

## Annual Activity Report of Chimimport AD, Sofia for 2009

This Annual Activity Report presents comments and analysis of the financial reports and other substantial information regarding the financial statement and results from the activity for the period 1 January - 31 December 2009.

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

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

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

### **1 The members of the Supervisory Board are:**

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

### **2 The members of the Managing Board are:**

1. Alexander Dimitrov Kerezov
2. Ivo Kamenov
3. Marin Velikov Mitev
4. Nicola Peev Mishev
5. Miroljub Panchev Ivanov
6. Tzvetan Tzankov Botev

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

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

**Share capital:** The Company's share capital is at the amount of 150 577 390 BGN.

**Number of shares issued:** As of the 31 December 2009 the registered capital of the company consists of 150 577 390 ordinary shares with par value of 1 BGN and 89 068 877 preferred shares with par value of 1 BGN.

**The Company's main business activity is:**

The Company is engaged in the following business activities:

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

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

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

**Percentage ratios of the operating revenue**

	2009	2008
	'000 BGN	'000 BGN
Total revenue from sales	<u>11 651</u>	<u>64 336</u>
% revenue from sale of goods	0.12%	0.07%
% revenue from sale of services	56.11%	1.86%
% income from investment property	0.00%	47.42%
% rental income	18.70%	8.34%
% other operating income	17.30%	0.24%
% gain from sale of non-current asset	7.77%	42.07%

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

**2.1. Financial indicators**

The Company closed the financial year of 2009 with total revenue amounting to BGN 122 476 thousand. The total revenue for 2009 has increased with 2.27% compared to BGN 119 760 thousand in 2008.

Operating expenses for the year amount to BGN 27 148 thousand, which is a decrease of BGN 132 thousand in comparison with the previous period i.e. decrease with 0.48%.

The financial result for the year ended 2009 considered as earnings before taxes amounts to BGN 95 328 thousand and earnings after taxes amount to BGN 90 429 thousand. There is a positive growth of BGN 4 418 thousand (5.14% increase) in the financial result compared to the profit for 2008.

The Company's financial indicators for 2009 are as follows:

**MAIN FINANCIAL INDICATORS**

	<b>2009</b> <b>BGN'000</b>	<b>2008</b> <b>BGN'000</b>	<b>Increase/ (decrease)</b>
Total revenue	122 476	119 760	2.27%
Operating expenses	27 148	27 280	(0.48%)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	115 848	104 103	11.28%
EBITDA / Sales Revenue (%)	94.59%	86.93%	8.81%
Earnings before interest and tax (EBIT)	114 837	101 503	13.14%
EBIT / Sales Revenue (%)	93.76%	84.76%	10.63%
Profit before taxes	95 328	92 480	3.08%
Net profit	90 429	86 011	5.14%
Cash flow (profit + depreciation)	91 440	88 611	3.19%
Current assets	612 785	368 385	66.34%
Current liabilities	237 611	96 235	146.91%
Working capital	375 174	272 150	37.86%
Non-current capital	913 669	918 228	(0.50%)
Cash to current liabilities ratio	0.52	1.06	(51.17%)

## 2.2. Revenue and expenses structure

The revenue structure for 2009 amounting to BGN 122 476 thousand includes:

- gains from transactions with financial instruments – 57.57%,
- gains from sale of non-current assets – 0.74%,
- interest income, gains from foreign exchange differences and other gains (net) – 32.92%,
- revenue from rents and services – 8.77%.

