**PROSPECTUS DATED 20 August 2007**

# Chimimport AD

*(incorporated as a joint stock company with limited liability under the laws of Bulgaria)*

## Offering of up to 20,000,000 Ordinary Shares

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## Issue Price: BGN 11 per Share

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Chimimport AD ("**Chimimport**" or the "**Issuer**") increases its capital up to BGN 150,000,000 (the "**Capital Increase**") via an initial public offering of 20,000,000 ordinary shares, each one with a nominal value of BGN 1 (the "**New Shares**"). The public offering (the **"Offering"**) shall comprise the New Shares offered for subscription and the rights for subscription of the New Shares (the **"Rights"**), which will be reistered for trading on the Bulgarian Stock Exchange – Sofia AD (**"Bulgarian Stock Exchange"** or **"BSE"**) This Prospectus is issued in compliance with Bulgarian law and the listing rules of the Bulgarian Stock Exchange – Sofia AD (the "**Bulgarian Stock Exchange**" or "**BSE**") and is approved by the Bulgarian Financial Supervision Commission ("**FSC**"). Immediately following the registration of the New Shares at the Bulgarian Commercial Register, the Bulgarian Central Depository and the FSC an application shall be made to list the Offer Shares, which will be traded together with the currently existing shares of Chimimport (the **"Shares"**) on the Official Market of the Bulgarian Stock Exchange under the symbol "CHIM". It is expected that trading in the New Shares of Chimimport will commence on or about 19 November 2007.

The New Shares are being offered outside the United States in offshore transactions in accordance with Regulation S ("**Regulation S**") of the U.S. Securities Act of 1933, as amended (the "**US Securities Act**"). The Offer Shares have not and will not be registered under the US Securities Act or with any securities regulatory authority of any jurisdiction outside Bulgaria and may not be offered or sold within the United States either to, or for the benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration.

**Investment in shares is subject to certain risks. It is in the interest of investors to read this Prospectus in its entirety, and, in particular, the section entitled "Risk Factors" on page 15 before deciding whether to invest in the Offer Shares.**

This Prospectus contains all the information on Chimimport and the companies, part of its economical group (the **"Group"**) necessary for taking a decision on whether to invest in the New Shares. In accordance with Bulgarian law the members of the Management Board of Chimimport shall be jointly and severally liable for any and all damages caused by false, misleading or incomplete data in the Prospectus. The persons, responsible for preparation of the financial statements of Chimimport shall be jointly and severally liable with the Issuer's Management Board members for any and all damages caused by false, misleading or incomplete data in the financial statements of Chimimport, and the auditor of Chimimport for damage caused by the audited financial statements of the Issuer. In this regard the above persons have declared the relevant circumstances as required by the law.

**THE FINANCIAL SUPERVISION COMMISSION HAS APPROVED THIS PROSPECTUS WITH DECISION 1153-E OF 22 AUGUST 2007, WHICH IS NOT A RECOMMENDATION TO INVEST IN THE OFFERED SHARES. THE FINANCIAL SUPERVISION COMMISSION SHALL NOT BE LIABLE FOR THE ACCURACY AND THE COMPLETENESS OF THE DATA CONTAINED IN THIS PROSPECTUS.**

*Lead Manager of the Offered Shares*

**UniCredit Bulbank**

*Co-Manager*

**Central Cooperative Bank**

20 August 2007

Potential investors can receive this Prospectus free of charge at the following addresses:

- From the office of Chimimport in Sofia, 2 Stefan Karadja Str.; website: www.chimimport.bg, tel.: +359 (2) 981 7420; contact persons: Alexandar Kerezov, from 9.30 a.m. till 17.30. p.m.;
- From the office of UniCredit Bulbank in Sofia, 7 Sveta Nedelya Square., tel.: +359 (2) 9320 128, website: www.bulbank.bg; contact person: Yolanda Hristova, from 9:00 a.m. till 17:00 p.m.;
- From the office of Central Cooperative Bank in Sofia, 103 Rakovski Str., tel.: +359 (2) 926 6288, website: www.ccbank.bg; contact person: Sava Stoynov, from 9:30 a.m. till 17:00 p.m.

This Prospectus and additional public information about Chimimport may also be obtained from the public register of the Financial Supervision Commission (www.fsc.bg) and from the Bulgarian Stock Exchange.

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*This document is a translation in English of the Chimimport's original prospecus, approved in Bulgarian language by the Financial Supervision Commission of Bulgaria. The translation is made under the sole responsibility of the Issuer.*

The Offer Shares rank *pari passu* in all respects with the other issued Shares and carry the right to receive all dividends and distributions declared made or paid on or in respect of the issued Shares after the registration of the Capital Increase in the commercial register.

UniCredit Bulbank AD acting as a lead manager of the Offering (the "**Lead Manager**" or "**UniCredit Bulbank**"), as well as the co-manager Central Cooperative Bank AD (the "**Co-Manager**" or "**CCB**") and other co-managers of the Offering nominated by the Lead Manager, if any (together, the **"Managers"**) are acting for Chimimport and no one else in connection with the Offering, and will not be responsible to anyone other than Chimimport for providing the protections afforded to its clients, or for providing advice in relation to the Offering or any transaction or arrangement referred to in this document.

The distribution of this document and the offer of the Shares in certain jurisdictions may be restricted by law.

Accordingly, neither this document nor any advertisement nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. For information on restrictions relating to the Offering and the distribution of this document, see "*Subscription and Sale*".

Prospective investors should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by Chimimport or the Managers. Without prejudice to any obligation of Chimimport to publish a supplementary prospectus pursuant to the Bulgarian Public Offer of Securities Act 1999, neither the delivery of this document nor any subscription or purchase of Shares made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the affairs of Chimimport since, or that the information contained herein is correct at any time subsequent to, the date of this document.

The contents of this document are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice. If you are in any doubt about the contents of this document you should consult a stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the price of securities and the income from them can go down as well as up.

In connection with the Offering, the Managers acting as investors for their own account may acquire Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in such securities, any other securities of Chimimport or other related investments in connection with the Offering or otherwise. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

## FORWARD LOOKING STATEMENTS

This document contains forward-looking statements which reflect the current view of Chimimport or, as appropriate, of the members of the Supervisory Board of Chimimport (the "**Supervisory Board**") and the members of the Management Board (the "**Management Board**") of Chimimport (together, the "**Directors**") with respect to financial performance, business strategy, plans and the objectives of Management for future operations (including development plans relating to Chimimport and its subsidiaries (the "**Group**").

These forward-looking statements relate to Chimimport and the sectors and industries in which Chimimport operates. Statements which include the words "***expects***", "***intends***", "***plans***", "***believes***", "***projects***", "***anticipates***", ***"assumes"***, "***will***", "***targets***", "***aims***", "***may***", "***would***", "***could***", "***continue***" and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the Bulgarian securities laws or otherwise.

All forward-looking statements included in this document address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause Chimimport's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the part of this document entitled "***Risk Factors***", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect Chimimport's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of Chimimport and the Group.

Any forward-looking statements speak only at the date of this document. Subject to any obligations under Bulgarian law and the Rules of the Bulgarian Stock Exchange, Chimimport undertakes no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to Chimimport or individuals acting on behalf of Chimimport are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

## PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, the financial information in this document has been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Anyone considering acquiring Shares must rely on their own examination of Chimimport, the terms of the Offering and the financial information in this document.

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables, or percentage calculations contained in this document, may not conform exactly to the total figure given for that column or row.

## PRESENTATION OF MARKET AND INDUSTRY INFORMATION

Market, economic and industry data used throughout this document have been derived from various industry and other independent sources. The accuracy and completeness of such information is not guaranteed.

Information contained in this document relating to the industries in which Chimimport, the companies of the Group and their competitors operate (which may include estimates and approximations) was derived from publicly available information, including press releases and filings under various securities laws and other regulations. Chimimport confirms that such information has been accurately reproduced from its sources and, as far as the Issuer is aware and is able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. However, Chimimport has relied on the accuracy of this information without carrying out an independent verification. Certain of the information in this document in relation to Bulgaria has been extracted from documents and other publications released by, and is presented on the authority of, various officials and other public and private sources, including participants in the capital markets and financial sector in Bulgaria. There is not necessarily any uniformity of views among such sources as to the information provided therein. Accordingly, Chimimport only accepts responsibility for accurately reproducing such extracts from the relevant informational sources. It accepts no further or other responsibility in respect of such information.

In this prospectus the numbers are presented in the following manner: the number "one thousand and five hundred" is "1,500", the number "one hundred and five tenths" is "100.50"; the number "one million" is "1,000,000" or "1,000,000.00", and any other numbers shall be expressed and written in the same way, except explicitly indicated otherwise.

## NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Chimimport's website do not form part of this document.

## CURRENCY PRESENTATION

Unless otherwise indicated, all references in this document to "**Euro**", "EUR" or "**€**" are to the lawful currency of some countries of the European Union, all references to "**US$**", "**$**" or "**US Dollars**" are to the lawful currency of the United States and all references to "**BGN**", "**Lev**" or "**Leva**" are to the lawful currency of the Republic of Bulgaria.

## EXCHANGE RATES

From 1997 the Lev was pegged to the Deutsche Mark and subsequently to the Euro. Currently, the exchange rate is fixed by the Bulgarian National Bank at €1=BGN 1.95583 (BGN1.00 = €0.51).

The following table sets forth, for the periods indicated, the average, high, low and period-end daily reference exchange rate in Bulgarian Leva as published by the Bulgarian National Bank ("**BNB**") expressed in Leva per $1.00:

| | | **Year Ended 31 December** | | |
|---|---|---|---|---|
| | **To 31 July 2007** | **2006** | **2005** | **2004** |
| | *(Leva per $1.00)* | | | |
| Period End ................ | 1,42688 | 1,48506 | 1,65790 | 1,43589 |
| Average[(1)]................. | 1.48527 | 1,55944 | 1,57482 | 1,57369 |
| High ……………….. | 1,49232 | 1,65021 | 1,67638 | 1,65720 |
| Low ………………... | 1,47822 | 1,46713 | 1,44801 | 1,43463 |

(1) The average of the daily reference exchange rates during the relevant period.

Except as otherwise stated in this document, all translations from Leva to Euro contained in this document are based on the exchange rate fixed by BNB of €1=BGN 1.95583.

## NOTICE TO NON-BULGARIAN INVESTORS

Chimimport is a joint-stock company established in Bulgaria and substantially all of its assets are located in Bulgaria. In addition, the members of the Supervisory and Management Board of Chimimport are residents of Bulgaria and substantially all of their personal assets are located in Bulgaria. As a result, it may be difficult for investors in jurisdictions outside Bulgaria to effect service of process on Chimimport or members of its Supervisory and Management Board in connection with any lawsuits against such persons related to the Offer Shares. Furthermore, foreign investors may encounter difficulties in enforcing judgements of foreign courts and other authorities against Chimimport or members of its Supervisory and Management Boards (the procedure for recognition and admission for enforcement of foreign court judgements and other acts is applied in compliance with the Bulgarian Private International Law Code).

## REFERENCES TO DEFINED TERMS

Certain terms used in this document, including certain capitalised terms, are defined in "***Definitions***" at the end of the document.

Chimimport is a joint-stock company operating under a two-tier Management system, including (a) Management Board and (b) Supervisory Board.

The **Supervisory Board** of Chimimport consists of the following persons:

- Nikola Alexandrov Damyanov – chairman of the Supervisory Board;
- Chimimport Invest AD – member of the Supervisory Board;
- CCB Group Assets Management EAD – member of the Supervisory Board;
- Jivko Velikov Jekov – member of the Supervisory Board.

The **Management Board** of Chimimport consists of the following persons:

- Tsvetan Tsankov Botev – chairman of the Management Board;
- Alexandar Dimitrov Kerezov – vice-chairman of the Management Board;
- Ivo Kamenov Georgiev – executive director;
- Marin Velikov Mitev – executive director;
- Nikola Peev Mishev – member of the Management Board;
- Miroliub Panchev Ivanov – member of the Management Board.

As at the date of preparation of this Prospectus, the Management Board has not authorized a procurator or other commercial representative.

The Company shall be represented jointly or severally by the executive directors: Ivo Kamenov Georgiev and, Marin Velikov Mitev.

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**The Lead Manager** of the Offering, advising Chimimport with respect to the Offering and this Prospectus and authorised *inter alia* to offer for subscription the New Shares, is *UniCredit Bulbank AD*, with headquarters and address of administration: Sofia, Vuzrajdane region, 7 Sveta Nedelya Square, Bulgaria. **Co-Manager** of the Offering is *Central Cooperative Bank AD*, with headquarters and address of administration: Sofia, Oborishte region, 103 Rakovski Street, Bulgaria.

**The Legal Advisor** to Chimimport with respect to the Offering and this Prospectus is *Dimitrov, Tchompalov & Todorova OOD*, with headquarters and address of administration: 1408 Sofia, 22-24 Major Parvan Toshev Street, Bulgaria.

**The Auditor** of Chimimport for 2004, 2005 and 2006 is *Grand Tornton OOD*, with headquarters and address of administration: 1000 Sofia, Sredetz region, 16A Alexandar Batenberg Str, 2$^{nd}$ floor, ap. 7, Bulgaria, through the registerd auditor Marii Apolstolov, Registration No 0488.

**The Persons responsible for the information** given in the Prospectus are: *Alexandar Dimitrov Kerezov*, Vice-chairman of the Management Board of Chimimport and *Sava Marinov Stoynov*, Director of the Investment Banking Directorate of Central Cooperative Bank.

The persons, named above as responsible for the information given in the Prospectus declare that:

1) they have taken all reasonable care to ensure that the information in this Prospectus meets the requirements of the law, and

2) to the best of their knowledge, the information included in this Prospectus is in accordance with the facts, is not misleading and contains no omission likely to affect its import, and fairly presents in all material respects the business, financial and legal conditions with respect of Chimimport and the rights attached to its Shares.

**CONTENTS**

## EXPECTED TIMETABLE FOR THE OFFERING

Each of the times and dates set out below is subject to change without further notice.

Dates after the announcement of the New Shares subscription losing are indicative only and Chimimport and the Lead Manager will proceed to ensure as soon as possible Admission of the New Shares on the Bulgarian Stock Exchange. Exact dates will be published, in addition to any other publications with the BSE, FSC and other publications pursuant to Bulgarian law, on the webpages of Chimimport, UniCredit Bulbank and CCB as specified on page ii of this document.

| | |
|---|---|
| Date of publication of this document | on or about 24 August 2007 |
| Date of publication of an Offering notice in the Bulgarian *State Gazette* and a daily newspaper (1) | on or about 24 August 2007 |
| Commencement of Rights trading on the BSE and start of the New Shares subscription | on or about 04 September 2007 |
| Closing date for Rights trading on the BSE | on or about 14 September 2007 |
| Closing date for subscription of new shares by the owners of Rights, including the owners having purchased Rights on the BSE | on or about 19 September 2007 |
| Official auction of the unexercised rights on the BSE | on or about 26 September 2007 |
| Commencement of the subscription of New Shares by the investors having bought Rights on the official auction | on or about 28 September 2007 |
| Closing date for subscription of New Shares by the investors having bought Rights on the official auction | on or about 11 October 2007 |
| Closing date for payment of the New Shares by any investor having subscribed for new Shares(2) | on or about 11 October 2007 |
| Registration of the New Shares issue and of the Capital Increase of Chimimport in the commercial register | on or about 17 October 2007 |
| Investors' accounts credited with New Shares at the Bulgarian Central Depository | On or around 22 October 2007(3) |
| Commencement of trading of the New Shares on the BSE | On or around 19 November 2007(3) |

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(1) At least 7 days before commencement of accepting orders for subscription of the New Shares and commencement of rights trading on the BSE;

(2) As per the terms and conditions of the subscription, any subscription of New Shares shall be invalid if the full share value has not been paid upon the closing date for subscription;

(3) The above dates are specified upon the presumption that (a) the terms in the schedule will be strictly observed; and (b) the procedures before the relevant institutions will be carried out in the shortest possible terms. The actual date may be more or less days after the date indicated.

## SUMMARY

*This section should be read as an introduction to the Prospectus and any decision for investing in the Shares should be based on consideration of the Prospectus as a whole by the investors. Investors, in particular foreign investors, should take into consideration where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.*

### Business Overview

For the 60 years of its existence, Chimimport has transformed itself from a successful foreign trade enterprise specialized in trading in chemical products to a large-scale Issuer company which unites more than 57 companies operating in different sectors of the economy of Bulgaria ("**the Group**").

The main area of activities of Chimimport is the acquisition of shares, setting up, restructuring and management of subsidiary companies and the financing of companies in which the Issuer holds shares.

The priority investments of the Group are focused in the following branches:

- Financial sector, including banking services, insurance, pension insurance, securitization of real estate and receivables;
- Extraction of oil and gas;
- Building of production capacity in the field of the oil processing industry, production of biofuels and production of rubber products;
- Production of and trading in petroleum and chemical products;
- Production of vegetable oils and purchase, processing and trading in grain foods;
- Air transport and ground activities related to the maintenance and repair of aircraft;
- River and maritime transport, port infrastructure.

The income of the Group rose from BGN 354 million in 2005 to BGN 518 million in 2006. The net result of the activities of the Group increased from BGN 30 million in 2005 to BGN 60.8 million in 2006. The net result of the activities of the Group for the first quarter of 2007 is BGN 25.2 million while, for the first quarter of 2006, it was BGN 1.8 million.

On an individual basis, the net operating result of Chimimport grew from BGN 22.5 million in 2005 to BGN 29.2 million in 2006. The net operating result of the Issuer on an individual basis for the first quarter of 2007 is BGN 41.3 million given BGN 2 million for the first quarter of 2006.

### Strengths and Strategy

The Directors of Chimimport believe that the main advantages of the Group at this point are:

- Knowledge of the conditions in Bulgaria and positions won in the economy of the country
- Proven management team
- Significant value of the assets of the Group.

The principal strategic goals of Chimimport's are:

- to maintain the high rates of growth and to strengthen the Company's position as a leading Issuer company in Bulgaria and Central and Eastern Europe;
- to guarantee a long-term investment return for its shareholders;

- to acquire and maintain its leading position towards the public companies in Bulgaria and to improve the international popularity of the Group for securing its financing from the international capital markets.

In pursuing the goals above the Management Board of Chimimport intends to follow a strategy, based on: (a) in short-term aspect – improvement of the assets already acquired and strengthening of their effectiveness; and (b) in mid-term aspect - expansion in some other sectors of the Bulgarian economy and of the economy of the region, which are considered to be of strategic importance for the Group.

The Management Board of Chimimport assumes that on this stage the fast expansion of Chimimport which has been already realized and has turned Chimimport into an important, for the Bulgarian dimensions, conglomeration of companies with various scope of activity, should be followed by subsequent restructuring and optimization of the activity of the already existing subsidiaries. Chimimport is one of the first business structures, which has started to consolidate its activities. The Group is pioneering in the Bulgarian financial sector with sale of its bank, insurance and pension funds' products at one desk, in line with modern practices. Chimimport intends to consolidate its grain business by the end of 2007 and plans a consolidation of Bulgaria Air and Hemus Air companies in 2008. Two solely owned insurance companies CCB EAD and CCB Life EAD are planned to be established within the end of the third quarter of 2007. A short-term goal of the company is the consolidation of the pension fund companies of Chimimport - "Lukoil Garant" and "CCB Sila". Investments in real estates are planned to be made in 2008.

The Directors of Chimimport believe that for securing the on-going increase of the value of the Group and the long-term stable return of its shareholders' investments, the Group should also accomplish, besides its present assets' optimization, new acquisitions in the country and the region. For the purpose of developing the Group's future expansion Chimimport shall ensure a profound location analysis upon any and all of its "green-field" investments and shall continue to rely on a management, well-familiar with the local conditions and business.

Up to now, Chimimport has financed its economical growth mainly by its equity capital, through the issue of Shares (at the initial public offering in September 2006 and the current Capital Increase). In order to provide the investments of considerable amount, necessary for the realization of future acquisitions, as well as for optimizing the expenses for its financial resources' accumulation, the Issuer intends to enrich its capital structure by different types of debt and hybrid instruments, realized as well through the international capital markets.

The Directors of Chimimport are convinced that an effectively functioning model of corporative management of the Issuer (as well as of the rest public companies in the Group) is necessary to be maintained for the purpose to guarantee the equal treatment and protection of the shareholders' rights, transparency and proper disclosure of any and all information, important for the current shareholders and interested parties, and for the potential future investors as well.

**Summary of Historical Financial and Operating Information**

The financial information for Chimimport for preceding years is prepared in accordance with IFRS (**International Financial Reporting Standards**). The following information must be viewed in conjunction with the section *Operating and Financial Rerview and Results of Operations*, the related financial information and the accompanying notes, included in the present Prospectus.

The operations of Chimimport after 31 December 2006 are developing in accordance with expectations. As a whole the management retains the expectations it has had so far with regard to the development of the operations in 2007.

Listed below is data from Chimimport's consolidated income statement.

| | As of 31 March | | As of 31 December | | |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2006 | 2005 | 2004 |
| | *(BGN in thousands)* | | *(BGN in thousands)* | | |
| Income from non-financial activities | 53,729 | 23,051 | 256,182 | 176,893 | 112,231 |
| Expenses for non-financial activities | (50,183) | (21,004) | (227,165) | (165,149) | (105,095) |
| **Net result from non-financial activities** | **3,546** | **2,047** | **29,017** | **11,744** | **7,136** |
| Income from insurance | 59,289 | 39,772 | 85,475 | 62,998 | 36,535 |
| Expenses for insurance | (58,850) | (37,820) | (77,790) | (53,298) | (27,899) |
| **Net result from insurance** | **439** | **1,952** | **7,685** | **9,700** | **8,636** |
| Income from interest | 20,657 | 13,235 | 66,938 | 52,475 | 32,792 |
| Expenses for interest | (9,034) | (6,490) | (32,558) | (26,289) | (17,013) |
| **Net income from interest** | **11,623** | **6,745** | **34,380** | **26,186** | **15,779** |
| Gains on operations with financial instruments | 36,886 | 1,233 | 68,893 | 39,799 | 6,067 |
| Losses on operations with financial instruments | (10,683) | (1,515) | (31,443) | (19,573) | (1,680) |
| **Net result from operations with financial instruments** | **26,203** | **(282)** | **37,450** | **20,226** | **4,387** |
| Administrative expenses | (20,472) | (12,301) | (76,786) | (55,926) | (36,262) |
| Negative goodwill | 1,729 | - | 17,119 | 1,919 | 6,581 |
| Results form investments in associates | 87 | (162) | 519 | 562 | - |
| Other financial income - net | 6,366 | 4,894 | 23,638 | 20,054 | 29,948 |
| Income to distribute to insurance accounts | (2,632) | (186) | (6,034) | (1,435) | (1,512) |
| **Result for the period before taxes** | **26,889** | **2,707** | **66,988** | **33,030** | **34,693** |
| Tax expenses | (1,598) | (925) | (6,218) | (3,022) | (4,404) |
| **Net result for the period** | **25,291** | **1,782** | **60,770** | **30,008** | **30,289** |

*Source: Chimimport*

Listed below is data from Chimimport's individual income statement.

| | As of 30 June | | As of 31 December | | |
|---|---|---|---|---|---|
| | **2007** | **2006** | **2006** | **2005** | **2004** |
| | *(BGN in thousands)* | | *(BGN in thousands)* | | |
| Gains on operations with financial instruments | 49,168 | 71 | 18,375 | 28,931 | 12,401 |
| Losses on operations with financial instruments | (6,588) | (5) | (111) | (7,367) | - |
| **Net result from operations with financial instruments** | **42,580** | **66** | **18,264** | **21,564** | **12,401** |
| Income from interest | 7 | 187 | 3,663 | 4,349 | 2,736 |
| Expenses for interest | (933) | (484) | (3,116) | (6,309) | (3,806) |
| **Net income from interest** | **(926)** | **(297)** | **547** | **(1,960)** | **(1,070)** |
| Foreign exchange gains | 279 | - | 1,315 | 2,643 | 2,749 |
| Foreign exchange losses | (5) | (4) | (97) | (3,978) | (2,015) |
| **Net result form foreign exchange** | **274** | **(4)** | **1,218** | **(1,335)** | **734** |
| Other financial income - net | (75) | (46) | 19 | 283 | (98) |
| Income from operations | 2,982 | 4,369 | 15,552 | 16,896 | 9,984 |
| Operational expenses | (3,528) | (1,747) | (4,760) | (12,398) | (9,287) |
| **Net result from operations** | **(546)** | **2,622** | **10,792** | **4,498** | **697** |
| **Result for the period before taxes** | **41,307** | **2,341** | **30,840** | **23,050** | **12,664** |
| Tax expenses - net | - | (341) | (1,604) | (596) | (389) |
| **Net result for the period** | **41,307** | **2,000** | **29,236** | **22,454** | **12,275** |

*Source: Chimimport*

The following table contains data from Chimimport's consolidated balance sheet.

| | 31 March 2007 | As of 31 December 2006 | 2005 | 2004 |
|---|---|---|---|---|
| | | *(BGN in thousands)* | | |
| **Assets** | | | | |
| **Fixed assets** | | | | |
| Property, plants and equipment | 203,161 | 201,454 | 123,340 | 95,926 |
| Investment property | 10,489 | 10,545 | 9,304 | 9,286 |
| Goodwill | 11,472 | 11,403 | 11,904 | 7,729 |
| Intangible assets | 6,973 | 6,910 | 5,639 | 752 |
| Investments in associates | 26,400 | 26,445 | 25,660 | - |
| Long-term financial assets | 563,023 | 479,185 | 390,134 | 41,686 |
| Long-term receivables form related parties outside the group | 94 | 94 | - | 12,819 |
| Deferred tax assets | 100 | 412 | 475 | 253 |
| | **821,712** | **736,448** | **566,456** | **168,451** |
| **Current assets** | | | | |
| Inventory | 26,781 | 27,061 | 21,951 | 17,539 |
| Short-term financial assets | 322,697 | 358,961 | 231,184 | 296,147 |
| Receivables form related parties outside the group | 36,493 | 6,210 | 5,566 | 5,446 |
| Accounts receivable | 56,391 | 74,032 | 23,254 | 21,843 |
| Other receivables | 89,071 | 62,210 | 39,431 | 24,186 |
| Cash | 454,112 | 366,548 | 230,213 | 259,270 |
| | **985,545** | **895,022** | **551,599** | **624,431** |
| **Total assets** | **1,807,257** | **1,631,470** | **1,118,055** | **792,882** |

| | | | | |
|---|---|---|---|---|
| **Equity** | | | | |
| **Equity owned by Chimimport AD’s shareholders** | | | | |
| Share capital | 130,000 | 130,000 | 60,000 | 20,000 |
| Capital not paid up | | - | (2 082) | - |
| Increase of capital contributions | | - | 58,916 | 37,916 |
| Share pemiums | 32,925 | 32,925 | - | - |
| Other reserves | 4,395 | 3,199 | 8,699 | 7,612 |
| Financial result form preceding periods | 121,610 | 70,617 | 42,172 | 17,215 |
| Current financial result | 22,620 | 53,330 | 27,756 | 26,136 |
| | **311,550** | **290,071** | **195,461** | **108,879** |
| **Minority interest** | 49,213 | 61,033 | 40,540 | 26,591 |
| **Total equity** | **360,763** | **351,104** | **236,001** | **135,470** |
| **Specialized reserves** | 44,308 | 38,122 | 22,944 | 12,135 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Liabilities to insured persons | 46,895 | 40,061 | 24,525 | 16,190 |
| Long-term financial liabilities | 397,919 | 337,667 | 25,527 | 12,060 |
| Long-term liabilities to related parties outside the group | 17,475 | 7,760 | - | 8,807 |
| Other non-current liabilities | 1,024 | 1,024 | 5,534 | 31,262 |
| Deferred tax liabilities | 768 | 1,349 | 1,825 | 1,231 |
| | 464,081 | 387,861 | 57,411 | 69,550 |
| **Current liabilities** | | | | |
| Short-term financial liabilities | 821,455 | 771,569 | 737,737 | 507,965 |
| Liabilities to related parties outside the group | 1,297 | 1,037 | 1,945 | 389 |
| Accounts payable | 115,353 | 81,777 | 62,017 | 67,373 |
| | 938,105 | 854,383 | 801,699 | 575,727 |
| **Total liabilities** | **1,402,186** | **1,242,244** | **859,110** | **645,277** |
| **Total equity and liabilities** | **1,807,257** | **1,631,470** | **1,118,055** | **792,882** |

*Source: Chimimport*

The following table contains data from Chimimport's individual balance sheet.

| | 30 June 2007 | As of 31 December 2006 | 2005 | 2004 |
|---|---|---|---|---|
| | | | *(BGN in thousands)* | |
| **Assets** | | | | |
| **Fixed assets** | | | | |
| Property, plants and equipment | 19,101 | 20,074 | 13,025 | 15,284 |
| Intangible assets | 371 | 495 | 737 | - |
| Investment property | 1,214 | 1,253 | 1,331 | 1,332 |
| Investments in subsidiaries | 185,909 | 151,995 | 125,267 | 81,845 |
| Investments in associates | 18,052 | 27,935 | 24,364 | 5 |
| Long-term financial assets | 17,699 | 30,072 | 8,207 | 4,908 |
| Long-term receivables | 12,674 | 11,691 | 6,003 | 103 |
| | **255,020** | **243,515** | **178,934** | **103,477** |
| **Current assets** | | | | |
| Inventory | 296 | 302 | 1,057 | 1,366 |
| Receivables form related parties | 63,472 | 17,492 | 11,167 | 18,535 |
| Short-term financial assets | 2,517 | 1,864 | 1,691 | 801 |
| Loans granted | 5,107 | 11,348 | 23,625 | 4,005 |
| Accounts receivable | 2,824 | 4,315 | 3,345 | 4,714 |
| Court receivables and writs | 145 | 145 | 145 | 1,579 |
| Other receivables | 15,959 | 8,282 | 4,242 | 26,636 |
| Cash | 30,455 | 26,392 | 10,583 | 3,607 |
| | **120,775** | **70,140** | **55,855** | **61,243** |
| **Total assets** | **375,795** | **313,655** | **234,789** | **164,720** |

| | | | | |
|---|---|---|---|---|
| **Equity** | | | | |
| Share capital | 130,000 | 130,000 | 60,000 | 20,000 |
| Capital not paid up | - | - | (2,082) | - |
| Increase of capital contributions | - | - | 58,916 | 37,916 |
| Share premiums | 32,925 | 32,925 | - | - |
| Other reserves | 7,119 | 7,125 | 7,596 | 7,612 |
| Retained earnings | 65,945 | 36,709 | 14,254 | 2,028 |
| Current financial result | 41,307 | 29,236 | 22,454 | 12,275 |
| | **277,296** | **235,995** | **161,138** | **79,831** |
| | | | | |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Long-term bank receivables | 1,788 | 1,723 | 4,062 | 5,319 |
| Long-term accounts payable | 8,242 | 8,502 | 7,265 | 8,901 |
| Long-term liabilities to related parties | 27,235 | 7,760 | - | 8,807 |
| Other non-current liabilities | | - | - | 5,353 |
| Deferred tax liabilities | 539 | 539 | 825 | 352 |
| | **37,804** | **18,524** | **12,152** | **28,732** |
| | | | | |
| **Current liabilities** | | | | |
| Current liabilities to related parties | 35,548 | 21,860 | 27,131 | 7,497 |
| Short-term bank receivables | 9,137 | 10,339 | 7,339 | 7,374 |
| Accounts payable | 5,579 | 7,773 | 15,786 | 12,386 |
| Tax payable | 6 | 1,895 | 137 | 63 |
| Liabilities to employees and insurance institutions | 554 | 524 | 21 | 14 |
| Other liabilities | 9,871 | 16,745 | 11,085 | 28,823 |
| | **60,695** | **59,136** | **61,499** | **56,157** |
| | | | | |
| **Total liabilities** | **98,499** | **77,760** | **73,651** | **84,889** |
| **Total equity and liabilities** | **375,795** | **313,655** | **234,789** | **164,720** |

*Source: Chimimport*

### Results of Operations and Prospects

After 31 December 2006, the activities and operations of the Group continue their upward development in accordance with the expectations of the Management Board of Chimimport who believe in the good prospects for the Group in the current year.

After Bulgaria's accession to the European Union, its economy is facing new challenges, including a growing competition in a number of sectors and changing regulatory requirements. The Management Board of Chimimport believes that the Group is ready to meet the challenges and use the new opportunities.

The strategy of Chimimport envisages that the Group will maintain high levels of growth and promote itself as a Issuer structure with a serious presence in the economy of Bulgaria and Central and Eastern Europe, ensure a stable long-term return for the shareholders in the Issuer, assume and maintain a leadership position among the public companies in Bulgaria, and improve the international awareness of the Group in view of the future funding from the European capital markets. In the short term, Chimimport will focus on the rationalization of the assets it has already acquired and improvement of their effectiveness while, in the medium term, it will focus on entering in new branches of the economy of Bulgaria and the region deemed to be of strategic importance to the Group.

Chimimport intends to consolidate its grain business by the end of 2007; it is planning a merger of the air companies Bulgaria Air and Hemus Air in 2008. CCB Health Insurance Fund EAD and the insurance company CCB Zhivot EAD will be set up by the end of the third quarter of 2007. In the short term, there will be a consolidation of the pension insurance companies Lukoil Garant and CCB Sila. In 2008, Chimimport also plans to invest in real estate. In addition, the management of the Issuer intends to complete the project of implementation of its new management information system.

**The Offering in Brief**

Chimimport has decided to increase its capital by issuing up to 20,000,000 New Shares offered for a public subscription pursuant to the rules laid down in this Prospectus. The Capital Increase will be deemed successful if no less than 10,000,000 New Shares are subscribed for. The Lead Manager UniCredit Bulbank is committed to deliver best efforts to promote the Offering and facilitate international and local investors to subscribe for New Shares. The Lead Manager will accept and/or manage the acceptance of subscription orders from investors. Chimimport intends to use the net proceeds from the Offering of the New Shares to finance the investments and activities of the Group, including to subscribe for shares of the upcoming increase in the capital of Central Cooperative Bank, to acquire shares and stocks in companies in connection with the consolidation of the grain business of the Group, to acquire the Major Shareholder in the pension insurance company Lukoil Garant, and to acquire real estate. The New Shares will be offered publicly only in the Republic of Bulgaria and Bulgarian and international investors may take part in the Offering on an equal footing. The Shares offered are targeted at investors outside the United States in keeping with the requirements under Regulation S for the application of the US Securities Act.

**Risk Factors**

An investment in the New Shares involves risks, including those related to the dependency of the financial position and the results of the operations of Chimimport on the financial position and the results of the operations of its subsidiaries, the growing competition in the Bulgarian economy, the dependency on the Management Board members and key personnel, as well as the fluctuations in the market price of the Shares. For more information about these and other risk factors which investors should take into account, see "*Risk Factors*".

## THE OFFERING

| | |
|---|---|
| **The Issuer** ................................................ | Chimimport AD |
| **The Group** ................................................ | The Issuer, its subsidiaries and affiliates. |
| **The Major Shareholder**........................... | Chimimport Invest AD<br><br>Immediately prior to the Offering, Chimimport Invest owns approximately 59.5% of the Issuer's issued share capital according to data in the Central Depository register and 76.7% of the Chimimport's share capital, if some repo transactions are not considered, see “*Principal Shareholders*”. Immediately after the Offering and in case the Major Shareholder does not subscribe for New Shares in the Offering, it will own approximately 51.7% of the Issuer's issued share capital, respectively 66.5% of the Chimimport's share capital, if some repo transactions are not considered. |
| **Risk factors**............................................... | For a discussion of certain factors regarding the Chimimport and the Shares, see "*Risk Factors*". |
| **Shares**....................................................... | The Shares are ordinary dematerialized shares in the share capital of the Issuer, each with a nominal value of BGN 1. For more information, see "*Description of the Shares and Applicable Bulgarian Legislation*". |
| **Issue Price**................................................ | BGN 11.00 (eleven Leva) per one New Share. |
| **The Offering**............................................ | The Offering is a public offer in Bulgaria of 20,000,000 New Shares of the Chimimport’s Capital Increase, together with the potential offering on the BSE of the Rights for the New Shares’ subscribing. Upon the Lead Manager’s discretion a portion of the New Shares may become subject to private placement, within the Offering, to selected international institutional investors, see “*Subscription and Sale – Subscription of New Shares - General*”. The New Shares and the corresponding Rights are being offered outside the United States in accordance with Regulation S.<br><br>Pursuant to a Mandate Agreement with the Issuer, the Lead Manager has agreed to use its best endeavours to promote the Offering and render services to international and local investors in the course of the New Shares subscription. The Lead Manager will accept subscription orders from investors and will effect other procedural actions required by Bulgarian law in relation with the Capital Increase. |

| | |
|---|---|
| **The Capital Increase** | The increase of FIBank's capital via a public offer for subscription of 20,000,000 New Shares, voted by the Management Board on 29 Juny 2007 and 31 July 2007 and approved by the Supervisory Board with decisions of the same dates, according to an authorisation from the articles of association of Chimimport. As resolved by the Management Board the minimum New Shares to be subscribed for in order the Capital Increase to be successful is 10,000,000 New Shares.<br><br>The existing shareholders of Chimimport possess by virtue of law preemptive rights to subscribe for New Shares proportionate to the number of the Shares held by them prior to the Capital Increase, against payment of the Issue Price. These preemptive rights are incorporated in securities (”**Rights**”) which the existing shareholders will be allocated. The Rights can either be sold or exercised by subscription for New Shares. In the Offering a New Share can be subscribed for against 6.5 (six point five) Rights.<br><br>If the existing shareholders do not wish to exercise by subscription in whole or partially the Rights they are allocated, they can offer for sale on the BSE the Rights they do not need. The Rights which are not exercised until the end of the first stage of the subscription procedure (Righs trading period) shall be placed for sale on an open auction organized *ex officio* on BSE. Investors who are not existing shareholders or want to subscribe for additional New Shares more than authorized by their pre-emptive rights, may buy Rights on BSE during the Righs trading period and/or on the open auction (in case and to the extent Rights are offered on BSE for sale). |
| **Subscription period** | Commences on or around 4 September 2007, ends on or around 11 October 2007. For details about the subscription stages, the trading of Rights and the payment for the New Shares subscribed for, see “*Expected Timetable for the Offering*” and “*Subscription and Sale*”. |
| **Payment deadline date** | The Issue Price for the New Shares subscribed for must be paid not later than the end of the subscription period (on or around 11 October 2007). |
| **Lead Manager** | UniCredit Bulbank AD |
| **Shares issued and outstanding immediately prior to the Offering** | 130,000,000 Shares |
| **Shares issued and outstanding after the Offering** | 150,000,000 Shares |

| | |
|---|---|
| **Transfer restrictions** | The Shares will be subject to certain restrictions on transfer. For more information, see "*Subscription and Sale—Selling Restrictions*". |
| **Voting rights and ownership limitations** | Matters coming before shareholders for a vote are generally determined by a poll. Each Share gives the holder one vote. The decisions of the general meeting of shareholders are taken by a simple or a super majority of votes of Shares whose holders are present in person or represented by a proxy at the meeting. At the date of the document, the Chimimport's articles of association do not contain any limitations on the number of Shares or voting rights that may be held by any one or more persons. For more information, see "*Description of the Shares and Applicable Bulgarian Legislation - Meetings of Shareholders*". |
| **Use of proceeds** | Chimimport intends to use the net proceeds from the subscription of the New Shares to finance the investments and the activities of the Group, including for subscription of shares from the forthcoming capital increase of Central Cooperative Bank, for acquisition of shares of companies participating in the consolidation process of the grain business of the Group, for acquisition from the Major Shareholder of the pension company Lukoil Garant for at least BGN 22 million, for acquisition of real estate, as well as for covering general needs of the Group`s businesses and deriving benefits for the Group. |
| **Delivery of the New Shares** | In case the Offering is successful UniCredit Bulbank will provide Chimimport with a list showing the number of New Shares subscribed for and paid by each person. That list will be submitted by Chimimport at the Commercial Register and the Central Depository. Following the entry of the Capital Increase and the New Shares in the commercial register, on or around 22 October 2007 the Central Depositoty shall register the New Shares and shall open new accounts or credit the existing accounts of the investors with the New Shares subscribed for and paid by them.The New Shares shall be allocated to sub-accounts with the investment firm who has serviced the exercise of the investor's Rights via subscription. |

| | |
|---|---|
| **Commencement of trading on the Bulgarian Stock Exchange** ...................... | Dealings in Chimimport's Shares currently take place on the Official Market of the Bulgarian Stock Exchange under the symbol "CHIM".<br><br>Immediately following the entry of the Capital Increase in the commercial register, in the register of the Central Depository and the register kept by the Financial Supervision Commission, an application will be filed with the BSE for admission for trading. It is expected the trading in New Shares to commence on or about 19 November 2007.<br><br>Upon Admission, the Shares will be traded through the Bulgarian Stock Exchange and prices will be quoted in Leva. Trades in Shares on the Bulgarian Stock Exchange will be settled through the Central Depository on a T+2 basis, payable in Leva. |
| **Law/Jurisdiction** ...................................... | Bulgarian law / Bulgaria |

# RISK FACTORS

*Before investing in Shares of Chimimport, potential investors should carefully consider the following risk factors in addition to the other information contained in this Prospectus. If any of the risks described below were to occur, it could have a material adverse effect on the Chimimport's business, results of operations or financial condition. If this were to lead to a decline in the trading price of the Shares, investors may lose all or part of their investment. The risks and uncertainties described below are not the only ones Chimimport faces. In addition to the risks described below, Chimimport is also subject to additional risks and uncertainties not currently known or currently deemed immaterial. These risks may also have a material adverse effect on Chimimport's business, results of operations and financial condition. Potential investors should read this document as a whole and not rely solely on the information set out in this section.*

## Risks Related to the Operations and Structure of the Group

***Chimimport is a Issuer company and any decline in the operating results, financial position or prospects for the operations of its subsidiary companies may have a significant adverse effect on the results of the operations and financial position of the Issuer, including its ability to pay dividends.***

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

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

Even though the activities of the Group have been significantly diversified by branches (banking, insurance, air, river and maritime transport, production of chemical products, vegetable oils, processing of and trading in grain foods, etc.), the unfavourable development of one or more of the key economic sectors where the companies of the Group operate could have a material adverse effect on the activities of the Group, its operating results and financial position. The business of the Group as a whole and its individual areas are subject to various risks such as transport and production accidents and failures, unfavourable changes in the legislation and regulatory framework, ecological problems, disasters such as droughts, floods, earthquakes, unexpected geological conditions, labour disputes.

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

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

Chimimport will have to make a number of reorganizations, including a consolidation of the subsidiary companies in the aviation and grain businesses. The Issuer expects that these reorganizations will result in economies of funds and a more effective management of the businesses. There is no certainty, however, that

Chimimport will manage to implement the planned reorganizations timely and completely nor that they will generate the expected benefits, including economies of expenses.

***The quick growth of Chimimport and the restructuring in the Group may be a challenge to its systems of operational, administrative and financial control.***

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

***Chimimport may choose an inappropriate market strategy.***

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

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

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

Fierce competition is specially typical of the financial services market where some of the Principal Subsidiaries operate. There have been significant restructurings in these sectors after the privatization of the state shares in the Bulgarian banks and insurance companies. Foreign strategic investors have acquired shares in most large Bulgarian banks and insurance companies pursuing aggressive growth strategies and introducing modern systems, technologies and practices. Some Bulgarian banks have found themselves in wider international processes of consolidation and this has greatly strengthened their position on the internal market. The heightened competition in the financial sector may lead to a decrease in the interest margins of Central Cooperative Bank and the insurance premiums collected by the insurance company Armeec. As a result of the heightened competition, the share of loans paid before their terms elapse by CCB clients may increase and the growth of its loan portfolio may decrease. As a result of the fierce competition there may also be an outflow of clients of CCB and Armeec and a decrease in their market share. These and other factors may affect unfavourably the financial position and the results of the financial institutions in the Group.

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

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

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

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

Abrupt climate changes and natural disasters may have a negative impact on the yield of grains which will have an adverse effect on the grain business of the Group and make it difficult to obtain payments on the loans to agricultural producers given by CCB. A decline in the yield of agricultural activities related to unfavourable climate conditions, pests or other reasons may lead to overdue receivables related to the sale of fertilizers with deferred payments and, as a result, to a decrease in the revenue of the Group from the production of and trading in chemical products. The coming into being of large-scale insurance events may lead to difficulties for Armeec with the compensation payments. Terrorist attacks on sites of the air, river and and maritime transport in the region may bring about a reduction in the flow of travelers and traffic and to losses for the companies of the transport branch of the Group: air companies Hemus Air and Bulgaria Air, and Bulgaria River Shipping. The activities of the latter may suffer the negative impact of changes in the navigability of the Danube.

***The right to ownership and use of the some assets of the Group may be challenged which could restrict the possibilities of the Group to exploit these assets.***

A significant part of the property of Chimimport has been acquired from the Bulgarian state during privatizations. The processes of privatization in the former socialist countries are characterized by legal uncertainty and challenges as well as political interference. There is no certainty that no problems will arise in the future regarding the legal rights of the Group to exploit some of its assets and that no legal claims will be filed against the Group in relation to its property.

***The rights of the Group to certain sites of national importance may be terminated in the event of non-fulfillment of the obligations under the respective concession agreements.***

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

***Compliance with the legislation concerning the protection of the environment requires constant expenses and commitments on the part of the Group and any non-compliance with the regulatory obligations may lead to significant sanctions and termination of activities.***

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

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

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

***The financial results of the Group depend on the prices of crude oil and petroleum products.***

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

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

The Group carries out activities exclusively in Bulgaria which is now a EU Member State but has so far been classified as a newly-emerging market by the international investors. The newly-emerging markets are associated with higher risks in comparison to the more developed markets, including, in some cases, material legal, economic and political risks (see "*Risk Related to Bulgaria*" below). There is no certainty that the current growth rates of the Bulgarian economy will continue. A delay in the growth of Bulgaria's economy as a result of political or economic reasons will lead to a decrease in the demand for products and services of the Group. In particular, the development of negative macroeconomic processes and the heightening of competition in the economic life of the country may lead to a decline in the solvency of some of the clients of Central Cooperative Bank and to an increase in the share of problem loans in its portfolio. In addition, a significant decline in the prices of real estate may be a reason to devalue some of the collateral accepted by CCB. A number of factors, including regulatory changes, may force the Bank to allocate more funds for provisions which would lead to a drop in its profit.

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

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

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

***The insurance coverage of the activities and assets of the Group may prove to be insufficient.***

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

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

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

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

***The legislation application system of Chimimport could prove not sufficiently effective.***

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

**General Risks**

***Emerging Markets***

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

**Risks relating to the Shares**

***Risks relating to the Bulgarian securities market***

There may be less information available in the Bulgarian securities market than is available on companies in other securities markets.

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

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

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

As of 30 June 2007, equity securities representing 360 companies and a market capitalisation of approximately BGN 20.78 billion were registered for trading at the Bulgarian Stock Exchange. Of that, equity securities representing 344 companies were registered for trading on the Unofficial Market and represented 75.38% of the total equity market capitalisation at 30 June 2007 and 75.8% of the BSE’s trading volume in equities during the period from 1 January 2007 to 30 June 2007. The equity securities representing the ten largest companies registered for trading on the BSE represented 54.86% of the total equity market capitalisation at 30 June 2007 and the volume traded shares from these ten issues represents 38.44% of the total trading volume on the BSE for the period from 1 January 2007 to 30 June 2007.

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

***Any additional equity financing may be dilutive to the Chimimport's shareholders***

Chimimport may issue additional Ordinary Shares in subsequent increases of capital in the future. Chimimport is required under Bulgarian law and Stock Exchange regulations to offer any such Ordinary Shares to existing shareholders on a pre-emptive basis. Nevertheless, existing shareholders may choose not to participate in such future issues of Ordinary Shares, which would dilute their existing interest in Chimimport.

***Substantial future sales of Shares could affect their market price***

If a substantial number of the Shares are offered for sale, the trading price of the Shares may be depressed. Sales of additional Shares on the public market following the Offering could adversely affect the market price of the Shares. Sales of substantial amounts of Shares, or the perception that these sales could occur, could adversely affect the prevailing market price of the Shares. These sales may also make it difficult for Chimimport to issue equity securities in the future at a time and at a price that Chimimport deems appropriate.

***There is no guarantee that cash dividends will be distributed to the shareholders***

Chimimport has not declared, recommended, paid or made any dividends or other distribution in respect of its share capital, but has chosen to use retained profits, generated during the years, to finance its growth. Any future payment of dividends will depend upon the level of Chimimport's earnings and cashflow, as well as Chimimport's expenditure and investment plans and the intentions of the principal shareholders.

***Chimimport is controlled by the Majority Shareholder and in case he undertakes certain actions, which are not in the best interest of the remaining shareholders, the value of the Shares may decrease***

After the Capital IncreaseChimimport Invest will continue to has the possibility to exercise decisive influence upon most of the questions, resolved by the General meeting of shareholders, including appointment and dismissal of members of the Supervisory board, payment of dividends, conclusion of significant transactions (in which the Majority Shareholder is not an interested party). The control upon the Issuer, exercised by the Majority Shareholder, may delay or prevent change of control upon Chimimport, prevent merger or other business combination with the participation of the Issuer.

**Risks relating to Bulgaria**

***Political Risks***

Since 1989, Bulgaria has pursued a programme of political and economic structural reform designed to establish a free market economy through the privatisation of state enterprises and deregulation of the economy.

The current Bulgarian government was inaugurated in Parliament on 16 August 2005. The governing coalition is one of the most fragmented in recent history and was not finalised until almost two months after the election. The prime minister is Sergey Stanishev, leader of the Bulgarian Socialist Party (the "**BSP**"), who had failed to form a government under the mandate of the BSP several weeks earlier. The BSP is the main partner in the governing coalition and holds eight of the seventeen ministries; the other partners are the former ruling party National Movement Simeon II and the ethnic formation Movement for Rights and Freedoms. Bulgaria was invited to join the North Atlantic Treaty Organisation ("**NATO**") at the NATO summit in Prague on 22 November 2002. On 18 March 2004 the Bulgarian Parliament ratified the North Atlantic Treaty and Bulgaria was officially recognised as a member of the alliance on 29 March 2004.

Bulgaria joined the European Union ("**EU**") in 2007. The final Monitoring Report of the European Commission on Bulgaria was released on 26 September 2006 with a membership recommendation and on 17 October 2006 the European Council officially approved Bulgarian membership of the EU on 1 January 2007. However, the European Commission will continue to keep a watchful eye on how Bulgaria carries out its commitments with regard to implementing reforms, notably putting into practice an enhanced monitoring system to oversee whether Bulgaria complies with the terms of its accession treaty. If supervision shows that Bulgaria does not meet the requirements of the EU concerning the transparency of the spending of public resources, fighting corruption, the efficiency and independence of the judicial system, as well as food safety, there is a significant risk that protective clauses in the sphere of the internal market, internal affairs and the judicial system might be activated later on, and some of the subsidies and transfers from the Eurofunds may be reduced or cut off. For more information, see "*The Republic of Bulgaria - NATO and European Union Accession*".

Bulgaria's accession to the EU legitimates the economic reforms that have been undertaken in the name of the country's integration to the Union. The future growth of the economy, however, will continue to depend on the political will to carry on with economic reforms and apply the best market practices of the EU. The government's ability to implement reforms, in turn, is conditional on the extent to which the members of the government can continue to co-operate in promoting a common agenda. No assurance can be given that a change of administration will not result in a significant and rapid change in the political and economic conditions in the country which may have a materially adverse effect on Chimimport's business, results of operations and financial condition. For more information, see "*The Republic of Bulgaria - Political Overview*".

The current Bulgarian political system is vulnerable to economic hardship, widespread dissatisfaction with reform and EU membership due to unrealistic expectations, as well as social instability and changes in government policies, organized crime and corruption, any of which could have a materially adverse effect on Chimimport's business, results of operations and financial condition. The next scheduled Parliamentary elections are due in 2009.

***Economic Risks***

Until 1989, the Bulgarian economy had been administered by the central authorities. Since the end of Communist rule in 1989 successive governments have implemented policies of economic reform and stabilisation. These policies have involved liberalising prices, reducing defence expenditure and subsidies to state-owned enterprises, privatising state-owned enterprises, reforming the tax and bankruptcy systems, introducing legal structures designed to facilitate private, market-based activities, stabilising the currency and encouraging foreign trade and investment. The scope, speed and nature of any future economic reforms remain uncertain. Certain measures intended to improve the country's economic condition have been and are expected to remain unpopular. Accordingly, levels of popular and political support for the government have tended to vary. For more information, see "*The Republic of Bulgaria - The Bulgarian Economy*".

Continued economic reform will also depend in part on presidential support for the reform programme. The current president, re-elected at the last presidential elections, held in October 2006, is a former leader of the BSP and a fallout with the BSP-led government seems unlikely. For more information, see "*The Republic of Bulgaria - Political Overview*".

Like other transitional countries, Bulgaria runs trade and current account deficits. Bulgaria has an open-type of economy and its development is directly influenced by international market conditions. The country is an importer of crude oil; accordingly, increases in oil prices reduce the competitiveness of the Bulgarian economy, and dependence on oil imports subjects the economy to additional US Dollar currency risk. A huge current account deficit, combined with the inability of the Bulgarian National Bank to pursue appropriate monetary policy because of the constrictions of the Currency Board, may put pressure on macroeconomic stability. The privatisation of state-owned enterprises is essentially complete and future capital inflows will depend on the stability of the economic and institutional environment.

Banking activity in Bulgaria is dependent on the overall level of economic activity in the country. As a result Chimimport's business, the results of its operations and its financial condition largely depend on the condition of the Bulgarian economy, which in turn affects loan growth, interest costs and customers' ability to meet their obligations on time. Any negative change in one or more macroeconomic factors, such as interest rates, which are influenced by Eurozone interest rates by virtue of the Currency Board arrangements that peg the Lev to the Euro, inflation, wage levels, unemployment, foreign investment and international trade, could have a materially adverse effect on Chimimport's business, results of operations and financial condition.

Businesses in Bulgaria have a limited operating history in free market conditions. Accordingly, when compared to the companies, functioning in the countries with a developed market economy, such businesses are characterised by a lack of management experienced in responding to the market, limited capital resources with which to develop their operations, and low labour efficiency. In addition, Bulgaria has a limited infrastructure to support a market system.

***Legal Risks and Enforcement of Judgments***

Bulgaria's legal system is in the process of transformation, matching that of the developing market economy of Bulgaria. The practice of the judiciary and administration remains problematic and parties seeking to rely on the Bulgarian courts for effective redress in respect of a breach of law or contracts, or in an ownership dispute, may find that it is difficult to obtain. The majority of Bulgarian law has been brought in line with that of EU member states, although Bulgarian law does continue to evolve, occasionally in ways that do not always coincide with the development and application of the EU's legislation, as well as with the market developments. As a result, ambiguities and inconsistencies are existing and also an investment risk that would not be a consideration when investing in a company located in a jurisdiction with a more developed legal system. However, trade legislation has become relatively modern and complete in the last five years. The expected introduction of new legislation in areas such as corporate and securities laws, as well as amendments in the current legislation aimed at achieving full compliance of Bulgarian laws with EU regulations following Bulgaria's accession to the EU as of 1 January 2007, is expected to contribute to the more consistent development of civil and trade legislation in the near future.

There are, as a result, two major legal threats to the development of the legal system in Bulgaria: (a) the possible failure of the development of the Bulgarian legal system to keep pace with the EU's legal system and the rapidly developing commercial practices may create uncertainties; and (b) flaws in the legal infrastructure may result in doubt arising in relation to corporate actions, compliance and other matters, performance of which may be taken for granted in other jurisdictions.

***Exchange Rates and the Currency Board***

Since 1997, a Currency Board arrangement has been in place under which the Bulgarian currency, the Lev, has been pegged, initially to the Deutsche mark and subsequently, on creation of the Eurozone, to the Euro. Maintenance of the Currency Board arrangement is considered to be a critical element of economic reform in Bulgaria and requires continuous political support for non-inflationary policies. The rigidity of the Currency Board which rules out both devaluation and independent monetary policy may not be responsive to the future needs of the Bulgarian economy. It is widely expected that the Currency Board arrangement will be kept until Bulgaria joins the Euro, but there can be no assurance whatsoever that this will be achieved.

Any significant devaluation of the Lev could have a materially adverse effect on Chimimport's customers and, as a result, on Chimimport's business, results of operations and financial condition. For more information on the Currency Board arrangement, see "*The Republic of Bulgaria – The Bulgarian Economy – Currency Board Arrangement*".

***Taxation***

Taxes payable by Bulgarian companies include withIssuer taxes, local (municipal) taxes and fees, corporate profit tax, value-added tax, excise duties, export and import duties and property taxes. The taxation system in Bulgaria is still developing, which may result in inconsistent enforcement at both state and municipal levels.

Investors should also be aware that the value of an investment in the Shares may be adversely affected by changes in, and the application and interpretation of, current tax laws and regulations.

***Bulgaria's accession to the European Union may result in increased competition and additional and more onerous regulations***

Accession to the European Union could result in increased competition for Chimimport as new competitors from other member states may enter the market in Bulgaria, benefiting from the single EU passport and merely having to notify FSC. It could also result in decrease in the incomes and profit of Chimimport. On other side, compliance with European Union competition laws and other regulations is required and enforced, as any changes in the law could require Chimimport to comply with additional and more onerous regulations and could have a materially adverse effect on the Chimimport's business, results of operations and financial condition.

## USE OF PROCEEDS

The net proceeds of Chimimport from the Capital Increase are expected to be in amount about BGN 219 million, after deduction of the expenses expected for the Offering, including the remuneration of the Lead Manager.

Chimimport intends to use the net proceeds from the Offering of the New Shares to finance the investments and the activities of the Group, including for subscription of shares from the forthcoming capital increase of Central Cooperative Bank, for acquisition of shares of companies participating in the consolidation process of the grain business of the Group, for acquisition from the Major Shareholder of the pension company Lukoil Garant for at least BGN 22 million, for acquisition of real estate, as well as for covering general needs of the Group`s business and deriving benefits for the Group.

## CAPITALISATION AND INDEBTEDNESS

The following information sets forth the capitalisation of the Group as at 31 March 2007 as derived from the consolidated financial statements of Chimimport. The following information should be read in conjunction with the audited financial information of the Group and the related notes thereto included elsewhere in this document.

| | **As at 31 March 2007** *(BGN '000)* |
|---|---|
| **Total short-term indebtedness** [1] | **938,105** |
| Short-term financial liabilities | 821,455 |
| Liabilities to related persons not belonging to the Group | 1,297 |
| Commercial and other liabilities | 115,353 |
| **Total long-term indebtedness** [2] | **464,081** |
| Liabilities to insured persons | 46,895 |
| Long-term financial liabilities | 397,919 |
| Long-term liabilities to related persons not belonging to the group | 17,475 |
| Other long-term liabilities | 1,024 |
| Referred tax liabilities | 768 |
| **Specialized reserves** | **44,308** |
| **Shareholders' equity** | **360,763** |
| Share capital | 130,000 |
| Share premium | 32,925 |
| Other reserves | 4,395 |
| Result from former periods | 121,610 |
| Current financial result | 22,620 |
| Minority interests | 49,213 |
| **Total** | **1,807,257** |

(1) With maturity longer than one year.

(2) Excluding long-term liabilities with maturity within a year.

*Source: Chimimport*

The following information sets forth the capitalization of Chimimport as at 30 June 2007 as derived from the individual unaudited financial reports of Chimimport. The following information should be read in conjunction with the related notes thereto included elsewhere in this document.

| | As at 30 June 2007<br>*(BGN '000)* |
|---|---|
| **Total short-term indebtedness [(1)] …………………..................................** | **60,695** |
| Short-term liabilities to related persons …………………………………... | 35,548 |
| Short-term bank loans …………………………………………………….. | 9,137 |
| Commercial liabilities …………………………………………………….. | 5,579 |
| Tax liabilities ……………………………………………………………… | 6 |
| Liabilities to employees and insurance institutions …………………………. | 554 |
| Other liabilities ……………………………………………………………. | 9,871 |
| **Total long-term liabilities [(2)] ………………..........................................** | **37,804** |
| Long-term bank loans …………………………………………………….. | 1,788 |
| Long-term commercial liabilities ………………………………………….. | 8,242 |
| Long-term liabilities to related persons …………………………………… | 27,235 |
| Referred tax liabilities …………………………………………………….. | 539 |
| **Shareholders' equity Акционерен капитал ……………………………..** | **277,296** |
| Share capital ………………………………………………………………. | 130,000 |
| Share premium ……………………………………………………………. | 32,925 |
| Other reserves …………………………………………………………….. | 7,119 |
| Result from former periods ……………………………………………….. | 65,945 |
| Current financial result ……………………………………………………. | 41,307 |
| **Total……………………………………………………………………….** | **375,795** |

(1) With maturity longer than one year.
(2) Excluding the long-term indebtedness payable within a year.

*Source: Chimimport*

There has been no significant change in capitalization and long-term indebtedness of the Group since 31 March 2007 and respectively of the Issuer since 30 June 2007.

Chimimport believes that the turnover capital of the Group is sufficient at this stage.

For additional information on loans, financing and collaterals, see Notices 8 ("Leasing"), 12 ("Long-term receivables", 20 ("Capital"), 21 ("Short-term bank loans"), 22 (Long-term bank loans") to the individual financial report of Chimimport for the year ended 31 December 2006, as well as Notices 7 ("Property, Machinery and Equipment – debt collaterals"), 9 ("Operational Leasing"), 12 ("Fixed financial assets") and 19 ("Equity Capital") to the consolidated financial report of Chimimport for the year ended 31 December 2006. See also the analogous notices to the financial reports of the Issuer for the years ended 31 December 2005 and 2004.

## DILLUTION

As of 31 March 2007 Chimimport's net tangible book value was approximately BGN 344 million. **"Net tangible book value"** is:

- Chimimport's total tangible assets excluding goodwill; *minus*
- The sum of Chimimport's total liabilities and minority interest.

As of 31 March 2007, Chimimport`s net tangible book value per Share was approximately BGN 2.65. **"Net tangible book value per Share"** is:

- Chimimport's net tangible book value; *divided by*
- The number of Shares outstanding.

**"Dilution of net tangible book value per Share"** is:

- The amount paid per Share by purchasers of New Shares in the Increase of Capital; *minus*
- Chimimport's net tangible book value per Share immediately after the issuance of such New Shares.

After giving effect to the issuance of New Shares as if such Shares were issued on 31 March 2007, and assuming full reimbursement of offering expenses payable by the Company as of such date, Chimimport's net tangible book value per Share as of 31 March 2007 would have been BGN 3.75. These calculations assume an Offer Price BGN 11.0 per New Share and 20 million New Shares issued.

These figures represent an immediate accretion in net tangible book value per Share to existing investors, and an immediate dilution in net tangible book value per Share to investors purchasing New Shares in the Increase of Capital, of BGN 7.25 or 65.9%.

The following table summarizes such calculations:

| | BGN, except % |
|---|---|
| Offer Price per New Share…………………………………………….............................................. | 11.00 |
| Net tangible book value per Share as of 31 March 2007.......................................................................... | 2.65 |
| Increase in the net tangible book value per Share attributable to the Increase of Capital, as if such new Shares were issued on 31 March 2007………………………………………………………….. | 1.10 |
| Net tangible book value per Share immediately after the Increase of Capital, as if such new Shares were issued on 31 March 2007………………………………………………………………………. | 3.75 |
| Dilution per Share to investors purchasing New Shares in the Offering ………………………………. | 65.9% |

# DIVIDENDS AND DIVIDEND POLICY

Since its establishment, Chimimport has adopted a policy of retaining earnings rather than paying dividends or making distributions to shareholders in order to sustain the long-term growth of the Group. Given the positive future prospects and the continuous development of the Group, a change in the current dividend policy is unlikely in a short-term to mid-term period.

If Chimimport does not manage to finance effectively its future growth and acquisitions by its capital, the Isuer may propose paying of dividends and/or repurchase of shares in order to maximize the shares profitability for its shareholders. Any decision for future distribution of profits to the shareholders of Chimimport should be taken by the general meeting of the shareholders. For more information, see *"Description of the Shares and Applicable Bulgarian Legislation"*.

## BUSINESS REVIEW

### Introduction

For the 60 years of its existence, Chimimport has transformed itself from a successful foreign trade enterprise specialized in trading in chemical products to a large-scale Issuer company which unites more than 57 companies operating in different sectors of the economy of Bulgaria (the **"Group"**).

The main area of activities of Chimimport is the acquisition of shares, setting up, restructuring and management of subsidiary companies and the financing of companies in which the Issuer holds shares.

The priority investments of the Group are focused in the following branches:

- Financial sector, including banking services, insurance, pension insurance, securitization of real estate and receivables;
- Extraction of oil and gas;
- Building of production capacity in the field of the oil processing industry, production of biofuels and production of rubber products;
- Production of and trading in petroleum and chemical products;
- Production of vegetable oils and purchase, processing and trading in grain foods;
- Air transport and ground activities related to the maintenance and repair of aircraft;
- River and maritime transport, port infrastructure.

The income of the Group rose from BGN 354 million in 2005 to BGN 518 million in 2006. The net result of the activities of the Group increased from BGN 30 million in 2005 to BGN 60.8 million in 2006. The net result of the activities of the Group for the first quarter of 2007 is BGN 25.2 million while, for the first quarter of 2006, it was BGN 1.8 million.

On an individual basis, the net operating result of Chimimport grew from BGN 22.5 million in 2005 to BGN 29.2 million in 2006. The net operating result of the Issuer on an individual basis for the first quarter of 2007 is BGN 41.3 million given BGN 2 million for the first quarter of 2006.

The address of the Issuer is: 2 Stefan Karadzha Str., Sofia 1080, Republic of Bulgaria; telephone: +359 980 1611.

As of 30 June 2007, the Group has more than 4,400 employees, including 49 staff on payroll at Chimimport.

### Strengths

The Directors of Chimimport believe that the main advantages of the Group at present are:

- Knowledge of the conditions in Bulgaria and positions won in the economy of the country.

The knowledge of the political and economic conditions in the country and of the needs and specific peculiarities of the customers lie at the heart of the growth of Chimimport and the good positions won in the strategic branches of the economy of Bulgaria.

- Proven management team.

Chimimport has a highly-motivated team of managers with a vision of the growth of the Group, with proven organizational and managerial skills and experience in the acquisition of companies.

- Significant value of the assets of the Group.

As of 31 March 2007, the assets of the Group amount to BGN 1,807 million (BGN 793 million in the end of 2004). The Directors of Chimimport believe that the assets acquired are the necessary basis for the future growth of the Group.

**Strategy**

The principal strategic goals of Chimimport's are:

- to maintain the high rates of growth and to strengthen the Company's position as a leading Issuer company in Bulgaria and Central and Eastern Europe;
- to provide its shareholders with long-term investment return;
- to acquire and maintain its leading position towards the public companies in Bulgaria and to improve the international popularity of the Group for securing its financing from the international capital markets.

In the course of pursuing the above goals the Management Board of Chimimport shall follow a strategy, based on: (a) in short-term period – improvement of the assets already acquired and strengthening of their effectiveness; and (b) in mid-term period - expansion in some other sectors of the Bulgarian economy and of the economy of the region, which are considered to be of strategic importance for the Group.

The Directors of Chimimport realize that following the rapid expansion of Chimimport, which has turned Chimimport into an important, for the Bulgarian dimensions, conglomeration of companies with various scope of activity, should be followed by restructuring and optimization of the activity of the already existing subsidiaries. Chimimport is among the first Bulgarian Issuer structures, which has started to reorganize and consolidate its activities and assets. In line with modern practices in the finance services field the Group is a pioneer in Bulgaria with respect to the sale of its bank, insurance and pension funds' products at one desk. Chimimport intends to consolidate its grain business by the end of 2007 and plans a consolidation of Bulgaria Air and Hemus Air companies in 2008. Two sole-owned insurance companies CCB EAD and CCB Life EAD are expected to be established within the end of the third quarter of 2007. Another short-term goal of the Company is the consolidation of the pension company Lukoil Garant (after its ownership is transferred from the Major Shareholder to Chimimport) the pension company CCB Sila, belonging to the Group. Investments in real estates are planned to be made in 2008.

One of the major aspects of Chimimport's Group management policy is rendering a maximum autonomy to the subsidiaries' management, thus providing the latter with a freedom to choose the appropriate actions to be taken in the specific circumstances of the business sector, where the subsidiaries operate. In addition, Chimimport plans to increase the efficiency of its enterprises through the introduction of new technologies and products, by means of improvement of the quality of the services provided, as well as through further development of the distribution network and the entry of new financial products.

The Management Board of Chimimport believes that for ensuring the on-going increase of the value of the Group and the long-term stable investment return for its shareholders, the Group should also effect, in addition to its assets' optimization, new acquisitions in the country and the region. For the purpose of acomplishment the Group's future expansion Chimimport intends ensure a profound location analysis upon any and all of its "green-field" investments and shall continue to rely on a management, well-familiar with the local conditions and business.

Up to now, Chimimport has financed its business growth predominantly by its equity capital, through Shares issues (during the initial public offering in September 2006 and the current Capital Increase). In order to obtain significant further financing for acomplishment of future acquisitions, as well as for optimizing the cost of its capital, the Issuer intends to diversify its capital structure, tapping the international capital markets with debt and hybrid instruments.

The Directors of Chimimport are convinced that it is essential to maintain an effective model of corporative governance for the Issuer (as well as for the other public companies in the Group), for the purpose to guarantee the equal treatment and protection of the shareholders' rights, transparency and proper disclosure of any and all information, important for the current shareholders and interested parties, and for the potential future investors as well. In the next years Chimimport intends to list the shares of some of its principal subsidiaries, including the shares of the insurance company Armeec and the consolidated in near future airline company of the Group.

**History**

Chimimport was established on 4 April 1947 with Decree No 7 of the Council of Ministers of the Republic of Bulgaria as a state commercial enterprise, named SCE Chimimport, for import of chemical products. During the following years the activity of Chimiport encompassed as well export operations and re-export of a large variety of goods, including basic chemicals, fertilizers, drugs for vegetal protection, medicines, medical drugs and instruments, herbs, ethereal oils, cultivated vegetal resources and rose oil. In 1977 a new foreign trade organization (VTO), named VTO Chimimport, was established from the SCE Chimimport, the foreign trade company Neftohim and foreign trade company Lesoimpex. The company carried out import, export and re-export of chemicals, chemical resources, natural gas, petroleum, petroleum chemical products, cellulose and paper. In 1985 the company reached its greatest exchange of goods in its history – USD 8.5 billion.

On 21 June 1989, few months before the end of the Bulgarian socialist government, a founding agreement was signed and on 19 October a General Meeting of the Joint-Stock Firm Chimimport was held. In compliance with Decree No 56 with Decision No 1 from 24 January 1990 under company file No 2655/1989 Joint-Stock Firm Chimimport was registered, having an equity capital of BGN 10 million. In September 1992 the General Meeting of the shareholders of Chimimport took a decision for a capital increase up to BGN 51,118 million via a non-monetary contribution made by the Bulgarian state.

On 5 October 1994 an agreement was signed between the Privatization Agency and the management team of the Issuer, united in Chimimport Invest AD, for the sale of 58.7% of the capital of Chimimport AD. In 1997 Chimimport was registered as a Issuer company under Art. 277 of the Commercial Act. In 2000 the first stage of Chimimport's restructuring was completed - registration of the subsidiary companies on the basis of the former existing commercial divisions of Chimimport.

In 2002 Chimimport acquired the state participation in the capital of the Central Cooperative Bank AD from the Bank Consolidation Company AD, as well as the share of DZI AD in the capital of the insurance company Armeec AD via the Privatization Agency and gained the control over CKB Sila Pension Fund Jsc. from the Czech financial group Newton. In 2003 Chimimport participated successfully in the privatization of both Hemus Air AD and Research and Production of Oil and Gas AD.

In 2004 Chimimport established a financial group, via uniting its participation in banking, insurance and pension funds security services in the CCB Group Assets Management EAD capital. In 2005 the second stage of Chimimport AD restructuring was completed by the establishment of the following Issuer sub-structures – Bulgarian Aviation Group EAD for air transport and Chimimport Group EAD for commercial business.

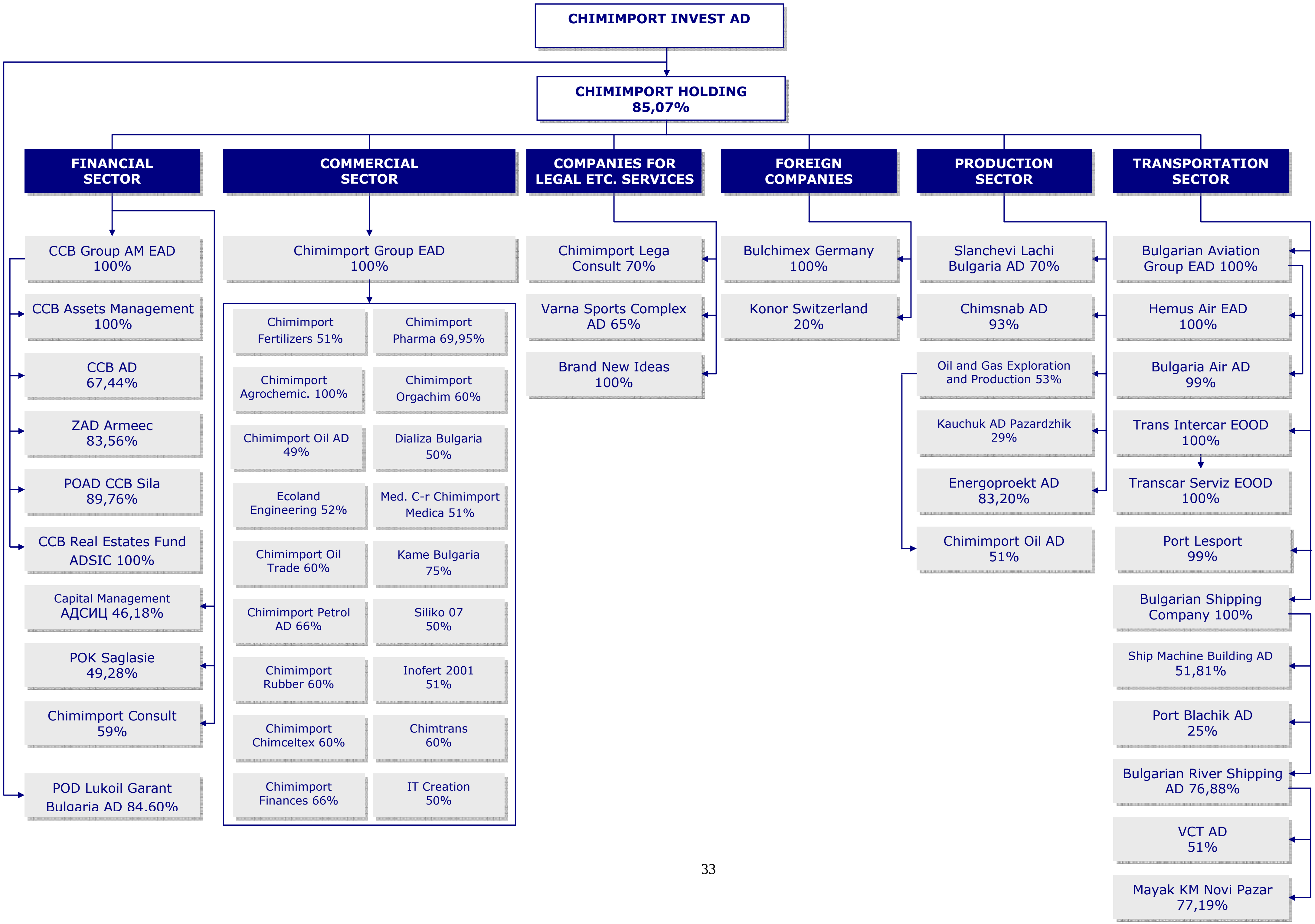
In 2006 an initial public offering of the new shares of the capital increase of Chimimport was carried out and Chimimport became a public company. The shares of Chimimport were registered for trading on the official market, segment "B", of the Bulgarian Stock Exchange on 30 October 2006. In 2006 one of the major acquisitions of Chimimport was realized – Chimimport acquired 99.13% of the capital of Bulgarian River Shipping Company AD.

In January 2007 the Management Company CCB Assets Management obtained an authorization from the Financial Supervision Commission and currently manages two common funds – "CCB Leader" and "CCB Active". As of February 2007 on the grounds of a resolution, taken by the Board of Directors of the Bulgarian Stock Exchange, Chimimport is included in the index portfolio of the basic BSE index SOFIX and of the BSE index BG 40. During the present year the Issuer won the privatization auction of the national airline Bulgaria Air AD, acquiring 99.99% in the national airline. The state preserved the "golden share".

## Corporate Structure

### *Current Structure of the Group*

Chimimport holds interests directly or indirectly in 52 subsidiary companies and 5 associated companies. The chart below shows the main subsidiary and associated companies of Chimimport, combined according to the sectors where they operate.


CHIMIMPORT INVEST AD
CHIMIMPORT HOLDING 85,07%
FINANCIAL SECTOR
COMMERCIAL SECTOR
COMPANIES FOR LEGAL ETC. SERVICES
FOREIGN COMPANIES
PRODUCTION SECTOR
TRANSPORTATION SECTOR
CCB Group AM EAD 100%
CCB Assets Management 100%
CCB AD 67,44%
ZAD Armeec 83,56%
POAD CCB Sila 89,76%
CCB Real Estates Fund ADSIC 100%
Capital Management АДСИЦ 46,18%
POK Saglasie 49,28%
Chimimport Consult 59%
POD Lukoil Garant Bulgaria AD 84,60%
Chimimport Group EAD 100%
Chimimport Fertilizers 51%
Chimimport Pharma 69,95%
Chimimport Agrochemic. 100%
Chimimport Orgachim 60%
Chimimport Oil AD 49%
Dializa Bulgaria 50%
Ecoland Engineering 52%
Med. C-r Chimimport Medica 51%
Chimimport Oil Trade 60%
Kame Bulgaria 75%
Chimimport Petrol AD 66%
Siliko 07 50%
Chimimport Rubber 60%
Inofert 2001 51%
Chimimport Chimceltex 60%
Chimtrans 60%
Chimimport Finances 66%
IT Creation 50%
Chimimport Lega Consult 70%
Varna Sports Complex AD 65%
Brand New Ideas 100%
Bulchimex Germany 100%
Konor Switzerland 20%
Slanchevi Lachi Bulgaria AD 70%
Chimsnab AD 93%
Oil and Gas Exploration and Production 53%
Kauchuk AD Pazardzhik 29%
Energoproekt AD 83,20%
Chimimport Oil AD 51%
Bulgarian Aviation Group EAD 100%
Hemus Air EAD 100%
Bulgaria Air AD 99%
Trans Intercar EOOD 100%
Transcar Serviz EOOD 100%
Port Lesport 99%
Bulgarian Shipping Company 100%
Ship Machine Building AD 51,81%
Port Blachik AD 25%
Bulgarian River Shipping AD 76,88%
VCT AD 51%
Mayak KM Novi Pazar 77,19%

**General Overview of the Investments and Activities of the Group**

The Group, as it currently stands, is the result of a number of acquisitions made during the last several years. The most significant acquisitions include Bulgarian River Shipping AD (2006), Energoproekt (2006) and Bulgaria Air (2007).

The table below shows the distribution by sector of the net assets of the Group as of 31 March 2007:

| **Net assets of the Group by main branches** | **As of 31 March 2007** |
|---|---|
| | *(%)* |
| Banking, insurance and other financial services ………………............. | 42.0 |
| including pension insurance ……………………………..4.0% | |
| Transport ...…………………………………………………………. | 38.0 |
| including maritime transport …………………………...19.0% | |
| air transport and related activities …………………..... 14.0% | |
| river transport …...…………………………………..…. 5.0% | |
| Production of and trading in .................................................................. | 20.0 |
| including oil products and natural gas ………………... 14.0% | |
| grain foods and vegetable oils ……..…………………. 3.0% | |
| trading in chemicals and fertilizers ……………………. 3.0% | |
| **Total assets ……………………………………………………………** | 100.0 |

*Source: Chimimport*

The tables below give information about the net financial result and assets of the Group by sectors in accordance with the differentiation adopted in the consolidated financial statements of Chimimport for the last 3 fiscal years and the last interim financial statement prepared.

| **Business segment: Net financial result** | **As of 31 March** | | **As of 31 December** | | |
|---|---|---|---|---|---|
| | **2007** | **2006** | **2006** | **2005** | **2004** |
| | *(in BGN thousand)* | | *(in BGN thousand)* | | |
| Manufacturing…. ............................................... | 2,047 | 1,748 | 7,649 | 406 | 1,338 |
| Commerce …....................................................... | 8 | 178 | 577 | (2,184) | 187 |
| Transport ............................................................ | (739) | (3,345) | 2,204 | (109) | 13,935 |
| Insurance …......................................................... | 1,925 | 2,286 | 17,497 | 6,697 | 5,106 |
| Banking …........................................................... | 6,222 | 1,105 | 12,013 | 6,387 | 5,643 |
| Finance ............................................................... | 11,066 | (33) | 29,194 | 22,418 | 12,404 |
| Pension funds ……............................................ | 461 | 495 | 3,629 | 1,354 | 330 |
| Consolidation ..................................................... | 4,301 | (652) | (11,993) | (4,961) | (8,654) |
| Group ................................................................. | 25,291 | 1,782 | 60,770 | 30,008 | 30,289 |

*Source: Chimimport*

| **Business segment: Assets** | **As of 31 March** | **As of 31 December** | | |
|---|---|---|---|---|
| | **2007** | **2006** | **2005** | **2004** |
| | *(in BGN thousand)* | *(in BGN thousand)* | | |
| Manufacturing …................................................ | 130,720 | 135,740 | 102,184 | 77,989 |
| Commerce …....................................................... | 146,608 | 92,891 | 59,416 | 18,200 |
| Transport …........................................................ | 114,217 | 147,484 | 82,734 | 44,751 |
| Insurance ……..................................................... | 86,146 | 80,127 | 43,744 | 26,410 |
| Banking …........................................................... | 1,270,693 | 1,131,987 | 809,023 | 555,827 |
| Finance …............................................................ | 506,843 | 439,570 | 337,592 | 266,086 |
| Pension funds ……............................................ | 56,980 | 49,856 | 30,315 | 20,449 |
| Consolidation ..................................................... | (504,950) | (446,185) | (346,953) | (216,830) |
| Group ................................................................. | 1,807,257 | 1,631,470 | 1,118,055 | 792,882 |

*Source: Chimimport*

**Financial Services**

***General Overview***

The financial sector is a strategic investment area for Chimimport. The Issuer's objective is to offer all basic kinds of financial services via its subsidiaries and associated companies. Chimimport holds interests in the capital of the financial institutions from the Group via its subsidiary CCB Group Assets Management EAD ("**CCB Group Assets Management**"), 100% owned by the Issuer.

CCB Group Assets Management was established in 2002 with the main objective to optimize the management of Chimimport's assets in the financial sphere. CCB Group Assets Management's function is to exercise strategic control over the companies it owns, assist in the process of their long-term financing, negotiate with foreign investors, as well as provide methodological assistance in the implementation of significant projects.

As of the date this document was drawn up, Chimimport owns 68.20% of the capital of Central Cooperative Bank AD, 83.56% of insurance and reinsurance joint-stock company Armeec, 100% of special purpose investment company for real estate securitization CCB Real Estate Fund ADSIC, and 46.18 % of the special purpose investment company for securitization of receivables Capital Management ADSIC The Management company CCB Assets Management EAD was established and licensed by the Financial Supervision Commission at the end of 2006. It is 100% owned by CCB Group Assets Management and holds a permit for the organization and management of three mutual funds for investment in securities and other financial instruments.

Via CCB Group Assets Management, the Issuer owns another 89.76 % of the Pension Insurance Joint-Stock Company CCB Sila AD, and on its own it holds a further 49.28 % of the pension insurance company Saglasie AD - the third biggest pension insurance company in the country in terms of assets and market share. At the beginning of 2007, the Majority Shareholder in the Issuer – Chimimport Invest – acquired 84.60 % of the capital of the pension insurance company Lukoil Garant – Bulgaria AD with the aim of the subsequent transfer of the acquired shares to CCB Group Assets Management. This transfer is expected to be implemented by the end of 2007, with which the pension insurance company will become part of the Chimimport structure.

Towards the end of the current year or at the beginning of 2008 it is planned to establish a life and a health insurance company.

***Banking Services***

<u>*Central Cooperative Bank AD*</u>

*General Overview*

Joint-stock company Central Cooperative Bank AD ("**CCB**" or the "**Bank**") was registered by a decision of the Sofia City Court on 28 March 1991. It was established by the Central Cooperative Union, the regional cooperative unions, and more than 1,100 cooperative organizations. CCB's registered capital is BGN 72,761,000.

CCB is a universal commercial bank licensed to perform all bank operations at home and abroad. The bank operates also as an investment intermediary and has been approved by the Bulgarian National Bank (BNB) to be a primary dealer in government securities. The Bank holds leading positions in rendering services to the agricultural sector in Bulgaria and its aim will continue to be to uphold its leading positions by enlarging the scope and the volume of its operations with manufacturers of agricultural products all over the country. Along with that, CCB gives priority to the development of retail banking and card payments by offering competitive products and services to individuals, as well as to small, medium-sized, and large enterprises from the other sectors of the economy.

CCB reaches its clients through a well-developed network of 45 branches and 170 offices which covers the entire territory of the country. As of 31 December 2006, the total amount of employees at the Bank is 1347. In December 2005 CCB received a permit from the Central Bank of Cypress to open its first foreign branch in

Nicosia. It offers (in cooperation with the airlines form the Group – Bulgaria Air and Hemus Air) full bank services to clients, as well as all the products of Hemus Air and Bulgaria Air.

Central Cooperative Bank carries out its international activities through a vast network of correspondents of over 300 banks from around the world. The Bank maintains 18 nostro accounts in all major foreign currencies. CCB has been licensed by MasterCard Inc. to issue and accept international debit and credit cards – Eurocard/ MasterCard and Maestro. The Bank is also an agent of the Western Union international system for fast money transfers. Since July 1993 CCB is an associate member of the European Association of Co-operative Banks with a headquarters in BRusels, and since September 2004 – a member of the International Co-operative Banking Association, in which over 55 institutions from 40 countries hold a membership.

CCB has the status of a public company and since March 1999 its shares are admitted to trading on the Bulgarian Stock Exchange. Currently, the Bank's shares are traded on the official market, segment B, of the Stock Exchange and are included in both stock exchange indices – SOFIX and BG40

*Shareholders*

At the beginning of 2002 via a tender procedure Chimimport acquired the share of the state-owned Bank Consolidation Company AD in CCB, amounting to 32.77%, and became the main shareholder in the Bank . In 2004, via CCB Group Assets Management EAD, Chimimport acquired the Central Cooperative Union's shares in the Bank. As of the date of this document, Chimimport holds directly and via related persons a total of 77.15% of CCB's capital. The Bank's main shareholders are presented in the following table.

| | **As of 30 July 2007** |
|---|---|
| **CCB's main shareholders** | **Interest** |
| | *(%)* |
| Chimimport (direct interest)........................................ | 2.64 |
| CCB Group Assets Management................................. | 68.20 |
| ZPAD Armeec …......................................................... | 4.42 |
| POAD CCB Sila…...................................................... | 0.46 |
| Pension Funds of POK Saglasie ……………............. | 1.42 |
| Chimimport Total (direct and indirect)........................ | 77.15 |
| Bank Austria Creditanstalt……................................... | 13.34 |
| Hansabank .................................................................. | 4.26 |
| Other minority shareholders…… ................................ | 5.05 |
| **Total .........................................................................** | 100.0 |

*Source: Chimimport*

*Market Position*

According to the 2006 statistics published by BNB, CCB maintains its good positions among the other banks in the country; after the several mergers in the banking sector CCB holds the 9th place out of a total of 26 banks in terms of attracted deposits from non-financial institutions, the 10th place in terms of asset size and consumer loans given. CCB is the eleventh bank in the country in terms of commercial loans and profitability.

**Commercial banks in Bulgaria as of 30 June 2007**

| No | Bank | Assets *(BGN in thousands)* |
|---|---|---|
| | ***I group*** | |
| 1 | UniCredit Bulbank ……………………………… | 7,683,437 |
| 2 | DSK Bank ……………………………………. | 6,459,981 |
| 3 | Raiffeisenbank (Bulgaria) ……………………. | 4,620,209 |
| 4 | United Bulgarian Bank ………………………. | 4,440,015 |
| 5 | First Investment Bank ……………………….. | 3,468,916 |
| | ***II group*** | |
| 6 | Bulgarian Postbank ………………………….. | 3,180,885 |
| 7 | Piraeus Bank Bulgaria ……………………….. | 2,398,401 |
| 8 | Societe Generale Expressbank ………………. | 1,557,739 |
| 9 | Economic and Investment Bank ……………… | 1,460,994 |
| **10** | **Central Cooperative Bank ………………….** | **1,218,237** |
| 11 | Corporate Commercial Bank ………………… | 1,179,425 |
| 12 | CB Allianz Bulgaria …………………………. | 1,163,398 |
| 13 | DZI Bank …………………………………….. | 1,010,992 |
| 14 | CB Investbank ……………………………….. | 884,588 |
| 15 | Municipal Bank ……………………………… | 847,121 |
| 16 | Procredit Bank (Bulgaria) …………………… | 699,623 |
| 17 | CB MKB Unionbank ………………………… | 682,076 |
| 18 | Bulgarian American Credit Bank ……………. | 583,298 |
| 19 | International Asset Bank …………………….. | 441,929 |
| 20 | Tokuda Bank ………………………………… | 212,776 |
| 21 | D Commercial Bank …………………………. | 177,716 |
| 22 | NLB West-East Bank ………………………… | 173,928 |
| 23 | Encouragement Bank ………………………… | 134,842 |
| 24 | Emporiki Bank – Bulgaria …………………… | 123,640 |
| 25 | CPB Texim …………………………………… | 50,161 |
| | **III group** | |
| 26 | Alpha Bank – Sofia branch …………………… | 830,962 |
| 27 | BNP Paribas S.A.- Sofia branch ...................... | 575,088 |
| 28 | ING Bank. - Sofia branch ................................ | 488,089 |
| 29 | Citybank. - Sofia branch .................................. | 422,689 |
| 30 | T.C.Ziraat Bankasi - Sofia branch ................... | 44,657 |

*Source: Bulgarian National Bank*

After Chimimport acquired control over CCB in 2003, the Bank's growth accelerated – its assets and net profit increased significantly, its entire product range was changed, and it entered completely new market segments. These facts influenced the Bank's share price which has since 1999 seen a more-than-20-fold increase (it is important to note the three consecutive increases of CCB's capital in 2004-2006, from BGN 16,170,000 to BGN 72,761,000).

The rate of CCB's asset growth at the beginning of 2007 keeps up the upward trend typical of the previous years. As it becomes obvious from the table below, CCB's asset growth rate is bigger than the banking system growth in Bulgaria for the 2004-2006 period.

| | Banking sector assets *(in BGN million)* | Banking sector growth | CCB assets *(in BGN million)* | CCB growth |
|---|---|---|---|---|
| 2004 | 24,917 | 43.84 % | 555 | 56.01 % |
| 2005 | 32,850 | 31.84 % | 809 | 45.55 % |
| 2006 | 42,194 | 28.44 % | 1,131 | 39.92 % |
| **Average growth** | | **35.71 %** | | **47.16 %** |

*Source: Chimimport*

*Acquisitions*

In the last thee years CCB has acquired six commercial banks that were declared bankrupt: Bank of Agricultural Credit, Credit Bank, Dobrudzhanska Bank, Capitalbank, Crystalbank, and International Bank for Trade and Development.

*Retail Banking*

CBB defines client service as the most important factor for its successful development and strengthening of its market positions. As of 31 December 2006 the Bank's clients are over 740,000, including over 681,000 individuals. The number of CCB clients has grown by over 23% since the beginning of 2006, with the most significant growth taking place in the number of individuals – it has increased by over 13,000 persons or 23.80 %. CCB takes this as evidence of its successful strategy in the highly competitive segment of the Bulgarian market: retail banking. The Bank has been operating on this specific segment for three years now, working to create and offer new attractive products and services intended specifically for individual clients, households, and small- and medium-sized enterprises

*Card Payments*

In 2006 CCB increased its market share in ATMs and already holds 11% of the total number of installed ATM terminals in the network of the national card operator BORICA, which represents a more than 2 % increase. In 2006 the number of debit cards issued by the Bank grew by 43% reaching 522,679 Maestro and Visa Electron cards. Thus the market share of CCB in the total number of issued cards serviced by the national card operator BORICA went up from 9.75% at the end of 2005 to 15.92 % at the end of 2006, with the share of Maestro international debit cards reaching 24.81% (compared to 20.22 % at the end of the previous year), and the share of Visa Electron cards reaching 36.49%.

On 27 May 2005 the Bank became full member of Visa International and at the beginning of 2006 it started offering the full range of Visa cards. The Bank is a MasterCard International member since 2002 and starting from the beginning of 2003 it actively issues debit and credit cards with the MasterCard logo. In October 2006 CCB became the second bank in Bulgaria to issue Visa chip cards, and in November 2006 it became the first Bulgarian bank to start issuing MasterCard chip cards. CCB is the first bank in Bulgaria which simultaneously offers both MasterCard chip cards and Visa chip cards.

