
|---------------------------------|-----------------------------|------------------|------------|------------------|------------|
| 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 | |

The shares in these companies are not traded on a regulated market and their fair value cannot be determined as at 31 December 2010.



16. Loans granted

| | 2010 | 2009 |
|---------------------------------|---------------|----------------|
| | BGN '000 | BGN '000 |
| PFK Chernomore AD | 13 337 | 9 151 |
| Blisak EOOD | 2 330 | 2 534 |
| St.St. Konstantin and Elena AD | 1 897 | 1 139 |
| Citisime Trade EOOD | 1 645 | - |
| Consortium Slatina Bulgarplod | 1 608 | - |
| Slatina Bulgarplod EAD | 1 452 | - |
| Ital Commerce 75 EOOD | 1 408 | 3 228 |
| Office 1 Superstore – Ukraine | 1 386 | 1 261 |
| Hummer 2003 EOOD | 793 | - |
| Denis 2001 EOOD | 701 | 1 505 |
| ABAS EOOD | - | 33 272 |
| INO EOOD | - | 12 989 |
| Loriyan EOOD | - | 8 625 |
| New Industrial Company EOOD | - | 7 387 |
| AKIN EOOD | - | 7 025 |
| Technoimportexport AD | - | 5 970 |
| Business center Izgrev EOOD | - | 5 904 |
| Axe 77 EOOD | - | 3 650 |
| Other, below BGN 1 000 thousand | 6 981 | 5 903 |
| | 33 538 | 109 543 |

Short-term loans are granted with annual interest rates from 7% to 14%, depending on the maturity date. The loans are receivable on demand of the Company. The fair value of the granted loans has not been determined separately, as the management considers the carrying amounts recognized at the statement of financial position to be a reasonable approximation of their fair value. As at 31 December 2010 there are no receivables pledged as collateral.

17. Trade receivables

| | 2010 | 2009 |
|--------------------------------------|---------------|---------------|
| | BGN '000 | BGN '000 |
| Advances for purchase of investments | 60 000 | 60 000 |
| Lorian EOOD | 18 749 | - |
| Finance Consulting EAD | 3 725 | - |
| TIM Club EOOD | 1 341 | - |
| Pierro 97 MA AD | 295 | 1 353 |
| Velgraf Assets Management AD | - | 4 453 |
| Others | 713 | 3 182 |
| | 84 823 | 68 988 |



All trade receivables are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All trade receivables of the Company have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of BGN 2 740 thousand (2009: BGN 258 thousand) has been recognized in the Statement of comprehensive income within 'Operating expenses'. The impaired trade receivables are mostly due from trade customers that are experiencing financial difficulties.

As at the reporting date there are no significant not impaired trade receivables with expired maturity.

18. Tax receivables

| | 2010 BGN '000 | 2009 BGN '000 |
|-------------------------------|------------------|------------------|
| VAT refundable – for December | 116 | 70 |
| | <u>116</u> | <u>70</u> |

19. Other receivables

| | 2010 BGN '000 | 2009 BGN '000 |
|------------------------------|------------------|------------------|
| Court receivables | - | 109 |
| Short-term deposits | 1 013 | 2 893 |
| Other short-term receivables | 2 173 | 6 870 |
| | <u>3 186</u> | <u>9 872</u> |

20. Cash and cash equivalents

Cash and cash equivalents include the following components:

| | 2010 BGN '000 | 2009 BGN '000 |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | | |
| - BGN | 26 690 | 20 746 |
| - EUR | 13 136 | 13 019 |
| - USD | 35 | 6 |
| Short-term deposits | 62 022 | 89 004 |
| | <u>101 883</u> | <u>122 775</u> |

Short-term deposits amounting to BGN 62 022 thousand (2009: 89 004 thousand) are deposited at 6% annual interest rate.

The amount of cash and cash equivalents, which is blocked for the Company as at 31 December 2010 amounts to BGN 368 thousand.