### General revenue structure (changes compared to the previous period)

	2009 BGN'000	2008 BGN'000	Increase/ (Decrease)
Gains from transactions with financial instruments	70 511	36 099	95.33%
Interest income	35 015	18 550	88.76%
Gains from foreign exchange differences	468	110	325.45%
Other financial income	4 831	665	626.47%
Operating revenue	11 651	64 336	(81.89%)

### General expenses structure (changes compared to the previous period)

	2009 BGN'000	2008 BGN'000	Increase/ (Decrease)
Losses from transactions with financial instruments	(51)	(1 109)	-95.40%
	<b>(51)</b>	<b>(1 109)</b>	
<b>Interest expense, related to:</b>			
- bank loans	(797)	(736)	8.29%
- finance leases	(488)	(442)	10.41%
- interest, associated with preferred shares	(4 687)	-	
- interest, associated with pension provisions	(2)	-	
- loans received	(13 535)	(7 845)	72.53%
	<b>(19 509)</b>	<b>(9 023)</b>	

	<b>2009</b>	<b>2008</b>	
	<b>BGN'000</b>	<b>BGN'000</b>	
<b>Other financial expenses</b>			
Bank fees and commissions	(307)	(123)	149.59%
Fees and penalties	(268)	(167)	60.48%
Other financial expenses	-	(70)	-100.00%
	<b>(575)</b>	<b>(360)</b>	
	<b>2009</b>	<b>2008</b>	
	<b>BGN'000</b>	<b>BGN'000</b>	
Cost of goods sold	(10)	(37)	-72.97%
Cost of materials	(73)	(48)	52.08%
Hired services expenses	(2 864)	(2 887)	-0.80%
Depreciation and amortization	(1 011)	(2 600)	-61.12%
Employee benefits expenses	(2 083)	(819)	154.33%
Written-off receivables	(464)	(70)	562.86%
Other expenses	(280)	(1 718)	-83.70%
	<b>(6 785)</b>	<b>(8 179)</b>	

The Company's operating expenses during 2009 amounting to BGN 6 785 thousand, which is an increase of 17.04% compared to 2008.

### 3 Post balance sheet events

On 01 March 2010 the consolidated financial statements for the fourth quarter of 2009 were reported.

On 01 February 2010 the separate financial statements for the fourth quarter of 2009 were reported.

On 01 January 2010 the notification of the registration of the ordinary and preferred shares were presented.

### 4 Important Research and Development

The Company did not appoint or perform any important research and development activities during 2009.

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

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

**6 Information regarding the transactions between the issuer and its related parties in 2009, the proposals for concluding such transactions, as well as transactions not related to the main activity, including the amount of the transactions, the relationship between the parties and any other information, needed for valuation of the impact on the financial statement of the issuer**

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

Unless otherwise stated, none of the transactions with related parties incorporate special terms and conditions and no guarantee was given or received.

	2009	2008
	BGN'000	BGN'000
<b>Sales</b>		
<i>- sale of financial instruments</i>		
Chimimport Group OOD	6 800	-
	<b>6 800</b>	<b>-</b>
<i>- sale of goods</i>		
Brand New Ideas EOOD	38	-
Bulchimtrade OOD	4	-
Rubber Trade OOD	-	34
	<b>42</b>	<b>34</b>
<i>- revenue from sale of non-current assets</i>		
Zarneni Hrani Bulgaria AD	650	-
Parahodstvo BRP AD	19	-
Bulchimtrade OOD	5	-
Bulgarian Aviation Group EAD	-	15 568
	<b>674</b>	<b>15 568</b>
<i>- sale of services, rent revenue and interest revenue</i>		
Bulgarian Aviation Group EAD	6 351	2 545
CCB Group EAD	2 937	-
Bulgarian Shipping Company EAD	2 401	1 801
Trans Intercar EOOD	1 048	-
Holding Nov Vek AD	588	274
Bulchimex OOD	176	-
Energoproject AD	166	-
Hemus Air AD	119	4 085
Other (below BGN 100 thousand)	187	3 502
	<b>13 973</b>	<b>12 207</b>

	2009	2008
	BGN'000	BGN'000
<b>Purchases</b>		
<i>- purchases of services, goods and interests (associated)</i>		
Holding Varna AD	-	170
	2009	2008
	BGN'000	BGN'000
<i>- purchases of services, goods and interests (subsidiaries)</i>		
Chimimport Holland B.V.	9 211	4 336
ZAD Armeec AD	231	569
CCB Life EAD	167	292
Other (below BGN 100 thousand)	272	2 331
	<b>9 881</b>	<b>7 528</b>

Key management personnel comprise the members of Supervisory and Managing Boards. The remuneration of key management personnel includes current salaries and wages and bonuses for achieved results, including 2008.