In the past year nearly 3.9 million payments have passed via the Bank's BISERA system at the total amount of BGN 4.898 million. CCB's market share in the total number of interbank payments is 3.80%, whereas in the total amount of interbank payments transactions were made it is 3.25%.

*Information Technologies*

At the beginning of 2003 CCB started the gradual introduction of a centralized information system servicing clients based on the modern banking information technologies. By mid-year it was introduced in all departments of the Bank. IBM's most recent RISK platform and Oracle 9i database management system were used to implement the project. The automated information system allowed CCB to launch new attractive products and services; its clients obtained access to their accounts from every branch and office of the Bank, as well as the possibility to make interbank transactions in BGN and other currencies in real time. With the help of this system, the management receives reliable and updated information about all processes in the Bank, which optimizes the quality of management decision-making.

*Financial Information*

| | As of 31 December | | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| | *(BGN '000)* | | |
| Total assets (carrying value) …………………………………………….. | 1,131,987 | 809,023 | 555,827 |
| Equity ………………………………………………………………. | 116,640 | 80,928 | 58,412 |
| Share capital …………………………………………………………... | 72,761 | 48,507 | 32,338 |
| Capital base ………………………………………………………… | 100,255 | 71,015 | 50,284 |
| Borrowings …………………………………………………………. | 990,552 | 709,307 | 475,618 |
| Loans (carrying amount) ………………………………………………… | 554,112 | 357,949 | 242,195 |
| Total income ……………………………………………………….. | 74,380 | 55,154 | 36,413 |
| Net profit …………………………………………………………… | 12,013 | 6,387 | 5,643 |

*Source: Chimimport*

*Real Estate*

Major real estate owned by the Bank:

| **Location** | **Purpose** | **All-out area** *(m²)* |
|---|---|---|
| 103 G.S. Rakovksi Str., Sofia ............................................... | Headquarters | 3,354 |
| 8 Vrabcha Str., Sofia ……………………………………… | Headquarters | 925 |
| 31 Tsar Simeon Str., Varna ……………………………….. | Bank office | 3,221 |
| 5 Beethoven Str., Plovdiv ………………………………… | Bank branch | 896 |
| 442 Pancho Vladigerov Str., Lyulin, Sofia .......................... | Bank branch | 540 |
| 58A Saborni Blvd., Varna ………………………………… | Bank branch | 746 |
| 1 Khan Kubrat Sq., Ruse …………………………………. | Bank branch | 602 |
| 150 Vassil Levski Str., Pleven ……………………………. | Bank branch | 1,112 |
| 4 Count Androvanti Str., Burgas …………………………. | Bank branch | 364 |
| 7 Osvobozhdenie Sq., Yambol ……………………………. | Bank branch | 859 |
| 7 Stefan Karadzha Str., Razgrad ………………………….. | Bank branch | 791 |
| 4 Nikola Gabrovski Str., Veliko Tarnovo ........................... | Bank branch | 435 |
| 13 Vassil Levski Str., Blagoevgrad ……………………….. | Bank branch | 490 |
| 5 Hristo Botev Str., Dupnitsa ……………………………. | Bank office | 759 |
| 8 Rila Str., Kazanlak ……………………………………… | Bank branch | 666 |
| Madan ……………………………………………………. | Bank office | 1,437 |
| 114 Bulgaria Blvd., Svilengrad ........................................... | Bank office | 501 |
| 13 Rakovski Blvd., Dimitrovgrad ………………………… | Bank office | 427 |
| 1 Skopje Str., Haskovo …………………………………… | Bank branch | 426 |
| 8 Rechna Str., Asenovgrad ……………………………….. | Bank branch | 233 |
| 5 Vassil Levski Str., Turgovishte ………………………… | Bank branch | 393 |
| 10 Professor Ishirkov Str., Lovech ………………………. | Bank branch | 388 |

*Source: Chimimport*

***Insurance Services***

*Insurance and Reinsurance Joint-Stock Company Armeec*

*General Overview*

Since July 2002, via CCB Group Assets Management, the Issuer controls Insurance and Reinsurance Joint-Stock Company ("**Armeec**"). The insurance company was established on 9 April 1996 with main shareholders the Defense Ministry and companies from the Defense Ministry system. The capital of Armeec amounts to BGN 15,019,000 and its scope of activity is insurance and reinsurance, and management of the funds collected from insurance and reinsurance.

In June 2006 Armeec was assigned a BB+ rating by the Bulgarian Credit Rating Agency, in cooperation with the International Credit Rating Agency (ICRA) – Moody's Investor Service member, for its claim repayment capacity. The Bulgarian Credit Rating Agency is the only Bulgarian agency licensed by the Financial Supervision Commission.

Armeec has 275 employees on the payroll, 124 of which work in the Principal Office. The company operates via a well-developed network of branches in 48 cities around the country including 42 agencies, 31 representative offices, and 6,000 agents. Armeec has signed contracts with over 60 automobile service stations around the country for the provision of services to its clients. Armeetc plans to broaden its joint operations with Central Cooperative Bank with regard to providing for the insurance needs of the bank's clients and the bank itself, using the bank's branch and office network to sell insurance products, establishing joint offices, and offering combined banking and insurance products and bank assurance.

*Shareholders*

In July 2002 Chimimport acquired 91.92% of the capital of Armeec. The Defense Ministry and the commercial companies within its system retained 8.08% of the share capital.

As of the date of this document the Issuer holds directly or via related persons a total of 89.76 % of the capital of Armeec.

*Products*

Within the limits of its relatively conservative product policy, Armeec offers a wide range of insurance policies including

- Accident Insurance – various individual and group insurance products designed for particular target groups (eg. military members, sportsmen, students, hotels' guests, etc.) labour accident, car accident, tourist insurance, etc.
- Casko motor hull insurance and Motor Third-Party Liability Insurance;
- Aviation and Marine Insurance;
- Cargo Insurance during transportation (including transportation of money and valuables);
- Industrial Fire Insurance, Protected Property Insurance, Protected Home Insurance, etc.;
- Agriculture-related insurance products: field crops, livestock, poultry and bee hives, permanent plantings;
- Construction and installation works in building construction;
- All entrepreneurial risks;
- Liability Insurance, including: carrier liability during road transportation; professional liability insurance (lawyers, notary publics, CPAs, medical personnel, etc.); employer liability, third-party liability for military members, general third-party liability for enterprises, etc;
- Loan, Leasing and Bank Guarantees Insurance, Other Financial Losses Insurance;
- Medical expenses during travel abroad with provided assistance; medical insurance for foreigners in

Bulgaria, accident insurance and medical care abroad; assistance during travel abroad.

In 2006 Armeec headed the list in the following product categories on the Bulgarian insurance market: 1st place in Aircraft Insurance; 3d place in Accident Insurance; 5th place in motor vehicle insurance. Protected Home Insurance was awarded the Financial Product of 2005 award at the *Banks, Investment, and Money* international exhibition.

At the beginning of 2007 Armeec started to implement the new European practices in motor vehicle insurance and broadened the coverage of the Casko motor hull insurance policies with a special coverage for corporate clients – AVTOKASKO PLUS. A new differentiated charge was introduced that offers an individual approach and reflects the situation and the development of the insurance and technical insurance risk with groups defined in advance. Additional preferences are available within the existing Bonus - Loyal Client and Preferential Client systems for the company's regular and corporate clients.

*Market Position*

Armeec is one of the fastest developing insurance companies in the country in the conditions of a highly competitive market (towards the end of 2006, 36 insurance companies were operating in Bulgaria). In 2006 Armeec generated 12.19% growth in its market share compared to 2004. In the first quarter of 2007 the Company maintains its dynamic rate of development with over 30% growth in the premium income compared to the first quarter of the previous year. The market shares of the country's insurance companies in terms of earned premium income are presented in the table below:

| | **As of 31 March** | | **As of 31 December** | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | | **2006** | | **2005** | | **2004** | |
| | Premium income | Market share | Premium income | Market share | Premium income | Market share | Premium income | Market share |
| | *(BGN '000)* | *(%)* | *(BGN '000)* | *(%)* | *(BGN '000)* | *(%)* | *(BGN '000)* | *(%)* |
| ZPAD Bulstrad ………………... | 59,568 | 19,49 | 148,142 | 13,98 | 139,848 | 15,21 | 105,353 | 14,37 |
| ZPAD Allianz Bulgaria AD ….. | 45,078 | 14,75 | 140,885 | 13,30 | 132,737 | 14,44 | 111,791 | 15,25 |
| DZI General Insurance AD …… | 45,045 | 14,74 | 186,679 | 17,62 | 186,265 | 20,26 | 124,488 | 16,98 |
| ZK Bul Ins AD ……………….. | 29,890 | 9,78 | 125,044 | 11,80 | 114,326 | 12,44 | 100,722 | 13,74 |
| ZK Lev Ins AD ……………….. | 25,060 | 8,20 | 67,011 | 6,32 | 55,109 | 6,00 | 40,419 | 5,51 |
| ZK Unika AD …………………. | 22,408 | 7,33 | 66,400 | 4,27 | 54,758 | 5,96 | 40,524 | 5,53 |
| Generali Insurance AD ……….. | 17,169 | 5,62 | 60,440 | 5,70 | 30,356 | 3,30 | 49,407 | 6,74 |
| **ZPAD Armeec AD** …………… | **16,661** | **5,45** | **57,889** | **5,46** | **44,746** | **4,87** | **27,545** | **3,76** |
| ZK Euro Ins AD ………………. | 12,677 | 4,15 | 52,488 | 4,95 | 40,327 | 4,39 | 29,471 | 4,02 |
| ZK Balgarski Imoti AD ………. | 10,140 | 3,32 | 29,789 | 2,81 | 17,467 | 1,90 | 11,767 | 1,60 |
| IJSC Victoria AD …………….. | 5,818 | 1,90 | 21,040 | 1,99 | 14,504 | 1,58 | 7,899 | 1,08 |
| AIG Bulgaria AD …………….. | 5,097 | 1,67 | 16,620 | 1,57 | 12,471 | 1,36 | 12,122 | 1,65 |
| HDI AD ……………………… | 3,034 | 0,99 | 10,041 | 0,95 | 8,234 | 0,90 | 6,597 | 0,90 |

*Source: The Financial Supervision Commission*

The insurance premium income of Armeec demonstrates a significant and steady growth throughout the last five years, the average growth for the viewed period being over 80%. A certain slowdown of growth has been registered owing mainly to the extremely competitive environment on the local insurance market which includes world famous companies like Allianz, Generali, KBC, etc. The premium income per employee of the company towards the end of 2006 is BGN 182,000, the company registering an increase of more than four times over a five-year period in terms of this index. Armeec defines its optimal pricing policy in accordance with the risk for each particular insurance policy as major factors for the increase of premium income and low damage quota on the leading insurance policies in its insurance portfolio.

*Financial Information*

| | As of 31 March | | As of 31 December | | |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2006 | 2005 | 2004 |
| | (BGN in thousands) | | (BGN in thousands) | | |
| Assets ………………………………………….. | 86,398 | 48,555 | 80,178 | 43,744 | 26,41 |
| Equity ………………………………………….. | 35,403 | 18,627 | 35,925 | 15,981 | 9,284 |
| Total income ………………………………….. | 64,880 | 38,374 | 96,593 | 69,783 | 41,452 |
| EBITDA ………………………………………. | 2,139 | 2,689 | 19,945 | 7,895 | 7,353 |
| Net profit ……………………………………… | 1,925 | 2,286 | 17,261 | 6,697 | 5,106 |

*Source: Chimimport*

*Real Estate*

Real estate owned by Armeec:

| Location | Purpose | All-out area (m²) |
|---|---|---|
| 21 General Gurko Str., Sofia ……………………………… | Office | 310 |
| 7B Knyaz Dondukov Str., Sofia ........................................ | Office | 263 |
| 55 Kn. Maria Luisa Blvd., Plovdiv ………………………. | Office | 124 |
| 7 Bratya Kitanovi Str., Blagoevgrad ……………………… | Office | 84 |
| 1 K. Fotinov Str. Burgas …………………………………. | Office | 89 |
| 42 Nikola Gabrovski Blvd., Veliko Turnovo ..................... | Office | 115 |
| 7 Danail Popov Str., Pleven ……………………………… | Office(1) | 96 |
| 11 Tsar Osvoboditel Str., Sliven …………………………. | Office | 101 |
| 7 Metodiy Kusev Str., Stara Zagora .................................. | Office(1) | 66 |
| 26 Saedinenie Blvd., Haskovo ……………………………. | Office(1) | 106 |
| 6 Tsar Osvoboditel Str., Shumen …………………………. | Office | 74 |
| 20 Fr. J. Curie, Sofia ……………………………………… | Land | 4,300 |

(1) Mortgaged property

*Source: Chimimport*

***Collective Investment Schemes***

*Management Company CCB Assets Management EAD*

*General Overview*

Via CCB Group Assets Management, Chimimport holds 100% of the capital of CCB Assets Management EAD ("**UD CCB Assets Management**") which was established as Management company under Public Offering of Securities Act on 22 November 2006 and was entered in the company register of Sofia City Court under company file No 1413 on 5 February 2007. In January 2007 the Financial Supervision Commission granted UD CCB Assets Management full license to operate as a Management company, including: (a) to manage the operations of collective investment schemes and closed-end investment companies; (b) to manage clients' individual securities portfolios on its own discretion; to provide investment consultation regarding securities.

UD CCB Assets Management holds a permit by the Financial Supervision Commission for the organization and management of three mutual funds:

- *CCB Leader Mutual Fund* - an aggressive mutual fund with an investment strategy of retaining and increasing the value of unit holders' investments, earning a maximum income by taking a moderate to high risk and securing liquidity of investments in the fund's units;

- *CCB Active Mutual Fund* – a balanced mutual fund with an investment strategy of retaining and increasing the value of unit holders'investments, earning a maximum income by taking a moderate risk and securing liquidity of investments in the fund's units;
- *CCB Garant Mutual Fund* – a conservative mutual fund with an investment strategy of retaining and increasing the value of unit holders' investments, earning a maximum income by taking a minimal risk and securing liquidity of investments in the fund's units.

UD CCB Assets Management also plans to establish a low-risk mutual fund in US dollars by the end of 2007.

The depositary bank of UD CCB Assets Management mutual funds is Bulgarian Postbank AD. The Management company has signed a contract with Central Cooperative Bank AD for the distribution of the mutual funds' shares. UD CCB Assets Management has set itself a goal to ensure that the mutual funds it manages should quickly take leading positions in the sector by offering their products in combination with bank, life insurance, and pension insurance products.

***Pension Insurance***

<u>*Pension Insurance Joint-Stock Company Sila*</u>

*General Overview*

In November 2002 Chimimport gains control over the pension insurance joint-stock company Newton-Sila, later renamed as CCB Sila ("**CCB Sila**"). At present the Issuer holds indirectly 99.26 % of the capital of CCB Sila, including 89.26% via CCB Group Assets Management.

CCB Sila was established in February 1994 and is the first pension insurance company in Bulgaria to hold a license to operate in the additional pension insurance sector. The share capital of CCB Sila amounts to BGN 5.5 million. As of 31 March 2007 the company has 30 employees on the payroll and over 570 insurance agents working under civil contracts. CCB Sila manages three pension funds – universal, professional, and voluntary. As of 31 March 2007 the number of persons insured in the company's three pension funds is more than 145,000, which is an increase by 11.35% compared to 31 March 2006.

*Financial Information*

The total amount of the carried assets of CCB Sila-managed pension funds as of 31 March 2007 is BGN 47.02 million, which shows an increase of over 75% compared to 31 March 2006.

| | **As of 31 March** | | **As of 31 December** | | |
|---|---|---|---|---|---|
| | **2007** | **2006** | **2006** | **2005** | **2004** |
| | *(BGN in thousands)* | | *(BGN in thousands)* | | |
| Assets ………………………………………… | 9,961 | 6,147 | 9,421 | 5,688 | 4,201 |
| Financial assets ………………………………... | 8,201 | 4,486 | 7,792 | 4,051 | 1,404 |
| Investment properties …………………………. | 966 | 962 | 966 | 962 | 0 |
| Tangible non-current assets …………………… | 32 | 32 | 31 | 36 | 47 |
| Current assets …………………………………. | 557 | 492 | 418 | 484 | 2,268 |
| Share capital …………………………………… | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 |
| Equity ………………………………………… | 9,526 | 5,943 | 9,065 | 5,448 | 4,094 |
| Current liabilities ……………………………… | 44 | 24 | 21 | 65 | 18 |
| Special reserves ……………………………….. | 391 | 180 | 335 | 175 | 89 |
| Current financial result ………………………... | 461 | 495 | 3,629 | 1,354 | 330 |

*Source: Chimimport*

*Real Estate*

Major real estate owned by CCB Sila:

| Location | Purpose | All-out area *(m²)* |
|---|---|---|
| Montana …………………………………………………… | Office building | 1,129 |
| Plovdiv ……………………………………………………. | Land | 10,638 |
| North Industrial Area, Burgas …………………………….. | Land | 11,000 |

*Source: Chimimport*

*Pension Insurance Company Saglasie AD*

*General Overview*

In September 2005 Chimimport acquired 49.28% of the pension insurance company Saglasie AD ("**POK Saglasie**"), the third biggest pension insurance company in the country in terms of assets and market share. The company was established in 1995 and holds a license for operating in the additional pension insurance sector. The share capital of POK Saglasie is BGN 7 million. As of 31 March 2007 the company has 81 employees on the payroll and its network of insurance agents comprises over 2950 persons. POK Saglasie manages three pension funds – universal, professional, and voluntary. As of 31 March 2007 the number of persons insured in the three pension funds is over 373,000 which is 2.7% more compared to 31 December 2006.

*Financial Information*

The total carrying amount of the assets of POK Saglasie-managed pension funds as of 31 March 2007 is BGN 180.12 million, which shows an increase of over 10.6% compared to 31 December 2006

| | As of 31 March | | As of 31 December | | |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2006 | 2005 | 2004 |
| | *(BGN in thousands)* | | *(BGN in thousands)* | | |
| Assets ………………………………………….. | 9,763 | 8,263 | 9,156 | 6,844 | 6,619 |
| Financial assets ………………………………... | 2,590 | 791 | 1,749 | 706 | 250 |
| Investment property …………………………… | | | | | 627 |
| Tangible non-current assets …………………… | 279 | 197 | 250 | 1,756 | 205 |
| Current assets …………………………………. | 2,586 | 1,854 | 1,659 | 1,760 | 2,678 |
| Share capital …………………………………… | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| Equity …………………………………………. | 6,355 | 5,949 | 6,317 | 6,076 | 6,219 |
| Current liabilities ……………………………… | 192 | 305 | 161 | 195 | 131 |
| Total income …………………………………... | 1,216 | 708 | 3,868 | 3,115 | 2,426 |
| Total expenses ………………………………… | 1,249 | 839 | 3,694 | 3,091 | 2,240 |
| Net profit ……………………………………… | 38 | 127 | 241 | 24 | 186 |

*Source: Chimimport*

*Real Estate*

Major real estate owned by POK Saglasie:

| Location | Purpose | All-out area *(m²)* |
|---|---|---|
| Office Building A, Studentski Region, Sofia ……………... | Office | 107,44 |
| 32 P. Slaveykov Str., Plovdiv …………………………….. | House | 961 |
| West Industrial Area, Ruse ………………………………. | Land | 42,410 |
| Troyan Municipality, Chiflik Village ……………………. | Land | 916 |
| North Industrial Area, Burgas ……………………………. | Land | 11,000 |

*Source: Chimimport*

<u>*Pension Insurance Company Lukoil Garant – Bulgaria AD*</u>

In March 2007 the majority shareholder in the Issuer Chimimport Invest acquired 84.60% of the capital of pension insurance company Lukoil Garant-Bulgaria AD ("**Lukoil Garant**") in order to transfer these shares to Chimimport's subsidiary company CCB Group Assets Management by the end of the current year. Lukoil-Garant was established in July 2000 and holds a license for operating in the additional pension insurance sector. Lukoil-Garant's share capital is BGN 5 million.

*Market Position of thePpension Companies Controlled by Chimimport*

In 2006 POK Saglasie AD and CCB Sila managed to increase their market share in terms of net assets and number of insured persons, as well as to make profit. The table below illustrates the relative share of the assets of the pension funds managed by the pension insurance companies as of 31 March 2007:

| | Universal Pension Fund | Professional Pension Fund | Additional Pension fund | Total |
|---|---|---|---|---|
| POK Doverie ……………………………………………………... | 39.32 | 40.19 | 17.60 | 32.67 |
| POK Allianz Bulgaria ……………………………………………. | 22.13 | 22.11 | 52.90 | 31.79 |
| **POK Saglasie ……………………………………………….** | **12.16** | **18.97** | **3.49** | **10.80** |
| ING POD EAD …………………………………………………... | 9.80 | 4.82 | 9.65 | 8.75 |
| POK DSK-Rodina AD ……………………………………….. | 7.52 | 4.04 | 6.53 | 6.51 |
| **Lukoil Garant-Bulgaria ………………………………….** | **3.89** | **6.92** | **7.21** | **5.4** |
| **CCB Sila ………………………………………………….** | **3.83** | **2.25** | **1.62** | **2.82** |
| DZI-PO AD …………………………………………………… | 1.36 | 0.69 | 0.99 | 1.11 |
| POD Toplina AD ……………………………………………….. | 0.00 | 0.00 | 0.00 | 0.00 |
| Total ……………………………………………………………… | 100.00 | 100.00 | 100.00 | 100.00 |

*Source: The Financial Supervision Commission*

The market share of the pension insurance companies in terms of the number of persons insured in the pension funds they manage, as of 31 December 2006, is as follows:

| | **Market share** *(%)* |
|---|---|
| POK Doverie …………………………………………………………….. | 32.52 |
| POK Allianz Bulgaria ………………………………………………………. | 24.80 |
| **POK Saglasie ………………………………………………………………** | **11.36** |
| ING POD ………………………………………………………………… | 8.29 |
| POK DSK-Rodina ………………………………………………………….. | 7.37 |
| **POAD CCB Sila ……………………………………………………………** | **4.41** |
| **POD Lukoil Garant Bulgaria …………………………………………..** | **4.37** |
| DZI-PO ……………………………………………………………………... | 1.88 |

*Source: The Financial Supervision Commission*

***Securitization of Real Estate and Receivables***

*CCB Real Estate Fund ADSIC*

Via its subsidiary companies - CCB Group Assets Management EAD (53.84%), Central Cooperative Bank (23.08%), and Armeec (23.08%) – Chimimport owns 100% of the capital of CCB Real Estate Fund ADSIC ("**CCB Real Estate Fund**").

CCB Real Estate Fund is a special purpose investment joint-stock company for real estate securitization. The company was established in October 2005 and was licensed by the Financial Supervision Commission to operate as a special purpose investment company.

The investment purpose of CCB Real Estate Fund is to acquire immovable property that yields profit in the form of rent and other ongoing payments, as well as to build and/or renovate immovable property with a view to subsequent sale of exploitation. To finance its investments the Fund is going to use both its own capital and borrowed funds in the form of bank loan and debt securities

The depositary bank of CCB Real Estate Fund is UniCredit Bank. The investment intermediary that serviced the initial increase of the company's capital is Central Cooperative Bank. The Fund's servicing company is CCB Group Assets Management, which is to render services in relation to the exploitation, maintenance, management, and renovation of the Fund's real estate, as well as to keep it's accounts, and provide consultations and analyses in relation to the management of the Fund's investments and the financing of its operations.

*Capital Management ADSIC*

Chimimport holds 46.18% of the capital of Capital Management ADSIC ("**Capital Management**") including 23.08% via its subsidiary company Armeec.

Capital Management is a special purpose investment joint-stock company for securitization of receivables. The Company was established in October 2005 and holds a license by the Financial Supervision Commission to operate as a special purpose investment company.

Capital Management invests in receivables that yield profit in the form of difference between their buying and selling price (or their nominal value), as well as in receivables securing periodic payments. The company can diversify its receivables portfolio by investing in various kinds of receivables owed by entities in various sectors of the economy, located in various regions of the Republic of Bulgaria, in order to reduce the non-systemic risk of the investment portfolio. The investment policy of Capital Management does not envision limitations with respect to the types of receivables for securitization. The company can invest in secured and unsecured receivables, any types of receivables including future receivables towards local natural and/or legal persons, arising under civil law and commercial transactions, as well as receivables in connection with ordering securities (promissory notes, bills of exchange, etc), denominated in BGN or in other currency.

The depository bank of Capital Management is UniCredit Bank. The investment intermediary that serviced the initial increase of the company's capital is the Central Cooperative Bank.

## Transport Services

### *General Overview*

The transportation industry is of strategic importance to the development of Chimimport. Over 20 % of the Issuer's net assets are concentrated in it. In 2006 Chimimport signed a contract with the Privatization Agency and was designated by the Council of Ministers of the Republic of Bulgaria as the winning participant in the tender for the purchase of 70% of the capital of Bulgarian River Shipping AD, Ruse. Several months later, via Bulgarian Aviation Group EAD, Chimimport acquired Bulgarian Air AD via a privatization procedure, the Bulgarian state keeping 1 golden share. By the end of 2007 Chimimport intends to acquire a stake in Odessos Shiprepair Yard S.A., Varna, as well as in other enterprises whose main activity is ship repair, ship machine-building and watercraft.

### *Aviation Transport*

Bulgarian Aviation Group EAD

Chimimport's investments in the aviation industry were made via Bulgarian Aviation Group EAD ("**Bulgarian Aviation Group**"), previously called Balkan Hemus Group EAD – sole owner of the biggest Bulgarian private aviation company – Hemus Air EAD ("**Hemus Air**"). Bulgarian Aviation Group was established in 2003 as solely owned by Chimimport with capital of BGN 100,000 and with the objective to acquire 51% of the capital of Hemus Air via its subsidiary company Hemus Hold EOOD. At the beginning of 2004 Hemus Hold EOOD won a tender and became proprietor of the aircraft maintenance base of Sofia Airport, and at the end of 2004 the merger of Hemus Hold EOOD into Hemus Air was completed, Bulgarian Aviation Group acquiring complete control over the aviation company. At present Bulgarian Aviation Group's capital amounts to BGN 23.6 million.

Bulgarian Aviation Group's policy focuses on the development of the existing Hemus Air aviation company, the creation of joint ventures with local and foreign companies, the active participation in the concessions of the airports in the Republic of Bulgaria, and the provision of comprehensive service to present and future clients. The Company was among the admitted participants in the privatization of the national air carrier Bulgaria Air AD, and it won the tender at the beginning of 2007. What lies ahead is the implementation of a large-scale investment scheme as well as the consolidation of the aviation business within Chimimport.

*Market Share*

After the successful completion of the privatization procedure of the national air carrier Bulgaria Air at the beginning of 2007, Bulgarian Aviation Group (which unites Hemus Air and Bulgaria Air) holds a dominant position in the aviation sector on the Bulgarian market.

The market share of the united aviation company for the first half of 2007 amounts to 32.10%, compared to 30.92% for the same period in 2006. Irrespective of the fact that during the current 2007 the aviation company operates with two Boeing airplanes less than in the same period last year due to the expiration of leasing contracts, the company registered an increase in the number of transported passengers and sales volume owing to the better and more efficient management after privatization which is reflected in the 1.49% growth of its market share for the first half of 2007.

*Operations in 2007*

In the first half of 2007 2,939 flights were performed compared to 2,722 flights for the same period in 2006, which is a growth of 7.9%. The number of passengers transported during this period is 407,594, compared to 354,915 for the same period in 2006, which is 52,679 passengers more or 14.8% growth. The performance in terms of this indicator is 2.8% higher, or 11,291 passengers more, than what was envisaged by the company's business plan for this period.

The major criterion for the aviation company's profitability is the average number of passengers per flight indicator, and it is 139 passengers per flight for the first half of 2007 compared to 130 passengers per flight in 2006, which shows a 6.9% rise in profitability. The load factor for the first six months of 2007 is 57.9% compared to 54.7% for the same period in 2006, which is an increase of 3.2% and at the same time a 1% rise as to the company's business plan for the period.

During the first half of 2007 the following destination were added to the company's list: Sofia – Pafos – Sofia; Varna – Moscow – Varna; and Sofia – Burgas – Sofia. During the second half of 2007 more destinations are going to be added: Sofia – Istanbul – Sofia; Sofia – Skopje – Sofia; and Sofia – Belgrade – Sofia.

*Hemus Air EAD*

*General Overview*

Hemus Air was established in 1987 as a division of the former Balkan Bulgarian Civil Aviation Company of socialist Bulgaria. In 1989 Hemus Air was separated into an independent unit for specialized aviation services. As e result of the successful privatization of Hemus Air in 2003 Chimimport acquired 100% of the company's capital.

Hemus Air's capital is BGN 25.6 million. The airline company's main activities are:

- *Scheduled flights*: scheduled international flights include the following destinations: Athens, Beirut, Bucharest, Köln, Berlin, Dubai, Larnaca, Oslo, Pristine, Tripoli, Vienna, and London. The airline company has representative offices in almost all scheduled flight destination cities. There are also domestic scheduled flights to the cities of Varna and Burgas;
- *Charter flights*: Hemus Air aircraft are chartered all year round by big tourist companies to carry tourists to various destinations. Charter flights operate non-stop for tourists arriving from and departing for various cities in Europe, the Middle East, and North Africa. Hemus Air also offers ad-hoc charter flights to its corporate clients;
- *Aircraft on lease*: Hemus Air offers its aircraft on wet lease to other aviation companies in Europe and the Middle East;
- *Cargo transportation*: Hemus Air holds a permit for cargo transportation. The aviation company offers air transportation of cargo and goods to all of its scheduled destinations.
- *Maintenance and repair services of:* engines, hydraulic systems, electronic parts and systems, and gliders.

Hemus Air started operating in 1987 with one aircraft. Various types of aircraft were used over the years: YAK 40, TU 134, TU 154, and L 410. After Chimimport acquired the company in 2004, an investment program was launched to renovate and enlarge the fleet. In 2006 Hemus Air finished the first stage of the modernization of its fleet, replacing the old equipment with modern. At present the aviation company operates three types of aircraft:

- ATR 42 – for short-distance flights (domestic and regional flights);
- BAe 146 – for short-distance and medium-distance flights (Europe and the Middle East);
- Boeing 737 – for medium-distance flights (Western Europe and the Persian Gulf).

| Available fleet | As of 31 December | | |
|---|---|---|---|
| | **2004** | **2005** | **2006** |
| B 737 ……………………………………... | 0 | 1 | 2 |
| BAe 146 ………………………………….. | 3 | 3 | 7 |
| ATR ……………………………………… | 2 | 2 | 2 |
| TU 154 …………………………………… | 2 | 1 | 0 |
| TU134 ……………………………………. | 2 | 1 | 0 |
| YAK 40 …………………………………... | 7 | 4 | 0 |
| L 410 ……………………………………... | 1 | 1 | 0 |
| **Total ………………………………………** | **17** | **13** | **11** |

*Source: Chimimport*

The technical capabilities of the aircraft exploited by the aviation company allow for the effective operation both of short-distance flights around the country and the region, and medium-distance flights to Europe and the Middle East. The company's aircraft are equipped with all modern safety systems.

Hemus Air is a licensed agent for ground handling services. Maintenance and technical services for all aircraft are provided at the company's own aircraft maintenance base at the Sofia Airport, which was purchased in a tender at the beginning of 2004 and comprising three aircraft hangars with a total of six parking spaces for various types of aircraft, some of the spaces being leased to other airline companies.

The aviation company is a member of the International Air Transport Association (IATA) and the IATA Clearing House. For years Hemus Air has been maintaining partnerships with the big tour operators on the Bulgarian and the international tourist markets. The company's competitive advantage is in the well-developed network of representative offices, a well-structured fleet, and the professionalism of its staff.

Hemus Air employs 354 people including 47 pilots and 88 members of cabin crew. The company has representative offices in Athens, Beirut, Bucharest, Dubai, Larnaca, London, Tirana, and Tripoli, and general agents in Berlin, Dubai, Köln, Nicosia, and Oslo.

Aviation Company Hemus Air is undergoing a process of restructuring and the introduction of an ambitious program for broadening its activity, including an increase of the number of flight destinations serviced and the flight frequency. At the same time, the company's main objective is to significantly improve the transportation service quality at a price that would be advantageous for the clients. Apart from fleet modernization, the company's development strategy envisions an increase in trade activity at a faster pace, as well as entering new markets.

*Flights and Aircraft Service*

In 2006 the twelve international scheduled flight destinations increased their number by two new destinations – scheduled flights to Berlin and London. In 2007 another two destinations are planned to be launched – Madrid and BRusels, by which the scheduled flight destinations of Hemus Air will reach 16. In 2007 the aviation company is also planning to significantly its international scheduled flight destinations by another five: Rome, Paris, Amsterdam, Barcelona, and Milan.

In 2006 Hemus Air increased the flight frequency to Varna in order to meet the demands of the increasing passenger flow, the flights reaching three per day. Daily scheduled flights to Burgas started to operate in 2007.

In 2006 Hemus Air performed nearly 100 more charted flights than the 930 planned by the company, to a total of 1,019. The new destinations for 2006, for which charter chains contracts were signed, in the current year are the following: Finland, the Netherlands, Portugal, Romania, Moldova, Lithuania, Latvia, and Estonia. In 2007 the number of charter flights is to be increased to 1,269 or by 25% more than 2006. Charter chains to new points in Germany, France, Sweden, Denmark, Russia, etc. are being negotiated.

| | As of 31 March | As of 31 December | | |
|---|---|---|---|---|
| | 2007 | 2004 | 2005 | 2006 |
| Number of flights ……………………………………….. | 505 | 1,384 | 1,536 | 1,810 |
| Passengers carried ………………………………………. | 49,142 | 111,016 | 136,383 | 183,635 |
| Block hours ……………………………………………… | 1,775 | 4,098 | 4,917 | 6,433 |
| Charter flights …………………………………………... | | | | |
| Number of flights ……………………………………….. | 107 | 708 | 798 | 1,035 |
| Passengers carried ………………………………………. | 16,084 | 141,243 | 150,310 | 187,142 |
| Block hours ……………………………………………… | 606 | 2,952 | 3,603 | 5,339 |
| Total number of flights (charter and scheduled) …………… | 612 | 2,092 | 2,334 | 2,845 |
| Passengers carried (charter and scheduled) ………………... | 65,226 | 252,259 | 286,693 | 370,777 |
| Total block hours ……………………………………….. | 2,381 | 7,050 | 8,520 | 11,772 |

*Source: Chimimport*

The aviation company has a technical base for periodic and operational aircraft maintenance. The buildings that are part of the aircraft maintenance base includes three hangars and 31 auxiliary buildings with a total area of over 23,000 $m^2$. Hangar No. 1 has two spaces for servicing BAe 146/ATR-42, Hangar No. 2 has one space for servicing Boeing 737, and Hangar No.3 has three spaces for servicing Boeing 737. In the auxiliary premises there are laboratories equipped for maintenance and repair of different types of aircraft equipment, a chemical laboratory, a workshop for repairing tyres, brakes, etc.

*FinancialInformation*

| | As of 31 March | As of 31 December | | |
|---|---|---|---|---|
| | 2007 | 2004 | 2005 | 2006 |
| | | *(BGN '000)* | | |
| Carrying value of assets ………………….. | 60,173 | 39,552 | 44,065 | 56,581 |
| Total income ……………………………... | 17,180 | 46,767 | 65,050 | 98,979 |
| Total expenses …………………………… | 19,134 | 46,627 | 64,876 | 98,786 |
| Net profit/loss * …………………………. | (1,954) | 140 | 174 | 193 |

* As of 30 June 2007, the result is profit amounting to BGN 793 000.

*Source: Chimimport*

*Real Estate*

Major real estate, owned by Hemus Air:

| Location | Purpose | All-out area *(m²)* |
|---|---|---|
| Sofia Airport, Sofia …………………….... | Administrative building | 5,500 |
| Sofia Airport, Sofia …………………….... | Building | 840 |
| Sofia Airport, Sofia …………………….... | Lounge | 1,162 |
| apt.3, 10 Tsv. Radoslavov Str., Sofia ....... | Apartment | 46 |
| Sofia Airport, Sofia …………………….... | Hangar 1 (1) | 2,350 |
| Sofia Airport, Sofia …………………….... | Hangar 2 | 3,034 |
| Sofia Airport, Sofia …………………….... | Hangar 3 (1) | 6,064 |
| Sofia Airport, Sofia …………………….... | Auxiliary premises to hangars | 11,820 |
| Sofia Airport, Sofia …………………… | Land | 29,987 |

(1) Mortgaged property.

*Source: Chimimport*

<u>*Bulgaria Air AD*</u>

*Shareholders*

At the beginning of 2007, via Bulgarian Aviation Group, Chimimport acquired the national airline Bulgaria Air AD ("**Bulgaria Air**"), the Ministry of Transport and Communications of the Republic of Bulgaria retaining one golden share. The airline's capital is BGN 30.2 million.

*Operations and Restructuring*

In 2006 Bulgaria Air successfully passed the ISOA certification procedures (IATA Operational Safety Audit) and meets the high international aviation standards. New scheduled flight destinations were introduced and the fleet was increased. The airline is striving to preserve its market share despite the low-cost airline carriers that are increasingly penetrating the market. An agreement was signed by the Bulgarian Aviation Group and Lufthansa Consulting AG under which Lufthansa Consulting AG is to be the airline's strategic consultant and partner during the optimization and consolidation of the aviation companies.

| | As of 31 March | As of 31 December | | |
|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 |
| Number of flights …………………………………. | 839 | 3,990 | 3,256 | 2,470 |
| Passengers carried ………………………………… | 132,144 | 609,413 | 517,200 | 365,434 |
| Block hours ……………………………………….. | 4,804 | 22,840 | 18,178 | 13,449 |
| Number of flights …………………………………. | 19 | 1,413 | 941 | 767 |
| Passengers carried …………………………………. | 3,523 | 340,429 | 222,987 | 179,670 |
| Block hours ………………………………………… | 154 | 7,524 | 5,383 | 4,182 |
| Total number of flights (charter and scheduled) …... | 858 | 5,403 | 4,197 | 3,237 |
| Passengers carried (charter and scheduled) ……….. | 135,667 | 949,842 | 740,187 | 545,104 |
| Total block hours ………………………………….. | 4,958 | 30,364 | 23,561 | 17,631 |

*Source: Chimimport*

As of 31 March 2007, Bulgaria Air employs 650 people, including 97 pilots and 151 cabin crew members (air hostesses).

In 2007 a complete overhaul of the structure of the aviation companies owned by the Issuer is to be launched, as well as a preparation for their merger in the next two years. The broadening of the activity of the aviation company is also under way. Funds are being invested in the renovation of Bulgarian Air's aircraft maintenance base. Offers from leading world aircraft producers are being actively reviewed with the goal to purchase new capabilities and equipment. On 16 August 2007 a joined company with Lufthansa Technik AG is to be registered, which is going to perform difficult aircraft maintenance operations as well as more effective aircraft exploitation. The main objective for the current year will be both to preserve the existing market share and to improve the indicators related to the number of passengers carried.

*Financial Information*

| | **As of 31 March** | **As of 31 December** | | |
|---|---|---|---|---|
| | **2007** | **2006** | **2005** | **2004** |
| | | *(BGN '000)* | | |
| Carrying value of assets ……………………... | 46,151 | 40,133 | 49,545 | 35,357 |
| Total income ………………………………… | 38,758 | 252,511 | 198,892 | 146,441 |
| Total expenses ………………………………. | 47,188 | 281,028 | 198,534 | 145,141 |
| Net profit/loss * …………………………….. | (8,430) | (28,517) | 358 | 1,300 |

* As of 30 June 2007 the result is loss to the amount of BGN 8,760,000.

*Source: Chimimport*

When acquiring the national airline at the beginning of 2007, together with its significant loss from the previous year, Chimimport set as its goal in 2007 for Bulgaria Air to improve a number of indicators, to regain passengers' confidence, and minimize its losses. The high season in aviation is in the months from May to October, which his why the Issuer is expecting a more significant improvement of the results in the second half of 2007. But even at the present moment a number of indicators have improved considerably compared to the first half of 2006: the number of performed flights has increased by 11.1%, the number of passengers carried has increased by 15.2%, the market share has grown by 20.4%, and the loss has decreased by BGN 5,200,000 or 36.8%. By the end of 2007 Chimimport intends to increase the company's capital by BGN 10 million.

***River and Maritime Transport***

*General Overview*

Chimimport's investments in the sector are made via its subsidiary Bulgarian Shipping Company EOOD. ("**Bulgarian Shipping Company**"), 100% owned by the Issuer. Bulgarian Shipping Company was established in 2006 with the aim to consolidate Chimimport's interests in the river and maritime transport.

In 2006 and during the current year Bulgarian Shipping Company acquired a majority stake in the joint-stock company Ship Machine Building AD, Varna, and a blocking stake in Port Blachik AD. At the end of 2006 Bulgarian Shipping Company's subsidiary Chimimport Bimas EOOD merged with Bulgarian River Shipping AD, Ruse, as a result of which the latter acquired majority stakes in VTC AD, Varna, and Mayak KM AD, Novi Pazar.

The future plans of Bulgarian Shipping Company include acquiring shares in sea ports, watercraft construction and repair companies, building new sea terminals, as well as purchasing and Management sea vessels. The building of a terminal port on the territory of Chimimport Bimas in the city of Ruse - East Industrial Area is due.

*Bulgarian River Shipping AD*

Via Bulgarian Shipping Company and other subsidiary companies Chimimport holds 78.86% of the capital of Bulgarian River Shipping AD ("**BRS**"). In December 2005, via a transaction carried out on the Bulgarian Stock Exchange, Chimimport acquired 29.13% of BRS's capital. In 2006, following a tender held by the Privatization Agency, Chimimport purchased the 70% majority stake from the state. At present, BRS's capital amounts to BGN 28.99 million.

BRS was established in March 1935 under the name Costal River Navigation. Since January 2004 BRS is a public company and its shares are traded on the Bulgarian Stock Exchange. On 8 December 2006 at an extraordinary General Meeting of Shareholders a decision was made to increase its capital from BGN 895,000 to BGN 1,158,000.

BRS offers a wide range of services to its clients, covering a large part of the needs of companies seeking river transport. The company specializes in:

- Transportation of bulk and general cargos, liquid non-hazardous cargos and fuels, and oversized and concentrated cargos;
- Container line between Constanta and Belgrade;
- Regular ferryboat transportation between Vidin and Calafat;
- Regular Ro-Ro lines Ruse - Reni - Ruse and Passau - Vidin - Passau;
- Agency services for Bulgarian and foreign vessels in all Bulgarian ports;
- Forwarding services, river and sea vessel chartering;
- Arrangements for combined shipment: river – railway – sea;
- Passenger ship cruises along the Bulgarian section of the Danube River.

BRS has its own fleet at its disposal which consists of:

- *ships:* 17 pushboats, 2 tugboats; ferryboat platform for transportation of passengers and vehicles; passenger ships for 200 passengers;
- *non-propelled fleet*: 52 manned barges; 10 tank barges; 73 unmanned sections; 14 ceilings.

BSP owns a dockyard in the city of Ruse for repair works and technical activities. At the port of Nikopol the company acts as a port operator servicing the arrival and departure of passenger ships. Apart from representative offices in all Bulgarian ports on the Danube River, BRS has representative offices in Regensburg (Germany), Vienna (Austria), Budapest (Hungary), and Belgrade (Serbia). BRS employs 743 people of which 600 are vessel staff and 100 are coastal staff.

*Market positions*

The Danube River market is clearly shared out among river shipping companies in Central and Western Europe operating mainly between Budapest and Kelheim, while the East European companies (in Romania, Bulgaria, Ukraine) control navigation along the lower end of the river. BRS controls around 40 % of the cargo flow along the river Danube to and from Bulgaria. The company's policy is to provide competitive charge rates, better service and higher quality vessels compared to its competitors, as well as to attempt to tighten the tonnage in both directions in order to compensate for the preferential channel fees available to competitive companies.

In unison with forecasts of the European Commission, BRS's expectations are for the cargo flow along the Danube River to increase by over 30 % by the end of 2010. This means that new vessels will be needed to provide for the growing cargo flow, and also raises the question of reallocation of cargo among the various companies.

*Investments*

Chimimport has made a commitment to invest EUR 25 million in BRS for the 2007 – 2011 period, of which EUR 14.9 million have been invested and have already been absorbed as of the date of this document. The main objective is to increase BRS's tonnage. Investments are directed mainly at the renovation of BRS's fleet – putting new engines, production of a Caterpillar, making constructive changes in some of the pushboats that will allow them to navigate freely in the upper end of the Danube River (from Budapest and Vienna to Germany), as well as to make changes in the building of new vessels. BRS's investment program provides for the building of a logistics centre with a capacity of over 25,000 $m^2$, a base for storing and trading in petroleum products with a capacity of over 10,000 tons, and a grain silo with a capacity of 2780 $m^3$ on a territory of 161 decares owned by BRS in the city of Ruse – East Industrial Area, immediately next to the Danube River. The Group's intentions regarding the infrastructure units enumerated above are for them to be built and become operative by 2010.

*Financial Information*

BRS ended 2006 with 1,477,100 tons of transported cargo. A revenue growth by 6.1 % compared to 2005 was achieved. BRS's profit for 2006 is by 45.8% higher than the profit for 2005.

| | **As of 31 March** | | **As of 31 December** | | |
|---|---|---|---|---|---|
| | **2007** | **2006** | **2006** | **2005** | **2004** |
| | *(BGN in thousands)* | | *(BGN in thousands)* | | |
| Assets ………………………………………….. | 44,859 | 17,101 | 43,949 | 17,258 | 15,823 |
| Tangible non-current assets …………………… | 38,730 | 11,698 | 36,968 | 11,792 | 12,012 |
| Current assets …………………………………. | | | | | 3,790 |
| Inventory ……………………………………… | 1,016 | 975 | 1,463 | 935 | 813 |
| Current receivables ……………………………. | 3,529 | 3,580 | 3,265 | 3,341 | 1,968 |
| Cash …………………………………………… | 1,584 | 848 | 730 | 1,090 | 942 |
| Share capital …………………………………… | 1,158 | 895 | 1,158 | 895 | 895 |
| Equity …………………………………………. | 36,013 | 11,214 | 34,679 | 11,510 | 9,923 |
| Current liabilities ……………………………… | 5,193 | 4,304 | 5,617 | 4,165 | 4,181 |
| Net revenues from sales ………………………. | 9,669 | 6,914 | 33,283 | 31,670 | 24,872 |
| Total income ………………………………….. | 9,694 | 6,980 | 33,976 | 32,028 | 25,126 |
| Total expenses ………………………………… | 8,360 | 7,276 | 31,470 | 30,309 | 24,802 |
| Gross profit …………………………………… | 1,334 | (296) | 2,506 | 1,719 | 324 |
| EBITDA ……………………………………… | 1,660 | (101) | 2,864 | 2,397 | 9,961 |
| Net profit ……………………………………… | 1,334 | (296) | 2,506 | 1,719 | 324 |

*Source: Chimimport*

*Real Estate*

Major real estate owned by BRS:

| Location | Purpose | All-out area *(m²)* |
|---|---|---|
| 2 Otets Paisiy Sq., Ruse …………………………….. | Administrative building | 4,162 |
| 8 Slavyanska Str., Ruse …………………………….. | Administrative building | 451 |
| Tutrakan Blvd., Ruse ………………………………. | Administrative building | 1,360 |
| 44 Tsar Osvoboditel Str., Novi Pazar ....................... | Administrative building | 462 |
| 6 Geo Milev Str., Kaolinovo ………………………. | Administrative building | 1,200 |
| Tutrakan Blvd., Ruse ……………………………… | Offices | 994 |
| Budapest, Hungary ………………………………… | Flat | 60 |
| Budapest, Hungary ………………………………… | Flat | 60 |
| Reni, Ukraine ………………………………………. | Flat | 68 |
| entrance 4, 8 Slavyanska Str., Ruse ……………….. | Flat | 102 |
| entrance A, 1A Tsar Kaloyan Str.,Ruse …………… | Flat | 76 |
| 2 Bolgrad Str., Ruse ……………………………….. | House | 308 |
| 12 Tsaribrod Str., Ruse ……………………………. | House | 63 |
| 44 Tsar Osvoboditel Str., Novi Pazar ...................... | Industrial building | 13,480 |
| Ruse ………………………………………………… | Farm building | 2,180 |
| Ruse ………………………………………………... | Warehouse building | 1,210 |
| Tutrakan Blvd., Ruse ………………………………. | Land | 161,000 |
| Mechka Village, Ruse District …………………….. | Land | 520 |
| Mechka Village, Ruse District …………………….. | Land | 1,100 |
| Mechka Village, Ruse District …………………….. | Land | 25,385 |
| Mechka Village, Ruse District …………………….. | Land | 7,598 |
| Bliznatsi Village, Varna District …………………... | Land | 4,332 |
| Pirgovo Village, Ruse District ……………………… | Land | 5,368 |
| 44 Tsar Osvoboditel Str., Novi Pazar ....................... | Land | 68,810 |
| 6 Geo Milev Str., Kaolinovo ……………………….. | Land | 28,900 |

*Source: Chimimport*

<u>*VTC AD*</u>

Via its subsidiary VTC AD, Varna, (“**VTC**”), Bulgarian River Shipping AD participates in the market of towage services in the ports of Varna and Balchik in partnership with other companies and individuals. VTC was established in October 2005. The registered capital of the company is BGN 1.1 million. VTC’s main activity is providing towage services in the ports of Varna – East, Varna – South, and Lesport, i.e. in the entire region of Varna, as well as in the port of Balchik. Towage services include maneuvering of incoming and outgoing vessels, tying and untying, moving vessels from one dock space to another, as well as transportation of materials to and from vessels located at sea.

The towage services market in Varna’s ports is serviced also by Port Fleet 99, Varna (legal successor of the state towage services company) and Navigation Maritime Bulgare. In contrast to its competitors, VTC owns three brand new modern tugboats, the exploitation of which entails minimal expenses. The company services around 45% of the vessels and is convinced that it has potential to acquire an even bigger share of the market. In 2007 VTC intends to increase its fleet by purchasing one more tugboat.

*Port Lesport AD*

Port Lesport AD, Varna ("**Port Lesport**") was registered in March 2005. The company's capital amounts to BGN 4 million, Chimimport Issuer a 99% stake and 1% being owned by Chimimport Invest. By the end of August 2007 the shareholders intend to increase the company's capital to BGN 15 million. On 30 May 2006 a thirty-year contract came into force for the concession of Lesport port terminal which is part of a public transport port of national importance. The contract was signed between the Republic of Bulgaria, represented by the Ministry of Transport – issuer of the concession, and BM Port AD - port operator and concessionaire. On that date all employees of the state operator Lesport EAD were transferred to Port Lesport.

*General Information about the Port*

Lesport port is located on the north shore of the lake of Varna, between the villages of Kazashko and Ezerovo. It is situated at about 8 km. from the mouth of the lake of Varna. Lesport port terminal is accessed through the Lake of Varna. Because of its location on the lake of Varna the port is protected form wind and rough sea and is accessible all through the year. The port is connected to the national railway network and the national road network via an exit to the Sofia-Varna highway.

The total territory of the port is 124 decares. The port has three dock spaces and liquid fuel storage space of 120 $m^3$. The total area of covered storage space in the port it 985 $m^2$, the total area of open-air storage space is 18,000 $m^{2.}$

Port Lesport received a Certificate of fitness for exploitation No. 1 of 29 May 2006 for handling general and bulk cargo.

In 2003 the port obtained a certificate for meeting the requirements of the European quality standard for port activities, including stevedore operations, warehousing and storage, and other accompanying cargo handling activities.

The port is operated by port operator Lesport AD, entered in the operators register under No 1.8 on page 16.

The port area provides technical facilities and organization for maintenance and repair of port machinery. On the port's territory there is an operating customs entry and a cross-border point allowing for full handling of export and import cargo.

*Operations*

The following port services are provided by Port Lesport on the territory of the port terminal, representing its main scope of activity and at the same time its obligations under the concession contract:

- acceptance, storage, and forwarding of cargo;
- reloading of cargo from ships, wagons and trucks;
- transportation inside the port;
- fixing, unfixing and weighing of cargo;
- Other services related to the handling and servicing of vessels.

In 2006 a contract was signed for the design, engineering, and development of a general scheme in cooperation with the world-famous Dutch consultancy and engineering company Royal Haskoning which has a history of over 130 years in the construction and management of big infrastructure, energy, and industrial projects. The purpose of this partnership it to optimize, consolidate, and broaden the range of port services offered on the north Black Sea coast.

The company guarantees control regarding the prevention of environmental pollution. In the port area there is a Lesport customs entry and a border police office, which provides a more effective and better quality service to the clients.

Since the concession contract entered into force, in order to enhance the terminal's fitness for exploitation, increase the effectiveness of the loading and unloading operations, increase the cargo turnover, and in compliance with the concession contract, the company has made investments amounting to BGN 5 million, including a purchase of rear overloading and port equipment. By the end of 2007 another BGN 1 million investment is planned.

For the period from 30 May to 31 December 2006, 282,000 tons of cargo were handled in Lesport port. In 2006 456,000 tons were handled in total, together with the cargo turnover of the state operator - Lesport EAD, which is a record high in the entire history of the port. According to Royal Haskoning, the port has reached its capacity with over 75 % of the dock front being occupied.

*Buildings and Facilities*

On the port's territory there are buildings and facilities, and the more important of these are shown in the table below:

| | **All-out area** *($m^2$)* |
|---|---|
| 3-storey solid-build administrative building ………………………. | 1 046,83 |
| 3-storey solid structure – a dormitory ……………………………... | 524 |
| Covered warehouse – hall with a metal construction ……………... | 863 |
| Open-air warehouse ……………………………………………….. | 18,000 |
| Petroleum products warehouse ……………………………………. | 76 |
| Petroleum products warehouse ……………………………………. | 32 |
| Petroleum products warehouse ……………………………………. | 24 |
| Warehouse for machines, facilities, and a maintenance workshop (solid structure ) ……………………………………... | 762 |
| 1-storey solid-build factory railway station ……………………….. | 82 |
| Steam station ………………………………………………………. | 558 |
| Autoscales …………………………………………………………. | 22 |
| Kiosk switchgear ………………………………………………….. | 124 |
| Pumping station …………………………………………………… | 55 |

*Source: Chimimport*

The port has 5 cranes for cargo handling. The main units of the movable mechanics are: 4 bucket loaders; 3 fork lifters; 1 mini front loader ; 7 motor trucks.

***Manufacturing Sector***

This sector accounts for 17% of the Group’s net assets. The main subsectors in which Chimimport and its respective subsidiary companies focus their activities are petroleum product extraction, production, and trade, vegetable oil production, and purchasing, processing, and sale of cereal crop.

***Oil Products and Natural Gas***

*Oil and Gas Exploration and Production AD*

*General Overview*

Chimimport holds directly or via related persons 67.80% of the capital of the only company for crude oil and natural gas extraction in Bulgaria – Oil and Gas Exploration and Production AD, Sofia (“**Oil and Gas Exploration and Production**”). The company performs the full range of activities in the research, exploration, drilling, development and exploitation of oil and gas deposits, as well as the processing of crude oil into end products for the market. The capital of Oil and Gas Exploration and Production amounts to BGN 12.2 million.

Since September 2002 the company is public and its shares have been admitted to trading on the official market, segment B, of the Bulgarian Stock Exchange. In the period from August to September 2003 Chimimport acquired 85% of the capital of Oil and Gas Exploration and Production via privatization transactions on the Bulgarian Stock Exchange.

Oil and Gas Exploration and Production, was established in 1991 by an order of the Council of Ministers of the Republic of Bulgaria. The company is legal successor of the main geology exploration, research, and manufacturing enterprises and entities that have laid the foundation of the Bulgarian oil extraction industry with the discovery in 1951 of the Tyulenovo petroleum deposit near the town of Shabla. Oil and Gas Exploration and Production specialists have many years of proven experience and a history of accomplished results in Bulgaria as well as in the implementation of petroleum projects in Libya (Bulgarian petroleum concessions NC-100 Gadames and NC – 101 Morzuk), Syria, Iran, Iraq, Russia, etc.

The main scope of activity of Oil and Gas Exploration and Production includes:

- crude oil and natural gas exploration, research, extraction and sale;
- exploration, research and exploitation of deposits of thermal, mineralized and underground waters for drinking, domestic and industrial needs;
- exploration and research of geothermal energy deposits;
- drilling for exploration, research and exploitation of oil and gas, groundwater and geothermal energy;
- scientific research and engineering at home and abroad;
- specific servicing and foreign trade operations;
- oil and condensate processing;
- geological and geophysical services in exploration and research of ores and minerals at home and abroad;
- design, production and maintenance in the field of geology and geophysics,
- oil and gas pipeline construction and installation of equipment for working under pressure.

Oil and Gas Exploration and Production is a concessionaire in twelve concession contracts for crude oil and/or natural gas extraction and holds five permits for exploration and research of petroleum and gas. In 2006 the company extracts petroleum and natural gas in accordance with the concession contracts signed with the Ministry of Energy and Energy Resources in the following fields: Tyulenovo, Dolni Dubnik, Dolni Lukovit, Dolni Lukovi-West, Staroseltsi, Gorni Dubnik, Burdarski Geran, Selanovtsi, Bulgarevo, Marinov Geran, Butan – South, and Durankulak. The company performs new petroleum and gas deposits exploration, research, and assessment activities in accordance with the order and conditions set out in the Mineral Resources Act.

*Investments and Subsidiary Companies*

In 2004, after it was acquired by Chimimport, Oil and Gas Exploration and Production began the implementation of a massive investment scheme for renovation of the specialized geophysical and drilling equipment, exploitation equipment repairs, improvement of working conditions, introduction of modern information systems for resource planning and management. The main objective of the program is improving the effectiveness and the financial results and adapting the activity to a more dynamic market and business environment on a national and international level. In order to enhance the quality of the offered services, Oil and Gas Exploration and Production was restructured in 2004 and three new companies were created: Geophysical Research EOOD, Bulgarian Drilling Company EOOD, and Bulgarian Petroleum Refinery EOOD, Oil and Gas Exploration and Production being the sole owner of their capital.

Geophysical Research EOOD makes geological engineering, hydro-geological, geotechnical, geophysical, geological and drilling surveys, projects, consultations and valuations by experts, seismic data estimation, design, exploration, research, and assessment of ore and mineral reserves; research and assessment of grounwater, mineral water, and fossil fuel (oil and gas) resources; research, assessment and engineering providing for the mineral and petroleum industry; discharge and underground magazination; laboratory analyses and testing related to ores, minerals, and groundwater; geological and hydrogeological environmental valuation and revaluation of reserves of mineral raw materials, groundwater and fossil fuels, geophysical services for surveys and exploration activities inside and outside of the country, computer processing of geological, geophysical, and cartographical information; assessment and forecasting of environmental processes related to soil and water pollution; assessment of the environmental impact and review of the environmental impact; assessment of previous pollution and assessment of the environmental damage to the relief and landscape, specialized domestic trade and engineering activities in the field of geological and geophysical research providing for the mineral and fossil fuel industries. Geophysical Research Ltd operates with modern seismic data acquisition equipment purchased from the American company Input/Output Ltd. I/O System Four is a new generation seismic data acquisition station, with high efficiency in field operations and capacity for carrying out both 2D and 3D seismic surveys.

Oil and Gas Exploration and Production owns the Bulgarian Oil Company (BOCO) – Libya, which holds the rights for Bulgaria and is an Operator in the Exploration and Production Sharing Agreement (EPSA) signed in 1980 with the National Oil Corporation of Libya. At present the company is negotiating with the Libyan side to establish the possibilities and conditions to continue work in petroleum blocks on Libyan territory that have been researched by BOCO.

Bulgarian Drilling Company EOOD has the following scope of activity: drilling and servicing of wells at home and abroad for exploration, research and exploitation of oil and gas, groundwater and geothermal energy, all kinds of servicing activities and specific servicing operations connected to the main scope of activity. At present the company is researching and negotiating the purchase and implementation of modern drilling equipment for drilling at up to 4 000 m.

Bulgarian Petroleum Refinery EOOD is an established producer of petroleum products obtained through oil and condensate processing, such as solvents for the lacquer and paint industry, diluents, lighting kerosene, lead-free automobile gasoline grades, diesel fuel grades, industrial gasoil, fuel for stationary combustion installations, marine fuel oils, and boiler fuel. The company has its own chemical laboratory which has been accredited as a testing laboratory for the analysis of oil, solvents, fuels, and petroleum products in accordance with the requirements of Bulgarian National Standard EN ISO 9001, ISO 17025.

In July 2004 the Privatization Agency and Oil and Gas Exploration and Production signed a contract for the privatization sale of 100% of the capital of Sofgeoexploration EOOD, Sofia. The company operates in the field of seismic data processing; seismic, geological and geophysical data interpretation; development of geological programs (projects) for exploration drilling; research, valuation and servicing or drilling installations; geological control via a geoservice laboratory including project monitoring; preparations of technical and economic reports; processing of hydrogeological information and projects for exploration of geothermal waters and waters for industrial and domestic needs, and other activities.

Sofgeolint EOOD, a subsidiary company of Oil and Gas Exploration and Production, specializes in the exploration and research of all kinds of metalliferous and non-metalliferous minerals and groundwater; building, equipping, maintenance, and exploitation of test pits and shaft pits; engineering-geological, hydro-geological and geophysical surveys.

Oil and Gas Exploration and Production also owns Petro Gas Antika OOD, which designs oil and gas drillings, oil and gas pipelines, performs drilling of oil and water wells, repair works on oil and gas fields, construction of oil and gas pipelines. The company is one of the main commercial partners of Bulgargas EAD, Sofia.

*Financial Information*

| | As of 31 March | | As of 31 December | | |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2006 | 2005 | 2004 |
| | (BGN in thousands) | | (BGN in thousands) | | |
| Assets ………………………………………….. | 76,506 | 72,665 | 76,328 | 62,991 | 43,312 |
| Tangible non-current assets …………………… | 21,037 | 21,654 | 21,535 | 20,307 | 11,789 |
| Current assets …………………………………. | 54,334 | 42,130 | 53,969 | 48,752 | 19,567 |
| Inventory ……………………………………… | 10,208 | 5,029 | 11,438 | 5,270 | 5,629 |
| Short-term investments ……………………….. | 42,871 | 35,639 | 41,688 | 42,171 | 12,983 |
| Cash …………………………………………… | 1,255 | 1,462 | 843 | 1,311 | 955 |
| Share capital …………………………………… | 12,228 | 873 | 1,228 | 873 | 873 |
| Equity …………………………………………. | 46,297 | 46,085 | 43,419 | 38,101 | 34,604 |
| Current liabilities ……………………………… | 29,450 | 25,324 | 31,786 | 23,793 | 8,774 |
| Sales …………………………………………… | 8,553 | 6,246 | 33,266 | 26,762 | 23,627 |
| Total income ………………………………….. | 8,558 | 6,250 | 34,100 | 28,233 | 24,083 |
| Gross profit …………………………………… | 2,402 | 1,796 | 6,092 | 3,747 | 2,291 |
| EBITDA ………………………………………. | 3,005 | 2,367 | 8,045 | 5,545 | 3,947 |
| Net profit ……………………………………… | 1,925 | 1,519 | 5,342 | 2,891 | 1,748 |

*Source: Chimimport*

*Real Estate*

Major real estate owned by the company:

| Location | Purpose | All-out-area *(m²)* |
|---|---|---|
| 8 Vassil Levski Str., Pleven ………………………… | Administrative building (1) | 425 |
| 123 Iliyantsi Blvd., Sofia …………………………… | Administrative building | 455 |
| 123 Iliyantsi Blvd., Sofia …………………………… | Industrial buildings | 5,464 |
| 2 D. Debelyanov Str., Dolni Dubnik ………………. | Land (1) | 73,000 |
| Dolni Dubnik ………………………………………. | Land (1) | 208,902 |
| Disevitsa Village, Pleven District …………………. | Land (1) | 60,369 |
| 8 Vassil Levski Str., Pleven ………………………… | Land (1) | 727 |
| 123 Iliyantsi Blvd., Sofia …………………………… | Land | 54,000 |
| Rusovo Village, Kyustendil District ………………. | Land | 13,999 |
| Dolni Dubnik ………………………………………. | Land (1) | 42,352 |
| 23 Sitniakovo blvd., Sofia …………………………. | Building | 1,944 |
| 23 Sitniakovo blvd., Sofia ………………………. | Land | 3,696 |

(1) The property in included in a list, enclosed with a special pledge of a trade enterprise contract of Research and Production of Oil and Gas as of June 2004 in favour of Bulgarian Post Bank AD.

*Source: Chimimport*

***Vegetable Oils and Cereals***

Chimimport owns directly or via related persons over 80 % (directly 71 %) of the capital of the former sunflower oil refinery in the town of Provadia - the sole-owner joint-stock company Slanchevi Lachi Bulgaria EAD, as well as of companies trading in cereal crops.

*Slanchevi Lachi Bulgaria EAD*

*General Overview*

The scope of activity of Slanchevi Lachi Bulgaria EAD is purchase and sale of agricultural products, processing of oil-yielding seeds and production of draft and bottled vegetable oil, sale of fertilizers, providing grain storage services to third parties. The company performs services with materials supplied by the client; sunflower grain processing, raw vegetable oil refining. The refined oil production is trademarked and protected by patent for the Slanchevi Lachi trademark registered with the Patent Office of the Republic of Bulgaria. The Slanchevi Lachi trademark, after many years of absence from the commercial network, was launched in January 2005 with a new image (label and bottle).

In 2005-2006 Slanchevi Lachi was certified in compliance with the Standards for Quality Management Systems ISO9001:2000 EN and HHASP. The company carries out its production in the food-oil factory Maslodobiven Zavod in the town of Provadia. The company's commercial activity includes own production sales (raw, refined, and bottled sunflower oils, and sunflower groats) – wholesale and retail – for the domestic market and for export. A distribution network covering the entire country was build for the sale of bottled refined oils, as well as for trading export cereal crops. The distribution channels of the Slanchevi Lachi production are the commercial chains and the regional distributors (Kaufland, CBA supermarkets, Fantastico, Piccadilly, Familia, etc.)

Slanchevi Lachi carries out its production operations in the food-oil factory Maslodobiven Zavod in the town of Provadia. The company owns and operates six grain storage facilities: in the village of Krushari, the village of Kardam, Karapelit, the town of Tervel, the town of Nova Kamena, and the town of Dobrich, with a total capacity of 274,000 tons of grain. As of 31 March 2007 the number of people Slanchevi Lachi employs is 214.

The company's capital amounts to BGN 10 million. At the end of 2006 Slanchevi Lachi obtained the status of a public company and listed its shares on the Bulgarian Stock Exchange. Chimimport expects the trade in the company's shares to become more active after its consolidation with Zarneni Hrani EAD, pushing the manufacturing, storage and trading of cereal crops to a larger scale, and the launch of biodiesel production.

*Market Position*

For 2006 Slanchevi Lachi's market share of bottled cooking oil in the country is about 6%.

| Export of cereal crops | | Purchase of oleaginous seeds | | Sale of bottled cooking oil | |
|---|---|---|---|---|---|
| Zarneni Hrani | 11% | Biser Oliva | 13% | Kaliakra | 17% |
| Biser Oliva | 10% | Cremer Sofia | 12% | Papas | 8% |
| Papas Oil | 10% | **Slanchevi Lachi** | **11%** | **Slanchevi Lachi** | **6%** |
| **Slanchevi Lachi** | **8%** | Kaliakra | 7% | Klas | 5% |
| Korimeks | 8% | Papas Oil | 5% | Biser | 5% |
| Octopus | 7% | Rosa | 4% | Rosa | 4% |
| Cremer Sofia | 7% | Zvezda | 4% | Zvezda | 3% |
| Louis Dreyfus | 7% | Oliva | 4% | Pliska | 2% |
| Vita Grain | 7% | Octopus | 4% | others | 50% |
| Farin | 6% | Kargil | 3% | | |

*Source: Chimimport*

*Investments and Development*

In the last two years the company has invested BGN 7 million for the renovation of the technical equipment, the technology, and the buildings. As a result of the investments the production capacities have been renovated to a large extent. The condition of the company's basic equipment in terms of age is better than the average for the food-oil industry in the country.

Slanchevi Lachi, in cooperation with Chimoil, participats in the construction of a biodiesel production factory in the town of Provadia with a capacity of 100,000 tons of biodiesel per year and storage capacity of 6,000 $m^3$ for storing biodiesel and 2,000 $m^3$ for storing neutral vegetable oil at the total value of EUR 15,000,000. In relation to this an agreementwas signed with Desmet Balestra, Italy, with a deadline for completion by the end of 2007. Desmet Balestra is a leading company in Europe and worldwide for engineering, production, installation, and putting into operation of equipment in the field of the food-oil industry as well as of biodiesel fuel production equipment.

As of 31 March 2007 the funds invested in the installation amount to EUR 9,621,000. By the end of 2007 the investments in the new biodiesel factory will amount to EUR 15,000,000.

The main short-term objectives the company strives to achieve are related to:

- enlarging the team that carries out the purchase of grain in all regions of the country;
- introducing a credit program for farmers related to the provision of packages for growing oleaginous crops (including know-how, seeds, chemicals, fertilizers, fuels, insurance, as well as the creation of a team of agronomists working with the producers). The program will be carried out in cooperation with Central Cooperative Bank and Armeec;
- constructing an optimal logistics model including modernization of the silos, as well as modernization of the automobile fleet (the company has already purchased 40 specialized trucks for grain transportation and cistern trucks from the Mercedes company);
- using the corridor Ruse – Danube – Constanta in cooperation with BRS to transport production and cargo related to the company's activity.

*Main financial Indicators*

During the last few financial years Slanchevi Lachi’s sales have been demonstrating a significant and steady growth. The increase for 2005 is to the amount of 10,680 or 37.16%, while for 2006 it is 20,880 or 42.08%. As of 31 March 2007 sales demonstrate a significant growth compared to the same period of the previous year. The increase amounts to BGN 5,634,000 or 133%.

| | **As of 31 March** | | **As of 31 December** | | |
|---|---|---|---|---|---|
| | **2007** | **2006** | **2006** | **2005** | **2004** |
| | *(BGN in thousands)* | | *(BGN in thousands)* | | |
| Assets ………………………………………… | 32,130 | 24,603 | 24,063 | 15,036 | 15,372 |
| Tangible non-current assets …………………… | 32,021 | 24,488 | 24,488 | 14,857 | 15,314 |
| Current assets ………………………………… | 19,853 | 31,820 | 31,820 | 12,606 | 13,649 |
| Inventory …………………………………… | 10,183 | 9,417 | 9,417 | 10,291 | 7,319 |
| Short-term investments ……………………….. | - | - | - | - | - |
| Cash …………………………………………… | 212 | 974 | 974 | 66 | 176 |
| Share capital …………………………………… | 10,000 | 10,000 | 10,000 | 3,300 | 3,300 |
| Equity ………………………………………… | 16,880 | 16,871 | 16,871 | 7,337 | 10,955 |
| Current liabilities ……………………………… | 19,207 | 31,180 | 31,180 | 18,444 | 17,413 |
| Sales …………………………………………… | 9,862 | 4,228 | 49,619 | 28,739 | 18,059 |
| Total income ………………………………….. | 10,380 | 4,319 | 54,071 | 29,249 | 18,255 |
| Gross profit …………………………………… | 9 | 229 | 2,633 | (2,573) | 192 |
| Net profit ……………………………………… | 9 | 229 | 2,474 | (2,579) | 106 |

*Source: Chimimport*

*Real Estate*

Major real estate owned by the company:

| Location | Purpose | All-out area *(m²)* |
|---|---|---|
| 1 Dobrina Str., Provadia ……………………………. | Administrative building | 1,786 |
| Tervel ………………………………………………. | Grain storage facility | 13,767 |
| Kardam …………………………………………….. | Grain storage facility | 16,369 |
| Krushari Village ……………………………………. | Grain storage facility | 11,575 |
| Nova Kamena Village ……………………………… | Grain storage facility | 4,492 |
| Dobrich …………………………………………….. | Grain storage facility | 21,286 |
| Karapelit …………………………………………… | Grain storage facility | 17,529 |
| 1 Dobrina Str., Provadia ……………………………. | Industrial buildings | 19,879 |
| Marshal Tolbuhin Str., G. Toshevo ………………... | Bank building | 336 |
| 1 Bulgaria Str., Dobrich ............................................ | Bank building | 6,214 |
| 2 Dobrudzha Str., Shabla …………………………… | Bank building | 614 |
| Petar Boyadzhiev Str., Silistra ……………………… | Bank building | 180 |
| 29 Tsar Osvoboditel Str., Provadia ………………… | Bank building | 72 |

*Source: Chimimport*

***Other activities***

*Chimsnab AD*

Chimimport owns (93%) of the capital of Chimsnab AD ("**Chimsnab**"). The company is located in an economically attractive region of Sofia, has its own railway track and available resources for loading, unloading, and other cargo and goods servicing operations. Chimsnab has its own terminal for liquid chemicals processing, equipment for water dispersion paint production, as well as a production line for liquid chemical products (antifreeze, windscreen wipers liquid, etc.) A repair-station (Transintercar –ISO-9001 certified), a petrol station, a pasta production factory, and other smaller production and packaging facilities also operate on Chimsnab's territory. The company's real estate is about 68 decares in Iliyantsi district, 22 decares of which are covered warehouse area – about 30 solid structures, mostly leased to over 50 tenant companies. Chimsnab holds the necessary permits and licenses for warehousing and production activities. The company's immediate plans include the construction in 2008 of a base for storing gasoline, methane, and gas which, is in its design stage.

*Varna Sports Centre AD*

Varna Sports Centre AD ("**Varna Sports Centre**") was established in May 2005. The company's capital is BGN 34.6 million and its shareholders are Chimimport, Issuer 65% of the capital, and Varna Municipality.

When it was established, Varna Sports Centre received from Varna Municipality various of real estates via an in-kind contribution including:

- Varna Stadium comprising land with an area of 69,300 m$^2$ and the buildings on it;
- Terrains with at total area of 54,000 m$^2$;
- Attached parking lot for public use with an area of 18,405 m$^2$;
- Indoor swimming pool – a building with a built-up area of 3,900 m$^2$ consisting of four levels;
- A sports facility with a built-up area of 1,467 m$^2$ and land with an area of 4,000 m$^2$.

In 2005, via a tender organized by Bulgarian Marine Fleet AD, Varna Sports Centre purchased the Korabostroitel sports centre comprising a regulated landed estate with an area of 51,400 m$^2$, a football field with an area of 24,300 m$^2$, as well as facilities, equipment, installations, and infrastructure attached to the estate.

The investment scheme of Varna Sports Centre includes the construction of modern sports and entertainment facilities on the territory of the city of Varna. The company is planning to reconstruct and modernize the existing sports facilities, to build new additional sports and hotel buildings and to engage in modern sports activities.

Varna Sports Centre AD is also at an advanced stage in the construction of a completely new football stadium in compliance with the FIFA standards, a spa centre, racing tracks for 60 and 100 m. races, tennis courts, recreation centres, a swimming pool and other sports facilities. The tender for the building of the sports centre was won by the world-famous design company GMP International GmbH. The appearance of the new sports centre will be similar to that of a similar centre in Köln, Germany, and it will be in perfect harmony with the sea capital area. The centre is expected to be completed in 2009.

*Energoproekt AD*

Energoproekt AD ("**Energoproekt**") is a company with more than fifty years of history. All energy projects in the country, from the smallest water or heating plant to the big water power plants, thermal power plants, Kozloduy Atomic Power Plant, and the power supply network were designed by Energoproekt. The company participated and is actively participating in the implementation of projects for the modernization and rehabilitation of energy facilities in order to bring them into line with modern-day efficiency, reliability, and environmental protection indicators. After the privatization of Energoproekt in January 2001, the company still remains a leader in energy design projects.

Energoproekt becomes a possession of Chimimport in June 2006. Within the structure of the Issuer Energoproekt is a main consultant and designer in the planning and implementation of the Group's projects related primarily to the use of renewable energy sources like biogas, biodiesel, wind, and geothermal sources.

Energoproekt continues to invest in the renovation of its technical equipment, software products and buildings and most of all in the qualification of its staff. The company is a partner of the major western companies in the energy sector. It maintains close relations with the university circles through a joint participation in the development of applied and scientific topics, including ones under international programs. Among the clients of the company are the major electricity and central heating enterprises in the country, power supply companies, municipalities, small and medium-sized companies, investment associations, etc.

*Real Estate*

The company owns the following major real estate:

| **Location** | **Purpose** | **All-out area** *($m^2$)* |
|---|---|---|
| James Boucher Blvd., Sofia ………………….... | Administrative building | 13,865 |
| G. M. Dimitrov Blvd., Sofia ………………….. | Administrative building | 1,820 |
| G. M. Dimitrov Blvd., Sofia ………………….. | Land | 10,750 |
| James Boucher Blvd., Sofia ………………….. | Land | 6,725 |
| James Boucher Blvd., Sofia ………………….. | Land | 6,920 |
| James Boucher Blvd., Sofia ………………….. | Land | 1,160 |
| G. M. Dimitrov Blvd., Sofia ………………….. | Land | 540 |
| Industrial zone, Shumen ……………………… | Land | 6,173 |

*Source: Chimimport*

**Court Proceedings**

The companies from the Group are party to various court proceedings, which result from the performance of their day-to-day operations. The Management Board of Chimimport believes, that the Issuer and the companies from the Group are not and have not been party to court or arbitration proceedings, that may have or have had, over the past 12 months prior to the date of this document, material influence on Chimimport's financial standing.

Of the pending court proceedings of the Group, the one of the highest value is the legal dispute between Bulgarian River Shipping and RKRK Navrom, Galati, Romania. In 2000 Bulgaria River Shipping was sentenced by the District Court of Galati, Romania, to pay Navrom compensation for property damages caused by the sinking of Romanian passenger ship *Mogosoaia* as a result of a collision with the Bulgarian ship *Petar Karaminchev*, amounting to USD 1,164,000 (total of principal plus interest). Claiming that its obligation is extinguished by negative prescription, in 2003 Bulgarian River Shipping files a claim before the District Court of Galati, which rules in favour of the Bulgarian party. This decision of the District Court is appealed in 2006 by Navrom before the specialized panel for maritime and river-shipping cases of the Appelate Court of Galatia. The ruling of the Appelate Court is again in favour of Bulgarian River Shipping, i.e. the court acknowledges that the aforementioned receivable of the Romanian company is extinguished by negative prescription. Navrom refers to the Supreme Court of Cassation of Romania, Bucharest, which rules that the two lower instances have resolved the dispute incorrectly and overturns their decisions. The Supreme Court of Cassation of Romania decides that Sofia City Court, before which a court case for recognizing the sentence of the District Court of Galatia was initiated in 2004, should deliver a decision on the claims for negative prescription. A hearing of the Sofia City Court on the case is scheduled for 13 February 2008.

In 2007 a commercial claim was filed against Central Cooperative Bank at the amount of EUR 424,944 and USD 97,177. Under a separate court proceeding, filed in 2007, CCB is a claimant for the amount of BGN 1,293,727. The court hearings for both cases are scheduled for October 2007.

The Issuer cannot predict the outcome of the pending legal proceedings for more significant amounts in which the Group is involved but it does not expect that the outcome, even if it is unfavourable in some cases, will have significant impact on its financial standing or that of the Group. In addition, Chimimport is not aware of any future court proceedings about to be initiated that may have material influence on its financial standing or that of the Group.

**Transactions between Related Parties**

In accordance with International Accounting Standard 24 Related Party Disclosures, transactions between related parties exist where one party to the transaction controls the other party to the transaction or may exercise significant influence over the other party in taking financial and operating decisions.

In the course of performing their operations Chimimport and the companies from the Group have executed and continue to execute transactions between each other, and sometimes party to such transactions is the the Major Shareholder Chimimport Invest. The most significant upcoming transaction with related parties is the purchase of Chimimport from the Major Shareholder of pension insurance company Lukoil Garant.

Chimimport believes that the transactions with related parties form the Group are executed at market conditions. Regarding details about transactions with related parties see Note 36 to the individual financial statement of Chimimport for 2006 and Note 41 to the consolidated financial statement of Chimimport for 2006, as well as teh respective notes to the financial statements of the Issuer for 2005 and 2006.

**Intellectual Property**

Under the Bulgarian legislation a trademark is protected for a term of ten years following its registration at the Patent Office. As of the date of this document the following entities have trademarks registered at the Patent Office: Chimimport (protection until 2013), CCB (protection until 2012), POK Saglasie (protection until 2015), Hemus Air (protection until 2010), Bulgaria Air (protection until 2011), and Slanchevi Lachi (protection until 2016). The Group plans to register at the Patent Office new trademarks, as well as renew the registration of the aforementioned trademarks upon expiration of their protection.

**Information Technologies**

The Group owns an integrated resource planning software system DMERP, developed by Datamax AD. The system allows for resource planning, unification of all business units and their functions in a unified information environment, and at the same time assists in expedient tracking and control of business processes, unification of the documentation and technology of identical activities taking place in different enterprises within the Chimimport Group. DMERP is built on a modular principle, and the main groups of modules are Logistics, Sales, Finances and Accounting, Human Resources, Manufacturing, Planning and Analysis and Control. Each group of modules encompasses the business areas specific to each company. The unified approach facilitates ensuring operative comparability of the financial results of the individual enterprises. The system uses modern information technologies to model as business processes the best manufacturing and organizational practices within the Group. The implementation of DMERP in the Group started with Hemus Air and Oil and Gas Exploration and Production and its subsidiaries and is to be completed in early 2008.

Central Cooperative Bank owns an integrated information system built upon the Oracle database and on a modular principle, which encompasses all the operations of the Bank. A main principle of the integrated information system is that any client may be serviced from any work desk regardless of where their accounts are kept (“Convenience for the customer”), and the bank may define a large number of deposit and loan products to offer to its customers without requiring a change in the system. The security of the bank is a second basic principle, and this is guaranteed by the independent additional entering of the main required data of the financial transactions by a second staff member, as well as by the operations monitoring reports developed in the system. The system is multilingual and allows different users to work in different languages.

**Employees**

As of 30 June 2007 Chimimport has 49 staff on the payroll.

The number of Chimimport staff has been gradually on the rise over the last three years.

| | **As of 30 June** | **As of 31 December** | | |
|---|---|---|---|---|
| Changes in the number of Chimimport staff | **2007** | **2006** | **2005** | **2004** |
| New employees | 18 | 2 | 5 | 7 |
| Leaving employees | 2 | 6 | 4 | 12 |

*Source: Chimimport*

| | **As of 31 December** | | |
|---|---|---|---|
| Changes in the number of staff in the Group | **2006** | **2005** | **2004** |
| New employees | 1 257 | 463 | 362 |
| Leaving employees | 198 | 685 | 141 |

*Source: Chimimport*

The following table summarizes the number of staff and staff-related expenses of Chimimport and the Group for 2004, 2005, and 2006, as well as for the first six months of 2006 and 2007 for Chimimport.

| | As of 30 June | | As of 31 December | | |
|---|---|---|---|---|---|
| Year | 2007 | 2006 | 2006 | 2005 | 2004 |
| Number of staff | 49 | 34 | 33 | 38 | 37 |
| Staff-related expenses (BGN in thousands) | 311 | 132 | 758 | 260 | 252 |

*Source: Chimimport*

| Year | As of 31 December 2006 | 2005 | 2004 |
|---|---|---|---|
| Number of staff * | 3 745 | 2 686 | 2 908 |
| Staff-related expenses (BGN in thousands) | 38 764 | 26 472 | 21 576 |

* As of the date of preparation of the Prospectus the number of staff in the group exceeds 4400.

*Source: Chimimport*

To the extent of Chimimport's knowledge, some of its staff, as well as staff of companies from the Group, are members of trade unions. No staff members of the Group have been on a strike against their employers Under the Bulgarian legislation the Group must pay a specified amount for social insurance and additional pension insurance. The amounts of these contributions have been determined and are fully paid upon payment of the monthly salaries.

**Insurance**

Insurance and Reinsurance Joint Stock Company Armeec is the prime insurer of the Group. Approximately 4% or Armeec's income from premiums comes from insurance policies of related companies within the Group.

The Group's property insurance policies cover damages to buildings, equipment, vehicles, and other assets as a result of the usual risks, including fire, explosion, earthquake and natural disasters. The insurance policies of planes and vessels, as well as the obligations related to these activities, meet the high international requirements and are traded on first-class reinsurance markets. The Group concludes insurance policies for freights (cargo), construction all risk and erection all risk (CAR/EAR)  and various financial risks. The companies in the Group provide protection to their staff and employees through personal insurance (life, accident and disease).

Over the last three years the group has not had claims of significant value under its insurance policies. The Group believes that the current level of insurance covers adequately the present requirements.

**Environmental Issues**

The Group's business includes a large number of operations that are regulated by the Bulgarian legislation in the area of environmental protection or health and safety, which also covers liability in relation to environmental damages caused during past periods, storage and transportation of oil products, pollution of soil and groundwater, waste management, water supply, management of industrial effluents, atmospheric emissions, use and depositing of dangerous materials and requirements to the planning and use of land, including issues related to the development of new retail stations with a green zone and the citizens living in the vicinity.

The environmental aspects of the Group's operations are regulated by the Environmental Protection Act of 2002, the Protection from Harmful Effects of Chemical Substances Act of 2006, the Waters Act of 1999, the Waste Management Act of 2003, the Purity of Atmospheric Air Act of 1996, the Ores and Minerals Act of 1999, the Biological Diversity Act of 2002, as well as many acts of secondary legislation pertaining to their implementation. The environmental legislation of the Republic of Bulgaria is as a whole harmonized in conformity with the standards of the European Union. Any case of failure to comply with these acts may be ground for seeking civil and/or administrative liability.

The Group meets all important requirements in relation to environmental protection that currently apply to its operations, and it believes that with the additional investments planned it will be able to continue to meet all requirements it is aware of that are about to enter into force. The Group plans to continue taking measures to protect the environment and prevent pollution in advance of the introduction of legislative requirements.

### *Environmental Aspects of the Operations of Oil and Gas Exploration and Production*

The company performs activities related to oil and gas exploration and research in Block 1-1 Pleven, Block 1-2 Novachene and Block Shabla. These activities have started and are conducted on the base of comprehensive and yearly projects, which have been obligatorily coordinated with the Ministry of Environment and Water, following a positive opinion prepared by the respective regional environmental protection inspector's office.

The company produces crude oil and natural gas form 12 (twelve) oil fields, on the grounds of decision of the Council of Ministers of the Republic of Bulgaria for providing a concession for production of crude oil and natural gas and concluded concession contracts. Comprehensive plans for the development of the oil fields have been developed, which present the ideas for development of the oil operations in the respective fields during the term of the concessions and determine the necessary investments, the anticipated total expenses and income from the operations, and provide an economic analysis for estimation of the efficiency by individual concessions. The oil operations for production of crude oil and natural gas and the safety measures, hygienic, working and environmental conditions have been reviewed on this basis. The plans are coordinated with the Ministry of Environment and Water.

After the completion of the operations related to the construction of the exploration rigs, the rented terrains are re-cultivated and restored to their original form, in accordance with the requirements of the applicable legislation. The final departure from the concession areas is subject to schematic departure projects, which the company develops in accordance with the good international practice of the oil industry and the existing environmental legislation, standards and requirements. Upon the final departure form the concession areas the equipment is removed from the location to which it has been attached, after which the damaged terrains are re-cultivated in accordance with coordinated and approved final detail projects for departure and re-cultivation.

In connection with discontinuing the pollution of the Black Sea, groundwater and soil as a result of oil operations performed in the concession area of the Tyulenovo field, the measures laid out in the company's program for decreasing the pollution of the industrial effluents released and adjusting the operations of the Tyulenovo filed are being carried out.

There have not been any cases of significant pollution during the performance the operations of Oil and Gas Exploration and Production. There are no disputes, complaints, or any legal action against the Company related to environmental issues.

## Recent Events

### *Joint Venture with Lufthansa*

Bulgarian Aviation Group is in the final stage of negotiations to enter into a joint venture agreement with Lufthansa Technik AG, which will operate in the form of a limited liability company with a scope of activities support, renovation and painting of aircraft. Under the agreements, the company's registered capital will be EUR 5 million. The share of Bulgarian Aviation Group will be 20%. Investments of EUR 20 million are planned outside the registered capital, of which EUR 7 million will be in technologies and dock equipment. The company will employ over 360 qualified professionals, under the technological supervision and the trademark of Lufthansa Technik.

The joint venture is planned to service Boeing 737 planes as well as the Airbus A 320 family, and the enterprise will have the resources and capacity to service the last generation of airplanes. About 22 renovations per year are expected to be carried out under full capacity. Linear and basic servicing of Airbus A330 and A340 planes is planned to be carried out in a longer-term perspective. The joint venture will also service the fleet of Bulgaria Air and Hemus Air, which is expected to guarantee a standard in the quality of the technical services performed and will additionally improve the safety in both air companies' operations.

The joint operations will be carried out at the Sofia Airport in Hanger No. 3, which is owned by Hemus Air, a subsidiary of Bulgarian Aviation Group. The hangar will be renovated and re-equipped in accordance with Lufthansa's standards, and will be certified under EASA. The joint venture contract is expected to be signed on August 16 2007.

***Miscellaneous***

In March 2007 the Majority Shareholder Chimimport Invest acquired 84.60% of the capital of pension insurance company Lukoil Garant-Bulgaria AD, in view of transferring by the end of the current year of this stakeIssuer to Chimimport's subsidiary CCB Group Asset Management. Part of the financial resource raised by the Capital Increase will be used to pay for this acquisition; more specifically, the expectations are at least BGN 22 million to be paid for the aquisition.

A project concerning the consolidations of the Group's grain operations is in the early stages of negotiations. Under the plan Chimimport's subsidiaries Slanchevi Lachi and Chimimport Agrohimicali EOOD will merge with six other companies, controlled by parties outside the Group: Zarneni Hrani Bulgaria EAD; Zarneni Hrani Balchik EAD; Zarneni Hrani Valchi Dol EAD, Prima Agrochim EOOD, Beck International EAD and Zora AD. In the event of timely successful completion of the negotiations Chimimport expects the merger to be completed in late 2007, upon which Chimimport will probably acquire control over the newly-created company. Part of the financial resource raised by the Increase of Capital will be used to pay for the acquisitions of Chimimport in connection with this consolidation.

In the middle of June 2007 after a publicly announced competition by the Samokov municipality, Chimimport acquired the right to construction on 19,999 square meters of municipality-owned real estate, in the resort of Borovets and planned for building a public facility (a hotel complex) with a built-up area of 5,000 square meters and all-out built-up area of 25,000 square meters.

In accordance with a resolution of the General Meeting of Shareholders of Central Cooperative Bank of June 29, 2007, the capital of the bank is to be increased by BGN 72,761,000. The issuer plans to use part of the resource raised by the Increase of Capital to subscribe to shares from the upcoming increase of capital of Central Cooperative Bank.

By the end of the third quarter of 2007, Health Insurance Company CCB EAD and Single-Shareholder Joint Stock Insurance Company CCB Zhivot EAD are planned to be established.

The preliminary design for the construction of the Varna Sports Complex is expected to be prepared by the end of August 2007, and the final design – by the end of November 2007.

## DIRECTORS AND SENIOR MANAGEMENT

Chimimport has a two-tier management system, consisting of a Supervisory Board and a Management Board.

**Supervisory Board**

The current members of the Supervisory Board are:

| Name | Position | Date of appointment at the Board | Data of expiration of term of office |
|---|---|---|---|
| Nikola Damyanov ……………………………. | Chairperson | November 2002 | November 2007 |
| Chimimport Invest AD ……………………… | Member | April 2005 | April 2010 |
| CCB Group Assets Management EAD ……… | Member | April 2005 | April 2010 |
| Zhivko Zhekov ……………………………… | Member | April 2005 | April 2012 |

The members of the Supervisory Board can be contacted via Chimimport's headquarters at 2 Stefan Karadzha Str., Sofia, Bulgaria.

**Managment Board**

The current members of the Management Board are:

| Name | Position | Date of appointment at the Board | Data of expiration of term of office |
|---|---|---|---|
| Tsvetan Botev …….. | Chairperson of the Management Board | November 2002 | November 2007 |
| Alexandar Kerezov .. | Deputy Chairperson of the Management Board | November 2002 | November 2007 |
| Ivo Kamenov ……... | Executive Director | February 2006. | February 2011 |
| Marin Mitev ……… | Executive Director | February 2005 | February 2010 |
| Nikola Mishev ….... | Member of the Management Board | February 2005 | February 2010 |
| Mirolyub Ivanov ….. | Member of the Management Board | April 2007 | April 2012 |

The members of the Management Board can be contacted via Chimimport's headquarters at 2 Stefan Karadzha Str., Sofia, Bulgaria.

***Members of the Supervisory Board***

Following is information about the members of the Supervisory Board, see also "*General Information – Members of the Supervisory and Management Board of Chimimport*".