21. Equity

21.1. Share capital

The share capital of the Company as at 31 December 2010 consists of 150 858 809 ordinary shares with a par value of BGN 1 and 88 787 458 preferred shares with a par value of BGN 1. The shares of the Company are ordinary, registered and subject to unrestricted transfers and entitle 1 voting right and liquidation quota. The preferred shares do not entitle voting rights. They give the owner the right to a cumulative guaranteed dividend and to a guaranteed liquidation quota of the Company's estate.

| | 2010 BGN '000 | 2009 BGN '000 |
|--|--------------------|--------------------|
| Shares issued and fully paid: | | |
| - beginning of the year | 239 646 267 | 149 999 984 |
| - issued during the year /preferred shares/ | - | 89 646 283 |
| - decrease in preferred shares due to conversion of preferred shares | (281 419) | (577 406) |
| - increase in ordinary shares due to conversion of preferred shares | 281 419 | 577 406 |
| Shares issued and fully paid at the end of the year | 239 646 267 | 239 646 267 |

On 12 June 2009 the Company issued mandatory convertible preferred shares with 9% guaranteed fixed annual dividend and guaranteed liquidation quota. 89 646 283 preferred shares are issued and paid with issue value amounting to BGN 2.22 each, representing 99.61% of the offered shares. The accumulated during the public offering capital amounts to BGN 199 014 748.26. The obligatory conversion of the shares occurs at the end of the seventh year after the registration of the capital increase in the Trade register.

The accumulated on 12 June 2009 funds above the nominal value of the share capital amounting to BGN 109 369 thousand are allocated as follows:

- BGN 27 622 thousand – share premium
- BGN 8 348 thousand – short-term dividend liabilities
- BGN 70 008 thousand – long-term dividend liabilities
- BGN 3 391 thousand – share issue expenses

The dividend liabilities and share premium, as a result of the conversion of 858 825 preference shares into ordinary shares, are allocated as follows:

- BGN 28 256 thousand – share premium
- BGN 16 773 thousand – short-term dividend liabilities
- BGN 65 285 thousand – long-term dividend liabilities

The major shareholder Chimimport Invest AD has fulfilled the undertaken obligation and inscribed preferred shares corresponding to rights. More than 51% of the new shares are inscribed by local investors including 32% by institutions.



The list of the principal shareholders, holding ordinary shares, is as follows:

| | 2010 | 2010 | 2009 | 2009 |
|--|--------------------|----------------|--------------------|----------------|
| | Number of shares | % | Number of shares | % |
| 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% |
| Kasias Bank Germany | 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 Benken | 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 | 320 500 | 0.21% | 320 500 | 0.21% |
| Invest Bank AD | 298 207 | 0.20% | 417 697 | 0.28% |
| Reiffeisen Central Bank – Austria | 281 959 | 0.19% | 592 361 | 0.39% |
| DSK – Funds(OTP Group) | 250 324 | 0.17% | 325 324 | 0.22% |
| Standard Investment – mutual funds | 164 561 | 0.11% | 109 802 | 0.07% |
| HVB AG ATHENS | - | 0.00% | 564 981 | 0.38% |
| ABN AMRO BANK – London | - | 0.00% | 405 471 | 0.27% |
| Other legal entities | 6 039 754 | 4.00% | 6 986 908 | 4.64% |
| Other private individuals | 5 925 998 | 3.93% | 6 342 505 | 4.22% |
| | 150 858 809 | 100.00% | 150 577 390 | 100.00% |



The list of principle shareholders, holding more than 10% of the total shares (ordinary shares and preferred shares) of the Company's capital is presented as follows:

| | 2010 | 2010 | 2009 | 2009 |
|---|--|----------------|--|----------------|
| | Number of shares /common stock and preferred shares/ | % | Number of shares /common stock and preferred shares/ | % |
| 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 Benken | 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% |
| ABN AMRO BANK – London | - | 0.00% | 405 471 | 0.17% |
| Other legal entities | 16 090 333 | 6.71% | 13 940 503 | 9.28% |
| Other private individuals | 8 203 876 | 3.42% | 8 691 062 | 3.64% |
| | 239 646 267 | 100.00% | 239 646 267 | 100.00% |

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

21.2. Share premium

As at 31 December 2010 the share premium amounts to BGN 260 599 thousand (2009: BGN 260 475 thousand). Share premium is formed by the following share issues:

- Share premium of BGN 28 256 thousand from the issue of preferred shares in 2009. The expenses related to the share issue amounting to BGN 2 033 thousand are deducted from the share premium. In 2010 the share premium has been increased by BGN 124 thousand, in relation to the 281 419 preferred shares converted during the year.
- The premium reserve amounting to BGN 199,418 thousand is accumulated from the Secondary Public Offering (SPO) of the shares of the Company in 2007. The expenses



related to the share issue amounting to BGN 581 thousand are deducted from the share premium.