The transactions with key management personnel are as follows:

	2009	2008
	BGN'000	BGN'000
Short-term compensations:		
Salaries including bonuses	1 308	154
social security costs	12	16
company car allowance	11	26
Total short-term compensations	1 331	196
<b>Total compensations</b>	<b>1 331</b>	<b>196</b>

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

No unusual events for the issuer that might have a significant impact on its activities occurred in 2009.

**8 Information regarding off-balance transactions**

As at 31 December 2009 the Company is a party to an active contract from 20 December 2004 for bank guarantees with DSK bank. The contract specifies the limit of the guarantee to be BGN 1 million.



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

• **Investment in subsidiaries**

The Company has the following investments in subsidiaries:

Name of subsidiary	Country	Main activity	2009 BGN '000	share %	2008 BGN '000	share %
CCB Group EAD	Bulgaria	Financial services	160 270	100.00%	160 270	100.00%
Molet AD	Bulgaria	Aviation Services	27 626	100.00%	27 626	100.00%
Bulgarian Aviation Group EAD	Bulgaria	Aviation Services	25 039	100.00%	25 039	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 transportation	16 380	99.00%	14 880	99.00%
ZAD Armeec	Bulgaria	Financial services	9 492	4.30%	-	0.00%
Bulchimex OOD	Bulgaria	Real estate	2 500	100.00%	2 500	100.00%
Trans Intercar EOOD	Bulgaria	Transportation	2 095	100.00%	2 095	100.00%
Bulgarian Shipping Company EAD	Bulgaria	Sea and river transportation	2 000	100.00%	2 000	100.00%
Energoproekt AD	Bulgaria	Engineering and construction	1 722	83.20%	1 664	83.20%
Chimimport Holland EAD	Bulgaria	Financial services	1 294	100.00%	1 294	100.00%
Chimsnab AD	Bulgaria	Manufacturing and trade	1 011	93.33%	1 011	93.33%
Chimimport Group EAD	Bulgaria	Manufacturing and trade	998	100.00%	998	100.00%
Oil and Gas Exploration and Production Plc.	Bulgaria	Manufacturing and trade	956	3.65%	12 744	52.70%
HGH Consult Co. Ltd.	Bulgaria	Services	111	59.34%	111	59.34%
Brand New Ideas EOOD	Bulgaria	Manufacturing and trade	5	100.00%	5	100.00%
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%
Zarneni Hrani Bulgaria AD	Bulgaria	Manufacturing and trade	-	0.00%	96 057	57.78%
Galata Investment Company AD	Bulgaria	Real estate	-	0.00%	200	10.00%
			<b>294 459</b>		<b>391 454</b>	

- **Investment in associates**

The Company has the following investments in associates:

Name of associates	2009	share	2008	share
	BGN'000	%	BGN'000	%
PIC Saglasie AD	16 768	49.43%	15 028	49.28%
Holding Nov Vek AD	9 697	28.20%	9 695	28.20%
Konor OOD	5	20.00%	5	20.00%
Holding Varna AD	-	-	34 905	21.27%
Electroterm AD	-	-	715	38.07%
	<b>26 470</b>		<b>60 348</b>	

During the financial period, the company has acquired further 0.15% of PIC Saglasie AD in the amount of 1 740 000 BGN.

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

	Country	2009	share	2008	share
		BGN'000	%	BGN'000	%
AKB Tatinvest bank	Russia, Kazan	1 136	5.01%	1 136	5.01%
Plovdivska Stokova Borsa AD	Bulgaria	88	4.37%	88	4.37%
Chimimport Hungary KKFT	Hungary	82	48.00%	82	48.00%
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%
		<b>1 332</b>		<b>1 332</b>	

As at 31 December 2009 there are no financial assets held for sale pledged as collateral.