***Nikola Damyanov – Chairperson of the Supervisory Board***

Mr. Nikola Damyanov (67 years old, Bulgarian) has been Chairperson of the Supervisory Board of Chimimport since 2002. His career starts as deputy chief director and director of Chimimport (1965-1967). From 1977 to 1984 he is head of the Commerce department of the Ministry of Chemistry. He was Management director of Darak (1984-1988) and representative of Chrotost Richardson, UK (1988-1991). In 1991 is elected president of Fertitron Inc., Bulgaria and is at this position until 2005.

Mr. Damyanov has a degree in Chemistry at the Sofia Unversity *St. Kliment Ochridski*, and in International Commerce at the Economics Institute, Sofia.

***Chimimport Invest – Member of the Supervisory Board***

Since 2005 the Majority Shareholder in the Issuer has also been member of its Supervisory Board. Chimimport Invest is also member of the Supervisory Board of CCB Group Assets Management, for more information see *Main Shareholders – Majority Shareholder,*.

***CCB Group Assets Management – Member of the Supervisory Board***

CCB Group Assets Management, Sofia, has been member of Chimimport's Supervisory Board since 2005. The company is entered into the Company Register of Sofia City Court under company case № 9861 of 1998, with a registered office and business address № 2 Stefan Karadzha Str., Sredets Region, Sofia. Its scope of activity is providing cervices in the areas of corporate finances and management, consulting in the area of enterprise and project management, development and implementation of projects for the reorganization and restructuring of companies, financial and legal analysis of companies, management of financial interests.

***Zhivko Zhekov***

Mr. Zhivko Zhekov (42 years old, Bulgarian) is an independent member of the Supervisory Board of Chimimport. He starts his career in 1989 as a financial inspector with the Transport and Communications department at the Ministry of Finance. As of 1991 he is chief tax inspector at the Varna Regional Tax Office. At the end of the same year he takes up the position of chief accountant at Unifreight OOD, Varna. As of 1993 he is financial director of Unifreight Issuer, Varna. From 1998 to 2006 Mr. Zhekov is manager and partner at Megacommerce OOD. As of 2006 he is director of *Marketing and Research* at Rentapark EOOD.

Mr. Zhekov has a degree in Accounting at the Economics University, Varna.

***Members of the Management Board***

Following are the biographies of the members of the Management Board, see also *General Information – Members of the Supervisory and Management Board of Chimimport.*

***Tsvetan Botev – Chairperson of the Management Board***

Mr. Tsvetan Botev (72 years old, Bulgarian) has been chairperson of the Management Board since 2000. His professional experience starts in DKK Republica, Svishtov (1958-1960). As of 1960 he takes the position of *inspector* at the District People's Council, Pernik, and as of 1963 is appointed director and chairperson of GPK Narcoop, Pernik. He was chief accountant of the following companies: DPS Balgarska Gaba, Sofia (1964-1967), CKS SP Gabarstvo, Sofia (1967-1969), CKS SP Bilcoop, Sofia (1969-1977). As of 1977 he is appointed chief accountant of VTO Chimimport. In 1991 Mr. Botev takes the position of deputy general director for currency and financial issues of Chimimport, and in the same year he is appointed member of the Board of Directors. From 1998 to 2000 he is Executive Director of Chimimport, in charge of its overall currency and financial operations. He has taken part in the management of the following companies: Chimco AD, Vratsa, Neftochim AD, Burgas, Plastchim, Botevgrad, Zavod za Kuhennska Mebel, Cherven Bryag as Chairperson of the Board of Directors (1990-1995), he was member of the Board of Directors of Commercial Bank Biochim AD (1991-1992).

Mr. Botev has a degree in Accounting at the Economics University, Svishtov, and has a qualification of "economist-accountant".

***Alexandar Kerezov – Deputy Chairperson of the Management Board***

Mr. Alexandar Kerezov (48 years old, Bulgarian) has been member of the Management Board since 2001. He starts his career in foreign trade company Chimimport as an expert and chief expert for *Re-Export and Specific Foreign Trade Operations* (1983-1990). In 1990 he is appointed deputy chief accountant at Chimimport, and in 2000 – deputy chief director for company auditing and finances at the Issuer. As of 2000 Mr. Kerezov is Manager of accounting company Chimimport Consult OOD.

Alexandar Kerezov has a Master’s degree in Accounting and Auditing at the University of National and World Economics. He has specialized in accounting for foreign trade organizations.

***Ivo Kamenov – Executive Director***

Mr. Ivo Kamenov (37 years old, Bulgarian) has been Executive Director of Chimimport since February 2006. Prior to that he was procurator of the Issuer. From 1993 to 1996 Mr. Kamenov is a consultant at TIM EOOD. During the same period he is an expert in financial analyses and restructuring of problematic loans at Commercial Bank - Varna Branch and First Private Bank - Varna Branch. As of 1996 he is owner and manager of TIM Consult EOOD. As of 2000 he is procurator at Mustang Issuer AD, Soifa.

Besides of the Issuer, Mr. Kamenov is also executive director of Chimimport Invest and participates in the management bodies of companies from the Group, including CCB Group Assets Management and Oil and Gas Extraction and Production.

Mr. Kamenov holds a degree in Law at the South-West Univiersity - Blagoevgrad. From 1985 to 1992 Mr. Kamenov was an athlete in the national team of the Bulgarian Kyokushin Karate Federation.

***Marin Mitev – Executive Director***

Mr. Marin Mitev (49 years old, Bulgarian) has been Executive Director of Chimimport since 2005. Besides his position at the Issuer, Mr. Mitev is also member of the Board of Directors of Chimimport Invest and participates in the management and supervisory bodies of many strategic companies from the Group, including CCB Group Assets Management, Central Cooperative Bank, Varna Sports Complex AD, Slanchevi Lachi, Oil and Gas Exploration and Production.

Mr. Mitev has graduated the Naval Academy of Varna.

***Nikola Mishev - member of the Management Board***

Mr. Nikola Mishev (59 years old, Bulgarian) has been member of the Management Board of Chimimport since 1997. He starts his career at foreign trade company Chimimport in 1973 and takes consecutively the positions of chief expert in import and export, merchant, chief expert and head of department. In 1981 assumes the position of director of Hellas OOD, a company in the Republic of Greece. From 1986 to 1997 he is deputy general director of Chimimport. He was member of the Board of Directors of CCB Group Assets Management (2002-2005) and Chimsnab AD (1994-2004).

Mr. Mishev has a degree in Economics of Foreign Trading at the University of Economics, Sofia.

***Mirolyub Ivanov - member of the Management Board***

Mr. Mirolyub Ivanov (43 years old, Bulgarian) has been member of the Management Board of Chimimport since 2007. He starts his career in Chimimport in 1989 and works as an accountant and economist for financial issues, including economist for currency issues (1998-1999) and deputy chief accountant (1999-2001) of the Issuer. Mr. Ivanov was Executive Director of Balkan Hemus Group (2003-2007), manager of Bulgarian Shipping Company EOOD (2005-2007) and Chimimport Bimas (2006), as well as member of the Board of Directors of Pension Insurance Company Saglasie AD (2005-2006).

Mr. Ivanov has a degree in Accounting and Auditing of Foreign Commerce Companies at the Higher Institute of Economics *Karl Marx*, Sofia.

***Meetings of the Supervisory and Management Board***

The Company Act of 1991 requires the Supervisory Board and the Management board to hold meetings no less than once every three months. In accordance with the corporate governance program (see below) the Management Board holds a meeting no less than once every two months.

The last meetings of the Supervisory Board and the Management Board were held on 20 August 2007.

## Corporate Governance

In accordance with the requirements of the Public Offering of Securities Act, the Management Board of Chimimport has adopted a program for implementing the internationally recognized standards for good corporate governance (the "**Program**"), based on the principles of the Organisation for Economic Co-operation and Development (OECD) and the Good Corporate Governance Code of the Bulgarian Stock Exchange.

The goal of the Program is the provide protection of shareholder rights and their equality, including that of minority shareholders. Secondly, the Program aims to guarantee the rights of other interested parties, including staff, suppliers, customers, banks, creditors and state authorities, and facilitate the successful cooperation between Chimimport and these interested parties. Thirdly, the Programs aims to guarantee the full disclosure of accurate information regarding the operations of the Issuer, in compliance with the Public Offering of Securities Act and the legislation pertaining to its implementation.

The Program contains rules regarding the relations between the Management and Supervisory Board of the Issuer, in view of achieving the goals laid out above. Under the Program the Supervisory Board shall adopt instructions regarding the maximum number of companies in which the members of the Management and Supervisory Board of Chimimport may participate as members of management and supervisory bodies, in view of effectively fulfilling their obligations towards Chimimport. The members of the Management and Supervisory Board may not, in or in relation with the fulfilment of their management or supervisory functions at the Issuer, require and receive financial stimuli or other privileges for themselves or for any other third party, nor provide unlawful benefits.

The Program provides for additional criteria (besides those provided for by law) regarding the selection of members of the Management Boar by the Supervisory Board, such as creative thinking, organizational skills and managerial experience, appropriate university degree and knowledge in the areas of management and/or business administration. The preliminary evaluation of the applications for members of the Management Board is carried out by a Nominations Committee, which is set up by the Chairperson of the Supervisory Board and includes the independent member(s) of the Supervisory Board.

Information regarding the Program, its application and implementation on behalf of Chimimport and the management, is included in the annual Management's Discussion and Analysis report of the Issuer and is published together with the annual report, in accordance with the requirements of the law.

## PRINCIPAL SHAREHOLDERS

The table below lists the persons Issuer, directly or indirectly, 0.25% or more of the Issuer's capital as of the date of this document, in accordance with the information available to Chimimport.

| | Before the Increase of Capital | | | |
|---|---|---|---|---|
| | **In accordance with the register of the Central Depository** | | **Without taking into account repurchase agreements** | |
| | ***Shares (in thousands)*** | ***% of the capital*** | ***Shares (in thousands)*** | ***% of the capital*** |
| Chimimport Invest, Bulgaria (direct and indirect interest) ..... | 77,528 | 59.6 | 99,777 | 76.7 |
| UniCredit Bulbank Bulgaria – repurchase agreement (1) ….. | 16,000 | 12.3 | - | - |
| Julius Baer Funds, USA …………………………………….. | 9,106 | 7.2 | 9,106 | 7.2 |
| Bulgarian Post Bank, Bulgaria – repurchase agreement (2) ... | 6,249 | 4.8 | - | - |
| Raiffeisen Zentralbank Österreich, Austria ………………… | 838 | 0.64 | 838 | 0.64 |
| Consolid Commerce, Bulgaria ……………………………… | 704 | 0.54 | 704 | 0.54 |
| Skandinaviska Enskilda Banken, Switzerland ……………… | 700 | 0.53 | 700 | 0.53 |
| Danske Investment Funds, Luxemburg …………………….. | 609 | 0.46 | 609 | 0.46 |
| DSK Mutual Funds, Bulgaria ………………………………. | 421 | 0.32 | 421 | 0.32 |
| ABN Amro Bank London, UK …………………………….. | 420 | 0.32 | 420 | 0.32 |
| Julius Baer Multistock Black Sea Fund, Luxemburg ………. | 394 | 0.30 | 394 | 0.30 |
| MEI Funds for Bulgaria and Romania, the Netherlands …… | 359 | 0.28 | 359 | 0.28 |
| Investbank, Bulgaria ……………………………………….... | 357 | 0.27 | 357 | 0.27 |
| Other shareholders (3) ……………………………………… | 16,315 | 12.55 | 16,315 | 12.55 |
| Total ………………………………………………………… | 130,000 | 100.0 | 130,000 | 100.0 |

(1) UniCredit UniCredit Bulbank is a buyer under a repurchase agreement with Chimimport Invest, executed on 12 June 2007 for a term of 6 months. The exercising of voting rights for the 16 million shares transferred is subject to an additional agreement. Outside the repurchase agreement UniCredit Bulgank hold a further 3,400 shares (they are included in the line Other shareholders in the table).

(2) BPB is a buyer under a repurchase agreement with Chimimport Invest, executed on 26 June 2007 for a term of 6 months. The exercising of voting rights for the 8.71 million shares transferred is subject to an additional agreement.

(3) Including those with a stake above 0.1% of the capital of Chimimport: Bank of New York (customers), Belgium; Bank Austria Creditanstalt, Austria; Erste Bank, Austria; EFG Eurobank, Greece (customers); Banka Koper, Slovenia; Raiffeisen Mutual Funds, Bulgaria; DSK Rodina Pension Funds, Bulgaria, US health, education and insurance funds, etc.

*Source: Chimimport*

The Lead Manager UniCredit Bulbank will offer the New Shares on international and local institutional and professional investors and will act as an intermediary, upon initiative by the investors, with regard to the purchase of Rights on the BSE and the subscription to the New Shares, see "*Subscription and Sale - Subscription to the New Shares - General*". Upon interest to acquire the New Shares by renowned outside investors (outside the Group) and if satisfied of the price offered for the Rights, Chimimport Invest intends to sell some of its Rights, in view of allowing such outside investors to subscribe to New Shares. In case Chimimport Invest sells all its Rights and all New Shares are subscribed to and issued, the stake of the Majority Shareholder in the Issuer's capital will decrease to no more than the percentage figures listed in the table below:

| | After the Increase of Capital | | | |
|---|---|---|---|---|
| | In accordance with the register of the Central Depository | | Without taking into account repurchase agreements | |
| | *Shares (in thousands)* | *% of the capital* | *Shares (in thousands)* | *% of the capital* |
| Chimimport Invest, Bulgaria ............................................... | 77,528 | 51.7 | 99,777 | 66.52 |
| Total ……………………………………………………… | 150,000 | 100.0 | 150,000 | 100.0 |

*Source: Chimimport*

***Major Shareholder***

The Major Shareholder in the Issuer is Chimimport Invest AD ("**Chimimport Invest**"), entered into the company register of Sofia City Court under company case № 7152/1994. with batch № 17884, volume 223, page 36 under company case № 7152, with registered office and business address: 2 Stefan Karadzha Str, Sredets Region, Sofia, and with capital of BGN 60 million. The main shareholder in Chimimport Invest is Chim Invest Institute – Lichtenstein, holder of 98.25% of the voting shares of Chimimport Invest. Chimimport Invest's scope of activities is acquisition, management and sale of interests in Bulgarian and foreign companies, acquisition, management and sale of bonds, financing of companies in which the company is a shareholder, manufacturing and purcase of raw and processed goods or other items with the aim of selling them, as well as commission and warehousing activities and commercial representation and agency.

***Exercising Control over Chimimport***

As of the date of this document Chimimport Invest holds the majority of votes in the General Meeting of the Issuer and has the possibility to exercise effective control at the General Meetings of Shareholders of Chimimport. Even if it does not subscribe to New Shares form the Increase of Capital, the Major Shareholder will retain control over the Issuer.

Under the Public Offering of Securities Act of 1999 each transaction between the issuer, on the one part, and Chimimport Invest, directly or via related parties, on the other part, must be approved by the shareholder in the General Meeting of the Issuer, if the value of the transaction is 2% or more of the carrying value of the Issuer's assets. Chimimport Invest, which has a vested interest in such a transaction and is recognized by the law as an "interested party", cannot vote at the General Meeting on this issue. If the value of the transaction is below 2% of the carrying value of Chimimport's assets, it must be approved by its Management Board (and in some cases also by the Supervisory Board). Fore more information, see "*Description of the Shares and the Applicable Bulgarian Legislation – Transactions of Significant Value and Transactions with Interested Parties*".

Chimimport has adopted a program for good corporate management, based on the principles of OECD, see "*Directors and Management - Corporate Governance*". The text of this program is put forward by the Major Shareholder and the latter has declared its readiness to act in its relations with the Issuer and its other shareholders on the basis of the principles of this program.

## SELECTED HISTORICAL FINANCIAL INFORMATION

The selected financial information laid out below is extracted and must be viewed in conjunction with the audited financial reports of Chimimport, which include, among other, a balance sheet, an income statement and a cash flow statement for 2004, 2005, an 2006, which are included in this prospectus.

The financial information for Chimimport for preceding years is prepared in accordance with IFRS (“**International Financial Reporting Standards**”). The following information must be viewed in conjunction with the section *Operating and Financial Review and Results of Operations*, the related financial information and the accompanying notes, included in the present Prospectus.

The operations of the Issuer after 31 December 2006 are developing in accordance with expectations. As a whole the management retains the expectations it has had so far with regard to the development of the operations in 2007.

Listed below is data from Chimimport's consolidated income statement.

| | **As of 31 March** | | **As of 31 December** | | |
|---|---|---|---|---|---|
| | **2007** | **2006** | **2006** | **2005** | **2004** |
| | *(BGN in thousands)* | | *(BGN in thousands)* | | |
| Income from non-financial activities | 53,729 | 23,051 | 256,182 | 176,893 | 112,231 |
| Expenses for non-financial activities | (50,183) | (21,004) | (227,165) | (165,149) | (105,095) |
| **Net result from non-financial activities** | **3,546** | **2,047** | **29,017** | **11,744** | **7,136** |
| Income from insurance | 59,289 | 39,772 | 85,475 | 62,998 | 36,535 |
| Expenses for insurance | (58,850) | (37,820) | (77,790) | (53,298) | (27,899) |
| **Net result from insurance** | **439** | **1,952** | **7,685** | **9,700** | **8,636** |
| Income from interest | 20,657 | 13,235 | 66,938 | 52,475 | 32,792 |
| Expenses for interest | (9,034) | (6,490) | (32,558) | (26,289) | (17,013) |
| **Net income from interest** | **11,623** | **6,745** | **34,380** | **26,186** | **15,779** |
| Gains on operations with financial instruments | 36,886 | 1,233 | 68,893 | 39,799 | 6,067 |
| Losses on operations with financial instruments | (10,683) | (1,515) | (31,443) | (19,573) | (1,680) |
| **Net result from operations with financial instruments** | **26,203** | **(282)** | **37,450** | **20,226** | **4,387** |
| Administrative expenses | (20,472) | (12,301) | (76,786) | (55,926) | (36,262) |
| Negative goodwill | 1,729 | - | 17,119 | 1,919 | 6,581 |
| Results form investments in associates | 87 | (162) | 519 | 562 | - |
| Other financial income - net | 6,366 | 4,894 | 23,638 | 20,054 | 29,948 |
| Income to distribute to insurance accounts | (2,632) | (186) | (6,034) | (1,435) | (1,512) |
| **Result for the period before taxes** | **26,889** | **2,707** | **66,988** | **33,030** | **34,693** |
| Tax expenses | (1,598) | (925) | (6,218) | (3,022) | (4,404) |
| **Net result for the period** | **25,291** | **1,782** | **60,770** | **30,008** | **30,289** |

*Source: Chimimport*

Listed below is data from Chimimport's individual income statement.

| | As of 30 June | | As of 31 December | | |
|---|---|---|---|---|---|
| | **2007** | **2006** | **2006** | **2005** | **2004** |
| | *(BGN in thousands)* | | *(BGN in thousands)* | | |
| Gains on operations with financial instruments | 49,168 | 71 | 18,375 | 28,931 | 12,401 |
| Losses on operations with financial instruments | (6,588) | (5) | (111) | (7,367) | - |
| **Net result from operations with financial instruments** | **42,580** | **66** | **18,264** | **21,564** | **12,401** |
| Income from interest | 7 | 187 | 3,663 | 4,349 | 2,736 |
| Expenses for interest | (933) | (484) | (3,116) | (6,309) | (3,806) |
| **Net income from interest** | **(926)** | **(297)** | **547** | **(1,960)** | **(1,070)** |
| Foreign exchange gains | 279 | - | 1,315 | 2,643 | 2,749 |
| Foreign exchange losses | (5) | (4) | (97) | (3,978) | (2,015) |
| **Net result form foreign exchange** | **274** | **(4)** | **1,218** | **(1,335)** | **734** |
| Other financial income - net | (75) | (46) | 19 | 283 | (98) |
| Income from operations | 2,982 | 4,369 | 15,552 | 16,896 | 9,984 |
| Operational expenses | (3,528) | (1,747) | (4,760) | (12,398) | (9,287) |
| **Net result from operations** | **(546)** | **2,622** | **10,792** | **4,498** | **697** |
| **Result for the period before taxes** | **41,307** | **2,341** | **30,840** | **23,050** | **12,664** |
| Tax expenses - net | - | (341) | (1,604) | (596) | (389) |
| **Net result for the period** | **41,307** | **2,000** | **29,236** | **22,454** | **12,275** |

*Source: Chimimport*

The following table contains data from Chimimport's consolidated balance sheet.

| | 31 March | As of 31 December | | |
|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 |
| | | *(BGN in thousands)* | | |
| **Assets** | | | | |
| **Fixed assets** | | | | |
| Property, plants and equipment | 203,161 | 201,454 | 123,340 | 95,926 |
| Investment property | 10,489 | 10,545 | 9,304 | 9,286 |
| Goodwill | 11,472 | 11,403 | 11,904 | 7,729 |
| Intangible assets | 6,973 | 6,910 | 5,639 | 752 |
| Investments in associates | 26,400 | 26,445 | 25,660 | - |
| Long-term financial assets | 563,023 | 479,185 | 390,134 | 41,686 |
| Long-term receivables form related parties outside the group | 94 | 94 | - | 12,819 |
| Deferred tax assets | 100 | 412 | 475 | 253 |
| | **821,712** | **736,448** | **566,456** | **168,451** |
| **Current assets** | | | | |
| Inventory | 26,781 | 27,061 | 21,951 | 17,539 |
| Short-term financial assets | 322,697 | 358,961 | 231,184 | 296,147 |
| Receivables form related parties outside the group | 36,493 | 6,210 | 5,566 | 5,446 |
| Accounts receivable | 56,391 | 74,032 | 23,254 | 21,843 |
| Other receivables | 89,071 | 62,210 | 39,431 | 24,186 |
| Cash | 454,112 | 366,548 | 230,213 | 259,270 |
| | **985,545** | **895,022** | **551,599** | **624,431** |
| **Total assets** | **1,807,257** | **1,631,470** | **1,118,055** | **792,882** |

| | | | | |
|---|---|---|---|---|
| **Equity** | | | | |
| **Equity owned by Chimimport AD's shareholders** | | | | |
| Share capital | 130,000 | 130,000 | 60,000 | 20,000 |
| Capital not paid up | | - | (2 082) | - |
| Increase of capital contributions | | - | 58,916 | 37,916 |
| Share pemiums | 32,925 | 32,925 | - | - |
| Other reserves | 4,395 | 3,199 | 8,699 | 7,612 |
| Financial result form preceding periods | 121,610 | 70,617 | 42,172 | 17,215 |
| Current financial result | 22,620 | 53,330 | 27,756 | 26,136 |
| | **311,550** | **290,071** | **195,461** | **108,879** |
| **Minority interest** | 49,213 | 61,033 | 40,540 | 26,591 |
| **Total equity** | **360,763** | **351,104** | **236,001** | **135,470** |
| **Specialized reserves** | 44,308 | 38,122 | 22,944 | 12,135 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Liabilities to insured persons | 46,895 | 40,061 | 24,525 | 16,190 |
| Long-term financial liabilities | 397,919 | 337,667 | 25,527 | 12,060 |
| Long-term liabilities to related parties outside the group | 17,475 | 7,760 | - | 8,807 |
| Other non-current liabilities | 1,024 | 1,024 | 5,534 | 31,262 |
| Deferred tax liabilities | 768 | 1,349 | 1,825 | 1,231 |
| | 464,081 | 387,861 | 57,411 | 69,550 |
| **Current liabilities** | | | | |
| Short-term financial liabilities | 821,455 | 771,569 | 737,737 | 507,965 |
| Liabilities to related parties outside the group | 1,297 | 1,037 | 1,945 | 389 |
| Accounts payable | 115,353 | 81,777 | 62,017 | 67,373 |
| | 938,105 | 854,383 | 801,699 | 575,727 |
| **Total liabilities** | **1,402,186** | **1,242,244** | **859,110** | **645,277** |
| **Total equity and liabilities** | **1,807,257** | **1,631,470** | **1,118,055** | **792,882** |

*Source: Chimimport*

The following table contains data from Chimimport's individual balance sheet.

| | 30 June | As of 31 December | | |
|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 |
| | | *(BGN in thousands)* | | |
| **Assets** | | | | |
| **Fixed assets** | | | | |
| Property, plants and equipment | 19,101 | 20,074 | 13,025 | 15,284 |
| Intangible assets | 371 | 495 | 737 | - |
| Investment property | 1,214 | 1,253 | 1,331 | 1,332 |
| Investments in subsidiaries | 185,909 | 151,995 | 125,267 | 81,845 |
| Investments in associates | 18,052 | 27,935 | 24,364 | 5 |
| Long-term financial assets | 17,699 | 30,072 | 8,207 | 4,908 |
| Long-term receivables | 12,674 | 11,691 | 6,003 | 103 |
| | **255,020** | **243,515** | **178,934** | **103,477** |
| **Current assets** | | | | |
| Inventory | 296 | 302 | 1,057 | 1,366 |
| Receivables form related parties | 63,472 | 17,492 | 11,167 | 18,535 |
| Short-term financial assets | 2,517 | 1,864 | 1,691 | 801 |
| Loans granted | 5,107 | 11,348 | 23,625 | 4,005 |
| Accounts receivable | 2,824 | 4,315 | 3,345 | 4,714 |
| Court receivables and writs | 145 | 145 | 145 | 1,579 |
| Other receivables | 15,959 | 8,282 | 4,242 | 26,636 |
| Cash | 30,455 | 26,392 | 10,583 | 3,607 |
| | **120,775** | **70,140** | **55,855** | **61,243** |
| **Total assets** | **375,795** | **313,655** | **234,789** | **164,720** |

| | | | | |
|---|---|---|---|---|
| **Equity** | | | | |
| Share capital | 130,000 | 130,000 | 60,000 | 20,000 |
| Capital not paid up | - | - | (2,082) | - |
| Increase of capital contributions | - | - | 58,916 | 37,916 |
| Share premiums | 32,925 | 32,925 | - | - |
| Other reserves | 7,119 | 7,125 | 7,596 | 7,612 |
| Retained earnings | 65,945 | 36,709 | 14,254 | 2,028 |
| Current financial result | 41,307 | 29,236 | 22,454 | 12,275 |
| | **277,296** | **235,995** | **161,138** | **79,831** |
| | | | | |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Long-term bank receivables | 1,788 | 1,723 | 4,062 | 5,319 |
| Long-term accounts payable | 8,242 | 8,502 | 7,265 | 8,901 |
| Long-term liabilities to related parties | 27,235 | 7,760 | - | 8,807 |
| Other non-current liabilities | | - | - | 5,353 |
| Deferred tax liabilities | 539 | 539 | 825 | 352 |
| | **37,804** | **18,524** | **12,152** | **28,732** |
| | | | | |
| **Current liabilities** | | | | |
| Current liabilities to related parties | 35,548 | 21,860 | 27,131 | 7,497 |
| Short-term bank receivables | 9,137 | 10,339 | 7,339 | 7,374 |
| Accounts payable | 5,579 | 7,773 | 15,786 | 12,386 |
| Tax payable | 6 | 1,895 | 137 | 63 |
| Liabilities to employees and insurance institutions | 554 | 524 | 21 | 14 |
| Other liabilities | 9,871 | 16,745 | 11,085 | 28,823 |
| | **60,695** | **59,136** | **61,499** | **56,157** |
| | | | | |
| **Total liabilities** | **98,499** | **77,760** | **73,651** | **84,889** |
| **Total equity and liabilities** | **375,795** | **313,655** | **234,789** | **164,720** |

*Source: Chimimport*

## OPERATING AND FINANCIAL REVIEW AND RESULTS OF OPERATIONS

*Following is a discussion of the operating results and financial position of Chimimport as of 31 December 2004, 2005 and 2006. Potential investors should view this discussion in conjunction with the whole document, including the part* Risk Factors - page 15*, the financial reports of Chimimport and attachments thereto, included elsewhere in the present document, and should not limit themselves to the generalized information contained in the present section. Chimimport has prepared its financial report as of 31 December 2004, 2005 and 2006 in accordance with the International Financial Reporting Standards. The financial information in this section is extracted without material modifications from the annual financial reports of Chimimport for 2004, 2005 and 2006 and the related attachments thereto, or from the accounting records of Chimimport, on the basis of which the respective annual reports were prepared.*

*This section contains forward-looking statements. These statements, concerning future periods, are connected with risks, uncertainty and other factors, as a result of which the future results of Chimimport's operations or cash flows may differ significantly from those laid out in the present section.*

### General

This operating and financial review of Chimimport should be read in conjunction with the consolidated and individual financial reports of Chimimport for the years 2006, 2005 and 2004 ending on 31 December, audited by Grant Thornton OOD. Chimimport keeps its accounts and prepares its financial reports in accordance with the International Financial Reporting Standards (IFRS), adopted by the International Accounting Standards Board (IASB), on the basis of the respective edition applicable for each reporting period, and the respective interpretations issued by the IFRS Interpretations Committee (IFRSIC).

### Significant Factors Affecting Results of Operations

Since Chimimport operates exclusively through its subsidiaries, the factors that affect the operating results of the companies within the Group are the factors that affect to the greatest extent its operating results. The Group's operating results are affected by a number of factors, including growth policy effects, macroeconomic conditions in Bulgaria, competition, legislative changes, weather conditions, seasonal fluctuations, taxation, changes in foreign exchange rates, and the volatility of prices of oil and oil products.

#### *Growth Policy Effect*

The Group has so far developed its operations in Bulgaria through acquisitions of companies and assets and Chimimport expects such acquisitions to continue in the future as well. The Group's assets increase from BGN 793 million in 2004 to BGN 1,118 million in 2005, to BGN 1,631 million in 2006, and reach BGN 1,807 million as of 31 March 2007. The Group's income increases from BGN 354 million in 2005 to BGN 518 million in 2006. The Group's net operating result increases from BGN 30 million in 2005 to BGN 60.8 million in 2006. The net operating result of the Group for the first quarter of 2007 is BGN 25.2 million, compared to BGN 1.8 million for the first qurter of 2006.

#### *Macroeconomic Conditions in Bulgaria*

The group operates in Bulgaria and its income is generated in Bulgarian leva. The Group's operations are related to the overall economic situation in the country, the successful application of the economic reforms moving the market, the growth of the Gross Domestic Product and of the purchasing power of Bulgarian consumers. Bulgaria is member of the European Union as of 1 January 2007. The continuing application of market economy policy and the country's integration within the EU should have a beneficial effect on the economy of Bulgaria and improve the environment in which the Group operates.

***Competition***

The Group operates within a highly competitive market with fully liberalized price mechanisms. As a member of the EU Bulgaria is significantly more attractive to foreign investments and the operation of foreign and primarily European companies within the country is greatly facilitated. This applies in particular to the financial services sector, which is strategic to the Group, due to the possibility for loan, insurance and other financial institutions licensed in other EU-member countries to conduct business directly in Bulgaria within a free market of services. Competitors' policy is often hard to predict and this may affect the Group's operating results in the future.

***Legislative and regulatory changes***

The Group's operating results are influenced by the existing legislation in Bulgaria and its periodic amendments. The process of harmonization of Bulgarian legislation and regulatory practice with these of the EU continues, and this will continue to affect significantly the environment in which the Group operates and its results.

***Weather conditions and seasonal fluctuations***

The Group's results are significantly influenced by changes in weather conditions (the Group's crops business, CCB's priority in loans is the agricultural sector), as well as the seasonal fluctuations in the demand for certain services (aviation transport etc.).

***Corporate tax reduction***

The Group's net operating results have been positively influenced by the decrease of corporate tax, which took place several time in Bulgaria in recent years: from 19.5% to 15% to its present rate of 10%.

***Foreign exchange rates***

The Group prepares its consolidated financial statements under IFRS in Bulgarian leva. As of 1997 the Bulgarian lev has been pegged to the Deutche mark and later to the euro. Currently the exchange rate is fixed at EUR 1.00 = BGN 1.95583. Since the exchange rate of the Bulgarian lev to the euro is fixed, the exchange rate of the euro to the US dollar directly affects the exchange rate of the US dollar to the Bulgarian lev. Fluctuations in exchange rates affect parts of the Group's operations, in particular prices of crude oil, which are denominated in US dollars, determine the prices of oil products.

***Fluctuations in the prices of crude oil and oil products***

Fluctuations in the prices of crude oil and oil products affect the Group's sales and cost of sales. An increase in the prices of crude oil leads to increased sales, but at the same time may lead to an decrease in demand of oil products and an adjustment of margins in response to this slump in demand.

## Critical Accounting Policies

The significant accounting policies that have been used in the preparation of the financial statements (both consolidated and individual) are summarized below.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and certain financial assets and liabilities.

***Investments in Subsidiaries***

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. Chimimport obtains and exercises control through voting rights.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

***Investments in Associates***

Associates are those entities over which Chimimport is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investment in associates. All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from net results generated by the associate are charged against "results from equity investments" in the Company's consolidated income statement and therefore affect net results of the Group.

***Foreign Currency Translation***

The separate elements of the financial statements of the Group are in the currency of the main economic environment in which it carries out its activities ("functional currency"). The consolidated financial statements of Chimimport are presented in Bulgarian Leva (BGN), which is also is the functional currency of the Group.

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 translation of remaining balances at year-end exchange rates are recognized in the income statement under "other financial income and expense''.

The Currency Board was introduced in Bulgaria on 01 July 1997 following the recommendations by the International Monetary Fund (IMF) and fixed the value of the BGN against the DEM in ratio 1:1. Following the introduction of the EURO, the BGN was fixed to the EUR at rate 1EUR = 1.95583 BGN.

***Revenues***

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates, allowed by the Group. In case of similar assets with similar values are exchanged, the transaction is not recognized as generating income.

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the value of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the enterprise;
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is recognized, when the outcome of the transaction can be measured reliably.

Operating expenses are recognized in the income statement upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. Interest income and expenses are reported on an accrual basis. Dividends received, other than those from investments in associates, are recognized at the time of their distribution.

***Loans Received***

All borrowing costs are expensed as incurred. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

***Property, Plant and Equipment***

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

Subsequent to initial recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses according to benchmark treatment. Impairment losses are recognized in the current period income statement.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized in the consolidated financial statements is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as an expense in the period in which it is incurred.

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 in shorter.

The useful lives of property, plant and equipment can be summarized as follows:

- Buildings ……………………………………. 25 years
- Machines …………………………. ………… 5 years
- Technical equipment ……………………….. from 4 to 25 years
- Vehicles………………………… ………… from 4 to 10 years
- Ships ………………………………………… 30 years
- Fixtures and fittings ………………………… 6.7 years
- Others ………………………………………… 6.7 years

The recognition threshold, selected by the Group for tangible fixed assets amounts to BGN 500.

***Intangible Assets and Research and Development Activities***

Intangible fixed assets are measured initially at cost. If an intangible asset is acquired separately, 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, according to the benchmark treatment, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised 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.

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

Costs associated with research activities are expensed in the income statement as they occur. All other development costs are expensed as incurred.

***Impairment Testing of Assets***

The net book value of the Group’s assets is reevaluated as of the date of the preparation of the balance in order to determine if there are any indications that the value of the given asset is impaired.

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use 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.

Impairment losses for units generating cash flows, to which an amount of the goodwill is attributed, are allocated to a decrease in the net book value of the assets from that unit in the following order: first on the positive goodwill, relating to the unit and then on the remaining assets, proportionate to their net book value. With the exception of the goodwill of all remaining assets of the entity as of each date of the report, the management determines if there are indications that the impairment loss recognized in the previous years does not exist anymore or has decreased.

***Leases***

*Lessee*

In accordance with IAS 17 (rev 2005), 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 time of inception of the lease at the lower of the fair value of the leased property the present value of the minimum lease payments. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs.

Assets acquired under the terms of finance lease are depreciated in accordance with IAS 16 Property, plant and equipment and/or IAS 38 Intangible assets.

All other leases are treated as operating lease agreements. Operate lease payments are recognized as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

*Lessor*

Assets subject to operating leases are presented in the balance sheet according to the nature of the asset.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis.

Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The depreciation policy for depreciable leased assets is consistent with the lessor's normal depreciation policy for similar assets, and depreciation shall be calculated in accordance with IAS 16 and IAS 38.

Assets held under a finance lease agreement are presented in the balance sheet as a receivable at amount equal to the net investment in the lease. The sales revenue from assets is recognized in the current year Income statement. The recognition of the finance income is based on a pattern reflecting a constant periodic rate of return of the lessor’s net investment outstanding in respect of the finance lease.

***Investment property***

Investment property represents land and buildings held to earn rental income or for capital appreciation or both, rather than held for:

- Production or supply of goods or services or for administrative purposes
- Sale in the ordinary course of the business

Investment property is recognized in the consolidated financial statements of the Group as an asset only to the extend that the following conditions are present:

- It is probable that future economic benefits, associated with the investment property, will flow to the Group
- The cost of the investment property can be measured reliably

The investment property is initially measured at cost, which comprises 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 stated at cost according to the benchmark treatment of IAS 16, Property, plant and equipment. The investment property is reported at its cost less accumulated depreciation and any impairment losses.

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

- Buildings …………………… 25 years

Subsequent expenditure relating to investment property is added to the carrying amount of the investment property when it is probable that future economic benefits, in excess of the originally assessed standards of performance of the existing investment property, will flow to the Group. All other subsequent expenditures are recognized as an expense in the period they are incurred.

Investment property is derecognised on disposal or when it is permanently withdrawn from use in case no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal are recognized in the Income statement and represent the difference between the net disposal proceeds and the carrying amount of the Investment property.

***Financial Assets***

Company's financial assets include cash and financial instruments. Financial instruments, other than hedging instruments, can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognized on their settlement date.

All financial assets are initially recognized at fair value. Transaction costs, which are directly attributable to the acquisition or issue of the financial asset of financial liability, except for financial assets or liabilities at fair value through profit or loss.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from Issuer financial assets are recognized in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The interest payments and other cash flows related to the possession of financial instruments are recorded in the Income Statement upon their receipt, irrespective of how the net book value of the financial assets to which they pertain is valued.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if it is the intention of the Group's management to hold them until maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. In addition, derivative financial instruments that do not qualify for hedge accounting are classified as held for trading.

Available-for-sale financial assets include those assets, which do not qualify for inclusion in any of the other categories of financial assets: loan and receivables held – to – maturity investments and financial assets at fair value through profit or loss. All 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. The latter are measured at cost.

Changes in value are recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the income statement when they are sold or when the investment is impaired

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in the Income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

***Inventories***

Inventories comprise raw materials, unfinished and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories are carried at the lower of cost and net realizable value. The sum of each impairment of the inventories up to their net realizable amount is recognized as an expense for the impairment period.

Net realizable value is the estimated selling price in the ordinary course of business 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 a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The cost of inventories is assigned by using the weighted average cost.

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

***Accounting for Income Taxes***

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognized in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if the Group can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.  Deferred tax asset in relation to carried forward losses is recognized to the extend that the realization of the related tax benefits through the future taxable profits is probable.

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 offset against future taxable income. 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 at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to equity (such as the re-evaluation of land) are charged or credited directly to equity.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, short-term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

***Equity***

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

There are no exchange differences recognized in equity.

There are no amounts set aside for general risks arising in the course of the Group’s banking activity.

***Pension and other Liabilities to the Personnel***

The group has not developed and does not apply plans for remunerations to the employees after resignation or other long-term remunerations and plans for remunerations after resignation or in the form of compensations with shares or with its own shares.

The group reports short-term liabilities from unused holidays which have occurred on the basis of unused paid annual holiday in the cases in which it is expected that the holidays will occur in 12 months after the date of the reporting period during which the hired persons have worked their time related to those holidays. The short-term liabilities to the personnel include wages, salaries and social security payments.

***Financial Liabilities***

The financial liabilities include bank loans and overdrafts, trade and other payables and finance leasing liabilities.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the income statement.

Bank loans are raised for funding of the Group's operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument 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.

Dividend distributions to shareholders are recognized when the dividends are approved by the shareholders' meeting.

***Other Provisions, Contingent Liabilities and Contingent Assets***

Provisions, representing current obligations of the Group arising from past events, the settlement of which is expected to result in an outflow of resources, are recognized as liabilities. A provision is recognized only when the following conditions are present:

- The Group has a present obligation as a result of a past event
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- A reliable estimate can be made of the amount of the obligation

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Group takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group does not recognize contingent assets in the consolidated financial statements as possible obligations arise, whose existence is not yet confirmed or this may result in the recognition of income that may never be realized.

**Operating Results**

The tables below provide information on the components of Chimimport's net profit on individual and consolidated basis for the financial ears ending respectively on 31 December 2006, 2005 and 2004, as well as the change in percentage of each component.

### *Individual Results*

| | As of 31 December | | | Change | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006/2005 | 2005/2004 |
| | | (BGN in thousands) | | (%) | |
| Data from the Income Statement | | | | | |
| Gains on operations with financial instruments | 18,375 | 28,931 | 12,401 | (36.47) | 133.30 |
| Losses on operations with financial instruments | (111) | (7,367) | - | (98.49) | - |
| Net result from operations with financial instruments | 18,264 | 21,564 | 12,401 | (15.30) | 73.89 |
| Income from interest | 3,663 | 4,349 | 2,736 | (15.77) | 58.95 |
| Expenses for interest | (3,116) | (6,309) | (3,806) | (50.61) | 65.76 |
| Net income from interest | 547 | (1,960) | (1,070) | 27.91 | (83.18) |
| Foreign exchange gains | 1,315 | 2,643 | 2,749 | (50.25) | (3.86) |
| Foreign exchange losses | (97) | (3,978) | (2,015) | (97.56) | 97,42 |
| Net result form foreign exchange | 1,218 | (1,335) | 734 | 91.24 | (81.88) |
| Other financial income - net | 19 | 283 | (98) | | |
| Operating income | 15,552 | 16,896 | 9,984 | (7.95) | 69.23 |
| Operating expenses | (4,760) | (12,398) | (9,287) | (61.61) | 33.50 |
| Net result from operations | 10,792 | 4,498 | 697 | 139,93 | 545.34 |
| Net result from operations | | | | | |
| Earnings before taxes | 30,840 | 23,050 | 12,664 | 33.80 | 82.01 |
| Taxes | (1,604) | (596) | (389) | 169.13 | 53.21 |
| Net profit | 29,236 | 22,454 | 12,275 | 30.20 | 82.92 |
| Data from the cash flows statement | | | | | |
| Net cash flow from operations | 10,515 | 41,631 | 9,856 | (74.74) | 322.39 |
| Net cash flow from investments | (25,044) | (28,257) | 9,371 | 11.37 | (301.54) |
| Net cash flow from financial operations | 30,338 | (6,398) | (16,072) | 474.18 | 60.19 |
| Net increase / decrease of cash and cash equivalents | 15,809 | 6,976 | 3,155 | 126.62 | 121.11 |

*Source: Chimimport*

*Net Income*

For the last years the main source of operating income of Chimimport come from financial operations, including transactions in securities on the BSE, income from interest, income from rent and financial leasing and commission transactions. The number of commercial transactions is steadily decreasing, and the management of the company has taken a decision for all commercial transactions to be transferred to the subsidiaries of the Issuer. Income from operations in financial instruments has increased by 133.30% in 2005 against 2004 and decreased by 36.47% in 2006 against 2005. At the same time the net result from these operations has increased by 73.89% in 2005 against 2004 and decreased by 15.30% in 2006 against 2005. Operating income increased by 69.23% in 2005 against 2004 and decrease slightly by 7.95% in 2006 against 2005. At the same time the net result from operations has increased by 545.34% in 2005 against 2004 and by 139.93% in 2006 against 2005. This is due primarily to the increase of the relative share of income from commissions, rent and financial leasing compared to income from sale of goods (32.42% of operating income in 2004 against 2005 and 76.84% in 2006 against 2005) .

*Main Operating Expenses*

Staff Costs

Staff costs are not a significant item in the total operating expenses of Chimimport in view of the minimal number of staff. Staff costs vary form BGN 252,000 in 2004 to BGN 758,000 in 2006. It must be noted that staff costs will increase, since the management plans to draw in specialists primarily in the areas of analysis, logistics and marketing.

Depreciation Costs

Chimimport's costs for depreciation of tangible and intangible non-current assets are based on the straight-line method on the valuated useful life of the individual groups of assets, as follows:

| | **31 December 2006** | **31 December 2005** | **31 December 2004** |
|---|---|---|---|
| Buildings | 25 | 25 | 25 |
| Plant and equipment........................................................ | 5 | 5 | 5 |
| Aircraft | 10 | 10 | 10 |
| Transportation vehicles .................................................. | 5 | 5 | 5 |
| Fixtures and fittings ........................................................ | 6.7 | 6.7 | 6.7 |
| Intangible assets ............................................................... | 6.6 and 5 | 6.6 and 5 | 6.6 and 5 |

Depreciation of newly-acquired assets begins in the month following the month, in which they are available for use, and stops on the earlier of the date on which the asset was marked as held for sale, in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations or the date on which the asset was disposed of.

In the period reviewed the depreciation costs of Chimimport have increased by BGN 419,000 in 2004 to BGN 2,195,000 in 2006, primarily due to the putting into operation of aircraft that are owned by Chimimport and provided to Hemus Air EAD on an operating lease.

Outside Services

Outside services include various costs such as consulting, state or municipal fees, collateral security, renovation and maintenance of assets, insurance and administrative expenses (such as expenses for advertising and communication, utilities). In 2005 the costs of outside services increased by 104.39 % to BGN 3,258,000 against 2004, due to fees paid for outside consultants. At the same time in 2006 costs of outside services decreased by 58.72% to BGN 1,345,000.

Materials and Consumables Used

Expenses with regard to materials and consumables used mainly pertain to expenses for office consumables and are an insignificant item of the total expenses of the company.

Other Operating Expenses

The other operating expenses include various other types of expenses, such as alternative taxes under the Corporate Income Taxation Act, retired fixed assets and materials and amortization of assets, expenses for trips, fines, compensation payments, deficits. In 2006 the other operating expenses of Chimimport AD amount to BGN 285,000 against BGN 559,000 in 2005 and BGN 131,000 in 2004. .

*Operating Profit*

Chimimport AD's operating profit increase over the whole three-year period and in 2005 amounts to BGN 4,498,000 against BGN 697,000 in 2004, or an increase by 545.34%. In 2006 profit increases to BGN 10,792,000, or a change by 139.93% against 2005.

*Net Income from Financial Operations*

Chimimport's income and expenses from financial operations consist of its income and expenses in connection with interest payments, net foreign exchange rate differences, and operations in financial instruments. Interest expenses are expenses paid by Chimimport on bank loans, temporarily borrowed funding, and deposits of subsidiaries. The margins of interest-bearing short-term and long-term bank loans extended to Chimimport vary from 3% to 6,5% above the Sofibor, Libor or Euribor indeces. In 2005 interest expenses increased to BGN 6,309,000 against BGN 3,806,000 in 2004. In 2006 interest expenses decreased to BGN 3,116,000 compared to the same period of 2005.

Interest rate gains come primarily from interest-bearing loans and temporary financing provided to subsidiaries of Chimimport. The terms of these loans do not differ form the usual conditions for providing temporary financing between non-related parties.

*Taxation*

The Group's expenses on income tax are the amount of tax currently payable plus deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit is different from the earnings before taxation, described in the income statement, since it excludes the items of income and expenses that are subject to taxation or deduction in other years and the items that are never subject to taxation or deduction. The current tax obligations of the Group are calculated by using tax rates that have or will become effective as of the date of preparation of the balance sheet.

Deferred tax is tax that is expected to be paid or refunded form the difference between the carrying value of assets and liabilities in the financial statements and the respective tax base used in the calculation of the taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is calculated at tax rates that are expected to be effective during the period when the liabilities are paid or the assets are realised.

In accordance with the Bulgarian Corporate Income Taxation Act the following tax rates have been applied in calculating the tax liability:

| | **2006** | **2005** | **2004** |
|---|---|---|---|
| Corporate tax.................................................................................. | 15,0% | 15,0% | 19,5% |

In 2006 the tax liabilities of Chimimport increased to BGN 1,889,000 against BGN 124,000 for 2005 and BGN 37,000 in 2004. The tax liabilities have been paid within the deadline for presentation of the tax declarations for the respective years.

*Net Profit*

Due to the factors mentioned in the above analysis, the net profit of Chimimport increased to BGN 29,236,000 in 2006, against BGN 22,454,000 in 2005 and BGN 12,275,000 in 2004.

*Liquidity and Capital Resources*

The main capital requirements for Chimimport consist of the main needs of working capital, debt servicing, and funding of investments. The main source of liquidity for the company are the cash balance, the long-term and short-term borrowings, the temporary deposit of free cash of its subsidiaries and issuing of share capital (for 2006). The fluctuations in foreign exchange rates and interest rates affect the liquidity and the capital resources of the company, but the influence of foreign exchange rates is insignificant in view of the relatively small share of operations in foreign currency.

*Cash Flows*

The following tables shows the cash flows of Chimimport for the years ending on 31 December 2006, 2005 and 2004:

| **Cash flows in thousands of BGN** | **2006** | **2005** | **2004** |
|---|---|---|---|
| Net cash flows from operations | 10 515 | 41 631 | 9 856 |
| Cash flows form investments | (25 044) | (28 257) | 9 371 |
| Cash flows form financial operations | 30 338 | (6 398) | (16 072) |
| Net increase / decrease of cash | 15 809 | 6 976 | 3 155 |
| Net cash balance | 10 583 | 3 607 | 452 |
| End cash balance | 26 392 | 10 583 | 3 607 |

For the year ending on 31 December 2005 the net cash flow of the Group from operations increased to BGN 41.6 million, compared to BGN 9.8 million. At the same time in 2006 these flows decrease to BGN 10.5 million, as a consequence of the commercial operations transferred to Chimimport AD's subsidiaries.

Chimimport spends BGN 25.04 million on investments in 2006, BGN 28.26 million in 2005, against income from investments of BGN 9.37 million in 2004.

In 2004 income comes mainly from the sale of non-current assets in connection with the restructuring of the company's interests, whereas the capital expenditures in the following two years are related primarily with the acquisition of new interests and increase of investments in the existing subsidiaries of Chimimport.

For financing operations Chimimport spends BGN 6.4. million in 2005, compared to 2004, when BGN 16.07 million is spent. This negative cash flow is related to the bank loans and funding that were paid back in excess of the amounts received.

The positive cash flow for 2006 comes mainly from the issuing of new share capital in September 2006.

The effect of the above described operations on the Chimimport's end cash position is an increase of cash to BGN 26.39 million in 2006, against BGN 10.58 million in 2005 and BGN 3.6 million in the first half of 2004.

### *Results on Consolidated Basis*

| | As of 31 December | | | Change | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006/2005 | 2005/2004 |
| | (BGN in thousands) | | | (%) | |
| Data from the Income Statement | | | | | |
| Income from non-financial activities | 256,182 | 176,893 | 112,231 | 44.82 | 57.62 |
| Expenses for non-financial activities | (227,165) | (165,149) | (105,095) | 37.55 | 57.14 |
| Net result from non-financial activities | 29,017 | 11,744 | 7,136 | 147.08 | 64.57 |
| Income from insurance | 85,475 | 62,998 | 36,535 | 35.68 | 72.43 |
| Expenses for insurance | (77,790) | (53,298) | (27,899) | 45.95 | 91.04 |
| Net result from insurance | 7,685 | 9,700 | 8,636 | (20.77) | 12.32 |
| Income from interest | 66,938 | 52,475 | 32,792 | 27.56 | 60.02 |
| Expenses for interest | (32,558) | (26,289) | (17,013) | 23.84 | 54.52 |
| Net income from interest | 34,380 | 26,186 | 15,779 | 31.29 | 65.95 |
| Gains on operations with financial instruments | 68,893 | 39,799 | 6,067 | 73.10 | 555.99 |
| Losses on operations with financial instruments | (31,443) | (19,573) | (1,680) | 60.64 | 1 065.06 |
| Net result from operations with financial instruments | 37,450 | 20,226 | 4,387 | 85.16 | 361.04 |
| Administrative expenses | (76,786) | (55,926) | (36,262) | 37.30 | 54.23 |
| Negative goodwill | 17,119 | 1,919 | 6,581 | 792.08 | (70.84) |
| Result form investments in associates | 519 | 562 | - | (7.65) | - |
| Other financial income - net | 23,638 | 20,054 | 29,948 | 17.87 | (33.04) |
| Result for distribution to insurance accounts | (6,034) | (1,435) | (1,512) | 320.49 | (5.09) |
| Earnings before taxes | 66,988 | 33,030 | 34,693 | 102.81 | (4.79) |
| Taxes | (6,218) | (3,022) | (4,404) | 105.76 | (31.38) |
| Net profit | 60,770 | 30,008 | 30,289 | 102.51 | (0.93) |
| Data from the cash flows statement | | | | | |
| Net cash flow from operations | 201,023 | 133,000 | 69,200 | 51.15 | 92.20 |
| Net cash flow from investments | (161,755) | (182,780) | 153,585 | 11.50 | (119.01) |
| Net cash flow from financing of operations | 97,067 | 20,723 | 27,492 | 368.40 | (24.62) |
| Net increase / decrease of cash and cash equivalents | 136,335 | (29,057) | 250,277 | 469.20 | (111.61) |

*Source:* Chimimport AD

*Brief Analysis*

The consolidated report of Chimimport for 2006 presents information for 51 subsidiaries (37 subsidiaries respectively for 2005 and 2004). The total amount of operating income is BGN 1,620,240,000 for 2006 against BGN 1,187,738,000 for 2005 and BGN 912,846,000 for 2004. The main part of this income is generated in the financial sector (banking, insurance and general finances). At the same time income form non-financial operations increases steadily at about 48% per annum (mainly manufacturing and transport).

In all position in the income statement, the net result increases compared to the preceding reporting period, and there is a decrease only in net income from insurance for 2006 against 2005, caused by the changed method for allocation of insurance reserves. The growth of income for the period of comparison significantly outpaces the growth of expenses. Pre-tax profit for 2006 increases by 102.81% against pre-tax profit for 2005, net profit - by 102.51% against the preceding 2005.

For the purpose of consolidation, Chimimport's interests are grouped formally in the following sectors:

- manufacturing;
- commerce;
- transport;

- insurance;
- banking;
- finances;
- pension funds.

The following tables present Chimimprot's income statements for 2004, 2005 and 2006, segmented by sectors and the respective amounts for elimination at consolidation.

**Business Segments**

**31 DECEMBER 2004**

| | Manufacturing | Commerce | Transport | Insurance | Banking | Finances | Pension funds | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|
| | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 |
| Income from non-financial operations | 41,341 | 15,119 | 47,896 | 67 | - | 10,363 | 2 | (2,557) | **112,231** |
| Expenses on non-financial operations | (36,364) | (14,548) | (47,256) | - | - | (9,488) | - | 2,561 | **(105,095)** |
| **Net result from non-financial operations** | **4,977** | **571** | **640** | **67** | **-** | **875** | **2** | **(5,118)** | **7,136** |
| Administrative expenses | - | - | - | (6,355) | (29,566) | (7) | (959) | 625 | (36,262) |
| Income from insurance | - | - | - | 37,160 | - | - | - | (625) | 36,535 |
| Expenses on insurance | - | - | - | (27,899) | - | - | - | - | (27,899) |
| **Net result from insurance** | **-** | **-** | **-** | **9,261** | **-** | **-** | **-** | **(625)** | **8,636** |
| Income from interest | 143 | 220 | 124 | 2 | 29,556 | 2,806 | 190 | (249) | 32,792 |
| Expenses on interest | (1,040) | (484) | (251) | (22) | (11,590) | (3,875) | - | 249 | (17,013) |
| **Net income from interest** | **(897)** | **(264)** | **(127)** | **(20)** | **17,966** | **(1,069)** | **190** | **-** | **15,779** |
| Gains on operations with financial instruments | 100 | - | - | 4,812 | 2,465 | 12,401 | 3,319 | (17,030) | 6,067 |
| Losses from operations with financial instruments | - | - | - | (557) | - | - | (1,123) | - | (1,680) |
| **Net result from operations with financial instruments** | **100** | **-** | **-** | **4,255** | **2,465** | **12,401** | **2,196** | **(17,030)** | **4,387** |
| Other financial income / expenses | (2,307) | (29) | 15,332 | (89) | 16,014 | 629 | 410 | (12) | 29,948 |
| Income for distribution to insurance accounts | - | - | - | - | - | - | (1 512) | - | (1 512) |
| **Result for the period before taxes** | **1,873** | **278** | **14,042** | **7,119** | **6,879** | **12,829** | **327** | **(8,654)** | **34,693** |
| Tax expenses | (535) | (91) | (107) | (2,013) | (1,236) | (425) | 3 | - | (4,404) |
| **Net result for the period** | **1,338** | **187** | **13,935** | **5,106** | **5,643** | **12,404** | **330** | **(8,654)** | **30,289** |

**Business Segments**

| 31 DECEMBER 2005 | Manufacturing | Commerce | Transport | Insurance | Banking | Finances | Pension funds | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|
| | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 |
| Income from non-financial operations | 55,160 | 39,858 | 65,824 | 17 | 3,016 | 17,465 | | (4,447) | 176,893 |
| Expenses on non-financial operations | (53,041) | (41,945) | (63,570) | - | - | (12,397) | - | 5,804 | (165,149) |
| **Net result from non-financial operations** | **2,119** | **(2,087)** | **2,254** | **17** | **3,016** | **5,068** | **-** | **1,357** | **11,744** |
| Income from insurance | - | - | - | 64,605 | - | - | - | (1,607) | 62,998 |
| Expenses on insurance | **(86)** | **(22)** | **(1,159)** | (53,282) | - | **(1)** | **(2)** | 1,254 | (53,298) |
| **Net result from insurance** | **(86)** | **(22)** | **(1,159)** | **11,323** | **-** | **(1)** | **(2)** | **(353)** | **9,700** |
| Income from interest | 880 | 345 | 101 | 399 | 47,779 | 4,512 | 174 | (1,715) | 52,475 |
| Expenses on interest | (1,562) | (651) | (1,156) | (47) | (18,235) | (6,371) | - | 1,733 | (26,289) |
| **Net income from interest** | **(682)** | **(306)** | **(1,055)** | **352** | **29,544** | **(1, 859)** | **174** | **18** | **26,186** |
| Gains on operations with financial instruments | 210 | | | 9,247 | 4,831 | 28,945 | 7,167 | (10,601) | 39,799 |
| Losses from operations with financial instruments | (30) | | | (4,880) | (3,388) | (7,367) | (3,908) | - | (19,573) |
| **Net result from operations with financial instruments** | **180** | **-** | **-** | **4,367** | **1,443** | **21,578** | **3,259** | **(10,601)** | **20,226** |
| Administrative expenses | - | - | - | (8,454) | (47,602) | (714) | (1,406) | 2,250 | (55,926) |
| | | | | | | | | | - |
| Other financial income / expenses | (264) | (18) | (116) | (85) | 20,933 | (1,047) | 764 | 2,368 | 22,535 |
| Income for distribution to insurance accounts | - | | - | - | - | - | (1,435) | - | (1,435) |
| **Result for the period before taxes** | **1,267** | **(2,433)** | **(76)** | **7,520** | **7,334** | **23,025** | **1,354** | **(4,961)** | **33,030** |
| Tax expenses | (861) | 249 | (33) | (823) | (947) | (607) | - | - | (3,022) |
| **Net result for the period** | **406** | **(2,184)** | **(109)** | **6,697** | **6,387** | **22,418** | **1,354** | **(4,961)** | **30,008** |

| Business Segments 31.12.2006 | Manufacturing | Commerce | Transport | Insurance | Banking | Finances | Pension funds | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|
| | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** |
| Income from non-financial operations | 82,943 | 29,924 | 135,562 | - | 2,561 | 16,285 | 14 | (11,107) | 256,182 |
| Expenses on non-financial operations | (76,21) | (29,181) | (130,405) | - | - | - | - | 9,142 | (227,165) |
| **Net result from non-financial operations** | **6,222** | **743** | **5,157** | **-** | **2,561** | **16,285** | **14** | **(1,965)** | **29,017** |
| Income from insurance | - | - | - | 87,790 | - | - | - | (2,315) | 85,475 |
| Expenses on insurance | - | - | - | (77,892) | - | - | - | 102 | (77,790) |
| **Net result from insurance** | **-** | **-** | **-** | **9,898** | **-** | **-** | **-** | **(2,213)** | **7,685** |
| Income from interest | 782 | 500 | 24 | 23 | 63,822 | 3,728 | 205 | (2,146) | 66,938 |
| Expenses on interest | (1,746) | (1,427) | (1,796) | (39) | (26,224) | (3,472) | - | 2,146 | (32,558) |
| **Net income from interest** | **(964)** | **(927)** | **(1,772)** | **(16)** | **37,598** | **256** | **205** | **-** | **34,380** |
| Gains on operations with financial instruments | 3,754 | 945 | 9 | 28,747 | 16,225 | 18,725 | 32,994 | (32,506) | 68,893 |
| Losses from operations with financial instruments | (16) | - | - | (4,497) | (6,006) | (119) | (23,569) | 2,764 | (31,443) |
| **Net result from operations with financial instruments** | **3,738** | **945** | **9** | **24,250** | **10,219** | **18,606** | **9,425** | **(29,742)** | **37,450** |
| Administrative expenses | - | - | - | (14,095) | (61,446) | (5,569) | (1,026) | 5,350 | (76,786) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Other financial income/(expenses) | (376) | (26) | (1,092) | (92) | 23,843 | 1,227 | 1,045 | (891) | 23,638 |
| Result from investments in associates under the equity method | 17 | - | - | - | - | - | - | 502 | 519 |
| Negative goodwill | - | - | - | - | - | - | - | 17,119 | 17,119 |
| Income for distribution to insurance accounts | - | - | - | - | - | - | (6,034) | - | (6,034) |
| **Result for the period before taxes** | **8,637** | **735** | **2,302** | **19,945** | **12,775** | **30,805** | **3,629** | **(11,840)** | **66,988** |
| Tax expenses | (988) | (158) | (98) | (2 448) | (762) | (1 611) | - | (153) | (6 218) |
| **Net result for the period** | **7,649** | **577** | **2,204** | **17,497** | **12,013** | **29,194** | **3,629** | **(11,993)** | **60,770** |

### Analysis of Chimimport's Financial Condition

#### *Assets*

The tables below show the main groups of Chimimport's assets as of 31 December 2006, 2005 and 2004, as well as the percentage of change for each position on an individual and consolidated basis.

*Individual Financial Data*

| | As of 31 December | | | Change | |
|---|---|---|---|---|---|
| | **2006** | **2005** | **2004** | **2006/2005** | **2005/2004** |
| | *(BGN in thousands)* | | | *(%)* | |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment ............................... | 20,074 | 13,025 | 15,280 | 54.12 | (14.76) |
| Intangible assets …………………………………………. | 495 | 737 | 4 | (32.83) | - |
| Investment property ……………………………………. | 1,253 | 1,331 | 1,332 | (5.86) | (0.08) |
| Investments in subsidiaries …………………………….. | 151,995 | 125,272 | 81,845 | 21.33 | 53.06 |
| Investments in associates ……………………………… | 27,935 | 24,364 | 5 | 14.66 | - |
| Long-term financial assets …………………………….. | 30,072 | 8,207 | 4,908 | - | - |
| Long-term receivables ………………………………….. | 11,691 | 6,003 | 103 | 94.75 | - |
| Total ……………………………………………………… | 243,515 | 178,934 | 103,477 | 36.09 | 72.92 |
| **Current assets** | | | | | |
| Inventory ………………………………………………… | 302 | 1,057 | 1,336 | (71.43) | (20.88) |
| Receivables form related parties ……………………… | 17,492 | 11,167 | 18,969 | 56.64 | (41.13) |
| Short-term financial assets ……………………………. | 1,864 | 1,691 | 801 | 10.23 | 111.11 |
| Loans granted ……………………………………………. | 11,348 | 23,625 | 24,173 | (51.97) | (2.27) |
| Accounts receivable …………………………………….. | 4,315 | 3,345 | 4,714 | 29.00 | (29.04) |
| Court receivables and writs ……………………………. | 145 | 145 | 1,579 | - | (90.82) |
| Cash ……………………………………………………… | 26,392 | 10,583 | 3,607 | 149.38 | 193.40 |
| Total ……………………………………………………… | 70,140 | 55,855 | 61,243 | 25.58 | (8.80) |
| Total assets ……………………………………………… | 313,655 | 234,789 | 164,720 | 33.59 | 42.54 |

The total amount of Chimimport's assets increases by 33.59% in 2006 against 2005 and by 42.54% in 2005 against 2004.

The company's non-current assets increase by 36.09% in 2006 against 2005 and by 72.92% in 2005 against 2004. The main components affecting this change are the newly-acquired aircraft in 2006 and the funds invested in subsidiaries for increase of the capital of existing companies as well as for acquisition of control over new subsidiaries.

The current assets of Chimimport AD see an increase by 25.58% for 2006 and a decrease by 8.80% for 2005 against respectively 2005 and 2004.

The main changes are in a decrease of inventory related to the limiting of Chimimport AD's commercial operations by 71.43% in 2006 and 20.88% in 2005 respectively against 2005 and 2004.

Receivables from related parties are an almost static value, and register a net decrease of 7.79% in 2006 against 2004.

Short-term loans granted see a significant decrease – by 51.97% for 2006 against 2005, and cash increases by 149.38% for 2006 against 2005 and by 193.40% for 2005 against 2004.

*Consolidated Financial Data*

| | As of 31 December | | | Change | |
|---|---|---|---|---|---|
| | **2006** | **2005** | **2004** | **2006/2005** | **2005/2004** |
| | *(BGN in thousands)* | | | *(%)* | |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment …………………………. | 201,454 | 123,340 | 93,441 | 63.33 | 32.00 |
| Investment property ……………………………………. | 10,545 | 9,304 | 9,286 | 13.34 | 0.19 |
| Goodwill ………………………………………………… | 11,403 | 11,904 | 7,729 | (4.21) | 54.02 |
| Intangible assets ………………………………………… | 6,910 | 5,639 | 3,237 | 22.54 | 74.20 |
| Investments in associates ………………………………. | 26,445 | 25,660 | - | 3.06 | - |
| Long-term financial assets ……………………………… | 479,185 | 390,134 | 138,331 | 22.83 | 192.52 |
| Long-term receivables form related parties outside the Group ……………………………………….. | 94 | - | - | - | - |
| Deferred tax assets ……………………………………… | 412 | 475 | 253 | (13.26) | 87.75 |
| Total ……………………………………………………. | 736,448 | 566,456 | 252,277 | 30.01 | 124.54 |
| **Current assets** | | | | | |
| Inventory ………………………………………………… | 27,061 | 21,951 | 17,539 | 23.28 | 25.16 |
| Short-term financial assets ……………………………… | 358,961 | 231,184 | 212,321 | 55.27 | 8.88 |
| Receivables form related parties outside the Group ……. | 6,210 | 5,566 | 5,446 | 11.57 | 0.21 |
| Accounts receivable …………………………………….. | 74,032 | 23,254 | 21,843 | 218.36 | 6.46 |
| Other receivables ……………………………………….. | 62,210 | 39,431 | 24,186 | 57.77 | 63.03 |
| Cash …………………………………………………….. | 366,548 | 230,213 | 259,270 | 59.22 | (11.21) |
| Total ……………………………………………………… | 895,022 | 551,599 | 540,605 | 62.26 | 2.03 |
| Total assets ………………………………………………. | 1,631,470 | 1,118,055 | 792,882 | 45.92 | 41.01 |

On a consolidated bases Chimimport's total assets increase by a an average of 43% per year.

The main factor for this growth rate is the fast growth of CCB and the new companies acquired for the period of comparison. The value of tangible non-current assets and long-term financial assets owned by the group increases significantly for the period of comparison, which is related to fact that CCB increases its abilities for extension of long-term loans for mortgage and investment purposes.

Current assets increase by 62.26% in 2006 against 2005, for which the most significant share in terms of growth in percentage have the accounts receivable, but as an absolute figure the amount of current financial assets and cash

***Equity and Liabilities***

The tables below show the main groups of Chimimport's liabilities and equity structure as of 31 December 2006, 2005 and 2004, as well as the percentage of change for each position on an individual and consolidated basis.

*Individual Financial Data*

| | As of 31 December | | | Change | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006/2005 | 2005/2004 |
| | *(BGN in thousands)* | | | *(%)* | |
| **Equity** | | | | | |
| Share capital ……………………………………………... | 130,000 | 60,000 | 20,000 | 116.67 | 200.00 |
| Capital not paid up ................................................. | - | (2,082) | - | - | - |
| Increase of capital contributions ……………………… | - | 58,916 | 37,916 | - | 55.39 |
| Share premiums ……………………………………….. | 32,925 | - | - | - | - |
| Other reserves ……………………………………………. | 7,125 | 7,596 | 7,612 | (6.20) | (0.21) |
| Retained earnings ……………………………………….. | 36,709 | 14,254 | 2,028 | 157.53 | 602.86 |
| Current financial result …………………………………. | 29,236 | 22,454 | 12,275 | 30.20 | 82.92 |
| Total equity ………………………………………………. | 235,995 | 161,138 | 79,831 | 46.46 | 101.85 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Long-term bank receivables …………………………… | 1,723 | 4,062 | 5,319 | (57.58) | (23.63) |
| Long-term accounts payable ………………………….. | 8,502 | 7,265 | 8,901 | 17.03 | (18.38) |
| Long-term liabilities to related parties ………………. | 7,760 | - | 8,807 | 100.00 | (100.00) |
| Other non-current liabilities …………………………… | - | - | 5,353 | - | (100.00) |
| Deferred tax liabilities ………………………………….. | 539 | 825 | 352 | (34.67) | 134.37 |
| Total ……………………………………………………… | 18,524 | 12,152 | 28,732 | 52.44 | (57.71) |
| **Current liabilities** | | | | | |
| Current liabilities to related parties ………………….. | 21,860 | 27,131 | 7,905 | (19.43) | 243.21 |
| Short-term bank receivables …………………………… | 10,339 | 7,339 | 7,374 | 40.88 | (0.47) |
| Accounts payable ……………………………………….. | 7,773 | 15,786 | 12,386 | (50.76) | 27.45 |
| Tax payable ……………………………………………… | 1,895 | 137 | 63 | 1 283.21 | 117.46 |
| Liabilities to employees and insurance institutions .. | 524 | 21 | 14 | 2 395.24 | 50.00 |
| Other liabilities ………………………………………….. | 16,745 | 11,085 | 28,415 | 51.06 | (60.61) |
| Total ……………………………………………………… | 59,136 | 61,499 | 56,157 | (3.84) | 9.51 |
| Total liabilities ………………………………………….. | 77,660 | 73,651 | 84,889 | 5.44 | (13.24) |
| Total equity and liabilities …………………………….. | 313,655 | 234,789 | 164,720 | 33.59 | 42.54 |

Chimimport's non-current liabilities come from commercial and bank loans and funding from related persons for a term of more than one year. Commercial and bank loans received are for investment purposes and are related to the acquisition of means of transport (aircraft) for the needs of Hemus Air and for the purchase of the majority stake in the privatization of Oil and Gas Exploration and Production.

Long-term liabilities to related parties have arisen in connection with a revolving credit line with Chimimport Invest amounting to EUR 10 million for a term of 10 years.

Current liabilities for the period of comparison remain almost unchanged, with a net change for the three-year period of 5.30%.

There is a substantial increase in Chimimport's equity, which increases in 2006 by 195.62% against 2004.

The change is related both with the increase of share capital from BGN 57,916,000 in 2004 to BGN 130,000,000 in 2006, and with the generated profit in this three-year period amounting to BGN 34,681,000 and the premium reserve of BGN 32,925,000 following the public offering of shares in the autumn of 2006.

*Consolidated Financial Data*

| | As of 31 December | | | Change | |
|---|---|---|---|---|---|
| | **2006** | **2005** | **2004** | **2006/2005** | **2005/2004** |
| | | *(BGN in thousands)* | | *(%)* | |
| **Equity** | | | | | |
| **Equity owned by Chimimport's shareholders** | | | | | |
| Share capital ……………………………………………...... | 130,000 | 60,000 | 20,000 | 116.67 | 200.00 |
| Capital not paid up ………………………………………… | - | (2,082) | - | - | - |
| Increase of capital contributions ………………………… | - | 58,916 | 37,916 | - | 55.39 |
| Share premiums ……………………………………………. | 32,925 | - | - | - | - |
| Other reserves ……………………………………………… | 3,199 | 8,699 | 7,612 | (63.23) | 14.28 |
| Financial result form preceding periods ……………….. | 70,617 | 42,172 | 17,215 | 67.45 | 144.97 |
| Current financial result …………………………………… | 53,330 | 27,756 | 26,136 | 92.14 | 6.20 |
| | 290,071 | 195,461 | 108,879 | 48.40 | 79.52 |
| Minority interest ………………………………………….. | 61,033 | 40,540 | 26,591 | 50.55 | 52.46 |
| Total equity ………………………………………………... | 351,104 | 236,001 | 135,470 | 48.77 | 74.21 |
| Specialized reserves ……………………………………….. | 38,122 | 22,944 | 12,135 | 66.15 | 89.07 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Liabilities to insured persons …………………………….. | 40,061 | 24,525 | 16,190 | 56.94 | 51.48 |
| Long-term financial liabilities …………………………… | 337,667 | 25,527 | 31,817 | 1 222.78 | (19.77) |
| Long-term liabilities to related parties outside the Group ………………………………………… | 7,760 | - | 8,807 | 100.00 | (100.00) |
| Other non-current liabilities …………………………….. | 1,024 | 5,534 | 11,505 | (81.50) | (51.90) |
| Deferred tax liabilities ……………………………………. | 1,349 | 1,825 | 1,231 | (26.08) | 48.25 |
| Total ……………………………………………………….. | 387,861 | 57,411 | 69,550 | 575.59 | (17.45) |
| **Current liabilities** | | | | | |
| Short-term financial liabilities ………………………….. | 771,569 | 737,737 | 507,965 | 4.59 | 45.23 |
| Liabilities to related parties outside the Group ……….. | 1,037 | 1,945 | 389 | (46.68) | 400.00 |
| Accounts payable ………………………………………….. | 81,777 | 62,017 | 67,373 | 31.86 | (7.95) |
| Total ……………………………………………………….. | 854,383 | 801,699 | 575,727 | 6.57 | 39.25 |
| Total liabilities ……………………………………………. | 1,242,244 | 859,110 | 645,277 | 44.60 | 33.14 |
| Total equity and liabilities ……………………………….. | 1,631,470 | 1,118,055 | 792,882 | 45.92 | 41.01 |

Liabilities under the consolidated statement of Chimimport amount to BGN 1,242,244,000 in 2006 against BGN 859,110,000 for 2005 and BGN 645,277,000 for 2004.

The main source of liabilities in the consolidated statement of Chimimport is CCB, and at the same time there is a significant increase in liabilities to insured persons and to a lesser degree accounts receivable and other receivables. The group's equity also increases significantly, reaching BGN 351,104 in 2006, including BGN 290,071,000 owned by Chimimport's shareholders and BGN 61,033,000 owned by the minority interest in the group.

The following tables show the interest of the individual business segments in the assets and liabilities of the consolidated statement for the years 2004, 2005 and 2006.

**Business Segments**

| 31 DECEMBER 2004 | Manufacturing BGN '000 | Commerce BGN '000 | Transport BGN '000 | Insurance BGN '000 | Banking BGN '000 | Finances BGN '000 | Pension funds BGN '000 | Consolidation BGN '000 | Group BGN '000 |
|---|---|---|---|---|---|---|---|---|---|
| Segment assets | 77,989 | 18,200 | 44,751 | 26,410 | 555,827 | 266,086 | 20,449 | (216,830) | 792 882 |
| **Total consolidated assets** | **77,989** | **18,200** | **44,751** | **26,410** | **555,827** | **266,086** | **20,449** | **(216,830)** | **792 882** |
| Segment liabilities | 33,609 | 12,833 | 16,506 | 17,126 | 497,415 | 85,752 | 16,355 | (34,319) | 645 277 |
| **Total consolidated liabilities** | **33,609** | **12,833** | **16,506** | **17,126** | **497,415** | **85,752** | **16,355** | **(34,319)** | **645 277** |

**Business Segments**

| 31 DECEMBER 2005 | Manufacturing BGN '000 | Commerce BGN '000 | Transport BGN '000 | Insurance BGN '000 | Banking BGN '000 | Finances BGN '000 | Pension funds BGN '000 | Consolidation BGN '000 | Group BGN '000 |
|---|---|---|---|---|---|---|---|---|---|
| Segment assets | 102,184 | 59,416 | 82,734 | 43,744 | 809,023 | 337,592 | 30,315 | (346,953) | 1 118 055 |
| **Total consolidated assets** | **102,184** | **59,416** | **82,734** | **43,744** | **809,023** | **337,592** | **30,315** | **(346,953)** | **1 118 055** |
| Segment liabilities | 48,741 | 22,482 | 20,099 | 27,763 | 728,095 | 74,987 | 24,867 | (64,980) | 882 054 |
| **Total consolidated liabilities** | **48,741** | **22,482** | **20,099** | **27,763** | **728,095** | **74,987** | **24,867** | **(64,980)** | **882 054** |

**Business Segments**

| 31 DECEMBER 2006 | Manufacturing BGN '000 | Commerce BGN '000 | Transport BGN '000 | Insurance BGN '000 | Banking BGN '000 | Finances BGN '000 | Pension funds BGN '000 | Consolidation BGN '000 | Group BGN '000 |
|---|---|---|---|---|---|---|---|---|---|
| Segment assets | 135,740 | 92,891 | 147,484 | 80,127 | 1,131,987 | 439,570 | 49,856 | (446,185) | 1,631,470 |
| **Total consolidated assets** | **135,740** | **92,891** | **147,484** | **80,127** | **1,131,987** | **439,570** | **49,856** | **(446,185)** | **1,631,470** |
| **Specialized reserves** | **-** | **-** | **-** | **37,787** | **-** | **-** | **335** | **-** | **38,122** |
| Segment liabilities | 74,094 | 47,636 | 48,053 | 8,862 | 1,015,347 | 82,065 | 40,157 | (73,970) | 1,242,244 |
| **Total consolidated liabilities** | **74,094** | **47,636** | **48,053** | **8,862** | **1,015,347** | **82,065** | **40,157** | **(73,970)** | **1,242,244** |

## DESCRIPTION OF THE SHARES AND APPLICABLE BULGARIAN LEGISLATION

### Introduction

The following is a description of the principal rights attaching to the Shares, certain material provisions of the Issuer's articles of association, the Bulgarian Public Offering of Securities Act 1999 and the Commercial Act 1991 in effect at the date of this document.

The Public Offering of Securities Act requires the shares issued by a public company to be in registered and uncertified form. Respectively the issue and transfer of the Shares takes effect on the registration of the issue or transfer, as the case may be, with the Central Depositary, which is the Bulgarian registrar of book-entry securities.

Pursuant to the Articles of association of Chimimport, the latter may issue: (i) ordinary (non-preferred) shares; and (ii) preferred shares (with or without voting rights) entitling their holders to guaranteed and/or additional dividend, to a redemption privilege, as well as to all other preferences allowed pursuant to the effective laws. The Issuer cannot issue preferred shares entitling their holders to more than one vote or to additional liquidation quota.

Each of the Shares issued by the Issuer as of the date of this document is ordinary (non-preferred) and ranks *pari passu* amongst themselves. Each Share entitles its holder to one vote at a general meeting of shareholders, to dividends when declared and to participate in a liquidation of the Issuer in proportion to its nominal value.

### Objects

The general objects of the Issuer as set out in its articles of association are:

- import, export, re-export and other commercial operations with oil, chemical, oil and petro-chemical products and all other goods, which are not prohibited by law;
- commission, delivery and store activities, commercial representation and mediation;
- sale of goods produced by the Issuer;
- acquisition, management and sale of shares in Bulgarian and foreign companies;
- acquisition, management and sale of bonds;
- financing of the companies, in which the Issuer participates;
- tourism activities – management of hotels, restaurants, tourist agency and additional tourist activities.

### Share Capital

At the date of this document, the Issuer's issued and outstanding share capital was BGN 130,000,000 comprising 130,000,000 Shares of BGN 1 nominal value each. All the issued and outstanding Shares are fully paid-up. After the successful completion of the Offering the Issuer's issued and outstanding share capital is expected to be BGN 150,000,000 comprising 150,000,000 Shares of BGN 1 nominal value each.

The following table shows the issued and outstanding share capital of Chimimport and the number of issued Shares at the dates indicated:

| | Number of issued Shares | Paid-up share capital (BGN) |
|---|---|---|
| 31 December 2004 ........................................................................ | 20,000,000 | 20,000,000 |
| 31 December 2005........................................................................ | 60,000,000 | 60,000,000 |
| 31 December 2006 [(1)].................................................................... | 130,000,000 | 130,000,000 |
| 30 June 2007 ................................................................................ | 130,000,000 | 130,000,000 |

(1) As of April 2006 the type of the Shares is changed – from certificated to uncertified registered.

**Issuance of Shares**

Pursuant to the law, the Articles of association of a company may delegate authority to the Board of Directors or to the Management Board under a two-tier management system to allot new shares for a period of not more than five years. The issued share capital of a Bulgarian public company may be increased by:

- the subscription of shares pursuant to a rights issue;
- the issue of shares on conversion of a convertible bond; or
- the payment of a dividend *in specie* in the form of new shares in the relevant company.

In general, any increase in the issued share capital of Chimimport requires prior shareholder approval. To increase the Issuer's share capital, the articles of association require a shareholder resolution to be passed by the holders of at least two-thirds of the shares present at the meeting. In addition, the articles of association of Chimimport contains authorisation of the Management Board, subject to approval by the Supervisory Board, to adopt decisions for increase of the Issuer’s capital up to BGN 150,000,000 within a five-year period through issuance of new ordinary or preferred shares, see *“General information – Capital increase and approval of this Prospectus”*.

***Rights Issue***

A public offering of shares pursuant to a rights issue requires the publication of a prospectus containing detailed information relating to both the company in question and the shares offered. The prospectus must be approved by the Financial Supervision Commission.

For more information, see "*Description of the Shares and Applicable Bulgarian Legislation—Pre-emption Rights*".

***Issue of Convertible Bonds***

The procedure for a rights issue also applies to an issue of convertible bonds by a public company.

A resolution of the shareholders in the general meeting approving a new issue of convertible bonds is effective only upon the approval of the new issue of bonds by any holders of existing convertible bonds. The issue of convertible bonds may be adopted by the general meeting of the shareholders or if by the Management Board, subject to approval by the Supervisory Board, for a five-year term (starting from 10 April 2006) and up to 100 million leva or equivalent in other currency.

***Stock in Shares***

The shareholders in a general meeting have the authority to resolve to issue new shares by declaring a dividend *in specie* in the form of new shares within three months of the adoption by the shareholders in the general meeting of the audited annual financial statements of the public company for the preceding financial year. The newly issued shares are distributed *pro rata* amongst the shareholders based on their existing shareIssuers prior to the capital increase. Only persons who hold or have acquired issued shares at the date which is fourteen days after the shareholder resolution to increase the share capital, corresponding to the date for dividend right acquisition (the "**Ex-dividend date**") have the right to be issued with new shares.

### *Registration of Increases in Share Capital*

An increase in the share capital effected by any of the above methods is effective at the date of the registration of the share capital increase at the Bulgarian Commercial Court. The new shares are issued at the date of the registration of the capital increase at the Central Depositary.

## Pre-emption Rights

Each holder of Shares has pre-emptive rights to subscribe for any new shares issued by the Issuer *pro rata* to its existing holdings of Shares. Under Bulgarian law, pre-emption rights of shareholders in public companies may not be misapplied in any way.

Pre-emption rights on a rights issue accrue to those persons registered as shareholders at the Central Depositary on the Ex-dividend date. However, the pre-emption rights may instead accrue to those persons registered as shareholders at the Central Depositary on the 7th day after the publication of the announcement the offering of new shares and rights related to them if the Management body resolves on the capital increase. On the business day following the ex-dividend date (or the seventh day after the announcement, as appropriate) the Central Depositary opens rights accounts in the name of the relevant shareholders based on the register at the Central Depositary at such date.

The first date on which pre-emption rights may be exercised to subscribe for new shares or traded on the BSE is required to be specified in the announcement of the rights issue. The final date for the exercise of pre-emption rights must be between fourteen and thirty days from the date set for the first exercise of such rights. All rights not exercised within this time are offered to the public by means of an auction organised by the BSE five business days after the final date on which rights may be traded. This auction is open for a period of one day. Any right acquired pursuant to the auction must be exercised within ten business days of the auction.

## Share Buy-backs

Chimimport may buy back its shares subject to the approval of two thirds of the votes cast at the General meeting of shareholders. The details of the redemption (including the maximum number of shares to be redeemed, the procedure for redemption and the timetable, which may be up to 18 months) must be specified in the resolution. The shareholders' resolution must be registered at the Bulgarian commercial court and published in the State Gazette.

A share buy-back may only take place if the Issuer's net asset value after the buy-back would be equal to or higher than the total of the Chimimport's issued capital, its reserves and all other funds which the Issuer is required to maintain pursuant to its articles of association.

As a public company, Chimimport may reduce its share capital by purchasing and cancelling its own shares. A public company may only buy back more than 3% of its issued shares during any calendar year by way of a tender offer. The public company is obliged to notify preliminary the Financial Supervision Commission and to disclose to the public pursuant to the Regulated Information disclosure requirements, information on the shares subject to buy-back within the 3% limitation.

The aggregated nominal value of the shares repurchased may not exceed 10% of Chimimport's issued share capital and the Issuer will transfer any excess shares above the 10% limit within three years. If the Issuer holds more than 10% of its issued share capital at the end of that three year period, it must cancel shares until repurchased shares in its capital decrease to 10% or less.

## Reduction of Share Capital

The shareholders in the General meeting may resolve to reduce the issued share capital of Chimimport. The Issuer's Articles of association require a resolution to be passed by a majority of two thirds of holders of the shares present at the meeting.

To reduce the Issuer's share capital, the shareholders' resolution must be published in the State Gazette, explaining that Chimimport is obliged to repay or secure its obligations towards any creditor which objects to the reduction in writing within three months. The reduction of share capital is required to be registered at the Bulgarian Commercial Court after the end of this three-month period and is effective at the date of such registration. Payments to shareholders resulting from the reduction of share capital may be made only after this registration and the repayment or creation of security in favour of any objecting creditors.

The above provisions do not apply if the reduction of share capital is effected: in order to cover losses; by redemption of fully paid-up shares for no consideration; or against payment not exceeding the sum of earnings for the relevant year, accumulated retained earnings and excess of reserves over mandatory requirements less retained losses and instalments which the Issuer is obliged to pay as reserves.

**Transfer of Shares**

Transfer of Shares is perfected as of its registration in the Central Depository. Any agreement for purchase or sale of shares, issued by a public company, may be concluded only on a regulated security market (i.e. on the BSE) or registered on a regulated security market (BSE) by an investment intermediary, licensed by the Financial Supervision Commission or by an investment intermediary having its seat in another member state if the latter has notified the Commission pursuant to the rules set forth in the law on its intention to perform activities in Bulgaria through a branch or by means of free rendering of services.

Inheritance or endowment of shares is effectuated as of transaction's registration in the Central Depository by an investment intermediary, acting as a registration agent. Shares may be pledged with filing of a non-possessory registered pledge with the Central Depository.

**Major Transactions and Related Party Transactions**

Under the Public Offering of Securities Act 1999, persons who manage or represent a public company may not, without the prior shareholders' approval, enter into transactions as a result of which: (i) the company acquires, transfers, receives or grants for use or creates a security interest over the company 's fixed assets; (ii) the company incurs obligations to a person or a group of related persons; or (iii) receivables are due to the company from a person or a group of related persons, in each case, where the value exceeds:

- one-third of the lower of the value of the company 's assets in its last audited or its last prepared balance sheet (major transactions); or
- in the case of a transaction with an "interested party" - 2% (0.2% if receivables are due to the company) of the lower of the value of the company 's assets in its last audited or its last prepared balance sheet;

For the purposes of the above, the following are considered to be "interested parties" (1) the members of the Management Board and the members of the Supervisory Board of the company, (2) any procurator of the company and (3) any person who directly or indirectly is entitled to at least 25% of the votes at the general meeting of shareholders of the company or who otherwise controls the company, when such person or a group of persons related to such person:

- is a party or an intermediary to the transaction, or the transaction is carried out for its benefit; or
- directly or indirectly is entitled to at least 25% of the votes at a general meeting of shareholders of a person who is a party or an intermediary to the transaction, or the transaction is carried out for its benefit, or controls a legal entity, which is a party or an intermediary to the transaction, or to the transaction is carried out for its benefit; or
- is a member of the Management or Supervisory Board, or a procurator of a legal person falling within the preceding paragraph.

In the case of a transaction to acquire or dispose of fixed assets, a majority of three quarters or more of the votes cast at the general meeting of shareholders is required and, in all other cases, a simple majority of the votes cast is required. Any interested parties-shareholders are not permitted to vote the decision for approval at the general meeting.

Transactions between a public company and interested parties which do not require prior shareholder approval are subject to prior approval by the company's Management body, with any interested members of the Management body not permitted to vote.

In determining whether prior shareholder approval for transactions of considerable value or related party transactions is required, individual transactions of the public company with a person or related group of persons which individually are below the threshold for requiring shareholder approval are aggregated with other transactions with the same person or group of related persons in the previous three calendar years.

Any transaction involving interested party may only be executed at market price.

Pursuant to the law a prior shareholders' approval of the transactions specified above is not required:

- for transactions effected in the ordinary course of the public company's business, including agreements for bank credits and collateral unless an interested party is involved or otherwise participates in such agreements;
- for loans from a Issuer to the public company and for deposits from subsidiary company, where the terms are no less favourable than those available in the domestic market;
- where there is a common enterprise agreement under the Public Offering of Securities Act 1999.

If a major transaction or a related party transaction requires prior shareholders' approval, the Management body of a public company is required to provide a report to the general meeting on the expediency and the transaction contemplated.

Any transaction with an interested party or major transaction which is entered into in breach of the requirements of the Public Offering of Securities Act 1999 is void.

**Meetings of Shareholders**

***Convening of a General Meeting of Shareholders***

The Management Board and the Supervisory Board of the Issuer each have the power to convene a General meeting of shareholders. Shareholders Issuer at least 5% of the Shares also have the power to require convening of a general meeting. In addition, shareholders Issuer at least 5% of the Shares for at least a three month period are entitled to add items to the agenda for the general meeting. In the event Chimimport were to fail to call a general meeting on the request of the required number of shareholders, the regional court is empowered to call or to empower a representative of the shareholders to call the meeting

An annual General meeting of shareholders is required to be held within six months of the end of the Issuer's fiscal year. An extraordinary General meeting of shareholders may be convened at any time by giving the requisite notice to shareholders. This notice must contain the Issuer's name and headquarters, the place, date and time of the meeting, the type of the meeting (i.e. annual or extraordinary), information of the formalities that must be complied with for participation at the meeting and for exercise of voting rights, an agenda and draft resolutions; information on the total number of the shares and voting rights at the general meeting, as well as the right of the shareholders to participate at the general meeting. The notice and other documents related to the agenda of the General meeting must be filed at the Financial Supervision Commission, BSE and the Central Depository no later than 45 days prior to the date of the General meeting. Any items added to the agenda at the request of a shareholder Issuer more than 5% of the shares must also be filed at the Financial Supervision Commission. The Financial Supervision Commission and BSE make the notice and the other documents related to the agenda available to the public, typically by publishing these documents on their respective websites. The notice must also be published in the State Gazette and in one central daily newspaper at least 30 days before the date of the general meeting and the other documents related to the agenda made available to shareholders at Chimimport on the same day. General meetings are required to be held in Sofia, being the city in which the Issuer's headquarters are located.

Each Share confers the right to cast one vote at the General meeting. Public companies are prohibited from issuing preference shares entitling their holders to more than one vote. The right to vote at the General meeting is conferred on those persons registered at the Central Depositary as shareholders 14 days prior to the date of the meeting (the "**Voting Record Date**"). A purchaser of shares registered at the Central Depositary after the Voting Record Date is not entitled to vote. The Central Depositary submits a list of the shareholders at the Voting Record Date to Chimimport. The entry of the persons in this list is the only prerequisite to their participation in the general meeting of shareholders and to the exercise of the voting rights attaching to their shares. Persons entitled to vote may attend the meeting in person or through an authorised proxy who is granted a power of attorney. The power of attorney to the proxy must be explicit, certified by a notary public and comply with other legal requirements. The Issuer is obliged to submit a paper or electronic /where appropriate/ form of the written power of attorney together with the other documents related to the agenda or upon request after the convening of the general meeting. No members of either the Supervisory Board or the Management Board may act as a shareholder’s proxy at the general meeting. Provided they are not shareholders, members of the Management Board and Supervisory Boards may attend and speak at a general meeting of shareholders but do not have voting rights.

***Quorum***

The Articles of association of Chimimport provide that the shareholders in the general meeting can pass resolutions if the holders of at least one half of the capital are represented at the meeting. In the event that a quorum is not present, the meeting is adjourned and a new meeting may be scheduled not earlier than 14 days from the date of the adjourned meeting. The re-convened meeting may pass resolutions irrespective of the number of shares represented at the meeting.

***Majority***

The Articles of association of Chimimport provide that the following shareholders’ resolutions require the approval of two-thirds of the voting shares present at the meeting:

- any amendment to, or supplementing of, the Articles of association;
- an increase or reduction in the share capital;
- termination of the company.