- The premium reserve amounting to BGN 32,925 thousand is accumulated from the Initial Public Offering (IPO) of the shares of the Company in the period from 07 September 2006 to 20 September 2006. The expenses related to the share issue amounting to BGN 327 thousand are deducted from the share premium.

21.3. Other reserves

Other reserves, amounting to BGN 6 477 thousand as at 31 December 2010 (2009: BGN 6 534 thousand) are accumulated in accordance with the requirements of the Commercial Act for accumulation of statutory reserves.

22. Dividend liabilities

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

| | Current | | Non-current | |
|----------------------|------------------|------------------|------------------|------------------|
| | 2010 BGN '000 | 2009 BGN '000 | 2010 BGN '000 | 2009 BGN '000 |
| Dividend liabilities | 16 773 | 8 432 | 65 285 | 74 101 |
| | 16 773 | 8 432 | 65 285 | 74 101 |

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

Dividends liabilities of the Company arose as a result of the issue of mandatory convertible preferred shares in 2009 with a guaranteed fixed annual dividend of 9%. Each preferred stock in circulation shall give to its owner the right of a cumulative guaranteed dividend at the amount of 9% of the issue price. Due to the fact that the dividend on preferred share is guaranteed, same shall be due by the Company, irrespective of whether during the relevant year the General Meeting of the Shareholders shall have adopted a resolution for the distribution of dividends on ordinary shares. Because the guaranteed dividend is cumulative, it shall be due irrespective of whether the Company shall have formed distributable profit during the relevant year.

The Preferred Shareholders entitled to receive Ordinary Shares upon Conversion will be treated as record holders of such Ordinary Shares as of the date the Central Depository has registered them as record holders.



23. Employee remuneration

23.1. Employee benefits expense

Expenses recognized for employee benefit include wages, salaries, social security costs, unused leaves and provision for pension as follows:

| | 2010 | 2009 |
|----------------------------------|----------------|----------------|
| | BGN '000 | BGN '000 |
| Wages and salaries | (1 002) | (1 892) |
| Social security costs | (119) | (120) |
| Expenses for unused leaves | 4 | (30) |
| Pension provision | (5) | (41) |
| Employee benefits expense | (1 122) | (2 083) |

23.2. Pension and other employee obligations

The liabilities for pension and other employee obligations recognized in the statement of financial position consist of the following amounts:

| | 2010 | 2009 |
|--|------------|------------|
| | BGN '000 | BGN '000 |
| Non-current: | | |
| Pension provisions | 50 | 27 |
| Non-current pension and other employee obligations | 50 | 27 |
| Current | | |
| Pension and other employee obligations | 47 | 98 |
| Social security payables | 37 | 34 |
| Payables for unused leaves | 38 | 42 |
| Current pension and other employee obligations | 122 | 174 |

The current portion of these liabilities represents the Company's obligations to its current employees that are expected to be settled during 2011.



The defined benefit obligation for the reporting periods under review is as follows:

| | 2010 | 2009 |
|--|-------------|-----------------|
| | BGN | BGN '000 |
| | '000 | |
| Defined benefit obligation at 1 January | 43 | - |
| Current service cost | 5 | - |
| Interest cost | 2 | 2 |
| Benefits paid | - | - |
| Past service costs | - | 41 |
| Defined benefit obligation at 31 December | 50 | 43 |

For determination of the pension obligation, the following actuarial assumptions were used:

| | 2010 | 2009 |
|--|-------------|-------------|
| Discount rate | 5.75% | 6% |
| Expected rate of salary increases | 2% | 2% |
| Resignation expectancies at the end of each year | | |
| <i>Employees under 30 years of age</i> | 6% | 6% |
| <i>Employees between 30 and 40 years of age</i> | 4% | 4% |
| <i>Employees between 40 and 50 years of age</i> | 2% | 2% |
| <i>Employees between 50 and 60 years of age</i> | 1% | 1% |
| <i>Employees over 60 years of age</i> | 0% | 0% |

These assumptions were developed by management under consideration of expert advice provided by independent actuarial appraisers. These assumptions have led to the amounts determined as the Company's defined benefit obligations for the reporting periods under review and should be regarded as management's best estimate. However, the actual outcome may vary.