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

	2009	2008
	BGN'000	BGN'000
Galata Investment Company AD	19 971	-
	<b>19 971</b>	<b>-</b>



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

	Country	2009 BGN'000	share %	2008 BGN'000	share %
Convertible Bonds	Swiss	19 558	0.00%	-	0.00%
PFK Chernomore AD	Bulgaria	4 700	91.67%	4 700	91.67%
David 202 AD	Bulgaria	519	99.79%	519	99.79%
MIT 2003 EOOD	Bulgaria	161	100.00%	161	100.00%
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	-	3	-
		<b>24 947</b>		<b>5 389</b>	

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

As at 31 December 2009 there are no short-term financial assets pledged as collateral.

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

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

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

During 2009 the company has acquired 4.30% of the shares of ZAD Armeec. This investment is recognized as investment in subsidiaries because of the indirect control interest over the company.

Regarding the reorganisation processes of the Chimimport group, including the restructuring of the owned shares, the following interests has been sold:

- Oil and Gas Exploration and Production AD in the amount of 49.83%
- Zarneni Hrani Bulgaria AD in the amount of 57.78%

During the financial period, the company has acquired further 0.78% of Oil and Gas Exploration and Production AD in the amount of 263 000 BGN.

Within the 2009 period the company performed an initial public offering (IPO) of Galata Investment Company. As a result of this 37.81% of the shares of Galata Investment Company has been sold and revenue amounting to 33 547 thousand BGN, as well as 19 712 thousand BGN from the revaluation of financial instruments, has been generated.

As of the 31 December 2009 Chimimport AD has invested 1 500 thousand BGN in the equity of its subsidiary Port Lesport AD.

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

<b>Long-term receivables from:</b>	<b>2009</b>	<b>2008</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<i>- subsidiaries</i>		
Bulgarian Aviation Group EAD	96 237	90 304
Bulgarian Shipping Company EAD	31 662	28 699
Bulchimex OOD	2 823	-
Parahodstvo BRP AD	128	-
CCB Group EAD	-	38 631
	<b>130 850</b>	<b>157 634</b>
<b>Short-term receivables from:</b>		
	<b>2009</b>	<b>2008</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<i>- owners</i>		
Chimimport Invest AD	22 275	-
	<b>22 275</b>	<b>-</b>
<i>- subsidiaries</i>		
Chimimport Group EAD	115 025	108
CCB Group EAD	41 369	1 074
Bulgarian Aviation Group EAD	28 623	22 196
Trans Intercar EOOD	8 690	13 622
Bulgarian Shipping Company EAD	5 990	3 528
Energoproekt AD	5 243	550
Lufthansa Technik OOD	2 151	-
Hemus Air AD	1 509	1 408
Brand New Ideas EOOD	1 241	652
Port Balchik AD	1 227	-
ZAD Armeec	1 144	3 420
Bulchimex OOD	827	1 469
Rubber Trade OOD	319	306
Chimceltex OOD	261	255
Chimoil Trade OOD	116	116
Other (below 100 000 BGN)	397	283
	<b>214 132</b>	<b>48 987</b>
<i>Including trade receivables</i>	<i>18 587</i>	<i>16 920</i>
<i>Including interest receivables</i>	<i>23 928</i>	<i>14 895</i>