The approval of three-quarters of the shares represented at the General meeting of shareholders is required for the approval of transactions for acquisition of and disposal with fixed assets of a value representing over 1/3 of the Issuer’s assets and in case of participation of related party – over 2% of the assets. Also, the approval of three-quarters of the shares voted at the general meeting of shareholders is required to resolve to pay a dividend *in specie* in the form of new shares, and for resolution for transfer of the whole trade enterprise of Chimimport. In accordance with the provisions of the Commercial Act, the approval of three-quarters of the shares represented at the general meeting of shareholders is also required for transformation of the Issuer.

All other shareholders’ resolutions may be passed by a simple majority of the shares voted at the general meeting.

Any transformation of the Issuer requires the prior written approval of the Financial Supervision Commission. The Financial Supervision Commission has the power to issue a "stop order" or a compulsory instruction or injunction to the Issuer if any resolution of the shareholders in the general meeting or resolution of the Management Board or Supervisory Board is found to be illegal. The Financial Supervision Commission may make such an order if a resolution of the Management Board or Supervisory Board would be detrimental to the interests of shareholders or other investors.

Amendments of and supplements to the Articles of association and the winding-up of the Issuer are effective as of the registration of the resolution at the Bulgarian commercial court. Any increase or reduction of capital, transformation transactions, appointment or removal of a member of the Management

Board or the Supervisory Board and the appointment of a liquidator only take effect for third parties at the date of the registration of the relevant resolution at the Bulgarian Commercial Court.

**Dividends and Distributions**

A resolution relating to the distribution of earnings in the form of dividends is subject to the approval of the shareholders in the General meeting following the approval of the audited annual financial statements for the relevant financial year. Distribution and payment of interim dividends is not permitted.

Dividends may only be paid if the Issuer's total assets less long-term and current liabilities and less the proposed dividend is not less than the sum of the Issuer's issued capital and reserves, each as set out in the Issuer's audited annual financial statements. Payment of dividends may be made up to the sum of earnings for the relevant financial year, accumulated retained earnings and the excess of reserves over mandatory requirements less retained losses and instalments which Chimimport is obliged to pay to reserves. A public company is obliged to commence payment of approved dividends to its shareholders within three months from the date of the general meeting of shareholders at which the resolution approving the annual financial statements and for distribution of the earnings in the form of a dividend is passed.

Each Share entitles its holder to a dividend based on the Share's nominal value. The right to receive a dividend is held by each person registered at the Central Depositary as a shareholder at the Ex-dividend date. The Central Depositary submits a list of the shareholders at this date to the Issuer. The entry of the persons in this list is the only prerequisite to payment of a dividend. Persons who are entitled to receive dividends but who fail to exercise their right within five years from the due date for payment forfeit their right to payment.

**Liquidation**

Chimimport may be wound-up by:

- the approval with two-thirds majority from the holders of all issued shares present at the General meeting;
- when Chimimport has been declared bankrupt; or
- a resolution of the court of a procedure initiated by the public prosecutor if (i) the objects of the Issuer are illegal, (ii) the Issuer's total assets less long-term and current liabilities are less than the issued capital for a period of one year during which no resolution for a reduction of the issued capital, transformation or winding-up is passed by the shareholders in general meeting, or (iii) the number of members of the Supervisory Board or the Management Board falls below the minimum legal requirement for six consecutive months.

Following the winding-up of the Issuer (other than in the case of bankruptcy proceedings) a liquidation procedure is followed. A liquidator is appointed and its remuneration is approved by the shareholders in the General meeting (other than in the case of compulsory liquidation). A liquidator is obliged to give effect to the Issuer's current transactions, to collect the receivables of the Issuer, and to sell the Issuer's assets and to satisfy the claims of creditors. A liquidator is obliged to invite creditors to claim against Chimimport by an announcement in the State Gazette and by a notice sent to all known creditors. Distribution of the Issuer's assets, if any, to its shareholders may be made only after six months from the date of this announcement and the satisfaction of all creditors' claims.

Each Share entitles its holder to participate in the liquidation *pro rata* to the Share's nominal value. This right arises only if, after the liquidation of the Issuer and satisfaction of all other creditors' claims, assets are available for distribution to the shareholders. Bulgarian public companies are not permitted to issue preference shares entitling their holders to preferential rights on liquidation.

**The Supervisory Board and the Management Board**

The articles of association of Chimimport provide for a two-tier Management system consisting of a Supervisory Board and a Management Board. Members of the Supervisory and Management Board may be either individuals or legal entities.

***The Supervisory Board***

Bulgarian law and the Issuer's Articles of association provide that a Supervisory Board must consist of at least three and not more than seven persons. The members of the Supervisory Board may be appointed and dismissed by a resolution passed by a simple majority of the present shares at the General meeting. The shareholders in the General meeting set their remuneration and approve the financial guarantee which each member of the Supervisory Board must give as a security for his or her obligations. Under Bulgarian Public Offer of Securities Act 1999 at least one third of the members of the Supervisory Board of the Issuer should be independent (i.e. they cannot be: (i) employees of Chimimport; (ii) shareholders that hold directly or indirectly through related parties at least 25% (twenty five percent) of the voting rights in the general meeting, or are parties related to Chimimport; (iii) persons having a long-term commercial relationship with Chimimport; (iv) members of Management or controlling body, procurators or employees of a commercial company or other legal entity falling under (ii) and (iii) above; (v) persons related to another member of one of the Boards of Chimimport).

The main powers of the Supervisory Board are the appointment and dismissal of the members of the Management Board, the approval of the resolutions of the Management Board to delegate the power to represent Chimimport to one or more of its members – executive directors and the on-going supervision of the activities of the Management Board. The approval of the Supervisory Board is also required for resolutions of the Management Board for:

- capital increase through issuance of new ordinary or preference shares;
- the issue of bonds, including convertible;
- closing or transfer of enterprises, or significant parts thereof;
- material change in the Issuer's activities;
- material organisational changes;
- long-term collaboration of a significant meaning for the Issuer or termination of such a collaboration;
- opening of branches.

The Articles of association of Chimimport require a quorum of at least half of all members of the Supervisory Board and provide for resolutions to be passed by simple majority unless the law require otherwise.

***The Management Board***

Bulgarian law and the articles of association of Chimimport provide that the Management Board should consist of at least three and not more than nine persons. The members of the Management Board may be appointed and dismissed by the Supervisory Board. The remuneration and the guarantees for the management of members of the Management Board are approved by the General meeting of shareholders.

The Articles of association of Chimimport provide that a quorum of at least half of all Management Board members is necessary for a valid meeting and for passing of resolutions. A simple majority of the members of the Board present at the meeting is sufficient for passing resolutions unless the law or the Articles of association require otherwise. The Management Board can, with the approval of the Supervisory Board, authorise one or more Executive Directors to represent the Issuer and to take responsibility for its operative management. Board members may be re-elected without limitation and be dismissed at any time by the Supervisory Board. The members of the Management Board and of the Supervisory Board of the Issuer: (i) must not have been convicted of certain crimes; (ii) must not have been a member of the Management or supervisory body or unlimited liability partner in a company terminated by reason of bankruptcy if there were any unsatisfied creditors.

**Certain Disclosure Requirements under Bulgarian Law**

Pursuant to the Public Offer of Securities Act 1999, each shareholder who has acquired or transferred directly and/or pursuant to Art. 146 POSA interest in the general meeting of the Issuer, shall be obliged to inform the Issuer and the Financial Supervision Commission if: (1) as a result from the acquisition or transfer his or her voting rights reach or fall below 5% or increases or decreases by 5% or a multiple of 5%; (2) his or her voting rights reach or fall below the limits set in item (1) as a result from circumstances related to changes in the total voting rights based on the information disclosed by Chimimport upon each change in the capital pursuant to Art. 112e POSA.

The voting rights are calculated on the grounds of the total number of the voting shares notwithstanding the limitations of the execution of the voting rights. The calculation is made separately in respect of each class of shares.

In some cases the requirements for disclosure do not apply, for instance in respect of the voting rights attached to shares that are acquired solely for the purpose of implementation of the clearing and settlement within the frames of the common settlement cycle /the latter cannot be longer than 3 business days after execution of the transaction/ as well as in respect of shares held by custodians if they are authorized to exercise the voting rights attached to the shares only in accordance with the order of the client given in writing or in electronic form.

The obligation for disclosure has to be implemented immediately, but not later than 4 business days after the day that follows the day in which the shareholder or the beneficiary owner of the voting rights: (1) understands the fact of the acquisition, transfer or the possibility to exercise the voting rights; (2) is notified that his or her voting rights has reached or fallen 5% or a multiple of 5% of the voting rights at the general meeting as a result from circumstances related to changes in the total number of the voting rights based on the information, disclosed pursuant to Art. 112e POSA. The persons who own directly or indirectly financial instruments entitling them to acquire voting shares at their own discretion and on the grounds of a contract in writing are also obliged to disclose the above information.

Chimimport is obliged to disclose to the public the information received pursuant to this section within 3 business days after the day, in which it has been notified.

The members of the Management and supervisory bodies of a public company are obliged to declare to the company, the Financial Supervision Commission and to BSE: (i) the legal entities in which they own, directly or indirectly, 25% or more of the voting rights or over which they exercise control; (ii) the legal entities in which they participate in the supervisory or management bodies or are appointed as procurators; and (iii) the present and future transactions in respect of which they believe that they could be qualified as "interested" parties. Failure to comply with the above requirements is an administrative offence under Bulgarian law.

## THE REPUBLIC OF BULGARIA

*The information contained in this section has been taken from documents and other publications released by, and presented on the authority of, various officials and other public and private sources, including participants in the capital markets and financial sector in Bulgaria. There is not necessarily any uniformity of views among such sources as to the information provided therein. Accordingly, Chimimport only accepts responsibility for accurately reproducing such extracts as they appear in this section. It accepts no further or other responsibility in respect of such information.*

### Background

Bulgaria is a parliamentary republic located in the Balkans occupying an area of 110 thousand square kilometres. Bulgaria has a population of approximately 7.7 million people. Approximately 85% of the population consists of ethnic Bulgarians, with 9% of the overall population being of Turkish origin. Approximately 86% of the population is Christian and the official language is Bulgarian, a Slavonic language written in the Cyrillic alphabet. Sofia, the country's largest city with a population of more than 1.2 million, is the capital of Bulgaria. Plovdiv, a city in south central Bulgaria with a population of approximately 400,000 people, and Varna, a port in the Black Sea with a population of approximately 350,000 people, are the two next largest cities. Bulgaria is divided into 28 regions for administrative purposes.

### Political Overview

Following the Second World War, a communist pro-Soviet regime was established in Bulgaria. In November 1989, after the collapse of the communist system, Bulgaria became a parliamentary republic. From 1989 until 1997, despite changes introduced by conservative, centrist and left-wing governments, the Bulgarian Socialist Party (the former Communist Party) maintained a certain influence over political developments in the country. Following the severe banking and economic crisis of 1996 and 1997, the interim government (as provided by the Bulgarian constitution) of Stefan Sofiansky began a wide-ranging economic reform programme, which was continued by the government of the Union of Democratic Forces (the "UDF") — a broad anti-communist coalition, which won a majority of the seats in parliament in mid-1997. By the end of 1999, political support for the UDF had eroded, delaying the implementation of the necessary structural measures required for the reform of the Bulgarian economy.

In April 2001, the former king of Bulgaria, Simeon Saxe-Coburg-Gotha, formed the Simeon II National Movement (the "SNM") and won a majority of seats in the parliamentary elections in June 2001. The SNM formed a coalition government along with the Movement for Rights and Freedom (the "MRF"), a party that represents the interests of Bulgaria's Turkish minority. In November 2001, Georgi Parvanov, the candidate supported by the Coalition for Bulgaria (a coalition led by the Socialist party) was elected as president for a five-year term, defeating the country's former president Petar Stoyanov, whose re-election was endorsed by the SNM and the UDF. In June 2005, the Coalition for Bulgaria (a coalition headed by the Socialist party) won 82 parliamentary seats out of a total of 240, with the SNM and the MFR winning 53 seats and 34 seats, respectively. As the Coalition for Bulgaria did not by itself gain control of a majority of votes, a wider coalition government was formed later in 2005 with the Coalition for Bulgaria joining forces with representatives of the SNM and the MRF, with Sergei Stanishev, the leader of the Bulgarian Socialist party, being elected as Prime Minister. Georgi Parvanov won a second five-year term in October 2006. The next presidential election is due in October 2010, while the next parliamentary election is due in June 2009.

The current government led by Sergei Stanishev has announced a comprehensive economic reform programme, the main objectives of which are further European integration, stimulation of economic growth and social responsibility.

The legislative system in Bulgaria follows the continental model. The Bulgarian constitution has supremacy over all other legislative acts. Bulgaria's Constitutional Court's main duty is to review the consistency of parliamentary legislation with the Bulgarian constitution. All international agreements ratified according to constitutional procedure and published in the State Gazette have binding force and have supremacy over national law. The recognition of foreign judgments by the courts depends upon both establishing reciprocity and the observance of the mandatory guidelines of the Civil Procedure Code.

Bulgaria was invited to join NATO at the NATO summit in Prague on 22 November 2002. On 18 March 2004 the Bulgarian Parliament ratified the North Atlantic Treaty and Bulgaria was officially recognised as a member of the alliance on 29 March 2004. In 2004, Bulgaria completed negotiations to join the EU. The accession treaty was signed in Luxembourg on 25 April 2005 and Bulgaria became a member of the EU on 1 January 2007. Despite Bulgaria’s EU membership, the European Commission will continue to monitor Bulgaria's progress in reforming the judiciary and fighting corruption. Bulgarians face greater restrictions on working abroad than did the previous wave of EU entrants.

**The Bulgarian Economy**

***Background***

Before 1989 Bulgaria had a centrally planned economy oriented towards the Council for Mutual Economic Assistance ("COMECON") countries. The collapse of COMECON in 1991 devastated the Bulgarian economy. In the early 1990s, the government embarked on an ambitious economic reform programme, whose progress was stalled by political instability and lack of decisiveness in economic policy. In the mid-1990s, the growing losses of Bulgarian corporations and banks, coinciding with increased domestic debt payments and Bulgaria's weak current account position, led to significant currency outflows resulting in a severe financial crisis in 1996. The value of banking sector deposits declined from $7.4 billion to less than $1.8 billion (at March 1997) and inflation peaked at a monthly rate of 242.35% in February 1997. The Bulgarian economy emerged from the crisis in 1997 following the provision of special facilities by the IMF.

***The Currency Board Arrangement***

As part of the IMF sponsored reforms, a Currency Board arrangement was established in July 1997 through the Bulgarian National Bank Act. The Lev was pegged to the Deutsche mark at the rate of DEM 1 = BGL 1,000. Following the introduction of the Euro and the redenomination of the Lev, the Lev was pegged to the Euro at an exchange rate of BGN 1.95583 to €1.00. The Lev is a fully convertible currency and is backed by the foreign exchange and gold reserves of BNB, which stood at €8.9 billion at 31 December 2006 and €9.6 billion at the end of the second quarter of 1997. Following the implementation of the Currency Board arrangement up to the date of this document, the Lev has not been subject to any significant speculative pressures.

The Currency Board arrangement stipulates a strict set of policies and procedures to facilitate the stability of the exchange rate. The entire Lev monetary base is supported by equivalent foreign exchange reserves held by BNB. The latter is not permitted to finance public sector deficits unless increased levels of international reserves back an increase in the money supply. BNB is also not allowed to buy or conduct repurchase agreement operations on Bulgarian government bonds. Lending to the banking system by BNB is restricted to cases of a liquidity crisis and up to the amount of foreign reserves held in excess of the monetary base. These restrictions reduce BNB's ability to act as lender of last resort for the banking system. The sole monetary policy instrument available to BNB is setting the mandatory reserve rate for commercial banks.

***GDP***

Following the financial crisis of 1996-1997, GDP has grown steadily since 1998 mainly as a result of increased consumer demand, domestic and foreign direct investments and increased exports. The actual increase in the GDP is expected to remain over 6% having in mind the fastly growing consumption, dynamic development of the financial sector and increased investors’ interest after accession of the country to the common European market.

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|
| Nominal GDP *(BGN million)* ... | 23,790 | 26,753 | 29,709 | 32,402 | 34,628 | 38,823 | 42,797 | 49,091 |
| Nominal GDP *($ billion)………* | 12.9 | 12.6 | 13.6 | 15.6 | 19.9 | 24.1 | 26.4 | 31.5 |
| Real GDP growth rate *(%)…….* | 2.3 | 5.4 | 4.1 | 4.9 | 4.5 | 5.7 | 5.5 | 6.1 |
| Nominal GDP per capita *($)…..* | 1,577 | 1,542 | 1,718 | 1,978 | 2,548 | 3,101 | 3,396 | 4,088 |

*Source: National Statistical Institute*

Bulgaria' s GDP is evenly balanced between the primary and industrial sector and the services sector, though there is an underlying growth trend in the weighting of the services sector. In 2006, services accounted for 48.8% of GDP, industry accounted for 25.6% and forestry and agriculture for 7%.

***Inflation***

Following the stabilisation of hyperinflation that emerged following the banking crisis in 1996 and 1997 and the implementation of the currency board arrangement, annual inflation has been relatively low. Annual (end of period) inflation for 2001, 2002 and 2003 was 4.8%, 3.8% and 5.6% respectively. Bulgaria ended 2004 with annual headline consumer price inflation of 4%. In 2005, inflation increased to 6.5% as a result of increasing fuel prices and rising food prices following severe flooding during the year.

Sharp increases in excise duties on alcohol and tobacco at the beginning of 2006 caused the prices of these goods to jump. An additional aggravating factor was the upward movement of world oil prices. As a result, at the end of 2006 inflation stood at 6.5%. Average inflation for 2006 was 7.3%.

***Employment, Wages, and Pensions***

The restructuring of state-owned enterprises and a significant downsizing of the public sector contributed to high unemployment rates immediately after the 1996-1997 crisis. Reaching 17.9% at the end of 2001, unemployment has fallen steadily, to reach 16.3% at the end of 2002, 13.5% at the end of 2003, 12.2% at the end of 2004, 10.7% at the end of 2005, 9.1%, at the end of 2006 and 8.4% at the end of April 2007. This drop is due to increased demand for labour on the primary labour market. The increasing number of the employed persons is the main reason for significant increase in the factor of the economic activity of the population, which has reached 51.3% in the first quarter of 2007 and is by 2.4 points higher than for the same period of 2006.

The tendencies observed in the past 2006 continue and develop since the beginning of 2007. The increased growth of the employment results mainly from the increased economic activity of the private sector. The number of the employees in the private firms and enterprises has increased by 9.6% in the first quarter of the present year or by 201 thousand as compared with the first quarter of the previous year. It is possible to explain partly the growth of the employment in the private sector by the continuing process of "legalisation" of the grey labour market, which has developed mainly in 2006 as a result from the reduction of the taxes and social security payments owed by the employers.

Since 2000 average wages have been rising steadily. Average monthly wages in the country were BGN 292 in 2004, BGN 324 in 2005, BGN 355 in 2006 and reached BGN 384 in the first quarter of 2007.

The average monthly wage, as reported by the National Statistics Institute, is usually higher in the public sector than in the private sector. It is widely believed that the disclosed income figures underestimate the actual level of disposable income of Bulgarian nationals, as they do not take into account significant proceeds arising from the operation of the informal economy.

The pension system was reformed in January 2000 with the aim of stabilising the existing pay-as-you-go system, and a fully-capitalised mandatory supplementary pension insurance scheme managed by private insurance funds was introduced. Bulgaria has a three-pillar pension system comprised of the state insurance institute, the mandatory private pension funds, and voluntary private pension funds.

***Balance of Payments, Foreign Trade and Foreign Direct Investments***

The Bulgarian current account deficit hit a record €3.978bn or 15.8% of GDP in 2006. It has increased by €1.356 bn. or 3.8%. The main reason for the worsening of the current account deficit is the increasing trade misbalance. Bulgaria's trade deficit also hit a record 21.8% of GDP versus 20.2% a year earlier, mainly due to the negative balance of trade in crude oil, oil derivatives and natural gas, which stands at €1.72bn. (7.1% of GDP) and which constitutes 32.6% of the overall trade deficit of the country. A positive sign for the development of exports and the competitive power of the Bulgarian economy is the accelerating of the annual exports up to 26.6% which for the first time for the last 3 years outstripped the nominal growth of the imports.

According to last reviews of historical data of the balance of payments, during the last 8 years the country is attracting enough foreign direct investment (FDI) to cover the shortfall - for 2006, equivalent to 103.5% of the current account deficit. The growing investor interest in the country generates the necessity for import of investment goods and raw materials and in the same time, by ensuring of income to Bulgarian citizens stimulates the import of consumer goods.

The attracted equity capital represents 52% of the FDI for 2006. In this year the foreign investments in immovable property reached 1.2 billion euro. The investments in the processing industry are at the amount of 777 million euro. The sector of the financial intermediation has attracted 627 million euro. From geographic point of view the biggest investments for the period are made by the United Kingdom (686 million euro), Holland follows by 668 million euro and Austria (448 million euro). From the beginning of this year the investors' interest in Bulgaria is retained – the resources attracted for the first five months reached 1.5 billion euro.

Selected items from the balance of payment of Bulgaria for the listed years

| | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **I-V 2007** |
|---|---|---|---|---|---|---|---|
| | | | | *(€ million)* | | | |
| Imports …………………. | 7492.6 | 7940.9 | 9093.8 | 10938.4 | 13876.1 | 17372.7 | 7626.3 |
| Exports …………………. | 5714.2 | 6062.9 | 6668.2 | 7984.9 | 9466.3 | 11982.6 | 4962.2 |
| Trade Balance ………….. | (1778.3) | (1878.0) | (2425.6) | (2953.5) | (4409.7) | (5390.1) | (2664.0) |
| Current Account ………... | (855.2) | (402.5) | (972.3) | (1306.9) | (2621.9) | (3977.9) | (2590.9) |
| Financial Account ……… | 755.0 | 1842.9 | 2325.1 | 2294.9 | 3560.1 | 5395.6 | 2630.5 |
| FDI in Bulgaria ………… | 903.4 | 980.0 | 1850.5 | 2735.9 | 3103.3 | 4104.5 | 1530.3 |
| Overall Balance of Payment ………………… | 425.3 | 717.1 | 630.3 | 1414.6 | 569.3 | 1785.6 | 315.8 |

*Source: Bulgarian National Bank*

Consumer goods, raw materials, investment goods and mineral fuels and oils accounted for 14.9%, 36.7%, 26.2% and 21.6% respectively of total imports in 2006. Close to half of all imports for 2006 (46.8%) came from the EU-25 countries, compared to 49.6% for 2005. Rising energy prices continue to drive up the share of imports from Russia, which reached 17.2% of all imports for 2006, compared to 15.6% in 2005 and 12.6% in 2004.

Raw materials have the biggest share in Bulgaria's exports (45.6% of total exports in 2006), of which almost half (47.4%) are metals. Consumer goods make up 24.6% of all exports, the main items being clothing and footwear. Exports of mineral fuels, oils and electricity (mostly petroleum products) made up 12.9% of total exports in 2006. Bulgaria's main export market is the European Union (55%), with Italy, Germany and Greece as the top three partners, accounting for 28.5% of total exports in 2006. Ahead of the three European countries is Turkey, which was Bulgaria's leading export destination for 2006 with 11.4% of total exports.

Foreign direct investment is the main contributor to Bulgaria's positive financial account balance. FDI in Bulgaria totalled €13bn in the period 2000-2006, €4bn of which was invested in 2006. Equity capital attracted during the year accounted for 52% of the figure. Foreign investments in real estate amounted to

€1.2bn in 2006. Investments in the processing industry totalled €777m, while the financial brokerage sector attracted €627m. Investments attracted from privatisation deals decreased to €212m. In terms of countries, the biggest investments in the period were made by the UK (€686m), followed by the Netherlands (€668m) and Austria (€448m).

For the first five months of 2007 the commercial balance has worsened again reflecting in increase of current account deficit up to 2590.9 million euro. This information has to be interpreted attentively because of the changes in the manner of reporting the export trading through the system Intrastat within the common EU market conditions. According to the BNB analyses for the period January – March 2007 90.4% of the firms obliged to file Intrastat declarations have implemented this obligation in respect of the exports; in respect of the imports 88.7% of the firms have filed declarations for the same period. 42.7% of the declarations of the imports do not contain information on the exported goods and 41.3% do not contain data of the imported goods. The data will gradually be revised and the expected delay is approximately three months after the end of the reported period.

***Public Finance***

Since 2003 the government has pursued a steady policy of accumulating budget surpluses to curb the balance of trade deficit and the deficit in the current account of the balance of payments. Despite the long period of implementation, this policy has failed as yet to produce the desired results – deficits are on a steady upward trend and the economy bears an extra tax and social security burden which limits its export potential. In the past year public finance was characterized by stability and the persistence of major trends established in previous periods. Among these are: the increased actual quota of reallocation through the budget, sustained chronic budget surpluses.

Fiscal surpluses are channelled to the fiscal reserve which at the end of 2006 amounted to BGN 1.8 bn. Its level was by 35.9% higher than this from the preceding year. The primary and internal balances have increased by 21.4% and 23.7% amounting to BGN 2.4 billion and respectively BGN 2.3 billion. The realisation of these surpluses was possible because of the good implementation of the income part as well as the limitation of a portion of the expenses.

For the first five months of 2007 the consolidated budget surpluses amounted to BGN 1.85 billion, which is higher than for the same period in the preceding year by 50.3%. The increase is due to the increase of income by 16.4% amounted to BGN 9.4 billion. The increase of the expenses was by 6.6% (amounting to BGN 7.3 billion). The primary and internal balances increased respectively by 53.5% and 58%. A positive change in fiscal policy was the lower corporate tax, down from 15 to 10 per cent, in effect from 1 January 2007.

***Indebtedness***

The increase in the gross external debt is directly related to the increased capital inflow in the country. The private unsecured debt at the end of 2006 stood at 60.4% of GDP); the respective level for the previous year being 45.4%. The largest share in this increase belongs to credits extended to non-financial institutions and intra-company loans. At the same time, the external debt of the public sector continues to go down reaching 17.9% of GDP (23.6% for 2005).

The tendencies from the previous year were sustained and at end May 2007 the state and state guaranteed debt were reduced to 3.9 billion euro, which constitutes a reduction by 16% per annum. The payment in advance of all remaining debt to ICF made in April (BGN 450 million) has a contribution to this situation, resulting in reduction of the external debt by 6.4%.

During the last years the credits granted to the private sector grows fast and this results in increase of the indebtedness of the private sector to the bank system of up to 57.5% of GDP in the middle of 2007.

According to BNB: "Nevertheless the quality indexes of the credit portfolios sustain good, the fast rate of growth of the bank credits leads to accumulation of a higher risk in the bank system." This was the motivation of the Management Board of BNB for imposing of restrictions on the monetary conditions through change in the level of the minimal mandatory reserves maintained by the banks in BNB. Starting from 1 September 2007 these reserves will be 12 per cent of the banks' deposit base. The increase is by 4 points or BGN 1.4 billion calculated over a deposit base amounting to BGN 35 billion. As a weakness could be considered the fact that the same approach has been used in respect of all banks, notwithstanding the different quality of their credit exposure.

***NATO and European Union Accession***

Bulgaria was invited to join NATO at the NATO summit in Prague on 22 November 2002. On 18 March 2004, the Bulgarian Parliament ratified the North Atlantic Treaty and Bulgaria was officially recognised as a full member of the alliance on 29 March 2004.

Bulgaria established diplomatic relations with the EU in 1988. In 1993, the European agreement on association was signed before entering into force in 1995. In December 1995, Bulgaria submitted its application for EU membership, and two years later preliminary negotiations were launched. The Commission presented its first regular report on Bulgaria's progress towards accession in November 1998. The second report, released in 1999, recommended that formal negotiations be opened.

Accession negotiations between Bulgaria and the EU started on 15 February 2000. Bulgaria concluded its accession talks on 15 June 2004, six months ahead of schedule. The technical closure of talks on the final two negotiating chapters had been completed on 14 June 2004.

In April 2005, the European Parliament gave its overwhelming support to Bulgaria's EU bid. On 25 April 2005, Bulgaria signed the country's EU Accession Treaty, which was ratified by parliament on 11 May. In October 2005, the Commission's monitoring report said that Bulgaria must serve six months of further probation and until April or May 2006 it must "take immediate and decisive corrective action" in the fields of judiciary reform and fighting high-level corruption.

In the next monitoring report, dated 16 May 2006, the Commission confirmed that Bulgaria had continuously been fulfilling the political criteria laid down in Copenhagen, and that the country was a functioning market economy. At the same time, on account of a total of six policy areas which continue to give rise to "serious concern," the Commission decided to review Bulgaria's reform progress in October 2006 and to decide based on that review whether the originally scheduled January 2007 accession date was still feasible. In its final monitoring report on 26 September 2006, the Commission gave the green light for Bulgarian accession in 2007, but insisted on further reforms. If the requirements are not met, the Commission can invoke safeguard measures, which could lead to the suspension of funds.

The final monitoring report by the Commission indicates tougher conditions on Bulgaria's entry in 2007. The country will be closely monitored on the remaining areas of concern. These include the justice system, the fight against corruption, politic co-operation and the fight against organised crime, money-laundering, integrated administrative control system for agriculture (IACS), transmissible spongiform encephalopathies (TSE), and financial control.

If these requirements are not met, the Commission has the right to invoke safeguards. Under the Accession Treaty, there are three types of safeguard measures: economic, internal market and JHA safeguards, which can be invoked up to three years after accession. These could involve food export bans and cuts to EU funds, such as agricultural and structural funds, as foreseen in the report. In addition, there are transitional arrangements, such as the restriction of free movement of workers from new member states. Also the Commission can take remedial measures to ensure the functioning of EU policies. This concerns the areas of food and air safety, agricultural funds, the judiciary and the fight against corruption.

Although the discussed possibility of imposing safeguard measures in some of the above mentioned areas, they were not imposed and Bulgaria was granted full membership in EU as of January 1st 2007.

The following aim of the central bank and the Bulgarian government is the entry of the country in the Common Currency Mechanism 2 and implementation of the Maastricht criteria within 2-year term, which is a necessary condition on accession to the Economic and Monetary Union and introduction of the Euro. The expectations that the entry in CCM 2 shall coincide with the accession to the EU fell short and the negotiation process continues up to now. According to many analysts' expectations Bulgaria shall be included in CCM 2 in 2008 but this shall depend to a great extent on the opinion of Ecofin on the steady development of the economy as a whole. After entry in CCM 2 the main challenge that the country shall face shall be compliance with the inflation criterion.

## BULGARIAN SECURITIES MARKET INFORMATION

### Capital Markets

#### *The Bulgarian Stock Exchange*

The trading of public securities is conducted on the Bulgarian Stock Exchange, which is currently the only regulated stock market in Bulgaria. At the end of 2006 the market capitalisation of the companies traded on the BSE reached 31.2% of Bulgarian GDP (source: the updated official prognosed GDP for 2006 of the Ministry of Finance).

The Bulgarian Stock Exchange was created following the merger of the largest stock exchanges in Bulgaria and was licensed in October 1997. The Bulgarian government controls 44% of the Bulgarian Stock Exchange's capital. Ownership of 20,000 shares in the Bulgarian Stock Exchange gives a shareholder the right to membership of the exchange.

Equity securities can be traded either on the Official Market or the Unofficial Market of the Bulgarian Stock Exchange. In general terms, the Official Market is aimed at large public companies with high market capitalisation and high volume of trade in their shares, whilst the Unofficial Market targets smaller, less well established companies. However, many Bulgarian blue chip companies have chosen to list on the Unofficial Market where the regulations are easier. The Exchange also organises a "primary market" for IPO's and a "privatisation market" for the sell-off of residual state-owned shares.

Despite strong growth in capitalisation and liquidity during the last 2 years, the Bulgarian Stock Exchange is still considerably smaller and less liquid than other European stock exchanges. During the last years efforts have been made to provide the Bulgarian Stock Exchange with transparency, equal treatment of all parties, market price information, remote trading, a T+2 settlement period and information disclosure and dissemination requirements.

In addition to domestic equity securities, a variety of financial instruments can be traded on the Bulgarian Stock Exchange, including corporate, government, municipal and mortgage-backed bonds and foreign securities through the trading of Bulgarian depositary receipts. In addition, "compensatory instruments", a type of security issued by various public bodies to persons who did not receive restitution of nationalised assets after 1990, had been listed on the Bulgarian Stock Exchange since 2002.

Significant interest has been demonstrated lately by a number of foreign stock exchanges in the acquisition of the government-owned stake in the Bulgarian Stock Exchange or simply in establishing partnerships with the Bulgarian bourse. Several of them, including the Nordic operator OMX, Deutsche Boerse, Borsa Italiana, Warsaw Stock Exchange, Athens Stock Exchange and Vienna Stock Exchange, have officially announced to be potential bidders if the government decides to open a privatisation procedure for the state stake. In the same time, the Bulgarian Stock Exchange already has co-operation agreements with the Vienna, Athens, Istanbul, Skopje, Bucharest and Zagreb stock exchanges. The Bulgarian Stock Exchange also frequently participates in specialised events, organised by the Federation of Euro-Asian Stock Exchanges and the Federation of European Stock Exchanges.

At 31 December 2006, the market capitalisation of the companies traded on the Bulgarian Stock Exchange was BGN 5,643 million on the Official Market and BGN 9,672 million on the Unofficial Market. At 31 March 2007, the market capitalisation of the companies traded on the Bulgarian Stock Exchange was BGN 4,520 million on the Official Market and BGN 13,718 million on the Unofficial Market. The total stock exchange turnover for the year ended 31 December 2006 was BGN 3,384 million and the total turnover for the period since the beginning of 2007 until 31 March 2007 was BGN 1,353 million.

At 31 March 2007, 355 companies of equity securities were registered for trading on the Bulgarian Stock Exchange, of which 16 companies were registered for trading on the Official Market and 339 on the Unofficial Market.

The table below sets out the turnover and capitalisation of equities on the Bulgarian Stock Exchange for the years 2000 to 2006.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|
| **Official Market Equities** | | | | | | | |
| Turnover (*BGN millions*)...................... | 8.6 | 4.4 | 14.4 | 60.9 | 476.0 | 370.2 | 843,5 |
| Market capitalisation *(BGN millions)…* | 283.5 | 195.0 | 252.9 | 986.7 | 1,374.9 | 2,148.3 | 5,642.5 |
| **Unofficial Market Equities** | | | | | | | |
| Turnover *(BGN millions*)...................... | 23.6 | 37.8 | 69.6 | 120.0 | 184.8 | 929.6 | 1,449.9 |
| Market capitalisation *(BGN millions)…* | 1,003.0 | 909.0 | 1,122.3 | 1,742.0 | 2,658.3 | 6,285.7 | 9,671.5 |

*Source: Bulgarian Stock Exchange*

***The Development of Bulgarian Capital Markets***

In the last decade, most of the efforts in the Bulgarian capital markets field have been concentrated on the stabilisation of the legal framework, the trading infrastructure and the institutions involved.

In 1995, more than 20 stock exchanges were operating in Bulgaria. However, these stock exchanges were unregulated and lacked effective supervision over insider trading. In July 1995, Parliament adopted the Securities, Stock Exchanges and Investment Companies Act, and in 1996 the government appointed members to Bulgaria's Securities and Stock Exchange Commission.

The development of the Bulgarian capital markets in the period from 1996 to 1999 demonstrated the need for more extensive regulation. In December 1999, the Bulgarian parliament adopted the Public Offering of Securities Act, which came into effect in February 2000. The Public Offering of Securities Act was aimed at providing protection to investors, developing a stable, transparent and efficient capital market and ensuring equal access and treatment for all participants. After the adoption of the Public Offering of Securities Act, the Securities and Stock Exchange Commission was renamed the National Securities Commission. Further developments to improve securities regulation, notably corporate governance provisions, shareholders' approval of significant transactions, directors' duties and continuing disclosure obligations for public companies were introduced in June 2002.

During the last few years in the EU accession process both the Bulgarian parliament and the Bulgarian securities regulator accomplished much work in order to harmonise Bulgarian capital market legislation with the EU directives on market abuse, prospectuses, transparent reporting obligations, investment services, UCITS and other relevant capital markets directives. The amendments of the Public Offering of Securities Act in May 2005 constituted a further step in that direction. From 1 January 2007 amendments to the Public Offering of Securities Act came in effect with the purpose of implementation the provisions of Council Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) 85/611/EEC; Directive 97/9/EC of the European Parliament and of the Council on investor-compensation schemes; Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC; and from 3 July 2007 also the provisions of Directive 2004/109/EC of the European Parliament and of the Council on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, and Directive 2004/25/EC of the European Parliament and of the Council on takeover bids.

In 2007 the efforts for harmonization of the Bulgarian law with the European continue by adoption of the Markets of Financial Instruments Act which implements the provisions of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC; Commission Directive 2006/73/EC implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive, and

Directive 2006/49/EC of the European Parliament and of the Council on the capital adequacy of investment firms and credit institutions (recast).

At the end of 2002, the Financial Supervision Commission was created, taking over the regulatory functions of the National Securities Commission, the Insurance Supervision Agency and the Social Insurance Supervision Agency. The legislation to introduce this change entered into force on 1 March 2003 and the members of the Financial Supervision Commission were nominated by the Bulgarian parliament shortly thereafter.

The Financial Supervision Commission is an independent state body, whose seven members are elected by the Bulgarian parliament for the term of six years. The Financial Supervision Commission’s members are the chairman, three deputies in charge of the three areas which the Financial Supervision Commission supervises (namely, capital markets, insurance markets and social insurance activities) and three other members.

The Financial Supervision Commission regulates public offerings of, and trading in, securities and the conduct of the securities markets, investment intermediaries, the Central Depositary and investment companies. Under the Public Offering of Securities Act the Financial Supervision Commission must approve any public offering of securities. Following the approval of the Financial Supervision Commission, the board of the Bulgarian Stock Exchange resolves on listing of equity securities.

The Financial Supervision Commission exercises control over listed companies, issues and withdraws licences, gives confirmations and approvals, carries out inspections of the operation of banks in connection with their activities as investment intermediaries and depositaries and exchanges information with the BNB, other state institutions and bodies, and non-governmental organisations related to the securities market.

Prior to 1 March 2003, the National Securities Commission was a member of the International Organisation of the Securities and Stock Exchange Commissions. This membership passed to the Financial Supervision Commission on 1 March 2003.

**The Official Market and Unofficial Market**

***General***

Securities may be traded on the Bulgarian Stock Exchange either on the Official Market or on the Unofficial Market, but not on both markets simultaneously. Securities may not be listed for trading on the Unofficial Market if (1) an application has been made to list those securities on the Official Market, (2) such an application has been rejected or (3) the securities were previously listed on the Official Market and the Official Market listing is no longer effective. Since 1 December 2006, the Unofficial Market of Equities of BSE-Sofia was split into A and B segments. An issue of shares is transferred for trading from the Official Market of Equities or from the Unofficial Market of Equities Segment A to the Unofficial Market of Equities Segment B if certain minimum liquidity criteria are not met.

Under the Public Offering of Securities Act, all securities publicly offered and traded on the Bulgarian Stock Exchange must be in dematerialised form, registered at the Central Depositary and freely transferable. In addition, the Bulgarian Stock Exchange rules provide that securities must not be subject to any pledge or restraint and must not be blocked at the Central Depositary, the relevant company of the securities must not be in a bankruptcy, administration or liquidation procedure or in the process of transformation and the relevant company must comply with the requirements of the Public Offering of Securities Act in all other respects.

***Eligibility***

The Rules of the Bulgarian Stock Exchange provide eligibility criteria depending on whether admission is sought for the securities to be admitted to Segment A or Segment B of the Official Market.

*Segment A of the Official Market*

To be eligible for admission to Segment A of the Official Market, the equity securities in question must have been:

- traded for at least one year on Segment B or for at least two years on  the Unofficial Market; and
- the market capitalisation of the issue of the equity securities in question must be at least BGN 40 million, the relevant company must have been in business for at least five years and must have registered profits in at least 3 of the last 5 years, there must be at least 1,000 shareholders for shares in the issue and there must be at least a 25% free-float; and
- the average monthly turnover in this issue for the last 6 (six) months should be at least BGN 200,000, the average monthly volume traded for the last 6 (six) months should not be less than 20,000 shares and the average monthly number of trades for the same period should be at least 200;
- the issuer has obliged to perform activities in accordance with the Corporate Governance Code issued or approved by the stock exchange.

*Segment B of the Official Market*

To be eligible for admission to Segment B of the Official Market, the equity securities in question must have been traded for at least one year on the Unofficial Market and have a market capitalisation of at least BGN 20 million.

In addition, the company of the equity securities in question must have been in business for at least five years and must have registered profits in at least 2 of the last 5 years, there must be at least 500 shareholders for shares in the issue and there must be at least a 10% free-float.

Also, the average monthly turnover traded in this issue for the last 6 (six) months should not be less than BGN 100,000, the average monthly volume traded for the last 6 (six) months should not be less than 10,000 shares and the average monthly number of trades for the same period should be at least 100.

The issuer has also obliged to apply the principles of corporate governance set forth in the Corporate Governance Code issued or approved by the stock exchange.

*The Unofficial Market*

No further eligibility criteria need be met for listing on the Unofficial Market, Segment A and Segment B.

In particular, there are no eligibility requirements for listing on the Unofficial Market relating to the minimum market capitalisation of the issue, the minimum length of time the issuer has been in business, the minimum number of shareholders for the securities or the minimum free float.

Nevertheless, in respect of Unofficial Market some criteria for distinction of the most illiquid shares also apply. The Board of Directors of the stock exchange resolves on moving issues of shares from the Official Market or from Unofficial Market, Segment A to Unofficial Market, Segment B in case during the last 6 months the average monthly turnover in the issue (without block and REPO transactions) was less than BGN 4,000 or the average monthly trades was less than 5.

Issue of shares which is traded on Unofficial Market, segment B can move to Segment A if the average monthly turnover for the last 6 months was at least BGN4,000 and in respect of the same period at least 30 trades took place. An application to the same effect can be filed in case the issuer and a market maker have entered into an agreement with subject ensuring of minimal liquidity.

***Trading***

The Bulgarian Stock Exchange is an electronic exchange and trades can be effected through its automated trading system either on the Bulgarian Stock Exchange trading floor or on a remote basis. The trading system is order-driven and is underpinned by a modified version of the NASDAQ based Russian Trading System (known as the RTS). Buy and sell orders are entered into the trading system during each trading session and are automatically matched. Client orders have priority over brokers' own accounts and all trades are subject to a minimum quotation of BGN 0.001 (the third number after the decimal point). Orders outside these constraints are possible but require a special procedure and are valid only for the day they are made.

Securities on the Official Market are permitted a range of +/-15% in relation to their open price in any trading session, whilst those on the Unofficial Market are permitted a +/-30% range. The closing price of a security represents the volume weighted average price of all trades executed in the security during the trading session.

Types of orders permitted include market orders, which are buy and sell orders for a certain volume of securities at the best current available price, and limit orders, which are an order to buy or sell a predetermined amount of shares at a specified price. Limit orders are subdivided into "good until cancelled", "single execution" (day order) and "immediate" (fill or kill) categories.

Trading on the BSE adheres to “price and time priority”. Market orders are executed before limit orders, as they are matched immediately upon entering the trading system, thus observing the “price priority” rule.

Transactions in shares and depositary receipts representing shares incur a transaction charge of 0.1% (VAT included) of the total value of the transaction to be paid to the Bulgarian Stock Exchange by both counterparties to the transaction.

***The COBOS System***

The Bulgarian Stock Exchange owns the intellectual property rights to its own internet-based application for secure and authorised real-time access to the trading systems of the Unofficial Market, known as the Client Order-Book Online System ("**COBOS**"). Orders are submitted to the trading system through COBOS and are identical to all other orders. Use of COBOS is restricted to investment intermediaries, their clients and the administrators of COBOS.

**Disclosure**

The Markets in Financial Instruments Act provides that listed companies are required to disclose price-sensitive information by the end of the business day following the day the event occurs or the company becomes aware of it. This information must be disclosed simultaneously to the Financial Supervision Commission and to the public.

Public companies are required to file their annual and quarterly reports (which set out their annual and quarterly financial statements) with the Financial Supervision Commission and to disclose the same information to the public. The annual report is also required to contain details of and changes in a company’s auditors for the preceding three years, risk factors relevant to the company or its industry sector, an overview of the company’s investments and business, an analysis of the most significant trends in production, sales and inventory, a discussion of the company’s prospects for the current financial year, information about members of the Management and supervisory boards, senior management and employees upon whose work the company is dependent, any major shareholders and any related party transactions.

**Settlement**

Transactions executed on the Bulgarian Stock Exchange are considered finalised after the securities have been transferred and payment received. This is certified by a registration document issued by the Central Depositary.

Transactions are settled on a gross basis. Since June 2003, the settlement cycle has operated on a T+2 basis when the Real-Time Interbank Gross Settlement System (known as "**RINGS**") was introduced. RINGS is a computerised book-entry system that operates on a "delivery versus payment" basis, which means that the transfer of securities occurs simultaneously upon payment.

The Bulgarian Stock Exchange maintains a fund in order to secure payments relating to trades made on the Bulgarian Stock Exchange. This is funded by the constituent members of the Bulgarian Stock Exchange.

Each member of the Bulgarian Stock Exchange is required to make an initial payment of BGN 200 (EUR 102) and monthly payments of 0.1% of the average value of the transactions executed by such member during the previous calendar month. When the value of the fund reaches 1% of the aggregate value of all the trades executed on the Bulgarian Stock Exchange in the previous year, no further instalments are required to be made until the next calendar year.

**Indices**

The first official index for the Bulgarian Stock Exchange was SOFIX. SOFIX was established on 20 October 2000 with an initial index value of 100. Its daily value is calculated as its base value multiplied by the ratio of the sum of the corrected by the divisor, the weight factor and by the free-float of each company market capitalisations of all issues in the index portfolio as of the current moment, towards the sum of the corrected by the weight factor and the free-float market capitalisations as of the base moment. The market capitalisation of a company for the purpose of calculating the index is the product of the number of shares in issue and the volume weighted average price per share at the end of the trading session, but the market capitalisation of no company in the index portfolio can exceed 15% of the total SOFIX capitalisation.

The SOFIX index only includes the most liquid companies on the Bulgarian Stock Exchange markets. To be included in the index, a company must meet certain eligibility requirements: (i) its shares must have been traded on the regulated markets for at least three months, (ii) the market capitalisation of each issue must be at least BGN 50 million, (iii) the relevant company must have at least 500 shareholders, (iv) there must be at least 10% free float, (v) the value traded in each issue during the last 12 months should exceed BGN 5 million and (vi) the number of trades in each issue during the last 12 months should exceed 1,000 transactions. The number of the companies within the SOFIX portfolio could vary from 5 to 50. In 2006 SOFIX advanced strongly by approximately 48%, from 825.53 on the last trading day of 2005 to 1,224.12 on 22 December 2006.

On 1 February 2005 a second Bulgarian Stock Exchange index, BG40, was launched. It was also established with an initial index value of 100. The index comprises the shares of the forty companies traded most frequently during the previous six months. Unlike SOFIX, BG40 is price-weighted. During the last year BG40 increased 50% from 133.42 in end-Dec 2005 to 199.88 on the last trading day of 2006.

**Currency Legislation in Bulgaria**

The 1999 Bulgarian Currency Act (last amended in July 2006) sets out the legal regime for transactions and payments between local and foreign entities, cross border transfers and payments and the import and export of Bulgarian Leva and foreign currency. The provisions of Regulation (EC) 1889/2005 of the European Parliament and the Council apply in respect of imports and exports of cash. The discussion below sets out those aspects of the legal regime relevant to foreign nationals who invest in the Shares.

Pursuant to provisions of Regulation (EC) 1889/2005 (implemented by Ordinance No. 10/2003 of the Ministry of Finance), Bulgarian citizens or foreign nationals are allowed to import and export cash up to 10,000 Euro or its equivalent in other currency freely, without any obligation for declaring of the sums to the customs authorities. Imports and exports by local and foreign persons in excess of 10,000 Euro or its equivalent in other currency are required to be declared to customs authorities. The declaration contains data about the owner of the amounts and the recipient, the amount and type, the origin and purpose, and the type of the transportation and the route.

In addition, any person who exports sum in excess of BGN 25,000 or its equivalent in other currency has to submit a certificate issued by the National Incomes Agency certifying that this person has no overdue tax liabilities. Such a declaration shall not be required from foreign nationals who export a sum not exceeding the sum which they have declared to the customs authorities upon their last entry in the country.

A foreign national or entity transferring income (made up of capital gains and dividends) in excess of BGN 25,000 or the equivalent resulting from an investment in Bulgaria (including investments in shares and other securities and derivatives over securities issued by Bulgarian companies) or from the sale of such an investment is required to present documents evidencing the investment, its sale and all the payment of all due taxes thereon to the Bank effecting the transfer.

## TAXATION

### General Information

The general information set out in this section regarding some taxes payable in the Republic of Bulgaria, applies to the holders of Shares including residents and non-residents of Bulgaria for tax purposes.

Residents are either legal entities and non-personified companies registered in Bulgaria or individuals whose permanent residence is Bulgaria or who reside in Bulgaria for more than 183 days in each 365-day period. A resident is also a person whose centre of life interests (which is determined by the family, the property, the place of activities or the place of management of the property) is placed in Bulgaria, as well as a person, who is sent abroad by the Bulgarian State, its bodies and/or organizations, from Bulgarian enterprises, and the members of his/her families. Together they are referred to as "**Bulgarian Holders**".

Non-residents are persons, who do not comply with the above definition. Together they are referred to as "**Non-Bulgarian Holders**".

**The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder of Shares. Accordingly, it is recommended that potential investors consult their own tax advisers as to the overall tax consequences, including, the consequences under Bulgarian law and the treatment by Bulgarian authorities, of the acquisition, ownership and disposal of the Shares in their individual circumstances.**

The information set out below, complies with the legislation in force at the date of issuance of this Prospectus and Chimimport shall not carry out any liability about following amendments in the legislation and the normative order of the taxation of incomes from Shares.

### Dividends

Under current Bulgarian law, payments of dividends by Chimimport to Bulgarian Holders (except for Bulgarian commercial companies and sole merchants) and to Non-Bulgarian Holders are subject to a 7% withIssuer tax. Payments of dividends to Bulgarian commercial companies and sole merchants are not adjusted for tax purposes and are deducted from the tax financial result of these Bulgarian Holders pursuant to the provisions of the Corporate Income Taxation Act 2006 and the Natural Persons Income Tax Act 2006.

Payments of dividends by Chimimport to a Non-Bulgarian Holder are not subject to withIssuer tax if the Non-Bulgarian Holder is:

- a resident for tax purposes in a member state of the European Union according to the legislation of this member state and is not a resident of a state outside the European Union pursuant to an income tax convention between the member state and a third state; subject to corporate income tax according to the legislation of said member state; and
- owns, including via a place of business in Bulgaria or in another member state of the European Union, at least 15 % of the issued Shares of Chimimport for a period of at least two year.

Payments of dividends by Chimimport to a place of business in a member state of the European Union under the following conditions:

- the place of business is subject to corporate income tax according to the legislation of said member state;
- the place of business is owned by another commercial or non-personified company subject to corporate income tax or by a foreign company from another member state of the EU or organization, subject to corporate income tax; and
- the commercial company or organization above owns, including via its place of business, at least 15 % of the issued Shares of Chimimport for a period of at least two years.

If the two years of Issuer the major block of Shares have not expired as of the date of the resolution for dividend distribution the withIssuer tax may not be levied if a guarantee in favor of Bulgarian tax authorities is provided amounting to the withIssuer tax. Such guarantee is released after expiration of the two years term and if all conditions above are met.

Apart from the above exemption for owners of major blocks of Shares, a Non-Bulgarian Holder may be eligible for an exemption, refund or credit of all or part of the Bulgarian withIssuer tax should an income tax convention be in place between Bulgaria and his country of residence.

If the total amount of the dividends and any other income paid by Chimimport to a Non-Bulgarian Holder of Shares exceeds BGN 50,000 in any year, the Non-Bulgarian Holder of Shares is only able to benefit from a reduced withIssuer tax rate according to an income tax convention if he is able to prove to the Bulgarian income tax authorities that:

- he is a resident of a country with which Bulgaria has entered into a relevant income tax convention (by submission of a certificate issued by the tax authorities of such country or otherwise in accordance with the common practice of the respective foreign tax administration);
- he is the beneficial owner of the dividends attaching to the Shares (by submission of an affidavit);
- he does not own a business and is not based in Bulgaria and the earnings from the dividends are not therefore related to an economic activity in Bulgaria (by submission of an affidavit); and
- he has complied with any applicable provisions of the relevant tax convention (by submission of official documents or other written evidence).

Additional documentation certifying the type, amount and grounds for the receipt of the dividends are also required to be presented to the Bulgarian tax authorities, e.g. a copy of the decision of the general meeting of the shareholders of Chimimport approving the distribution of dividends and a copy of the share certificate. A relief claim form accompanied by the required documentation must be filed with the Bulgarian tax authorities for each Non-Bulgarian Holder immediately following the passing of the resolution approving the distribution of dividends by the general meeting of the shareholders of Chimimport. If the Bulgarian income tax authorities refuse to grant relief or delay doing so, Chimimport is obliged to apply the full 7% withIssuer tax on the payment of dividends. The holder of a Share whose application for withIssuer tax relief is refused may appeal the decision.

However, if the total amount of the dividends and any other income paid by Chimimport does not exceed BGN 50,000 in any year, the Non-Bulgarian Holder is not obliged to file a relief claim form with the Bulgarian income tax authorities. He is required only to submit to Chimimport the above documents certifying the grounds for application of the tax convention by Chimimport.

There is no taxation on stock dividends, i.e. the distribution of the Company's profits in the form of additional newly issued shares.

**Capital Gains**

There is no capital gains tax on sales of Shares on the Bulgarian Stock Exchange or in relation to a tender offer under the Public Offer of Securities Act.

This tax exemption does not apply to gains arising from sales of Shares in transactions which are executed "off-market" via block transactions or other transactions arranged in advance and subject solely to registration on the Bulgarian Stock Exchange. Capital gains realized by non-Bulgarian Holders of Shares from "off-market" transactions in Bulgaria are subject to similar Bulgarian tax rules as apply to dividends, except for the amount of the withIssuer tax. Unless an income tax convention is applicable, a 10% withIssuer tax is applicable upon the positive difference between the sale price and the proven acquisition price. Capital gains realized by Bulgarian Holders of Shares from "off-market" transactions are subject to taxation pursuant to the general rules of the Corporate Income Taxation Act 2006 and the Taxation of the Individuals' Income Act 2006.

**Transfer Taxes**

There is no Bulgarian stamp duty or other similar tax payable upon a transfer of Shares.

## SUBSCRIPTION AND SALE

### The Offering

Chimimport resolved to increase its capital with up to 20,000,000 New Shares offered for public subscription within the terms and conditions set forth in this Prospectus (the "**Offering**", respectively the "**Capital Increase**"). The Capital Increase shall be deemed to be successful if at least 10,000,00 New Shares are subscribed for.

Pursuant to the Public Offering of Securities Act 1999 and this Prospectus, "subscription" means the unconditional and irrevocable explicit statement for acquisition of New Shares made by an investor. The subscription for New Shares shall be deemed to be completed after payment of their Issue Price by the investor.

Under Bulgarian law the New Shares shall be deemed issued only after entry of the Capital Increase at the Commercial Register and the registration of the New Shares at the Central Depository. Immediately following these registrations and the subsequent registration of the New Shares at the Financial Supervision Commission the Issuer and/or the Lead Manager shall apply for admission of the New Shares for trading on the BSE.

The Offering shall be managed by UniCredit Bulbank (the "**Lead Manager**") and UniCredit Bulbank shall perform functions in compliance with the requirements set forth in the Bulgarian law and regulations in respect of public companies, and in accordance with the mandate agreement entered into by and between UniCredit Bulbank and the Issuer (the "**Mandate Letter**").

The Lead Manager undertakes to render its best efforts for promoting the Offering and facilitating local and foreign investors who want to subscribe for the New Shares. The Lead Manager shall accept subscription orders from investors and shall perform certain procedural and technical actions within the the Offering, as provided for in the Bulgarian law and this Prospectus.

The Mandate Letter contains the following further provisions:

1. The Issuer shall pay the Lead Manager a commission fee calculated as a percentage of the sum, which is specified as equal to the total issuance value paid against the subscribed New Shares. The applicable percentage negotiated by the Lead Manager and the Issuer is 0.25%.
2. The Mandate Letter provides for certain requirements to be met as a pre-condition for the obligations of the parties to become effective. These conditions are typical for an agreement of this nature and include, amongst others, the accuracy of the representations and warranties under the Mandate Letter and this Prospectus having been approved by the Financial Supervision Commission prior to the Offering. The Lead Manager will be able to terminate the Mandate Letter in certain circumstances that are typical for an agreement of this nature. These circumstances will include the occurrence of certain material changes in the condition (financial or otherwise), business prospects, business affairs or earnings of the Issuer and certain changes in financial, political or economic conditions in the Republic of Bulgaria.
3. Chimimport will give customary representations and warranties, including in relation to the business, the accounting records and the legal compliance of the Issuer, in relation to the Shares and in relation to the contents of this Prospectus.
4. In accordance with the Mandate Letter UniCredit Bulbank is authorised to attract co-managers in respect of the Issue. As of the date of this document UniCredit Bulbank and Central Cooperative Bank has agreed that the latter shall act as a co-manager. In general, the co-manager has undertaken to perform marketing of the Offering separately and jointly with the Lead Manager, and to perform certain actions within the frames of the Offering, including acceptance of a part of orders for subscription of New Shares as specified below in this Propsectus.

**Determination of the Issue Price**

The Management Board of Chimimport, in accordance with the law and the authorization provided for in the articles of association, has determined a fixed Issue Price of BGN 11 per share. In accordance with the local and international practice, the Issue Price has been determined with consideration of the current market price of the Shares on the BSE, reduced by approximately 15-20%, and with regard to certain other factors, including the potential investors' interest in the Issuer's Shares and, in particular, in the New Shares, the market price of the shares of companies involved in similar businesses, the prevailing market conditions and the objective of achieving an active and liquid market for the Shares.

Information on the highest and lowest price of the Chmimport's shares for certain periods starting from the initial date of trading in the shares on the Bulgarian Stock Exchange up to now are listed here-in-below:

**Average weighted price of the Shares of Chimimport on Bulgarian Stock Exchange**

| | **Highest** *(BGN)* | **Lowest** *( BGN)* |
|---|---|---|
| From 30 October 2006 (the admission of the Shares on the BSE) up to 31 July 2007 ………………………………………………………………… | 14.87 | 5.39 |
| For the year 2006 ………………………………………………………………. | 7.69 | 5.39 |
| For the 1st quarter of 2007 ....................................................................................... | 11.32 | 7.77 |
| For the 2nd quarter of 2007 …………………………………………………….. | 12.38 | 9.51 |
| For the period 1 July – 30 July 2007 …………………………………………... | 14.87 | 12.5 |

*Source: Bulgarian Stock Exchange*

**Subscription for the New Shares**

***General***

Place and Addressees of the Offering

The New Shares shall be offered to the public only in Bulgaria. Both local and foreign investors may participate in the Offering, save as when such participation is prohibited by the applicable law; US nationals could take part in the Offering only to the extent such participation is allowed by Regulation S. Foreign investors who intend to subscribe for the New Shares should consider the applicable law according to their jurisdiction.

Apart form the restrictions above Bulgarian and foreign investors may subscribe for New Shares on equal footing and within the terms and conditions set forth here-in-below.

***Pre-emptive Rights***

The existing shareholders of Chimimport possess by virtue of law preemptive rights to subscribe for the New Shares in proportion to the number of the Shares held by them prior to the Capital Increase. These preemptive rights are incorporated in securities ("**Rights**"), which shall be alocated to the existing shareholders. The Rights can eigher be sold or exercised by means of subscribing for New Shares. Within the Offering one New Share shall be subscribed against 6.5 (six point five) Rights. Each person can subscribe at least one New Share and not more than such number of Shares, which is equal to the number of the alocated and/or purchased Rights, divided by 6.5 (six point five). Only whole number of New Shares can be subscribed. The number of Rights, which are not sufficient for subscription of one whole New Share (less than 6.5 rights) and therefore cannot be exercised, unless sold by their owners during the Rights trading period, shall be offered for sale *ex officio* on the Bulgarian Stock Exchange, see the paragraph below.

If the existing shareholders do not want to exercise by subscription, in whole or partially, the allocated Rights, they can offer for sale these Rights on the BSE during the Rights trading period and within the terms and conditions specified below. The Rights which are not exercised until the end of the Rights trading period shall be offered for sale on an open auction organized *ex officio* on BSE. Investors who are not existing shareholders or who are existing shareholders, wanting to subscribe for more New Shares than being entitled to by their pre-emptive rights, can buy Rights on the BSE during the Righs trading period and/or on the BSE open auction (presuming that such Rights will be available for sale).

*Other*

Within the terms of the Offering and in compliance with the Bulgarian law the Lead Manager is authorised, entirely at its discretion, to arrange for a private placement outside Bulgaria for a portion of the New Shares, amongst international institutional investors chosen by the Lead Manager. For that purpose the Major Shareholder Chimimport Invest has agreed that it might offer for sale a portion of Rights being allocated in order such Rights to be purchased by investors in that private placement, via the intermediation of UniCredit Bulbank.

Except as specified above, Chimimport and the Lead Manager have not and do not intend to specify tranches and quantities of New Shares for distribution among specific categories of investors. It is not envisaged within the  Offering more than 20,000,000 New Shares to be offered and issued.

Depending on investors' interest in the Offering the Major Shareholder will consider the number of New Shares to subscribe for, if it decides to subscribe for New Shares at all; however, it is likely that Chimimport Invest will to subscribe for more than 5% of the New Shares. Immediately after the Offering the Major Shareholder may also offer for sale certain number of Shares on the BSE.

***Commencment  of the Offering. Rights Issue***

Pursuant to the Public Offering of Securities Act 1999 the pre-emptive rights to participate in the Capital Increase shall pertain to the persons who are existing shareholders of Chimimport (i.e. who own Shares registered at their personal or client sub-accounts at the Central Depository) on the $7^{th}$ day following the date of the publication of the public offering announcement for the New Shares in the State Gazette and in the central daily newspaper Pari ("**Offering Announcement**"). The Offering Announcement may be published only after this Prospectus is approved by the Financial Supervision Commission. Chimimport expects the Offering Announcement to be published on or around 24 August 2007, which is the commencement of the. Offering.

On the business day following the expiration of the above 7-day term after the Offering Announcement publication the Central Depository shall allocate Rights to the shareholders by opening accounts for Rights in the name of the shareholders of Chimimport according to the data in its register for sharefoldings in the Issuer. Under Bulgarian law one Right shall be issued and allocated for each existing Share.

***Rights Trading Period. First Stage of the Subscription***

*Initial date for transfer of Rights and subscription of New Shares*

The Rights trading period and the subscription commences on the second business day following the expiration of 7 days from the release of the Offering Announcement. In case the Offering Announcement is published on different dates in the State Gazette and in Pari newspaper, the initial date shall be the second business day after expiration of 7 days from the second publication. The initial date of the subscription and trading in rights on the BSE is expected to occur on or around 4 September 2007.

*Rights Trading Deadline*

It is the first business day following 14 days as of the Rights trading period initial date (expected date: on or around 19 September 2007). Pursuant to the Rules of the Bulgarian Stock Exchange the last date for execution of Bse transactions with Rights is 2 business days prior to the Rights trading deadline specified in the previous sentence (expected date: on or around 14 September 2007).

*End of the First Stage of the Subscription*

The owners of Rights, either allocated or purchased on BSE may subscribe for New Shares not later than the Rights trading deadline (expected date: on or around 19 September 2007), see the paragraph above. All

Rights not exercised by subscription of New Shares until expiration of the Rights trading deadline shall be offered for sale on an special *ex officio* open auction organized on BSE.

***Second Stage of the Subscription***

*BSE Open Auction*

Such auction shall be organised on the 5th business day following the Rights trading deadline (expected date: on or around 26 September 2007). On the open auction will be offered for sale *ex officio* all Rights, which have not been exercised by subscription of New Shares until expiration of the Rights trading deadline.

*End of the subscription*

The second stage and the subscription as a whole ends on the first business day following the expiration of 15 business days as of the day, on which expires the Rights trading deadline (expected date: on or around 11 October 2007). Until the end of the subscription the persons who have purchased Rights via the open auction can exercise such Rights by subscription of the corresponding number of New Shares.

Subscription of New Shares before or after the subscription period shall be void.

***Prolongation of the Subscription***

The Issuer is permitted by law to prolong once the term of the Subscription by up to 60 days, after making the respective amendments to this Prospectus, notifying the Financial Supervision Commission and disclosing information on the prolongation as required by law. Chimimport does not intent to prolong the term of the Subscription.

***Terms and Conditions for Transfer of Rights***

The transfer of Rights through purchase and sale (Rights trading) is effected on the Unofficial Market of BSE. Persons who want to sell Rights need to place sell orders with the investment firm where they have their Rights account opened. Persons who want to buy Rights need to place buy orders with an investment firm – member of the BSE. The provisions of the rules of the Central Depository shall apply to acquisition of Rights by other methods.

On the 5th business day after the deadline for transfer of Rights Chimimport, via the Lead Manager UniCredit Bulbank, shall place for sale by the open auction these Rights which have not been exercised by subscription of New Shares until expiration of the Rights trading deadline, see above. Chimimport shall distribute the proceeds from the sale of the unexercised Rights, reduced by the expenses for the sale, in proportion between the holders of the Rights. The proceeds from the sale of the Rights are credited to a special account opened with the Central Depository and cannot be used until entry of the Capital Increase at the Commercial Register. At the beginning of each business day during the subscription the Central Depository shall announce information about the Rights, which have been exercised until the end of the preceding business day.

***Terms and Conditions for Subscription of Shares***

*Subscription Orders*

The holders of Rights may subscribe for New Shares by placing subscription orders ("**Subscription Orders**" or "**Orders**") with the Lead Manager UniCredit Bulbank and the Co-Manager CCB at the addresses listed below or with the investment firms – members of the Central Depository, where they have their Rights accounts opened. The subscription for New Shares shall be made by the investors by filing of written subscription orders with the investment firm – member of the Central Depository, at which the respective investor's Right account is opened.

The investment firms that have accepted Subscription Orders of New Shares will have to notify immediately the Lead Manager on this circumstance, within the terms and conditions provided for in the law.

The investors who have received Rights credited to their personal accounts at the Central Depository will have to apply for transfer of the Rights to sub-accounts opened at the managers or other investment firms before exercising the Rights.

The acceptance and execution of the Orders shall be made in accordance with the terms of each specific agreement between the investor and the respective investment firm.

*Validity of the Subscription Order*

The subscription for New Shares shall be deemed to be valid only if made by a shareholder owning shares entitling him to Rights or by other persons who purchased and is in possession of the Rights at the moment of the subscription, up to maximum possible number of shares in accordance with the ratio Rights/New Shares specified above, and if the total Issuance Value of the subscribed shares is paid within the terms and conditions as specified below.

Upon partial payment of the Issue Price only such number of New Shares in respect of which the total Issue Price is fully paid up will be deemed to be subscribed. The Issue Price shall be credited to a special bank account opened in the name of Chimimport with UniCredit Bulbank and the details of which will be notified in the Offering Announcement. The Issue Price shall have to be credited to the special bank account at the latest on the final date of the subscription (the subscription deadline as specified above).

*Irrevocable Subscription Orders*

Under Bulgarian law the investor is not allowed to withdraw his/her Subscription Order but is entitled to a refusal of the subscribed New Shares within the terms and conditions set out in the Public Offering of Securities Act 1999.

*Placement of Orders via Proxy*

Except for in person, the Order may also be placed through an attorney who shall be identified by an identity document if natural person or by a certificate of good standing, registry act or other similar document if legal entity (and depending on whether a local or a foreign legal entity), and shall also submit an explicit power of attorney.

In compliance with the applicable law and their general terms and practice, the Lead Manager and the investment firms, with which the Orders are filed, will be authorised to refuse to accept an Order, if they are not satisfied by the type, form, validity or other circumstances related to the documents submitted.

*Offices of the Managers, where Orders Can be Placed*

The investors who own Rights at accounts opened with the Lead Manager and the Co-Manager can file Subscription Orders of New Shares at the following addresses of the Managers:

*UniCredit Bulbank:*

- Sofia, Saint Nedelya Branch, at the address: 7 Sveta Nedelya square, Sofia 1000
- Burgas, at the address: 22 Alexandrovska Street, Burgas 8000
- Blagoevgrad, at the address: 22 Tzar Ivan Shishman Street, Blagoevgrad 2700
- Varna, Cherno more Branch, at the address: Petko Karavelov Street, Varna 9000
- Veliko Tarnovo, at the address: 2B Marno Pole Street, Veliko Tarnovo 5000
- Vidin, at the address: 3 Tzar Simeon Veliki Street, Vidin 3700
- Vratza, at the address: 10 Lukashov Street, Vratza 3000
- Dobrich, at the address: 7 Nezavisimost Street, Dobrich 9300
- Kyustendil, at the address: 54 Tzar Osvoboditel Street, Kyustendil 2500
- Kardjali, at the address: 1 Republicanska Street, Kardjali 6600
- Montana, at the address: 4 Stefan Karadja Street, Montana 3400
- Pernik, at the address: bl. 14 Krakra Pernishki square, Pernik 2300

- Pleven, at the address: 11 Tzar Simeon, Pleven 5800
- Plovdiv, Ivan Vazov Branch, at the address: 4 Ivan Vazov Street, Plovdiv 4000
- Russe, at the address: 5 Sveta Troitza square, Russe 7000
- Sliven, at the address: 23 Rakovsky Street, Sliven 8800
- Smolyan, at the address: 51 Bulgaria blvd., bl. 14, Smolyan 4700
- Stara Zagora, at the address: 126 Simeon Veliki blvd., Stara Zagora 6000
- Haskovo, at the address: 4 Khan Kubrat Street, Haskovo 6300
- Shumen, at the address: 64 Slavyanski blvd., Shumen 9700

*Central Cooperative Bank*:

- Asenovgrad , at the address: 8, Rechna Street, Asenovgrad
- Blagoevgrad, at the address: 13 Vassil Levski Street, Blagoevgrad
- Burgas, at the address: 4 Count Androvanti Street, Burgas
- Varna, at the address: 58A Saborni blvd., Varna
- V. Tarnovo, at the address: 4 N. Gabrovski Street, V. Tarnovo
- Vidin, at the address: 4 Acad. St. Mladenov Street, Vidin
- Vratza, at the address: 5 Lukashov Street, Vratza
- Gabrovo, at the address: 54 Brjanska Street, Gabrovo
- Dobrich, at the address: 1 Bulgaria Street, Dobrich
- Etropole, at the address: 2 G. Dimitrov Street, Etropole
- Kazanlak, at the address: 3, 23 PSH polk Street, Kazanlak
- Kostenetz, at the address: 11A Targovska Street, Kostenetz
- Kardjali, at the address: 47 Repoublikanska Street, Kardjali
- Kyustendil, at the address: 22 Konstantinova banja Street, Kyustendil
- Lovech, at the address: 10 Prof. Ishirkov Street, Lovech
- Montana, at the address: 59, 3 March Street, Montana
- Nessebar, at the address: 23 Struma Street, Nessebar
- Pazardjik, at the address: 7 Esperanto Street, Pazardjik
- Pernik, at the address: 4 Krakra Pernishki Street, Pernik
- Pleven, at the address: 150 Vassil Levski Street, Pleven
- Plovdiv, at the address: 5 Beethoven Street, Plovdiv
- Plovdiv – Maritza, at the address: 44 Yanko Sakazov Street, Plovdiv
- Razgrad, at the address: 7 Stefan karadja Street, Razgrad
- Russe, at the addres: 1 Khan Kubrat sq. Russe
- Samokov, at the address: 33 Targovska Street, Samokov
- Svishtov, at the address: 5A Tzar Osvoboditel Street, Svishtov
- Sevlievo, at the address: 4 Stoyan Bachvarov Street, Sevlievo
- Silistra, at the address: 1 Rakovsky Street, Silistra
- Sliven, at the address: 1 Al. Stambolijski sq., Sliven
- Smolyan, at the address: 11 Bulgaria blvd., Smolyan
- Sofia – west, at the address: 442 P. Vladigerov Street, Sofia
- Sofia City, at the address: 103 Rakosky Street, Sofia
- Sofia, at the address: 3 Vazrajdane sq., Sofia

- Sofia, at the address: 2 Stefan Karadja Street, Sofia
- Sofia, at the address: 23 Emine Street, Sofia
- Sofia, at the address: 37 Madrid blvd., Sofia
- Sofia, at the address: 14 Andrey Saharov blvd., Sofia
- Sofia, at the address: 7B Knjaz Al. Dondukov, Sofia
- Sofia, at the address: 7 St. Kliment Ohridski blvd., Sofia
- Sofia, at the address: 156 Alexander Stambolijski blvd., Sofia
- Sofia, at the address: 51 McGeehan, Sofia
- Sofia, at the address: 18 Gurguljat Street, Sofia
- Stara Zagora, at the address: 54 Kljo Ganchev Street, Stara Zagora
- Stara Zagora – Vereja, at the address: 58 General Gurko Street, Stara Zagora
- Troyan, at the address: 44 G.S. Rakovsky Street, Troyan
- Targovishte, at the address: 5 V. Levski Street, Targovishte
- Haskovo, at the address: 1 Skopje Street, Haskovo
- Shumen, at the address: 13A Slavjanski blvd., Shumen
- Yambol, at the address: 7 Osvobojdenie sq., Yambol

*Contents of the Subscription Order*

The Subscription Orders shall have at least the following contents:

- Full name, unique client number of the investor and of his/her attorney, and if such numbers are not specified: full name, Personal Identity Number, seat and the address, respectively business name, identification number (BUSLTAT), headquarters and registered address of the investor and its representative or attorney, and if the investor is a foreign person – similar identification data, including personal/security number of the individual and registration number or other similar number of the legal entity;
- issuer (Chimimport) and ISIN code of the Shares;
- number of the Rights that are exercised;
- number of the subscribed New Shares subject to the Order;
- date, hour and place of the Order placement;
- signature of the person placing the Order or of its legal representative or proxy.

The investment firms that accept Orders are entitled to prepare and request the completion of particular Order forms with the above contents and with additional specified by them contents.

*Documents Enclosed to the Subscription Order*

Enclosed to the Subscription Order shall be the details of the investor's bank account, where the amounts paid shall be returned in event the Offering is terminated and/or is unsuccessful. The investment firms accepting Orders from their clients are entitled to request additional information, declarations or other documentation from the persons who file the Orders when it is provided for in the law and/or in the internal rules of the investment firms.

***Terms and Conditions for Payment of the Issue Price***

*General*

The payment shall be made in BGN.

Pursuant to the requirements of the Measures against Money Laundering Act the Lead Manager, as well as the investment firms, the banks and the other financial institutions, receiving and realising payment transfers shall or in certain circumstances are entitled to identify the investors and collect, record or disclose to the relevant state authorities information concerning the transfers made and the monies' origin in compliance with the requirements of law and their internal applicable rules.

In case of subscription of Shares through an investment firm the transfer of the money may be made by the respective investment firm for the account of the investor who is its client.

*Terms of Payment*

The deadline for payment of the Issuance Value of the subscribed New Shares will be the end of the final day of the subscription procedure (the deadline for subscription of shares). The payment shall be deemed to be made upon crediting the respective sum to the special bank account of Chimimport opened with the Lead Manager.

*Form of Payment*

The payment shall be made in cash or via a bank transfer, including electronic. In all cases, the document (including the electronic document) certifying the payment (payment order, note or similar) shall contain at least name/business name of the investor and the total number of the subscribed New Shares that are paid for.

*Special Bank Account*

The Issuance Value of the subscribed Shares shall be credited to a special capital bank account opened in the name of Chimimport with the Lead Manager. The details of the bank account shall be announced in the Offering Announcement that shall be released in the State Gazette and in the central daily newspaper "Pari" and may be received at any time after the release from the Lead Manager. Pursuant to the law the sums credited to this account shall be blocked and cannot be disposed of by the Issuer before the entry of the Capital Increase at the trade register; in case the Offering is unsuccessful they are returned to the investors within the terms and conditions set out here-in-below.

***Completion of the Subscription Procedure Prior to Expiration of the Final Term***

If all 20,000,000 New Shares are subscribed and paid before the final day of the subscription, Chimimport shall announce its termination; notify the FSC within 3 business days and undertake all necessary measures for entry of the Capital Increase at the trade register and for registration of the issue at the Central Depository, FSC and BSE.

The capital increase through Rights issue excludes the possibility for subscription of more than the offered number of Shares.

***Public Announcement of the Results from the Offering***

Chimimport shall notify FSC within a term of 3 business days after completion of the subscription procedure about the implementation of the latter and the results thereof, including any difficulties, disputes and similar in relation to the trading in the Rights and the subscription of the Shares.

Within a 7-day term after the completion of the Offering the Issuer shall submit to the FSC and BSE a notification on the results from the Offering, containing information on date of completion; total number of the subscribed Shares; funds accumulated against the subscribed Shares; amount of the commission fees and other expenses for the Offering, including paid taxes. The Issuer shall enclose to the notification the documents as required by the law. Within the same term an announcement of said circumstances shall be released in Pari newspaper and on the web-sites of Chimimport and the Lead Manager.

***Unsuccessful Completion of the Subscription***

If until the final day of the subscription procedure all the offered Shares are not subscribed, but are subscribed and paid-up at least 10,000,000 New Shares, then the capital shall be increased by the sum of the subscribed and paid-in New Shares, and the Capital Increase in this amount shall be registered at the Commercial Register, Central Depository, FSC and BSE.

If until the final day of the subscription procedure the minimum number of 10,000,000 New Shares is not subscribed, the Capital Increase shall be considered as unsuccessful. In this case the sums paid by the investors together with accrued interest /if any/ shall be returned by the Lead Manager to the bank accounts specified in the attachments to the Subscription Orders or to other bank accounts, specified in addition, within a 30-day term after the Public Announcement of the Results from the Offering. In case of refusal of entry of the Capital Increase at the trade register, the Issuer shall announce this circumstance in an announcement, which shall be released as provided for the announcement of the results from the offering (see "*Public Announcement of the Results from the Offering*"), within a 3-day term after entry into force of the refusal of entry at the trade register and shall return the received sums within a 30-day term after the announcement within the terms and conditions set out in the previous sentence.

**Selling Restrictions in Certain Jurisdictions**

The distribution of this document and the offer of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

***General***

No action has been or will be taken in any jurisdiction, other than Bulgaria, which would permit a public offering of the Shares, or possession or distribution of this document or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Shares, including those in paragraphs above. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or buy any of the Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

***Bulgaria***

No Shares may be offered to the public in Bulgaria within the meaning of the Bulgarian Public Offering of Securities Act 1999 ("**POSA**") prior to the approval of a prospectus in relation to the offer of those Shares by the Bulgarian Financial Supervision Commission. After such approval, Shares may be traded within the meaning of the POSA as well as Markets in Financial Instruments Act 2007 (entering into force on 1 November 2007). The Lead Manager has declared and agreed that it shall neither perform public offering of the Shares in Bulgaria nor participate in trading in the Shares except for in full compliance with the Bulgarian law.

***European Economic Area***

Offering of Shares shall not be made to investors in any member state of the European Economic Area that has implemented the Prospectus Directive ("**Member State**") except for in cases when the Offering of the Shares falls within the scope of the following exemptions under the Prospectus Directive and these exemptions are present in the Member State:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose main corporate purpose is to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than € 43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Lead Manager for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Shares shall result in a requirement for the publication by Chimimport or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of any Shares to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

***The United States***

The Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States of America and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. The Shares are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of this offering, an offer or sale of Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act.

## SETTLEMENT AND DELIVERY

### Issuance of New Shares and admission to trading on the Bulgarian Stock Exchange

If the Offering is successful, UniCreditBulbank will provide Chimimport with a list, indicating the number of New Shares subscribed for and paid by each person; that list will be submitted by Chimimport to the Commercial Register and the Central Depository. Upon entry of the Capital Increase and the New Shares into the Commercial Register, on or about 22 October 2007 the Central Depository will register the New Shares and will open new accounts or will credit the existing Shares accounts of the investors with the New Shares, subscribed for and paid by them. The New Shares will be credited in investors' accounts with the investment firm, through which the Rights were exercised.

Upon demand of investors via an investment firm they will receive certifying documents (depository receipts) for the New Shares owned by them. The Central Depository will issue depository receipts, which will deliver to investors via the investment firm according to the rules of the Central Depository and the internal rules of the investment firm.

Immediately following the entry of the Caoital Increase into the Commercial Register, the Issuer will apply for registration of the New Shares into the FSC's register; then the Issuer and/or the Lead Manager will apply with the BSE for admission of the New Shares for trading. Dealing with the New Shares may begin on the date determined by the board of directors of BSE. Trading with the New Shares is expected to commence on or about 19 November 2007.

The Issuer has not negotiated with investment firms to act as liquidity providors for the Shares.

The BSE trading with the New Shares will be accomplished in accordance with the rules and procedures of the BSE and the Central Depository as described below.

### Secondary Trading of the Shares

The transactions with shares, issued by a public company, registered in Bulgaria, are settled in details in the Public Offering of Securities Act 1999 and its secondary legislation, in the rules of the BSE and in the rules of the Central Depository. As of 1 November 2007 POSA shall be amended with the entry into effect of the Market of Financial Instruments Act 2007, implementing the requirements of Directive 2004/39/EEC about the markets of financial instruments, in particular the provision transactions with shares of public companies to be executed only on a regulated securities market is revoked.

***Sale and Settlement***

Transactions with Shares on the secondary market shall be concluded and/or registered via investment firm and are settled through the Central Depository. In case of transactions, concluded on the BSE, the share prices are quoted in Bulgarian Leva, and settlement takes place on a T+2 basis. The transfer of the Shares shall be deem executed as of the moment of registration of the transaction in the Central Depository.

***Investment Firms***

The investors may only engage in secondary trading of securities listed on the BSE through a licensed investment firm. The role of the intermediary is to receive a buy or sell order from the investor, execute it on the BSE (if possible) and to register the transaction with the Central Depository, which carry out settlement. A transfer of securities resulting from a donation or inheritance is registered with the BSE and settled through the Central Depository with the assistance of an investment firm acting as a registration agent. Investment firms are required to provide their clients with information about the types of orders that may be placed on the BSE, the details of any active orders or executed transactions made on behalf of that client, and the expenses, fees and commissions payable to that intermediary, to the BSE or to the Central Depository (if applicable).

## The Clearing System

The Central Depository was established as a special joint-stock company in August 1997 under specific provisions of the Bulgarian securities legislation. BNB and the Bulgarian Ministry of Finance own an aggregate of 41.9% of the share capital of the Central Depository. The remaining percentage of the Central Depository's share capital is spread between the major Bulgarian commercial banks and those investment firms that play an active role in the conduct of the BSE. The operations of the Central Depository are supervised and regulated by the Financial Supervision Commission, BNB and the Bulgarian Ministry of Finance. Settlement of securities through the Central Depository can only be effected through a member of the Central Depository. Only investment firms, financial institutions and certain other market participants may become members of the Central Depository.

## Payment of Dividends

When the Central Depository receives cash to be distributed as a dividend in relation to a security, the Central Depository will credit the cash accounts of the members who act for the persons registered in the Central Depository's book-entry records as the shareholders of that security at the relevant date. These members are usually investment firms, who upon receipt distribute the dividend amounts to the relevant shareholders in accordance with their shareIssuers. The Central Depository will distribute dividends only in accordance with its rules and procedures and any applicable legislation or regulations.

## GENERAL INFORMATION

### 1. Chimimport

1.1. The foundation meeting of the shareholders of Chimimport was held on 19 October 1989. Chimimport was registered with the Sofia City Court pursuant to court resolution dated 24 January 1990 under court file No. 2655/1989, batch No. 66, volume 1, page 173 as a foreign trade joint stock firm under Decree No 56 on Economic Activity. Pursuant to § 8 of the Transitional and Final Provisions of the Commercial Act the registration of companies under Decree 56 remains valid and joint stock firms are deemed ex lege joint stock companies, thus respectively the Issuer's trade name changed to Chimimport AD. No other amendments have been made in the trade name of the company. Chimimport was registered as a Issuer company under the meaning of Art. 277 of the Commercial Act pursuant to the Sofia City Court resolution dated 21 January 1998. Chimimport is entered in the BULSTAT unified register under code 000627519. Chimimport is duly incorporated and validly existing under the laws of Bulgaria. The existence of Chimimport is not limited by term.

1.2. On 29 September 2006 Chimimport became a public company pursuant to Art. 110, Para 2 of the POSA upon the registration of the increase of its capital to BGN 130 million. The capital increase was carried out through an initial public offering of 11,083,914 Shares. The shares of Chimimport were registered for trading on the official market, segment "B", of the Bulgarian Stock Exchange on 30 October 2006. Chimimport is registered as an issuer of public offered shares in the register of the public companies and other issuers of securities, kept by the Financial Supervision Commission under registration No 704 as of 8 September 2006, patch No 05-1285.

1.3. The seat and address of management of Chimimport is at 2 Stefan Karadza Str, Sredetz region, 1080 Sofia, Bulgaria, phone number: +3592 9801611, fax number: +3592 9813764, email: a.kerezov@chimimport.bg, and web page: www.chimimport.bg.

1.4. The principal legislation under which Chimimport operates is the Commercial Act 1991 and the Public Offer of Securities Act 1999. Subjects of importance for the investors regarding the public offering of the shares of Chimimport are regulated in the following acts: Financial Instruments Markets Act (in force as of 1 November 2007); Regulation No 809/2004/EC implementing Directive 2003/71/EC on prospectuses; Corporate Income Tax Act; Natural Persons Income Tax Act; Currency Act; the provisions of Chapter 11, Section I of the POSA and the Ordinance for revealing of share participation in public and investment company, regulating disclosure of major participation in the Company. The arrangements concerning the transactions with the Issuer's own shares are stipulated under Art. 111, Para 2 and 5 of the Public Offering of Securities Act and the Commercial Act. Obligatory tender offerings are provided for in Art 148g, Art. 150-157e of the POSA, in the Ordinance for the requirements to the contents of the rationale of the price of the stocks of public company, including to the application of valuation methods in the cases of transformation, contract for joint enterprise and tender offering, as well as in the Ordinance № 13/22.12.2003 for tender offering for buying and exchange of shares. The terms and procedure of delisting of Chimimport from the Public Companies and other Securities Issuers register under Art. 30, Para 1, Item 3 of the FSC Act are provided for in Art. 119 of the POSA and in the Ordinance No 22 on establishing terms and procedure for recording and delisting of public companies, other issuers of securities and issues of securities in the register of the Financial Supervision Commission.

**2. Real Estate**

Following is a list of Chimimport's major real estate:

| Location | Purpose | Built-up area *(m²)* |
|---|---|---|
| 2 St. Karadzha Str., Sofia …………………………….. | administrative building | 4,464 |
| 2 St. Karadzha Str., Sofia …………………………….. | land | 1,067 |
| Voenna Rampa, Industrialna zona, Sofia …………….. | land | 18,884 |
| 277 Vladislav Varnenchik Blvd., Varna ……………… | administrative building | 4,280 |
| 277 Vladislav Varnenchik Blvd., Varna ……………… | administrative building | 1,377 |
| 277 Vladislav Varnenchik Blvd., Varna ……………… | administrative building | 463 |
| Mulheim, Germany ………………………………….. | administrative building and warehouse | 568 |
| Offenbach, Germany …………………………………. | shop | 568 |
| Hanau, Germany ……………………………………... | residential building with restaurant | 462 |
| Deggendorf, Germany ……………………………….. | residential building | 398 |
| Frankfurt, Germany ………………………………….. | office building | 192 |
| Frankfurt, Germany ………………………………….. | 5 apartments | 546 |
| Munich, Germany ……………………………………. | 4 apartments | 184 |
| Amsterdam, the Netherlands ………………………… | apartment | 118 |
| Amstelveen, the Netherlands ………………………… | apartment | 84 |
| Paris, France …………………………………………. | office | 116 |
| Madrid, Spain ………………………………………… | office | 39 |
| Madrid, Spain ………………………………………… | 2 apartments | 236 |

*Source: Chimimport*

**3. Share Capital**

3.1. Chimimport's share capital as of the date of this document is:

| Number of shares | Class | Amount (BGN) | Par value per share |
|---|---|---|---|
| 130,000,000 | Ordinary | 130,000,000 | BGN 1 ([1]) |

Upon the incorporation of Chimimport the share capital registered in the company register is BGL 10,000,000 (before denomination) distributed in 10,000 ordinary registered shares with par value of BGL 1,000 each.

Starting from 25 May 1993 until now the following changes have been made to Chimimport's share capital:

3.1.1. On 25 May 1993, in accordance with a decision of the general meeting of shareholders of 22 September 1992, 41,118 ordinary registered shares were issued, and the increase of capital was carried out with the value of the property sold by the state (BGL 33,297,000 – before denomination) at the expense of the retained earnings (BGL 7,016,000 – before denomination) and the par value of the remaining newly issued shared, paid up in cash (BGL 805,000 – before denomination); on 22 September 1993, in accordance with a decision of the general meeting of shareholders of 6 August 1993, 550 ordinary registered shares were issued with par value of BGL 550,000 (before denomination), of which BGL 500,000 are paid up in cash, and BGL 50,000 are at the expense of the capital of the shareholder VIHVP – Plovdiv, in accordance with Order № RD 16-187/04.08.1993 of the Ministry of Commerce; on 23 September 1998, in accordance with decision of the General Meeting of Shareholders of 2 June 1998 were issued 3,461,756 ordinary registered voting shares, with par value of BGL 1000 (before denomination) each, and the increase of capital was financed with own funds, of which BGL 3,410,088,000 (before denomination) – retained earnings and BGL 51,668,000 (before denomination) – additional reserves; on 22 November 2000 a denomination of the capital of the company was entered from BGL 3,513,424,000 to BGN 3,513,424, distributed in 3,513,424 ordinary registered shares with par value of BGN 1 each; on 15 April 2002, in accordance with decision of the Management Board of 17 December 2001, 6,486,576 ordinary registered shares were issued with par value of BGN 1 each, whose total par value amounting to BGN 6,486,576 was paid up in cash; on 13 February 2004 were 10,000,000 ordinary registered voting shares were issued with par value of BGN 1 each, whose total par value of BGN 10,000,000 was paid up in cash; on 7 January 2005 were issued 5,000,000 ordinary registered voting shares, with par value of BGN 1 each, whose total par value of BGN 5,000,000 was paid up in cash; on 10 April 2006, in accordance with a decision of the general meeting of shareholders of 15 February 2006 the type of shares was changed, and all shares in Chimimport become dematerialized, and 58,916,086 ordinary shares with the right to one vote were issued, with par value of BGN 1 each. The capital was increased under the terms and conditions of Art. 193 of the Company Code, with an in-kind contribution of receivables of the shareholder Chimimport Invest AD from the Company. The in-kind contribution was evaluated under the terms and procedure of Art. 72 of the Company code, and the valuation was approved with Ruling of 14.02.2006 under company case № 38/2006 of Sofia City Court, Company Division, 7-th panel. The monetary valuation of the receivables paid as an in-kind contribution determined by the court experts amounts to BGN 58,916,086. The monetary valuation of the receivables approved by the General Meeting of Shareholders of 15.02.2006 amounts to BGN 58,916,086.

3.2. Besides what is indicated in paragraph 3.1 above:

3.2.1. Starting from 31 July 2004 until now, Chimimport's share capital has never been increased in exchange for cash or in-kind contributions;

3.2.2. Starting from 31 July 2004 until now, Chimimport has not provided any commission fees, discounts or fees as special conditions in connection with the subscription to or the payment of Chimimport's share capital.

3.2.3. As of the present moment there is an active purchase option contract on 286,136 Shares in the capital of Chimimport owned by Chimimport Invest, and the maturity of this contract is 20.12.2007.

3.3. All shares issued by Chimimport are ordinary, but its Articles of Association allow for the issuing of preference shares (with or without voting power) with a guaranteed and/or additional dividend, with a redemption options, as well as with any other privileges permitted under the existing legislation. The Issuer may not issue preference shares giving the right to more than one vote or to an additional liquidation share. Outside what is specified in this document, rights under the Shares are not materially restricted by the rights granted by other securities issued by Chimimport or contracts it has entered into. Chimimport does not plan to issue instruments or enter into an agreements that would limit the rights under the Shares.

3.4. Chimimport's Shares are dematerialized, and exercising the rights under the Shares requires shareholders to be issued depositary receipts by the Central Depository.

**4. Increase of Capital and Approval of the Prospectus**

This document was adopted by the Management Board of Chimimport with a decision of 31 July 2007. Any approval, authorizations or other instructions required by Chimimport's articles of association or the existing legislation in Bulgaria have been given or received with regard to the Offering, subscription and sale of New Shares.

The general meeting of shareholders in Chimimport, at its meeting on 15 February 2006, has authorized, by an amendment of the Articles of Association, the Management board, with the approval of the Supervisory Board, to take decisions for increasing the capital of the Issuer until reaching a total par value of BGN 150 million within a term of 5 years, by means of issuing new ordinary or preference shares (Art. 17, para. 9 of Chimimport's articles of association).