The Company's defined benefit obligations and plan assets may be reconciled to the amounts presented on the face of the statement of financial position for each of the reporting periods under review as follows:

| | 2010 | 2009 |
|------------------------------|-----------------|-----------------|
| | BGN '000 | BGN '000 |
| Defined benefit obligation | 50 | 43 |
| Defined benefit plans | 50 | 43 |

Classified in the statement of financial position as:

| | | |
|-------------------------|----|----|
| Non-current liabilities | 50 | 27 |
| Current liabilities | - | 16 |



Total expenses resulting from the Company's defined benefit plans can be analyzed as follows:

| | 2010 | 2009 |
|---|----------|-----------|
| | BGN '000 | BGN '000 |
| Employee benefits expense | | |
| Current service cost | 5 | - |
| Past service cost | - | 41 |
| Employee benefits expense | <u>5</u> | <u>41</u> |
| Interest costs | 2 | 2 |
| Actuarial gains/ losses | - | - |
| Total expense recognized in profit or loss | <u>7</u> | <u>43</u> |

Interest costs have been included in 'Interest expenses' in the Statement of comprehensive income (see note 31). All other expenses summarized above were included within 'Employee benefits expense' (see note 23.1). The Company recognizes all actuarial gains and losses in accordance with the corridor approach (see note 4.19). In 2010 and 2009, actuarial gains and losses are within the margins of the corridor and because of that they have not been recognized in the gain or loss.

Based on historical data, the Company does not expect contributions to be paid for 2011.

24. Borrowings, measured at amortized cost

Borrowings include the following financial liabilities:

| | Note | Current | | Non-current | |
|---|------------|---------------|---------------|---------------|--------------|
| | | 2010 | 2009 | 2010 | 2009 |
| | | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| Financial liabilities measured at amortized cost: | | | | | |
| Bank loans | 24.2 | 2 920 | 2 920 | - | - |
| Other loans | 24.1, 24.3 | 36 906 | 42 720 | 14 772 | 5 474 |
| Total carrying amount | | <u>39 826</u> | <u>45 640</u> | <u>14 772</u> | <u>5 474</u> |

24.1. Long-term loans

| | 2010 | 2009 |
|---------------------------------|---------------|--------------|
| | BGN'000 | BGN'000 |
| Niko Commerce EOOD | 10 033 | - |
| Bulgarian Mills EOOD | 2 989 | - |
| BuildCo EOOD | 1 238 | - |
| Sila Holding AD | 512 | - |
| Neftena Targovska Kompania EOOD | - | 1 939 |
| Rentapark EOOD | - | 3 535 |
| | <u>14 772</u> | <u>5 474</u> |



The Company's loan to Niko Commerce EOOD as at 31 December 2010 at the amount of BGN 10 033 thousand, includes principle at the amount of BGN 9 498 thousand and interest payables at the amount of BGN 535 thousand. The loan was received under Framework contract for temporary financial aid, entered into on 3 October 2008 for the amount of BGN 11 000 thousand, with 8% interest rate. The maturity date is on 31 December 2014.

24.2. Short-term bank loans

| | 2010 BGN '000 | 2009 BGN '000 |
|-------------|------------------|------------------|
| DSK Bank AD | 2 920 | 2 920 |
| | 2 920 | 2 920 |

Loan agreement with DSK Bank AD

The bank loan from DSK Bank AD is defined by contract 599/02.10.2006, with a maturity on 3 October 2011. The loan is secured with a mortgage on buildings part of the "Dom na geologa" area, in St.st. Konstantin and Elena resort, owned by Park build OOD. The negotiated interest rate is the base interest rate plus 3.5%. The maximum loan amount is BGN 3 million.

24.3. Other short-term loans

| | 2010 BGN '000 | 2009 BGN '000 |
|---------------------------------|------------------|------------------|
| Bulgarian Mills AD | 13 998 | 11 700 |
| Neftena Targovska Kompania EOOD | 6 019 | - |
| Capital Management ADSIC | 3 908 | - |
| Kamchiya AD | 3 894 | 3 769 |
| Rentapark AD | 3 367 | - |
| Holding-Varna AD | 3 199 | 1 147 |
| Plovdivska Stokova Borsa AD | 1 463 | 1 451 |
| Gama Finace EOOD | 736 | 1 074 |
| Finance Consulting EAD | - | 12 849 |
| Niko Commerce EOOD | - | 8 583 |
| Buildco EOOD | - | 1 428 |
| Other | 322 | 719 |
| | 36 906 | 42 720 |

Short-term loans are granted with annual interest rates from 8% to 12% depending on the maturity date. The loans are receivable on demand by the Company. None of the loans has any collateral pledged. The fair value of the loans received has not been determined separately, as the management considers the carrying amounts recognized at the statement of financial income to be a reasonable approximation of their fair value.