	<b>2009</b>	<b>2008</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<i>- associates</i>		
Holding Varna AD	-	1
Holding Nov Vek AD	9 605	7 365
Konor OOD	1 083	822
PIC Saglasie AD	739	739
	<b>11 427</b>	<b>8 927</b>
<i>Including trade receivables</i>	<i>1</i>	<i>-</i>
<i>Including interest receivables</i>	<i>1 991</i>	<i>1 139</i>
<i>- other related parties under control</i>		
Assenova Krepost AD	14	-
	<b>14</b>	<b>-</b>
<b>Total short-term receivables from related parties</b>	<b>247 848</b>	<b>57 914</b>
<b>Long term payables to:</b>	<b>2009</b>	<b>2008</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<i>- owners</i>		
Chimimport Invest AD	-	168 353
	<b>-</b>	<b>168 353</b>
<i>- subsidiaries</i>		
Chimimport Holland	-	124 086
Chimsnab AD	225	-
	<b>225</b>	<b>124 086</b>
	<b>225</b>	<b>292 439</b>



<b>Short-term payables to:</b>	<b>2009</b>	<b>2008</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<i>- owners</i>		
Chimimport Invest AD	-	<b>582</b>
<i>Including interest payables</i>	-	<b>582</b>
<i>- subsidiaries</i>		
Chimimport Holland EAD	130 742	3 278
Port Lesport AD	7 290	7 003
Oil and Gas Exploration and Production AD	3 022	2 765
Sport Complex Varna AD	2 742	2 697
CCB Life AD	2 392	2 226
Omega Finance OOD	2 035	480
CCB AD	695	1 581
ZOK CCB AD	647	636
Anitas 2003 EOOD	499	-
Bulgarian Oil Refinery EOOD	390	-
Bulgaria Air EAD	348	347
Sofgeoprouchvane EOOD	242	-
Hemus Air AD	212	-
Zad Armeec AD	131	725
Other (below 100 000 BGN)	3 789	3 979
	<b>155 176</b>	<b>25 717</b>
<i>Including trade receivables</i>	<i>761</i>	<i>271</i>
<i>Including interest receivables</i>	<i>5 482</i>	<i>5 743</i>
<i>- associates</i>		
Holding Varna AD	-	32 045
Holding Nov Vek AD	334	334
	<b>334</b>	<b>32 379</b>
<i>Including interest payables</i>	<i>334</i>	<i>337</i>
<b>Total short-term payables from related parties</b>	<b>155 510</b>	<b>58 678</b>

## 12 Information regarding the usage of the funds, received from the new emission of stocks during the reporting period

Within the 2009 period the offering of the emission of obligatory convertible preferred shares for the capital increase of Chimimport AD was successfully performed.

In 2009 the investment activity of Chimimport AD was once more oriented in the acquisition of shares, the establishment, reorganization and management of subsidiaries, the financing of companies, in which interest is held and the acquisition of debt and real estate.

The received funds from the emission of the preferred shares are mainly invested in the following directions:

- Granting of funds to subsidiaries for the purpose of investments, including:
  - Capital increase of Parahodstvo BRP AD;
  - Capital increase of Bulgaria Air AD;
  - Capital increase of Port Lesport AD;
  - Modernisation and expansion of the airports in Varna and Bourgas.

A large part of the fulfilled investments are part of the detailed investment programs of the company. Some of the programs are for their part in compliance with privatisation and concession engagements, which the Chimimport group strictly observes and even exceeds.

- Settlement of intercompany balances with Chimimport Invest AD;
- Advance payment of investments in connection with the merger of POD Lukoil Garant – Bulgaria and POAD CCB Sila;
- Acquisition of debt, interests, real estate and other from the Holding and its subsidiaries.

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

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

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

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

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

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

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

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

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

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

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

According to a reference from the Central Depository issued as at 31 December 2009, the members of the Managing and Supervisory Board own the following number of shares:

### **Members of the Supervisory Board**

	<b>Name</b>	<b>Number of shares</b>	<b>% of share capital</b>
1.	Chimimport Invest AD	109 724 464	72.87%
2.	CCB Group EAD	5 192 408	3.45%

### **Members of the Managing Board**

	<b>Name</b>	<b>Number of shares</b>	<b>% of share capital</b>
1.	Alexander Dimitrov Kerezov	95 000	0.06%
2.	Ivo Kamenov	309 925	0.21%
3.	Marin Velikov Mitev	309 924	0.21%
4.	Nikola Peev Mishev	33 464	0.02%
5.	Miroliub Panchev Ivanov	55 666	0.04%

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

## **19 Information regarding the Company's agreements (including post balance sheet period), that may cause changes in the relative number of the shares and bonds, owned by the current shareholders and bondholders**

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

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

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

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

Information regarding this point is presented in a separate document.