In pursuance of this decision of the shareholders and the rights given to it by the articles of association, on 29 June 2007 the Management Board took a decision to increase the capital of Chimimport by means of an issue of up to 20,000,000 New Shares, subject to the Offering under the present prospect and under its terms and conditions. This decision was approved by the Supervisory Boar on the same date. With a subsequent decision of 31 July 2007 of the Management Board, approved with a decision of the Supervisory Board of the same date, the issue value of the New Shares was determined and UniCredit Bulbank was selected Lead Manager of the Offering. The Management Board has determined a lower limit of 10,000,000 shares, whose issuance will be considered a successful Increase of Capital of the Issuer, and which also represent the minimum number of New Shares offered for subscription.

**5. Legal Disputes**

Chimimport is not a party and has not been a party under court, arbitrage or administrative proceedings (including proceedings of the aforementioned nature that are pending or may be initiated) over the last 12 months preceding the date of this document, that may have or have had material effect on the financial position or profitability of Chimimport.

**6. Members of the Supervisory and Management Board of Chimimport**

***6.1. Interest in the share capital***

The following members of the Supervisory and Management Board own Shares in the capital of Chimimport:

| Name | Number of shares owned | % of the capital / votes in the GMS: |
|---|---|---|
| Chimimport Invest – member of the Supervisory Board …………….. | 77,038,339 | 59.2603 |
| Marin B. Mitev - member of the Management Board ……………….. | 268,601 | 0,2066 |
| Ivo K. Georgiev - member of the Management Board ………………. | 268,602 | 0,2066 |
| Nikola P. Mishev - member of the Management Board …………….. | 37,702 | 0,0290 |
| Mirolyub P. Ivanov - member of the Management Board …………… | 52,244 | 0.0402 |
| Alexandar D. Kerezov – member of the Management Board ……….. | 108,160 | 0.0832 |

Some of the members of the Management Board and Supervisory Board of Chimimport, as well as other employees, intend to acquire some Offered Shares in the Offering or afterwards. Besides, members of the Management Board and Supervisory Board may decide in some future moment to accept shares options or a share purchase program in connection with an additional stimulation of the member of the Management Board and Supervisory Board of Chimimport, the senior management and other staff.

***6.2.*** After the Offering some members of the Supervisory Bard and the Management Board of Chimimport will continue to hold an interest in Chimimport's share capital. It is possible that after the offering management staff may hold interest in Chimimport's share capital.

***6.3.*** There are no active agreements and there are no plans to conclude agreements between a member of the Supervisory Board, the Management Board or management staff of the Issuer or its subsidiary, providing for a payment of compensation upon termination of the contractual relations.

***6.4. Participation in the management of other companies.***

Outside their activities as members of the management and supervisory bodies of Chimimport and companies from the Group, the members of the Supervisory Board and the Management Board of the Issuer have held interests and performed management and supervisory functions in the last 5 years in the following companies:

| Name | Current positions/ interests held | Previous positions/ interests held |
|---|---|---|
| Nikola Alexandrov Damyanov | Chairperson of the SB of CCB EAD | Manageer of Fertitron Inc. - Bulgaria (1991-2005) |
| Chimimport Invest AD | Member of the SB of CCB Group Assets Management EAD | - |
| CCB Group Assets Management EAD | Member of the BD of Chimimport Invest AD | - |
| Tsvetan Tsankov Botev | Member of the MB of Central Cooperative Bank AD, member of the BD of Chimimport Group EAD, Executive Director of Chimiport Pharma AD and manger of the following companies: Chimimport Orgachim OOD, Chimimport Oil Trade OOD, Chimtrans OOD and Chimimport Petrol AD. | He has taken part in the management of the following companies: Chimco AD, Vratsa, Neftochim AD, Burgas, Plastchim, Botevgrad, Zavod za Kuhennska Mebel, Cherven Bryag as Chairperson of the Board of Directors (1990-1995), he was member of the Board of Directors of Commercial Bank Biochim AD (1991-1992). |
| Alexandar Dimitrov Kerezov | Manager of accounting company Chimimport Consult OOD, member of the Management Board of Central Cooperative Bank AD and of the Management Board of Insurance Joint Stock Company Armeec, member of the Supervisory Board of Pension Insurance Joint Stock Company CCB Sila, member of the Management Board of CCB Group Assets Management EAD and member of the Management Board of Bulgarian River Shipping AD, Ruse, member of the Board of Director of Bulgarian Aviation Group EAD, member of the Board of Directors of Chimimport Oil AD and Executive Director of Chimimport Group EAD. | - |
| Zhivko Zhelev | | Manager and partner at Mecagommerce OOD (1998 – 2006); since 2006 he is Marketing and Research director of Rentapark EOOD |
| Ivo Kamenov Georgiev | Executive director of Chimimport Invest AD, member of the Management Board of CCB Group Assets Management EAD, member of the Management Board of Oil and Gas Exploration and Production AD, member of the Board of Directors of Slanchevi Lachi EAD, of the BD of Bulgaria Air AD, member of the BD of Bulgarian Aviation Group EAD, as well as manager of the following companies: Ariel TV AD, Varna, Tab OOD, Varna, Tim Car OOD, Varna and Tortuga OOK, Varna. | Member of BD of Ariel TV – Varna; member of BD of Lovico Suhindol Group AD, Sofia; member of BD of Mustang Issuer AD, Sofia. |
| Marin Velikov Mitev | Chairperson of the Supervisory Board of CCB Group Assets Management EAD, member of the Supervisory Board of Central Cooperative Bank AD, member of the Board of Directors of Chimimport | |

| Name | Current positions/ interests held | Previous positions/ interests held |
|---|---|---|
| | Invest AD, Executive Director of Sporten Complex Varna AD, member of the Board of Directors of Slanchevi Lachi Bulgaria EAD and Executive Director of Mustang Issuer AD. He is manager of the following companies: Alea Parva OOD, Varna; SD Masters – BGM, Varna; Tim Car OOD, Varna;TIM Club OOD, Varna; Tortuga OOD, Varna; Ulitsa Parva OOD, Varna, and Analysis and Research Centre OOD, Varna. Mr. Mitev is procurator of Oil and Gas Exploration and Production. | |
| Nikola Peev Mishev | Executive Director of Chimimport Group EAD, he is member of the Supervisory Board of Pension Insurance Company CCB Sila AD and is manager of the following companies: Chimimport Rubber OOD, Chimimport Fertilizers OOD, Chimimport Chimtseltex OOD and Chimimport Trade OOD. As of this year he is procurator of Asenova Krepost AD. Mr. Mishev represents Chimimport Ad as Chairperson of the Supervisory Noard of ZPAD Armeec. | member of the Board of Directors of CCB Group Assets Management EAD (2002-2005) and Chimsnab AD (1994-2004). |
| Mirolyub Ivanov | Executive Director of Chimsnab OOD; member of the Boar of Directors of Chimimport Group EAD; manager of Chimimport Lega Consult OOD; manager and partner at Satelit X OOD and Chimimport Finances OOD; member of the Management Boards of Bulgarian River Shipping AD and Chimimport Oil AD. | Executive Director of Balkan Hemus Group (2003-2007), manager of Bulgarian Shipping Company EOOD (2005-2007) and Chimimport Bimas (2006); member of the Board of Directors of Pension Insurance Company Saglasie AD (2005-2006). |

### *6.5. Court sentences, interests in companies in bankruptcy, enforcement measures*

Within the period of five years preceding the date of this document none of the Members of the Supervisory Board or Management Board or senior managers:

- has had any convictions in relation to fraudulent offences;
- has been a director of any company at the time of any bankruptcy, receivership or liquidation of such company; or
- has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the Management or conduct of the affairs of a company.

### *6.6 Conflicts of interest*

None of the Members of the Supervisory Board or Management Board or senior managers has any present or potential conflicts of interests between their duties to the Issuer and their private interests or other duties.

### *6.7 Compensation*

In the financial year ended 31 December 2006 the aggregate total remuneration paid to each of the Members of the Supervisory Board and Management Board, according to their management agreements was BGN 285,4 thousand. The accrued sums for mandatory pension insurance regarding each of the Directors – natural persons for the complete 2006 is BGN 4.9 thousand, which is the maximal amount permitted by law.

## 7. Subsidiaries and associates

As of the date of this documents Chimimport owns directly an indirectly interests in the following companies:

| Subsidiary | Registered office and business address | Main scope of activities | Interest in the capital % |
|---|---|---|---|
| CCB Group Assets Management EAD | 2 St. Karadzha Str., Sofia | Issuer structure for participation in the capital of the companies from the financial sector. | 100.0 |
| Central Cooperative Bank AD | 103 G. S. Rakovski Str., Oborishte Region, Sofia | banking | 77.2 |
| ZPAD Armeec | 2 Stefan Karadzha Str, Sredets Region, Sofia | general insurance and reinsurance | 92.7 |
| Armeec Leasing OOD | 2 Stefan Karadza Str, Sredets Region, Sofia | leasing operations | 100.0 |
| POAD CCB Sila | 2 Stefan Karadzha Str, Sredets Region, Sofia | voluntary additional pension insurance | 99.3 |
| POC Saglasie AD | 20 F. Jolio Kurie Str, Sofia | additional pension insurance | 49.3 |
| CCB Real Estate Fund ADSIC | 2 Stefan Karadzha Str, Sredets Region, Sofia | real estate securitization | 100.0 |
| Capital Management ADSIC | 2 Stefan Karadzha Str, Sredets Region, Sofia | securitization or receivables | 46.2 |
| Management Company CCB Assets Management AD | 2 Stefan Karadzha Str, Sredets Region, Sofia | organization and management of mutual funds | 100.0 |
| Bulgarian Aviation Group EAD | 2 Stefan Karadzha Str, Sredets Region, Sofia | Issuer structure that unified the interests in aviation transport companies of the Group | 100.0 |
| Hemus Air EAD | Sofia Airport, Slatina Region, Sofia | aviation transport | 100.0 |
| Bulgaria Air AD | Sofia Airport, Slatina Region, Sofia | aviation transport | 99.99 |
| Oil and Gas Exploration and Production AD | 2 St. Karadzha Str., Sredets Region, Sofia | prospecting, research, drilling, development and exploitation of oil and gas fields, as well as processing of crude oil to end products for the market | 55.0 |
| Bulgarian Drilling Company EOOD | 2 St. Karadzha Str., Sredets Region, Sofia | drilling repair in Bulgaria and abroad of prospecting, research and extraction drills for oil and gas, groundwater and geothermal energy | 100.0 |
| Bulgarian Petroleum Refinery EOOD | 2 St. Karadzha Str., Sredets Region, Sofia | manufacturer of oil products form the processed of oil and condensed fluid | 100.0 |

| | | | |
|---|---|---|---|
| Geophysical Research EOOD | 2 St. Karadzha Str., Sredets Region, Sofia | engineering, hydrogeological, geotechnical, geophysical, geological and prospecting research | 100.0 |
| Petrogas Antica EOOD | 220 Treti Mart Blvd., Montana | design, construction of oil and gas pipes and prospecting | 100.0 |
| Sofgeoprouchvane EOOD | 123 Iliantsi Str., Iliantsi Region, Sofia | processing of seismic data, interpretation of seismic, geological and geophysical data | 100.0 |
| Sofgeolint OOD | 123 Iliantsi Str., Iliantsi Region, Sofia | engineering, hydrogeological, and geophysical research | 55.0 |
| Geology and Mineral Resources Publishing OOD | 22 Maria Luisa Blvd., Oborishte Region, Sofia | publishing | 70.0 |
| PDNG – Service OOD | 2 Stefan Karadzha Str, SRedets Region, Sofia | repair of facility for oil and gas fields | 100.0 |
| Chimimport Oil AD | 2 Stefan Karadzha Str, Sredets Region, Sofia | trading in petrol and fuels | 51.0 |
| Bulgarian Shipping Company EOOD | 2 St. Karadzha Str., Sredets Region, Sofia | Issuer company for acquisition of interests in sea and river shipping | 100.0 |
| Bulgarian River Shipping AD | 2 Otets Paisiiy Sq., Ruse | River shipping | 78,1 |
| VTC AD | 1st floor, Morska Gara, Varna | tugboat services | 51.0 |
| Mayak-KM AD | 44 Tsar Osvoboditel Str., Novi Pazar | watercraft construction | 77.2 |
| Ship Machine Building AD | 24 Devnya Str, Varna | watercraft construction and repair | 51.8 |
| Port Balchik AD | 1 Bulgaria Str, Dobrich | sea and coastal transport | 25.0 |
| Energoproekt AD | 51 James Boucher Str., Sofia | consulting and design in the area of power engineering | 83.2 |
| Port Lesoport AD | 5 Vardar Str., Varna | port operator and concessionary | 99.0 |
| Slanchevi Lachi Bulgaria EAD | 2 St. Karadzha Str., Sredets Region, Sofia | purchase and sale of agricultural produce, processing of oleaginous seeds and manufacturing of draft and bottled cooking oil, trading in fertilizers, grain warehousing services for third parties | 77.6 |
| Varna Sports Complex AD | 31 Tsar Simeon Str., Varna | sports and entertainment activities | 65.0 |
| Accounting Firm Chimimport Consult OOD | 2 St. Karadzha Str., Sredets Region, Sofia | accounting services | 59.3 |
| Chimimport Lega Consult OOD | 2 St. Karadzha Str., Sredets Region, Sofia | legal services | 70.0 |
| Chimsnab AD | 1 Scladova Baza Str., Iliantsi District, Sofia | lease of warehouse facilities; loading/unloading and other goods and cargo services | 93.3 |
| Caoutchouc AD | 2 Stefan Karadzha Str, Sredets Region, Sofia | production and trade with rubber products | 29.0 |
| Bulchimex OOD | 50 Gioletstrasse, 60325, Frankfurt am Main, Germany | real estate trading and management | 100.0 |
| Konor OOD | Tsug, Switzerland | trade and management of financial assets | 20.0 |

| | | | |
|---|---|---|---|
| Brand New Ideas EOOD | 32A Cherni Vrah Blvd., Sofia | design, advertising, public relations | 100.0 |
| Trans Intercar EOOD | 1 Al. Battenberg Str., Sofia | lease of transport vehicles and transportation services | 100.0 |
| Trans Service EOOD | 1 Al. Battenberg Str., Sofia | Company service and repair of heavy vehicles | 100.0 |
| Chimimport Group EAD | 2 St. Karadzha Str., Sredets Region, Sofia | Issuer structure for commerce companies | 100.0 |
| Chimimport Oil Trade AD | 2 St. Karadzha Str., Sredets Region, Sofia | trading in fuels | 60.0 |
| Chimimport Finances OOD | 2 St. Karadzha Str., Sredets Region, Sofia | financial services and cosulting | 66.0 |
| Chimimport Fertilizers OOD | 2 St. Karadzha Str., Sredets Region, Sofia | trading in fertilizers and chimicals | 51.0 |
| Chimimport Orgachim OOD | 2 St. Karadzha Str., Sredets Region, Sofia | trading in pharmaceuticals and medical consumables | 60.0 |
| Chimimport Chimceltex OOD | 2 St. Karadzha Str., Sredets Region, Sofia | trading in textiles, cellulose, etc. | 60.0 |
| Chimimport Oil AD | 2 St. Karadzha Str., Sredets Region, Sofia | trading in oil and fuels | 49.0 |
| Chimimport Rubber OOD | 2 St. Karadzha Str., Sredets Region, Sofia | trading in rubber and rubber products | 60.0 |
| Dialisa Bulgaria OOD | 2 St. Karadzha Str., Sredets Region, Sofia | management and interest-Issuer in hemodialysis centres | 50.0 |
| Chimimport Pharma AD | 1 Knyaz Alexandar Battenberg Str., Sredets Region, Sofia | trading in pharmaceuticals | 69.9 |
| Chimimport Petrol AD | 2 Stefan Karadzha Str., Sredets Region, Sofia | trading in fuels | 66.0 |
| Medical Centre - Chimimport Medica OOD | 2 St. Karadzha Str., Sredets Region, Sofia | organization of health services | 52.0 |
| Chimtrans OOD | 2 St. Karadzha Str., Sredets Region, Sofia | transportation services | 60.0 |
| Chimimport Agrochemicals AD | 1 Knyaz Alexandar Battenberg Str., Sredets Region, Sofia | grain warehousing and processing | 100.0 |
| Ecoland Engineering | 1 Knyaz Alexandar Battenberg Str., Sredets Region, Sofia | laboratory examination of soil samples | 52.0 |
| Kane Bulgaria OOD | 2 St. Karadzha Str., Sredets Region, Sofia | commercial agency and representation | 75.0 |
| Silico-07 OOD | 2 St. Karadzha Str., Sredets Region, Sofia | wholesale trading in industrial goods | 50.0 |
| IT Creation Bulgaria OOD | 2 St. Karadzha Str., Sredets Region, Sofia | web design and development | 50.0 |

**8. Significant change**

Save as disclosed in this document, there has been no significant change in the financial or trading position and prospects of Chimimport, since 31 December 2006, the end of the last financial year.

**9. Material contracts**

No contracts (not being contracts entered into in the ordinary course of business of Chimimport and its subsidiaries) have been entered into by Chimimport or its subsidiaries within the two years immediately preceding the date of this document and are, or may be, material to Chimimport or have been entered into at any time by Chimimport and contain provisions under which Chimimport or its subsidiaries have an obligation or entitlement which is, or may be, material to Chimimport at the date of this document.

### 10. Auditors

The auditor of Chimimport, specialised audit company Grand Tornton OOD, with registered address at 16A Aleksandar Batenberg Str, 2nd floor, ap. 7, Sredetz region, Sofia 1000, Bulgaria, registered at the Sofia City Court under company file number 9558/1995, through the registered auditor Marii Apostolov, Registration No 0488, have audited the financial statements of the Issuer Company and its subsidiaries for the three years ended 31 December 2006, 31 December 2005 and 31 December 2004.

### 11. Unusual or Material Transactions with Related Persons

Chimimport and its subsidiaries enter into transactions with related parties in the normal course of business. These transactions are carried out at market rates and have no significant importance for the activity and financial status of Chimimport and its subsidiaries. There are no proposals for transactions of significant importance or with unusual conditions and type to be concluded between Chimimport or its subsidiaries and any parties related to them.

### 12. General

12.1 The Shares of Chimimport have been subject to public offering in 2006 and have been admitted for trading on the Official Market of the Bulgarian Stock Exchange after the termination of the offering. The settlement of the Shares is carried out through the Central Depository. The ISIN is BG1100106050.

12.2 The Lead Manager will not underwrite the Offering, it has undertaken the obligation to make its best efforts for placement of the Offer Shares.

12.3 Chimimport will publish notices for a general meeting of shareholders in the Bulgarian central daily newspaper "Pari".

12.4 The total prognosticated costs, charges and expenses payable by Chimimport in connection with the Offering are estimated to be BGN 280,000 (exclusive of VAT) including any road-show expenses, consultants' remuneration, expenses for printing of this prospectus, fees paid to the state authorities and other institutions and expenses for publishing.

12.5 Except of Chimimport Invest, Chimimport is not aware of any person who intends to purchase more than five per cent of the Shares in the Offering. Chimimport is not aware of any intentions of other Existing Shareholders to acquire Shares in the Offering or immediately after it.

12.6 No tranche of the Shares which are the subject of the Offering has been reserved for purchases by employees of Chimimport or any other class of investors, whether or not related to Chimimport.

12.7 No expenses or taxes will be paid by or on the account of the investors, subscribing and purchasing shares in the Offering, except for customary banking charges for money transfers, contracted fees and the commissions to be paid by the investors pursuant to the agreements with investment intermediaries they have entered into, including the customary BSE fees for the existing Shares transfer, as well as the relevant foreign exchange fees which an investor shall due if wishing to make payment in foreign currency, and could be obliged to pay the applicable foreign exchange charges.

12.8 The information about the Lead Manager's remuneration and its dependence on the public offering success has been disclosed in *"Sale of Shares-Mandate agreement"*. Remuneration of the rest consultants of Chimimport in connection with the Offering will not depend on its success. Save the Shares, securing the repo transaction agreement between UniCredit Bulbank and Himimport Invest and the 3,400 shares, owned by UniCredit Bulbank, disclosed in *"Major Shareholders"*, the Lead Manager of the Offering does not own any shares of Chimimport and its subsidiaries and does not have any direct or indirect economical interests related to the Group. The legal adviser to the Offering does not own any shares of Chimimport and its subsidiaries and does not have any direct or indirect economical interests related to the Group.

12.9 Investors may receive any information from the licensed investment intermediaries concerning the prices and amount of the Chimimport Shares transactions on the stock exchange, the prices and amount of Shares' demand and offering, as well as any other investment information. Such information may be also obtained from the BSE bulletin in the web page of the BSE: www.bse-sofia.bg, from the financial press and such other sources.

**13. Documents incorporated by reference**

This Prospectus refers to the documents of Chimimport, mentioned below, submitted with the Financial Supervision Commission, which shall be deemed by virtue of the law as a part of this document and are available at Chimimport on the addresses, pointed out at page ii of the Prospectus:

13.1 the management reports of Chimimport for each of the three years ended 31 December 2006, 2005 and 2004;

13.2 the declaration under Art. 81, Para 5 of the Public Offering of Securities Act on the information contained in this Prospectus from the members of the Management Board of Chimimport, the persons, responsible for the preparation of the financial statements of Chimimport and the registered auditor.

**14. Documents for inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sunday and public holidays excepted) at the office of Chimimport at 2 Stefan Karadja Str, Sofia, Bulgaria and on the web page of the Issuer www.chimimport.bg from the date of publication of this Prospectus and during the period of its validity:

14.1 the Articles of association of Chimimport;

14.2 this document and the financial statements and auditor's reports enclosed thereto, as well as the documents incorporated by reference as per item 13 set out above;

14.3 the intermediate consolidated financial statement of Chimimport for the six months end 30 June 2007 after its preparation and publication, as well as any subsequent financial statements of the Issuer and the corresponding auditor's reports, if any, after their preparation and publication.

## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise.

| | |
|---|---|
| **"Admission"** **……………………………….** | admission of the New Shares to the Official Market of the BSE |
| **"Armeec"** **………………………………….** | Insurance and Re-insurance Joint Stock Company Armeec |
| **"BRSC"** **…………………………………..** | Bulgarian River Shipping Company AD |
| **"BSE" or "Bulgarian Stock Exchange", or "The Bourse"** **………………………………** | Bulgarian Stock Exchange-Sofia AD |
| **"Capital Increase"** **…………………………** | The increase of the capital of Chimimport via a public offering for subscription of 20,000,000 New Shares voted by the Management Board on 29 June 2007 and approved on the same date by the Supervisory Board in compliance with the authorization of the latter under the Articles of Association of Chimimport. |
| **"Central Cooperative Bank"** or **"CCB"** **….** | Central Cooperative Bank AD, a subsidiary of Chimimport and a Co-manager of the Offering |
| **"CCB-Sila"** **…………………………………** | Pension Insurance Company CCB-Sila AD, a subsidiary of Chimimport |
| **"Central Depository"** **……………………...** | The Central Depository AD, Sofia, keeps the Bulgarian national book-entry securities registry and provides, besides the rest, clearance and settlement services for book-entry transactions. |
| **"Chimimport"** **……………………………** | The Issuer of the New Shares, Chimimport AD |
| **"Chimimport Invest"** **……………………...** | The Major Shareholder of the Issuer, Chimimport Invest AD |
| **"Directors"** **…………………………………** | The members of the Management and the Supervisory Board of Chimimport |
| **"EU"** **………………………………………...** | the European Union |
| **"Financial Supervision Commission"** or **"FSC"** **……………………………………….** | the Financial Supervision Commission in Bulgaria |
| **"GDP"** **………………………………………** | gross domestic product |
| **"Group"** **…………………………………….** | Chimimport and its subsidiaries and affiliates (associated companies) |
| **"IAS"** **……………………………………….** | International Accounting Standards |
| **"IFRS"** **……………………………………...** | International Financial Reporting Standards |
| **"IMF"** **………………………………………** | the International Monetary Fund |
| **"Issue Price"** or **"Issue Value"** **…………….** | BGN 11 for each new share of Chimimport |
| **"Issuer"** **……………………………………..** | Chimimport AD |
| **"Lead Manager"** **…………………………...** | UniCredit Bulbank |

| | |
|---|---|
| **“Principal Subsidiaries” ...………………...** | CCB, Armeec, PC Suglasie, CCB Sila, Hemus Air, Bulgaria Air, Bulgarian River Shipping Company, Research and Production of Oil and Gas, Slunchevi Luchi |
| **“Major Shareholder” ……………………...** | Chimimport Invest |
| **“New Shares” ……………………………...** | 20,000,000 Shares from the Capital Increase, which are subject of the Offering |
| **“Offering” …………………………………** | The Offering is a public offer in Bulgaria of up to 20,000,000 Shares of the Capital Increase of Chimimport as well as the public offering of Rights on the BSE. The New Shares and their respective rights are being offered outside the United States to selected investors in accordance with Regulation S. |
| **“Offer Shares” …………………………….** | The New Shares of the Capital Increase |
| **“Lukoil Garant” …………………….** | Pension Company Lukoil Garant Bulgaria AD |
| **“PSC Suglasie” ……………………………** | Pension Company Saglasie AD |
| **“Research and Production of Oil and Gas” ……………………………………..** | Research and Production of Oil and Gas AD, a subsidiary of Chimimport |
| **“Rights” ……………………………………** | Securities entitling the shareholder to subscribe for a specified number of new shares in connection with a resolution for a capital increase of a public company. |
| **“Shares” …………………………………...** | The Shares of Chimimport issued and registered in the Central Depository at the date of this Prospectus (ordinary shares of BGN 1 nominal value each), as well as the New Shares issued upon the Capital Increase of Chimimport |
| **“Slunchevi Luchi” ………………………...** | Slunchevi Luchi AD, a subsidiary of Chimimport |
| **“UniCredit Bulbank” ……………………..** | UniCredit Bulbank AD, Lead Manager of the Offering |

In this Prospectus, words denoting any gender include all genders (unless the context otherwise requires).

## INDEX TO FINANCIAL STATEMENTS

### A. Consolidated financial statements



### B. Individual financial statements

***Audited financial statements of Chimimport for the year ended 31 December 2004***



In the financial statements of Chimimport the numbers are presented as follows: the number "one thousand" is "1 000", the number "one hundred and five tenths" is "100.50"; the number "one million" is "1 000 000" or "1 000 000.00", and any other numbers shall be expressed and written in the same way.

**Chimimport AD**
**Interim financial statements**
**30 June 2007**

**Contents**

## Interim balance sheet

| | Notes | 31 June 2007 '000 BGN | 31December 2006 '000 BGN |
|---|---|---|---|
| **Assets** | | | |
| **Non-current** | | | |
| Property, plant and equipment | | 19 101 | 20 074 |
| Intangible assets | | 371 | 495 |
| Investment property | | 1 214 | 1 253 |
| Investments in subsidiaries | | 185 909 | 151 995 |
| Investments in associates | | 18 052 | 27 935 |
| Long-term financial assets | | 17 699 | 30 072 |
| Long-term receivables | | 12 674 | 11 691 |
| | | **255 020** | **243 515** |
| **Current** | | | |
| Inventories | | 296 | 302 |
| Receivables from related parties | | 63 472 | 17 492 |
| Short-term financial assets | | 2 517 | 1 864 |
| Loans granted | | 5 107 | 11 348 |
| Trade receivables | | 2 824 | 4 315 |
| Court receivables | | 145 | 145 |
| Other receivables | | 15 959 | 8 282 |
| Cash and cash equivalents | | 30 455 | 26 392 |
| | | **120 775** | **70 140** |
| **Total assets** | | **375 795** | **313 655** |

**Prepared by: ____________________**

**Executive director:_____________________**

**Data: 26 July 2007 г.**

## Interim balance sheet

| | Notes | 31 June 2007 '000 BGN | 31December 2006 '000 BGN |
|---|---|---|---|
| **Equity** | | | |
| Share capital | | 130 000 | 130 000 |
| Premium reserve | | 32 925 | 32 925 |
| Other reserves | | 7 119 | 7 125 |
| Retained earnings | | 65 945 | 36 709 |
| Net profit for the period | | 41 307 | 29 236 |
| **Total equity** | | **277 296** | **235 995** |
| | | | |
| **Liabilities** | | | |
| **Non-current** | | | |
| Long-term bank loans | | 1 788 | 1 723 |
| Long-term trade payables | | 8 242 | 8 502 |
| Long-term payables to related parties | | 27 235 | 7 760 |
| Other long-term payables | | 539 | 539 |
| | | **37 804** | **18 524** |
| | | | |
| **Current** | | | |
| Short-term payables to related parties | | 35 548 | 21 860 |
| Short-term bank loans | | 9 137 | 10 339 |
| Trade payables | | 5 579 | 7 773 |
| Tax payables | | 6 | 1 895 |
| Payables to employees and social security institutions | | 554 | 524 |
| Other payables | | 9 871 | 16 745 |
| | | **60 695** | **59 136** |
| | | | |
| **Total liabilities** | | **98 499** | **77 660** |
| | | | |
| **Total equity and liabilities** | | **375 795** | **313 655** |

**Prepared by: ____________________**

**Executive director:_____________________**

**Data: 26 July 2007 г.**

## Interim Income Statement

| | Notes | 30 June 2007 '000 BGN | 30 June 2006 '000 BGN |
|---|---|---|---|
| Gains from transactions with financial instruments | | 49 168 | 71 |
| Losses from transactions with financial instruments | | (6 588) | (5) |
| **Net result from transactions with financial instruments** | | **42 580** | **66** |
| | | | |
| Interest income | | 7 | 187 |
| Interest expenses | | (933) | (484) |
| **Interest expenses, net** | | **(926)** | **(297)** |
| | | | |
| Gains from foreign exchange differences | | 279 | - |
| Losses from foreign exchange differences | | (5) | (4) |
| **Net result from foreign exchange differences** | | **274** | **(4)** |
| | | | |
| Other financial income/(expenses), net | | **(75)** | **(46)** |
| | | | |
| Operating income | | 2 982 | 4 369 |
| Operating expenses | | (3 528) | (1 747) |
| **Operating result** | | **(546)** | 2 622 |
| | | | |
| **Result for the period before tax** | | **41 307** | **2 341** |
| | | | |
| Tax expenses, net | | - | (341) |
| **Net result for the period** | | **41 307** | **2 000** |

| | 30 June 2007 BGN | 30 June 2006 BGN |
|---|---|---|
| **Earnings per share** | 0.32 | 0.02 |

**Prepared by: ____________________**

**Executive director:_____________________**

**Data: 26 July 2007 г.**

## Interim cash flow statement

| | Notes | 30 June 2007 '000 BGN | 30 June 2006 '000 BGN |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Proceeds from short-term loans | | 70 052 | 49 207 |
| Payments for short-term loans | | (47 785) | (28 973) |
| Purchase of short-term financial assets | | 1 161 | 4 617 |
| Proceeds from sale of short-term financial assets | | (1 112) | (5 391) |
| Cash receipts from customers | | 6 882 | 2 316 |
| Cash paid to suppliers | | (2 950) | (1 204) |
| Gains/(losses) from foreign exchange differences | | 6 | (4) |
| Interest income | | 7 | - |
| Cash paid to employees and social security institutions | | (278) | (94) |
| Taxes paid | | (1 926) | (145) |
| Other payments for operating activities | | (50) | (57) |
| Other proceeds from operating activities | | 48 | 63 |
| **Net cash used in operating activities** | | **24 055** | **20 335** |
| **Investing activities** | | | |
| Purchase of non-current assets | | (25 016) | (172) |
| Proceeds from sale of non-current assets | | 41 195 | 214 |
| Purchase of investments in subsidiaries and associates | | (31 950) | (12 569) |
| **Net cash used in investing activities** | | **(15 771)** | **(12 527)** |
| **Financing activities** | | | |
| Payments for bank loans received | | (2 499) | (6 656) |
| Discharge of finance lease liabilities | | (1 133) | - |
| Interest paid | | (589) | (185) |
| Other payments for financing activities | | - | (184) |
| Other proceeds from financing activities | | - | 182 |
| **Net cash used in financing activities** | | **(4 221)** | **(6 843)** |
| **Cash and cash equivalents at beginning of period** | | **26 392** | **3 607** |
| Net increase in cash and cash equivalents | | 4 063 | 965 |
| **Cash and cash equivalents at end of period** | | **30 455** | **4 572** |

**Prepared by: ____________________**

**Executive director:_____________________**

**Data: 26 July 2007 г.**

## Interim statement of changes in equity

| All amounts presented in BGN'000s | **Share capital** | **Unpaid capital** | **Additional paid-in capital** | **Other reserves** | **Retained earnings** | **Total equity** |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2006** | **60 000** | **(2 082)** | **58 916** | **7 596** | **36 708** | **161 138** |
| Installments for increase in share capital | 58 916 | 2 082 | (58 916) | - | - | **2 082** |
| Net result for the period | - | - | - | - | 2 000 | **2 000** |
| Donations granted | - | - | - | (133) | - | **(133)** |
| Other changes in equity | - | - | - | (1) | 1 | - |
| **Balance as at 30 June 2006** | **118 916** | **-** | **-** | **7 462** | **38 709** | **165 087** |

| All amounts presented in BGN'000s | **Share capital** | **Share premium** | **Other reserves** | **Retained earnings** | **Total equity** |
|---|---|---|---|---|---|
| **Balance 01 January 2007** | **130 000** | **32 925** | **7 125** | **65 945** | **235 995** |
| Net result for the period | - | - | - | 41 307 | **41 307** |
| Other changes in equity | - | - | (6) | - | **(6)** |
| **Balance as at 30 June 2007** | **130 000** | **32 925** | **7 119** | **107 252** | **277 296** |

**Prepared by: ____________________**

**Executive director:_____________________**

**Data: 26 July 2007 г.**

## Selected explanatory notes to interim financial statements

### General information

CHIMIMPORT AD was registered as a joint-stock company at Sofia city court on 24 January 1990.

The Company is engaged in the following business activities:

- Import, export, re-export and other commercial transactions with oil and other chemical products;
- Commission, forwarding and warehousing transactions;
- Commercial agency and brokerage;
- Sale of manufactured goods;
- Acquisition, management and trade of shares in Bulgarian and foreign companies;
- Financing of companies in which interest is held;
- Tourist services.

The address of the Company's registered office is 2, St. Karadja Str., Sofia, Bulgaria.

The financial statements for the period ended 30 June 2007 were approved by the Management Board on 26 July 2007.

### Basis for preparation of the interim financial statements

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Company as at 31 December 2006.

Interim financial statements are presented in BGN, which is also the functional currency of the Company.

The main accounting policies of the Company have remained unchanged from those set out in the annual financial statements of the Company as at 31 December 2006.

## Property, plant and equipment

| | Land | Buildings | Machinery | Aircraft | Vehicles |
|---|---|---|---|---|---|
| | BGN’000s | BGN’000s | BGN’000s | BGN’000s | BGN’000s |
| At 1 January 2006 | | | | | |
| Cost | 200 | 654 | 1 030 | 13 255 | 193 |
| Accumulated depreciation | - | (100) | (962) | (1 326) | (192) |
| **Net book amount** | **200** | **554** | **68** | **11 929** | **1** |
| **Year ended 31 December 2006** | | | | | |
| Opening net book amount | 200 | 554 | 68 | 11 929 | 1 |
| Additions | 401 | - | 28 | 8 787 | - |
| Disposals | (200) | - | (11) | - | (14) |
| Decrease in depreciation | - | - | 11 | - | 15 |
| Depreciation charge | - | (26) | (51) | (1 765) | (2) |
| **Closing net book amount** | **401** | **528** | **45** | **18 951** | **-** |
| **At 31 December 2006** | | | | | |
| Cost or valuation | 401 | 654 | 1 047 | 22 042 | 179 |
| Accumulated depreciation | - | (126) | (1 002) | (3 091) | (179) |
| **Net book amount** | **401** | **528** | **45** | **18 951** | **-** |
| **Year ended 30 June 2007** | | | | | |
| Opening net book amount | 401 | 528 | 45 | 18 951 | - |
| Additions | | | 2 | | |
| Depreciation charge | | (15) | (7) | (1 102) | - |
| **Closing net book amount** | **401** | **513** | **40** | **17 849** | **-** |
| **At 30 June 2007** | | | | | |
| Cost or valuation | 401 | 654 | 1 049 | 22 042 | 179 |
| Accumulated depreciation | - | (141) | (1 009) | (4 193) | (179) |
| **Net book amount** | **401** | **513** | **40** | **17 849** | **-** |

## Share capital

On 15 February 2006 the General Meeting of the Shareholders took the decision to increase the share capital from BGN 60 000 000 to BGN 118 916 086 and to start the procedure for transforming the company into a public company. The increase of the share capital came in force with court decision No 24 dated 10 April 2006, issued by Sofia City Court. At the General Meeting of the Shareholders on 31 March 2006 a decision to increase the share capital from BGN 118 916 086 to BGN 130 000 000 was taken. Therefore, 11 083 914 new ordinary dematerialized shares have been issued, each with par value of BGN 1 and issue price of BGN 4. The increase of the share capital has been performed by public offering of the shares. The Prospectus for the public offering has been approved by the Financial Supervision Commission with decision № 618-E dated 9 August 2006. The increase of the share capital came in force with court decision № 25 dated 29 September 2006, issued by Sofia City Court.

## Earnings per share

The basic earnings per share is determined by dividing the net profit for the period attributable to the equity holders of Chimimport AD.

The weighted average number of outstanding shares used for basic earnings per share as well as profits attributable to shareholders is as follows

| | **30 June 2007** | **30 June 2006** |
|---|---|---|
| Net result for the period in BGN | 41 307 000 | 2 000 000 |
| Weighted average number of ordinary shares in issue | 130 000 000 | 86 512 239 |
| **Basic earning per share (BGN per share)** | 0,3177 | 0,0231 |

**Chimimport AD**
**Consolidated financial statements**
**31 December 2006**

Grant Thornton

CHIMIMPORT
PUBLIC COMPANY

# AUDITOR'S REPORT

To the shareholders of
CHIMIMPORT AD

Sofia

**Report on the Consolidated Financial Statements**

We have audited the consolidated financial statements of CHIMIMPORT AD consisting of balance sheets, income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2006 as well as the accompanying notes. Understanding of the financial situation, presentation and the cash flows of the Company can be obtained only by reading the consolidated financial statements prepared by the management of the Company.

*Responsibility of the management of the Company*

The management of the Company is responsible for the preparation and the fair presentation of the consolidated financial statements, through which information is provided for the financial situation, presentation and the cash flows of the Company in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the national accounting legislation. This responsibility includes:

- organizing and planning the internal control in order to find and prevent from misstatements, whether or not due to fraud;
- choosing and applying accounting policy in accordance with IFRS and appropriate under the specific circumstances;
- performing the necessary accounting estimates including the preparation of essential assumptions on which these estimates are based;

*Responsibility of the Auditor*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We performed the audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements, whether or not due to fraud. An audit includes:

- understanding of the Company's activity and environment in order to estimate the risks of material misstatements and mistakes in the consolidated financial statements as well as defining and conducting further audit procedures, so that we can manage this risk;

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## AUDITOR'S REPORT (continued)

- examining, on a test basis, accounting records and other information supporting the amounts and disclosures in the consolidated financial statements;
- estimating the adequacy of the accounting policy that is chosen and applied;
- assessing the reasonability of the accounting principles used and significant estimates made;
- evaluating the overall financial statement presentation as well as the notes to the consolidated financial statements

In an audit of consolidated financial statements the auditor achieves understanding of the internal control system of the Company, which serves as a basis for defining the type, period and the extent of the audit procedures but the purpose of this is not to provide a reasonable basis for opinion concerning the building and effective functioning of the internal control.

We believe that our audit provides a reasonable basis for our opinion on the consolidated financial statements.

*Our opinion*

In our opinion, the consolidated financial statements present fairly, in all material aspects the financial position of the Company for the year ended 31 December 2006, and of the results of its operations and its cash flows for the period then ended in accordance with the International Financial Reporting Standards as adopted by the EU and the national accounting legislation.

| Auditing company | Registered auditor |
|---|---|
| Grant Thornton LTD | 0488 Марий Апостолов Регистриран одитор |
| Grant Thornton LTD | Mariy Apostolov |

29 June 2007
Sofia

Contents

174

## Consolidated balance sheet

| | Note | 2006 BGN'000 | 2005 BGN'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 201 454 | 123 340 |
| Investment property | 8 | 10 545 | 9 304 |
| Goodwill | 10 | 11 403 | 11 904 |
| Intangible assets | 11 | 6 910 | 5 639 |
| Investment in associates | 5.2 | 26 445 | 25 660 |
| Non-current financial assets | 12 | 479 185 | 390 134 |
| Non-current receivables due from related parties outside the Group | 41.1 | 94 | - |
| Deferred tax assets | 13 | 412 | 475 |
| | | **736 448** | **566 456** |
| **Current Assets** | | | |
| Inventories | 14 | 27 061 | 21 951 |
| Short-term financial assets | 15 | 358 961 | 231 184 |
| Receivables from related parties | 41.2 | 6 210 | 5 566 |
| Trade receivables | 16 | 74 032 | 23 254 |
| Other receivables | 17 | 62 210 | 39 431 |
| Cash and other cash equivalents | 18 | 366 548 | 230 213 |
| | | **895 022** | **551 599** |
| **Total assets** | | **1 631 470** | **1 118 055** |

**Prepared by:** ____________________

**Executive director:** ____________________

**Date: 29 June 2007**

**Audited by:**

0488 Марий Апостолов
Регистриран одитор

Специализирано одиторско предприятие
Рег. №032
"Грант - Торнтон" ООД

Grant Thornton LTD

The notes on pages 7 to 93 are an integral part of the consolidated financial statements.

## Consolidated balance sheet

| | Note | 2006 BGN'000 | 2005 BGN'000 |
|---|---|---|---|
| **Equity** | | | |
| **Equity attributable to the shareholders of Chimimport AD** | | | |
| Share capital | 19.1 | 130 000 | 60 000 |
| Unpaid capital | | - | (2 082) |
| Additional paid-in capital | | - | 58 916 |
| Share premium | 19.2 | 32 925 | 8 699 |
| Other reserves | 19.3 | 3 199 | - |
| Retained earnings | | 70 617 | 42 172 |
| Net result for the period | | 53 330 | 27 756 |
| | | **290 071** | **195 461** |
| Minority interest | | 61 033 | 40 540 |
| **Total equity** | | **351 104** | **236 001** |
| **Specialized reserves** | 20 | **38 122** | **22 944** |
| **Liabilities** | | | |
| **Long-term liabilities** | | | |
| Payables to secured individuals | 21 | 40 061 | 24 525 |
| Long-term financial liabilities | 22 | 337 667 | 25 527 |
| Long-term liabilities due to related parties outside the Group | 41.3 | 7 760 | - |
| Other long-term liabilities | 23 | 1 024 | 5 534 |
| Deferred tax liabilities | 13 | 1 349 | 1 825 |
| | | 387 861 | 57 411 |
| **Short-term liabilities** | | | |
| Short-term financial liabilities | 24 | 771 569 | 737 737 |
| Liabilities to related parties outside the Group | 41.4 | 1 037 | 1 945 |
| Trade and other liabilities | 26 | 81 777 | 62 017 |
| | | 854 383 | 801 699 |
| **Total liabilities** | | **1 242 244** | **859 110** |
| **Total equity and liabilities** | | **1 631 470** | **1 118 055** |

**Prepared by:** ____________

**Executive director:** ____________

**Date: 29 June 2007**

**Audited by:**

Grant Thornton LTD

The notes on pages 7 to 93 are an integral part of the consolidated financial statements.

## Consolidated income statement

| | Note | 2006 BGN'000 | 2005 BGN'000 |
|---|---|---|---|
| Income from non-financial activities | 27 | 256 182 | 176 893 |
| Expenses on non-financial activities | 28 | (227 165) | (165 149) |
| **Net result from non-financial activities** | | **29 017** | **11 744** |
| Insurance income | 29 | 85 475 | 62 998 |
| Insurance expense | 30 | (77 790) | (53 298) |
| **Net insurance result** | | **7 685** | **9 700** |
| Interest income | 31 | 66 938 | 52 475 |
| Interest expenses | 32 | (32 558) | (26 289) |
| **Net interest income** | | **34 380** | **26 186** |
| Gains from transactions with financial instruments | 33 | 68 893 | 39 799 |
| Losses from transactions with financial instruments | 34 | (31 443) | (19 573) |
| **Net result from transactions with financial instruments** | | **37 450** | **20 226** |
| **Administrative expenses** | 35 | **(76 786)** | **(55 926)** |
| Negative goodwill | 36 | 17 119 | 1 919 |
| Share in results of associated companies | 5.2 | 519 | 562 |
| Other financial income | 37 | 23 638 | 20 054 |
| Allocation to secured individuals | 38 | (6 034) | (1 435) |
| **Result for the period before tax** | | **66 988** | **33 030** |
| Tax expense | 39 | (6 218) | (3 022) |
| **Net result for the period** | | **60 770** | **30 008** |
| Attributable to minority interest | | 7 440 | 2 252 |
| **Attributable to the shareholders of Chimimport AD** | | **53 330** | **27 756** |

| | Note | 2006 BGN | 2005 BGN |
|---|---|---|---|
| **Earnings per share** | 40 | 0.51 | 0.60 |

**Prepared by:** ____________________

**Executive director:** ____________________

**Date: 29 June 2007**

**Audited by:**

Марий Апостолов

Grant Thornton LTD

The notes on pages 7 to 93 are an integral part of the consolidated financial statements.

## Consolidated statement of cash flows

| | | 2006 BGN'000 | 2005 BGN'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 274 309 | 226 564 |
| Cash paid to suppliers | | (237 487) | (212 114) |
| Cash receipts from secured persons | | 12 725 | 8 342 |
| Cash paid to secured persons | | (3 242) | (490) |
| Cash paid to employees and social security institutions | | (21 814) | (12 395) |
| Net cash inflow/(outflow) related to foreign exchange gains and losses | | 1 526 | (162) |
| Cash receipts from banking operations | | 11 945 090 | 7 951 980 |
| Cash paid for banking operations | | (11 775 778) | (7 832 882) |
| Cash receipts from insurance operations | | 52 940 | 37 580 |
| Cash paid for insurance operations | | (40 242) | (37 230) |
| Income taxes paid | | (2 096) | (2 521) |
| Other cash inflow from operating activities | | 166 081 | 183 402 |
| Other cash outflow for operating activities | | (170 989) | (177 074) |
| **Net cash flows from operating activities** | | **201 023** | **133 000** |
| **Cash flows from investing activities** | | | |
| Proceeds from business combinations | | 1 705 | - |
| Payments for business combinations | | (67 837) | (13 848) |
| Sale of property, plant and equipment | | 4 727 | 2 919 |
| Purchase of property, plant and equipment | | (56 748) | (28 965) |
| Proceeds from financial instruments | | 246 357 | 58 942 |
| Payments for financial instruments | | (293 297) | (198 401) |
| Sale of investment property | | - | 38 283 |
| Purchase of investment property | | (350) | (46 046) |
| Interest payments received | | 132 | 4 389 |
| Other cash inflow from investing activities | | 4 569 | 948 |
| Other cash outflow for investing activities | | (1 013) | (1 001) |
| **Net cash flows from investing activities** | | **(161 755)** | **(182 780)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issuing of shares | | 95 128 | 23 347 |
| Proceeds from loans received | | 140 746 | 59 692 |
| Payments for loans received | | (95 851) | (52 958) |
| Interest paid | | (10 480) | (2 677) |
| Other cash inflow from financing activities | | 107 630 | 155 898 |
| Other cash outflow for financing activities | | (140 106) | (162 579) |
| **Net cash flows from financing activities** | | **97 067** | **20 723** |
| Net increase/(decrease) of cash and cash equivalents | | 136 335 | (29 057) |
| Cash and cash equivalents at the beginning of the period | | 230 213 | 259 270 |
| **Cash and cash equivalents at the end of the period** | 18 | **366 548** | **230 213** |

**Prepared by:** ______________ **Executive director:** ______________

**Date: 29 June 2007**

**Audited by:**

Grant Thornton LTD

The notes on pages 7 to 93 are an integral part of the consolidated financial statements.

# Consolidated statement of changes in equity

| All amounts presented in BGN'000s | Share capital | Unpaid capital | Share premium | Additional paid-in capital | Other reserves | Retained earnings | Minority interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | Equity attributable to the shareholders of Chimimport AD | | | | | | | |
| **Balance at 1 January 2005** | **20 000** | **-** | **-** | **37 916** | **7 612** | **43 351** | **26 591** | **135 470** |
| Increase of share capital | 40 000 | (2 082) | - | (37 916) | - | - | - | **2** |
| Installments for increase in share capital | - | - | - | 58 916 | - | - | - | **58 916** |
| Net result for the period | - | - | - | - | - | 27 756 | 2 252 | **30 008** |
| Business combinations | - | - | - | - | - | - | 11 697 | **11 697** |
| Increase in reserves | - | - | - | - | 1 179 | (1 179) | - | **-** |
| Other changes in equity | - | - | - | - | (92) | - | - | **(92)** |
| **Balance at 31 December 2005** | **60 000** | **(2 082)** | **-** | **58 916** | **8 699** | **69 928** | **40 540** | **236 001** |
| **Balance at 1 January 2006** | **60 000** | **(2 082)** | **-** | **58 916** | **8 699** | **69 928** | **40 540** | **236 001** |
| Installments for increase in share capital | 58 916 | 2 082 | - | (58 916) | - | - | - | **2 082** |
| Initial Public Offering | 11 084 | - | 32 925 | - | - | - | - | **44 009** |
| Net result for the period | - | - | - | - | - | 53 330 | 7 440 | **60 770** |
| Charity donations | - | - | - | - | (470) | - | - | **(470)** |
| Other changes in equity | - | - | - | - | (5 030) | 689 | 13 053 | **8 712** |
| **Balance at 31 December 2006** | **130 000** | **-** | **32 925** | **-** | **3 199** | **123 947** | **61 033** | **351 104** |

**Prepared by:**

**Date: 29 June 2007**

**Executive director:**

**Audited by:**

The notes on pages 7 to 93 are an integral part of the consolidated financial statements.

## Notes to the consolidated financial statements

**General information**

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 engaged in the following business activities:

- Production – extraction and processing of oil and other oil products; vegetable oil;
- Trade – with chemical products, fuel, vegetable oils, cereals, etc.
- Transport – Transport of passengers and cargo, transport services and forwarding
- Bank activities and services;
- Insurance and reinsurance services;
- Pension funds and services;
- Marketing and advertising.

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

As at 31 December 2006, the Supervisory Board has the following members:

- Nikola Damyanov
- Chimimport Invest AD
- CCB Group Assets Management EAD

The Management Board has the following members:

- Nikola Mishev
- Tsvetan Botev
- Alexander Kerezov
- Marin Mitev
- Ivo Kamenov

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

The consolidated financial statements as at 31 December 2006 (as well as the comparative information as of 31 December 2005) has been approved for release by the Management Board on 29 June 2007.

As at 31 December 2006 the number of employees engaged in the Group is 3 745 (as at 31 December 2005 – 2 686 employees).

**Basis for preparation of the consolidated financial statements**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as developed and published by the International Accounting Standards Board (IASB) and as adopted by the EU.

The financial statements are the consolidated statements of the entity. The entity has released its separate financial statements on 30 March 2007.

**Changes in accounting policies**

(a) Amendments to published standards effective in 2006

- IAS 19 (Amendment), Employee Benefits, is mandatory for the Group's accounting periods beginning on or after 1 January 2006. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

- IAS 39 (Amendment), The Fair Value Option.

(b) Standards not early adopted by the Group

IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, were not early adopted by the Group.

(c) Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

• IAS 21 (Amendment), Net Investment in a Foreign Operation;

• IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

• IAS 39 (Amendment), Financial Guarantee Contracts;

• IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;

• IFRS 6, Exploration for and Evaluation of Mineral Resources;

• IFRIC 4, Determining whether an Arrangement contains a Lease; and

• IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

• IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

**Summary of accounting policies**

***Overall considerations***

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

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and certain financial assets and liabilities. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated 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.

**Consolidation and investments in associates**

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. Chimimport AD obtains and exercises control through voting rights. The consolidated financial statements of Chimimport AD incorporate the financial statements of the parent company as well as those entities controlled by the Group by full consolidation

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Associates are those entities over which Chimimport AD is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from net results generated by the associate are charged against "results from equity investments" in the Company's consolidated income statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities. Items that have been directly recognised in the associate's equity, for example, resulting from the associate's accounting for available-for-sale securities, is recognised in consolidated equity of the Group. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transaction with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognised in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Foreign currency translation**

The separate elements of the financial statements of the Group are in the currency of the main economic environment in which it carries out its activities ("functional currency"). The consolidated financial statements of Chimimport AD are presented in Bulgarian Leva (BGN), which is also is the functional currency of the Group.

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 translation of remaining balances at year-end exchange rates are recognized in the income statement under "other financial income and expense''.

The Currency Board was introduced in Bulgaria on 01 July 1997 following the recommendations by the International Monetary Fund (IMF) and fixed the value of the BGN against the DEM in ratio 1:1. Following the introduction of the EURO, the BGN was fixed to the EUR at rate 1EUR = 1.95583 BGN.

**Revenues**

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates, allowed by the Group. In case of similar assets with similar values are exchanged, the transaction is not recognized as generating income.

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the value of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the enterprise
- the cost incurred or to be incurred in respect of the transaction can be measured reliably

Revenue from rendering of services is recognized, when the outcome of the transaction can be measured reliably.

Operating expenses are recognized in the income statement upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. Interest income and expenses are reported on an accrual basis. Dividends received, other than those from investments in associates, are recognized at the time of their distribution.

***Loans received***

All borrowing costs are expensed as incurred.  Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

***Goodwill***

Any excess of the cost of the acquisition over the acquirer’s interest in the fair value of the identifiable assets and liabilities at the date of the exchange transaction is described as goodwill and recognized as an asset.

Any excess as at the date of the exchange transaction of the acquirer’s interest in the fair value of the identifiable assets and liabilities, over the cost of the acquisition, is negative goodwill.

In accordance with IFRS 3 Business Combinations positive goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Negative goodwill is recognized as income.

***Intangible assets and research and development activities***

Intangible fixed assets are measured initially at cost. If an intangible asset is acquired separately, 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, according to the benchmark treatment, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised 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.

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

Costs associated with research activities are expensed in the income statement as they occur.

Costs that are directly attributable to the development phase of new internally generated intangible assets are recognized as intangible assets provided they meet the following recognition requirements:

- demonstration of technical feasibility of the prospective product for internal use or sale
- the intangible asset will generate probable economic benefits through internal use or sale
- sufficient technical, financial and other resources are available for completion
- the intangible asset can be reliably measured.

Direct costs include employee costs incurred on internally generated intangible assets development along with an appropriate portion of relevant overheads. However, until completion of the development project, the assets are subject to impairment testing. Amortization commences upon completion of the asset.

All other development costs are expensed as incurred.

Careful judgment by Company's management is applied when deciding whether the recognition requirements for development costs have been met. Judgments are based on the best information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by Company's management.

***Property, plant and equipment***

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

Subsequent to initial recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses according to benchmark treatment. Impairment losses are recognized in the current period income statement.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized in the consolidated financial statements is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as an expense in the period in which it is incurred.

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 in shorter.

The useful lives of property, plant and equipment can be summarized as follows:

- Buildings 25 years
- Machines 5 years
- Technical equipment from 4 to 25 years
- Vehicles from 4 to 10 years
- Ships 30 years
- Fixtures and fittings 6.7 years
- Others 6.7 years

The recognition threshold, selected by the Group for tangible fixed assets amounts to BGN 500.

**Leases**

Lessee

In accordance with IAS 17 (rev 2005), 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 time of inception of the lease at the lower of the fair value of the leased property the present value of the minimum lease payments. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs.

Assets acquired under the terms of finance lease are depreciated in accordance with IAS 16 Property, plant and equipment and/or IAS 38 Intangible assets.

All other leases are treated as operating lease agreements. Operate lease payments are recognized as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

Lessor

Assets subject to operating leases are presented in the balance sheet according to the nature of the asset.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis.

Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The depreciation policy for depreciable leased assets is consistent with the lessor's normal depreciation policy for similar assets, and depreciation shall be calculated in accordance with IAS 16 and IAS 38.

Assets held under a finance lease agreement are presented in the balance sheet as a receivable at amount equal to the net investment in the lease. The sales revenue from assets is recognized in the current year Income statement. The recognition of the finance income is based on a pattern reflecting a constant periodic rate of return of the lessor’s net investment outstanding in respect of the finance lease.

**Impairment testing of assets**

The net book value of the Group's assets is reevaluated as of the date of the preparation of the balance in order to determine if there are any indications that the value of the given asset is impaired.

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use 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.

Impairment losses for units generating cash flows, to which an amount of the goodwill is attributed, are allocated to a decrease in the net book value of the assets from that unit in the following order: first on the positive goodwill, relating to the unit and then on the remaining assets, proportionate to their net book value. With the exception of the goodwill of all remaining assets of the entity as of each date of the report, the management determines if there are indications that the impairment loss recognized in the previous years does not exist anymore or has decreased.

***Investment property***

Investment property represents land and buildings held to earn rental income or for capital appreciation or both, rather than held for:

- Production or supply of goods or services or for administrative purposes
- Sale in the ordinary course of the business

Investment property is recognized in the consolidated financial statements of the Group as an asset only to the extend that the following conditions are present:

- It is probable that future economic benefits, associated with the investment property, will flow to the Group
- The cost of the investment property can be measured reliably

The investment property is initially measured at cost, which comprises 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 stated at cost according to the benchmark treatment of IAS 16, Property, plant and equipment. The investment property is reported at its cost less accumulated depreciation and any impairment losses.

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

- Buildings 25 years

Subsequent expenditure relating to investment property is added to the carrying amount of the investment property when it is probable that future economic benefits, in excess of the originally assessed standards of performance of the existing investment property, will flow to the Group. All other subsequent expenditures are recognized as an expense in the period they are incurred.

Investment property is derecognised on disposal or when it is permanently withdrawn from use in case no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal are recognized in the Income statement and represent the difference between the net disposal proceeds and the carrying amount of the Investment property.

**Financial assets**

Company's financial assets include cash and financial instruments. Financial instruments, other than hedging instruments, can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognized on their settlement date.

All financial assets are initially recognized at fair value. Transaction costs, which are directly attributable to the acquisition or issue of the financial asset of financial liability, except for financial assets or liabilities at fair value through profit or loss.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from Issuer financial assets are recognized in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The interest payments and other cash flows related to the possession of financial instruments are recorded in the Income Statement upon their receipt, irrespective of how the net book value of the financial assets to which they pertain is valued.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if it is the intention of the Group's management to hold them until maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. In addition, derivative financial instruments that do not qualify for hedge accounting are classified as held for trading.

Available-for-sale financial assets include those assets, which do not qualify for inclusion in any of the other categories of financial assets: loan and receivables held – to – maturity investments and financial assets at fair value through profit or loss. All 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. The latter are measured at cost.

Changes in value are recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the income statement when they are sold or when the investment is impaired

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in the Income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

***Offsetting***

The financial assets and liabilities shall be offset, and the net value is presented in the balance sheet, only if the Group is entitled by law to offset the recognized values, and the transactions are considered to be settled on a net basis.

**Inventories**

Inventories comprise raw materials, unfinished and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories are carried at the lower of cost and net realizable value. The sum of each impairment of the inventories up to their net realizable amount is recognized as an expense for the impairment period.

Net realizable value is the estimated selling price in the ordinary course of business 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 a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The cost of inventories is assigned by using the weighted average cost.

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

***Accounting for income taxes***

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognized in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if the Group can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Deferred tax asset in relation to carried forward losses is recognized to the extend that the realization of the related tax benefits through the future taxable profits is probable.

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 offset against future taxable income. 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 at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to equity (such as the re-evaluation of land) are charged or credited directly to equity.

***Cash and cash equivalents***

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, short-term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

***Equity***

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

There are no exchange differences recognized in equity.

There are no amounts set aside for general risks arising in the course of the Group’s banking activity.

**Specialized Reserves**

The pension security entity of the group is obliged to designate specialized reserves with its own resources in accordance with article 213 paragraph 2 and article 193 paragraph 8 of the Social Insurance Code.

According to article 213 paragraph 2 from the Social Security Code a pension reserve for DPF CCB-SILA is formed for paying out life pensions.

According to article 193 paragraph 8 from the Social Security Code, reserves for guaranteeing the minimal return for the obligatory pension funds PPF CCB-SILA and UPF CCB-SILA are formed.

The reserves for guaranteeing the minimal return cold be invested only in strictly defined types of assets and only if there is compliance with the investment limitations defined in articles 175-180 of the Social Security Code.

The valuation of the assets representing investments of the specialized reserves is performed in compliance with ORDER № 9 dated 19.11.2003 for the method and order of valuation of the assets and the liabilities of the funds for supplementary pension insurance and of the pension insurance entity, in the amount of the fund's net assets, for calculating and declaring the amount of one share and for the requirements for bookkeeping the individual batches, the applicable accounting standards and the accepted rules for valuating the assets and liabilities of POAD "CCB-SILA" and the managed funds for supplementary pension insurance.

***Pension and other liabilities to the personnel***

The group has not developed and does not apply plans for remunerations to the employees after resignation or other long-term remunerations and plans for remunerations after resignation or in the form of compensations with shares or with its own shares.

The group reports short-term liabilities from unused holidays which have occurred on the basis of unused paid annual holiday in the cases in which it is expected that the holidays will occur in 12 months after the date of the reporting period during which the hired persons have worked their time related to those holidays. The short-term liabilities to the personnel include wages, salaries and social security payments.

***Financial liabilities***

The financial liabilities include bank loans and overdrafts, trade and other payables and finance leasing liabilities.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the income statement.

Bank loans are raised for funding of the Group's operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument 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.

Dividend distributions to shareholders are recognized when the dividends are approved by the shareholders' meeting.

***Other provisions, contingent liabilities and contingent assets***

Provisions, representing current obligations of the Group arising from past events, the settlement of which is expected to result in an outflow of resources, are recognized as liabilities. A provision is recognized only when the following conditions are present:

- The Group has a present obligation as a result of a past event
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- A reliable estimate can be made of the amount of the obligation

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Group takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group does not recognize contingent assets in the consolidated financial statements as possible obligations arise, whose existence is not yet confirmed or this may result in the recognition of income that may never be realized.

***Provisions for credit-related contingent liabilities***

The amount of provisions for guarantees and other off-balance credit-related commitments is recognised as an expense and a liability when the Bank has current legal or constructive obligations, which have occurred as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reasonable estimate of the amount of the liability can be made. Any loss resulting from recognition of provisions for liability is reported in the income statement for the respective period.

***Insurance operations***

As of the date of the preparation of the annual financial report the Group's insurance entity applies ISFR 4 – Insurance contracts. This standard defines the requirements for reporting the accounting policy and for providing comparable information in regards to the insurance assets and liabilities, as well as the revenues and expenses related to the insurance activity. The entity's accounting policy is in accordance with the specifics of the insurance services offered and the respective legislative requirements.

**Insurance contracts**

Insurance contracts are those engagements, which as of the date of their action transfer material insurance risks to the Entity. It is accepted that a material insurance risk occurs when there is a real possibility that the Entity could pay compensation in favour of the insured person and/or a third party under insurance events that have occurred, in an amount larger than 10% of the amount which would be paid out if this event occurs.

After the initial recognition of the insurance contracts they continue to be presented as such for the period of their action, irrespective that a considerable decrease of the insurance risk for the period is possible.

***Reinsurance contracts***

The entity gives away a part of the insurance risk it carries under signed insurance contracts with reinsurers. The expected benefits for the Entity from the reinsurance contracts in regards to forthcoming payments are recognized as assets in the balance sheet at the moment of the their occurrence.

The Entity performs a periodic impairment testing on the receivables from reinsurers. If there are circumstances for such impairments the reinsuring receivables are decreased up to the size of the amount which is expected to be collected. The difference is reported as a change in the reinsurers' share in the reserve for forthcoming payments in the technical report for the insurance activity.

The Entity also performs active reinsurance. The premiums and the compensations under active reinsuring are reported together with the recorded insurance premiums and the paid out gross compensations on direct insurance operations.

***Insurance reserves***

Insurance reserves are formed by the Group in order to cover present and future liabilities to insured persons or organisations in accordance with the insurance contract. Insurance reserves do not form part of the equity. Insurance reserves are calculated by the actuary of the Group by the use of actuarial methods, which consist of mathematical methods and rules. Insurance reserves are presented in gross in the Group's balance sheet and they are reduced with the amount of the reinsurer's share in the reserves formed. When the insurance is denominated in foreign currency, the corresponding reserves are formed in the same currency. The insurance reserves that have been formed during the prior period are recognized as income from released insurance reserves in the current period. The reserves formed at the year-end are recognized as expense for the formation of insurance reserves in the income statement. The insurance reserves referring to the reinsurers' share formed in the prior period are recognised as expense for released insurance reserves in the current period income statement and the reserves formed at the year-end are recognised as income from released insurance reserves in the current period income statement.

The Group should invest its insurance reserves reduced by the reinsurer's share (net amount of insurance reserves) in assets and at percentage ratios, specified in the Insurance Code.

***Reserve adequacy***

The Entity's actuary performs periodic valuation on whether the generally formed reserves decreased with the deferred acquisition expenses are enough to cover the eventual future payments. According to the requirements of the regulatory bodies the amount of the so-determined reserves should be fully secured with investments in highly liquid assets (in ratios, specified in accordance with legislation acts).

When performing a valuation for reserve adequacy, one takes into consideration the cash flows directed for compensations, cash flows generated from collected premiums, commissions paid out.

***Group's policy for lending to related parties in the course of its banking activity performed by Central Cooperative Bank AD***

Central Cooperative Bank AD may, by a unanimous decision of its collective Management body, and with the approval of the head of the specialized internal control office extend loans to:

a) administrators of Central Cooperative Bank AD;

b) spouses and relatives in direct lineage to the third degree, including the relatives of the persons under item a);

c) holders of shares ensuring them over five percent of the total number of votes at the Shareholders' General Meeting of Central Cooperative Bank AD;

d) a shareholder whose legal representative is a member of a Management or supervisory body of Central Cooperative Bank AD;

e) legal persons in which persons under items a), b), c), and d) take part in the management;

f) commercial companies in which Central Cooperative Bank AD, or a person under items a), b), c), d) is involved with the management of or has a qualified equity;

g) persons supervising the operations of Central Cooperative Bank AD;

h) the head of the specialized internal control office in Central Cooperative Bank AD;

In these cases, the terms and conditions of redemption and the amount of interest shall be stipulated in the decision for extending the credit.

The above mentioned shall not apply where:

- the amount of the loan made to persons described in items a), b), g) and h) does not exceed their annual remuneration;

- the amount of the loan made to persons described in items c), d), e) and f) is below one percent of the paid-in capital of Central Cooperative Bank AD.

Central Cooperative Bank AD shall not offer preferential credit conditions to the above-mentioned persons such as:

- entering into a transaction which, because of its substance, aim, character or risk could not be entered into by the bank with customers not mentioned in items a) to h);

- collecting interest, fees or other financial obligations, or accepting collateral, which is less than required from other customers.

The amount of an unsecured loan made by Central Cooperative Bank AD to one of its employees shall not exceed his 24-month gross salary.

The total amount of the loans made to the persons described in items a) to h) shall not exceed ten percent of the funds owned by Central Cooperative Bank AD, and unsecured loans made by Central Cooperative Bank AD to one of its employees shall not exceed three percent of the funds owned by Central Cooperative Bank AD.

**Basis of consolidation**

***Investments in subsidiaries***

The list of the subsidiaries included in the consolidation is as follows:

| Name of the subsidiary | Country of incorporation | Principal activity | 2006 | 2005 |
|---|---|---|---|---|
| Central Cooperative Bank AD | Bulgaria | Banking | 81.39% | 77.22% |
| CCB Group Assets Management EAD | Bulgaria | Finance | 100.00% | 100.00% |
| Capital Management ADSIP | Bulgaria | Finance | 0.00% | 100.00% |
| CCB Real Estate Fund ADSIP | Bulgaria | Finance | 100.00% | 100.00% |
| SK Chimimport Consult OOD - Sofia | Bulgaria | Finance | 59.34% | 59.34% |
| FBK Chimimport Finance EOOD - Sofia | Bulgaria | Finance | 96.00% | 96.00% |
| Chimimport Lega Consult OOD | Bulgaria | Finance | 70.00% | 70.00% |
| ZAD Armeec | Bulgaria | Insurance | 92.62% | 92.62% |
| Armeec Leasing OOD | Bulgaria | Finance | 100.00% | 100.00% |
| POAD CCB Sila | Bulgaria | Pension Fund | 99.25% | 99.25% |
| Chimimport Bimas EOOD | Bulgaria | Production | 0.00% | 100.00% |
| Prouchvane i dobiv na neft i gaz AD | Bulgaria | Production | 55.03% | 57.37% |
| Slanchevi lachi Bulgaria EAD | Bulgaria | Production | 77.63% | 100.00% |
| MAYAK AD | Bulgaria | Production | 77.19% | 0.00% |
| Bulgarian Oil Refinery EOOD | Bulgaria | Production | 100.00% | 100.00% |
| Bulgarian Drilling Company EOOD | Bulgaria | Production | 100.00% | 100.00% |
| Geofizicni Izsledvania EOOD | Bulgaria | Production | 100.00% | 100.00% |
| Sofgeoprouchvane EOOD | Bulgaria | Production | 100.00% | 100.00% |
| PDNG – Service EOOD | Bulgaria | Production | 100.00% | 0.00% |
| Petrogaz Antika EOOD | Bulgaria | Production | 100.00% | 0.00% |
| Sofgeolint OOD | Bulgaria | Production | 55.00% | 55.00% |
| Publishing House Geology and Mineral Resources OOD | Bulgaria | Production | 70.00% | 70.00% |
| Slanchevi lachi Active EOOD | Bulgaria | Production | 0.00% | 100.00% |
| Slanchevi lachi Commerce EOOD | Bulgaria | Production | 100.00% | 100.00% |
| Chimimport Group EAD | Bulgaria | Trade | 100.00% | 100.00% |
| Chimimport Oil OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimimport Rubber OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimimport Orgachim OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimimport Chimceltex OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimimport Fertilizers OOD - Sofia | Bulgaria | Trade | 51.00% | 51.00% |

| Name of the subsidiary | Country of incorporation | Principal activity | 2006 | 2005 |
|---|---|---|---|---|
| Bulgarian Shipping Company EOOD | Bulgaria | Trade | 100.00% | 100.00% |
| Dializa Bulgaria OOD | Bulgaria | Trade | 50.00% | 50.00% |
| Chimimport Pharma AD – Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Siliko 07 | Bulgaria | Trade | 50.00% | 50.00% |
| Chimimport Agrochimikali OOD | Bulgaria | Trade | 100.00% | 51.00% |
| Ecoland Engineering OOD | Bulgaria | Trade | 52.00% | 52.00% |
| Franchise Development OOD | Bulgaria | Trade | 0.00% | 50.00% |
| Kame Bulgaria OOD | Bulgaria | Trade | 75.00% | 75.00% |
| Chimimport Medica OOD | Bulgaria | Trade | 51.00% | 51.00% |
| Bulchimex OOD | Germany | Trade | 100.00% | 100.00% |
| Chimsnab AD Sofia | Bulgaria | Trade | 93.33% | 60.00% |
| Brand New Ideas EOOD | Bulgaria | Trade | 100.00% | 100.00% |
| IT Creation OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimsin OOD – Sofia | Bulgaria | Trade | 50.00% | 50.00% |
| PFK Cherno more | Bulgaria | Trade | 0.00% | 55.33% |
| Sport complex Varna | Bulgaria | Trade | 65.00% | 65.00% |
| Енергопроект АД | Bulgaria | Trade | 83.20% | 0.00% |
| Balkan Hemus Group EAD | Bulgaria | Transport | 100.00% | 100.00% |
| Chimtrans OOD | Bulgaria | Transport | 60.00% | 60.00% |
| Hemus Air | Bulgaria | Transport | 100.00% | 100.00% |
| Parahodstvo Bulgarsko rechno plavane AD | Bulgaria | Transport | 94.55% | 0.00% |
| VTC AD | Bulgaria | Transport | 51.00% | 0.00% |
| BM Port AD | Bulgaria | Transport | 99.00% | 0.00% |

***Investments in associates***

| Name of the associated company | Country of incorporation | 2006 | Share | 2005 | Share |
|---|---|---|---|---|---|
| | | BGN'000 | % | BGN'000 | % |
| POAD Saglasie | Bulgaria | 15 159 | 49.28% | 15 779 | 49.28% |
| Kauchuk AD | Bulgaria | 8 436 | 37.50% | - | - |
| Capital Management ADSIC | Bulgaria | 2 406 | 46.18% | - | - |
| Kavarna Gas OOD | Bulgaria | 444 | 35.00% | - | - |
| Vi Ti Si AD | Bulgaria | - | - | 500 | 41.00% |
| Parahodstvo Bulgarsko rechno plavane AD | Bulgaria | - | - | 9 381 | 24.19% |
| | | **26 445** | | **25 660** | |

In these consolidated statements, investments in associated companies are accounted using the equity method.

The financial information concerning the investments in associates can be summarized as follows:

| 2006 | POAD Saglasie | Kauchuk Pazardjik | Capital Management ADSIC | Kavarna Gas OOD | Total |
|---|---|---|---|---|---|
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| Assets | 9 156 | 40 804 | 71 187 | 1 685 | 122 832 |
| Liabilities | 1 365 | 18 149 | 65 974 | 416 | 85 904 |
| Revenues | 3 935 | 30 680 | 308 | 1 258 | 36 181 |
| Net result for the period | 241 | 923 | 208 | 50 | 1 422 |
| Share of the Group in the net result for the period | 119 | 287 | 96 | 17 | 519 |

| 2005 | POAD Saglasie | Parahodstvo Bulgarsko rechno plavane AD | Vi Ti Si AD | Total |
|---|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| Assets | 6 844 | 17 258 | 4 226 | 28 328 |
| Liabilities | 768 | 5 748 | 2 618 | 9 134 |
| Revenues | 3 851 | 32 028 | 515 | 36 394 |
| Net result for the period | 24 | 1 719 | 168 | 1 911 |
| Share of the Group in the net result for the period | 12 | 502 | 48 | 562 |

As of 31 December 2006 there are no pledged investments in associated entities.

***Acquisition of 99.00 % of the share capital of BM Port AD***

In 2006 99.00% of BM Port AD's share capital was acquired. As a result of the acquisition goodwill of BGN 164 thousand is recognized.

The acquired net assets and goodwill are as follows:

| | 2006<br>BGN'000 |
|---|---|
| Purchase consideration - cash paid: | |
| - Purchase price | 990 |
| **Total purchase consideration** | **990** |
| | |
| Fair value of net assets acquired (see below) | 826 |
| **Goodwill** | **164** |

The fair value of the net assets acquired approximated the book value of the net assets acquired, and no closure or restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

| | 2006<br>BGN'000 |
|---|---|
| Cash and cash equivalents | 455 |
| Property, plant and equipment | 637 |
| Intangible assets | 367 |
| Inventories | 91 |
| Receivables | 467 |
| Other assets | 57 |
| Liabilities | (1 240) |
| **Net assets** | **834** |
| | |
| Minority interest | (8) |
| **Net assets acquired** | **826** |

***Acquisition of 83,20 % of the share capital of Energoproekt AD***

In 2006 83,20% of Energoproekt AD's equity was acquired. As a result of the acquisition, income amounting to BGN 646 thousand was recognized.

| | 2006 |
|---|---|
| | **BGN'000** |
| Purchase consideration - cash paid: | |
| - Purchase price | 1 664 |
| **Total purchase consideration** | **1 664** |
| | |
| Fair value of net assets acquired (see below) | 2 310 |
| **Goodwill** | **(646)** |

The fair value of the net assets acquired approximated the book value of the net assets acquired, and no closure or restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

| | 2006 |
|---|---|
| | **BGN'000** |
| Cash and cash equivalents | 116 |
| Property, plant and equipment | 78 |
| Receivables | 4 362 |
| Other assets | 471 |
| Liabilities | (2 251) |
| **Net assets** | **2 776** |
| | |
| Minority interest | (466) |
| **Net assets acquired** | **2 310** |

***Acquisition of 77,19 % of the share capital of Mayak KD AD***

In 2006 77,19% of Mayak KD AD's equity was acquired. As a result of the acquisition, income amounting to BGN 312 thousand was recognized.

| | 2006 |
|---|---|
| | **BGN'000** |
| Purchase consideration - cash paid: | |
| - Purchase price | 858 |
| **Total purchase consideration** | **858** |
| Fair value of net assets acquired (see below) | 1 170 |
| **Goodwill** | **(312)** |

The fair value of the net assets acquired approximated the book value of the net assets acquired, and no closure or restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

| | 2006 |
|---|---|
| | **BGN'000** |
| Cash and cash equivalents | 206 |
| Property, plant and equipment | 1 013 |
| Intangible assets | 2 |
| Inventories | 618 |
| Receivables | 400 |
| Other assets | 3 |
| Liabilities | (726) |
| **Net assets** | **1 516** |
| Minority interest | 346 |
| **Net assets acquired** | **1 170** |

***Acquisition of 51,00 % of the share capital of VTC AD***

In 2006 51,00% of VTC AD's equity was acquired. As a result of the acquisition, income amounting to BGN 178 thousand was recognized.

| | | 2006 |
|---|---|---|
| | | **BGN'000** |
| Purchase consideration - cash paid: | | |
| - Purchase price | 646 | |
| **Total purchase consideration** | | **646** |
| Fair value of net assets acquired (see below) | | 824 |
| **Goodwill** | | **(178)** |

The fair value of the net assets acquired approximated the book value of the net assets acquired, and no closure or restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

| | 2006 |
|---|---|
| | **BGN'000** |
| Cash and cash equivalents | 194 |
| Property, plant and equipment | 3 770 |
| Inventories | 61 |
| Receivables | 156 |
| Liabilities | (2 566) |
| **Net assets** | **1 615** |
| Minority interest | 791 |
| **Net assets acquired** | **824** |

***Acquisition of 46,18 % of the share capital of Capital Management ADSIC***

In 2006 46,18% of Capital Management ADSIC's share capital was acquired. As a result of the acquisition, income amounting to BGN 2 010 thousand was recognized.

| | 2006 |
|---|---|
| | **BGN'000** |
| Purchase consideration - cash paid: | |
| - Purchase price | 300 |
| **Total purchase consideration** | **300** |
| Fair value of net assets acquired (see below) | 2 310 |
| **Goodwill** | **(2 010)** |

The fair value of the net assets acquired approximated the book value of the net assets acquired, and no closure or restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

| | 2006 |
|---|---|
| | **BGN'000** |
| Cash and cash equivalents | 150 |
| Receivables | 56 408 |
| Other assets | 14 629 |
| Liabilities | (66 182) |
| **Net assets** | **5 005** |
| Minority interest | 2 695 |
| **Net assets acquired** | **2 310** |

***Acquisition of 37,30 % of the share capital of Kauchuk Pazardjik AD***

In 2006 37,20% of Kauchuk Pazardjik AD's share capital was acquired. As a result of the acquired, income amounting to BGN 5 615 thousand was recognized.

| | 2006 |
|---|---|
| | **BGN'000** |
| Purchase consideration - cash paid: | |
| - Purchase price | 2 535 |
| **Total purchase consideration** | **2 535** |
| | |
| Fair value of net assets acquired (see below) | 8 150 |
| **Goodwill** | **(5 615)** |

The fair value of the net assets acquired approximated the book value of the net assets acquired, and no closure or restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

| | 2006 |
|---|---|
| | **BGN'000** |
| Cash and cash equivalents | 1 696 |
| Property, plant and equipment | 11 281 |
| Intangible assets | 5 |
| Inventories | 8 210 |
| Receivables | 19 549 |
| Other assets | 11 |
| Liabilities | (19 020) |
| **Net assets** | **21 732** |
| | |
| Minority interest | 13 583 |
| **Net assets acquired** | **8 150** |

***Acquisition of 76,81 % of the share capital of Parahodstvo BRP AD***

In 2006 76,81% of Parahodstvo BRP AD's share capital is acquired. As a result of the acquisition, income amounting to BGN 9 025 thousand was recognized.

| | 2006 |
|---|---|
| | **BGN'000** |
| Purchase consideration - cash paid: | |
| - Purchase price | 27 989 |
| **Total purchase consideration** | **27 989** |
| | |
| Fair value of net assets acquired (see below) | 37 014 |
| **Goodwill** | **(9 025)** |

The fair value of the net assets acquired approximated the book value of the net assets acquired, and no closure or restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

| | 2006 | Fair value adjustments | 2006 |
|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** |
| Cash and cash equivalents | 730 | - | 730 |
| Property, plant and equipment | 36 968 | 8 155 | 45 123 |
| Intangible assets | 1 | - | 1 |
| Inventories | 1 463 | - | 1 463 |
| Receivables | 3 108 | - | 3 108 |
| Other assets | 1 522 | - | 1 522 |
| Liabilities | (11 619) | - | (11 619) |
| **Net assets** | **32 173** | **8 155** | **40 328** |
| Minority interest | 3 314 | - | 3 314 |
| **Net assets acquired** | **28 859** | **8 155** | **37 014** |

***Acquisition of shares in other companies***

In 2006 new 49.00% of Chimimport Agrochemicals OOD’s and 33.33% of Chimsnab AD’ share capital were acquired, as a result of which a goodwill of BGN 7 thousand was recognized.

**Segment reporting**

For the reporting on segments the divisions of the Group are as follows:

- Production
- Trade
- Transport
- Insurance
- Banking
- Finance
- Pension funds

All inter-segment transfers are priced and carried out at market price and condition basis.

| Business segments 31.12.2006 | Production | Trade | Transport | Insurance | Banking | Finance | Pension Fund | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| Income from non-financial activities | 82 943 | 29 924 | 135 562 | - | 2 561 | 16 285 | 14 | (11 107) | 256 182 |
| Expenses on non-financial activities | (76 721) | (29 181) | (130 405) | - | - | - | - | 9 142 | (227 165) |
| **Net result from non-financial activities** | **6 222** | **743** | **5 157** | **-** | **2 561** | **16 285** | **14** | **(1 965)** | **29 017** |
| Insurance income | - | - | - | 87 790 | - | - | - | (2 315) | 85 475 |
| Insurance expenses | - | - | - | (77 892) | - | - | - | 102 | (77 790) |
| **Net result from insurance** | **-** | **-** | **-** | **9 898** | **-** | **-** | **-** | **(2 213)** | **7 685** |
| Interest income | 782 | 500 | 24 | 23 | 63 822 | 3 728 | 205 | (2 146) | 66 938 |
| Interest expense | (1 746) | (1 427) | (1 796) | (39) | (26 224) | (3 472) | - | 2 146 | (32 558) |
| **Net interest income** | **(964)** | **(927)** | **(1 772)** | **(16)** | **37 598** | **256** | **205** | **-** | **34 380** |
| Gains from transactions with financial instruments | 3 754 | 945 | 9 | 28 747 | 16 225 | 18 725 | 32 994 | (32 506) | 68 893 |
| Losses from transactions with financial instruments | (16) | - | - | (4 497) | (6 006) | (119) | (23 569) | 2 764 | (31 443) |
| **Net result from transactions with financial instruments** | **3 738** | **945** | **9** | **24 250** | **10 219** | **18 606** | **9 425** | **(29 742)** | **37 450** |
| Administration expenses | - | - | - | (14 095) | (61 446) | (5 569) | (1 026) | 5 350 | (76 786) |
| Other financial income/(expense) | (376) | (26) | (1 092) | (92) | 23 843 | 1 227 | 1 045 | (891) | 23 638 |
| Result from investments in associated entities under the equity method | 17 | - | - | - | - | - | - | 502 | 519 |
| Negative goodwill | - | - | - | - | - | - | - | 17 119 | 17 119 |
| Revenues for distribution by insurance batches | - | - | - | - | - | - | (6 034) | - | (6 034) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Result for the period before tax** | **8 637** | **735** | **2 302** | **19 945** | **12 775** | **30 805** | **3 629** | **(11 840)** | **66 988** |
| Tax expense | (988) | (158) | (98) | (2 448) | (762) | (1 611) | - | (153) | (6 218) |
| **Net result for the period** | **7 649** | **577** | **2 204** | **17 497** | **12 013** | **29 194** | **3 629** | **(11 993)** | **60 770** |

| **Business segments** | **Production** | **Trade** | **Transport** | **Insurance** | **Banking** | **Finance** | **Pension Fund** | **Consolidation** | **Group** |
|---|---|---|---|---|---|---|---|---|---|
| **31.12.2006** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| Assets of the segment | 135 740 | 92 891 | 147 484 | 80 127 | 1 131 987 | 439 570 | 49 856 | (446 185) | 1 631 470 |
| **Total consolidated assets** | **135 740** | **92 891** | **147 484** | **80 127** | **1 131 987** | **439 570** | **49 856** | **(446 185)** | **1 631 470** |
| **Specialized reserves** | **-** | **-** | **-** | **37 787** | **-** | **-** | **335** | **-** | **38 122** |
| Liabilities of the segment | 74 094 | 47 636 | 48 053 | 8 862 | 1 015 347 | 82 065 | 40 157 | (73 970) | 1 242 244 |
| **Total consolidated assets** | **74 094** | **47 636** | **48 053** | **8 862** | **1 015 347** | **82 065** | **40 157** | **(73 970)** | **1 242 244** |

| **Business segments** | **Production** | **Trade** | **Transport** | **Insurance** | **Banking** | **Finance** | **Pension Fund** | **Consolidation** | **Group** |
|---|---|---|---|---|---|---|---|---|---|
| **31.12.2005** | | | | | | | | | |
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| Income from non-financial activities | 55 160 | 39 858 | 65 824 | 17 | 3 016 | 17 465 | - | (4 447) | 176 893 |
| Expenses on non-financial activities | (53 041) | (41 945) | (63 570) | - | - | (12 397) | - | 5 804 | (165 149) |
| **Net result from non-financial activities** | **2 119** | **(2 087)** | **2 254** | **17** | **3 016** | **5 068** | **-** | **1 357** | **11 744** |
| Insurance income | - | - | - | 64 605 | - | - | - | (1 607) | 62 998 |
| Insurance expenses | **(86)** | **(22)** | **(1 159)** | (53 282) | - | **(1)** | **(2)** | 1 254 | (53 298) |
| **Net result from insurance** | **(86)** | **(22)** | **(1 159)** | **11 323** | - | **(1)** | **(2)** | **(353)** | **9 700** |
| Interest income | 880 | 345 | 101 | 399 | 47 779 | 4 512 | 174 | (1 715) | 52 475 |
| Interest expense | (1 562) | (651) | (1 156) | (47) | (18 235) | (6 371) | - | 1 733 | (26 289) |
| **Net interest income** | **(682)** | **(306)** | **(1 055)** | **352** | **29 544** | **(1 859)** | **174** | **18** | **26 186** |
| Gains from transactions with financial instruments | 210 | - | - | 9 247 | 4 831 | 28 945 | 7 167 | (10 601) | 39 799 |
| Losses from transactions with financial instruments | (30) | - | - | (4 880) | (3 388) | (7 367) | (3 908) | - | (19 573) |
| **Net result from transactions with financial instruments** | **180** | **-** | **-** | **4 367** | **1 443** | **21 578** | **3 259** | **(10 601)** | **20 226** |
| Administration costs | - | - | - | (8 454) | (47 602) | (714) | (1 406) | 2 250 | (55 926) |
| Other financial income/(expense) | (264) | (18) | (116) | (85) | 20 933 | (1 047) | 764 | (113) | 20 054 |
| Result form investments in associated enterprises under the equity method | - | - | - | - | - | - | - | 562 | 562 |
| Negative goodwill | - | - | - | - | - | - | - | 1 919 | 1 919 |
| Revenues for distribution by insurance batches | - | | - | - | - | - | (1 435) | - | (1 435) |
| **Result for the period before tax** | **1 267** | **(2 433)** | **(76)** | **7 520** | **7 334** | **23 025** | **1 354** | **(4 961)** | **33 030** |
| Tax expense | (861) | 249 | (33) | (823) | (947) | (607) | - | - | (3 022) |
| **Net result for the period** | **406** | **(2 184)** | **(109)** | **6 697** | **6 387** | **22 418** | **1 354** | **(4 961)** | **30 008** |

| **Business segments 31.12.2005** | **Production** | **Trade** | **Transport** | **Insurance** | **Banking** | **Finance** | **Pension Fund** | **Consolidation** | **Group** |
|---|---|---|---|---|---|---|---|---|---|
| | **BGN’000** | **BGN’000** | **BGN’000** | **BGN’000** | **BGN’000** | **BGN’000** | **BGN’000** | **BGN’000** | **BGN’000** |
| Assets of the segment | 102 184 | 59 416 | 82 734 | 43 744 | 809 023 | 337 592 | 30 315 | (346 953) | 1 118 055 |
| **Total consolidated assets** | **102 184** | **59 416** | **82 734** | **43 744** | **809 023** | **337 592** | **30 315** | **(346 953)** | **1 118 055** |
| Specialized reserves | **-** | **-** | **-** | **22 769** | **-** | **-** | **175** | **-** | **22 944** |
| Liabilities of the segment | 48 741 | 22 482 | 20 099 | 4 994 | 728 095 | 74 987 | 24 692 | (64 980) | 859 110 |
| **Total consolidated liabilities** | **48 741** | **22 482** | **20 099** | **4 994** | **728 095** | **74 987** | **24 692** | **(64 980)** | **859 110** |

**Property, plant and equipment**

| | Land | Buildings | Machines | Technical equipment | Transportation vehicles | Other | Assets in process of acquisition | Total |
|---|---|---|---|---|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| **At 1 January 2005** | | | | | | | | |
| Cost | 9 168 | 43 196 | 22 040 | 16 335 | 10 607 | 31 177 | 24 227 | 156 750 |
| Accumulated depreciation | - | (8 944) | (12 867) | (7 408) | (5 060) | (29 030) | | (63 309) |
| **Net book amount** | **9 168** | **34 252** | **9 173** | **8 927** | **5 547** | **2 147** | **24 227** | **93 441** |
| **Year ended 31 December 2005** | | | | | | | | |
| Opening net book amount | 9 168 | 34 252 | 9 173 | 8 927 | 5 547 | 2 147 | 24 227 | 93 441 |
| Business combinations - cost | 505 | - | 14 | - | - | 11 | - | 530 |
| Business combinations – depreciation | - | - | (6) | - | - | (5) | - | (11) |
| Additions | 14 158 | 6 455 | 13 114 | 22 593 | 3 934 | 303 | 13 601 | 74 158 |
| Disposals – cost | (251) | (2 521) | (3 670) | (1 554) | (1 284) | (11 098) | (27 906) | (48 284) |
| Disposals – depreciation | - | 773 | 1 636 | 447 | 837 | 9 507 | 229 | 13 429 |
| Depreciation charge | - | (1 855) | (2 910) | (3 574) | (1 416) | (168) | - | (9 923) |
| **Closing net book amount** | **23 580** | **37 104** | **17 351** | **26 839** | **7 618** | **697** | **10 151** | **123 340** |
| **At 31 December 2005** | | | | | | | | |
| Cost | 23 580 | 47 130 | 31 498 | 37 374 | 13 257 | 20 393 | 9 922 | 183 154 |
| Accumulated depreciation | - | (10 026) | (14 147) | (10 535) | (5 639) | (19 696) | 229 | (59 814) |
| **Net book amount** | **23 580** | **37 104** | **17 351** | **26 839** | **7 618** | **697** | **10 151** | **123 340** |

| | Land | Buildings | Machines | Technical equipment | Transportation vehicles | Other | Assets in process of acquisition | Total |
|---|---|---|---|---|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| **Year ended 31 December 2006** | | | | | | | | |
| Opening net book amount | 23 580 | 37 104 | 17 351 | 26 839 | 7 618 | 697 | 10 151 | 123 340 |
| Business combination – cost | 190 | 1 650 | 401 | 182 | 52 784 | 275 | 2 363 | 57 845 |
| Business combinations – depreciation | - | (265) | (310) | (58) | (11 301) | (200) | - | (12 134) |
| Additions | 6 238 | 11 030 | 8 406 | 15 076 | 2 665 | 2 778 | 34 726 | 80 919 |
| Disposals – cost | (1 340) | (966) | (2 505) | (229) | (3 759) | (43) | (30 010) | (38 852) |
| Disposals – depreciation | - | 23 | 2 021 | 220 | 1 587 | 21 | - | 3 872 |
| Depreciation charge | - | (1 551) | (5 120) | (4 369) | (2 340) | (156) | - | (13 536) |
| **Closing net book amount** | **28 668** | **47 025** | **20 244** | **37 661** | **47 254** | **3 372** | **17 230** | **201 454** |
| **At 31 December 2006** | | | | | | | | |
| Cost | 28 668 | 58 844 | 37 800 | 52 403 | 64 947 | 23 403 | 17 001 | 283 066 |
| Accumulated depreciation | - | (11 819) | (17 556) | (14 742) | (17 693) | (20 031) | 229 | (81 612) |
| **Net book amount** | **28 668** | **47 025** | **20 244** | **37 661** | **47 254** | **3 372** | **17 230** | **201 454** |

## Collaterals on payables

| | Land | Buildings | Machines | Technical equipment | Transportation vehicles | Other | Total |
|---|---|---|---|---|---|---|---|
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| Net book amount as of 31 December 2006 | 2 763 | 5 705 | 5 475 | 4 | 12 913 | 16 | 26 876 |
| Net book amount as of 31 December 2005 | 3 156 | 7 204 | 7 663 | 473 | 201 | 19 | 18 716 |

As of 31.12.2006 a special pledge on three of the Group's airplanes (British Aerospace BAE/Model 146-300), purchased under a contract for financial lease, is established and is recorded in the National Register for Special Pledges. The net book amount of these assets as of 31.12.2006 is BGN 8 347 thousand. Under an overdraft contract of the Group, the following airplanes are also pledged: airplane BAE-146-200-LZ-HBC, airplane IAK-40-LZ-DOS, airplane IAK-40-LZ-DOM, airplane TU-134-LZ-TUL, airplane TU-134-LZ-TUN.