25. Trade payables

The trade payables, presented in the statement of financial position include:

| | 2010 BGN'000 | 2009 BGN'000 |
|-----------------------------------|-----------------|-----------------|
| Current | | |
| Samokov Municipality | 3 661 | 3 661 |
| Liabilities from advance payments | 11 345 | 11 629 |
| Other | 388 | 1 626 |
| | 15 394 | 16 916 |

26. Tax liabilities

Tax liabilities include:

| | 2010 BGB'000 | 2009 BGN'000 |
|-------------------------------|-----------------|-----------------|
| Corporate income tax | 490 | 2 933 |
| Income tax of natural persons | 80 | 38 |
| | 570 | 2 971 |

27. Other liabilities

Other liabilities can be summarized as follows:

| | 2010 BGN'000 | 2009 BGN'000 |
|------------------------------|-----------------|-----------------|
| Liabilities on share rights | 889 | 889 |
| Interest liabilities | 395 | 485 |
| Other short-term liabilities | 808 | 4 521 |
| | 2 092 | 5 895 |

28. Gains from transactions with financial instruments

Gains from transactions with financial instruments for the reporting periods under review are as follows:

| | 2010 | 2009 |
|--|----------------|----------------|
| | BGN'000 | BGN'000 |
| Gain from sale of financial instruments | 38 033 | 50 549 |
| Gain from revaluation of financial instruments | 51 895 | 19 962 |
| Dividend income | 536 | - |
| | 90 464 | 70 511 |

29. Losses from transactions with financial instruments

Losses from transactions with financial instruments for the reporting periods under review can be analyzed as follows:

| | 2010 | 2009 |
|---|-----------------|----------------|
| | BGN '000 | BGN'000 |
| Loss from sale of financial instruments | (59) | (51) |
| | (59) | (51) |

30. Interest income

Interest income for the reporting periods under review is as follows

| Interest income, resulting from: | 2010 | 2009 |
|----------------------------------|----------------|----------------|
| | BGN'000 | BGN'000 |
| - loans granted | 36 604 | 33 561 |
| - bank deposits | 4 043 | 1 454 |
| | 40 647 | 35 015 |



31. Interest expenses

Interest expenses for the reporting periods under review include:

Interest expenses, resulting from:

| | 2010 | 2009 |
|----------------------|-----------------|-----------------|
| | BGN'000 | BGN '000 |
| - bank loans | (833) | (797) |
| - finance lease | (543) | (488) |
| - preferred shares | (9 237) | (4 687) |
| - pension provisions | (2) | (2) |
| - loans received | (21 944) | (13 535) |
| | (32 559) | (19 509) |

32. Other financial income and expenses

Other financial income and expenses for the reporting periods under review can be summarized as follows:

| Other financial income | 2010 | 2009 |
|--|------------|--------------|
| | BGN'000 | BGN'000 |
| Other financial income | 202 | - |
| Income from transactions with cession agreements | - | 4 831 |
| | 202 | 4 831 |

| Other financial expenses | 2010 | 2009 |
|--|----------------|--------------|
| | BGN'000 | BGN '000 |
| Bank charges and commissions | (63) | (307) |
| Fines and penalty charges | - | (268) |
| Losses from transactions with cession agreements | (1 404) | - |
| Other financial expenses | (1) | - |
| | (1 468) | (575) |

33. Gains and losses from changes in the exchange rates

Gains and losses from changes in the exchange rates for the reporting periods under review can be summarized as follows:

| | 2010 | 2009 |
|--|-------------|------------|
| | BGN'000 | BGN'000 |
| Gain from changes in the exchange rates | 874 | 468 |
| Loss from changes in the exchange rates | (929) | (117) |
| Net result from changes in the exchange rates | (55) | 351 |



34. Operating revenue

The Company's operating revenue can be analyzed as follows:

| | 2010 BGN'000 | 2009 BGN'000 |
|-----------------------------------|-----------------|-----------------|
| Revenue from goods sold | 352 | 14 |
| Revenue from services | 2 468 | 6 537 |
| Revenue from leases | 2 298 | 2 179 |
| Revenue from payables written-off | 2 720 | 1 598 |
| Other operating revenue | - | 418 |
| | 7 838 | 10 746 |