## 22 Changes in the Company's share prices

According to information from the Bulgarian Stock Exchange – Sofia, the prices of the ordinary and preferred shares during the twelve month period in 2009 are as follows:

### Ordinary shares

Opening price : 2.10 BGN on 05 January 2009  
Closing price : 2.70 BGN on 28 December 2009

### Preferred shares

Opening price : 2.10 BGN on 05 January 2009  
Closing price : 2.70 BGN on 28 December 2009

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

### 1. 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 1.4. 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.

#### 1.1. Market risk analysis

##### 1.1.1. 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 BGN'000	Euro BGN'000	USD BGN'000	Euro BGN'000
<b>31 December 2009</b>				
Financial assets	1 982	16 826	-	4 974
Financial liabilities	(1 650)	(127 192)	(491)	-
<b>Total exposure</b>	<b>332</b>	<b>(110 366)</b>	<b>(491)</b>	<b>4 974</b>
<b>31 December 2008</b>				
Financial assets	1 971	33 703	207	-
Financial liabilities	(2 148)	(4 530)	(1 646)	(291 187)
<b>Total exposure</b>	<b>(177)</b>	<b>29 173</b>	<b>(1 439)</b>	<b>(291 187)</b>

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 +/- 5,06% change of the BGN/USD exchange rate for the year ended at 31 December 2009 (2008: +/- 7,21%). 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 5.06% (2008: +/- 7.21%) 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 2009	(7)	+7
31 December 2008	(105)	+105

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.

### 1.1.2. 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 2009, 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 2008 – BIR and 3M EUR LIBOR). 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 2009**

<b>Impact on post-tax profit of the year</b>					
<b>3M EUR LIBOR</b>		<b>BIR</b>		<b>Total</b>	
+	-	+ 55,2%	- 55,2%	+	-
<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
-	-	(127)	127	(127)	127

**31 December 2008**

<b>Impact on post-tax profit of the year</b>					
<b>3M EUR LIBOR</b>		<b>BIR</b>		<b>Total</b>	
+ 10,33%	- 10,33%	+ 6,75%	- 6,75%	+	-
<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
(3)	3	(19)	19	(22)	22

**1.1.3. Other price risk**

The Company is exposed to other price risk in respect of the following direct investments in subsidiaries and associates, 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 - associate.

The investments in listed subsidiaries and associates 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.



## 1.2. 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:

	<b>2009</b>	<b>2008</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Classes of financial assets – carrying amounts:		
Shares / financial assets /	46 250	6 721
Loans granted	95 462	114 230
Related party receivables	378 698	215 548
Trade and other receivables	164 522	102 435
Cash and cash equivalents	122 775	101 840
<b>Carrying amount</b>	<b>807 707</b>	<b>540 774</b>

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

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

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

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

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

## 1.3. 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 2009, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

<b>31 December 2009</b>	<b>Current</b>		<b>Non-current</b>	
	<b>Within 6 months BGN'000</b>	<b>6 to 12 months BGN'000</b>	<b>1 to 5 years BGN'000</b>	<b>Later than 5 years BGN'000</b>
Dividend liabilities	4 216	4 216	49 679	24 422
Bank and other long-term borrowings	-	2 920	5 051	-
Related party payables	12 320	143 190	225	-
Finance lease liabilities	825	825	491	-
Trade and other payables	29 225	36 729	27	-
<b>Total</b>	<b>46 586</b>	<b>187 880</b>	<b>55 473</b>	<b>24 422</b>

In regards to the issued secured exchangeable bonds by a company from the group of Chimimport AD there is an option in accordance with Condition 8 (c) from Terms and Conditions of the bonds issued on 22 August 2008 by Chimimport Holland B.V. (with sole owner of the share capital being Chimimport AD) at the amount of EUR 65 000 000 with 7% interest rate and exchangeable for ordinary shares of Chimimport AD (called "the Bonds"), each bondholder has the right (option) to present for repurchasing to the issuer Chimimport Holland B.V., all or a portion of the owned bonds. The right is exercisable on 22 August 2010.