In relation to bank credit between Bulbank AD and CCB AD on the one side and Slanchevi Lachi Bulgaria – on the other side – the following properties, machines and equipment are pledged as collateral:

| | Land | Buildings | Machines | Total |
|---|---|---|---|---|
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| Net book amount as of 31 December 2006 | 962 | 3 626 | 4 078 | 8 666 |
| Net book amount as of 31 December 2005 | 1 105 | 2 790 | 3 780 | 7 675 |

With a decision of Sofia City court Nr. 1 dated 27.05.2004 under the batch of PDNG AD, Sofia a contract for special pledge on the commercial entity PDNG AD is recorded, as an aggregate of rights, liabilities and factual relations, including on the described assets in accordance with Appendices 1 and 2 to it, signed between Bulgarian Post Bank AD and PDNG AD, in relation to a contract for bank credit № 532-1464/30.09.2003, signed between Chimimport AD, Sofia and Bulgarian Post Bank AD in the amount of EUR 4 807 thousand.

With a decision Nr. 2 of Sofia City court dated 15.06.2004 under the batch of PDNG AD, a contract for special pledge on the entire commercial entity – PDNG AD – is recorded, as a aggregate of rights, liabilities and factual relations, including on the described assets and Appendices 1 and 2 to it, signed between Bulgarian Post Bank AD and PDNG AD, in relation to a contract for bank guarantee Nr. 532-019/19.05.2004 and Annex Nr. 1/04.06.2004 in the amount of BGN 269 thousand and a contract for bank guarantee Nr. 532-024/04.06.2004 in the amount of BGN 1 611 thousand.

With a decision Nr. 3 of Sofia City court dated 27.05.2004 under the batch of Bulgarian Oil Refinery EOOD, Sofia a contract for pledge on the commercial entity Bulgarian Oil Refinery EOOD is recorded as an aggregate of rights, liabilities and factual relations, including on the described in the contract for special pledge assets included in the commercial entity of Bulgarian Oil Refinery EOOD and Bulgarian Post Bank AD, dated 25.05.2004, in relation with the contract for bank credit Nr. 532-1464/30.09.2003, signed between Chimimport AD, Sofia and Bulgarian Post Bank AD.

With a decision Nr. 4 of Sofia City court dated 15.06.2004 under the batch of Bulgarian Oil Refinery EOOD, Sofia, a contract for a pledge on the commercial entity – Bulgarian Oil Refinery EOOD, Sofia is recorded, as a sum of rights, liabilities and factual relations, including on the described in the contract for special pledge assets included in the commercial entity Bulgarian Oil Refinery EOOD, Sofia and Bulgarian Post Bank AD, dated 07.06.2004, in relation with contracts for bank guarantee Nr. 532-019/19.05.2004 and Nr. 532-024/04.06.2004, signed between PDNG AD, Sofia and Bulgarian Post Bank.

As of 31 December 2006 under a concession contract the Group has the right to acquire assets owned by Lesport EAD in 2007 in accordance with a valuation by an independent valuator.

**Investment properties**

Investment properties of the Group include real estate properties, which are owned to earn rental income and for investment purposes.

| | Land BGN'000 | Buildings BGN '000 | Total BGN'000 |
|---|---|---|---|
| **At 1 January 2005** | | | |
| Cost | 725 | 9 118 | 9 843 |
| Accumulated depreciation | - | (557) | (557) |
| **Net book amount** | **725** | **8 561** | **9 286** |
| **2005** | | | |
| Opening net book amount | 725 | 8 561 | 9 286 |
| Additions | 962 | 1 011 | 1 973 |
| Disposals – cost | (718) | (895) | (1 613) |
| Disposals – depreciation | - | 28 | 28 |
| Depreciation charge | - | (370) | (370) |
| **Closing net book amount** | **969** | **8 335** | **9 304** |
| **Year ended 31 December 2005** | | | |
| Cost | 969 | 9 234 | 10 203 |
| Accumulated depreciation | - | (899) | (899) |
| **Net book amount** | **969** | **8 335** | **9 304** |
| **2006** | | | |
| Opening net book amount | 969 | 8 335 | 9 304 |
| Additions | 1 325 | 226 | 1 551 |
| Capitalized subsequent expenses | - | 4 | 4 |
| Disposals – cost | - | (86) | (86) |
| Depreciation charge | (1) | (227) | (228) |
| **Closing net book amount** | **2 293** | **8 252** | **10 545** |
| **Year ended 31 December 2006** | | | |
| Cost | 2 294 | 9 378 | 11 672 |
| Accumulated depreciation | (1) | (1 126) | (1 127) |
| **Net book amount** | **2 293** | **8 252** | **10 545** |

The investment property has been recognized in the financial statements of the Group at the cost method. As at 31 December 2006 the fair value of the investment property amounts to BGN 44 385 thousand. From which for investment properties amounting to BGN 12 000 thousand, the Group has received valuation reports from certified valuers. The fair value of the rest of the investment properties is determined by the Group in accordance with the current market prices without the use of an independent certified valuer.

As of 31 December 2006, an investment property owned by the Group, situated in Sofia, “Stefan Karadja” Str. 2 has been mortgaged in exchange for a revolving credit line benefiting DSK Bank AD.

The following amounts have been recognized in the income statement in relation to the investment properties.

| | **2006** | **2005** |
|---|---|---|
| | **BGN‘000** | **BGN‘000** |
| Rental Income | 7 370 | 2 825 |
| Operating expenses | (16) | (80) |
| Real estate tax | (3) | - |

During 2006 the direct operating expenses are for the execution of a renovation - painting of hangars, which are classified as investment properties.

**Operating lease**

***Lessor***

The Group has entered in the capacity of lessor into several lease contracts. The Group’s lease contracts relate to letting out of buildings and premises.

The Group’s future minimum operating lease receivables are as follows:

| | **Up to 1 year** | **1 to 5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|
| | **BGN‘000** | **BGN‘000** | **BGN‘000** | **BGN‘000** |
| **As per 31 December 2006** | 2 866 | 336 | - | 3 202 |
| As per 31 December 2005 | 3 051 | 3 449 | 324 | 6 824 |

The arrangements under the significant operating lease contracts are as follows:

- Long-term contracts for letting out of premises for offices for the price of EUR 8 per square meter;
- Letting out of hangars and other premises to Bulgaria Air EAD for the price of BGN 210 thousand per month and to Viadgio Air for the price of BGN 20 thousand per month, Global Maintenance for the price of BGN 10 thousand per month, Scorpion Air for the price of BGN 240 thousand, etc. All contracts are with maturity date on 31 December 2007.

Operating lease agreements don’t contain contingent rent clauses.

Lessee

The Group has entered in the capacity of lessee into several lease contracts.

The Group’s future minimum operating lease payables are as follows:

| | **Up to 1 year** | **1 to 5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|
| | **BGN‘000** | **BGN‘000** | **BGN‘000** | **BGN‘000** |
| **As per 31 December 2006** | 4 761 | 17 167 | 3 610 | 25 538 |
| As per 31 December 2005 | 2 777 | 9 897 | 2 424 | 15 098 |

The Group’s lease contracts relate to rent of office premises of the agencies all over the country, including Sofia. Operating lease agreements do not contain any contingent rent clauses.

***Finance lease***

***Lessee***

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

- Five year finance lease contract with ANSEF London for the purchase of three airplanes - BAE from 31 March 2006 with maturity date April 2011. (See note 0)

- Finance lease contracts with: Unitrade – Leasing OOD, Leasing plus EOOD for a car Volkswagen Passat, Bultraco AD, Bulbank Leasing, Unitrade-Leasing, Interlease Auto, Afin Bulgaria, Sofia France Auto, Unicredit Leasing, HVB Leasing OOD, Hypo Group Alpe Adria, Unicredit Leasing, HVB leasing OOD, Hypo Group Alpe Adria, Bohemia Auto and others for the purchase of cars and transport vehicles.

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

| **At 31 December 2006** | **Up to 1 year**<br>**BGN'000** | **1 to 5 years**<br>**BGN'000** | **Total**<br>**BGN'000** |
|---|---|---|---|
| Total amount of the lease contract liability | 2 968 | 8 519 | **11 487** |
| Discounting | (528) | (1 764) | **(2 292)** |
| **Net present value** | **2 440** | **6 755** | **9 195** |

**Goodwill**

| | Goodwill BGN'000 |
|---|---|
| **At 1 January 2005** | |
| Cost | 7 729 |
| **Balance amount** | **7 729** |
| | |
| **Year ended 31 December 2005** | |
| Opening net book amount | 7 729 |
| Additions | 4 175 |
| **Closing net book amount** | **11 904** |
| | |
| **At 31 December 2005** | |
| Cost | 11 904 |
| **Net book amount** | **11 904** |
| | |
| **Year ended 31 December 2006** | |
| Opening net book amount | 11 904 |
| Additions | 171 |
| Disposals | (672) |
| **Closing net book amount** | **11 403** |
| | |
| **As at 31 December 2006** | |
| Cost | 11 403 |
| **Net book amount** | **11 403** |

Subsequent to the annual impairment test for 2006 and 2005, the carrying amount of goodwill is allocated to the following cash generating units:

| **Goodwill allocation** | **2006**<br>**BGN'000** | **2005**<br>**BGN'000** |
|---|---|---|
| CCB Group Assets Management EAD | 3 507 | 3 507 |
| Central Cooperative Bank AD | 5 311 | 5 311 |
| Hemus Air | 1 079 | 1 079 |
| Slanchevi lachi Bulgaria EAD | 580 | 747 |
| PFK Cherno more | - | 500 |
| ZPAD Armeec | 424 | 424 |
| Bulchimpex OOD | 217 | 217 |
| BM Port | 164 | - |
| FBK Chimimport Finance EOOD | 47 | 47 |
| POAD CCB Sila | 46 | 46 |
| Chimsin OOD | 13 | 13 |
| Capital Managent ADSIP | - | 5 |
| CCB Real Estates ADSIP | 5 | 5 |
| Chimimport Fertilizers OOD | 3 | 3 |
| Chimimport Agrochemicals | 1 | - |
| Chimsnab | 6 | - |
| **Net book amount** | **11 403** | **11 904** |

The recoverable amount of cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using constant growth rates characteristic of the sector in which each cash-generating unit operates.

The discount rates used reflect specific risks relating to the sector in which each cash-generating unit operates.

No significant indications of impairment have been identified in 2006 as at 31.12.2006.

Additions in goodwill occurred as a result of the following acquisitions in 2006:

| | **Goodwill** | **Shares acquired** |
|---|---|---|
| | **BGN‘000** | **%** |
| BM Port | 164 | 99.00% |
| Chimsnab | 6 | 33.33% |
| Chimimport Agrochemicals | 1 | 49.00% |
| **Net book amount as at 31 December 2006** | **171** | |

The disposal of goodwill is a result of the following participations sold in 2006:

| | **Goodwill** | **Shares sold** |
|---|---|---|
| | **BGN‘000** | % |
| Slanchevi Lachi Bulgaria EAD | (167) | 22.37% |
| PFK Cherno More | (500) | 55.33% |
| Capital Management ADSIC | (5) | 70.00% |
| **Net book amount as at 31 December 2006** | **(672)** | |

For additional information regarding the acquired shares, please refer to Note 5.

**Intangible assets**

| | Internally generated intangible assets | Licenses and patents | Trade-marks | Software products | Repairs of rented assets | Total |
|---|---|---|---|---|---|---|
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| **At 1 January 2005** | | | | | | |
| Cost | 52 | 2 181 | 61 | 553 | 2 237 | 5 084 |
| Accumulated amortization | (51) | (956) | - | (414) | (426) | (1 847) |
| **Net book amount** | **1** | **1 225** | **61** | **139** | **1 811** | **3 237** |
| **Year ended 31 December 2005** | | | | | | |
| Opening net book amount | 1 | 1 225 | 61 | 139 | 1 811 | 3 237 |
| Business combinations – cost | - | - | - | - | 31 | 31 |
| Business combinations – amortization | - | - | - | - | (3) | (3) |
| Additions | 2 | 1 414 | - | 365 | 1 869 | 3 650 |
| Disposals – cost | - | (2) | - | (20) | (19) | (41) |
| Disposals – amortization | - | 2 | - | 18 | - | 20 |
| Amortization charge | (1) | (566) | (14) | (185) | (489) | (1 255) |
| **Closing net book amount** | **2** | **2 073** | **47** | **317** | **3 200** | **5 639** |
| **At 31 December 2005** | | | | | | |
| Cost | 54 | 3 593 | 61 | 898 | 4 118 | 8 724 |
| Accumulated amortization | (52) | (1 520) | (14) | (581) | (918) | (3 085) |
| **Net book amount** | **2** | **2 073** | **47** | **317** | **3 200** | **5 639** |
| **Year ended 31 December 2006** | | | | | | |
| Opening net book amount | 2 | 2 073 | 47 | 317 | 3 200 | 5 639 |
| Business combinations – cost | - | - | - | - | 363 | 363 |
| Business combinations – amortization | - | - | - | - | (382) | (382) |
| Additions | - | 31 | - | 352 | 2 591 | 2 974 |
| Disposals – cost | - | (28) | - | (3) | (97) | (128) |
| Disposals – amortization | - | 28 | - | 2 | 32 | 62 |
| Amortization charge | - | (557) | (14) | (213) | (834) | (1 618) |
| **Closing net book amount** | **2** | **1 547** | **33** | **455** | **4 873** | **6 910** |
| **At 31 December 2006** | | | | | | |
| Cost | 54 | 3 596 | 61 | 1 247 | 6 975 | 11 933 |
| Accumulated amortization | (52) | (2 049) | (28) | (792) | (2 102) | (5 023) |
| **Net book amount** | **2** | **1 547** | **33** | **455** | **4 873** | **6 910** |

As per 31 December 2006 there are no pledged intangible assets. According to a concession contract, the Group has a commitment to purchase licensed software products.

**Long-term financial assets**

The amounts recognized in the balance sheet comprise the following financial assets:

| | 2006 | 2005 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Loans and receivables | 310 439 | 218 379 |
| Held-to-maturity financial assets | 16 142 | 38 382 |
| Financial assets at fair value through profit or loss | 42 526 | 21 692 |
| Available-for-sale financial assets | 110 078 | 111 681 |
| | **479 185** | **390 134** |

***Loans and receivables***

| | 2006 | 2005 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Long-term bank credits and client advances | 298 696 | 207 016 |
| Other long-term loans | 11 743 | 11 363 |
| | **310 439** | **218 379** |

***Long-term bank loans and client advances***

Long-term bank loans and advances to clients represent loans and advances to clients, which have occurred in relation to the banking activity of the Group.

| **Analysis by types of clients:** | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Individuals | | |
| -in BGN | 85 320 | 60 911 |
| -in foreign currency | 12 464 | 14 241 |
| Legal entities | | |
| -in BGN | 124 213 | 69 703 |
| -in foreign currency | 82 405 | 63 698 |
| | 304 402 | 208 553 |
| Allowance for impairment due to bad debts | (5 706) | (1 537) |
| **Total credits and advances to clients** | **298 696** | **207 016** |

| **Analysis by economic sectors:** | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Agriculture and forestry | 15 061 | 15 381 |
| Manufacturing | 22 864 | 17 348 |
| Construction | 29 167 | 12 855 |
| Trade and finance | 115 557 | 50 140 |
| Transport and communications | 13 425 | 10 429 |
| Individuals | 97 784 | 75 152 |
| Others | 10 544 | 27 248 |
| | 304 402 | 208 553 |
| Allowance for impairment due to bad debts | (5 706) | (1 537) |
| **Total credits and advances to clients** | **298 696** | **207 016** |

**Interest rates**

Loans denominated in BGN and foreign currency bear interest at floating rates. Under the terms of these loans, the interest rate is calculated as the Bank base interest rate, plus a margin. The interest rate margin on performing (regular) loans varies from 5 to 10 percent based on the credit risk associated with the borrower, and a 35 percent interest is charged as penalty on overdue loans, corresponding to the interest on not allowed overdraft.

***Other long-term loans***

| | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Franchise Development OOD | 5 682 | - |
| Piero 97 MA AD | 4 000 | - |
| POK Saglasie – ceded receivable | 739 | - |
| Neftena Targovska Kompania EOOD | 421 | - |
| Slanchevi Lachi Provadia AD | 397 | - |
| Mlechen Pat | 294 | 687 |
| Interlease AD | 88 | 88 |
| Inter Rubber Hemi EOOD | 70 | - |
| Bulgargeomin | - | 10 002 |
| Energoproekt | - | 500 |
| Others | 52 | 86 |
| | **11 743** | **11 363** |

The loan provided to Franchise Development OOD is five year long with a maturity date 20.10.2013 and an annual interest of 2%. The investment is provided for founding and developing stores of the fast sale of stationery type. There is no collateral on the provided loan.

The long-term loan of Mlechen Pat AD is in relation to the entity's undertaken duty towards Hebros Bank AD, with the repayment of the loan being in 35 equal monthly payments until 20.07.2008.

The receivable from Piero 97 MA AD is according to the terms of a contract for concession dated 06.07.2006, which occurred in relation to a receivable of Chimimport AD from Technosteel EOOD under an agreement for order for developing trade marks. According to the contract, the concessionaire is obliged to provide to Chimimport AD advertising time in national television channel bTV or other medias agreed upon by the parties. The maturity on the long-term part of the current cession is BGN 2 000 thousand in 2008 and BGN 2 000 thousand in 2009.

***Long-term held-to-maturity financial assets***

| | 2006 | 2005 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Long-term Bulgarian government bonds | 16 142 | 38 382 |
| | **16 142** | **38 382** |

**Bulgarian government securities, pledged as collateral**

As at 31 December 2006 securities issued by the Bulgarian government at the amount of BGN 49 444 thousand are pledged as a collateral for repo transactions and servicing of budget accounts.

***Financial assets at fair value through profit or loss***

The financial assets classified in this category correspond to the conditions for held-for-trading financial assets:

| | 2006 | 2005 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Long-term Bulgarian government bonds | 16 458 | 18 138 |
| Capital investments with market value | 14 987 | 3 511 |
| Bulgarian corporate securities | 6 683 | - |
| Medium-term Bulgarian government bonds | 4 322 | - |
| Other | 76 | 43 |
| | **42 526** | **21 692** |

All presented amounts are determined through published quotes of the listed securities on an active market.

**Long-term Bulgarian government bonds**

As of 31 December 2006 and 2005 the long-term Bulgarian securities, in the amount of BGN 16 458 thousand and BGN 18 138 thousand are presented at fair value and include securities in BGN.

**Equity investments with market value**

As of 31 December 2006 and 2005 the capital investments with market value amount to BGN 14 987 thousand and BGN 3 511 thousand and they comprise: shares accepted for trading on a regulated securities market; shares of entities with special investment aim, which securitize immovable properties; shares issued from collective investment schemes under the regulation of the Public Offering Securities Law, as well as shares issued by collective investment schemes.

**Bulgarian corporate securities**

As of 31 December 2006 the Bank owns corporate securities of non-financial enterprises in the amount of BGN 6 683 thousand. These securities represent shares of the share capital of public commercial entities, which are traded on the Bulgarian Stock Exchange and are presented in the financial statements at fair value, as they are liquid in the Bulgarian market.

**Bulgarian securities, pledged as collateral**

As of 31 December 2006 government securities, issued by the Bulgarian government, in the amount of BGN 2 033 thousand are pledged as collateral for servicing budget accounts.

**Medium-term Bulgarian securities**

As of 31 December 2006 the medium-term bonds in the amount of BGN 4 322 thousand are presented at fair value and include securities in BGN, issued by the Bulgarian government.

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

| | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Medium-term Bulgarian government bonds | 23 963 | 26 068 |
| Long-term Bulgarian government bonds | 6 133 | 29 459 |
| Equity investments | 1 943 | 4 543 |
| Bulgarian corporate securities | 78 039 | 51 494 |
| Other | - | 117 |
| | **110 078** | **111 681** |

**Bulgarian securities, pledged as a collateral**

As at 31 December 2006 government bonds issued by the Bulgarian government amounting to BGN 88 308 thousand are pledged as a collateral for repo transaction and servicing of budget accounts.

**Equity investments**

As at 31 December 2006 the equity investments available for sale include investments in companies, in which the Group does not have controlling interest.

**Bulgarian corporate securities**

As at 31 December 2006 the corporate securities available for sale represent bonds of local issuers. None of these investments are in subsidiary or in associated company.

**Deferred tax assets and liabilities**

Deferred taxes arising from temporary differences under the liability method, using a principal tax rate of 2007 10% (2006 15%), can be summarized as follows:

| | 2006 Deferred tax asset | 2006 Deferred tax liability | 2005 Deferred tax asset | 2005 Deferred tax liability |
|---|---|---|---|---|
| | BGN‘000 | BGN‘000 | BGN‘000 | BGN‘000 |
| **Related to:** | | | | |
| Unused paid holiday | 223 | - | 193 | - |
| Revaluation of financial instruments | - | 539 | - | 825 |
| Property, plant and equipment | - | 720 | - | 1 000 |
| Other | 189 | 90 | 282 | - |
| **Total** | **412** | **1 349** | **475** | **1 825** |

Please also refer to note 39 for information on the Group’s tax expense.

**Inventories**

| | 2006 | 2005 |
|---|---|---|
| | BGN‘000 | BGN‘000 |
| Materials | 15 971 | 7 081 |
| Finished goods | 4 218 | 6 611 |
| Trading goods | 5 064 | 8 076 |
| Work in progress | 1 687 | 65 |
| Others | 121 | 118 |
| | **27 061** | **21 951** |

No reversal of previous write-downs was recognized as a reduction of expense in 2006.

**Short-term financial assets**

The amounts recognized in the balance sheet comprise the following categories of financial assets:

| | 2006 BGN'000 | 2005 BGN'000 |
|---|---|---|
| Loans and receivables | 263 041 | 195 141 |
| Financial assets at fair value through profit or loss | 36 443 | 26 107 |
| Financial assets held-to-maturity | 36 042 | - |
| Financial assets available-for-sale | 23 435 | 9 936 |
| | **358 961** | **231 184** |

***Loans and receivables***

| | 2006 BGN'000 | 2005 BGN'000 |
|---|---|---|
| Short-term bank loans and advances to customers | 245 520 | 172 420 |
| Other short-term loans | 17 521 | 22 721 |
| | **263 041** | **195 141** |

***Short-term bank credits and advances to customers***

Short-term bank credits and advances to customers are loans and advances granted to clients in the course of the banking activity of the Group.

| **Analysis by customer:** | **2006 BGN'000** | **2005 BGN'000** |
|---|---|---|
| Individuals | | |
| - in BGN | 70 476 | 33 667 |
| - in foreign currency | 10 295 | 1 030 |
| Enterprises | | |
| - in BGN | 104 232 | 91 896 |
| - in foreign currency | 68 069 | 48 645 |
| | 253 072 | 175 238 |
| Allowance for impairment due to bad debts | (7 552) | (2 818) |
| **Total credits and advances to customers** | **245 520** | **172 420** |

| **Analysis by economic sector:** | **2006 BGN'000** | **2005 BGN'000** |
|---|---|---|
| Agriculture and forestry | 12 440 | 6 369 |
| Manufacturing | 18 887 | 15 948 |
| Construction | 24 093 | 4 020 |
| Trade and finance | 97 083 | 85 859 |
| Transport and communications | 11 089 | 9 787 |
| Individuals | 80 771 | 34 697 |
| Others | 8 709 | 18 558 |
| | 253 072 | 175 238 |
| Allowance for impairment due to bad debt | (7 552) | (2 818) |
| **Total credits and advances to customers** | **245 520** | **172 420** |

**Interest rates**

Loans denominated in BGN and foreign currency bear interest at floating rates. Under the terms of these loans, the interest rate is calculated as the Bank base interest rate, plus a margin. The interest rate margin on performing (regular) loans varies from 5 to 10 percent based on the credit risk associated with the borrower, and a 35 percent interest is charged as penalty on overdue loans, corresponding to the interest on not allowed overdraft.

| *Other short-term loans* | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Transinterkar EOOD | 2 311 | 1 749 |
| Nomokanon | 1 269 | 936 |
| Lorian | 1 640 | 893 |
| Andezit | 1 093 | 1 049 |
| Office 1 Superstore Ukraine | 1 001 | 1 109 |
| Noviko Chirpan | 921 | 761 |
| Noviko Nord EOOD | 640 | 640 |
| Business Center Izgrev EOOD | 569 | - |
| Nordius EOOD | 454 | - |
| Issuer Varna A AD | 423 | - |
| Mlechen put AD – short-term part | 393 | - |
| Familia OOD | 260 | - |
| Bliasak OOD | 257 | - |
| ET – DOREV – R.V.Dorev | 117 | 117 |
| Finance Consulting | - | 3 371 |
| Nordius EOOD | - | 2 004 |
| Nov Vek AD | - | 1 932 |
| Zarneni Hrani Balchik | - | 1 836 |
| Bildko | - | 1 586 |
| Ax 72 | - | 1 021 |
| Bliasak | - | 1 020 |
| Zarneni Hrani Balchik | - | 651 |
| Niko Komers | - | 557 |
| Slanchevi Lachi Provadia AD | - | 397 |
| Familia | - | 260 |
| Tehnostil | - | 233 |
| Kanazirev | - | 160 |
| MPZ Gaz | - | 66 |
| Inter Rubber Chemi EOOD | - | 31 |
| Krone Bulgaria AD | - | 10 |
| Marimex EOOD | - | 5 |
| Marimex 77 EOOD | - | - |
| Pavlex 97 EOOD | - | - |
| Other | 6 173 | 327 |
| | **17 521** | **22 721** |

The short-term loans are lent at annual interest levels between 10-12%. The maturity is by request of the Group. The loans are without collateral.

The fair value of these loans granted is not individually determined as the carrying amount is a reasonable approximation of their fair value.

***Financial assets at fair value through profit or loss***

The financial assets classified in this category meet the requirements for financial assets held for trading.

| | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Bulgarian government bills | 6 834 | 446 |
| Bulgarian government notes | 6 867 | - |
| Bulgarian corporate securities | 22 220 | 14 823 |
| Bulgarian government bonds | 522 | 10 838 |
| | **36 443** | **26 107** |

**Bulgarian government bills**

As at 31 December 2006 the Bulgarian government bills amounting to BGN 6 834 thousand are presented at fair value and include securities denominated in BGN, issued by the Bulgarian government. The government bills mature in a period of up to 1 year.

**Bulgarian government notes**

As at 31 December 2006 the Bulgarian government notes amounting to BGN 6 867 thousand are presented at fair value and include securities denominated in BGN, issued by the Bulgarian government.

**Bulgarian corporate securities**

As at 31 December 2006 the Group owns corporate securities, issued by non-financial companies, amounting to BGN 22 220 thousand. These securities represent shares of public companies, listed on the Bulgarian Stock Exchange. They are liquid on the Bulgarian market and are stated at fair value.

**Bulgarian government bonds**

As at 31 December 2006 the government bonds amounting to BGN 522 thousand are stated at fair value and include securities denominated in BGN.

**Bulgarian government securities pledged as collateral**

As at 31 December 2006 government bonds issued by the Bulgarian government amounting to BGN 2 033 thousand are pledged as a collateral for repo transaction and servicing of budget accounts.

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

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Bulgarian government bills | 13 604 | - |
| Equity investments | 3 364 | 9 235 |
| Repo receivables | 6 462 | - |
| Other | 5 | 701 |
| | **23 435** | **9 936** |

**Bulgarian government bills**

As at 31 December 2006 the Bulgarian government bills amounting to BGN 13 604 thousand are available for sale and are presented at fair value and include securities denominated in BGN, issued by the Bulgarian government. The government bills mature in a period of up to 1 year.

**Equity investments**

As of 31 December 2006 the equity investments, declared for sale represent investments in companies in which the Group has no controlling interest.

**Receivables under repo agreements**

As of 31 December 2006 the Group has signed agreements with a repo clause amounting to total of BGN 6 462 thousand, including the interest receivables. The Group has provided as collateral this receivable with a pledge of Bulgarian government securities with an approximately similar value. The maturity on these agreements is between January and March 2007.

***Financial assets held-to-maturity***

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Bulgarian government bills | 35 399 | - |
| Other | 643 | - |
| | **36 042** | **-** |

**Bulgarian government bills**

As of 31 December 2006 the government bills amounting to BGN 35 399 thousand are held to maturity and include securities in BGN issued by the Bulgarian government. The maturity of the government bills is up to 1 year.

**Trade receivables**

The major trade receivables As at 31 December 2006 are as follows:

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Bank clients | 3 952 | 3 287 |
| Otorio Investment | 9 297 | - |
| Zarneni Hrani Bulgaria EAD | 7 838 | - |
| Oil Trading Company EOOD | 6 219 | 5 641 |
| DESMET BALLESTRA OLEO S.P.A. | 6 138 | - |
| Piero 97 MA AD – short-term part | 2 000 | - |
| Zarneni Hrani – Valchi Dol EAD | 1 963 | - |
| IATA BSP | 1 206 | - |
| Chimoil EOOD | 960 | - |
| Alasia Cyprus | 537 | 381 |
| AK Bulgaria Air | 487 | - |
| IATA BSP – London | 460 | - |
| Flying Carpet Tel Aviv | 459 | 266 |
| Papas Oil AD | 384 | - |
| Stimex EOOD | 320 | - |
| Balkania Travel | 304 | - |
| Trans Intercar EOOD | 303 | 619 |
| Donau Rein Logistik | 279 | - |
| Precis Inter | 246 | - |
| On Travel | 228 | - |
| Blue Air | 226 | - |
| Bulgarian Mills EOOD | 222 | - |
| Goliama Dobrudjanska Melnica EOOD | 174 | - |
| Donau Transit | 165 | - |
| Jugoagent | 158 | - |
| Pleven Municipality | 152 | 502 |
| MBALSM Pirogov | - | 369 |
| Viaggio Air | - | 267 |
| Alvis EOOD | - | 243 |
| Tarom | - | 152 |
| Other /under BGN 150 thousand in separate value/ | 29 683 | 11 527 |
| Impairment on trade receivables | (328) | - |
| | **74 032** | **23 254** |

Trade receivables are usually due within 30 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers.

**Other receivables**

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Tax receivables | 2 745 | 754 |
| Court receivables | 1 231 | 1 435 |
| Prepayments | 10 842 | 11 010 |
| Insurance and reinsurance receivables | 13 047 | 8 470 |
| Interest receivables | 3 488 | 2 377 |
| Receivables from accountable individuals | 21 | - |
| Blocked cash and other receivables | 2 566 | - |
| Foreign activity | 10 002 | 10 002 |
| Other | 18 268 | 5 383 |
| | **62 210** | **39 431** |

The fair value of these short-term receivables is not individually determined as the carrying amount is a reasonable approximation of their fair value.

Foreign Activity

With a decision Nr. 14 dated 10.02.2005 of the Sofia City Court regarding company case Nr. 354/1989, an obliteration is recorded of the record made with decision Nr. 11/29.05.2002 for the transfer of the entities Bulgarian Oil Company /BOKO/ and Geokom – service, situated in Libya, as a collection of rights, liabilities and factual relations from PDNG AD, Sofia to Bulgargeomin EAD, Sofia, due to the fact that there was no factual transfer of the assets and liabilities related to the activity of the entities Bulgarian Oil Company /BOKO/ Libya and Geokom – service Libya from the perspective of Bulgargeomin EAD.

**Cash and cash equivalents**

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Placements with, and advances to, banks | 217 797 | 116 247 |
| Current accounts with the Central Bank | 66 187 | 57 612 |
| Cash in hand | 68 898 | 53 925 |
| Repurchase agreements | 13 312 | - |
| Other | 354 | 2 429 |
| | **366 548** | **230 213** |

***Placements with, and advances to, banks***

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Term deposits with local banks | | |
| -In BGN | 18 065 | 4 553 |
| -In foreign currency | 56 399 | 60 300 |
| Term deposits with foreign banks in foreign currency | 137 936 | 42 968 |
| Restricted accounts with local banks | | |
| -In BGN | 320 | 2 609 |
| -In foreign currency | - | 1 174 |
| Nostro accounts with local banks | | |
| -In BGN | 296 | 24 |
| -In foreign currency | 110 | 211 |
| Nostro accounts with foreign banks in foreign currency | 4 671 | 3 212 |
| Other current accounts and deposits with banks | - | 1 196 |
| **Total placements with, and advances to, banks** | **217 797** | **116 247** |

***Current Accounts in Central Bank***

As of 31 December 2006 the accounts in Central Bank are respectively BGN 52 382 thousand and BGN 13 300 thousand minimum compulsory reserve in foreign currency and as of 31 December 2005 – BGN 44 312 thousand and BGN 13 300 thousand minimum compulsory reserve in foreign currency. The commercial banks in Bulgaria are obliged to hold a minimum compulsory reserve in foreign currency in BNB. The compulsory minimum reserve, which is interest-free, is determined as a percentage of the borrowed funds in BGN and in foreign currency, periodically determined by BNB. These reserves are regulated on a monthly basis, as their shortage leads to the accrual of penalty fees. The Central bank does not impose limitations on the use of the minimum reserves and daily deviations within a one-month period for regulation are allowed.

## Equity

***Share capital***

As of 31.12.2006 the shareholder of Chimimport AD are 2 657 individual and legal persons. The nominal amount of one entity share is BGN 1. The shares of the entity are ordinary, dematerialized, registered stocks and freely- transferable.

| | **2006** | **2005** |
|---|---|---|
| Shares issued and fully paid | | |
| - beginning of the year | 60 000 000 | 20 000 000 |
| - issued during the year | 70 000 000 | 40 000 000 |
| Shares fully paid as at 31 December - issued | **130 000 000** | **60 000 000** |
| - issued during the year - unpaid | - | (2 082 375) |
| **Number of shares as at 31 December – issued and paid** | **130 000 000** | **57 917 625** |

The list of the principal shareholders is as follows:

| | **2006** | **2006** | **2005** | **2005** |
|---|---|---|---|---|
| | **Number of shares** | **%** | **Number of shares** | **%** |
| Chimimport Invest AD | 112 586 647 | 86.61% | 58 878 298 | 98.13% |
| EFG Eurobank Clients ACC | 937 453 | 0.72% | - | - |
| Raiffeisen Central Bank - Austria | 721 111 | 0.55% | - | - |
| Raiffeisen - contractual funds | 142 000 | 0.11% | - | - |
| Consolid Comers AD | 704 276 | 0.54% | 704 276 | 1.17% |
| DSK – funds (OTP Group) | 608 061 | 0.47% | - | - |
| Invest Bank AD | 468 180 | 0.36% | - | - |
| Bank Austria Kreditanstalt | 446 424 | 0.34% | - | - |
| Danske Fund Eastern Europe – Luxembourg | 398 624 | 0.31% | - | - |
| Coper Bank Slovenia | 353 126 | 0.27% | - | - |
| Advance Invest AD | 348 796 | 0.27% | - | - |
| Alfa Trust Andromeda Greece | 322 235 | 0.25% | - | - |
| Elana – contractual funds | 308 931 | 0.24% | - | - |
| MEI – Romanian and Bulgarian funds | 266 400 | 0.20% | - | - |
| Standart Investment – contractual funds | 245 882 | 0.19% | - | - |
| ING - pension funds | 244 912 | 0.19% | - | - |
| Hansapank Clients | 147 490 | 0.11% | - | - |
| Scandinavian Enskilda Banken | 128 640 | 0.10% | - | - |
| Erste Bank Austria | 58 472 | 0.04% | - | - |
| Other legal | 3 865 784 | 2.97% | 41 888 | 0.07% |
| Other persons | 6 696 556 | 5.16% | 375 538 | 0.63% |
| | **130 000 000** | **100.00%** | **60 000 000** | **100.00%** |

***Share premium***

The emission premium in the amount of BGN 32 925 thousand is formed from the performed IPO of entity's shares. The IPO of the emission is conducted through a subscription from 07.09.2006 to 20.09.2006. The number of filed purchase requisitions, corresponding to the investors, exceeds 2 100. The inflows in the accumulation account of Chimimport AD are 2.5 time more than the recorded emission. The emission premium is decreased with the expenses on the emission of shares in the amount of BGN 327 thousand.

***Other reserves***

Other reserves are formed in accordance with the requirements of the Bulgarian Commercial Act. In 2006 charity donations amounting to BGN 470 thousand were deducted from the reserves.

**Specialized reserves**

| | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Insurance reserves | 37 787 | 22 769 |
| Pension Fund reserves | 335 | 175 |
| | **38 122** | **22 944** |

***Insurance reserves***

| | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Premium reserve carried forward | 20 761 | 14 236 |
| Reserve for outstanding payments | 11 602 | 7 761 |
| Contingency fund | 125 | 58 |
| Other reserves | 7 677 | 3 245 |
| Reinsurer's share in insurance reserves | (2 378) | (2 531) |
| | **37 787** | **22 769** |

Insurance reserves were set aside in the course of the Group's insurance activity performed by ZPAD Armeec.

The Group sets aside **premium reserve carried forward** on the basis of the amount of accrued insurance premiums. All insurance contributions that have to be paid according to the insurance policies are accrued on a timely basis. The exact-date method is applied separately for each policy. Premium reserve carried forward is not formed for subscription insurances because under subscription insurances ZPAD Armeec does not collect the premium in advance, but after the end of the insurance term - Accident Insurance of Hotel Guests, subscription insurances Cargo and Haulier's Liability Insurance. The premium carried forward for non-recurring insurances Cargo and Haulier's Liability insurance is calculated for the one-month term of the insurance.

The calculation base is separate for each bill note. The calculations are performed by the program embedded in the information system. The reinsurers' part carry-premium is calculated proportionally to the ceded premium under each note. There is no reinsurer share for reinsurer contract "Excess of laws" for insurance "Green Card".

**Reserve of outstanding payments** is a reserve for occurred and presented claims. It is calculated by applying the method claim by claim. The basis for calculation is preliminary valuation and register of damages. Calculations are made according to the data in the information system - INSIS.

Reinsurers' reserve is calculated pro rata of the ceded premium of the policy under which damage occurred. The reinsurers' part in the reserve claims is calculated according to the reinsurers contract clauses of the note under which the damage occurred.

**Reserve for occurred, but not presented claims.**

It is calculated by applying the chain-ladder method. Regarding the calculation of reserve for occurred, but not claimed damages the chain-ladder method is used for every type of insurance offered by ZPAD "Armeec". This method is applied for the period being 2001-2006.

Specifically for insurance "Civil liability in relation to the possession and use of Motor vehicle" reserve for occurred, but not claimed damages is calculated in total for both pecuniary and non-pecuniary damages, as well as for all insurances from that type, in other words the compulsory insurance "Civil liability of the driver" and insurances "Civil liability of motor vehicles with foreign registration" and "Green Card" are included. The period used for calculation basis of the reserve is six years (2001-2006).

The chain-ladder method is used generally for the type of insurance because it models best the expectations for not presented claims, taking into account the relatively small amount of the insurances.

There is no set aside reserve for presented, but not claimed damages for insurances "Casco of aircraft", "Casco of marine vessels", "Civil liability related to marine vessels", "Guarantees", "Other financial losses" and "Legal expenses", because when using the chain-ladder method for calculating the reserve for occurred but not-presented damages under insurances "Casco of aircrafts", "Casco of marine vessels", "Civil liability related to marine vessels", "Guarantees" and "Other financial losses" a zero result is received while under the insurance's legal expenses there is no realized income.

As a calculation basis a statistics of the presented claims is calculated in the information system INSIS for the period 2001-2006.

The reinsurer's part in the reserve for the occurred but not presented claims is calculated according to the reinsurance contracts currently in place during the corresponding year of the occurrence of the damage.

The reserve fund is only set aside under "Credits" insurance. As a result of the newly set aside amount of the reserve fund under the insurance its total amount as of 31 December 2006 is BGN 125 703.

The total amount of the insurance reserves from ZPAD "Armeec" which are set aside as of 31 December 2006 is in the amount of BGN 40 165 thousand. The reinsurer's part of the insurance reserves is BGN 2 378 thousand. Compared to 2005 the total amount of the reserves has increased with BGN 14 866 thousand, or with 59%.

***Reserves of Pension Funds***

| | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Reserves of voluntary pension fund | 10 | 10 |
| Reserves of professional pension fund | 66 | 40 |
| Reserves of universal pension fund | 259 | 125 |
| | **335** | **175** |

**Payables to secured individuals**

The amounts recognized in the balance sheet comprise payables to individuals secured by the following pension funds:

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Payables of voluntary pension fund | 7 596 | 5 617 |
| Payables of professional pension fund | 6 584 | 4 637 |
| Payables of universal pension fund | 25 881 | 14 271 |
| | **40 061** | **24 525** |

**Long - term financial liabilities**

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Bank loans – long-term part | 30 455 | 6 713 |
| Other loans – long-term part | 10 785 | 2 397 |
| Liabilities under lease contracts – long-term part | 6 755 | - |
| Long-term trade liabilities | 2 597 | 7 265 |
| Liabilities to depositors (see note 0) | 266 428 | - |
| Other borrowed funds | 20 647 | 9 152 |
| | **337 667** | **25 527** |

***Long-term loans***

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| DSK Bank AD investment loan | 21 316 | - |
| Bulgarian Post Bank- investment loan | 3 500 | - |
| CB Allianz Bulgaria investment loan | 1 815 | - |
| Postbank - investment loan | 1 428 | 3 374 |
| Hypovereinzbank AD | 1 254 | 1 332 |
| Bank Gesellshaft Berlin | 618 | - |
| Hebros Bank | 295 | 688 |
| Bulbank AD investment loan | 229 | - |
| Other | - | 1 319 |
| | **30 455** | **6 713** |

**DSK BANK AD**

According to the terms of the loan contract 114 dated 06.06.2006. The Group has received a loan in the amount of EUR 11 000 thousand, in view of buying 626 783 shares from the capital of Parahodstvo BRP AD. The interest is formed on basis of three-month EURIBOR plus a premium of 4.5%. The maturity date of the Contract is 06.06.2016. The loan is collateralised with a mortgage on an immovable property – "Dom na Geologa" in the city of Varna and with market value BGN 6 293 thousand.

**Bulgarian Post Bank – investment credit**

The contract for a bank loan amounting to BGN 3 500 000 has a number 100-341/10.08.2006 and a maturity 10.08.2011, with an yearly interest : the sum of the current three-month SOFIBOR and an interest premium of 4.5%. The loan is signed in view of refinancing the invested funds for the purchase of immovable properties which are pledged as a collateral for the loan.

**Post Bank AD**

The investment loan from Post Bank AD has a maturity date 30 September 2008. The agreed amount is EUR 4 807 thousand and the payments on the loan are due in euros. The interest rate on the loan is in the amount of a three-month EURIBOR plus a premium of 6%.The loan is collaterized with a pledge on shares of PDNG, city of Pleven in the amount of BGN 297 thousand as of 30 September 2003.

**Bank Gesellshaft Berlin – investment credit**

- Interest rate – EURIBOR plus 4 points addition
- Maturity – 31.12.2010
- Payment schedule

- until 30.12.2007 – 105 349 EUR
- until 31.12.2008 – 105 349 EUR
- until 31.12.2009 – 105 349 EUR
- until 31.12.2010 – 105 349 EUR

The currency in which the payments are made - EUR

**Commercial Bank Allianz Bulgaria**

The investment credit from CB Allianz Bulgaria was signed on 25.10.2005 with maturity 25.10.2010 under interest levels – 3.20% twelve month LIBOR; annual interest 7.7%, in view of buying three truck-tug, which serve as collateral on the loan and which amount to a total of USD 2 552 thousand.

**HEBROS BANK AD**

The total amount of the liability is BGN 1 297 thousand according to an Agreement for entering into debt dated 19.09.2005. The maturity date under the Agreement comes into effect on 20.07.2008. The payments are made in 35 equal monthly installments of BGN 33 thousand each.

**HYPOVEREINS BANK AD**

The revolving mortgage credit from HVB 1 is in effect until 31 December 2006. The loan is in the amount of 107 thousand euros and the installments are payable in euro. The interest rate is 4.85% on an yearly base. The collateral on the loan is a mortgage on a property in Offenbach, Germany.

The revolving mortgage credit from HVB 1 is in effect until 31 December 2006. The loan is in the amount of 295 thousand euros and the installments are payable in euro. The interest rate is 4.25% on an yearly base. The collateral on the loan is a mortgage on a property in Frankfurt, Germany.

The revolving mortgage credit from HVB 2 is in effect until 31 December 2006. The loan is in the amount of 279 thousand euros and the installments are payable in euro. The interest rate is 4.85% on an yearly base. The collateral on the loan is a mortgage on a property in Hanau.

**Bulbank AD - investment loan**

Interest rate – EURIBOR plus 6 points premium

Maturity – 20.06.2009

Loan amortization schedule:

until 31.12.2007 – 84 000 EUR

until 31.12.2008 – 84 000 EUR

until 20.06.2009 – 40 000 EUR

Collateral – mortgage of real estate properties.

The currency in which the payments are made is EUR.

***Other loans***

| **Long-term loans to non-bank institutions** | **2006 BGN'000** | **2005 BGN'000** |
|---|---|---|
| Chimoil AD – long-term part | 6 014 | - |
| Neft Trade Company EOOD | 3 201 | - |
| INO - investment loan - long-term portion | 945 | 2 397 |
| Ministry of Finance | 625 | - |
| | **10 785** | **2 397** |

**Chimoil AD**

The investment loan with Chimoil AD is signed on 17.04.2006 and matures on 31.12.2011 with an annual interest of 9 %. The Group uses the loan for the construction of an installation for bio-diesel.

**Neft Trade Company EOOD**

The loan is granted on 30 January 2006 for a two year term. The amount granted is BGN 4 000 000 payable upon request. As of the date of the financial report, the absorbed part is in the amount of BGN 3 151 000. The loan is granted under an annual interest rate of 10%. The repayment of the principal and the interests is a one time only, when the contract expires on 30 January 2008.

**INO**

The total amount of the investment loan, provided by INO amounts to BGN 6 205 thousand under a contract from February 9th 2004. The agreed interest rate is 12 % on an annual basis. The maturity date of the loan is February 9th 2009. The loan is taken with the aim of acquiring airplane hangars. The hangars are bought from Airline Company Balkan – in liquidation.

**Ministry of Finance**

According to Council of Ministers of Bulgaria Decision № 697/27.10.2000, the minister of Finance has presented a temporary financial assistance for a repair and maintenance of the fleet as well as for the delivery of materials and repair parts for it in the amount of BGN 1 000 000. The repayment term was until 31.12.2001. The term was not met and through an agreement between the Ministry of Finance and Parahodstvo BRP AD dated 01.04.2004 the parties agreed that the entity will repay its liabilities with equal quarterly installment payments for a period of 10 years payable until March 30th, June 30th, September 30th, December 30th of the corresponding year. The annual interest is in the amount of the base interest rate of BNB on the outstanding part of the principal. The interest payables are deposited in equal quarterly installments payable until March 30th, June 30th, September 30th, December 30th of the corresponding year. As a collateral on the liability Parahodstvo BRP AD constitutes a marine mortgage on m/q "Vitosha" in favor of the creditor.

***Long - term trade payables***

| | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| ANZ Bank, Australia- long-tern portion | 2 597 | 7 265 |
| | **2 597** | **7 265** |

The liability results from a contract for purchase of 3 airplanes BAE/146-200 on deferred payment amounting to USD 9 289 680. The sum is payable in 60 monthly equal installments amounting to USD 154 828 until 30 April 2009. The contract is guaranteed by a bank guarantee, issued by Bulbank AD amounting to USD 1 000 000, which is collateralised with a mortgage of hangar number 3, owned by Hemus Air EAD.

***Other attracted funds***

| | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Financing from State Agricultural Fund | 9 658 | 9 152 |
| Other | 10 989 | - |
| | **20 647** | **9 152** |

As at 31 December 2005 the other attracted funds include financing from State Agricultural Fund at the amount of BGN 9 152 thousand (including the interest) for granting loans to the agricultural sector.

The credit risk for collectability of these loans shall be assumed by the Group.

Lease contract liabilities

| | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| ANZEV London, Australia – long-term part | 5 905 | - |
| Hypo Group Alpe Adria | 58 | - |
| UniCredi Leasing | 138 | - |

| | | |
|---|---|---|
| Sofia France Auto | 99 | - |
| Raiffeisen Leasing | 198 | - |
| Other | 357 | - |
| | **6 755** | **-** |

**Other long-term liabilities**

| | 2006 BGN'000 | 2005 BGN'000 |
|---|---|---|
| Liabilities under out-of-court settlement of claims | - | 2 542 |
| RAI Banka | 851 | 1 268 |
| Others | 173 | 1 724 |
| | **1 024** | **5 534** |

***Liabilities under out-of-court settlement of claims***

The Group's liabilities under out-of-court settlement occurred in the course of its banking activity performed by Central Cooperative Bank AD. Those liabilities include:

| | 2006 BGN'000 | 2005 BGN'000 |
|---|---|---|
| Present value of liability | - | 1 111 |
| Accrued interest | - | 1 431 |
| | **-** | **2 542** |

According to the out-of-court settlements in 1999, Central Cooperative Bank AD will pay to two companies, registered abroad the amount of USD 5 million for a period of 8 years (with a 5-year grace period). Due to the fact that the effect of time on the value of monetary liabilities is material, such liabilities were discounted to be reported at their present value as at the balance sheet date. The present value of the above mentioned liabilities amounts to USD 1 339 758, as at 31 December 2004. In 2005 Central Cooperative Bank AD effected the second payment of the negotiated three payments to the amount of USD 1 666 668, of which USD 669 879 at the expense of the present value of the liability and USD 996 789 at the at the expense of the accrued interest. As a result of that payment the present value of the aforementioned liabilities as at 31 December 2005 is USD 669 879, which is equal to BGN 1 111 thousand. As of 31 December 2006 the above mentioned liability has been paid in full.

For the calculation of the discount factor and the present value of the long-term liabilities provisions denominated in USD, a return rate of 14 % is used which leads to an effective interest rate of 10.7 %.

The summary of the present value of the expenses for the liabilities present value and the interest expenses, denominated in USD, is presented below:

| Year of recognition of expenses | Provision expenses | Interest expense | Total |
|---|---|---|---|
| | USD | USD | USD |
| 1999 | 2 009 638 | - | 2 009 638 |
| 2000 | - | 535 550 | 535 550 |
| 2001 | - | 535 550 | 535 550 |
| 2002 | - | 535 550 | 535 550 |
| 2003 | - | 535 550 | 535 550 |
| 2004 | - | 446 400 | 446 400 |
| 2005 | - | 267 850 | 267 850 |
| 2006 | - | 133 912 | 133 912 |
| | **2 009 638** | **2 990 362** | **5 000 000** |

The Group's liabilities under out-of-court settlement are as follows:

| Payment dates | USD |
|---|---|
| 24 July 2004 | 1 666 668 |
| 30 September 2005 | 1 666 666 |
| 20 December 2006 | 1 666 666 |
| | **5 000 000** |

**Short-term financial liabilities**

| | 2006 | 2005 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Deposits from banks | 89 | 16 809 |
| Amounts owed to other depositors (refer to note 0) | 665 486 | 653 807 |
| Short-term bank loans | 100 519 | 48 434 |
| Liabilities under repurchase agreements | - | 14 507 |
| Lease contract liabilities – short-term part | 2 440 | 572 |
| Insurance contract liabilities | 3 035 | 3 608 |
| | **771 569** | **737 737** |

***Deposits from banks***

Those payables have occurred in the course of the banking activity of the Group.

| | **2006**<br>**BGN‘000** | **2005**<br>**BGN‘000** |
|---|---|---|
| **Checking deposits – local banks** | | |
| -In BGN | 26 | 38 |
| -In foreign currency | 63 | 33 |
| **Term deposits from local banks** | | |
| -In BGN | - | 5 001 |
| -In foreign currency | - | 11 737 |
| | **89** | **16 809** |

As at 31 December 2006 the amount of term deposits from local banks is approximately 99% of the total amount of deposits from banks.

***Short term loans***

| | **2006**<br>**BGN‘000** | **2005**<br>**BGN‘000** |
|---|---|---|
| Bank loans – short-term part | 83 659 | 45 024 |
| Contracts for other short-term loans | 16 860 | 3 410 |
| | **100 519** | **48 434** |

*24.2.1 Short-term bank loans*

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Nord Bank AD – Luxemburg-Syndicated loan | 53 978 | 21 457 |
| Bulbank AD - credit facility | 12 653 | 13 057 |
| DSK Bank - revolving credit facility | 5 000 | 5 000 |
| DSK Bank - revolving credit facility | 3 000 | - |
| Bulgarian Post Bank – investment credit | 2 555 | - |
| Postbank - short - term portion | 1 946 | 1 946 |
| Commercial Bank "Allianz Bulgaria" - investment credit | 641 | - |
| Bank Gesellshaft Berlin | 206 | - |
| Bulbank AD investment loan | 164 | - |
| Hebros Bank AD short-term portion | 393 | 393 |
| VTB Bank AD - Germany | 1369 | - |
| Ost-West Handelsbank | - | 1370 |
| Hypovereinsbank – Munich | 428 | 525 |
| Hypovereinsbank – trade eurocredit | 489 | 853 |
| Hypovereinsbank – euricredit Offenbach | 348 | 423 |
| Hypovereinsbank – KfW loan | 489 | - |
| | **83 659** | **45 024** |

**HSH Nordbank AG Luxembourg branch**

During 2006 the Group has received a syndicated short-term credit from foreign banks in the amount of 27, 500 thousand Euro, with a maturity date: May 2007. The credit agent is NSH Nordbank AG, Luxembourg branch and the creditor banks are: Raiffeisen Zentralbank Osterreich AG, HSH Nordbank AG, Bank Austria Creditanstalt AG, Bankgesellschaft Berlin AG, Bayerische Hypo – und Vereinsbank AG, Export – Import Bank of the Republic of China, Dresdner Bank, Alpha Bank A.E., Anglo Romanian Lank Limited, Byblos Bank Europe SA London, Hypo Aple Adria Bank International AG, MKB Bank Rt Hungarian Foreign Trade Bank. The Group has received the credit in view of financing its bank clients. The credit is repaid in whole on the date of maturity and the interest payments are made semi-annually. The Group has not provided a collateral for the received credit line.

**Bulbank AD**

Credit facility from Bulbank is in force till 20 July 2006. The loan amounts to TEUR 6 500 and should be repaid in EUR. Mortgage of land and property in Provadia secures the loan as well as mortgage of machines and technical equipment. The interest rate is equal to the bank interest rate plus 3% on annual basis.

**Revolving credit line DSK BANK AD**

The bank loan from DSK Bank AD under contract 336 signed on 23 September 2002 is in the form of revolving credit facility collaterized with a mortgage over the administrative building of Niko Commerce located in 2, Stefan Karadja Str. as well as parts of the administrative building located in 1, Alexander Batenberg Str. and 2, Stefan Karadja Str. which are owned by Chimimport AD. The credit matures on 23.09.2007. The negotiated interest rate is the bank's interest rate plus 0.5% on annual basis. The maximum amount of the loan is BGN 5 million which has been entirely absorbed as of 31.12.2006, decreasing from the tenth month to BGN 4 million and from the eleventh month to BGN 2.5 million.

**Loan contract with DSK Bank AD**

The credit has been signed on the basis of contract 599/02.10.2006. The credit is in effect until 02.10.2007. The loan collateral is with a constituted third party mortgage of an administrative building of Niko Comers located on St. Karadja 2 Street, as well as parts of an administrative building on Al. Batenberg 1 Str. And St. Karadja 2 Street, property of Chimimport AD. The interest rate on the loan is in the amount of the bank interest percent plus 0.5 %. The amount of the loan is BGN 3 million.

**Bulgarian Post Bank – operating resources**

The bank loan contract with number 100-342 is signed on 10.08.2006 with a maturity date 10.07.2007. The interest rate on the loan is calculated on the basis of the sum of the operating three-month SOFIBOR and the negotiated interest premium in the amount of 4 points. The credit line is used for the operating resources. The Collateral is an immovable property situated in Biala town.

**VTB Bank AD - Germany**

The commercial credit is signed on 30.06.2006 for a one year period with an interest rate of 7.922 % in the total amount of EUR 700 thousand.

**Hypovereinzbank AD**

Eurocredit Muenchen from HVB 3 is in force by 15 June 2007. The loan amounts to EUR 268 thousand and it should be repaid in EUR. Interest rate is 3.88%. There is no collateral negotiated.

Trade Eurocredit from HVB 4 is in force by 20 February 2006. The loan amounts to EUR 437 thousand and it should be repaid in EUR. Interest rate amounts to 7.55%. There is no collateral negotiated.

Eurocredit Ofenbah from HVB 5 is in force by 1 February 2006. The loan amounts to EUR 216 thousand and it should be repaid in EUR. Interest rate amounts to 4.75%. There is no collateral negotiated.

**24.2.2 Other short-term loans**

| | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Bulgarian Mills EAD | 5 000 | - |
| Primachim EOOD | 6 605 | - |
| Property Rent Servicing – short-term part | 1 408 | 1 250 |
| Other | 3 847 | 2 160 |
| | **16 860** | **3 410** |

**Bulgarian Mills EAD**

The contract for inter-company loan is in the amount of BGN 5 000 thousand. It has been signed for a one year period on 19.05.2006 and is used for the raising of operating funds. The annual interest is 9 %.

**Primachim EOOD**

The contract for inter-company loan is in the amount of BGN 6 800 thousand. It has been signed for a one year period on 10.07.2006 and is used for raising of operating funds. The annual interest is 10%.

*Liabilities under repurchase agreements*

As at 31 December 2006 the Group has redeemed repurchase agreements with local companies in the total amount of BGN 14 507 thousand, including the outstanding interest payables. The Group has secured this liability by a pledge of Bulgarian government securities.

*Lease contract liabilities – short-term part*

| | 2006 | 2005 |
|---|---|---|
| | BGN'000 | BGN'000 |
| ANZEV London, Australia | 1 838 | - |
| Hypo Group Alpe Adria | 29 | - |
| UniCredit Leasing | 142 | - |
| Raiffeisen Leasing Bulgaria | 87 | - |
| Sofia France Auto | 91 | - |
| Other | 253 | 572 |
| | **2 440** | **572** |

*Insurance contracts liabilities*

| | 2006 | 2005 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Insurance liabilities | 2 376 | 2 511 |
| Re-insurance liabilities | 604 | 1 097 |
| Co-insurance liabilities | 55 | - |
| | **3 035** | **3 608** |

The insurance contracts liabilities represent accounts with brokers and agents for due commissions.

**Liabilities to depositors**

**Liabilities to other depositors**

| Analysis by term and type of currency: | 2006 | 2005 |
|---|---|---|
| | BGN'000 | BGN'000 |
| **Checking deposits** | | |
| -in BGN | 247 497 | 176 281 |
| -in foreign currency | 58 452 | 33 133 |
| **Term deposits** | | |
| -in BGN | 263 205 | 189 803 |
| -in foreign currency | 304 255 | 210 298 |
| **Savings account** | | |
| -in BGN | 18 245 | 15 049 |
| -in foreign currency | 20 780 | 16 375 |

| | | |
|---|---|---|
| **Other deposits** | | |
| -in BGN | 13 720 | 5 971 |
| -in foreign currency | 5 760 | 6 897 |
| | **931 914** | **653 807** |

| **Analysis by type of client and currency:** | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| **Individual deposits** | | |
| -in BGN | 210 107 | 144 564 |
| -in foreign currency | 254 185 | 167 831 |
| **Legal entities deposits** | | |
| -in BGN | 318 838 | 229 891 |
| -in foreign currency | 129 304 | 98 719 |
| **Deposits of other institutions** | | |
| -in BGN | 13 720 | 12 649 |
| -in foreign currency | 5760 | 153 |
| | **931 914** | **653 807** |

**Trade and other liabilities**

| | 2006 BGN'000 | 2005 BGN'000 |
|---|---|---|
| Trade liabilities | 38 427 | 31 227 |
| Tax liabilities | 9 883 | 4 854 |
| Liabilities to employees | 5 320 | 1 761 |
| Social security liabilities | 1 494 | 682 |
| Interest payables | 461 | 743 |
| Other (Refer to note 0) | 26 192 | 22 750 |
| | **81 777** | **62 017** |

The fair value of the trade and other liabilities are not announced because due to their short lives, the management does not consider their net book value recorded in the balance sheet is an appropriate estimate of their fair value.

***Trade payables***

| | 2006 BGN'000 | 2005 BGN'000 |
|---|---|---|
| Damex EOOD | 9 865 | 650 |
| ANZ Bank, Australia – short-term part | 3 839 | 3 010 |
| Neft trade company EOOD | 3 808 | 9 290 |
| GD – FVA airport Sofia | 1 627 | 508 |
| DTSG | 923 | 403 |
| Sofia Airport | 660 | 145 |
| Lukoil Neftochim AD | 638 | 77 |
| Burgas Bunker | 550 | 505 |
| Eurocontrol | 538 | 325 |
| Cereal foods Bulgaria EAD | 517 | 1 119 |
| Papas-oil AD | 379 | - |
| Biorad – France | 358 | 683 |
| BAE System | 345 | 206 |
| Metalocomers OOD | 339 | 339 |
| GD - GVA airport Varna | 312 | 364 |
| Casco | 301 | - |
| BNK OOD | 299 | 73 |
| Pandji 2000 OOD | 279 | - |
| IATA | 267 | 218 |
| Honeywell | 254 | - |
| GD - GVA airport Burgas | 211 | 251 |
| AVK NET | 157 | 157 |
| TIM EOOD | 155 | 216 |
| Other | 11 806 | 12 688 |
| | **38 427** | **31 227** |

Tax payables

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Corporate income tax | 5 839 | 1 449 |
| VAT | 244 | 729 |
| Excise duty | 3 174 | 1 799 |
| Local tax | 30 | 82 |
| One-time taxes | 79 | 85 |
| Income tax | 119 | 67 |
| Other | 398 | 643 |
| | **9 883** | **4 854** |

***Other liabilities***

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Tickets sold | 3 230 | 1 493 |
| Airport taxes | 964 | 258 |
| Agent's guarantees for the sale of airline tickets | 323 | 346 |
| Liabilities under concessionary remunerations | 1 340 | 328 |
| Liabilities under court decision MEW | 456 | 456 |
| Deposits | 59 | 20 |
| Defaults under contracts | 232 | - |
| Provisions | 555 | 299 |
| Liabilities under cessions | 654 | 4 496 |
| Other | 18 379 | 15 054 |
| | **26 192** | **22 750** |

**Income from non-financial activities**

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Sale of finished goods | 37 678 | 20 714 |
| Sale of trading goods | 61 057 | 9 329 |
| Sale of services | 48 220 | 70 610 |
| Sales of performed flights | 87 758 | 54 327 |
| Others | 21 469 | 21 913 |
| | **256 182** | **176 893** |

**Expenses on non-financial activities**

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Cost of finished and trading goods sold | 55 550 | 61 261 |
| Cost of materials | 67 507 | 35 246 |
| Hired services | 66 159 | 44 583 |
| Depreciation | 6 932 | 7 474 |
| Employee expenses | 16 027 | 9 650 |
| Other | 14 990 | 6 935 |
| | **227 165** | **165 149** |

**Insurance income**

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Insurance premiums | 55 677 | 42 792 |
| Regression income | 1 697 | 716 |
| Released insurance reserves | 21 997 | 14 162 |
| Income from reinsurance operations | 3 954 | 3 732 |
| Other insurance income | 2 150 | 1 596 |
| | **85 475** | **62 998** |

Insurance income has occurred in the course of the insurance activity of the Group performed by ZPAD Armeec.

***Income from insurance premiums***

The relative share of the main types of insurances in the insurance portfolio of the entity in order of the amount of the income premium from direct insurance for 2006 and 2005 is as follows:

| | **2006** | | **2005** | |
|---|---|---|---|---|
| | **Premium income BGN'000** | **Relative share %** | **Premium income BGN'000** | **Relative share %** |
| Insurance of transport vehicles | 29 989 | 53.86 | 22 994 | 53.73 |
| Casco | 13 822 | 24.83 | 7 847 | 18.34 |
| Fire and natural calamities | 3 341 | 6.00 | 3 814 | 8.91 |
| Property damages | 612 | 1.10 | 1 186 | 2.77 |
| Accident group | 2 308 | 4.15 | 1 702 | 3.98 |
| Credits and leases | 566 | 1.02 | 1 084 | 2.53 |
| General public liability | 878 | 1.58 | 663 | 1.55 |
| Aviation hull | 438 | 0.79 | 1 032 | 2.41 |
| Travel assistance | 1 363 | 2.45 | 629 | 1.47 |
| Casco of aircrafts | 1 756 | 3.15 | 1 465 | 3.42 |
| Cargo | 338 | 0.61 | 272 | 0.64 |
| Marine hull | 6 | 0.01 | - | 0.00 |
| Guarantees insurance | 459 | 0.82 | - | 0.00 |
| Other financial losses | (348) | (0.64) | - | 0.00 |
| Casco of marine vessels | 149 | 0.27 | 104 | 0.25 |
| | **55 677** | **100.00** | **42 792** | **100.00** |

***Income from reinsurance operations***

| | **2006** | **2005** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Income from received insurance compensations | 926 | 625 |
| Income from reserve participation in reinsurance companies | - | 2 |
| Income from received commissions from reinsurance companies | 691 | 600 |
| Income from reserves set aside for the reinsurer | 2 337 | 2 505 |
| | **3 954** | **3 732** |

**Insurance expenses**

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Claims paid | 16 979 | 10 208 |
| Result participation expenses | 115 | 60 |
| Damage liquidation expenses | 228 | 190 |
| Acquisition expenses | 13 609 | 9 714 |
| Expenses for reserves set aside | 36 862 | 24 715 |
| Reinsurance expenses | 8 282 | 6 810 |
| Other insurance expenses | 1715 | 1 601 |
| | **77 790** | **53 298** |

The insurance expenses have occurred in the process of the insurance activity of the Group, conducted through ZPAD Armeec.

***Claims paid***

The procedure of liquidation of damages and the payment of the insurance indemnity are regulated by the methods developed and adopted by the entity for each kind of insurance. Concerning the general insurance, there is a description of the relationships between the parties in the case of occurring of the insurance event, as well as at the way of payment of the insured sum. For some of the insurances there are also requirements concerning the preliminary information that the insurer has to obtain in order to assume the obligations under the insurance contract. The order and term of the damages liquidation is determined by the nature of the insurance. The liquidation is performed by the Head Office of the Entity.

The claims are paid by the Head Office upon the issue of a report by liquidation experts, legal experts and the approval of the executive director. The liquidation of damages may also be performed by the Company's agencies. Each agency is authorised to liquidate damages within the limits determined by the Head Office. When the amount exceeds the limit, the liquidation is performed by the Head Office.

During the year 2006 the following claims, classified by kind and by group of insurances, have been paid:

| | 2006 | 2006 | 2005 | 2005 |
|---|---|---|---|---|
| | **Claims paid** | **Relative share in** | **Claims paid** | **Relative share in** |
| | **BGN'000** | **%** | **BGN'000** | **%** |
| Casco | 14 133 | 83.24 | 6 965 | 68.23 |
| Automobile liabilities | 995 | 5.86 | 1 377 | 13.49 |
| Fire and natural calamities | 362 | 2.13 | 418 | 4.09 |
| Property damages | 797 | 4.69 | 239 | 2.34 |
| Accident group | 224 | 1.32 | 647 | 6.34 |
| Credits and leases | 104 | 0.61 | 358 | 3.51 |
| General public liability | 57 | 0.34 | 1 | 0.01 |
| Civil liability related to aircrafts | - | - | 3 | 0.03 |
| Travel assistance | 114 | 0.67 | 38 | 0.37 |
| Casco of aircrafts | 161 | 0.95 | 140 | 1.37 |
| Cargo | 32 | 0.19 | 4 | 0.04 |
| Casco of marine vessels | - | - | 18 | 0.18 |
| | **16 979** | **100.00** | **10 208** | **100** |

***Reinsurance expenses***

| | 2006 | 2005 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Expenses for granted premiums to reinsurers | 5 792 | 5 164 |
| Expenses for released reserves for reinsurers | 2 490 | 1 646 |
| | **8 282** | **6 810** |

**Interest income**

| | 2006 | 2005 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| **Interest income by types of sources:** | | |
| Legal entities | 43 024 | 36 215 |
| Government securities | 3 759 | 4 248 |
| Banks | 4 948 | 2 827 |
| Individuals | 14 659 | 8 869 |
| Other | 548 | 316 |
| | **66 938** | **52 475** |

**Interest expenses**

| | 2006 | 2005 |
|---|---|---|
| | BGN'000 | BGN'000 |
| **Interest expenses by depositors:** | | |
| Legal entities | 21 870 | 14 055 |
| Individuals | 4 686 | 2 629 |
| Banks | 4 891 | 2 166 |
| Other | 1 111 | 7 439 |
| | **32 558** | **26 289** |

**Gains from transactions with financial instruments**

| | 2006 | 2005 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Revaluation of financial instruments | 64 497 | 17 411 |
| Gains from dealing with securities | 2 488 | 16 280 |
| Others | 1 908 | 6 108 |
| | **68 893** | **39 799** |

**Losses from transactions with financial instruments**

| | 2006 | 2005 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Revaluation of financial instruments | 29 124 | 11 198 |
| Result from forward transactions | - | 2 400 |
| Losses from dealing with securities | 2 319 | 1 008 |
| Others | - | 4 967 |
| | **31 443** | **19 573** |

**Administrative expenses**

| | 2006 | 2005 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Cost of materials | 3 101 | 2 313 |
| Hired services | 21 425 | 16 037 |
| Depreciation | 7 289 | 3 769 |
| Employee expenses | 22 737 | 16 822 |
| Other | 22 234 | 16 985 |
| | **76 786** | **55 926** |

**Negative goodwill**

In 2006 the income from excess of fair value of net assets acquired over cost occurred as a result of the following acquisitions:

| | Negative goodwill | Shares acquired | Negative goodwill | Shares acquired |
|---|---|---|---|---|
| | 2006 | | 2005 | |
| | BGN‘000 | % | BGN‘000 | % |
| Parahodstvo BRP AD | 9 025 | 76.18% | - | - |
| Kauchuk AD | 5 615 | 35.00% | - | - |
| Capital Management ADSIC | 2 010 | 46.18% | - | - |
| Energoproekt AD | 646 | 83.20% | - | - |
| Maiak KM AD | 312 | 77.19% | - | - |
| VTC AD | 178 | 51.00% | - | - |
| Prouchvane i dobiv na neft i gaz AD | - | 0.00% | 1 899 | 18.95% |
| CCB AD | - | 0.00% | 20 | 0.08% |
| Other | (667) | - | - | - |
| **Income recognised in current period profit** | **17 119** | **-** | **1 919** | **-** |

For further details on the acquisitions performed see Note 5.

**Other financial income, net**

| | 2006 | 2005 |
|---|---|---|
| | BGN‘000 | BGN‘000 |
| Fees and commissions income, net | 18 360 | 14 876 |
| Net result from foreign exchange differences | 3 121 | 1 358 |
| Other | 2 157 | 3 820 |
| | **23 638** | **20 054** |

***Fees and commissions income, net***

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Servicing loans | 5 534 | 5 888 |
| Servicing commitments and contingencies | 704 | 580 |
| Servicing of deposit accounts | 1 785 | 1 707 |
| Bank transfers | 8836 | - |
| Other income | 4 201 | 9 461 |
| Fees and commissions expenses | (2 700) | (2 760) |
| | **18 360** | **14 876** |

**Allocation to secured individuals**

As at 31 December 2006 and 2005 BGN 6 034 thousand and BGN 1 435 thousand respectively are the amounts that are subject to distribution to secured individuals in the course of the activity of the pension funds that are part of the Group.

**Income tax expense**

The relationship between the expected tax expense based on the effective tax rate at 15% (2005: 15 %) and the tax expense actually recognised in the income statement can be reconciled as follows:

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Result for the period before tax | 66 988 | 33 030 |
| Tax rate | 15.00% | 15.00% |
| **Expected tax expense** | (10 048) | (4 955) |
| | **Tax effect<br>15 %** | **Tax effect<br>15 %** |
| Adjustment for tax exempt income | 3 235 | 2 305 |
| **Current tax expense** | **(6 813)** | **(2 650)** |
| **Deferred tax income/(expense), resulting from:** | | |
| - origination and reversal of temporary differences and changes in tax rates | 595 | (372) |
| **Actual tax expense, net** | **(6 218)** | **(3 022)** |
| Effective tax rate | 9.28% | 9.15% |

**Earnings per share**

The weighted average number of outstanding shares used for basic earnings per share as well as profits attributable to shareholders is as follows:

| | 2006<br>BGN | 2005<br>BGN |
|---|---|---|
| Profit attributable to equity holders of Chimimport AD | 53 330 000 | 27 756 000 |
| Weighted average number of ordinary shares in issue | 105 434 430 | 46 424 658 |
| **Basic earning per share (BGN per share)** | 0.5058 | 0.5979 |

The basic earnings per share is determined by dividing the net profit for the period attributable to the equity holders of Chimimport AD by the weighted average number of ordinary shares outstanding during the period ending 31 December 2006 and 2005 respectively.

The weighted average number of shares is calculated as a sum of the number of ordinary shares outstanding at the beginning of the period and the number of ordinary shares issued during the period, multiplied by the time-weighting factor.

**Related parties transactions**

***Non-current receivables from related parties***

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| "BAYONETA" EOOD | 94 | - |
| | **94** | **-** |

***Receivables from related parties***

| | 2006<br>BGN'000 | 2005<br>BGN'000 |
|---|---|---|
| Capital Management ADSIC | 3 192 | - |
| Konor OOD - Switzerland | 890 | 992 |
| Chimimport Petrol AD | 815 | - |
| Cereal Foods Plovdiv OOD | 368 | 443 |
| Kavarna Gas OOD | 204 | 336 |
| Other | 741 | 3 795 |
| | **6 210** | **5 566** |

***Long-term payables to related parties***

| | 2006 | 2005 |
|---|---|---|

| | BGN‘000 | BGN‘000 |
|---|---|---|
| Chimimport Invest AD | 7 760 | - |
| | **7 760** | **-** |

Chimimport AD is a borrower under a contract for credit line with Chimimport Invest AD from 14.06.2006 with a maturity date 30.11.2022 with an annual interest – 10%.

***Current liabilities to related parties***

| | 2006<br>BGN‘000 | 2005<br>BGN‘000 |
|---|---|---|
| Chimimport Invest AD | 582 | - |
| POAD Saglasie – associated company | - | 1 600 |
| Other | 455 | 345 |
| | **1 037** | **1 945** |

There are no specific conditions relating to the above listed liabilities. No guarantees have been received or granted. No significant purchases or sales transactions with related parties have been performed during the year.

***Transactions with key management personnel***

During 2006 the considerations paid to the members of Management Board of the Company and to the Procurator amount to BGN 54 thousand. In 2006 no special transactions with the management of the Company have been performed.

**Commitments and contingencies**

***Guarantees issued***

The aggregate amount of outstanding guarantees at year-end is as follows:

| | 2006 BGN'000 | 2005 BGN'000 |
|---|---|---|
| Bank guarantees | | |
| -In BGN | 35 945 | 29 047 |
| -In foreign currency | 31 256 | 14 927 |
| | **67 201** | **43 974** |

**Irrevocable commitments**

As at 31 December 2006 and 2005 in course of its banking activity the Group has signed contracts for granting of revolving and other loans to customers at the total amount of BGN 20 779 thousand and BGN 2 017 thousand respectively. The future utilization of these amounts depends on the customers' ability to meet certain criteria, including no record of overdue payments on previously granted loans, provision of collateral with suitable quality and liquidity, etc.

**Other contingent liabilities**

The group has entered into several loan agreements under which collaterals have been given. For details on collaterals submitted by the Group refer to Notes 22, 22.3, 24.2.

**Contingent assets**

As at 31 December 2006 the contingent assets and the estimate of their financial effect are as follows:

| | 2006 BGN'000 | 2005 BGN'000 |
|---|---|---|
| Fixed assets pledged as security in favour of the Group | 1 152 456 | 820 274 |
| Collaterals subject to execution | 7 216 | 8 022 |
| Outstanding receivables written-off | 3 362 | 4 494 |
| Shares and bonds held on the clients' behalf | 125 737 | - |
| Receivables from guarantees and unsecured letter of credit | 6 026 | - |
| Receivables from regressions | 2 380 | 712 |
| Other | 1 497 | - |
| | **1 298 674** | **833 502** |

**Post Balance sheet events**

Balkan Hemus Group EAD, individual property of Chimimport AD, has signed on January 4th 2007 a contract for the purchase of 30 159 shares, which represent 99.99% of the equity of Bulgaria Air EAD Airline company. As a part of the after-privatization liabilities of the purchaser for a period of 5 years, the Group has to invest in Bulgaria Air EAD 82 100 thousand euros in accordance with the applied investment plan. On 14 January 2007 the ownership of the shares has been transferred to Balkan Hemus Group EAD. Until the date of the preparation of the report an after-privatization liability has been fulfilled for the deposit of equity in the amount of BGN 20 000 thousand.

**Risk management objectives and policies**

The Group is exposed to a variety of financial risks such as liquidity risk, interest rate risk, exchange rate risk, credit risk, market and insurance risk.

***Liquidity and interest rate risks***

The interest rate risk is the risk that the value of the Group's interest – bearing loans might vary as a consequence of the changes in the market interest rates.

The Group maintains the required liquidity of operating currencies. The Group places the available cash funds on "overnight deposits" on a daily basis. The management intents to increase the interest income, as these types of operations bear much higher interest than the interest on nostro accounts with the correspondents, without declining the liquidity of the Group.

The maturity of assets and liabilities and the ability to replace, at an acceptable cost, the interest bearing liabilities as they mature, are taken into consideration by the management in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

The Group applied the following methods in assets and liabilities management:

- In assets management the Group intends to maintain a balanced loan and securities portfolio regarding the assets with fixed and floating interest rates. Except for some loans, all granted by the Group loans bear floating interest rates. Those bearing fixed interest rates, mature up to 1 year and the interest levels considerably exceed the current market ones. The active management of securities portfolio additionally facilitates avoiding the risk of unfavourable fluctuations of interest rates.

- In management of attracted funds the Group takes into consideration the terms of competition, but includes in its deposit contracts a clause for resetting of contracted interest rates upon amendments to the Interest Rates Tariff. This allows for a dynamic management of cost of attracted funds, although the deposit contracts are concluded at a fixed interest rate.

The assets and liabilities of the Group as at 31 December 2006 mature over the following periods, based on remaining maturity.

| | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | No stated maturity | Total |
|---|---|---|---|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| **Assets** | | | | | | | |
| **Non-current** | | | | | | | |
| Property, plant and equipment | - | - | - | - | - | 201 454 | 201 454 |
| Investment property | - | - | - | - | - | 10 545 | 10 545 |
| Goodwill | - | - | - | - | - | 11 403 | 11 403 |
| Intangible fixed assets | - | - | - | - | - | 6 910 | 6 910 |
| Investments in associates | - | - | - | - | - | 26 445 | 26 445 |
| Long - term financial assets | - | - | - | 429 759 | 43 238 | 6 188 | 479 185 |
| Non-current receivables from related parties | - | - | - | 94 | - | - | 94 |
| Deferred tax assets | - | - | - | - | - | 412 | 412 |
| | **-** | **-** | **-** | **429 853** | **43 238** | **263 357** | **736 448** |
| **Current** | | | | | | | |
| Inventories | - | - | - | - | - | 27 061 | 27 061 |
| Short-term financial assets | 16 793 | 29 209 | 283 350 | 6 867 | 522 | 22 220 | 358 961 |
| Receivables from related parties | - | - | 6 210 | - | - | - | 6 210 |
| Trade receivables | 74 032 | - | - | - | - | - | 74 032 |
| Other receivables | 7 014 | - | 45 194 | - | - | 10 002 | 62 210 |
| Cash and cash equivalents | 366 548 | - | - | - | - | - | 366 548 |
| | **464 387** | **29 209** | **334 754** | **6 867** | **522** | **59 283** | **895 022** |
| **Total assets** | **464 387** | **29 209** | **334 754** | **436 720** | **43 760** | **322 640** | **1 631 470** |

| | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | No stated maturity | Total |
|---|---|---|---|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| **Liabilities** | | | | | | | |
| **Non-current** | | | | | | | |
| Payables to secured individuals | - | - | - | - | 40 061 | - | 40 061 |
| Long - term financial liabilities | - | - | - | 333 417 | 4 250 | - | 337 667 |
| Long-term payables to related parties | - | - | - | 7 760 | - | - | 7 760 |
| Other non - current liabilities | - | - | - | - | - | 1 024 | 1 024 |
| Deferred tax liabilities | - | - | - | - | - | 1 349 | 1 349 |
| | - | - | - | 341 177 | 44 311 | 2 373 | 387 861 |
| **Current** | | | | | | | - |
| Short-term financial liabilities | 421 251 | 77 020 | 273 298 | - | - | - | 771 569 |
| Short-term payables to related parties | - | - | 1 037 | - | - | - | 1 037 |
| Trade and other liabilities | 7 177 | 5 839 | 68 761 | - | - | - | 81 777 |
| | 428 428 | 82 859 | 343 096 | - | - | - | 854 383 |
| **Total liabilities** | **428 428** | **82 859** | **343 096** | **341 177** | **44 311** | **2 373** | **1 242 244** |
| | **35 959** | **(53 650)** | **(8 342)** | **95 543** | **(551)** | **320 267** | **389 226** |
| **Net liquidity gap** | | | | | | | |
| **Cumulative amount** | **35 959** | **(17 691)** | **(26 033)** | **69 510** | **68 959** | **389 226** | **-** |

*Foreign currency risk*

A major part of the loans received by the Group are in EURO, which limits the currency risk exposure. As far as the loans in USD are concerned the exchange rate changes for the last year were in favour of the Group.

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2006. The Group's assets and liabilities are included in the table below at their carrying amounts in thousand BGN, broken down by currency:

| | **BGN** | **EUR** | **USD** | **Other** | **Total** |
|---|---|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| **Assets** | | | | | |
| **Non-current** | | | | | |
| Property, plant and equipment | 201 454 | - | - | - | 201 454 |
| Investment property | 10 545 | - | - | - | 10 545 |
| Goodwill | 11 403 | - | - | - | 11 403 |
| Intangible fixed assets | 6 910 | - | - | - | 6 910 |
| Investments in associates | 26 445 | - | - | - | 26 445 |
| Long - term financial assets | 302 497 | 138 855 | 37 833 | - | 479 185 |
| Non-current receivables from related parties | 94 | - | - | - | 94 |
| Deferred tax assets | 412 | - | - | - | 412 |
| | **559 760** | **138 855** | **37 833** | **-** | **736 448** |
| **Current assets** | | | | | |
| Inventories | 27 061 | - | - | - | 27 061 |
| Short-term financial assets | 229 884 | 113 608 | 15 469 | - | 358 961 |
| Receivables from related parties | 6 210 | - | - | - | 6 210 |
| Trade receivables | 58 597 | 15 435 | - | - | 74 032 |
| Other receivables | 47 760 | 1 007 | 13 223 | 220 | 62 210 |
| Cash and cash equivalents | 123 429 | 163 643 | 77 215 | 2 261 | 366 548 |
| | **492 941** | **293 693** | **105 907** | **2 481** | **895 022** |
| **Total assets** | **1 052 701** | **432 548** | **143 740** | **2 481** | **1 631 470** |

| | BGN BGN'000 | EUR BGN'000 | USD BGN'000 | Other BGN'000 | Total BGN'000 |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| **Non-current** | | | | | |
| Payables to secured individuals | 40 061 | - | - | - | 40 061 |
| Long - term financial liabilities | 196 465 | 106 811 | 33 753 | 638 | 337 667 |
| Long-term payables to related parties | - | - | 7760 | - | 7 760 |
| Other non - current liabilities | 1 024 | - | - | - | 1 024 |
| Deferred tax liabilities | 1 349 | - | - | - | 1 349 |
| | 238 899 | 106 811 | 41 513 | 638 | 387 861 |
| **Current** | | | | | |
| Short-term financial liabilities | 427 568 | 268 957 | 73 447 | 1597 | 771 569 |
| Short-term payables to related parties | 1 037 | - | - | - | 1 037 |
| Trade and other liabilities | 75 480 | 879 | 4 880 | 538 | 81 777 |
| | 504 085 | 269 836 | 78 327 | 2 135 | 854 383 |
| **Total liabilities** | **742 984** | **376 647** | **119 840** | **2 773** | **1 242 244** |
| | | | | | |
| **Net position** | **309 717** | **55 901** | **23 900** | **(292)** | **389 226** |

***Credit risk***

The credit risk represents the possibility of a loss which arises due to the impossibility of the party to meet its responsibilities in due time.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group structures the credit risk determining limits for the credit risk as a minimum exposure to one debtor, to a group of related parties and respectively, geographically and to business sectors. In order to decrease the credit risk respective collaterals and guarantees are required.

Market risk

A market risk arises on opened exposures on interest, currency and capital products, as all of them are sensitive to general and specific market movements. Exposure to market risk is managed by the Group in accordance with the limits stipulated by the management.

Insurance risk

The policy used by the entity for management of the insurance risk is entirely in accordance with the specifics of the insurance services and their corresponding legislation requirements. The actuaries of the entity develop a policy for management of the insurance risk and they follow its development.

## AUDITOR'S REPORT

**To the Shareholders of**
**CHIMIMPORT AD**
**Sofia**

**Report on the Consolidated Financial Statements**

We have audited the consolidated financial statements of CHIMIMPORT AD consisting of balance sheets, income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2005 as well as the accompanying notes. Understanding of the financial situation, presentation and the cash flows of the Company can be obtained only by reading the consolidated financial statements prepared by the management of the Company.

**Responsibility of the management of the Company**

The management of the Company is responsible for the preparation and the fair presentation of the consolidated financial statements, through which information is provided for the financial situation, presentation and the cash flows of the Company in accordance with the International Financial Reporting Standards as adopted by the EU and the national accounting legislation. This responsibility includes:

- organizing and planning the internal control in order to find and prevent from misstatements, whether or not due to fraud;
- choosing and applying accounting policy in accordance with IFRS and appropriate under the specific circumstances;
- performing the necessary accounting estimates including the preparation of essential assumptions on which these estimates are based;

**Responsibility of the Auditor**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We performed the audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements, whether or not due to fraud. An audit includes:

- understanding of the Company's activity and environment in order to estimate the risks of material misstatements and mistakes in the consolidated financial statements as well as defining and conducting further audit procedures, so that we can manage this risk;
- examining, on a test basis, accounting records and other information supporting the amounts and disclosures in the consolidated financial statements;
- estimating the adequacy of the accounting policy that is chosen and applied;
- assessing the reasonability of the accounting principles used and significant estimates made;
- evaluating the overall financial statement presentation as well as the notes to the consolidated financial statements

In an audit of consolidated financial statements the auditor achieves understanding of the internal control system of the Company, which serves as a basis for defining the type, period and the extent of the audit procedures but the purpose of this is not to provide a reasonable basis for opinion concerning the building and effective functioning of the internal control.

We believe that our audit provides a reasonable basis for our opinion on the consolidated financial statements.

**Our opinion**

In our opinion, the consolidated financial statements present fairly, in all material aspects the financial position of the Company for the year ended 31 December 2005, and of the results of its operations and its cash flows for the period then ended in accordance with the International Financial Reporting Standards as adopted by the EU and the national accounting legislation.

| Auditing company | Registered auditor |
|---|---|
| Grant Thornton LTD | Mariy Apostolov |

29 May 2006
Sofia

**Chimimport AD**
**Consolidated financial statements**
**31 December 2005**

Grant Thornton

Chimimport AD
Joint - Stock Company since 1947

Contents

## Consolidated balance sheet

| | Note | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|---|
| **Assets** | | | |
| **Non-current** | | | |
| Property, plant and equipment | 0 | 123 340 | 93 441 |
| Investment property | 0 | 9 304 | 9 286 |
| Goodwill | 0 | 11 904 | 7 729 |
| Intangible fixed assets | 0 | 5 639 | 3 237 |
| Investments in associates | 0 | 25 660 | - |
| Long - term financial assets | 0 | 390 134 | 138 331 |
| Deferred tax assets | 0 | 475 | 253 |
| | | **566 456** | **252 277** |
| **Current** | | | |
| Inventories | 0 | 21 951 | 17 539 |
| Short-term financial assets | 0 | 231 184 | 212 321 |
| Receivables from related parties | 0 | 5 566 | 5 446 |
| Trade receivables | 0 | 23 254 | 21 843 |
| Other receivables | 0 | 39 431 | 24 186 |
| Cash and cash equivalents | 0 | 230 213 | 259 270 |
| | | **551 599** | **540 605** |
| **Total assets** | | **1 118 055** | **792 882** |

**Prepared by: ____________________** **Manager: ____________________**

**Date: 15 May 2006**

## Consolidated balance sheet

| | Note | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|---|
| **Equity** | | | |
| **Equity attributable to shareholders of Chimimport AD** | | | |
| Share capital | 0 | 60 000 | 20 000 |
| Unpaid capital | 0 | (2 082) | - |
| Additional paid-in capital | 0 | 58 916 | 37 916 |
| Other reserves | 0 | 8 699 | 7 612 |
| Retained earnings | | 42 172 | 17 215 |
| Net result for the period | | 27 756 | 26 136 |
| | | **195 461** | **108 879** |
| **Minority interest** | | 40 540 | 26 591 |
| **Total equity** | | **236 001** | **135 470** |
| **Specialized reserves** | 0 | 22 944 | 12 135 |
| **Liabilities** | | | |
| **Non-current** | | | |
| Payables to secured individuals | 0 | 24 525 | 16 190 |
| Long - term financial liabilities | 0 | 25 527 | 31 817 |
| Long-term payables to related parties | 0 | - | 8 807 |
| Other non - current liabilities | 0 | 5 534 | 11 505 |
| Deferred tax liabilities | 0 | 1 825 | 1 231 |
| | | 57 411 | 69 550 |
| **Current** | | | |
| Short-term financial liabilities | 0 | 737 737 | 507 965 |
| Payables to related parties | 0 | 1 945 | 389 |
| Trade and other liabilities | 0 | 62 017 | 67 373 |
| | | 801 699 | 575 727 |
| **Total liabilities** | | **859 110** | **645 277** |
| **Total equity and liabilities** | | **1 118 055** | **792 882** |

**Prepared by:** ____________________ **Manager:** ____________________

**Date: 15 May 2006**

## Consolidated income statement

| | Note | 2005 | 2004 |
|---|---|---|---|
| | | **BGN'000s** | **BGN'000s** |
| Income from non-financial activities | 0 | 176 893 | 112 231 |
| Expenses on non-financial activities | 0 | (165 149) | (105 095) |
| **Net result from non-financial activities** | | 11 744 | 7 136 |
| Insurance income | 0 | 62 998 | 36 535 |
| Insurance expenses | 0 | (53 298) | (27 899) |
| **Net insurance result** | | **9 700** | **8 636** |
| Interest income | 0 | 52 475 | 32 792 |
| Interest expense | 0 | (26 289) | (17 013) |
| **Net interest income** | | **26 186** | **15 779** |
| Gains from transactions with financial instruments | 0 | 39 799 | 6 067 |
| Losses from transactions with financial instruments | 0 | (19 573) | (1 680) |
| **Net result from transactions with financial instruments** | | **20 226** | **4 387** |
| Administrative costs | 0 | (55 926) | (36 262) |
| Negative goodwill | 0 | 1 919 | 6 581 |
| Share in results of associated companies | 0 | 562 | - |
| Other financial income | 0 | 20 054 | 29 948 |
| Allocation to secured individuals | 0 | (1 435) | (1 512) |
| **Result for the period before tax** | | **33 030** | **34 693** |
| Tax expense | 0 | (3 022) | (4 404) |
| **Net result for the period** | | **30 008** | **30 289** |
| Attributable to minority interest | | 2 252 | 4 153 |
| **Attributable to shareholders of Chimimport** | | 27 756 | 26 136 |

| | | 2005 | 2004 |
|---|---|---|---|
| | | **BGN** | **BGN** |
| **Earnings per share** | 0 | 0.60 | 1.39 |

## Consolidated statement of cash flows

| | Note | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 226 564 | 92 856 |
| Cash paid to suppliers | | (212 114) | (52 007) |
| Cash receipts from secured persons | | 8 342 | 6 609 |
| Cash paid to secured persons | | (490) | (547) |
| Cash paid to employees and social security institutions | | (12 395) | (6 857) |
| Net cash outflow related to foreign exchange gains and losses | | (162) | (245) |
| Cash receipts from banking operations | | 7 951 980 | 6 544 183 |
| Cash paid for banking operations | | (7 832 882) | (6 448 502) |
| Cash receipts from insurance operations | | 37 580 | 26 621 |
| Cash paid for insurance operations | | (37 230) | (26 659) |
| Income tax paid | | (2 521) | (11 930) |
| Other cash inflow from operating activities | | 183 402 | 171 376 |
| Other cash outflow for operating activities | | (177 074) | (225 698) |
| **Net cash flows from operating activities** | | **133 000** | **69 200** |
| **Cash flows from investing activities** | | | |
| Proceeds from business combinations | | - | 220 850 |
| Payment for business combinations | | (13 848) | (3 143) |
| Sale of property, plant and equipment | 0 | 2 919 | 10 129 |
| Purchase of property, plant and equipment | 0 | (28 965) | (66 375) |
| Proceeds from financial instruments | | 58 942 | 129 343 |
| Payment for financial instruments | | (198 401) | (129 615) |
| Sale of investment property | | 38 283 | |
| Purchase of investment property | | (46 046) | (7 601) |
| Interest income | | 4 389 | 130 |
| Other cash inflow from investing activities | | 948 | 1 188 |
| Other cash outflow for investing activities | | (1 001) | (1 321) |
| **Net cash flows from investing activities** | | **(182 780)** | **153 585** |
| **Cash flows from financing activities** | | | |
| Proceeds from issuing of shares | | 23 347 | 40 170 |
| Proceeds from loans received or repaid | | 59 692 | 25 326 |
| Payments for loans repaid or granted | | (52 958) | (36 623) |
| Interest paid | | (2 677) | (1 624) |
| Other cash inflow from financing activities | | 155 898 | 2 462 |
| Other cash outflow for financing activities | | (162 579) | (2 219) |
| **Net cash flows from financing activities** | | **20 723** | **27 492** |
| Net increase of cash and cash equivalents | | (29 057) | 250 277 |
| Cash and cash equivalents at the beginning of the period | | 259 270 | 8 993 |
| **Cash and cash equivalents at the end of the period** | **0** | **230 213** | **259 270** |

## Consolidated statement of changes in equity

| All amounts presented in BGN'000s | Share Capital | Outstanding capital | Additional paid-in capital | Other reserves | Retained earnings | Minority Interest | Total Equity |
|---|---|---|---|---|---|---|---|
| | **Equity attributable to equity holders of Chimimport AD** | | | | | | |
| **Balance 01 January 2004** | **10 000** | **-** | **4 777** | **7 696** | **17 215** | **16 784** | **56 472** |
| Net result for the period | - | | - | - | 26 136 | 4 153 | **30 289** |
| Instalments for increase in share capital | 10 000 | | 33 139 | - | - | - | **43 139** |
| Business combinations | - | | - | - | - | 5 654 | **5 654** |
| Other changes in equity | - | | - | (84) | - | - | **(84)** |
| **Balance 31 December 2004** | 20 000 | - | 37 916 | 7 612 | 43 351 | 26 591 | 135 470 |
| **Balance 01 January 2005** | **20 000** | **-** | **37 916** | **7 612** | **43 351** | **26 591** | **135 470** |
| Net result for the period | | | | | 27 756 | 2 252 | **30 008** |
| Increase in capital | 40 000 | (2 082) | (37 916) | | | | **2** |
| Instalments for increase in share capital | | | 58 916 | | | | **58 916** |
| Business combinations | | | | | | 11 697 | **11 697** |
| Increase in reserves | | | | 1 179 | (1 179) | | **-** |
| Other changes in equity | | | | (92) | | - | **(92)** |
| **Balance 31 December 2005** | 60 000 | (2 082) | 58 916 | 8 699 | 69 928 | 40 540 | 236 001 |

## Notes to the consolidated financial statements

### General information

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 engaged in the following business activities:

- Import, export, re-export and other commercial transactions with oil and other chemical products;
- Commission, forwarding and warehousing transactions;
- Commercial agency and brokerage;
- Sale of manufactured goods;
- Acquisition, management and trade of shares in Bulgarian and foreign companies;
- Financing of companies in which interest is held;
- Tourist services.