35. Operating expenses

The Company's operating expenses can be analyzed as follows:

| | Note | 2010 BGN'000 | 2009 BGN'000 |
|-------------------------------|------|-----------------|-----------------|
| Cost of goods sold | | (344) | (10) |
| Cost of materials | | (83) | (73) |
| Hired services expenses | | (3 802) | (2 864) |
| Depreciation and amortization | | (987) | (1 011) |
| Employee benefits expenses | 23.1 | (1 122) | (2 083) |
| Receivables written-off | | (2 740) | (464) |
| Other expenses | | (559) | (280) |
| | | (9 637) | (6 785) |

Hired service expenses related to audit for 2010 amount to BGN 78 thousand (2009 - BGN 78 thousand).

36. Gain from sale on non-current assets

| | 2010 BGN '000 | 2009 BGN '000 |
|--|------------------|------------------|
| Revenue from sale on non-current assets | 1 524 | 905 |
| Carrying amount of non-current assets sold | (1 380) | (111) |
| | 144 | 794 |



37. Tax expense

The relationship between the expected tax expense based on the effective tax rate at 10% (2009: 10%) and the tax expense actually recognized in the statement of comprehensive income can be reconciled as follows:

| | 2010 BGN'000 | 2009 BGN'000 |
|--|-----------------|-----------------|
| Profit for the year before tax | 95 517 | 95 328 |
| Tax rate | 10% | 10% |
| Expected tax expense | (9 552) | (9 533) |
| Tax effect from deductions of the financial result | 9 197 | 6 831 |
| Tax effect from additions to the financial result | (135) | (231) |
| Current tax expense | (490) | (2 933) |
| Tax rate | 10% | 10% |
| Deferred tax expense, resulting from: | | |
| -accrual and reversal of temporary tax differences | (3 205) | (1 966) |
| Tax expense | (3 695) | (4 899) |

Note 13 presents information on the deferred tax assets and liabilities.

38. Earnings per share

Basic earnings per share have been calculated using the net profit attributable to holders of ordinary shares of the Company as the numerator.

The weighted average number of outstanding shares used for calculating the basic earnings per share as well as the net profit decreased by the dividend liabilities attributable to shareholders are as follows:

| | 2010 | 2009 |
|---|---------------|---------------|
| Net profit in BGN attributable to shareholders | 91 822 000 | 90 429 000 |
| Weighted average number of shares | 150 675 314 | 149 752 737 |
| Basic earnings per share (BGN per share) | 0.6094 | 0.6039 |



The weighted average number of shares outstanding /ordinary and preferred/, used for the calculation of diluted earnings per share as well as the net profit adjusted with the dividend expenses, attributable to shareholders are as follows:

| | 2010 | 2009 |
|--|---------------|---------------|
| Net profit in BGN, adjusted with dividend expenses | 100 135 585 | 90 434 000 |
| Weighted average number of shares | 239 646 267 | 238 989 702 |
| Diluted earnings per share (BGN per share) | 0.4178 | 0.3784 |

39. Related party transactions

The Company's related parties include its owners, subsidiaries and associates, and key management personnel.

39.1. Transactions with owners

| | 2010 BGN'000 | 2009 BGN'000 |
|--|-----------------|-----------------|
| <i>- sale of financial instruments</i> | | |
| Chimimport Invest AD – parent company | - | 7 915 |
| | - | 7 915 |
| <i>- sale of services, rental income and interest income</i> | | |
| Chimimport Invest AD – parent company | 6 224 | - |
| | 6 224 | - |