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

<b>31 December 2008</b>	<b>Current</b>		<b>Non-current</b>	
	<b>Within 6 months BGN'000</b>	<b>6 to 12 months BGN'000</b>	<b>2 to 5 years BGN'000</b>	<b>Later than 5 years BGN'000</b>
Dividend liabilities	-	-	-	-
Other bank borrowings	-	2 920	-	-
Related party payables	-	58 678	168 353	124 086
Financial lease liabilities	900	900	1 993	-
Trade and other payables	8 245	18 013	-	-
<b>Total</b>	<b>9 145</b>	<b>80 511</b>	<b>170 346</b>	<b>124 086</b>

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 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.

**1.4. 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:

<b>Financial assets</b>	<b>2009</b>	<b>2008</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Financial assets available-for-sale:		
Shares and bonds	26 279	6 721
Financial assets available-for-sale designated at fair value through profit or loss:		
Current financial assets	19 971	-
Credits and receivables:		
Loans granted	95 462	114 230
Related party receivables	378 698	215 548
Trade and other receivables	164 522	102 435
Cash and cash equivalents	122 775	101 840
	<b>761 457</b>	<b>534 053</b>

<b>Financial liabilities</b>	<b>2009</b>	<b>2008</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Financial liabilities designated at fair value through profit or loss:		
Non-current payables:		
Loans	-	168 353
	<u>-</u>	<u>168 353</u>
Financial liabilities measured at amortized cost:		
Non-current liabilities:		
- dividend liabilities	74 101	-
- loans	5 276	124 086
- finance lease liabilities	491	1 993
- other	27	-
Current liabilities		
- dividend liabilities	8 432	-
- loans	158 430	70 747
- finance lease liabilities	1 650	1 800
- trade and other payables	65 954	17 109
	<u><b>314 361</b></u>	<u><b>215 735</b></u>

The notes to the financial statements contain information about the accounting policy for each category financial instruments, as well as description of the risk management objectives and policies of the Company related to the financial instruments.

## 2. Capital management policies and procedures

The Company's capital management objectives are:

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

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

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

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

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

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

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

	<b>2009</b>	<b>2008</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Shareholders' equity	831 803	623 796
<b>Equity</b>	<b>831 803</b>	<b>623 796</b>
+Subordinated debt	319 477	390 667
- Cash and cash equivalents	(122 775)	(101 840)
<b>Net debt</b>	<b>196 702</b>	<b>288 827</b>
<b>Capital to net debt</b>	<b>1:0.24</b>	<b>1:0.46</b>

The ratio-reduction during 2009 is primarily a result of the increase in the Company's equity by issuing of preferred shares.

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



## Information on appendix No 11:

### 1. Capital structure

The share capital of the Company as at 31 December 2009 consists of 150 577 390 ordinary shares with a par value of BGN 1 and 89 068 877 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.

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 funds above the nominal value of the share capital amounting to BGN 109 368 465.26 are allocated as follows:

- BGN 27 621 665.26 – share premium
- BGN 8 348 230.00 – short-term dividend liabilities
- BGN 70 007 570.00 – long-term dividend liabilities
- BGN 3 391 000.00 – share issue expenses

The dividend liabilities and share premium, as a result of the conversion of 577,406 preferred shares into ordinary shares, are allocated as follows:

- BGN 28 131 870.60 – share premium
- BGN 8 432 290.00 – short-term dividend liabilities
- BGN 74 100 530.00 – 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.