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

As at 31 December 2005 the Supervisory Board has the following members:

- Nicola Damyanov
- Ivo Kamenov
- Chimimport Invest AD
- CCB Group AM EAD

As at 31 December 2005 the Management Board has the following members:

- Tzvetan Botev
- Alexander Kerezov
- Dimitar Kalchev
- Nicola Mishev
- Marin Mitev
- Nina Velcheva

The Company is represented by its executive directors Dimitar Kalchev and Marin Mitev and the procurator – Ivo Kamenov.
The Financial statement as at 31 December 2005 has been approved and accepted by the Management Board on 19 May 2006.

As at 31 December 2005 the number of employees engaged in the Group is 2686 (as at 31 December 2004 – 2908).

### Basis for preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as developed and published by the International Accounting Standards Board (IASB) and as adopted by EU.

The Financial statement is consolidated statement of the Company.

**Changes in accounting policies**

In 2003 and 2004, the IASB issued a series of new International Financial Reporting Standards (IFRS) and revised International Accounting Standards (IAS), which in conjunction with unrevised IAS issued by the International Accounting Standards Committee, predecessor to the IASB, is referred to as "the IFRS Stable Platform 2005". The Group applies the IFRS Stable Platform 2005 from 1 January 2005.

This includes the following new and revised standards:

IAS 1 (rev 2003) Presentation of Financial Statements
IAS 2 (rev 2003) Inventories
IAS 8 (rev 2003) Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (rev 2003) Events after the Balance Sheet Date
IAS 16 (rev 2003) Property, Plant and Equipment
IAS 17 (rev 2003) Leases
IAS 21 (rev 2003) The Effects of Changes in Foreign Exchange Rates
IAS 24 (rev 2003) Related Party Disclosures
IAS 27 (rev 2003) Consolidated and Separated Financial Statements
IAS 28 (rev 2003) Investments in Associates
IAS 31 (rev 2003) Interests in Joint Ventures
IAS 32 (rev 2003) Financial Instruments: Disclosure and Presentation
IAS 33 (rev 2003) Earnings per Share
IAS 36 (rev 2004) Impairment of Assets
IAS 38 (rev 2004) Intangible Assets
IAS 39 (rev 2004) Financial Instruments: Recognition and Measurement
IAS 40 (rev 2003) Investment Property
IFRS 1 (2003) First Time Adoption of IFRS
IFRS 2 (2003) Share-based Payments
IFRS 3 (2004) Business Combinations
IFRS 5 (2004) Non-current Assets Held for Sale and Discontinued Operations

The changes in the International Financial Reporting Standards have not lead to significant changes in the accounting policies of the Company. The specific transitional provisions included in some of the standards have been taken into consideration. The application of these standards has not lead to changes in the reported amounts and notes for prior periods.

**Summary of accounting policies**

**Overall considerations**

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

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and certain financial assets and liabilities. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated 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.

**Consolidation and investments in associates**

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. Chimimport AD obtains and exercises control through voting rights. The consolidated financial statements of Chimimport AD incorporate the financial statements of the parent company as well as those entities controlled by the Group by full consolidation.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Associates are those entities over which Chimimport AD is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the share of interest in the equity of the associate are recognised in the Group’s carrying amount of the investment. Changes resulting from net results generated by the associate are charged against “results from equity investments” in the Company’s consolidated income statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities. Items that have been directly recognised in the associate’s equity, for example, resulting from the associate’s accounting for available-for-sale securities, is recognised in consolidated equity of the Group. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transaction with the associate’s shareholders, are charged against the proceeds received or granted. No effect on the Group’s net result or equity is recognised in the course of these transactions. However, when the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Foreign currency translation**

The separate elements of the financial statements of the Group are in the currency of the main economic environment in which it carries out its activities (“functional currency”). The consolidated financial statements of Chimimport AD are presented in Bulgarian Leva (BGN), which is also is the functional currency of the Group.

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 translation of remaining balances at year-end exchange rates are recognized in the income statement under “other financial income and expense’’.

The Currency Board was introduced in Bulgaria on 01 July 1997 following the recommendations by the International Monetary Fund (IMF) and fixed the value of the BGN against the DEM in ratio 1:1. Following the introduction of the EURO, the BGN was fixed to the EUR at rate 1EUR = 1.95583 BGN.

**Income and expense recognition**

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates, allowed by the Group. In case of similar assets with similar values are exchanged, the transaction is not recognized as generating income.

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the value of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the enterprise;
- the cost incurred or to be incurred in respect of the transaction can be measured reliably

Revenue from rendering of services is recognized, when the outcome of the transaction can be measured reliably.

Operating expenses are recognized in the income statement upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. Interest income and expenses are reported on an accrual basis. Dividends received, other than those from investments in associates, are recognized at the time of their distribution.

**Loans received**

All borrowing costs are expensed as incurred. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

**Goodwill**

Any excess of the cost of the acquisition over the acquirer’s interest in the fair value of the identifiable assets and liabilities at the date of the exchange transaction is described as goodwill and recognized as an asset.

Any excess as at the date of the exchange transaction of the acquirer’s interest in the fair value of the identifiable assets and liabilities, over the cost of the acquisition, is negative goodwill.

In accordance with IFRS 3 Business Combinations positive goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Negative goodwill is recognized as income.

**Intangible assets and research and development activities**

Intangible fixed assets are measured initially at cost. If an intangible asset is acquired separately, 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, according to the benchmark treatment, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised 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.

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

Costs associated with research activities are expensed in the income statement as they occur.

Costs that are directly attributable to the development phase of new internally generated intangible assets are recognized as intangible assets provided they meet the following recognition requirements:

- demonstration of technical feasibility of the prospective product for internal use or sale
- the intangible asset will generate probable economic benefits through internal use or sale
- sufficient technical, financial and other resources are available for completion
- the intangible asset can be reliably measured.

Direct costs include employee costs incurred on internally generated intangible assets development along with an appropriate portion of relevant overheads. However, until completion of the development project, the assets are subject to impairment testing. Amortization commences upon completion of the asset.

All other development costs are expensed as incurred.

Careful judgment by Company's management is applied when deciding whether the recognition requirements for development costs have been met. Judgments are based on the best information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by Company's management.

**Property, plant and equipment**

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

Subsequent to initial recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses according to benchmark treatment. Impairment losses are recognized in the current period income statement.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized in the consolidated financial statements is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as an expense in the period in which it is incurred.

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 in shorter.

The useful lives of property, plant and equipment can be summarized as follows:

- Buildings 25 years
- Machines 5 years
- Technical equipment 25 years
- Vehicles 5 years
- Fixtures & Fittings 6.7 years
- Others 6.7 years

The recognition threshold, selected by the Group for tangible fixed assets amounts to BGN 500.

**Leases**

Lessee

In accordance with IAS 17 (rev 2003), 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 time of inception of the lease at the lower of the fair value of the leased property the present value of the minimum lease payments. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs.

Assets acquired under the terms of finance lease are depreciated in accordance with IAS 16 Property, plant and equipment and/or IAS 38 Intangible assets.

All other leases are treated as operating lease agreements. Operate lease payments are recognized as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

Lessor

Assets subject to operating leases are presented in the balance sheet according to the nature of the asset.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis.

Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The depreciation policy for depreciable leased assets is consistent with the lessor's normal depreciation policy for similar assets, and depreciation shall be calculated in accordance with IAS 16 and IAS 38.

Assets held under a finance lease agreement are presented in the balance sheet as a receivable at amount equal to the net investment in the lease. The sales revenue from assets is recognized in the current year Income statement. The recognition of the finance income is based on a pattern reflecting a constant periodic rate of return of the lessor’s net investment outstanding in respect of the finance lease.

**Impairment testing of assets**

The Group’s assets are subject to impairment testing.

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use 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. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

**Investment property**

Investment property represents land and buildings held to earn rental income or for capital appreciation or both, rather than held for:

- Production or supply of goods or services or for administrative purposes
- Sale in the ordinary course of the business

Investment property is recognized in the consolidated financial statements of the Group as an asset only to the extend that the following conditions are present:

- It is probable that future economic benefits, associated with the investment property, will flow to the Group
- The cost of the investment property can be measured reliably

The investment property is initially measured at cost, which comprises 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 stated at cost according to the benchmark treatment of IAS 16, Property, plant and equipment. The investment property is reported at its cost less accumulated depreciation and any impairment losses.

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

- Buildings 25 years

Subsequent expenditure relating to investment property is added to the carrying amount of the investment property when it is probable that future economic benefits, in excess of the originally assessed standards of performance of the existing investment property, will flow to the Group. All other subsequent expenditures are recognized as an expense in the period they are incurred.

Investment property is derecognised on disposal or when it is permanently withdrawn from use in case no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal are recognized in the Income statement and represent the difference between the net disposal proceeds and the carrying amount of the Investment property.

**Financial assets**

Company's financial assets include cash and financial instruments. Financial instruments, other than hedging instruments, can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognized on their settlement date.

All financial assets are initially recognized at fair value. Transaction costs, which are directly attributable to the acquisition or issue of the financial asset of financial liability, except for financial assets or liabilities at fair value through profit or loss.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from Issuer financial assets are recognized in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if it is the intention of the Group's management to hold them until maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. In addition, derivative financial instruments that do not qualify for hedge accounting are classified as held for trading.

Available-for-sale financial assets include those assets, which do not qualify for inclusion in any of the other categories of financial assets: loan and receivables held – to – maturity investments and financial assets at fair value through profit or loss. All 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. The latter are measured at cost.

Changes in value are recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the income statement when they are sold or when the investment is impaired

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in the Income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

In the course of its banking activity the Group has adopted a methodology for the calculation of allowances for impairment of loans based on the requirements of the banking regulations in Bulgaria. The Group classifies its loans in several groups. A specified percentage rate for non-regular loans, which should be above the minimum required by the regulations, is applied to contractual cash flows as a means to determine estimated cash flows to be discounted as stated above. Other specific requirements of the regulations relate to conditions for transfers of non-regular into regular loans and recognition of liquid collaterals with the purpose of assessment of the allowances for impairment and uncollectability of loans. The amount of potential losses, which are not exactly identified, but based on previous experience, may be expected for a group of loans, is also charged as expense in decrease of the loans' carrying amount. The expected losses are measured based on previous experience, customers' credit rating, and economic environment.

*Netting*

The financial assets and liabilities are netted, and the net value is presented in the balance sheet, only if the Group is entitled by law to net the recognized values, and the transactions are deemed to be settled on a net basis.

*Inventories*

Inventories comprise raw materials, unfinished and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories are carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business 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 a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The cost of inventories is assigned by using the weighted average cost.

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

*Accounting for income taxes*

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognized in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if the Group can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Deferred tax asset in relation to carried forward losses is recognized to the extend that the realization of the related tax benefits through the future taxable profits is probable.

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 offset against future taxable income. 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 at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to equity (such as the re-evaluation of land) are charged or credited directly to equity.

**Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, short-term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

**Equity**

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

There are no exchange differences recognized in equity.

There are no amounts set aside for general risks arising in the course of the Group's banking activity.

**Pension obligations and short-term employee benefits**

The Group has not elaborated and does not apply plans for employee benefits after leaving, nor other Long - term income and plans for income after leave or ones in the form compensations with shares of the share capital or interest.

The Group reports short-term payables relating to unutilised 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.

**Financial liabilities**

The financial liabilities include bank loans and overdrafts, trade and other payables and finance leasing liabilities.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the income statement.

Bank loans are raised for funding of the Group's operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument 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.

Dividend distributions to shareholders are recognized when the dividends are approved by the shareholders' meeting.

**Other provisions, contingent liabilities and contingent assets**

Provisions, representing current obligations of the Group arising from past events, the settlement of which is expected to result in an outflow of resources, are recognized as liabilities. A provision is recognized only when the following conditions are present:

- The Group has a present obligation as a result of a past event
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- A reliable estimate can be made of the amount of the obligation

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Group takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group does not recognize contingent assets in the consolidated financial statements as possible obligations arise, whose existence is not yet confirmed or this may result in the recognition of income that may never be realized.

**Provisions for credit-related contingent liabilities**

The amount of provisions for guarantees and other off-balance credit-related commitments is recognised as an expense and a liability when the Group has current legal or constructive obligations, which have occurred as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reasonable estimate of the amount of the liability can be made. Any loss resulting from recognition of provisions for liability is reported in the income statement for the respective period.

**Insurance contracts**

The Group does not recognise as a liability any provisions for possible future claims, if those claims arise under insurance contracts that are not in existence at the reporting date (such as catastrophe provisions and equalisation provisions).

A liability adequacy test is carried out at each reporting date for the recognized insurance liabilities and the reinsurance assets are tested for impairments. The assessment is made using current estimates of future cash flows under the insurance contracts**.** If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognised in profit or loss**.** The adequacy test includes all cash flows from insurance contracts as well as the cash flows from related settlement of claims.

Reinsurance assets are not being offset against the related insurance liabilities. Income or expense from reinsurance contracts is not being offset against the expense or income from the related insurance contracts.
Some insurance contracts contain a discretionary participation feature as well as a guaranteed element. The separate recognition of these two elements is not allowed when the discretionary participation feature cannot be measured reliably. In cases of separate recognition the provisions according to IFRS 4 are applied to the guaranteed element and the provisions according to IAS 39 are applied to the discretionary participation feature.

**Insurance reserves**

Insurance reserves are formed by the Group in order to cover present and future liabilities to insured persons or organisations in accordance with the insurance contract. Insurance reserves do not form part of the equity. Insurance reserves are calculated by the actuary of the Group by the use of actuarial methods, which consist of mathematical methods and rules. Insurance reserves are presented in gross in the Group's balance sheet and they are reduced with the amount of the reinsurer's share in the reserves formed. When the insurance is denominated in foreign currency, the corresponding reserves are formed in the same currency. The insurance reserves that have been formed during the prior period are recognized as income from released insurance reserves in the current period. The reserves formed at the year-end are recognized as expense for the formation of insurance reserves in the income statement. The insurance reserves referring to the reinsurers' share formed in the prior period are recognised as expense for released insurance reserves in the current period income statement and the reserves formed at the year-end are recognised as income from released insurance reserves in the current period income statement.

The Group should invest its insurance reserves reduced by the reinsurer's share (net amount of insurance reserves) in the following assets and in accordance with the following ratios:

- government securities issued and guaranteed by the government – without limit;
- property free of all encumbrances – up to 10 % of the net amount of the insurance reserves;
- bonds issued and guaranteed by the municipalities – up to 5 % of the net amount of the insurance reserves;
- corporate shares and bonds traded on a stock exchange - up to 30 % of the net amount of the insurance reserves, but not more than 10 % of the shares and bonds of a single Group;
- bank deposits - up to 50 % of the net amount of the insurance reserves, but not more than 25 % of the net amount in a single bank;

- mortgage bonds - up to 25 % of the net amount of the insurance reserves, but not more than 15 % of the mortgage bonds issued by a single bank

**Group's policy for lending to related parties in the course of its banking activity performed by Central Cooperative Bank AD**

Central Cooperative Bank AD may, by a unanimous decision of its collective Management body, and with the approval of the head of the specialized internal control office extend loans to:

a) administrators of Central Cooperative Bank AD;

b) spouses and relatives in direct lineage to the third degree, including the relatives of the persons under item a);

c) holders of shares ensuring them over five percent of the total number of votes at the Shareholders' General Meeting of Central Cooperative Bank AD;

d) a shareholder whose legal representative is a member of a Management or supervisory body of Central Cooperative Bank AD;

e) legal persons in which persons under items a), b), c), and d) take part in the management;

f) commercial companies in which Central Cooperative Bank AD, or a person under items a), b), c), d) is involved with the management of or has a qualified equity;

g) persons supervising the operations of Central Cooperative Bank AD;

h) the head of the specialized internal control office in Central Cooperative Bank AD;

In these cases, the terms and conditions of redemption and the amount of interest shall be stipulated in the decision for extending the credit.

The above mentioned shall not apply where:

- the amount of the loan made to persons described in items a), b), g) and h) does not exceed their annual remuneration;
- the amount of the loan made to persons described in items c), d), e) and f) is below one percent of the paid-in capital of Central Cooperative Bank AD.

Central Cooperative Bank AD shall not offer preferential credit conditions to the above-mentioned persons such as:

- entering into a transaction which, because of its substance, aim, character or risk could not be entered into by the bank with customers not mentioned in items a) to h);
- collecting interest, fees or other financial obligations, or accepting collateral, which is less than required from other customers.

The amount of an unsecured loan made by Central Cooperative Bank AD to one of its employees shall not exceed his 24-month gross salary.

The total amount of the loans made to the persons described in items a) to h) shall not exceed ten percent of the funds owned by Central Cooperative Bank AD, and unsecured loans made by Central Cooperative Bank AD to one of its employees shall not exceed three percent of the funds owned by Central Cooperative Bank AD.

**Basis of consolidation**

**Investments in subsidiaries**

The list of the subsidiaries included in the consolidation is as follows:

| Name of the subsidiary | Country of incorporation | Principal activity | 2005 | 2004 |
|---|---|---|---|---|
| | | | % | % |
| Central Cooperative Bank AD | Bulgaria | Banking | 77.22% | 78.83% |
| CCB Group Assets Management EAD | Bulgaria | Finance | 100.00% | 100.00% |
| Capital Management ADSIP | Bulgaria | Finance | 100.00% | - |
| CCB Real Estate Fund ADSIP | Bulgaria | Finance | 100.00% | - |
| SK Chimimport Consult OOD - Sofia | Bulgaria | Finance | 59.00% | 59.00% |
| FBK Chimimport Finance EOOD - Sofia | Bulgaria | Finance | 96.18% | 96.18% |
| Chimimport Lega Consult OOD | Bulgaria | Finance | 70.00% | 70.00% |
| ZAD Armeec | Bulgaria | Insurance | 92.62% | 92.62% |
| Armeec Leasing OOD | Bulgaria | Finance | 100.00% | 100.00% |
| POAD CCB Sila | Bulgaria | Pension Fund | 99.25% | 99.71% |
| Chimimport Bimas EOOD | Bulgaria | Production | 100.00% | 100.00% |
| Prouchvane i dobiv na neft i gaz AD | Bulgaria | Production | 57.37% | 49.86% |
| Slanchevi lachi Bulgaria EAD | Bulgaria | Production | 100.00% | 100.00% |
| Chimimport Oil OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimimport Rubber OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimimport Orgachim OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimimport Chimceltex OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimimport Fertilizers OOD - Sofia | Bulgaria | Trade | 51.00% | 51.00% |
| Chimimport Balchik EOOD | Bulgaria | Trade | 100.00% | - |
| Dializa Bulgaria OOD | Bulgaria | Trade | 50.00% | 50.00% |
| Chimimport Pharma AD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Siliko 07 | Bulgaria | Trade | 50.00% | 50.00% |
| Chimimport Agrochimikali OOD | Bulgaria | Trade | 51.00% | 51.00% |
| Ecoland Engineering OOD | Bulgaria | Trade | 52.00% | 52.00% |
| Franchise Development OOD | Bulgaria | Trade | 50.00% | 50.00% |
| Kame Bulgaria OOD | Bulgaria | Trade | 75.00% | 75.00% |
| Chimimport Medica OOD | Bulgaria | Trade | 51.00% | 51.00% |

| Name of the subsidiary | Country of incorporation | Principal activity | 2005 | 2004 |
|---|---|---|---|---|
| Bulchimex OOD | Germany | Trade | 100.00% | 100.00% |
| Chimsnab AD Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Brand New Ideas EOOD | Bulgaria | Trade | 100.00% | 100.00% |
| IT Creation OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimsin OOD - Sofia | Bulgaria | Trade | 50.00% | 50.00% |
| PFK Cherno more | Bulgaria | Trade | 55.33% | - |
| Sport complex Varna | Bulgaria | Trade | 65.00% | - |
| Balkan Hemus Group EAD | Bulgaria | Transport | 100.00% | 100.00% |
| Chimtrans OOD | Bulgaria | Transport | 60.00% | 60.00% |
| Hemus Air | Bulgaria | Transport | 100.00% | 100.00% |

**Investments in associates**

| Name of the associated company | Country of incorporation | 2005 BGN'000s | Share % | 2004 BGN'000s | Share % |
|---|---|---|---|---|---|
| POAD Suglasie | Bulgaria | 15 779 | 49.28% | - | - |
| Vi Ti Si AD | Bulgaria | 500 | 41.00% | - | - |
| Parahodstvo Bulgarsko rechno plavane AD | Bulgaria | 9 381 | 24.19% | - | - |
| | | **25 660** | | - | |

In the consolidated statements investments in associated companies are accounted using the equity method.

As at 31 December 2005 the fair value of the shares of Parahodstvo Bulgarsko rechno plavane AD, according to the published price quotations (41.10 BGN per share), amounts to TBGN 8 913.

Financial information concerning the investments in associates can be summarized as follows:

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Assets | 38 812 | - |
| Liabilities | 9 958 | - |
| Revenue | 35 166 | - |
| Net result for the period | 1 911 | - |
| Share of the group in the net result for the period | 562 | - |

As at 31 December 2005 there are no pledged investments in associates.

**Acquisition of 3.22 % of the share capital of Central Cooperative Bank AD**

In 2005 as a result of several transactions the Group acquired 1 561 929 shares in the capital of Central Cooperative Bank AD representing 3.22% of its share capital.

Since the acquisition was performed in several transactions part of them resulted in the recognition of goodwill amounting to BGN 3 657. In addition as a result of bargain purchases an excess of fair value of net assets acquired over cost has been realized amounting to TBGN 20 recognized in current period profit.

Details of net assets acquired and goodwill are as follows:

| | BGN'000s |
|---|---|
| Purchase consideration - cash paid: | |
| - Purchase price | 6 238 |
| - Direct cost relating to the acquisition | 6 |
| Total purchase consideration | 6 244 |
| Fair value of net assets acquired (see below) | (2 607) |
| **Excess fair value of net assets acquired over cost** | **(20)** |
| **Goodwill** | **3 657** |

The fair value of the net assets acquired approximated the book value of the net assets acquired, and no closure or restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

| | BGN'000s |
|---|---|
| Cash and cash equivalents | 215 790 |
| Property, plant and equipment | 38 598 |
| Loans and advances to customers | 383 872 |
| Trading securities | 13 936 |
| Financial assets available for sale | 113 209 |
| Other assets | 43 618 |
| Deposits from banks and other depositors | (677 998) |
| Liabilities under repurchase agreements | (14 507) |
| Other liabilities | (35 590) |
| Net assets | 80 928 |
| Interest acquired in prior periods (74.00%) | (59 887) |
| Minority interest (22.78%) | (18 434) |
| **Net assets acquired** | **2 607** |

**Acquisition of 18.95 % of the share capital of Prouchvane i dobiv na neft i gaz AD**

In 2005 as a result of several transactions the Group acquired 18.95% of the capital of Prouchvane i dobiv na neft i gaz AD.

As a result of the bargain purchases an excess of fair value of net assets acquired over cost has been realized amounting to TBGN 1 899 recognized in current period profit.

The acquired net assets and goodwill are as follows:

| | BGN'000s |
|---|---|
| Purchase consideration - cash paid: | |
| - Purchase price | 6 598 |
| - Direct cost relating to the acquisition | 1 |
| Total purchase consideration | 6 599 |
| | |
| Fair value of net assets acquired (see below) | (8 498) |
| | |
| **Excess fair value of net assets acquired over cost** | **(1 899)** |

The fair value of the net assets acquired approximated the book value of the net assets acquired, and no closure or restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

| | BGN'000s |
|---|---|
| Cash and cash equivalents | 1 311 |
| Property, plant and equipment | 20 307 |
| Intangible assets | 247 |
| Long – term financial assets | 10 432 |
| Short-term financial assets | 8 245 |
| Inventories | 5 270 |
| Short-term receivables | 23 924 |
| Trade liabilities | (22 724) |
| Other payables | (2 166) |
| Net assets | 44 846 |
| Interest acquired in prior periods (38.42%) | (17 230) |
| Minority interest (42.63%) | (19 118) |
| **Net assets acquired** | **8 498** |

**Acquisition of 55.33 % of the share capital of PFK Cherno more**

In 2005 55.33% of the share of PFK Cherno more were acquired.

As a result of the acquisition, goodwill amounting to TBGN 500 has been recognized. The Company has been acquired for the amount of BGN 1. On acquisition the Group committed to maintain the club.

Details of net assets acquired and goodwill are as follows:

| | BGN'000s |
|---|---|
| Purchase consideration - cash paid: | |
| - Purchase price | - |
| Total purchase consideration | - |
| Fair value of net assets acquired (see below) | 500 |
| **Goodwill** | **500** |

The fair value of the net assets acquired approximated the book value of the net assets acquired, and no closure or restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

| | BGN'000s |
|---|---|
| Cash and cash equivalents | 910 |
| Property, plant and equipment | 14 |
| Intangible assets | 33 |
| Inventories | 4 |
| Receivables | 24 |
| Other assets | 146 |
| Liabilities | (2 034) |
| Net assets | (903) |
| Minority interest | 403 |
| **Net assets acquired** | **(500)** |

**Acquisition of shares in other companies**

In 2005 0.05% of the share capital of POAD CCB Sila were acquired. As a result of the acquisition goodwill amounting to TBGN 8 was recognized.

**Subsidiaries incorporated in 2005**

The following companies have been incorporated by Chimimport AD in 2005 and included in the consolidation:

| | Country of incorporation | Principal activity | Share acquired |
|---|---|---|---|
| | | | **%** |
| Chimimport Balchik EOOD | Bulgaria | trade | 100.00% |
| Sport Complex Varna AD | Bulgaria | trade | 65.00% |
| Capital Management ADSIP | Bulgaria | trade | 100.00% |
| CCB Real Estate Fund ADSIP | Bulgaria | trade | 100.00% |

With respect to expenses relating to the incorporation of Capital Management ADSIP and CCB Real Estate Fund ADSIP goodwill amounting to TBGN 10 was recognised.

**Segment reporting**

For the reporting on segments the divisions of the Group are as follows:

- Production
- Trade
- Transport
- Insurance
- Banking
- Finance
- Pension funds

All inter-segment transfers are priced and carried out at market price and condition basis.

**Business segments**

| **31 DECEMBER 2005** | **Production** | **Trade** | **Transport** | **Insurance** | **Banking** | **Finance** | **Pension Fund** | **Consolidation** | **Group** |
|---|---|---|---|---|---|---|---|---|---|
| | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** |
| Income from non-financial activities | 55 160 | 39 858 | 65 824 | 17 | 3 016 | 17 465 | | (4 447) | 176 893 |
| Expenses on non-financial activities | (53 041) | (41 945) | (63 570) | - | - | -12397 | - | 5 804 | (165 149) |
| **Net result from non-financial activities** | **2 119** | **(2 087)** | **2 254** | **17** | **3 016** | **5 068** | **-** | **1 357** | **11 744** |
| Insurance income | - | - | - | 64 605 | - | - | - | (1 607) | 62 998 |
| Insurance expenses | **(86)** | **(22)** | **(1 159)** | (53 282) | - | **-1** | **(2)** | 1 254 | (53 298) |
| **Net result from insurance** | **(86)** | **(22)** | **(1 159)** | **11 323** | **-** | **(1)** | **(2)** | **(353)** | **9 700** |
| Interest income | 880 | 345 | 101 | 399 | 47 779 | 4 512 | 174 | (1 715) | 52 475 |
| Interest expense | (1 562) | (651) | (1 156) | (47) | (18 235) | -6 371 | - | 1 733 | (26 289) |
| **Net interest income** | **(682)** | **(306)** | **(1 055)** | **352** | **29 544** | **(1 859)** | **174** | **18** | **26 186** |
| Gains from transactions with financial instruments | 210 | | | 9 247 | 4 831 | 28 945 | 7 167 | (10 601) | 39 799 |
| Losses from transactions with financial instruments | (30) | | | (4 880) | (3 388) | -7 367 | (3 908) | - | (19 573) |
| **Net result from transactions with financial instruments** | **180** | **-** | **-** | **4 367** | **1 443** | **21 578** | **3 259** | **(10 601)** | **20 226** |
| Administration costs | - | - | - | (8 454) | (47 602) | -714 | (1 406) | 2 250 | (55 926) |
| | | | | | | | | | - |
| Other financial income/expense | (264) | (18) | (116) | (85) | 20 933 | -1 047 | 764 | 2 368 | 22 535 |
| Allocation to secured individuals | - | | - | - | - | - | (1 435) | - | (1 435) |
| **Result for the period before tax** | **1 267** | **(2 433)** | **(76)** | **7 520** | **7 334** | **23 025** | **1 354** | **(4 961)** | **33 030** |
| Tax expense | (861) | 249 | (33) | (823) | (947) | -607 | - | - | (3 022) |
| **Net result for the period** | **406** | **(2 184)** | **(109)** | **6 697** | **6 387** | **22 418** | **1 354** | **(4 961)** | **30 008** |

**Business segments**

| 31 DECEMBER 2005 | Production BGN'000s | Trade BGN'000s | Transport BGN'000s | Insurance BGN'000s | Banking BGN'000s | Finance BGN'000s | Pension Fund BGN'000s | Consolidation BGN'000s | Group BGN'000s |
|---|---|---|---|---|---|---|---|---|---|
| Segment assets | 102 184 | 59 416 | 82 734 | 43 744 | 809 023 | 337 592 | 30 315 | (346 953) | 1 118 055 |
| **Consolidated total assets** | **102 184** | **59 416** | **82 734** | **43 744** | **809 023** | **337 592** | **30 315** | **(346 953)** | **1 118 055** |
| Segment liabilities | 48 741 | 22 482 | 20 099 | 27 763 | 728 095 | 74 987 | 24 867 | (64 980) | 882 054 |
| **Consolidated total liabilities** | **48 741** | **22 482** | **20 099** | **27 763** | **728 095** | **74 987** | **24 867** | **(64 980)** | **882 054** |

**Business segments**

| 31 DECEMBER 2004 | Production<br>BGN'000s | Trade<br>BGN'000s | Transport<br>BGN'000s | Insurance<br>BGN'000s | Banking<br>BGN'000s | Finance<br>BGN'000s | Pension Fund<br>BGN'000s | Consolidation<br>BGN'000s | Group<br>BGN'000s |
|---|---|---|---|---|---|---|---|---|---|
| Income from non-financial activities | 41 341 | 15 119 | 47 896 | 67 | - | 10 363 | 2 | (2 557) | **112 231** |
| Expenses on non-financial activities | (36 364) | (14 548) | (47 256) | - | - | (9 488) | - | 2 561 | **(105 095)** |
| **Net result from non-financial activities** | **4 977** | **571** | **640** | **67** | **-** | **875** | **2** | **4** | **7 136** |
| Insurance income | - | - | - | 37 160 | - | - | - | (625) | 36 535 |
| Insurance expenses | - | - | - | (27 899) | - | - | - | - | (27 899) |
| **Net result from insurance** | **-** | **-** | **-** | **9 261** | **-** | **-** | **-** | **(625)** | **8 636** |
| Interest income | 143 | 220 | 124 | 2 | 29 556 | 2 806 | 190 | (249) | 32 792 |
| Interest expense | (1 040) | (484) | (251) | (22) | (11 590) | (3 875) | - | 249 | (17 013) |
| **Net interest income** | **(897)** | **(264)** | **(127)** | **(20)** | **17 966** | **(1 069)** | **190** | **-** | **15 779** |
| Gains from transactions with financial instruments | 100 | - | - | 4 812 | 2 465 | 12 401 | 3 319 | (17 030) | 6 067 |
| Losses from transactions with financial instruments | - | - | - | (557) | - | - | (1 123) | - | (1 680) |
| **Net result from transactions with financial instruments** | **100** | **-** | **-** | **4 255** | **2 465** | **12 401** | **2 196** | **(17 030)** | **4 387** |
| Administration costs | - | - | - | (6 355) | (29 566) | (7) | (959) | 625 | (36 262) |
| Other financial income/expense | (2 307) | (29) | 15 332 | (89) | 16 014 | 629 | 410 | (12) | 29 948 |
| Allocation to secured individuals | - | - | - | - | - | - | (1 512) | - | (1 512) |
| **Result for the period before tax** | **1 873** | **278** | **14 042** | **7 119** | **6 879** | **12 829** | **327** | **(8 654)** | **34 693** |
| Tax expense | (535) | (91) | (107) | (2 013) | (1 236) | (425) | 3 | - | (4 404) |
| **Net result for the period** | **1 338** | **187** | **13 935** | **5 106** | **5 643** | **12 404** | **330** | **(8 654)** | **30 289** |

**Business segments**

| 31 DECEMBER 2004 | Production BGN'000s | Trade BGN'000s | Transport BGN'000s | Insurance BGN'000s | Banking BGN'000s | Finance BGN'000s | Pension Fund BGN'000s | Consolidation BGN'000s | Group BGN'000s |
|---|---|---|---|---|---|---|---|---|---|
| Segment assets | 77 989 | 18 200 | 44 751 | 26 410 | 555 827 | 266 086 | 20 449 | (216 830) | 792 882 |
| **Consolidated total assets** | **77 989** | **18 200** | **44 751** | **26 410** | **555 827** | **266 086** | **20 449** | **(216 830)** | **792 882** |
| Segment liabilities | 33 609 | 12 833 | 16 506 | 17 126 | 497 415 | 85 752 | 16 355 | (34 319) | 645 277 |
| **Consolidated total liabilities** | **33 609** | **12 833** | **16 506** | **17 126** | **497 415** | **85 752** | **16 355** | **(34 319)** | **645 277** |

**Property, plant and equipment**

| | Land | Buildings | Machines | Technical equipment | Vehicles | Other | Assets in process of acquisition | Total |
|---|---|---|---|---|---|---|---|---|
| | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** |
| At 1 January 2004 | | | | | | | | |
| Cost | 3 435 | 14 269 | 6 571 | 4 344 | 2 305 | 1 506 | 1 031 | 33 461 |
| Accumulated depreciation | - | (4 350) | (2 155) | (682) | (672) | (933) | | (8 792) |
| **Net book amount** | **3 435** | **9 919** | **4 416** | **3 662** | **1 633** | **573** | **1 031** | **24 669** |
| Year ended 31 December 2004 | | | | | | | | |
| Opening net book amount | 3 435 | 9 919 | 4 416 | 3 662 | 1 633 | 573 | 1 031 | 24 669 |
| Business combinations - cost | 594 | 12 744 | 11 096 | 8 819 | 4 709 | 28 976 | 917 | 67 855 |
| Business combinations - depreciation | - | (3 634) | (7 999) | (5 677) | (2 713) | (27 637) | - | (47 660) |
| Additions | 5 262 | 16 256 | 4 862 | 3 248 | 3 959 | 778 | 31 190 | 65 555 |
| Disposals - cost | (123) | (73) | (489) | (76) | (366) | (83) | (8 911) | (10 121) |
| Disposals - depreciation | - | 23 | 426 | 27 | 208 | 74 | | 758 |
| Depreciation charge | - | (983) | (3 139) | (1 076) | (1 883) | (534) | - | (7 615) |
| **Closing net book amount** | **9 168** | **34 252** | **9 173** | **8 927** | **5 547** | **2 147** | **24 227** | **93 441** |
| At 31 December 2004 | | | | | | | | |
| Cost | 9 168 | 43 196 | 22 040 | 16 335 | 10 607 | 31 177 | 24 227 | 156 750 |
| Accumulated depreciation | - | (8 944) | (12 867) | (7 408) | (5 060) | (29 030) | - | (63 309) |
| **Net book amount** | **9 168** | **34 252** | **9 173** | **8 927** | **5 547** | **2 147** | **24 227** | **93 441** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Year ended 31 December 2005 | | | | | | | | |
| Opening net book amount | 9 168 | 34 252 | 9 173 | 8 927 | 5 547 | 2 147 | 24 227 | 93 441 |
| Business combinations - cost | 505 | - | 14 | - | - | 11 | - | 530 |
| Business combinations - depreciation | | - | (6) | - | - | (5) | - | (11) |
| Additions | 14 158 | 6 455 | 13 114 | 22 593 | 3 934 | 303 | 13 601 | 74 158 |
| Disposals - cost | (251) | (2 521) | (3 670) | (1 554) | (1 284) | (11 098) | (27 906) | (48 284) |
| Disposals - depreciation | - | 773 | 1 636 | 447 | 837 | 9 507 | 229 | 13 429 |
| Depreciation charge | - | (1 855) | (2 910) | (3 574) | (1 416) | (168) | - | (9 923) |
| **Closing net book amount** | **23 580** | **37 104** | **17 351** | **26 839** | **7 618** | **697** | **10 151** | **123 340** |
| | | | | | | | | |
| At 31 December 2005 | | | | | | | | |
| Cost | 23 580 | 47 130 | 31 498 | 37 374 | 13 257 | 20 393 | 9 922 | 183 154 |
| Accumulated depreciation | - | (10 026) | (14 147) | (10 535) | (5 639) | (19 696) | 229 | (59 814) |
| **Net book amount** | **23 580** | **37 104** | **17 351** | **26 839** | **7 618** | **697** | **10 151** | **123 340** |

Collaterals for liabilities

| | **Land** | **Buildings** | **Machines** | **Technical equipment** | **Vehicles** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|
| | | **BGN’000s** | **BGN’000s** | **BGN’000s** | **BGN’000s** | **BGN’000s** | **BGN’000s** |
| Net book amount as at 31 December 2005 | 3 156 | 7 204 | 7 663 | 473 | 201 | 19 | 18 716 |
| Net book amount as at 31 December 2004 | 3 381 | 9 968 | 7 145 | 3 198 | 414 | 35 | 24 141 |

The Property, plant and equipment are pledged as collaterals for liabilities of the Group as described in Note 23.1 and Note 25.3.

As at 31 December 2005 the Group has no commitments for purchase of Property, plant and equipment.

**Investment property**

The Investment property of the Group includes real estate properties, which are owned to earn rentals and for investment purposes.

| | Land<br>BGN'000s | Buildings<br>BGN'000s | Total<br>BGN'000s |
|---|---|---|---|
| At 1 January 2004 | | | |
| Cost | - | 2 144 | 2 144 |
| Accumulated depreciation | - | (481) | (481) |
| **Net book amount** | **-** | **1 663** | **1 663** |
| Year ended 31 December 2004 | | | |
| Opening net book amount | - | 1 663 | 1 663 |
| Business combinations - cost | 68 | - | 68 |
| Additions | 718 | 6 974 | 7 692 |
| Disposals - cost | (61) | - | (61) |
| Depreciation charge | - | (76) | (76) |
| **Closing net book amount** | **725** | **8 561** | **9 286** |
| At 31 December 2004 | | | |
| Cost | 725 | 9 118 | 9 843 |
| Accumulated depreciation | - | (557) | (557) |
| **Net book amount** | **725** | **8 561** | **9 286** |
| Year ended 31 December 2005 | | | |
| Opening net book amount | 725 | 8 561 | 9 286 |
| Additions | 962 | 1 011 | 1 973 |
| Disposals - cost | (718) | (895) | (1 613) |
| Disposals - depreciation | - | 28 | 28 |
| Accumulated depreciation | - | (370) | (370) |
| **Closing net book amount** | **969** | **8 335** | **9 304** |
| At 31 December 2005 | | | |
| Cost | 969 | 9 234 | 10 203 |
| Accumulated depreciation | - | (899) | (899) |
| **Net book amount** | **969** | **8 335** | **9 304** |

The investment property has been recognized in the financial statements of the Group at the cost method. As at 31 December 2005 the fair value of the investment property amounts to TBGN 24 340.

As at 31 December 2005 the fair value of the investment property was determined by the management based on the prevailing market prices.

The following amounts, relating to the investment property have been recognized in the Income statement:

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Rental income | 2 825 | 2 224 |
| Operating expenses | (80) | (12) |
| Real estate tax | - | (39) |

**Operating leases**

**Lessor**

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

| | **Up to 1 year**<br>**BGN'000s** | **1 to 5 years**<br>**BGN'000s** | **More than 5 years**<br>**BGN'000s** | **Total**<br>**BGN'000s** |
|---|---|---|---|---|
| As per 31 December 2005 | **3 051** | **3 449** | **324** | **6 824** |
| As per 31 December 2004 | 3 876 | 13 045 | 11 838 | 28 759 |

The Group has entered in the capacity of lessor into several lease contracts. The Group's lease contracts relate to letting out of buildings and premises.

The arrangements under the significant operating lease contracts are as follows:

- 10-year contract for letting out of premises for offices for the price of EUR 6 800 per month;
- Contract for letting out of premises for offices for the price of EUR 8/sq.m. per month for unlimited period of time;
- Letting out of warehouse premises for the average price of EUR 3/sq. m. per month for 3 to 5-year period.
- Letting out of hangars and other premises to Bulgaria Air EAD for the price of TBGN 210 per month and to Viadgio Air for the price of TBGN 20 per month, Global Maintenance for the price of TBGN 10 per month, Scorpion Air for the price of TBGN 240, etc. All contracts are with maturity date 31 December 2007.

Operating lease agreements do not contain any contingent rent clauses.

**Lessee**

The Group has entered in the capacity of lessee into several lease contracts.

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

| | Up to 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| | BGN'000s | BGN'000s | BGN'000s | BGN'000s |
| As per 31 December 2005 | 2 777 | 9 897 | 2 424 | 15 098 |
| As per 31 December 2004 | 1 490 | 25 | 25 | 1 540 |

The Group's lease contracts relate to rent of office premises of the agencies all over the country, including Sofia. Operating lease agreements do not contain any contingent rent clauses.

**Goodwill**

| | Goodwill |
|---|---|
| | BGN'000s |
| At 1 January 2004 | |
| Cost | 5 325 |
| **Net book amount** | **5 325** |
| Year ended 31 December 2004 | |
| Opening net book amount | 5 325 |
| Additions | 2 404 |
| **Closing net book amount** | **7 729** |
| At 31 December 2004 | |
| Cost | 7 729 |
| **Net book amount** | **7 729** |
| Year ended 31 December 2005 | |
| Opening net book amount | 7 729 |
| Additions | 4 175 |
| **Closing net book amount** | **11 904** |
| At 31 December 2005 | |
| Cost | 11 904 |
| **Net book amount** | **11 904** |

Subsequent to the annual impairment test for 2005, the carrying amount of goodwill is allocated to the following cash generating units:

| | Goodwill BGN'000s |
|---|---|
| CCB Group Assets Management EAD | 3 507 |
| Central Cooperative Bank AD | 5 311 |
| Hemus Air | 1 079 |
| Slanchevi lachi Bulgaria EAD | 747 |
| PFK Cherno more | 500 |
| ZAD Armeec | 424 |
| Bulchimex OOD | 217 |
| FBK Chimimport Finance EOOD | 47 |
| POAD CCB Sila | 46 |
| Chimsin OOD | 13 |
| Capital Managent ADSIP | 5 |
| CCB Real Estates ADSIP | 5 |
| Chimimport Fertilizers OOD | 3 |
| **Net book amount 31 December 2005** | **11 904** |

The recoverable amount of cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using constant growth rates characteristic of the sector in which each cash-generating unit operates.

The discount rates used reflect specific risks relating to the sector in which each cash-generating unit operates.

No indications of impairment have been identified in 2005.

Additions in goodwill occurred as a result of the following acquisitions in 2005:

| | **Goodwill BGN'000S** | **Shares acquired %** |
|---|---|---|
| Central Cooperative Bank AD | 3 657 | 3.14% |
| PFK Cherno more | 500 | 55.33% |
| Capital Managent ADSIP | 5 | 100.00% |
| CCB Real Estates ADSIP | 5 | 100.00% |
| POAD CCB Sila | 8 | 0.05% |
| | **4 175** | **-** |

**Intangible assets**

| | Internally generated intangible assets | Licenses and patents | Trade marks | Software | Other | Total |
|---|---|---|---|---|---|---|
| | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** |
| At 1 January 2004 | | | | | | |
| Cost | 52 | 317 | 1 | 476 | 10 | 856 |
| Accumulated amortization | (45) | (133) | - | (329) | (5) | (512) |
| **Net book amount** | **7** | **184** | **1** | **147** | **5** | **344** |
| Year ended 31 December 2004 | | | | | | |
| Opening net book amount | 7 | 184 | 1 | 147 | 5 | 344 |
| Business combinations - cost | - | 1 476 | - | 45 | 1 362 | 2 883 |
| Business combinations - depreciation | | (536) | | (34) | (173) | (743) |
| Additions | - | 390 | 61 | 40 | 871 | 1 362 |
| Disposals - cost | - | (2) | (1) | (8) | (6) | (17) |
| Disposals - depreciation | - | 2 | - | 3 | 3 | 8 |
| Accumulated amortization | (6) | (289) | - | (54) | (251) | (600) |
| **Closing net book amount** | **1** | **1 225** | **61** | **139** | **1 811** | **3 237** |
| At 31 December 2004 | | | | | | |
| Cost | 52 | 2 181 | 61 | 553 | 2 237 | 5 084 |
| Accumulated amortization | (51) | (956) | - | (414) | (426) | (1 847) |
| **Net book amount** | **1** | **1 225** | **61** | **139** | **1 811** | **3 237** |
| Year ended 31 December 2005 | | | | | | |
| Opening net book amount | 1 | 1 225 | 61 | 139 | 1 811 | 3 237 |
| Business combinations - cost | - | - | - | - | 31 | 31 |
| Business combinations - depreciation | - | - | - | - | (3) | (3) |
| Additions | 2 | 1 414 | - | 365 | 1 869 | 3 650 |
| Disposals - cost | - | (2) | - | (20) | (19) | (41) |
| Disposals - depreciation | - | 2 | - | 18 | - | 20 |
| Accumulated amortization | (1) | (566) | (14) | (185) | (489) | (1 255) |
| **Closing net book amount** | **2** | **2 073** | **47** | **317** | **3 200** | **5 639** |
| At 31 December 2005 | | | | | | |
| Cost | 54 | 3 593 | 61 | 898 | 4 118 | 8 724 |
| Accumulated amortization | (52) | (1 520) | (14) | (581) | (918) | (3 085) |
| **Net book amount** | **2** | **2 073** | **47** | **317** | **3 200** | **5 639** |

As per 31 December 2005 there are no pledged intangible assets. As per 31 December 2005 the Group has no commitments for purchase of intangible assets..

**Long - term financial assets**

The amounts recognized at the balance sheet comprise the following financial assets:

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Loans and receivables | 218 379 | 96 645 |
| Held-to-maturity financial assets | 38 382 | - |
| Financial assets at fair value through profit or loss | 21 692 | - |
| Available-for-sale financial assets | 111 681 | 41 686 |
| | **390 134** | **138 331** |

**Loans and receivables**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Long-term bank credits and advances of clients | 207 016 | 83 826 |
| Other long-term loans | 11 363 | 12 819 |
| | **218 379** | **96 645** |

**Long-term bank credits and advances to customers**

Long-term bank credits and advances to customers are loans and advances granted to clients in the course of the banking activity of the Group.

**Analysis by customer:**

| | 2005 | 2004 |
|---|---|---|
| | BGN'000s | BGN'000s |
| Individuals | | |
| - in BGN | 60 911 | 12 351 |
| - in foreign currency | 14 241 | 1 105 |
| Enterprises | | |
| - in BGN | 69 703 | 43 332 |
| - in foreign currency | 63 698 | 27 231 |
| | 208 553 | 84 019 |
| Allowance for impairment and uncollectibility (Note 19) | (1 537) | (193) |
| **Total credits and advances to customers** | **207 016** | **83 826** |

**Analysis by economic sector:**

| | 2005 | 2004 |
|---|---|---|
| | BGN'000s | BGN'000s |
| Agriculture and forestry | 15 381 | 9 808 |
| Manufacturing | 17 348 | 3 770 |
| Construction | 12 855 | 6 005 |
| Trade and finance | 50 140 | 39 118 |
| Transport and communications | 10 429 | 920 |
| Individuals | 75 152 | 13 456 |
| Others | 27 248 | 10 942 |
| | 208 553 | 84 019 |
| Allowance for impairment and uncollectibility (Note 19) | (1 537) | (193) |
| **Total credits and advances to customers** | **207 016** | **83 826** |

**Interest rates**

Loans denominated in BGN and foreign currency bear interest at floating rates. Under the terms of these loans, the interest rate is calculated as the Bank base interest rate, plus a margin. The interest rate margin on performing (regular) loans varies from 5 to 10 percent based on the credit risk associated with the borrower, and a 35 percent interest is charged as penalty on overdue loans, corresponding to the interest on unallowed overdraft.

**Other long-term loans**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Bulgargeomin | 10 002 | 11 362 |
| Mlechen pat | 687 | - |
| Energoproekt | 500 | - |
| Ital Commers EOOD | - | 1 000 |
| Interlease AD | 88 | 103 |
| Others | 86 | 354 |
| | **11 363** | **12 819** |

**Long-term financial assets held-to-maturity**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Bulgarian government bonds | 38 382 | - |
| | **38 382** | **-** |

**Bulgarian government securities, pledged as a collateral**

As at 31 December 2005 securities issued by the Bulgarian government at the amount of TBGN 36 385 are pledged as a collateral for repo transactions and servicing of budget accounts.

**Financial assets at fair value through profit or loss**

The financial assets classified in this category meet the requirements for financial assets held for trading.

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Bulgarian government bonds | 18 138 | - |
| Equity investments with market value | 3 511 | - |
| Others | 43 | - |
| | **21 692** | **-** |

**Financial assets available-for-sale**

| | 2005 | 2004 |
|---|---|---|

| | BGN'000S | BGN'000S |
|---|---|---|
| Bulgarian government notes | 26 068 | 19 369 |
| Bulgarian government bonds | 29 459 | 18 400 |
| Equity investments | 4 543 | 859 |
| Bulgarian corporate securities | 51 494 | 649 |
| Others | 117 | 2 409 |
| | **111 681** | **41 686** |

**Bulgarian securities, pledged as a collateral**

As at 31 December 2005 government bonds issued by the Bulgarian government amounting to TBGN 88,308 are pledged as a collateral for repo transaction and servicing of budget accounts.

**Equity investments**

As at 31 December 2005 the equity investments available for sale include investments in companies, in which the Group does not have controlling interest.

**Bulgarian corporate securities**

As at 31 December 2005 the corporate securities available for sale represent bonds of local issuers. None of these investments are in subsidiary or in associated company.

**Deferred tax assets and liabilities**

Deferred taxes arising from temporary differences under the liability method, using a principal tax rate of 2005 15% (2004 19.5%), can be summarized as follows:

| | 2005<br>Deferred tax asset<br>BGN'000s | 2005<br>Deferred tax liability<br>BGN'000s | 2004<br>Deferred tax asset<br>BGN'000s | 2004<br>Deferred tax liability<br>BGN'000s |
|---|---|---|---|---|
| **Related to:** | | | | |
| Impairment of receivables | - | - | 10 | - |
| Unused paid holiday | 193 | - | 243 | - |
| Revaluation of financial instruments | - | 825 | - | - |
| Property, plant and equipment | - | 1 000 | - | 1 231 |
| Others | 282 | - | - | - |
| **Total** | **475** | **1 825** | **253** | **1 231** |

Please also refer to note 39 for information on the Group's tax expense.

**Inventories**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Materials | 7 081 | 7 083 |
| Finished goods | 6 611 | 3 942 |
| Trading goods | 8 076 | 6 333 |
| Work in progress | 65 | 139 |
| Others | 118 | 42 |
| | **21 951** | **17 539** |

No reversal of previous write-downs was recognized as a reduction of expense in 2005.

Inventories pledged as collateral for liabilities of the Group are as follows:

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Materials | 170 | - |
| Finished goods | 6 290 | - |
| Trading goods | 3 180 | - |
| | **9 640** | **-** |

**Short-term financial assets**

The amounts recognized in the balance sheet comprise the following categories of financial assets:

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Loans and receivables | 195 141 | 194 103 |
| Financial assets at fair value through profit or loss | 26 107 | 16 389 |
| Available-for-sale financial assets | 9 936 | 1 829 |
| | **231 184** | **212 321** |

**Loans and receivables**

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Short-term bank loans and advances to customers | 172 420 | 169 281 |
| Other short-term loans | 22 721 | 24 822 |
| | **195 141** | **194 103** |

**Short-term bank credits and advances to customers**

Short-term bank credits and advances to customers are loans and advances granted to clients in the course of the banking activity of the Group.

**Analysis by customer:**

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Individuals | | |
| - in BGN | 33 667 | 21 825 |
| - in foreign currency | 1 030 | 409 |
| Enterprises | | |
| - in BGN | 91 896 | 95 256 |
| - in foreign currency | 48 645 | 53 772 |
| | 175 238 | 171 262 |
| Allowance for impairment and uncollectibility (Note 19) | (2 818) | (1 981) |
| **Total credits and advances to customers** | **172 420** | **169 281** |

**Analysis by economic sector:**

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Agriculture and forestry | 6 369 | 8 781 |
| Manufacturing | 15 948 | 14 112 |
| Construction | 4 020 | 4 246 |
| Trade and finance | 85 859 | 108 476 |
| Transport and communications | 9 787 | 4 698 |
| Individuals | 34 697 | 22 234 |
| Others | 18 558 | 8 715 |
| | 175 238 | 171 262 |
| Allowance for impairment and uncollectibility (Note 19) | (2 818) | (1 981) |
| **Total credits and advances to customers** | **172 420** | **169 281** |

**Interest rates**

Loans denominated in BGN and foreign currency bear interest at floating rates. Under the terms of these loans, the interest rate is calculated as the Bank base interest rate, plus a margin. The interest rate margin on performing (regular) loans varies from 5 to 10 percent based on the credit risk associated with the borrower, and a 35 percent interest is charged as penalty on overdue loans, corresponding to the interest on unallowed overdraft.

**Other short-term loans**

| | **2005** | **2004** |
|---|---|---|
| | **BGN'000s** | **BGN'000s** |
| Finance Consulting | 3 371 | 2 769 |
| Nordius EOOD | 2 004 | 1 531 |
| Nov vek AD | 1 932 | 1 477 |
| Zarneni hrani Balchik | 1 836 | - |
| Transinterkar EOOD | 1 749 | 1 420 |
| Bildko | 1 586 | - |
| Andezit | 1 049 | - |
| Aks72 | 1 021 | - |
| Bliasak | 1 020 | - |
| Nomocanon | 936 | - |
| Lorian | 893 | - |
| Noviko | 761 | - |
| Zarneni hrani Balchik | 651 | 629 |
| Novico nord EOOD | 640 | 1 632 |
| Novico komers | 557 | - |
| Slanchevi lachi Provadia AD | 397 | 397 |
| Inter Rubber Hemi EOOD | 31 | 3 230 |
| Crone Bulgaria AD | 10 | 2 252 |
| Marimex EOOD | 5 | 761 |
| Prima him EOOD | - | 1 559 |
| Demira S EOOD | - | 1 138 |
| Nomocanon 2000 EOOD | - | 2 423 |
| Others | 2 272 | 3 604 |
| | **22 721** | **24 822** |

Short-term loans are granted at annual interest rate 10-12%. The loans are to be repaid upon request by the Group. Loans are not collaterised.

The fair value of these loans granted is not individually determined as the carrying amount is a reasonable approximation of their fair value.

**Financial assets at fair value through profit or loss**

The financial assets classified in this category meet the requirements for financial assets held for trading.

| | 2005 | 2004 |
|---|---|---|
| | BGN'000s | BGN'000s |
| Bulgarian government bills | 446 | 4 154 |
| Bulgarian government notes | - | 9 110 |
| Bulgarian corporate securities | 14 823 | - |
| Bulgarian government bonds | 10 838 | 3 125 |
| | **26 107** | **16 389** |

**Bulgarian government bills**

As at 31 December 2005 the Bulgarian government bills amounting to TBGN 446 are presented at fair value and include securities denominated in BGN, issued by the Bulgarian government. The government bills mature in a period of up to 1 year.

**Bulgarian government bonds**

As at 31 December 2005 the government bonds amounting to TBGN 10 838 are stated at fair value and include securities denominated in BGN.

**Bulgarian corporate securities**

As at 31 December 2005 the Group owns corporate securities, issued by non-financial companies, amounting to TBGN 14 823. These securities represent shares of public companies, listed on the Bulgarian Stock Exchange. They are liquid on the Bulgarian market and are stated in at fair value.

**Bulgarian government securities pledged as collateral**

As at 31 December 2005 government bonds issued by the Bulgarian government amounting to TBGN 1 556 are pledged as a collateral for repo transaction and servicing of budget accounts.

**Financial assets available-for-sale**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Equity investments | 9 235 | 797 |
| Others | 701 | 1 032 |
| | **9 936** | **1 829** |

As at 31 December 2005 the equity investments available for sale include investments in companies, in which the Group does not have controlling interest.

None of the above investments include investments in subsidiaries or associates.

**Trade receivables**

The major trade receivables As at 31 December 2005 are as follows:

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Bank clients | 3 287 | 4 891 |
| Desislava 2001 EOOD | 5 641 | 2 830 |
| Trans Intercar EOOD | 619 | 470 |
| Municipality Pleven | 502 | - |
| Alasia Cyprus | 381 | - |
| MHATEM Pirogov | 369 | - |
| Viadgio Air | 267 | 141 |
| Flying carpet | 266 | 265 |
| Alvis EOOD | 243 | - |
| Tarom | 152 | - |
| Albanian Air | 127 | 150 |
| Damex EOOD | 122 | 1 724 |
| ZK Dajbog | 31 | 56 |
| Altorp Corp. USA | - | 2 728 |
| Others | 11 247 | 8 588 |
| | **23 254** | **21 843** |

Trade receivables are usually due within 30 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers.

**Other receivables**

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Tax receivables | 754 | 2 057 |
| Court receivables | 1 435 | 5 540 |
| Prepayments | 11 010 | 2 663 |
| Insurance and reinsurance receivables | 8 470 | 973 |
| Interest receivables | 2 377 | 2 791 |
| Receivables from sold collateral | - | 736 |
| Others | 15 385 | 9 426 |
| | **39 431** | **24 186** |

The fair value of these short-term receivables is not individually determined as the carrying amount is a reasonable approximation of their fair value.

**Cash and cash equivalents**

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Placements with, and advances to, banks | 116 247 | 177 526 |
| Current accounts with the Central Bank | 57 612 | 30 056 |
| Cash in hand | 53 925 | 38 290 |
| Repurchase agreements | - | 13 345 |
| Other | 2 429 | 53 |
| | **230 213** | **259 270** |

**Placements with, and advances to, banks**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Term deposits with local banks | | |
| -In BGN | 4 553 | 15 901 |
| -In foreign currency | 60 300 | 55 264 |
| Term deposits with foreign banks in foreign currency | 42 968 | 82 011 |
| Restricted accounts with local banks | | |
| -In BGN | 2 609 | 1 360 |
| -In foreign currency | 1 174 | 398 |
| Nostro accounts with local banks | | |
| -In BGN | 24 | 2 |
| -In foreign currency | 211 | 1 575 |
| Nostro accounts with foreign banks in foreign currency | 3 212 | 4 650 |
| Other current accounts and deposits with banks | 1 196 | 16 708 |
| | 116 247 | 177 869 |
| Allowance for impairment and uncollectibility (Note 19) | - | (343) |
| **Total placements with, and advances to, banks** | **116 247** | **177 526** |

As at 31 December 2004 and 2005 restricted accounts in BGN include BGN 343 thousand with regard to a court claim initiated against the Group. The court claim relates to transfers executed by the Group in the course of its banking activity in favour of a client when there was a restrain for transfer imposed by another bank.

As at 31 December 2005 the court claim is terminated because of an out-of-court agreement with respect to litigation settlement but as a result of deferred procedures the restricted accounts were not redeemed.

As at 31 December 2004 and 2005 term deposits are concentrated in some foreign correspondent banks, mostly in EU countries.

*Current accounts with the Central Bank*

As at 31 December 2005 balances with the Central Bank amounting to TBGN 57 612 represent the minimum obligatory reserve that the Group has to maintain with BNB in the course of its banking activity performed by Central Cooperative Bank. The amount includes a minimum obligatory reserve in foreign currency amounting to TBGN 44 312 and a minimum obligatory reserve in Bulgarian leva amounting to TBGN 13 300. The minimum obligatory reserve is calculated as a percentage ratio based on the attracted funds, and at the end of the respective accounting periods Central Cooperative Bank complied with the requirements of the Bulgarian legislation as to its amount. No restrictions have been imposed by the Central Bank for using the minimum reserves, other than the charge of interest in case reserves do not cover the minimum required amount.

In 2005 BNB approved an additional obligatory minimum reserve in case the increase of the total amount of loans, granted by a bank, exceeds the fixed limits. If the limits are exceeded, it is obligatory to keep additional minimum reserve at BNB for a 3-month period.

**Movement in allowances for impairment**

| | Placements with banks | Loans to customers | Commitments and contingencies | Total |
|---|---|---|---|---|
| | **BGN’000s** | **BGN’000s** | **BGN’000s** | **BGN’000s** |
| **Balance as at 1 January 2004** | **-** | **-** | **-** | **-** |
| Occurred as a result of acquisitions during the period | 343 | 2 945 | 3 820 | 7 108 |
| Net charge/(release) for the period | - | 3 664 | (3 820) | (156) |
| Written - off | - | (4 435) | - | (4 435) |
| **Balance as at 31 December 2004** | **343** | **2 174** | **-** | **2 517** |
| Net charge/(release) for the period | (324) | 8 191 | - | 7 867 |
| Written - off | (19) | (6 010) | - | (6 029) |
| **Balance as at 31 December 2005** | **-** | **4 355** | **-** | **4 355** |

**Equity**

**Share capital**

The share capital of the Group consists of ordinary shares with a par value of BGN 1. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders’ meeting of the Group.

| | 2005 | 2004 |
|---|---|---|
| | **BGN’000s** | **BGN’000s** |
| Shares issued and fully paid | | |
| - beginning of the year | 20 000 000 | 20 000 000 |
| - issued during the year | 40 000 000 | - |
| Shares fully paid as at 31 December - issued | **60 000 000** | **20 000 000** |
| - issued during the year - unpaid | (2 082 375) | - |
| **Number of shares as at 31 December – issued and paid** | **57 917 625** | **20 000 000** |

The list of the principal shareholders is as follows:

| | 2005<br>Number of shares | 2005<br>% | 2004<br>Number of shares | 2004<br>% |
|---|---|---|---|---|
| Chimimport Invest AD | 58 878 298 | 98.13% | 18 878 298 | 94.39% |
| Consolid Comers AD | 704 276 | 1.17% | 704 276 | 3.52% |
| Bulfraht OOD | 18 088 | 0.03% | 18 088 | 0.09% |
| Despred OOD | 13 600 | 0.02% | 13 600 | 0.07% |
| VIHVP - Plovdiv | 6 800 | 0.01% | 6 800 | 0.03% |
| TB Biochim AD Sofia | 3 400 | 0.01% | 3 400 | 0.02% |
| Shareholders | 375 538 | 0.63% | 375 538 | 1.88% |
| | **60 000 000** | **100.00%** | **20 000 000** | **100.00%** |

**Outstanding capital**

As at 31 December 2005 the amount of BGN 2 082 375 is due by Chimimport Invest AD . The installment due is remitted to the account of Chimimport AD on 13 March 2006.

**Additional paid-in capital**

Instalments for increase in share capital are made in 2005 by Chimimport Invest AD aiming increase in the share equity in 2006 up to BGN 60 million (note 43).

The installment amounting to TBGN 58 916 is made by Chimimport Invest AD through contribution in kind of receivables of the Company. The contribution in kind is valuated by triple court – accounting expertise at nominal value.

**Other reserves**

Other reserves are formed in accordance with the requirements of the Bulgarian Commercial Act.

**Specialized reserves**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Insurance reserves | 22 769 | 12 046 |
| Pension fund reserves | 175 | 89 |
| | **22 944** | **12 135** |

**Insurance reserves**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Premium reserve carried forward | 14 236 | 8 345 |
| Reserve for outstanding payments | 7 761 | 4 786 |
| Contingency fund | 58 | 174 |
| Other reserves | 3 245 | 412 |
| Reinsurer's share in insurance reserves | (2 531) | (1 671) |
| | **22 769** | **12 046** |

Insurance reserves were set aside in the course of the Group's insurance activity performed by ZAD Armeec.

The Group sets aside **premium reserve carried forward** on the basis of the amount of accrued insurance premiums. All insurance contributions that have to be paid according to the insurance policies are accrued on a timely basis.

The exact-date method is applied separately for each policy. A program installed in the informational system performs the calculations.

Premium reserve carried forward is not formed for subscription insurances because under subscription insurances ZAD Armeec does not collect the premium in advance, but after the end of the insurance term - Accident Insurance of Hotel Guests, Visitors of Sports Equipment Insurance, subscription insurances Cargo and Haulier's Liability Insurance. The premium carried forward for non-recurring insurances Cargo and Haulier's Liability insurance is calculated for the one-month term of the insurance.

The part of the reinsurers in the premium reserve carried forward is calculated pro rata of the ceded premium of each policy.

**Reserve of outstanding payments** consists of:

- Reserve for occurred and presented claims – is calculated by applying the method claim by claim. The basis for calculation is preliminary valuation and register of damages. Calculations are made according to the data in the information system. Reinsurers' reserve is calculated pro rata of the ceded premium of the policy under which damage occurred.
- Reserve for occurred, but not presented claims – is calculated by applying the chain-ladder method. Regarding the calculation of reserve for occurred, but not claimed damages the chain-ladder method is used for every type of insurance offered by ZAD "Armeec". This method is applied for the period being 2001-2005. The Company does not set aside reserve for occurred, unclaimed damages for the following insurances: "Casco of flying machines", "Casco of vessels", "Cargo", "Aviation Third Party Liabilities Insurances", "Vessels Third Party Liabilities Insurances", "Guarantees", "Financial Loss Insurance", "Court Expenses Insurance", because using the chain-ladder method for accruing of reserve for occurred but unclaimed damages at insurances such as "Casco of flying machines", "Casco of vessels", "Cargo", "Aviation Third Party Liabilities Insurances", "VesselsThird Party Liabilities Insurances", "Guarantees" and "Financial Loss Insurance",a result amounting to 0 arises. No premium income is realized relating to "Vessels Third Party Liabilities Insurances" and "Court Expenses Insurance Calculations are carried out on the basis of statistical data about the registered claims in the information system INSIS for the period 2001-2005. Reinsurers's reserve is calculated in accordance with the effectual reinsurance contracts in the year of occurrence of the damage.
- Contingency fund is set aside only for insurance of loans. For the remaining part of the insurances no contingency fund is set aside.

**Payables to secured individuals**

The amounts recognized in the balance sheet comprise payables to individuals secured by the following pension funds:

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|

| | | |
|---|---|---|
| Payables of voluntary pension fund | 5 617 | 4 687 |
| Payables of professional pension fund | 4 637 | 3 633 |
| Payables of universal pension fund | 14 271 | 7 870 |
| | **24 525** | **16 190** |

**Long - term financial liabilities**

| | **2005** | **2004** |
|---|---|---|
| | **BGN’000s** | **BGN’000s** |
| Long-term loans | 9 110 | 12 060 |
| Long-term trade payables | 7 265 | 8 901 |
| Other attracted funds | 9 152 | 10 856 |
| | **25 527** | **31 817** |

**Long-term loans**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Postbank - investment loan – long-term portion | 3 374 | 5 319 |
| INO - investment loan - long-term portion | 2 397 | 4 475 |
| Ministry of Environment and Water - long - term loan | - | 2 029 |
| Hebros Bank | 688 | - |
| Hypovereinzbank AD | 1 332 | - |
| Others | 1 319 | 237 |
| | **9 110** | **12 060** |

Postbank AD

The investment loan from Postbank is in force by 30 September 2008. The contractual loan amount is TEUR 4 807 and repayment is due in EUR. The negotiated interest rate is three-month EURIBOR plus 6% on annual basis. The loan is collatrized with pledge over shares of Prouchvane i dobiv na neft i gaz AD amounting to TBGN 297 as at 30 September 2003.

INO

The total amount of the investment loan provided by INO amounts to TBGN 6 205 according to loan contract dated 9 February 2004. The interest rate stipulated in the loan contract is 12% on annual basis. The maturity date of the contract is 9 February 2009. The purpose of the loan is to enable the acquisition of airplane hangars by the Group. The hangars have been purchased from AK Balkan - in liquidation.

Hebros Bank

The total amount of the liability is TBGN 1 297 under Expromissio agreement dated 19 September 2005. The maturity date of the Agreement is 20 July 2008. The payments should be made in 35 equal monthly installments, TBGN 33 each.

Hypovereinzbank AD

The mortgage revolving loan granted by HVB 1 is in force till 31 December 2006. The loan amounts to TEUR 107 and it should be repaid in EUR. The interest rate is 4.85% on an annual basis. The loan is secured with a mortgage of a property in Ofenbah, Germany.

The mortgage revolving loan granted by HVB 2 is in force till 31 December 2006. The loan amounts to TEUR 295 and it should be repaid in EUR. The interest rate is 4.25% on an annual basis. The loan is secured with a mortgage of a property in Frankfurt, Germany.

The mortgage revolving loan granted by HVB 3 is in force till 31 December 2006. The loan amounts to TEUR 279 and it should be repaid in EUR. The interest rate is 4.85% on an annual basis. The loan is secured with a mortgage of a property in Hanau.

**Long - term trade payables**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| ANZ Bank, Australia – long-term portion | 7 265 | 8 901 |
| | **7 265** | **8 901** |

The liability results from a contract for purchase of 3 airplanes BAE/146-200 on deferred payment amounting to USD 9 289 680. The sum is payable in 60 monthly equal instalments amounting to USD 154 828 until 30 April 2009. The contract is guaranteed by a bank guarantee, issued by Bulbank AD amounting to USD 1 000 000, which is collaterised with a mortgage of hangar number 3, owned by Hemus Air EAD.

*Other attracted funds*

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Financing from State Agricultural Fund | 9 152 | 10 284 |
| Others | - | 572 |
| | **9 152** | **10 856** |

As at 31 December 2005 the other attracted funds include financing from State Agricultural Fund at the amount of BGN 9 152 thousand (including the interest) for granting loans to the agricultural sector.

The credit risk for collectability of these loans shall be assumed by the Group.

**Other non-current liabilities**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Liabilities under out-of-court settlement of claims | 2 542 | 4 210 |
| RAI Banka | 1 268 | 1 268 |
| PHL Group AD Switzerland | - | 2 431 |
| Fritz International | - | 1 288 |
| Desislava 2001 EOOD | - | 953 |
| Otornio investment | - | 681 |
| Other | 1 724 | 674 |
| | **5 534** | **11 505** |

**Liabilities under out-of-court settlement of claims**

The Group's liabilities under out-of-court settlement occurred in the course of its banking activity performed by Central Cooperative Bank AD. Those liabilities include:

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Present value of liability | 1 111 | 1 924 |
| Accrued interest | 1 431 | 2 286 |
| | **2 542** | **4 210** |

According to the out-of-court settlements in 1999, Central Cooperative Bank AD will pay to two companies, registered abroad the amount of USD 5 million for a period of 8 years (with a 5-year grace period). Due to the fact that the effect of time on the value of monetary liabilities is material, such liabilities were discounted to be reported at their present value as at the balance sheet date. The present value of the above mentioned liabilities amounts to USD 1 339 758, as at 31 December 2004. In 2005 Central Cooperative Bank AD effected the second payment of the negotiated three payments to the amount of USD 1 666 668, of which USD 669 879 at the expense of the present value of the liability and USD 996 789 at the at the expense of the accrued interest. As a result of that payment the present value of the aforementioned liabilities as at 31 December 2005 is USD 669 879, which is equal to TBGN 1 111. The Group has recognized in the income statement for the years ending on 31 December 2005 and 2004 the respective interest expenses to the amount of TBGN 424 (USD 267 850) and TBGN 702 (USD 446 400).

A return rate of 14% is applied in calculating the discount factor and the present value of provisions on long-term liabilities denominated in USD, which results in an effective interest rate of 10.7%.

The summary of the present value of the expenses for the liabilities present value and the interest expenses, denominated in USD, is presented below:

| Year of recognition of expenses | Provision expenses | Interest expense | Total |
|---|---|---|---|
| | **USD** | **USD** | **USD** |
| 1999 | 2 009 638 | - | 2 009 638 |
| 2000 | - | 535 550 | 535 550 |
| 2001 | - | 535 550 | 535 550 |
| 2002 | - | 535 550 | 535 550 |
| 2003 | - | 535 550 | 535 550 |
| 2004 | - | 446 400 | 446 400 |
| 2005 | - | 267 850 | 267 850 |
| 2006 | - | 133 912 | 133 912 |
| | **2 009 638** | **2 990 362** | **5 000 000** |

The Group's liabilities under out-of-court settlement are as follows:

| Payment dates | USD |
|---|---|
| 24 July 2004 | 1 666 668 |
| 30 September 2005 | 1 666 666 |
| 20 December 2006 | 1 666 666 |
| | **5 000 000** |

**Short-term financial liabilities**

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Deposits from banks | 16 809 | 45 802 |
| Amounts owed to other depositors | 653 807 | 417 111 |
| Short-term bank loans | 46 274 | 24 861 |
| Liabilities under repurchase agreements | 14 507 | 9 568 |
| Other loans | 1 707 | 7 498 |
| Insurance and reinsurance payables | 3 608 | 1 677 |
| Others | 1 025 | 1 448 |
| | **737 737** | **507 965** |

**Deposits from banks**

Those payables have occurred in the course of the banking activity of the Group.

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Demand deposits from local banks | | |
| -In BGN | 38 | 23 |
| -In foreign currency | 33 | 67 |
| Demand deposits from foreign banks in foreign currency | - | 12 |
| Term deposits from local banks | | |
| -In BGN | 5 001 | 5 007 |
| -In foreign currency | 11 737 | 27 256 |
| Term deposits from foreign banks in foreign currency | - | 13 437 |
| | **16 809** | **45 802** |

As at 31 December 2005 the amount of term deposits from local banks is approximately 99% of the total amount of deposits from banks.

**Amounts owed to other depositors**

Analysis by term and currency:

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Demand deposits | | |
| -In BGN | 176 281 | 109 590 |
| -In foreign currency | 33 133 | 18 532 |
| Term deposits | | |
| -In BGN | 189 803 | 112 147 |
| -In foreign currency | 210 298 | 143 194 |
| Saving accounts | | |
| -In BGN | 15 049 | 13 533 |
| -In foreign currency | 16 375 | 12 064 |
| Other deposits | | |
| -In BGN | 5 971 | 5 593 |
| -In foreign currency | 6 897 | 2 458 |
| | **653 807** | **417 111** |

**Analysis by customer and currency type:**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Deposits of individuals | | |
| -In BGN | 144 564 | 82 893 |
| -In foreign currency | 167 831 | 102 049 |
| Deposits of enterprises | | |
| -In BGN | 229 891 | 112 783 |
| -In foreign currency | 98 719 | 71 645 |
| Deposits of other institutions | | |
| -In BGN | 12 649 | 45 186 |
| -In foreign currency | 153 | 2 555 |
| | **653 807** | **417 111** |

**Short-term bank loans**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Nord Bank AD – Luxemburg-Syndicated loan | 21 457 | - |
| Bulbank AD - credit facility | 13 057 | 12 688 |
| DSK Bank - revolving credit facility | 5 000 | 5 000 |
| Postbank - short - term portion (Note 0) | 1 946 | 1 946 |
| INO - trade loan - short - term portion (Note 0) | 1 250 | 1 113 |
| Hebros Bank AD - short - term portion (Note 0) | 393 | |
| Ost – West Handelsbank – mortgage loan | 1 370 | 1 956 |
| Eurocredit, Munchen | 525 | - |
| Eurocredit, Ofenbah | 423 | - |
| Trade Eurocredit | 853 | - |
| Hypovereinzbank – trade loan | - | 1 115 |
| Hypovereinzbank – mortgage loan | - | 863 |
| Hypovereinzbank – KfW loan | - | 100 |
| Bayer – Germany – trade loan | - | 80 |
| | **46 274** | **24 861** |

**HSH Nordbank AG branch Luxemburg**
During 2005 the Group has received a short-term syndicated loan from foreign banks amounting to TEUR 11 (TBGN 21 457), including the interests. The loan maturity date is May 2006. The agent on the syndicated loan is HSH Nordbank AG, branch Luxembourg and the creditors are: Raiffeisen Zentralbank Osterreich AG, HSH Nordbank AG, Bank Austria Creditanstalt AG, Bankgesellschaft Berlin AG, Bayerische Hypo und Vereinsbank AG, Export-Import Bank of the Republic of China. The Group received the loan with the purpose of granting loans to its bank customers. The loan is repaid by one-off payment at maturity and the interest is paid semi annually. The Group has not provided collateral on the received loan.

**Bulbank AD**
Credit facility from Bulbank is in force till 20 July 2006. The loan amounts to TEUR 6 500 and should be repaid in EUR. Mortgage of land and property in Provadia secures the loan as well as mortgage of machines and technical equipment. The interest rate is equal to the bank interest rate plus 3% on annual basis.

**DSK Bank AD**
The bank loan from DSK Bank AD under contract 336 signed on 23 September 2002 is in the form of revolving credit facility collaterized with a mortgage over the administrative building of Niko Commerce located in 2, Stefan Karadja Str. as well as parts of the administrative building located in 1, Alexander Batenberg Str. and 2, Stefan Karadja Str. which are owned by Chimimport AD. The negotiated interest rate is the bank's interest rate plus 0.5% on annual basis. The expiry date of the loan is 22 September 2006.

**Ost – West Handelsbank**

The mortgage loan from Ost-West Handelsbank is collaterized with a mortgage of real estate in Muelhaim. The contractual loan amount is TEUR 1 000 and repayment is due in EUR. The interest rate is 6.30% on annual basis and after prolongation by one year the agreement is in force by 31 December 2006.

Hypovereinzbank AD

Eurocredit Munchen from HVB 3 is in force by 15 June 2006. The loan amounts to TEUR 268 and it should be repaid in EUR. Interest rate is 3.88%. There is no collateral negotiated.

Trade Eurocredit from HVB 4 is in force by 20 February 2006. The loan amounts to TEUR 437 and it should be repaid in EUR. Interest rate amounts to 7.55%. There is no collateral negotiated.

Eurocredit Ofenbah from HVB 5 is in force by 1 February 2006. The loan amounts to TEUR 216 and it should be repaid in EUR. Interest rate amounts to 4.75%. There is no collateral negotiated.

**Liabilities under repurchase agreements**

As at 31 December 2005 the Group has signed repurchase agreements with local companies to the total amount of TBGN 14 507, including the outstanding interest payables. The Group has secured this liability by a pledge of Bulgarian government securities. The maturity of these repurchase agreements is between January and June 2006.

**Other loans**

| | **2005**<br>**BGN'000s** | **2004**<br>**BGN'000s** |
|---|---|---|
| Desislava | 290 | - |
| Unicredit | 133 | - |
| Iantar | 162 | - |
| Slanchevi lachi trade EOOD | - | 3 257 |
| Inimport OOD | - | 2 798 |
| Hamer 2003 EOOD | - | 1 009 |
| Sticks | - | 434 |
| Others | 1 122 | - |
| | **1 707** | **7 498** |

The negotiated interest rate is from 10 to 12% p.a. and the maturity is within 1 year.

**Trade and other payables**

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Trade payables | 31 227 | 30 874 |
| Tax payables | 4 854 | 3 681 |
| Payables to employees | 1 761 | 2 214 |
| Payables to social security institutions | 682 | 579 |
| Interest payables | 743 | 2 413 |
| Others | 22 750 | 27 612 |
| | **62 017** | **67 373** |

The fair values of trade and other payables has not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheet to be a reasonable approximation of their fair value.

**Tax payables**

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Corporate income tax | 1449 | 1 680 |
| VAT | 729 | 264 |
| Excise duty | 1799 | 1 310 |
| Local tax and fees | 82 | 60 |
| One-time taxes | 85 | 90 |
| Income tax | 67 | 93 |
| Other | 643 | 184 |
| | **4 854** | **3 681** |

**Income from non-financial activities**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Sale of finished goods | 20 714 | 30 900 |
| Sale of trading goods | 9 329 | 19 650 |
| Sale of services | 70 610 | 11 739 |
| Sales of performed flights | 54 327 | 43 495 |
| Others | 21 913 | 6 447 |
| | **176 893** | **112 231** |

**Expenses on non-financial activities**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Cost of finished and trading goods sold | 61 261 | 23 025 |
| Cost of materials | 35 246 | 31 554 |
| Hired services | 44 583 | 31 684 |
| Depreciation | 7 474 | 3 804 |
| Employee expenses | 9 650 | 9 041 |
| Other | 6 935 | 5 987 |
| | **165 149** | **105 095** |

**Insurance income**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Insurance premiums | 42 792 | 26 920 |
| Regression income | 716 | 358 |
| Released insurance reserves | 14 162 | 7 055 |
| Income from reinsurance operations | 3 732 | 2 109 |
| Other insurance income | 1 596 | 93 |
| | **62 998** | **36 535** |

Insurance income has occurred in the course of the insurance activity of the Group performed by ZAD Armeec.

**Insurance premiums**

For the years 2005 and 2004, the percentages of the principal kinds of insurances in the insurance portfolio of ZAD Armeec according to the amount of the premium income from direct insurance, are as follows:

| | 2005 | 2005 | 2004 | 2004 |
|---|---|---|---|---|

| | BGN'000s | % from total premium income | BGN'000s | % from total premium income |
|---|---|---|---|---|
| Casco | 21 041 | 49.17 | 12 765 | 48.61 |
| Motor liabilities | 7 847 | 18.34 | 4 786 | 17.38 |
| Fire and natural calamities | 3 814 | 8.91 | 2 260 | 8.2 |
| Property damage | 1 186 | 2.77 | 492 | 1.79 |
| Accident | 1 702 | 3.97 | 2 347 | 8.52 |
| Credit and lease | 1 084 | 2.53 | 1 307 | 4.74 |
| General public liability | 663 | 1.55 | 299 | 1.09 |
| Aviation public liability | 2 714 | 6.34 | 720 | 2.61 |
| Travel assistance | 629 | 1.47 | 293 | 1.06 |
| Guarantee Insurance | 190 | 0.47 | 221 | 0.8 |
| Aviation hull | 1 465 | 3.42 | 342 | 1.24 |
| Cargo | 272 | 0.65 | 851 | 3.09 |
| Financial loss | 81 | 0.19 | 109 | 0.41 |
| Marine hull | 104 | 0.23 | 128 | 0.46 |
| | **42 792** | **100** | **26 920** | **100** |

**Income from reinsurance operations**

| | 2005<br>BGN'000s | 2005<br>BGN'000s |
|---|---|---|
| Income from received indemnity from reinsurers | 625 | 289 |
| Income from participation in reserves of reinsurers | 2 | 4 |
| Income from received commissions from reinsurers | 600 | 144 |
| Income from reserves set aside for the reinsurer | 2 505 | 1 672 |
| | **3 732** | **2 109** |

**Insurance expenses**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Claims paid | 10 208 | 5 044 |
| Liquidation of damages expenses | 190 | 105 |
| Commissions and fees expenses | 9 714 | 2 829 |
| Insurance reserve formed | 24 715 | 14 730 |
| Expenses for reinsurance operations | 6 810 | 3 880 |
| Other expenses for insurance operations | 1 661 | 1 311 |
| | **53 298** | **27 899** |

Insurance expenses have occurred in the course of the insurance activity of the Group performed by ZAD Armeec.

Claims paid

The procedure of liquidation of damages and the payment of the insurance indemnity are regulated by the methods developed and adopted by ZAD Armeec for each kind of insurance. Concerning the general insurance, there is a description of the relationships between the parties in the case of occurring of the insurance event, as well as at the way of payment of the insured sum. For some of the insurances there are also requirements concerning the preliminary information that the insurer has to obtain in order to assume the obligations under the insurance contract. For some of the insurances there are also requirements concerning the preliminary information that the insurer has to obtain in order to assume the obligations under the insurance contract.

The liquidation is performed by the Head Office of ZAD Armeec. The claims are paid by the Head Office upon the issue of a report by liquidation experts, legal experts and the approval of The liquidation of damages may also be performed by the Company's agencies. Each agency is authorised to liquidate damages within the limits determined by the Head Office. When the amount exceeds the limit, the liquidation is performed by the Head Office.

During the year 2004 the following claims, classified by kind and by group of insurances, have been paid:

| | **2005** | **2005** | **2004** | **2004** |
|---|---|---|---|---|
| | **BGN'000s** | **% from total claims paid** | **BGN'000s** | **% from total claims paid** |
| Casco | 6 965 | 68.23 | 3 712 | 73.59 |
| Motor liabilities | 1 377 | 13.49 | 693 | 13.74 |
| Accident- group | 647 | 6.34 | 184 | 3.65 |
| Fire and natural calamities | 418 | 4.09 | 181 | 3.59 |
| Credits | 358 | 3.51 | 166 | 3.29 |
| Property damage | 239 | 2.34 | 83 | 1.64 |
| Aviation hull | 140 | 1.37 | - | - |
| Travel assistance | 38 | 0.37 | 20 | 0.4 |
| Marine hull | 18 | 0.18 | - | - |
| Cargo | 4 | 0.04 | - | - |
| Aviation public liability | 3 | 0.03 | - | - |
| General public liability | 1 | 0.01 | 1 | 0.02 |
| Cargo | - | - | 2 | 0.04 |
| Accident– at the places | - | - | 1 | 0.02 |
| Accident– individual | - | - | 1 | 0.02 |
| | **10 208** | **100** | **5 044** | **100** |

**Expenses for reinsurance operations**

| | **2005** | **2004** |
|---|---|---|
| | **BGN'000s** | **BGN'000s** |

| | | |
|---|---|---|
| Expenses for granted premiums to reinsurers | 5 164 | 2 989 |
| Expenses for released reserves for reinsurers | 1 646 | 891 |
| | **6 810** | **3 880** |

**Interest income**

| | **2005** | **2004** |
|---|---|---|
| | **BGN'000s** | **BGN'000s** |
| **Interest income by source:** | | |
| Enterprises | 36 215 | 23 171 |
| Government securities | 4 248 | 2 090 |
| Banks | 2 827 | 2 076 |
| Individuals | 8 869 | 2 223 |
| Other | 316 | 3 232 |
| | **52 475** | **32 792** |

**Interest expense**

| | **2005** | **2004** |
|---|---|---|
| | **BGN'000s** | **BGN'000s** |
| **Interest expenses by recipients:** | | |
| Enterprises | 14 055 | 4 620 |
| Individuals | 2 629 | 4 836 |
| Banks | 2 166 | 3 709 |
| Other | 7 439 | 3 848 |
| | **26 289** | **17 013** |

**Gains from transactions with financial instruments**

| | **2005** | **2004** |
|---|---|---|
| | **BGN'000s** | **BGN'000s** |
| Revaluation of financial instruments | 17 411 | 4 211 |
| Gains from dealing with securities | 16 280 | 875 |
| Others | 6 108 | 981 |
| | **39 799** | **6 067** |

**Losses from transactions with financial instruments**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Revaluation of financial instruments | 11 198 | 1 352 |
| Result from forward transactions | 2 400 | - |
| Losses from dealing with securities | 1 008 | 180 |
| Others | 4 967 | 148 |
| | **19 573** | **1 680** |

**Administrative costs**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Cost of materials | 2 313 | 1 250 |
| Hired services | 16 037 | 11 054 |
| Depreciation | 3 769 | 2 600 |
| Employee expenses | 16 822 | 12 535 |
| Others | 16 985 | 8 823 |
| | **55 926** | **36 262** |

**Negative goodwill**

In 2005 the income from excess of fair value of net assets acquired over cost occurred as a result of the following acquisitions:

| | Negative goodwill<br>BGN'000s | Shares acquired<br>% |
|---|---|---|
| Prouchvane i dobiv na neft i gaz AD | 1 899 | 18.95% |
| CCB AD | 20 | 0.08% |
| **Income recognised in current period profit** | **1 919** | **-** |

For further details on the acquisitions performed see Note 5.

**Other financial income**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Fees and commissions income, net | 14 876 | 12 452 |
| Net result from foreign exchange differences | 1 358 | (905) |
| Income from merger of Hemus Hold | - | 13 946 |
| Others | 3 820 | 4 455 |
| | **20 054** | **29 948** |

**Fees and commissions income, net**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Servicing loans | 5 888 | 4 146 |
| Servicing commitments and contingencies | 580 | 606 |
| Servicing deposit accounts | 1 707 | 1 985 |
| Bank transfers | - | 2 716 |
| Cash services | - | 1 343 |
| Bank card services | - | 1 341 |
| Other income | 9 461 | 1 229 |
| Fees and commissions expenses | (2 760) | (914) |
| | **14 876** | **12 452** |

**Allocation to secured individuals**

As at 31 December 2005 and 2004 BGN 1 435 and BGN 1 512 respectively are the amounts that are subject to distribution to secured individuals in the course of the activity of the pension funds that are part of the Group.

**Income tax expense**

The relationship between the expected tax expense based on the effective tax rate at 15% (2004: 19.5 %) and the tax expense actually recognised in the income statement can be reconciled as follows:

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Result for the period before tax | 33 030 | 34 693 |
| Tax rate | 15.00% | 19.50% |
| **Expected tax expense** | (4 955) | (6 765) |
| | Tax effect<br>15.00% | Tax effect<br>19.50% |
| Adjustment for tax exempt income | 2 305 | 2 334 |
| **Current tax expense** | (2 650) | (4 431) |
| **Deferred tax income/(expense), resulting from:** | | |
| - origination and reversal of temporary differences and changes in tax rates | (372) | 27 |
| **Actual tax expense, net** | (3 022) | (4 404) |
| Effective tax rate | 9.15% | 12.69% |

Please refer to note 0 for information on the entity's deferred tax assets and liabilities.