39.2. Transactions with subsidiaries and associates

| | 2010 BGN'000 | 2009 BGN'000 |
|---|-----------------|-----------------|
| Sales | | |
| <i>- Sales of financial instruments</i> | | |
| Chimimport Group OOD | - | 6 800 |
| | - | 6 800 |
| <i>- sales of goods</i> | | |
| CCB AD | 274 | - |
| Bulchimtrade OOD | 22 | 4 |
| POAD CCB Sila AD | 4 | - |
| Brand New Ideas EOOD | - | 38 |
| | 300 | 42 |



| | 2010 | 2009 |
|--|---------------|---------------|
| | BGN'000 | BGN'000 |
| <i>- gains from sale of non-current assets</i> | | |
| CCB AD | 669 | - |
| POAD CCB Sila AD | 333 | - |
| CCB Assets Management EAD | 38 | - |
| Omega Finance OOD | 36 | - |
| Parahodstvo Balgarsko Rečno Plavane AD | 12 | 19 |
| Zarneni Hrani Bulgaria AD | - | 650 |
| Bulchimtrade OOD | - | 5 |
| | 1 088 | 674 |
| <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 Sila AD | 36 | - |
| Oil and Gas Exploration and Production Plc. | 21 | - |
| Zarneni Hrani Bulgaria AD | 10 | - |
| Rubber Trade OOD | 9 | - |
| Chimceltex OOD | 6 | - |
| Parahodstvo Balgarsko Rečno Plavane AD | 5 | - |
| HGH Consult Ltd. | 2 | - |
| Prime Lega Consult OOD | 2 | - |
| Holding Nov vek AD | - | 588 |
| Other, below BGN 100 thousand | 238 | 144 |
| | 17 090 | 16 109 |



| Purchases | 2010 | 2009 |
|--|----------------|----------------|
| | BGN'000 | BGN'000 |
| <i>- purchase of services, goods and interest income(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 |

39.3. Transactions with key management personnel

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

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



40. Related party balances at year-end

| 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 GmbH | 4 423 | 3 650 |
| Trans Intercar EOOD | 9 288 | - |
| Energoproekt AD | 5 600 | - |
| Bulgarian Aviation Group AD | - | 108 842 |
| Parahodstvo BRP AD | - | 128 |
| | 96 214 | 191 106 |
| <i>Including trade receivables</i> | - | - |
| <i>Including interest receivables</i> | 17 066 | 18 894 |
| Total long-term related party receivables | 96 214 | 191 106 |



| Short-term receivables from: | 2010 | 2009 |
|---|----------------|----------------|
| | BGN'000 | BGN'000 |
| <i>- parent company</i> | | |
| Chimimport Invest AD | 113 435 | 22 275 |
| <i>- subsidiaries</i> | | |
| Port of Balchik AD | 1 347 | 1 227 |
| Bulgarian Shipping Company EAD | 888 | 528 |
| Hemus Air AD | 380 | 1 509 |
| Port Lesport AD | 219 | 3 |
| Chimcelteks OOD | 229 | 261 |
| Rubber Trade OOD | 182 | 319 |
| Parahodstvo BRP AD | 175 | 37 |
| ZAD Armeec | 62 | 1 144 |
| Lufthansa Technik Sofia 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> | <i>-</i> | <i>1</i> |
| <i>Including interest receivables</i> | <i>873</i> | <i>1 991</i> |
| <i>- other related parties under common control</i> | | |
| Asenova Krepost AD | 669 | 14 |
| | 669 | 14 |
| <i>Including trade receivables</i> | <i>-</i> | <i>-</i> |
| <i>Including interest receivables</i> | <i>57</i> | <i>-</i> |
| Total short-term related party receivables | 120 286 | 187 592 |



| Long-term payables due to: | 2010 | 2009 |
|--|-----------------|-----------------|
| | BGN '000 | BGN '000 |
| <i>- subsidiaries</i> | | |
| Chimimport Holland B.V. | 133 104 | - |
| Sofgeoprouchvane EOOD | 322 | - |
| Parahodstvo BRP AD | - | 225 |
| | 133 426 | 225 |
| <i>Including trade receivables</i> | - | - |
| <i>Including interest receivables</i> | 296 | - |
| Total long-term related party payables | 133 426 | 225 |
| | | |
| Short-term payables to: | 2010 | 2009 |
| | BGN '000 | BGN '000 |
| <i>- parent company</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 Life EAD | 3 586 | 2 392 |
| Oil and Gas Exploration and production Plc. | 3 263 | 3 022 |
| Sport Complex Varna AD | 1 867 | 2 742 |
| Chimimport Holland EAD | 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> | 1 093 | 761 |
| <i>Including interest receivables</i> | 4 375 | 5 482 |
| | | |
| <i>- associates</i> | | |
| Holding Nov Vek AD | - | 334 |
| | - | 334 |
| <i>Including interest receivables</i> | - | 334 |
| Total short-term related party payables | 67 407 | 155 510 |



41. Contingent liabilities

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 Rechno 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

The Company is a party to bank guarantees issued by UniCredit Bulbank at the total amount of BGN 427 thousand. Guarantees are valid until 30 November 2030.