### 2. Limitations on share transfer

Issuing and disposal of in book-entry form shares requires mandatory registration in Central Depository.



### **3. Information regarding holding more than 5% from the voting right at the General Meeting of the Shareholders.**

As at 31 December 2008 the shareholders holding 5% or more from the Company's capital are as follows:

<b>Name</b>	<b>Number of shares</b>	<b>% of the share capital</b>
Chimimport Invest AD	109 724 464	72.87%
Artio international equity fund /previously named Julius Baer Investment Management LLC – USA/	10 693 367	7.10%

The remaining shareholders (legal entities and individuals) possess less than 5% of the share capital of the Company.

### **4. Shareholders with special control rights**

There are no shareholders with special control rights.

### **5. Control system and voting limitations at the General Meeting of the Shareholders**

Chimimport AD has no control system in executing the right to vote in cases, where employees of the Company are also its shareholders, and when they are not executing direct control. All shareholders, who are also employees of the Company, execute their right to vote by their own judgment.

### **6. Agreements between shareholders**

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

### **7. Election and dismissal of the Company managing bodies**

The Company managing bodies are:

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

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

The members of the Managing Board are elected by the Supervisory Board, which has the right to replace them at any time. One and the same person cannot be a member of the Managing and the Supervisory Board at the same time. The members of the Managing Board may be re-elected without any limitations.

Members of the Managing Board of Chimimport AD should meet the requirements of the applicable law:

to be active individuals or legal entities;

as at the moment of the election, the candidate must have clean record, related to crimes against the ownership, the economy, the financial, tax, or social-security systems of the Republic of Bulgaria or abroad, unless he/she has been rehabilitated;

the candidate cannot be a former member of a managing or supervisory body of a discontinued company, that has declared bankruptcy in the last two years prior to the decision for insolvency announcement, if there are any unsatisfied creditors remaining.

Amendments and additions to the articles of association of the Company are approved at the General Meeting of the Shareholders.

#### **8. Authorities of the managing bodies of the Company, including decisions for issuing and redemption of shares**

The Managing body of Chimimport AD manages the current activity of the Company and represents it in front of individuals and legal entities in the country and abroad. The Managing Board decides on all matters, which are not under the exclusive competence of the General Meeting of the Shareholders or the Supervisory Board, while abiding the decisions of the General Meeting of the Shareholders and the Supervisory Board, as well as the orders of the articles of association and the applicable legislation. The Managing Board is accountable for its activity to the Supervisory Board and the General Meeting of the Shareholders.

The Managing Board adopts its Activities Regulation, which is approved by the Supervisory Board.

The Managing Board submits a report on its activity to the Supervisory Board at least once for every three months. The chairman of the Supervisory Board must be promptly notified for all circumstances of significant importance for the Company.

The Managing Board presents to the Supervisory Board the annual Financial Statements, the Management's Report, the Auditor's Report, as well as the proposal for profit distribution which will be presented at the General Meeting of the Shareholders.

According to the resolution of the General Meeting of the Shareholders held on 17 September 2007 within a period of 5 (five) year period of entering the amendment in the corporate articles into the Companies Register, the Managing Board is authorized to issue bonds, including exchangeable ones, up to total amount of EUR 100 000 000 (hundred million) or their equivalent in foreign currency. The Managing Board determines the type and parameters of the bonds issued and the terms and conditions for bond issuing. The decisions are made by the Managing Board with the approval of the Supervisory Board

According to the resolution of the General Meeting of the Shareholders held on 17 September 2007 within a period of 5 (five) year period of entering the amendment in the corporate articles into the Companies Register, the Managing Board is authorized to make decisions on the increase of the capital of the Company up to a total nominal amount of BGN 175 000 000 /one hundred seventy five million/ through issuing of common or preferred shares. These decisions are taken by the Managing Board with the approval of the Supervisory Board

### 9. Significant contracts of the Company

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

### 10. Agreements between the Company and its management bodies

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

March 2010



Ivo Kamenov  
Executive Director

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