Contract for multiple bank guarantees under Agreement signed on 05.11.2010, secured by mortgage on a building "Dom na geologa" in resort St.st. Constantine and Elena, owned by Park Build Ltd for the period until 05 November 2015. There are no bank guarantees issued under the above-mentioned contract.

Cash deposit in the amount of BGN 61 600 thousand is provided as guarantee of credit line granted to Omega Finance OOD. Future receivables of the Company amounted to EUR 600 thousand are provided as guarantee of credit-line granted to Port Lesport AD.

42. 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 | Note | 2010 | 2009 |
|---|----------------|-----------------|-----------------|
| | | BGN '000 | BGN '000 |
| Financial assets available-for-sale: | | | |
| Shares | 13,2 | 1 358 | 6 041 |
| Held-to-maturity investments: | | | |
| Bonds | 13 | 19 409 | 19 263 |
| Financial assets available-for-sale designated at fair value through profit or loss: | | | |
| Short-term financial assets | 17 | 54 524 | 20 651 |
| Loans and receivables: | | | |
| Loans Granted | 12, 16 | 193 749 | 181 349 |
| Related party receivables | 40 | 216 500 | 378 698 |
| Trade and other receivables | 19, 21 | 88 125 | 78 930 |
| Cash and cash equivalents | 22 | 101 883 | 122 775 |
| | | 600 257 | 761 752 |
| Financial liabilities | | | |
| | Note | 2010 | 2009 |
| | | BGN '000 | BGN '000 |
| Borrowings measured at amortized cost: | | | |
| Non-current liabilities: | | | |
| - dividend liabilities | 22 | 65 285 | 74 101 |
| - loans | 24.1 | 148 198 | 5 699 |
| - finance lease liabilities | 9.1 | - | 491 |
| - other | | - | - |
| Current liabilities: | | | |
| - dividend liabilities | 22 | 16 773 | 8 432 |
| - loans | 24.2, 24.3, 40 | 106 140 | 200 389 |
| - finance lease liabilities | 9.1 | 921 | 1 650 |
| - trade and other receivables | 25, 27 | 18 578 | 23 572 |
| | | 355 895 | 314 334 |

See note 4.14 about information related to the accounting policy for each category financial instruments. Description of the risk management objectives and policies of the Company related to the financial instruments is presented in note 44.



43. Financial instrument risk

Risk management objectives and policies

The Company is exposed to various risks in relation to its financial instruments. More information on the Company's financial assets and liabilities by category is summarized in note 42. 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.

43.1. Market risk analysis

43.1.1. 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 '000 | EUR '000 | USD '000 | EUR '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.

43.1.2. 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 |



43.1.3. 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;
- Investiconna kompania Galata AD – short-term financial asset;

The investments in listed subsidiaries, marketable on the Bulgarian Stock Exchange – Sofia, 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.

The short-term assets, described above, are held with the purpose of trade on the Bulgarian Stock Exchange.

43.2. 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 | 2009 |
|---|----------------|----------------|
| | BGN'000 | 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 derivative 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.

43.3. 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 | Short-term | | Long-term | |
|-------------------------------------|----------------------------|-----------------------------|-------------------------|-------------------------------|
| | Within 6 months BGN'000 | Within 12 months BGN'000 | 2 to 5 years BGN'000 | Later 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 | 2 092 | - | - |
| Total | 31 913 | 110 501 | 188 628 | 24 855 |



This compares to the maturity of the Company's liabilities in the previous reporting periods as follows

| 31 December 2009 | Short-term | | Long-term | |
|-------------------------------------|----------------------------|-----------------------------|-------------------------|-------------------------------|
| | Within 6 months BGN'000 | Within 12 months BGN'000 | 2 to 5 years BGN'000 | Later 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

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within 1 year.

44. Capital management and procedures

The Company's capital management objectives are:

- 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 adjusted 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 can be analysed 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 ratio-increase during 2010 is primarily a result of the increase in the Company's net debt by issuing of preferred shares.

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

45. Post-reporting date events

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

46. Authorization of the financial statements

The financial statements for the year ended 31 December 2010 (including comparatives) were approved by the board of directors on 31 March 2011.