**Earnings per share**

The weighted average number of outstanding shares used for basic earnings per share as well as profits attributable to shareholders is as follows:

| | 2005<br>BGN | 2004<br>BGN |
|---|---|---|
| Profit attributable to equity holders of Chimimport AD | 27 756 000 | 26 136 000 |
| Weighted average number of ordinary shares in issue | 46 424 658 | 18 797 814 |
| **Basic earning per share (BGN per share)** | 0.5979 | 1.3904 |

The basic earnings per share is determined by dividing the net profit for the period attributable to the equity holders of Chimimport AD by the weighted average number of ordinary shares outstanding during the period ending 31 December 2005 and 2004 respectively.

The weighted average number of shares is calculated as a sum of the number of ordinary shares outstanding at the beginning of the period and the number of ordinary shares issued during the period, multiplied by the time-weighting factor.

**Related parties transactions**

**Receivables from related parties**

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Konor Switzerland | 992 | 862 |
| Stroi Keramika | 727 | - |
| Zarneni hrani Plovdiv | 443 | 368 |
| TPO EOOD | 424 | 357 |
| Mlechen pat | 393 | - |
| Kavarna gaz OOD | 336 | 145 |
| Office 1 Superstore | - | 230 |
| IKG | 325 | - |
| Var mont | 244 | - |
| Chim Petrol | 14 | - |
| Others | 1 668 | 3 484 |
| | **5 566** | **5 446** |

The Group owns shares in the above listed companies without having control or significant influence.

**Long-term payables to related parties**

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Chimimport Invest – shareholder of Chimimport AD | - | 5 200 |
| Others | - | 3 607 |
| | **-** | **8 807** |

**Short-term payables to related parties**

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| POAD Saglasie – associated company | 1 600 | - |
| Ministry of defence | - | 361 |
| Others | 345 | 28 |
| | **1 945** | **389** |

There are no specific conditions relating to the above listed liabilities. No guarantees have been received or granted. No significant purchases or sales transactions with related parties have been performed during the year.

**Transactions with key management personnel**

During 2005 the considerations paid to the members of Management Board of the Company and to the Procurator amount to TBGN 38. In 2005 no special transactions with the management of the Company have been performed.

**Commitments and contingencies**

**Guarantees issued**

The aggregate amount of outstanding guarantees at year-end is as follows:

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Bank guarantees | | |
| -In BGN | 29 047 | 37 420 |
| -In foreign currency | 14 927 | 14 520 |
| | **43 974** | **51 940** |

**Irrevocable commitments**

As at 31 December 2005 in course of its banking activity the Group has signed contracts for granting of revolving and other loans to customers at the total amount of TBGN 2 016. The future utilization of these amounts depends on the customers' ability to meet certain criteria, including no record of overdue payments on previously granted loans, provision of collateral with suitable quality and liquidity, etc.

**Other contingent liabilities**

The group has entered into several loan agreements under which collaterals have been given. For details on collaterals submitted by the Group refer to Notes 23, 23.2, 25.3.

**Contingent assets**

As at 31 December 2005 the contingent assets and the estimate of their financial effect are as follows:

| | **2005** | **2004** |
|---|---|---|
| | **BGN'000s** | **BGN'000s** |
| Fixed assets pledged as security in favour of the Group | 820 274 | 651 060 |
| Collaterals subject to execution | 8 022 | 7 419 |
| Outstanding receivables written-off | 4 494 | - |
| Receivables under foreign exchange transactions | - | 20 105 |
| Receivables from regressions | 712 | - |
| | **833 502** | **678 584** |

**Post Balance sheet events**

On 09 February 2006 Dimitar Kalchev is removed as a member of the Management Board and as an executive director of the Company. Ivo Kamenov is removed as a member of the Supervisory Board and as a Procurator of the Company. Ivo Kamenov joined the Management Board and became executive director of the Company. The Company is represented by the executive directors Ivo Kamenov and Marin Mitev, together and separately.

On 15 February 2006 the General Meeting of the Shareholders has taken the decision to increase the share capital from 60 000 000 BGN to 118 916 086 BGN and to start the procedure for transforming the company into a public company. The increase in capital was registered with the court on 10 April 2006.

A special session of the General Meeting was held on 31 March 2006. A decision was taken for a new increase in the capital via initial public offering (IPO) of 11 083 914 shares, each with par value of 1 BGN and emission value 4 BGN.

On 17 March 2006 with decision № 149 the Council of Ministers determined Chimimport AD to be the participant, winning the tender for sale of 626 783 shares, representing 70% of the capital of Parahodstvo Bulgarsko Rechno Plavane AD Ruse. The initial contract between the Buyer and Privatization Agency has been approved by the Supervisory Board of the Privatization Agency and approvement by the Council of Ministers is expected. With this respect the Commission for protection of competition allowed concentration of economic activity by Decision dated 09 May 2006 in accordance with article 21, paragraph 1, point 2 of the Protection of Competition Act. This concentration of economic activity will be occur as a result of the above mentioned acquisition of 70% of the shares of Parahodstvo Bulgarsko Rechno Plavane AD Ruse from Chimimport AD through Bulgarian Shipowners Association.

**Risk management objectives and policies**

The Group is exposed to a variety of financial risks, which result from both its operating and investing activities.

Liquidity and interest rate risks

The interest rate risk is the risk that the value of the Group's interest – bearing loans might vary as a consequence of the changes in the market interest rates.

The Group maintains the required liquidity of operating currencies. The Group places the available cash funds on "overnight deposits" on a daily basis. The management intents to increase the interest income, as these types of operations bear much higher interest than the interest on nostro accounts with the correspondents, without declining the liquidity of the Group.

The maturity of assets and liabilities and the ability to replace, at an acceptable cost, the interest bearing liabilities as they mature, are taken into consideration by the management in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

The Group applied the following methods in assets and liabilities management:

in assets management the Group intends to maintain a balanced loan and securities portfolio regarding the assets with fixed and floating interest rates. Except for some loans, all granted by the Group loans bear floating interest rates. Those bearing fixed interest rates, mature up to 1 year and the interest levels considerably exceed the current market ones. The active management of securities portfolio additionally facilitates avoiding the risk of unfavourable fluctuations of interest rates.

- in management of attracted funds the Group takes into consideration the terms of competition, but includes in its deposit contracts a clause for resetting of contracted interest rates upon amendments to the Interest Rates Tariff. This allows for a dynamic management of cost of attracted funds, although the deposit contracts are concluded at a fixed interest rate.

The assets and liabilities of the Group as at 31 December 2004 mature over the following periods, based on remaining maturity.

| | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | No stated maturity | Total |
|---|---|---|---|---|---|---|---|
| | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** |
| **Assets** | | | | | | | |
| **Non-current** | | | | | | | |
| Property, plant and equipment | - | - | - | - | - | 123 340 | 123 340 |
| Investment property | - | - | - | - | - | 9 304 | 9 304 |
| Goodwill | - | - | - | - | - | 11 904 | 11 904 |
| Intangible fixed assets | - | - | - | - | - | 5 639 | 5 639 |
| Investments in associates | - | - | - | - | - | 25 660 | 25 660 |
| Long - term financial assets | - | - | - | 290 742 | 43 238 | 56 154 | 390 134 |
| Deferred tax assets | - | - | - | - | - | 475 | 475 |
| | **-** | **-** | **-** | **290 742** | **43 238** | **232 476** | **566 456** |
| **Current** | | | | | | | |
| Inventories | - | - | - | - | - | 21 951 | 21 951 |
| Short-term financial assets | 16 793 | 29 209 | 149 585 | 1 552 | 9 286 | 24 759 | 231 184 |
| Receivables from related parties | - | - | 5 566 | - | - | - | 5 566 |
| Trade receivables | 23 254 | - | - | - | - | - | 23 254 |
| Other receivables | - | - | 39 431 | - | - | - | 39 431 |
| Cash and cash equivalents | 225 828 | 3 912 | - | - | - | 473 | 230 213 |
| | **265 875** | **33 121** | **194 582** | **1 552** | **9 286** | **47 183** | **1 129** |
| **Total assets** | **265 875** | **33 121** | **1 129** | **292 294** | **52 524** | **279 659** | **129** |

| | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | No stated maturity | Total |
|---|---|---|---|---|---|---|---|
| | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** |
| **Liabilities** | | | | | | | |
| **Non-current** | | | | | | | |
| Payables to secured individuals | - | - | - | - | 24 525 | - | 24 525 |
| Long - term financial liabilities | - | - | - | 1 129 | - | - | 25 527 |
| Long-term payables to related parties | - | - | - | - | - | - | - |
| Other non - current liabilities | - | - | - | 5 534 | - | - | 5 534 |
| Deferred tax liabilities | - | - | - | - | - | 1 825 | 1 825 |
| | - | - | - | 31 061 | 24 525 | 1 825 | 57 411 |
| **Current** | | | | | | | |
| Short-term financial liabilities | 529 299 | 52 793 | 149 150 | - | - | 6 495 | 737 737 |
| Short-term payables to related parties | - | - | 1 945 | - | - | - | 1 945 |
| Trade and other liabilities | - | - | 62 017 | - | - | - | 62 017 |
| | 529 299 | 52 793 | 213 112 | - | - | 6 495 | 801 699 |
| **Total liabilities** | **529 299** | **52 793** | **213 112** | **31 061** | **24 525** | **8 320** | **859 110** |
| **Net liquidity gap** | **(263 424)** | **(19 672)** | **(18 530)** | **261 233** | **27 999** | **271 339** | **258 945** |
| **Cumulative** | **(263 424)** | **(283 096)** | **(301 626)** | **(40 393)** | **(12 394)** | **258 945** | |

**Foreign currency risk**

A major part of the loans received by the Group are in EURO, which limits the currency risk exposure. As far as the loans in USD are concerned the exchange rate changes for the last year were in favour of the Group.

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2005. The Group's assets and liabilities are included in the table below at their carrying amounts in thousand BGN, broken down by currency.

| | BGN | EUR | USD | Other | Total |
|---|---|---|---|---|---|
| | BGN'000s | BGN'000s | BGN'000s | BGN'000s | BGN'000s |
| **Assets** | | | | | |
| **Non-current** | | | | | |
| Property, plant and equipment | 123 340 | - | - | - | 123 340 |
| Investment property | 9 304 | - | - | - | 9 304 |
| Goodwill | 11 904 | - | - | - | 11 904 |
| Intangible fixed assets | 5 639 | - | - | - | 5 639 |
| Investments in associates | 25 660 | - | - | - | 25 660 |
| Long - term financial assets | 225 682 | 144 968 | 19 484 | - | 390 134 |
| Deferred tax assets | 475 | - | - | - | 475 |
| | **402 004** | **144 968** | **19 484** | **-** | **566 456** |
| **Current** | | | | | |
| Inventories | 21 951 | - | - | - | 21 951 |
| Short-term financial assets | 181 510 | 37 256 | 12 418 | - | 231 184 |
| Receivables from related parties | 5 566 | - | - | - | 5 566 |
| Trade receivables | 16 111 | 1 159 | 5 984 | - | 23 254 |
| Other receivables | 37 511 | 320 | 1 600 | - | 39 431 |
| Cash and cash equivalents | 90 774 | 95 205 | 41 918 | 2 316 | 230 213 |
| | **353 423** | **133 940** | **61 920** | **2 316** | **1 129** |
| **Total assets** | **755 427** | **278 908** | **81 404** | **2 316** | **1 118 055** |

| | BGN BGN'000s | EUR BGN'000s | USD BGN'000s | Other BGN'000s | Total BGN'000s |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| **Non-current** | | | | | |
| Payables to secured individuals | 24 525 | - | - | - | 24 525 |
| Long - term financial liabilities | 13 556 | 4 706 | 7 265 | - | 25 527 |
| Long-term payables to related parties | | | | | |
| Other non - current liabilities | 1 724 | | 2 542 | 1 268 | 5 534 |
| Deferred tax liabilities | 1 825 | - | - | - | 1 825 |
| | 41 630 | 4 706 | 9 807 | 1 268 | 57 411 |
| **Current** | | | | | |
| Short-term financial liabilities | 436 518 | 225 357 | 75 753 | 109 | 737 737 |
| Short-term payables to related parties | 1 945 | - | - | - | 1 945 |
| Trade and other liabilities | 56 040 | 444 | 5 533 | - | 62 017 |
| | 494 503 | 225 801 | 81 286 | 109 | 801 699 |
| **Total liabilities** | **536 133** | **230 507** | **91 093** | **1 377** | **859 110** |
| | | | | | |
| **Net position** | **219 294** | **48 401** | **(9 689)** | **939** | **258 945** |

Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset’s carrying amount.

The Group structures the credit risk determining limits for the credit risk as a minimum exposure to one debtor, to a group of related parties and respectively, geographically and to business sectors. In order to decrease the credit risk respective collaterals and guarantees are required.

Market risk

A market risk arises on opened exposures on interest, currency and capital products, as all of them are sensitive to general and specific market movements. Exposure to market risk is managed by the Group in accordance with the limits stipulated by the management.

**AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF**

**CHIMIMPORT AD**

Sofia

**Report on the Consolidated Financial Statements**

We have audited the consolidated financial statements of CHIMIMPORT AD consisting of balance sheets, income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2004 as well as the accompanying notes. Understanding of the financial situation, presentation and the cash flows of the Company can be obtained only by reading the consolidated financial statements prepared by the management of the Company.

**Responsibility of the management of the Company**

The management of the Company is responsible for the preparation and the fair presentation of the consolidated financial statements, through which information is provided for the financial situation, presentation and the cash flows of the Company in accordance with the International Financial Reporting Standards and the national accounting legislation. This responsibility includes:

- organizing and planning the internal control in order to find and prevent from misstatements, whether or not due to fraud;
- choosing and applying accounting policy in accordance with IFRS and appropriate under the specific circumstances;
- performing the necessary accounting estimates including the preparation of essential assumptions on which these estimates are based;

**Responsibility of the Auditor**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We performed the audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements, whether or not due to fraud. An audit includes:

- understanding of the Company's activity and environment in order to estimate the risks of material misstatements and mistakes in the consolidated financial statements as well as defining and conducting further audit procedures, so that we can manage this risk;
- examining, on a test basis, accounting records and other information supporting the amounts and disclosures in the consolidated financial statements;
- estimating the adequacy of the accounting policy that is chosen and applied;
- assessing the reasonability of the accounting principles used and significant estimates made;
- evaluating the overall financial statement presentation as well as the notes to the consolidated financial statements

In an audit of consolidated financial statements the auditor achieves understanding of the internal control system of the Company, which serves as a basis for defining the type, period and the extent of the audit procedures but the purpose of this is not to provide a reasonable basis for opinion concerning the building and effective functioning of the internal control.

We believe that our audit provides a reasonable basis for our opinion on the consolidated financial statements.

**Our opinion**

In our opinion, the consolidated financial statements present fairly, in all material aspects the financial position of the Company for the year ended 31 December 2004, and of the results of its operations and its cash flows for the period then ended in accordance with the International Financial Reporting Standards and the national accounting legislation.

| | |
|---|---|
| Auditing company | Registered auditor |
| Grant Thornton LTD | Mariy Apostolov |

27 June 2005
Sofia

**Chimimport AD**
**Consolidated financial statements**
**31 December 2004**

Grant Thornton

CHIMIMPORT AD
Joint - Stock Company since 1947

Contents

## Consolidated balance sheet

| | Notes | 2004 BGN'000s | 2003 BGN'000s |
|---|---|---|---|
| **Assets** | | | |
| **Non-current** | | | |
| Property, plant and equipment | | 95 926 | 24 669 |
| Investment property | | 9 286 | 1 663 |
| Goodwill | | 7 729 | 5 325 |
| Intangible fixed assets | | 752 | 344 |
| Investments in associates | | - | 16 653 |
| Long - term financial assets | | 41 686 | 13 037 |
| Long-term receivables | | 12 819 | 13 323 |
| Deferred tax assets | | 253 | 141 |
| | | **168 451** | **75 155** |
| **Current** | | | |
| Inventories | | 17 539 | 7 451 |
| Short-term financial assets | | 271 325 | 7 305 |
| Loans granted | | 24 822 | 17 873 |
| Receivables from related parties | | 5 446 | 2 941 |
| Trade receivables | | 21 843 | 21 069 |
| Tax receivables | | 2 057 | 1 332 |
| Other receivables | | 22 129 | 18 444 |
| Cash and cash equivalents | | 259 270 | 8 993 |
| | | **624 431** | **85 408** |
| **Total assets** | | **792 882** | **160 563** |

**Prepared by: ____________________** **Manager: ____________________**

**Date: 15 June 2005**

## Consolidated balance sheet

| | Notes | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|---|
| **Equity** | | | |
| **EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF CHIMIMPORT AD** | | | |
| Share capital | | 20 000 | 10 000 |
| Additional paid-in capital | | 37 916 | 4 777 |
| Other reserves | | 7 612 | 7 696 |
| Retained earnings | | 17 215 | 10 517 |
| Net result for the period | | 26 136 | 6 698 |
| | | **108 879** | **39 688** |
| **Minority interest** | | **26 591** | **16 784** |
| **Total equity** | | **135 470** | **56 472** |
| **Specialized reserves** | | 12 135 | 6 207 |
| **Liabilities** | | | |
| **Non-current** | | | |
| Payables to secured individuals | | 16 190 | 9 935 |
| Long - term financial liabilities | | 12 060 | 7 282 |
| Long - term trade payables | | 8 901 | - |
| Long-term payables to related parties | | 8 807 | 2 137 |
| Other attracted funds | | 10 856 | 744 |
| Other non - current liabilities | | 11 505 | 7 863 |
| Deferred tax liabilities | | 1 231 | 1 146 |
| | | 69 550 | 29 107 |
| **Current** | | | |
| Payables to depositors | | 462 913 | - |
| Short-term financial liabilities | | 45 052 | 22 589 |
| Trade payables | | 30 874 | 20 808 |
| Short-term payables to related parties | | 389 | 651 |
| Tax payables | | 3 681 | 1 643 |
| Payables to employees and social security institutions | | 2 793 | 1 441 |
| Other payables | | 30 025 | 21 645 |
| | | 575 727 | 68 777 |
| **Total liabilities** | | **645 277** | **97 884** |
| **Total equity and liabilities** | | **792 882** | **160 563** |

**Prepared by: ____________________** **Manager: ____________________**

**Date: 15 June 2005**

## Consolidated income statement

| | Notes | 2004 | 2003 |
|---|---|---|---|
| | | '000 BGN | '000 BGN |
| Income from non-financial activities | 0 | 112 231 | 84 782 |
| Expenses on non-financial activities | 0 | (105 095) | (79 579) |
| **Net result from non-financial activities** | | **7 136** | **5 203** |
| Administrative costs | 0 | (36 262) | (5 736) |
| Insurance income | 0 | 36 535 | 18 077 |
| Insurance expenses | 0 | (27 899) | (13 399) |
| **Net insurance result** | | **8 636** | **4 678** |
| Interest income | 0 | 32 792 | 1 643 |
| Interest expense | 0 | (17 013) | (3 463) |
| **Net interest income** | | **15 779** | **(1 820)** |
| Gains from transactions with financial instruments | 0 | 6 067 | 2 640 |
| Losses from transactions with financial instruments | 0 | (1 680) | (2 570) |
| **Net result from transactions with financial instruments** | | **4 387** | **70** |
| Negative goodwill | 0 | 6 581 | - |
| Share of results of associated companies | | - | 1 707 |
| Other financial income/(expense) | 0 | 29 948 | 4 749 |
| Allocation to secured individuals | 0 | (1 512) | (780) |
| **Result for the period before tax** | | **34 693** | **8 071** |
| Tax expense | 0 | (4 404) | (1 354) |
| **Net result for the period** | | **30 289** | **6 717** |
| Attributable to minority interest | | 4 153 | 19 |
| **Attributable to shareholders of Chimimport** | | **26 136** | **6 698** |

| | Notes | 2004 | 2003 |
|---|---|---|---|
| | | BGN | BGN |
| **Earnings per share** | 0 | 1.39 | 0.67 |

## Consolidated statement of cash flows

| | Notes | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 92 856 | 101 099 |
| Cash paid to suppliers | | (52 007) | (65 581) |
| Cash receipts from secured persons | | 6 609 | 3 806 |
| Cash paid to secured persons | | (547) | (502) |
| Cash paid to employees and social security institutions | | (6 857) | (7 805) |
| Net cash outflow related to foreign exchange gains and losses | | (245) | (662) |
| Cash receipts from banking operations | | 6 544 183 | - |
| Cash paid for banking operations | | (6 448 502) | - |
| Cash receipts from insurance operations | | 26 621 | 12 336 |
| Cash paid for insurance operations | | (26 659) | (2 915) |
| Income tax paid | | (11 930) | (6 472) |
| Other cash inflow from operating activities | | 171 376 | 80 591 |
| Other cash outflow for operating activities | | (225 698) | (92 993) |
| **Net cash flows from operating activities** | | **69 200** | **20 902** |
| **Cash flows from investing activities** | | | |
| Proceeds from business combinations | 0 | 220 850 | 826 |
| Payment for business combinations | 0,0 | (3 143) | (13 144) |
| Sale of property, plant and equipment | 0 | 10 129 | 18 757 |
| Purchase of property, plant and equipment | 0 | (66 375) | (22 343) |
| Proceeds from financial instruments | | 129 343 | 22 574 |
| Payment for financial instruments | | (129 615) | (29 280) |
| Purchase of investment property | 0 | (7 601) | - |
| Interest income | | 130 | 194 |
| Other cash inflow from investing activities | | 1 188 | 20 462 |
| Other cash outflow for investing activities | | (1 321) | (25 229) |
| **Net cash flows from investing activities** | | **153 585** | **(27 183)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issuing of shares | | 40 170 | 5 064 |
| Proceeds from loans received or repaid | | 25 326 | 18 570 |
| Payments for loans repaid or granted | | (36 623) | (5 198) |
| Interest paid | | (1 624) | (1 381) |
| Other cash inflow from financing activities | | 2 462 | 46 303 |
| Other cash outflow for financing activities | | (2 219) | (51 385) |
| **Net cash flows from financing activities** | | **27 492** | **11 973** |
| Net increase of cash and cash equivalents | | 250 277 | 5 692 |
| Cash and cash equivalents at the beginning of the period | | 8 993 | 3 301 |
| **Cash and cash equivalents at the end of the period** | 0 | **259 270** | **8 993** |

## Consolidated statement of changes in equity

| All amounts presented in BGN'000s | **Equity attributable to equity holders of Chimimport AD** Share Capital | Additional paid-in capital | Other reserves | Retained earnings | **Minority Interest** | **Total Equity** |
|---|---|---|---|---|---|---|
| **Balance 01 January 2003** | **10 000** | **-** | **7 847** | **10 517** | **16 765** | **45 129** |
| Net result for the period | - | - | - | 6 698 | 19 | **6 717** |
| Instalments for increase in share capital | - | 4 777 | - | - | - | **4 777** |
| Other changes in equity | - | - | (151) | - | - | **(151)** |
| **Balance 31 December 2003** | **10 000** | **4 777** | **7 696** | **17 215** | **16 784** | **56 472** |
| **Balance 01 January 2004** | **10 000** | **4 777** | **7 696** | **17 215** | **16 784** | **56 472** |
| Net result for the period | - | - | - | 26 136 | 4 153 | **30 289** |
| Instalments for increase in share capital | 10 000 | 33 139 | - | - | - | **43 139** |
| Business combinations | - | - | - | - | 5 654 | **5 654** |
| Other changes in equity | - | - | (84) | - | - | **(84)** |
| **Balance 31 December 2004** | **20 000** | **37 916** | **7 612** | **43 351** | **26 591** | **135 470** |

## Notes to the consolidated financial statements

### General information

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 engaged in the following business activities:

- Import, export, re-export and other commercial transactions with oil and other chemical products;
- Commission, forwarding and warehousing transactions;
- Commercial agency and brokerage;
- Sale of manufactured goods;
- Acquisition, management and trade of shares in Bulgarian and foreign companies;
- Financing of companies in which interest is held;
- Tourist services.

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

As at 31 December 2004 the Supervisory Board has the following members:

Nicola Damyanov
Ivo Georgiev
Ivan Panchev

As at 31 December 2004 the Management Board has the following members:

Dimitar Kalchev
Nicola Mishev
Tzvetan Botev
Alexander Kerezov
Nina Velcheva

**The Company is represented by its executive directors Dimitar Kalchev and Nicola Mishev.**

As at 31 December 2004 the number of employees engaged in the Group is 2908 (as at 31 December 2003 – 2513).

**Summary of accounting policies**

**Basis for preparation of the consolidated financial statements**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as developed and published by the International Accounting Standards Board (IASB).

**Change in accounting policies**

In 2003 and 2004, the IASB issued a series of new IFRS and revised International Accounting Standards (IAS), which in conjunction with unrevised IAS issued by the International Accounting Standards Committee, predecessor to the IASB, is referred to as "the IFRS Stable Platform 2005". The Group applies the IFRS Stable Platform 2005 from 1 January 2004.

**Overall considerations**

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

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and certain financial assets and liabilities. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated 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.

**Consolidation and investments in associates**

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. Chimimport AD obtains and exercises control through voting rights. The consolidated financial statements of Chimimport AD incorporate the financial statements of the parent company as well as those entities controlled by the Group by full consolidation.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Associates are those entities over which Chimimport AD is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from net results generated by the associate are charged against "results from equity investments" in the Company's consolidated income statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities. Items that have been directly recognised in the associate's equity, for example, resulting from the associate's accounting for available-for-sale securities, is recognised in consolidated equity of the Group. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transaction with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognised in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Foreign currency translation**

The consolidated financial statements of Chimimport AD are presented in Bulgarian Leva (BGN), which is also is the functional currency of the Group.

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 translation of remaining balances at year-end exchange rates are recognized in the income statement under "other financial income and expense''.

The Currency Board was introduced in Bulgaria on 01 July 1997 following the recommendations by the International Monetary Fund (IMF) and fixed the value of the BGN against the DEM in ratio 1:1. Following the introduction of the EURO, the BGN was fixed to the EUR at rate 1EUR = 1.95583 BGN.

**Income and expense recognition**

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates, allowed by the Group. In case of similar assets with similar values are exchanged, the transaction is not recognized as generating income.

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the value of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the enterprise;
- the cost incurred or to be incurred in respect of the transaction can be measured reliably

Revenue from rendering of services is recognized, when the outcome of the transaction can be measured reliably.

Operating expenses are recognized in the income statement upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. Interest income and expenses are reported on an accrual basis. Dividends received, other than those from investments in associates, are recognized at the time of their distribution.

**Loans received**

All borrowing costs are expensed as incurred. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

**Goodwill**

Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities at the date of the exchange transaction is described as goodwill and recognized as an asset.

Any excess as at the date of the exchange transaction of the acquirer's interest in the fair value of the identifiable assets and liabilities, over the cost of the acquisition, is negative goodwill.

In accordance with IFRS 3 Business Combinations positive goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Negative goodwill is recognized as income.

**Intangible assets and research and development activities**

Intangible fixed assets are measured initially at cost. If an intangible asset is acquired separately, 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, according to the benchmark treatment, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised 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.

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

Costs associated with research activities are expensed in the income statement as they occur.

Costs that are directly attributable to the development phase of new internally generated intangible assets are recognized as intangible assets provided they meet the following recognition requirements:

- demonstration of technical feasibility of the prospective product for internal use or sale
- the intangible asset will generate probable economic benefits through internal use or sale
- sufficient technical, financial and other resources are available for completion
- the intangible asset can be reliably measured.

Direct costs include employee costs incurred on internally generated intangible assets development along with an appropriate portion of relevant overheads. However, until completion of the development project, the assets are subject to impairment testing. Amortization commences upon completion of the asset.

All other development costs are expensed as incurred.

Careful judgment by Company's management is applied when deciding whether the recognition requirements for development costs have been met. Judgments are based on the best information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by Company's management.

Property, plant and equipment

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

Subsequent to initial recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses according to benchmark treatment. Impairment losses are recognized in the current period income statement.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized in the consolidated financial statements is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as an expense in the period in which it is incurred.

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 in shorter.

The useful lives of property, plant and equipment can be summarized as follows:

- Buildings 25 years
- Machines 5 years
- Technical equipment 25 years
- Vehicles 5 years
- Fixtures & Fittings 6.7 years
- Others 6.7 years

The recognition threshold, selected by the Group for tangible fixed assets amounts to BGN 500.

**Leases**
Lessee

In accordance with IAS 17 (rev 2003), 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 time of inception of the lease at the lower of the fair value of the leased property the present value of the minimum lease payments. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs.

Assets acquired under the terms of finance lease are depreciated in accordance with IAS 16 Property, plant and equipment and/or IAS 38 Intangible assets.

All other leases are treated as operating lease agreements. Operate lease payments are recognized as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

Lessor

Assets subject to operating leases are presented in the balance sheet according to the nature of the asset.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis.

Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The depreciation policy for depreciable leased assets is consistent with the lessor's normal depreciation policy for similar assets, and depreciation shall be calculated in accordance with IAS 16 and IAS 38.

Assets held under a finance lease agreement are presented in the balance sheet as a receivable at amount equal to the net investment in the lease. The sales revenue from assets is recognized in the current year Income statement. The recognition of the finance income is based on a pattern reflecting a constant periodic rate of return of the lessor’s net investment outstanding in respect of the finance lease.

**Impairment testing of assets**

The Group's assets are subject to impairment testing.

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use 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. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

**Investment property**

Investment property represents land and buildings held to earn rental income or for capital appreciation or both, rather than held for:

- Production or supply of goods or services or for administrative purposes
- Sale in the ordinary course of the business

Investment property is recognized in the consolidated financial statements of the Group as an asset only to the extend that the following conditions are present:

- It is probable that future economic benefits, associated with the investment property, will flow to the Group
- The cost of the investment property can be measured reliably

The investment property is initially measured at cost, which comprises 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 stated at cost according to the benchmark treatment of IAS 16, Property, plant and equipment. The investment property is reported at its cost less accumulated depreciation and any impairment losses.

Subsequent expenditure relating to investment property is added to the carrying amount of the investment property when it is probable that future economic benefits, in excess of the originally assessed standards of performance of the existing investment property, will flow to the Group. All other subsequent expenditures are recognized as an expense in the period they are incurred.

Investment property is derecognised on disposal or when it is permanently withdrawn from use in case no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal are recognized in the Income statement and represent the difference between the net disposal proceeds and the carrying amount of the Investment property.

**Financial assets**

Company's financial assets include cash and financial instruments. Financial instruments, other than hedging instruments, can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognized on their transaction date.

All financial assets are initially recognized at cost plus related transaction costs.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from Issuer financial assets are recognized in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if it is the intention of the Group's management to hold them until maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. In addition, derivative financial instruments that do not qualify for hedge accounting are classified as held for trading. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss, except that every instrument does not have a quoted market price in an active market and whose fair value may not be reliably measured. The letter is measured at amortized cost using the effective interest rate method or at cost if it does not have a fixed maturity.

Available-for-sale financial assets include 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. All financial assets within this category are subsequently measured at fair value, except that every instrument does not have a quoted market price in an active market and whose fair value may not be reliably measured. The letter is measured at amortized cost using the effective interest rate method or at cost if it does not have a fixed maturity. Changes in value are recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the income statement when they are sold or when the investment is impaired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

**Allowance for impairment and uncollectability**

Financial assets are impaired if there exist any conditions for impairment related to the respective debtor or issuer:

- there is evidence about financial difficulties;
- there is an actual breach of the contract;
- the issuer has performed restructuring of the debt;
- the issuer's securities have been excluded from the stock exchange.

For preparation purposes of the financial statements, financial assets held for trading are reviewed for impairment, if impairment is not already provided in the revaluation performed as at the date of annual financial statements. In case of existing condition for impairment, then recoverable amount of financial assets is determined. If the expected recoverable amount of the financial assets is lower than their carrying amount, impairment is provided, and the carrying amount of financial assets is reduced to their expected recoverable amount. The difference is accounted for as current financial expense and a decrease in the value of financial assets.

For preparation purposes of the financial statements, financial assets available for sale and reported at fair value are reviewed for impairment, if impairment is not already charged in the revaluation performed as at the date of the financial statements. Their recoverable amount is determined if impairment is required. If the expected recoverable amount of the financial assets is lower than their carrying amount, impairment is provided. It is accounted for as follows:

- if at the moment of impairment there is no revaluation reserve – the difference between the carrying amount and the expected recover able amount is recorded as a current financial expense and a decrease in the value of financial assets.
- if at the moment of impairment there is a revaluation reserve, which is positive and is less than the amount of impairment– the carrying amount of the assets and the amount of the revaluation reserve /which becomes zero/ are decreased by the amount of impairment up to the revaluation reserve balance. The remaining part of the amount of impairment is accounted for as a current financial expense and a decrease in the carrying amount of assets.
- if at the moment of impairment there is a revaluation reserve, which is negative, the difference between the book value and the expected recoverable value is recorded as a current financial expense and a decrease in the value of the financial assets, and the negative value of the revaluation reserve is transferred and stated in the current financial expenses.
- if at the moment of impairment there is a revaluation reserve, which is positive and is greater than the amount of impairment, the value of the asset and the amount of the revaluation reserve are decreased by the impairment amount.

Loans and advances, originated initially at the Group with a fixed maturity, are reviewed for indications of impairment, in relation to preparation of the annual financial statements. Allowances for impairment and uncollectability of loans originated by the Group, measured at amortised cost, are determined as the difference between the carrying amount and the present value of the future cash flows discounted at the loan original effective interest rate, where appropriate. Cash flows relating to short-term loans are not discounted. Management determines the expected future cash flows based upon reviews of individual borrowers, loan exposures and other relevant factors. If the present value of the future cash flows of loans is lower than their carrying value, then an allowance for impairment is provided. The difference is reported as a current financial expense and a decrease in the value of loans. Decrease of allowances for impairment and uncollectability is stated in the income statement for the respective period. Recovered amounts, previously written off, are treated as income by releasing the allowances for impairment and uncollectability for the respective year. Loans and advances that cannot be recovered are written off and charged against the accumulated allowances for impairment and uncollectability. Such loans are written off after all necessary legal procedures have been completed and the amount of the loss has been determined.

**Netting**

The financial assets and liabilities are netted, and the net value is presented in the balance sheet, only if the Group is entitled by law to net the recognized values, and the transactions are deemed to be settled on a net basis.

**Inventories**

Inventories comprise raw materials, unfinished and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories are carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business 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 a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The cost of inventories is assigned by using the weighted average cost.

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

Accounting for income taxes

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognized in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if the Group can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Deferred tax asset in relation to carried forward losses is recognized to the extend that the realization of the related tax benefits through the future taxable profits is probable.

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 offset against future taxable income. 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 at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to equity (such as the re-evaluation of land) are charged or credited directly to equity.

**Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, short-term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

**Equity**

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

There are no exchange differences recognized in equity.

There are no amounts set aside for general risks arising in the course of the Group's banking activity.

**Pension obligations and short-term employee benefits**

The Group has not elaborated and does not apply plans for employee benefits after leaving, nor other Long - term income and plans for income after leave or ones in the form compensations with shares of the share capital or interest.

The Group reports short-term payables relating to unutilised 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.

**Financial liabilities**

The financial liabilities include bank loans and overdrafts, trade and other payables and finance leasing liabilities.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the income statement.

Bank loans are raised for funding of the Group's operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument 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.

Dividend distributions to shareholders are recognized when the dividends are approved by the shareholders' meeting.

**Other provisions, contingent liabilities and contingent assets**

Provisions, representing current obligations of the Group arising from past events, the settlement of which is expected to result in an outflow of resources, are recognized as liabilities. A provision is recognized only when the following conditions are present:

- The Group has a present obligation as a result of a past event
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- A reliable estimate can be made of the amount of the obligation

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Group takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group does not recognize contingent assets in the consolidated financial statements as possible obligations arise, whose existence is not yet confirmed or this may result in the recognition of income that may never be realized.

**Provisions for credit-related contingent liabilities**

The amount of provisions for guarantees and other off-balance credit-related commitments is recognised as an expense and a liability when the Group has current legal or constructive obligations, which have occurred as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reasonable estimate of the amount of the liability can be made. Any loss resulting from recognition of provisions for liability is reported in the income statement for the respective period.

**Insurance contracts**

The Group does not recognise as a liability any provisions for possible future claims, if those claims arise under insurance contracts that are not in existence at the reporting date (such as catastrophe provisions and equalisation provisions).

A liability adequacy test is carried out at each reporting date for the recognized insurance liabilities and the reinsurance assets are tested for impairments. The assessment is made using current estimates of future cash flows under the insurance contracts**.** If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognised in profit or loss**.** The adequacy test includes all cash flows from insurance contracts as well as the cash flows from related settlement of claims.

Insurance liabilities (or a part of an insurance liability) are removed from the balance sheet when, and only when, they are extinguished- i.e. when the obligation specified in the contract is discharged or cancelled or expire.

Reinsurance assets are not being offset against the related insurance liabilities. Income or expense from reinsurance contracts is not being offset against the expense or income from the related insurance contracts.

Some insurance contracts contain a discretionary participation feature as well as a guaranteed element. The separate recognition of these two elements is not allowed when the discretionary participation feature cannot be measured reliably. In cases of separate recognition the provisions according to IFRS 4 are applied to the guaranteed element and the provisions according to IAS 39 are applied to the discretionary participation feature.

***Insurance reserves***

Insurance reserves are formed by the Group in order to cover present and future liabilities to insured persons or organisations in accordance with the insurance contract. Insurance reserves do not form part of the equity. Insurance reserves are calculated by the actuary of the Group by the use of actuarial methods, which consist of mathematical methods and rules. Insurance reserves are presented in gross in the Group's balance sheet and they are reduced with the amount of the reinsurer's share in the reserves formed. When the insurance is denominated in foreign currency, the corresponding reserves are formed in the same currency. The insurance reserves that have been formed during the prior period are recognized as income from released insurance reserves in the current period. The reserves formed at the year-end are recognized as expense for the formation of insurance reserves in the income statement. The insurance reserves referring to the reinsurers' share formed in the prior period are recognised as expense for released insurance reserves in the current period income statement and the reserves formed at the year-end are recognised as income from released insurance reserves in the current period income statement.

The Group should invest its insurance reserves reduced by the reinsurer's share (net amount of insurance reserves) in the following assets and in accordance with the following ratios:

- government securities issued and guaranteed by the government – without limit;
- property free of all encumbrances – up to 10 % of the net amount of the insurance reserves;
- bonds issued and guaranteed by the municipalities – up to 5 % of the net amount of the insurance reserves;
- corporate shares and bonds traded on a stock exchange - up to 30 % of the net amount of the insurance reserves, but not more than 10 % of the shares and bonds of a single Group;
- bank deposits - up to 50 % of the net amount of the insurance reserves, but not more than 25 % of the net amount in a single bank;
- mortgage bonds - up to 25 % of the net amount of the insurance reserves, but not more than 15 % of the mortgage bonds issued by a single bank

**Group's policy for lending to related parties in the course of its banking activity performed by Central Cooperative Bank AD**

Central Cooperative Bank AD may, by a unanimous decision of its collective Management body, and with the approval of the head of the specialized internal control office extend loans to:

a) administrators of Central Cooperative Bank AD;

b) spouses and relatives in direct lineage to the third degree, including the relatives of the persons under item a);

c) holders of shares ensuring them over five percent of the total number of votes at the Shareholders' General Meeting of Central Cooperative Bank AD;

d) a shareholder whose legal representative is a member of a Management or supervisory body of Central Cooperative Bank AD;

e) legal persons in which persons under items a), b), c), and d) take part in the management;

f) commercial companies in which Central Cooperative Bank AD, or a person under items a), b), c), d) is involved with the management of or has a qualified equity;

g) persons supervising the operations of Central Cooperative Bank AD;

h) the head of the specialized internal control office in Central Cooperative Bank AD;

In these cases, the terms and conditions of redemption and the amount of interest shall be stipulated in the decision for extending the credit.

The above mentioned shall not apply where:

- the amount of the loan made to persons described in items a), b), g) and h) does not exceed their annual remuneration;

- the amount of the loan made to persons described in items c), d), e) and f) is below one percent of the paid-in capital of Central Cooperative Bank AD.

Central Cooperative Bank AD shall not offer preferential credit conditions to the above-mentioned persons such as:

- entering into a transaction which, because of its substance, aim, character or risk could not be entered into by the bank with customers not mentioned in items a) to h);

- collecting interest, fees or other financial obligations, or accepting collateral, which is less than required from other customers.

The amount of an unsecured loan made by Central Cooperative Bank AD to one of its employees shall not exceed his 24-month gross salary.

The total amount of the loans made to the persons described in items a) to h) shall not exceed ten percent of the funds owned by Central Cooperative Bank AD, and unsecured loans made by Central Cooperative Bank AD to one of its employees shall not exceed three percent of the funds owned by Central Cooperative Bank AD.

**Basis of consolidation**

**Investments in subsidiaries**

The list of the subsidiaries included in the consolidation is as follows:

| Name of the subsidiary | Country of incorporation | Principal activity | 2004 | 2003 |
|---|---|---|---|---|
| | | | % | % |
| Central Cooperative Bank AD | Bulgaria | Banking | 78.83% | 39.67% |
| CCB Group Assets Management EAD | Bulgaria | Finance | 100.00% | 100.00% |
| SK Chimimport Consult OOD - Sofia | Bulgaria | Finance | 59.00% | 59.00% |
| FBK Chimimport Finance EOOD - Sofia | Bulgaria | Finance | 96.18% | 96.18% |
| Chimimport Lega Consult OOD | Bulgaria | Finance | 70.00% | 70.00% |
| ZAD Armeec | Bulgaria | Insurance | 92.62% | 86.92% |
| POAD CCB Sila | Bulgaria | Pension Fund | 99.71% | 89.00% |
| Prouchvane i dobiv na neft i gaz AD | Bulgaria | Production | 49.86% | 49.86% |
| Slanchevi lachi Bulgaria EAD | Bulgaria | Production | 100.00% | - |
| Chimimport Bimas EOOD | Bulgaria | Production | 100.00% | 100.00% |
| Inohem AD | Bulgaria | Production | 51.82% | - |
| Bulchimex OOD | Germany | Trade | 100.00% | 100.00% |
| Chimsnab AD Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Brand New Ideas EOOD | Bulgaria | Trade | 100.00% | 100.00% |
| IT Creation OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimsin OOD - Sofia | Bulgaria | Trade | 50.00% | 50.00% |
| Chimimport Oil OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimimport Rubber OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimimport Orgachim OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimimport Chimceltex OOD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Chimimport Fertilizers OOD - Sofia | Bulgaria | Trade | 51.00% | 51.00% |
| Inofert 2001OOD | Bulgaria | Trade | 51.00% | 51.00% |
| Dializa Bulgaria OOD | Bulgaria | Trade | 50.00% | 50.00% |
| Chimimport Pharma AD - Sofia | Bulgaria | Trade | 60.00% | 60.00% |
| Siliko 07 | Bulgaria | Trade | 50.00% | - |
| Chimimport Agrochimikali OOD | Bulgaria | Trade | 51.00% | - |
| Ecoland Engineering OOD | Bulgaria | Trade | 52.00% | - |
| Franchise Development OOD | Bulgaria | Trade | 50.00% | - |

| Name of the subsidiary | Country of incorporation | Principal activity | 2004 | 2003 |
|---|---|---|---|---|
| | | | % | % |
| Kame Bulgaria OOD | Bulgaria | Trade | 75.00% | - |
| Chimimport Medica OOD | Bulgaria | Trade | 51.00% | - |
| David 202 AD | Bulgaria | Trade | - | 99.79% |
| Mit 2003 EOOD | Bulgaria | Trade | - | 100.00% |
| Zarneni hrani Varna OOD | Bulgaria | Trade | - | 60.00% |
| Zarneni hrani Plovdiv OOD | Bulgaria | Trade | - | 51.00% |
| Balkan Hemus Group EAD | Bulgaria | Transport | 100.00% | 100.00% |
| Chimtrans OOD | Bulgaria | Transport | 60.00% | 60.00% |
| Hemus Air | Bulgaria | Transport | 100.00% | 100.00% |

**Investments in associates**

| Name of the associated Company | Country | 2004 BGN'000 | Share % | 2003 BGN'000 | Share % |
|---|---|---|---|---|---|
| Central Cooperative Bank AD | Bulgaria | - | - | 16 653 | 44.71% |
| | | **-** | | **16 653** | |

The shares in Central Cooperative Bank AD were acquired in 2002 – 42.67% and additional 2.04 % were acquired in 2003. As at 31 December 2003 the investment in Central Cooperative Bank was presented in the consolidated financial statements as investment in associates and was carried out under the equity method. In 2004 additional 32.72 % were acquired by the Group and Central Cooperative Bank AD was included in the consolidation as a subsidiary. Details on the acquisition are included in Note 0.

**Acquisition of 32.72 % of the share capital of Central Cooperative Bank AD**

In 2004 as a result of several purchase transactions the Group acquired 10 581 898 shares in the capital of Central Cooperative Bank AD representing 32.72% of its share capital.

Since the acquisition was performed in several transactions part of them resulted in the recognition of goodwill amounting to BGN 1 654 thousand. In addition as a result of bargain purchases an excess of fair value of net assets acquired over cost has been realized amounting to BGN 6 352 thousand recognized in current period profit.

Details of net assets acquired and goodwill are as follows:

| | BGN'000 |
|---|---|
| Purchase consideration - cash paid: | |
| - Purchase price | 14 263 |
| - Direct cost relating to the acquisition | 152 |
| Total purchase consideration | 14 415 |
| Fair value of net assets acquired (see below) | (19 113) |
| **Excess fair value of net assets acquired over cost** | **(6 352)** |
| | |
| **Goodwill** | **1 654** |

The fair value of the net assets acquired approximated to the book value of the net assets acquired, and no closure or restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

| | BGN'000 |
|---|---|
| Cash and cash equivalents | 235 265 |
| Property, plant and equipment | 23 183 |
| Loans and advances to customers | 253 107 |
| Trading securities | 5 953 |
| Financial assets available for sale | 27 170 |
| Other assets | 11 149 |
| Deposits from banks and other depositors | (464 784) |
| Liabilities under repurchase agreements | (9 568) |
| Other liabilities | (23 063) |
| Net assets | 58 412 |
| Interest acquired in prior periods (44.72%) | (26 122) |
| Minority interest (22.56%) | (13 177) |
| **Net assets acquired** | **19 113** |
| | |
| Purchase consideration settled in cash | 14 415 |
| Cash and cash equivalents in subsidiary acquired | (235 265) |
| Cash outflow/(inflow) on acquisition | (220 850) |

**Acquisition of 0.03 % of the share capital of ZAD Armeec**

In 2004 the Group acquired additional 14 shares in the capital of ZAD Armeec representing 0.03% of its share capital as a result of which the total interest held reached 92.62%.

Details of net assets acquired and goodwill are as follows:

| | **BGN'000** |
|---|---|
| Purchase consideration: | |
| - Cash paid | 4 |
| Total purchase consideration | 4 |
| Fair value of net assets acquired | (1) |
| **Goodwill** | **3** |

The fair value of the net assets acquired approximated to the book value of the net assets acquired, and no closure or restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

| | **BGN'000** |
|---|---|
| Cash and cash equivalents | 2 624 |
| Property, plant and equipment | 713 |
| Intangible assets | 156 |
| Investment property | 1 265 |
| Short-term financial assets | 3 942 |
| Inventories | 14 |
| Short-term receivables | 3 141 |
| Insurance reserves | (6 180) |
| Other payables | (1 496) |
| Net assets | 4 179 |
| Interest acquired in prior periods | (3 491) |
| Minority interest (16.43%) | (687) |
| **Net assets acquired (0.03%)** | **1** |

**Acquisition of shares in other companies**

| | Country of incorporation | Principal activity | Shares acquired |
|---|---|---|---|
| | | | % |
| Slanchevi lachi Bulgaria EAD | Bulgaria | Production | 100.00% |
| Chimimport Agrochimikali OOD | Bulgaria | Trade | 51.00% |
| Inohem AD | Bulgaria | Production | 51.82% |

As a result of the acquisitions goodwill amounting to BGN 747 thousand was recognized and BGN 229 thousand excess of fair value of net assets over cost was recognized in the current period profit.

Details of net assets acquired and goodwill are as follows:

| | BGN'000 |
|---|---|
| Purchase consideration: | |
| - Cash paid | 3 478 |
| Total purchase consideration | 3 478 |
| Fair value of net assets acquired (see below) | (2 960) |
| **Excess fair value of net assets acquired over cost** | **(229)** |
| **Goodwill** | **747** |

The assets and liabilities arising from the acquisition are as follows:

| | Net book value | Fair value adjustments | Fair value |
|---|---|---|---|
| | BGN'000 | BGN'000 | BGN'000 |
| Cash and cash equivalents | 339 | | 339 |
| Property, plant and equipment | 11 790 | (8 161) | 3 629 |
| Intangible assets | 6 | | 6 |
| Investment property | 68 | | 68 |
| Long-term financial assets | 14 | | 14 |
| Long-term receivables | 24 | | 24 |
| Inventories | 7 593 | | 7 593 |
| Short-term receivables | 4 812 | | 4 812 |
| Bank borrowings | (9 540) | | (9 540) |
| Other payables | (3 774) | | (3 774) |
| Net assets | 11 332 | (8 161) | 3 171 |
| Minority interest | (211) | | (211) |
| **Net assets acquired** | **11 121** | **(8 161)** | **2 960** |

| | |
|---|---|
| Purchase consideration settled in cash | 3 478 |
| Cash and cash equivalents in subsidiary acquired | (339) |
| Cash outflow/(inflow) on acquisition | 3 139 |
| Contributed revenue by the acquired businesses | 18 266 |
| Contributed loss by the acquired businesses | (117) |

**Subsidiaries incorporated in 2004**

The following companies have been incorporated by Chimimport AD in 2004 and included in the consolidation:

| | Country of incorporation | Principal activity | Shares owned |
|---|---|---|---|
| | | | % |
| Siliko 07 | Bulgaria | Trade | 50.00% |
| Ecoland Engineering OOD | Bulgaria | Trade | 52.00% |
| Franchise Development OOD | Bulgaria | Trade | 50.00% |
| Kame Bulgaria OOD | Bulgaria | Trade | 75.00% |
| Chimimport Medica OOD | Bulgaria | Trade | 51.00% |

**Segment reporting**

For the reporting on segments the divisions of the Group are as follows:

- Production
- Trade
- Transport
- Insurance
- Banking
- Finance
- Pension funds

All inter-segment transfers are priced and carried out at arms' length basis.

**Business segments**

| 31 DECEMBER 2004 | Production BGN'000s | Trade BGN'000s | Transport BGN'000s | Insurance BGN'000s | Banking BGN'000s | Finance BGN'000s | Pension Fund BGN'000s | Consolidation BGN'000s | Group BGN'000s |
|---|---|---|---|---|---|---|---|---|---|
| Income from non-financial activities | 41 341 | 15 119 | 47 896 | 67 | - | 10 363 | 2 | (2 557) | **112 231** |
| Expenses on non-financial activities | (36 364) | (14 548) | (47 256) | - | - | (9 488) | - | 2 561 | **(105 095)** |
| **Net result from non-financial activities** | **4 977** | **571** | **640** | **67** | **-** | **875** | **2** | **4** | **7 136** |
| Administration costs | - | - | - | (6 355) | (29 566) | (7) | (959) | 625 | (36 262) |
| Insurance income | - | - | - | 37 160 | - | - | - | (625) | 36 535 |
| Insurance expenses | - | - | - | (27 899) | - | - | - | - | (27 899) |
| **Net result from insurance** | **-** | **-** | **-** | **9 261** | **-** | **-** | **-** | **(625)** | **8 636** |
| Interest income | 143 | 220 | 124 | 2 | 29 556 | 2 806 | 190 | (249) | 32 792 |
| Interest expense | (1 040) | (484) | (251) | (22) | (11 590) | (3 875) | - | 249 | (17 013) |
| **Net interest income** | **(897)** | **(264)** | **(127)** | **(20)** | **17 966** | **(1 069)** | **190** | **-** | **15 779** |
| Gains from transactions with financial instruments | 100 | - | - | 4 812 | 2 465 | 12 401 | 3 319 | (17 030) | 6 067 |
| Losses from transactions with financial instruments | - | - | - | (557) | - | - | (1 123) | - | (1 680) |
| **Net result from transactions with financial instruments** | **100** | **-** | **-** | **4 255** | **2 465** | **12 401** | **2 196** | **(17 030)** | **4 387** |
| Other financial income/expense | (2 307) | (29) | 15 332 | (89) | 16 014 | 629 | 410 | (12) | 29 948 |
| Income to be distributed to insurance lots | - | - | - | - | - | - | (1 512) | - | (1 512) |
| **Result for the year before tax** | **1 873** | **278** | **14 042** | **7 119** | **6 879** | **12 829** | **327** | **(8 654)** | 34 693 |
| Tax expense | (535) | (91) | (107) | (2 013) | (1 236) | (425) | 3 | - | (4 404) |
| **Net result for the year** | **1 338** | **187** | **13 935** | **5 106** | **5 643** | **12 404** | **330** | **(8 654)** | **30 289** |

**Business segments**

| 31 DECEMBER 2004 | Production BGN'000s | Trade BGN'000s | Transport BGN'000s | Insurance BGN'000s | Banking BGN'000s | Finance BGN'000s | Pension Fund BGN'000s | Consolidation BGN'000s | Group BGN'000s |
|---|---|---|---|---|---|---|---|---|---|
| Segment assets | 77 989 | 18 200 | 44 751 | 26 410 | 555 827 | 266 086 | 20 449 | (216 830) | 792 882 |
| **Consolidated total assets** | **77 989** | **18 200** | **44 751** | **26 410** | **555 827** | **266 086** | **20 449** | **(216 830)** | **792 882** |
| Segment liabilities | 33 609 | 12 833 | 16 506 | 17 126 | 497 415 | 85 752 | 16 355 | (34 319) | 645 277 |
| **Consolidated total liabilities** | **33 609** | **12 833** | **16 506** | **17 126** | **497 415** | **85 752** | **16 355** | **(34 319)** | **645 277** |

**Business segments**

| 31 DECEMBER 2003 | Production BGN'000s | Trade BGN'000s | Transport BGN'000s | Insurance BGN'000s | Banking BGN'000s | Finance BGN'000s | Pension Fund BGN'000s | Consolidation BGN'000s | Group BGN'000s |
|---|---|---|---|---|---|---|---|---|---|
| Income from non-financial activities | 16 029 | 23 250 | 37 719 | 519 | - | 7 265 | - | - | **84 782** |
| Expenses on non-financial activities | (14 977) | (22 927) | (36 517) | - | - | (5 158) | - | - | **(79 579)** |
| **Net result from non-financial activities** | **1 052** | **323** | **1 202** | **519** | **-** | **2 107** | **-** | **-** | **5 203** |
| Administration costs | - | - | - | (5 035) | - | (13) | (688) | - | (5 736) |
| Insurance income | - | - | - | 18 077 | - | - | - | - | 18 077 |
| Insurance expenses | - | - | - | (13 399) | - | - | - | - | (13 399) |
| **Net result from insurance** | **-** | **-** | **-** | **4 678** | **-** | **-** | **-** | **-** | **4 678** |
| Interest income | 2 | 128 | 9 | 13 | - | 1 375 | 116 | - | 1 643 |
| Interest expense | (24) | (441) | - | (74) | - | (2 924) | - | - | (3 463) |
| **Net interest income** | **(22)** | **(313)** | **9** | **(61)** | **-** | **(1 549)** | **116** | **-** | **(1 820)** |
| Gains from transactions with financial instruments | - | - | - | 1 996 | - | 821 | 1 365 | (1 542) | 2 640 |
| Losses from transactions with financial instruments | - | (378) | - | (509) | - | (1 272) | (411) | - | (2 570) |
| **Net result from transactions with financial instruments** | **-** | **(378)** | **-** | **1 487** | **-** | **(451)** | **954** | **(1 542)** | **70** |
| Other financial income/expense | (1 623) | 77 | (1 042) | (35) | - | 1 089 | 227 | 6 056 | 4 749 |
| Income to be distributed to insurance lots | - | - | - | - | - | - | (780) | - | (780) |
| **Result for the year before tax** | **(593)** | **(291)** | **597** | **1 553** | **-** | **1 183** | **(171)** | **5 793** | 8 071 |
| Tax expense | (84) | (69) | (48) | (1 003) | - | (150) | - | - | (1 354) |
| **Net result for the year** | **(677)** | **(360)** | **549** | **550** | **-** | **1 033** | **(171)** | **5 793** | 6 717 |

**Business segments**

| 31 DECEMBER 2003 | Production BGN’000s | Trade BGN’000s | Transport BGN’000s | Insurance BGN’000s | Banking BGN’000s | Finance BGN’000s | Pension Fund BGN’000s | Consolidation BGN’000s | Group BGN’000s |
|---|---|---|---|---|---|---|---|---|---|
| Segment assets | 39 545 | 17 977 | 13 958 | 11 855 | - | 97 449 | 12 081 | (32 302) | 160 563 |
| **Consolidated total assets** | **39 545** | **17 977** | **13 958** | **11 855** | **-** | **97 449** | **12 081** | **(32 302)** | **160 563** |
| Segment liabilities | 8 112 | 10 259 | 11 436 | 7 676 | - | 68 368 | 10 029 | (17 996) | 97 884 |
| **Consolidated total liabilities** | **8 112** | **10 259** | **11 436** | **7 676** | **-** | **68 368** | **10 029** | **(17 996)** | **97 884** |

**Property, plant and equipment**

| | Land | Buildings | Machines | Technical equipment | Vehicles | Other | Construction progress | in Total |
|---|---|---|---|---|---|---|---|---|
| | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** |
| At 1 January 2003 | | | | | | | | |
| Cost | 1 012 | 10 180 | 3 193 | 117 | 997 | 1 470 | 961 | 17 930 |
| Accumulated depreciation | - | (4 513) | (966) | (14) | (543) | (1 007) | - | (7 043) |
| **Net book amount** | **1 012** | **5 667** | **2 227** | **103** | **454** | **463** | **961** | **10 887** |
| Year ended 31 December 2003 | | | | | | | | |
| Opening net book amount | 1 012 | 5 667 | 2 227 | 103 | 454 | 463 | 961 | 10 887 |
| Acquisition of subsidiaries | 1 713 | 5 367 | 3 651 | 4 202 | 2 024 | 175 | 530 | 17 662 |
| Additions | 845 | 1 004 | 143 | 25 | - | 259 | 122 | 2 398 |
| Disposals | (135) | (2 282) | (416) | - | (716) | (398) | (582) | (4 529) |
| Depreciation on disposals | - | 572 | 220 | - | 364 | 307 | - | 1 463 |
| Depreciation charge | - | (409) | (1 409) | (668) | (493) | (233) | - | (3 212) |
| **Closing net book amount** | **3 435** | **9 919** | **4 416** | **3 662** | **1 633** | **573** | **1 031** | **24 669** |
| At 31 December 2003 | | | | | | | | |
| Cost | 3 435 | 14 269 | 6 571 | 4 344 | 2 305 | 1 506 | 1 031 | 33 461 |
| Accumulated depreciation | - | (4 350) | (2 155) | (682) | (672) | (933) | - | (8 792) |
| **Net book amount** | **3 435** | **9 919** | **4 416** | **3 662** | **1 633** | **573** | **1 031** | **24 669** |

| | Land | Buildings | Machines | Technical equipment | Vehicles | Other | Construction progress | in Total |
|---|---|---|---|---|---|---|---|---|
| | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** |
| Year ended 31 December 2004 | | | | | | | | |
| Opening net book amount | 3 435 | 9 919 | 4 416 | 3 662 | 1 633 | 573 | 1 031 | 24 669 |
| Acquisition of subsidiaries - cost | 594 | 12 744 | 11 096 | 8 819 | 4 709 | 31 854 | 917 | 70 733 |
| Additions | 5 262 | 16 256 | 4 862 | 3 248 | 3 959 | 1 598 | 31 190 | 66 375 |
| Disposals | (123) | (73) | (489) | (76) | (366) | (91) | (8 911) | (10 129) |
| Depreciation on disposals | - | 23 | 426 | 27 | 208 | 79 | - | 763 |
| Acquisition of subsidiaries - depreciation | - | (3 634) | (7 999) | (5 677) | (2 713) | (28 380) | - | (48 403) |
| Depreciation charge | - | (983) | (3 139) | (1 076) | (1 883) | (1 001) | - | (8 082) |
| **Closing net book amount** | **9 168** | **34 252** | **9 173** | **8 927** | **5 547** | **4 632** | **24 227** | **95 926** |
| At 31 December 2004 | | | | | | | | |
| Cost | 9 168 | 43 196 | 22 040 | 16 335 | 10 607 | 34 867 | 24 227 | 160 440 |
| Accumulated depreciation | - | (8 944) | (12 867) | (7 408) | (5 060) | (30 235) | - | (64 514) |
| **Net book amount** | **9 168** | **34 252** | **9 173** | **8 927** | **5 547** | **4 632** | **24 227** | **95 926** |

**Investment property**

Investment property at Group includes real estate properties, which are owned to earn rentals and for investment purposes.

| | Land<br>BGN'000s | Building<br>BGN'000s | Total<br>BGN'000s |
|---|---|---|---|
| At 1 January 2003 | | | |
| Cost | - | 2 144 | 2 144 |
| Accumulated depreciation | - | (417) | (417) |
| **Net book amount** | **-** | **1 727** | **1 727** |
| Year ended 31 December 2003 | | | |
| Opening net book amount | - | 1 727 | 1 727 |
| Depreciation charge | - | (64) | (64) |
| **Closing net book amount** | **-** | **1 663** | **1 663** |
| At 31 December 2003 | | | |
| Cost | - | 2 144 | 2 144 |
| Accumulated depreciation | - | (481) | (481) |
| **Net book amount** | **-** | **1 663** | **1 663** |
| Year ended 31 December 2004 | | | |
| Opening net book amount | - | 1 663 | 1 663 |
| Additions - acquisitions | 718 | 6 883 | 7 601 |
| Additions - subsequent expenditures | - | 91 | 91 |
| Acquisition of subsidiaries | 68 | - | 68 |
| Disposals | (61) | - | (61) |
| Depreciation charge | - | (76) | (76) |
| **Closing net book amount** | **725** | **8 561** | **9 286** |
| At 31 December 2004 | | | |
| Cost | 725 | 9 118 | 9 843 |
| Accumulated depreciation | - | (557) | (557) |
| **Net book amount** | **725** | **8 561** | **9 286** |

The investment property has been recognized in the financial statements of the Group at cost method. As 31 December 2004 the fair value of the investment property amounts to BGN 22 314 thousand.

As at 31 December 2004 the fair value of the investment property was determined by the management based on the prevailing market prices.

The following amounts, relating to the investment property have been recognized in the Income statement:

| | 2004 | 2003 |
|---|---|---|
| | BGN’000s | BGN’000s |
| Rental income | 2 224 | 832 |
| Operating expenses | (12) | (63) |
| Real estate tax | (39) | (27) |

**Operating leases**

**Lessor**

The Group has entered in the capacity of lessor into several lease contracts. The Group’s lease contracts relate to letting out of buildings and premises.

The Group’s future minimum operating lease receivables are as follows:

| | **Up to 1 year** | **1 to 5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|
| | **BGN’000s** | **BGN’000s** | **BGN’000s** | **BGN’000s** |
| As per 31 December 2004 | **3 876** | **13 045** | **11 838** | **28 759** |
| As per 31 December 2003 | 792 | 3 168 | 1 584 | 5 544 |

Operating lease agreements do not contain any contingent rent clauses.

The arrangements under the significant operating lease contracts are as follows:

- 10-year contract for letting out of premises for offices for the price of EUR 6 800 per month;
- Contract for letting out of premises for offices for the price of EUR 8/sq.m. per month for unlimited period of time;
- Letting out of warehouse premises for the average price of EUR 3/sq. m. per month for 3 to 5-year period.
- Letting out of hangars and other premises to Bulgaria Air EAD for the price of BGN 210 000 per month and to Scorpion Air for the price of BGN 20 000 per month.

The Group has not entered into operating lease contracts in the capacity of lessee.

The Group has not entered into any material finance lease contracts.

**Goodwill**

| | Goodwill BGN'000s |
|---|---|
| At 1 January 2004 | |
| Cost | 5 325 |
| **Net book amount** | **5 325** |
| | |
| Year ended 31 December 2004 | |
| Opening net book amount | 5 325 |
| Additions | 2 404 |
| **Closing net book amount** | **7 729** |
| | |
| At 31 December 2004 | |
| Cost | 7 729 |
| **Net book amount** | **7 729** |

Subsequent to the annual impairment test for 2004, the carrying amount of goodwill is allocated to the following cash generating units:

| | Goodwill BGN'000s |
|---|---|
| CCB Group Assets Management EAD | 3 507 |
| Central Cooperative Bank AD | 1 654 |
| Hemus Air | 1 079 |
| Slanchevi lachi Bulgaria EAD | 747 |
| ZAD Armeec | 424 |
| Bulchimex OOD | 217 |
| FBK Chimimport Finance EOOD | 47 |
| POAD CCB Sila | 38 |
| Chimsin OOD | 13 |
| Chimimport Fertilizers OOD | 3 |
| **Net book amount 31 December 2004** | **7 729** |

The recoverable amount of cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using constant growth rates characteristic of the sector in which each cash-generating unit operates.

The discount rates used reflect specific risks relating to the sector in which each cash-generating unit operates.

No indications of impairment have been identified in 2004.

Additions in goodwill occurred as a result of the following acquisitions in 2004:

| | Goodwill BGN'000s | Shares acquired % |
|---|---|---|
| Central Cooperative Bank AD | 1 654 | 4.29% |
| Slanchevi lachi Bulgaria EAD | 747 | 100.00% |
| ZAD Armeec | 3 | 0.03% |
| **Net book amount 31 December 2004** | **2 404** | **-** |

For further details on the acquisitions performed see Note 0.

**Intangible assets**

| | Internally generated intangible assets | Licenses patents | and Trade marks | Software | Other | Total |
|---|---|---|---|---|---|---|
| | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** |
| At 1 January 2003 | | | | | | |
| Cost | 52 | 287 | 1 | 466 | 10 | 816 |
| Accumulated amortization | (39) | (107) | - | (209) | (2) | (357) |
| **Net book amount** | **13** | **180** | **1** | **257** | **8** | **459** |
| Year ended 31 December 2003 | | | | | | |
| Opening net book amount | 13 | 180 | 1 | 257 | 8 | 459 |
| Additions | - | 30 | - | 13 | - | 43 |
| Disposals | - | - | - | (3) | - | (3) |
| Amortization charge | (6) | (26) | - | (120) | (3) | (155) |
| **Closing net book amount** | **7** | **184** | **1** | **147** | **5** | **344** |
| At 31 December 2003 | | | | | | |
| Cost or valuation | 52 | 317 | 1 | 476 | 10 | 856 |
| Accumulated amortization | (45) | (133) | - | (329) | (5) | (512) |
| **Net book amount** | **7** | **184** | **1** | **147** | **5** | **344** |
| Year ended 31 December 2004 | | | | | | |
| Opening net book amount | 7 | 184 | 1 | 147 | 5 | 344 |
| Acquisition of subsidiaries - cost | - | 1 | - | - | 4 | 5 |
| Additions | - | 128 | 61 | 40 | 313 | 542 |
| Disposals | - | - | (1) | (8) | - | (9) |
| Amortization on disposals | - | - | - | 3 | - | 3 |
| Amortization charge | (6) | (37) | - | (51) | (39) | (133) |
| **Closing net book amount** | **1** | **276** | **61** | **131** | **283** | **752** |
| At 31 December 2004 | | | | | | |
| Cost | 52 | 446 | 61 | 508 | 327 | 1 394 |
| Accumulated amortization | (51) | (170) | - | (377) | (44) | (642) |
| **Net book amount** | **1** | **276** | **61** | **131** | **283** | **752** |

**Long - term financial assets**

The amounts recognized in the balance sheet comprise the following financial assets classified as available for sale:

| | **2004**<br>**BGN'000s** | **2003**<br>**BGN'000s** |
|---|---|---|
| Bulgarian government notes | 19 369 | - |
| Bulgarian government bonds | 18 400 | 7 283 |
| Equity investments | 859 | 2 423 |
| Bulgarian corporate securities | 649 | - |
| Others | 2 409 | 3 331 |
| | **41 686** | **13 037** |

The Bulgarian government securities, available for sale are stated at fair value, including the interest charged according to their original maturity.

**Bulgarian government securities, pledged as a collateral**

As of 31 December 2004 securities issued by the Bulgarian government at the amount of BGN 23 774 thousand are pledged as a collateral for repo transactions and servicing of budget accounts.

**Bulgarian corporate securities**

As at 31 December 2004 the corporate securities, available for sale represent investments in companies, in which the Group does not have control participation.

None of the above investments is in a subsidiary or associated enterprise.

**Long - term receivables**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Bulgargeomin | 11 362 | 12 254 |
| Ital Komers EOOD | 1 000 | - |
| Interlease AD | 103 | 127 |
| Slanchevi lachi Trade EOOD | - | 397 |
| Other | 354 | 545 |
| | **12 819** | **13 323** |

**Deferred tax assets and liabilities**

Deferred taxes arising from temporary differences under the liability method, using a principal tax rate of 2004 15% (2003 19.5%), can be summarized as follows:

| | 2004<br>**Deferred tax asset**<br>BGN'000s | 2004<br>**Deferred tax liability**<br>BGN'000s | 2003<br>**Deferred tax asset**<br>BGN'000s | 2003<br>**Deferred tax liability**<br>BGN'000s |
|---|---|---|---|---|
| **Related to** | | | | |
| Impairment of receivables | 10 | - | 87 | - |
| Unused paid holiday | 243 | - | 54 | - |
| Property, plant and equipment | - | 1 231 | - | 1 146 |
| | **253** | **1 231** | **141** | **1 146** |

Please also refer to note 0 for information on the Group's tax expense.

**Inventories**

| | **2004**<br>**BGN'000s** | **2003**<br>**BGN'000s** |
|---|---|---|
| Materials | 7 083 | 5 496 |
| Finished goods | 3 942 | 104 |
| Trading goods | 6 333 | 1 596 |
| Work in progress | 139 | 241 |
| Others | 42 | 14 |
| | **17 539** | **7 451** |

No reversal of previous write-downs was recognized as a reduction of expense in 2004 or 2003. None of the inventories are pledged as securities for liabilities.

**Short-term financial assets**

The amounts recognized in the balance sheet comprise the following categories of financial assets:

| | **2004**<br>**BGN'000s** | **2003**<br>**BGN'000s** |
|---|---|---|
| Held-to-maturity financial assets | 253 107 | - |
| Financial assets held for trading | 16 389 | 2 353 |
| Available-for-sale financial assets | 1 829 | 4 952 |
| | **271 325** | **7 305** |

**Held-to-maturity financial assets**

Held-to-maturity financial assets represent loans and advances to customers that have occurred in the course of the banking activity of the Group.

**Analysis by customer:**

| | **2004** | **2003** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Individuals | | |
| -In BGN | 35 639 | - |
| -In foreign currency | 110 | - |
| Enterprises | | |
| -In BGN | 138 711 | - |
| -In foreign currency | 80 821 | - |
| | 255 281 | - |
| Allowance for impairment and uncollectibility (Note 0) | (2 174) | - |
| **Total loans and advances to customers** | **253 107** | **-** |

**Analysis by economic sectors:**

| | **2004** | **2003** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Agriculture and forestry | 18 619 | - |
| Manufacturing | 18 439 | - |
| Construction | 10 292 | - |
| Trade and finances | 146 762 | - |
| Transport and communications | 5 683 | - |
| Individuals | 35 749 | - |
| Others | 19 737 | - |
| | 255 281 | - |
| Allowance for impairment and uncollectibility (Note 0) | (2 174) | - |
| **Total loans and advances to customers** | **253 107** | **-** |

**Interest rates**

Loans denominated in BGN and foreign currency bear interest at floating rates. Under the terms of these loans, the interest rate is calculated as bank base interest rate, plus a margin. The interest rate margin on performing loans varies from 7 to 11 percent based on the credit risk associated with the borrower, and a 35 percent interest is charged as penalty on overdue loans, corresponding to the interest on unallowed overdraft.

**Financial assets held for trading**

| | **2004** | **2003** |
|---|---|---|
| | **BGN'000s** | **BGN'000s** |
| Bulgarian government bills | 4 154 | - |
| Bulgarian government notes | 9 110 | 2 353 |
| Bulgarian government bonds | 3 125 | - |
| | **16 389** | **2 353** |

**Bulgarian government bills**

As of 31 December 2004 the government bills at the amount of BGN 4 154 thousand are stated at fair value and include securities denominated in BGN, issued by the Bulgarian government. The government bills mature in a period of up to 1 year.

Bulgarian government notes

As of 31 December 2004 the government notes amounting to BGN 9 110 thousand are stated at fair value and include securities in BGN, issued by the Bulgarian government. The government notes mature in a period of up to 5 years.

**Bulgarian government bonds**

As of 31 December 2004 the government bonds at the total amount of BGN 3 125 thousand are stated at fair value, and comprise securities in BGN.

All Bulgarian government securities, held by the Group, are traded on Bulgarian or international markets.

**Bulgarian securities pledged as a collateral**

As of 31 December 2004 securities issued by the Bulgarian government at the amount of BGN 5 778 thousand, have been pledged as a collateral for repo transactions and servicing budget accounts.

**Available-for-sale financial assets**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Equity investments | 797 | 3 585 |
| Others | 1 032 | 1 367 |
| | **1 829** | **4 952** |

As at 31 December 2004 the equity investments, available for sale represent investments in companies, in which the Group does not have control participation.

None of the above investments is in a subsidiary or associated enterprise.

**Loans granted**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Short-term loan contracts | 7 582 | 9 384 |
| Temporary financing contracts | 17 240 | 8 489 |
| | **24 822** | **17 873** |

**Short-term loan contracts**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Inter Rubber Hemi EOOD | 3 230 | 3 008 |
| Nomocanon 2000 EOOD | 2 423 | - |
| Zarneni hrani Bulgaria AD | 654 | - |
| Marimex 77 EOOD | 500 | - |
| Slanchevi lachi AD | 397 | - |
| Pavlex 97 EOOD | 378 | 352 |
| Desislava 2001 EOOD | - | 6 024 |
| | **7 582** | **9 384** |

Short-term loans are granted at annual interest rate 10-12%. The loans are to be repaid upon request by the Group. Loans are not collaterised.

**Temporary financing contracts**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Finance Consulting | 2 769 | - |
| Crone Bulgaria AD | 2 252 | - |
| Novico nord EOOD | 1 632 | 395 |
| Prima him EOOD | 1 559 | 1 869 |
| Nordius EOOD | 1 531 | 336 |
| Nov vek AD | 1 477 | 1 000 |
| Transintecar EOOD | 1 420 | 926 |
| Demira S EOOD | 1 138 | - |
| Balans elit EOOD | 997 | 997 |
| Marimex EOOD | 761 | 1 995 |
| Zarneni hrani Balchik | 629 | - |
| Deniz 2001 EOOD | 595 | - |
| Energomat OOD | 480 | 480 |
| Ziticime Trade EOOD | - | 491 |
| | **17 240** | **8 489** |

The negotiated interest rate for temporary financing contracts is 12% p.a. and the maturity is within 1 year.

**Trade receivables**

The major trade receivables As at 31 December 2004 are as follows:

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Bank clients | 4 891 | - |
| Desislava 2001 EOOD | 2 830 | - |
| Altorp Corp. USA | 2 728 | 3 335 |
| Damex EOOD | 1 724 | 1 854 |
| Haniwell | 681 | - |
| Trans Intercar EOOD | 470 | 1 242 |
| JATA BSP | 448 | - |
| NII Geology & Geophysics | 391 | - |
| Ministry of health | 312 | 312 |
| Flying carpet | 265 | 250 |
| Pegasus Istanbul | 176 | - |
| Balkan AD | 164 | 164 |
| Albanian Air | 150 | 518 |
| Viadjo Air | 141 | - |
| Bulgargas AD | 71 | 138 |
| ZK Dajbog | 56 | 196 |
| Zarneni hrani Balchik | - | 3 665 |
| Zarneni hrani Bulgaria OOD | - | 1 586 |
| AK Balkan | - | 1 258 |
| Buwine | - | 704 |
| RVD | - | 753 |
| Deniz 2001 | - | 586 |
| Naftex Bulgaria AD | - | 329 |
| Italcommerce | - | 250 |
| Chimimport Argo | - | 136 |
| Other | 6 345 | 3 793 |
| | **21 843** | **21 069** |

Trade receivables are usually due within 30 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers.

**Tax receivables**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| VAT | 1 821 | 1 048 |
| Excise tax | 233 | 232 |
| Corporate income tax | 3 | - |
| Other | - | 52 |
| | **2 057** | **1 332** |

**Other receivables**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Court receivables | 5 540 | 3 217 |
| Prepayments | 2 663 | 6 244 |
| Interest receivables | 2 791 | - |
| Receivables from sold collateral | 736 | - |
| Other | 10 399 | 8 983 |
| | **22 129** | **18 444** |

The fair value of these short-term receivables is not individually determined as the carrying amount is a reasonable approximation of fair value.

**Court receivables**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Polyrom Rumanian | 1 579 | 1 694 |
| Fiamma OOD | 721 | 721 |
| Pioner OOD | 544 | 520 |
| Orangerii OOD | 283 | 282 |
| Other | 2 413 | - |
| | **5 540** | **3 217** |

Court receivables from Polirom SA occurred as a result of a lawsuit won by Chimimport AD in Arbitration Court of Rumanian TPP for unpaid deliveries of caprolactam. The Rumanian enterprise was closed for privatisation.

There is an adjudication order. Lawyers and a bailiff were assigned. The procedure has been delayed because Rumania intends to sell the enterprise as a whole entity not in parts or in any other way. Chimimport AD is the second biggest creditor after the Romanian national electric Group, but only Chimimport AD has adjudication order.

As at the date of the preparation of the Financial Statements of the Group, its lawyers expect the case to be settled by the end of 2005.

**Cash and cash equivalents**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Placements with, and advances to, banks | 177 526 | 7 086 |
| Current accounts with the Central Bank | 30 056 | - |
| Cash in hand | 38 290 | 1 907 |
| Repurchase agreements | 13 345 | |
| Other | 53 | - |
| | **259 270** | **8 993** |

**Placements with, and advances to, banks**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Term deposits with local banks | | |
| -In BGN | 15 901 | - |
| -In foreign currency | 55 264 | - |
| Term deposits with foreign banks in foreign currency | 82 011 | - |
| Restricted accounts with local banks | | |
| -In BGN | 1 360 | 1 736 |
| -In foreign currency | 398 | - |
| Nostro accounts with local banks | | |
| -In BGN | 2 | - |
| -In foreign currency | 1 575 | - |
| Nostro accounts with foreign banks in foreign currency | 4 650 | - |
| Other current accounts and deposits with banks | 16 708 | 5 350 |
| | 177 869 | 7 086 |
| Allowance for impairment and uncollectibility (Note 0) | (343) | - |
| **Total placements with, and advances to, banks** | **177 526** | **7 086** |

As of 31 December 2004 restricted accounts in BGN include BGN 343 thousand with regard to a court claim initiated against the Group. The court claim relates to transfers executed by the Group in the course of its banking activity in favour of a client when there was a restrain for transfer imposed by another bank. The amount also includes cash in VAT accounts of the Group according to the VAT Act.

As of 31 December 2004 restricted accounts in foreign currency include BGN 385 thousand regarding an unsettled court claim initiated against the Group in the course of its banking activity. These amounts relate to a collateral obtained by the Group for a guarantee issued in favour of a foreign company.

As of 31 December 2004 term deposits are concentrated in some foreign correspondent banks, mostly in EU countries.

*Current accounts with the Central Bank*

As of 31 December 2004 balances with the Central Bank amounting to BGN 30 056 thousand represent the minimum obligatory reserve that the Group has to maintain with BNB in the course of its banking activity performed by Central Cooperative Bank. The amount includes a minimum obligatory reserve in foreign currency amounting to BGN 13 437 thousand and a minimum obligatory reserve in Bulgarian leva amounting to BGN 14 395 thousand. The minimum obligatory reserve is calculated as a percentage ratio based on the attracted funds, and at the end of the respective accounting periods Central Cooperative Bank complied with the requirements of the Bulgarian legislation as to its amount. No restrictions have been imposed by the Central Bank for using the minimum reserves, other than the charge of interest in case reserves do not cover the minimum required amount.

***Repurchase agreements***

As of 31 December 2004 in the course of its banking activity the Group has signed repurchase agreements at the total amount of BGN 13 345 thousand, including interest receivables. The receivables under the repurchase agreements are secured by Bulgarian government securities having an approximately equal value pledged as collateral in favour of the Group. The agreements' maturities vary between January and March 2005.

Movement in allowances for impairment

| | Placements with banks BGN '000 | Loans to customers BGN '000 | Commitments and contingencies BGN '000 | Total BGN '000 |
|---|---|---|---|---|
| **Balance as at 31 December 2003** | **-** | **-** | **-** | **-** |
| Occurred as a result of acquisitions during the period | 343 | 2 945 | 3 820 | 7 108 |
| Net charge/(release) for the period | - | 3 664 | (3 820) | (156) |
| Written - off | - | (4 435) | - | (4 435) |
| **Balance as at 31 December 2004** | **343** | **2 174** | **-** | **2 517** |

**Equity**

**Share capital**

The share capital of the Group consists of ordinary shares with a par value of BGN 1. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Group.

| | 2004 Number | 2003 Number |
|---|---|---|
| Shares issued and fully paid | | |
| - beginning of the year | 10 000 000 | 10 000 000 |
| - issued during the year | 10 000 000 | - |
| Shares fully paid as at 31 December | **20 000 000** | **10 000 000** |

The list of the principal shareholders is as follows:

| | 2004 Number of shares | 2004 % | 2003 Number of shares | 2003 % |
|---|---|---|---|---|
| Chimimport Invest AD | 18 878 298 | 94.39% | 8 878 298 | 88.78% |
| Consolid Comers AD | 704 276 | 3.52% | 704 276 | 7.04% |
| Bulfraht OOD | 18 088 | 0.09% | 18 088 | 0.18% |
| Despred OOD | 13 600 | 0.07% | 13 600 | 0.14% |
| VIHVP - Plovdiv | 6 800 | 0.03% | 6 800 | 0.07% |
| TB Biochim AD Sofia | 3 400 | 0.02% | 3 400 | 0.03% |
| Shareholders | 375 538 | 1.88% | 375 538 | 3.76% |
| | **20 000 000** | **100.00%** | **10 000 000** | **100.00%** |

**Additional paid-in capital**

Instalments for increase in share capital are made in 2004 by Chimimport Invest AD aiming increase in the share equity in 2005 up to BGN 60 million (note 0).

**Other reserves**

Other reserves are formed in accordance with the requirements of the Bulgarian Commercial Act.

**Specialized reserves**

| | **2004 BGN'000s** | **2003 BGN'000s** |
|---|---|---|
| Insurance reserves | 12 046 | 6 180 |
| Pension fund reserves | 89 | 27 |
| | **12 135** | **6 207** |

**Insurance reserves**

| | **2004 BGN'000s** | **2003 BGN'000s** |
|---|---|---|
| Premium reserve carried forward | 8345 | 4484 |
| Reserve for outstanding payments | 4 786 | 2 335 |
| Contingency fund | 174 | 17 |
| Reinsurer's share in insurance reserves | (1 671) | (891) |
| Other reserves | 412 | 235 |
| | **12 046** | **6 180** |

Insurance reserves were set aside in the course of the Group's insurance activity performed by ZAD Armeec.

The Group sets aside **premium reserve carried forward** on the basis of the amount of accrued insurance premiums. All insurance contributions that have to be paid according to the insurance policies are accrued on a timely basis. The exact-date method is applied separately for each policy. A program installed in the informational system performs the calculations.

Premium reserve carried forward is not formed for subscription insurances because under subscription insurances ZAD Armeec does not collect the premium in advance, but after the end of the insurance term - Accident Insurance of Hotel Guests, Visitors of Sports Equipment Insurance, subscription insurances Cargo and Haulier's Liability Insurance. The premium carried forward for non-recurring insurances Cargo and Haulier's Liability insurance is calculated for the one-month term of the insurance.

The part of the reinsurers in the premium reserve carried forward is calculated pro rata of the ceded premium of each policy.

**Reserve of outstanding payments** consists of:

- Reserve for occurred and presented claims – is calculated by applying the method claim by claim. The basis for calculation is preliminary valuation and register of damages. Calculations are made according to the data in the information system. Reinsurers' reserve is calculated pro rata of the ceded premium of the policy under which damage occurred.
- Reserve for occurred, but not presented claims – is calculated by applying the method of average value of a claim. With regard to the calculation of reserve for occurred, but not claimed damages the chain-ladder method is used for determination of the projected unclaimed damages. The total amount of the reserve for each type of insurance is formed by multiplying this number with the average number of claimed damages from the respective year. For the insurances which ZAD Armeec has offered for less than 3 years the reserve for occurred, but not presented claims amounts to 10% of the presented claims throughout the year in accordance with Article 11, paragraph 2, item 3 from the Regulation for formation of insurance reserves. Calculations are carried out on the basis of statistical data about the registered claims in the information system INSIS for the period 2000-2003 and registers of damages made in Excel for the period 1998-1999. Reinsurers' reserve is calculated in accordance with the effectual reinsurance contracts in the year of occurrence of the damage.

**Contingency fund** is set aside only for insurance of loans. For the remaining part of the insurances no contingency fund is set aside.

**Payables to secured individuals**

The amounts recognized in the balance sheet comprise payables to individuals secured by the following pension funds:

| | **2004**<br>**BGN'000s** | **2003**<br>**BGN'000s** |
|---|---|---|
| Payables of voluntary pension fund | 4 687 | 3 731 |
| Payables of professional pension fund | 3 633 | 3 280 |
| Payables of universal pension fund | 7 870 | 2 924 |
| | **16 190** | **9 935** |

**Long - term financial liabilities**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Postbank - investment loan – long-term portion | 5 319 | 7 282 |
| INO - investment loan - long-term portion | 4 475 | - |
| Ministry of Environment and Water - long - term loan | 2 029 | - |
| Other | 237 | - |
| | **12 060** | **7 282** |

Postbank AD

The investment loan from Postbank is in force by 30 September 2008. The contractual loan amount is EUR 4 807 thousand and repayment is due in EUR. The negotiated interest rate is three-month EURIBOR plus 6% on annual basis. The loan is collatrized with pledge over 297 000 shares of Prouchvane i dobiv na neft i gaz AD, Pleven as of 30 September 2003.

INO

The total amount of the investment loan provided by INO amounts to BGN 6 205 thousand according to loan contract dated 9 February 2004. The interest rate stipulated in the loan contract is 12% on annual basis. The maturity date of the contract is 9 February 2009. The purpose of the loan is to enable the acquisition of airplane hangars by the Group. The hangars have been purchased from AK Balkan - in liquidation.

**Long - term trade payables**

| | 2004<br>BGN'000 | 2003<br>BGN'000 |
|---|---|---|
| ANZ Bank, Australia – long-term portion | 8 901 | - |
| | **8 901** | **-** |

The liability results from a contract for purchase of 3 airplanes BAE/146-200 on deferred payment amounting to USD 9 289 680. The sum is payable in 60 monthly equal instalments amounting to USD 154 828 until 30 April 2009. The contract is guaranteed by a bank guarantee, issued by Bulbank AD amounting to USD 1 000 000, which is collaterised with a mortgage of hangar number 3, owned by Hemus Air EAD.

**Other attracted funds**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Financing from State Agricultural Fund | 10 284 | - |
| Others | 572 | 744 |
| | **10 856** | **744** |

As of 31 December 2004 the other attracted funds include financing from State Agricultural Fund at the amount of BGN 10 284 thousand (including the interest) for granting loans to the agricultural sector.

The credit risk for collectability of these loans shall be assumed by the Group.

**Other non-current liabilities**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Liabilities under out-of-court settlement of claims | 4 210 | - |
| PHL Group AD Switzerland | 2 431 | 1 934 |
| Fritz International | 1 288 | - |
| RAI Banka | 1 268 | 417 |
| Desislava 2001 EOOD | 953 | - |
| Otornio investment | 681 | 600 |
| Buwine | - | 2 200 |
| MOSV | - | 2 188 |
| Mertur OOD | - | 524 |
| Other | 674 | - |
| | **11 505** | **7 863** |

**Liabilities under out-of-court settlement of claims**

The Group's liabilities under out-of-court settlement occurred in the course of its banking activity performed by Central Cooperative Bank AD. They are recognized in the consolidated balance sheet in 2004, when Central Cooperative Bank AD became a subsidiary. Those liabilities include:

| | **2004**<br>**BGN'000s** | **2003**<br>**BGN'000s** |
|---|---|---|
| Present value of liability | 1 924 | - |
| Accrued interest | 2 286 | - |
| | **4 210** | **-** |

According to the out-of-court settlements in 1999, Central Cooperative Bank AD will pay to two companies, registered abroad the amount of USD 5 million for a period of 8 years (with a 5-year grace period). Due to the fact that the effect of time on the value of monetary liabilities is material, such liabilities were discounted to be reported at their present value as of the balance sheet date. The present value of the above mentioned liabilities amounts to USD 2 009 638, as of 31 December 2003. In 2004 Central Cooperative Bank AD effected the first payment of the negotiated three payments to the amount of USD 1 666 668, of which 669 879 at the expense of the present value of the liability and 996 789 at the at the expense of the accrued interest. As a result of that payment the present value of the aforementioned liabilities as at 31 December 2004 is USD 1 339 758, which is equal to BGN 1 924 thousand. The Group has recognized in the income statement the expenses for the year ending on 31 December 2004 the respective interest expenses to the amount of BGN 702 thousand (USD 446 400).

A return rate of 14% is applied in calculating the discount factor and the present value of provisions on long-term liabilities denominated in USD, which results in an effective interest rate of 10.7%.

The summary of the present value of the expenses for the liabilities present value and the interest expenses, denominated in USD, is presented below:

| Year of recognition of expenses | Provision expenses | Interest expense | Total |
|---|---|---|---|
| | **USD** | **USD** | **USD** |
| 1999 | 2 009 638 | - | 2 009 638 |
| 2000 | - | 535 550 | 535 550 |
| 2001 | - | 535 550 | 535 550 |
| 2002 | - | 535 550 | 535 550 |
| 2003 | - | 535 550 | 535 550 |
| 2004 | - | 446 400 | 446 400 |
| 2005 | - | 267 850 | 267 850 |
| 2006 | - | 133 912 | 133 912 |
| | **2 009 638** | **2 990 362** | **5 000 000** |

The Group’s liabilities under out-of-court settlement are as follows:

| Payment dates | USD |
|---|---|
| 24 July 2004 | 1 666 668 |
| 30 September 2005 | 1 666 666 |
| 20 December 2006 | 1 666 666 |
| | **5 000 000** |

**Payables to depositors**

Those payables have occurred in the course of the banking activity of the Group and are due to the following depositors:

| | 2004 BGN'000s | 2003 BGN'000s |
|---|---|---|
| Deposits from banks | 45 802 | - |
| Amounts owned to other depositors | 417 111 | - |
| | **462 913** | **-** |

**Deposits from banks**

| | 2004 BGN'000s | 2003 BGN'000s |
|---|---|---|
| Demand deposits from local banks | | |
| -In BGN | 23 | - |
| -In foreign currency | 67 | - |
| Demand deposits from foreign banks in foreign currency | 12 | - |
| Term deposits from local banks | | |
| -In BGN | 5 007 | - |
| -In foreign currency | 27 256 | - |
| Term deposits from foreign banks in foreign currency | 13 437 | - |
| | **45 802** | **-** |

As of 31 December 2004 the balance of term deposits from local banks includes the amount BGN 32 263 thousand - approximately 70% of the total amount of deposits from banks.

**Amounts owned to other depositors**

Analysis by term and currency:

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Demand deposits | | |
| -In BGN | 109 590 | - |
| -In foreign currency | 18 532 | - |
| Term deposits | | |
| -In BGN | 112 147 | - |
| -In foreign currency | 143 194 | - |
| Saving accounts | | |
| -In BGN | 13 533 | - |
| -In foreign currency | 12 064 | - |
| Other deposits | | |
| -In BGN | 5 593 | - |
| -In foreign currency | 2 458 | - |
| | **417 111** | - |

**Analysis by customer and currency type:**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Deposits of individuals | | |
| -In BGN | 82 893 | - |
| -In foreign currency | 102 049 | - |
| Deposits of enterprises | | |
| -In BGN | 112 783 | - |
| -In foreign currency | 71 645 | - |
| Deposits of other institutions | | |
| -In BGN | 45 186 | - |
| -In foreign currency | 2 555 | - |
| | **417 111** | **-** |

**Short – term financial liabilities**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Short-term loans | 24 861 | 15 575 |
| Liabilities under repurchase agreements | 9 568 | - |
| Temporary financing | 7 498 | 6 536 |
| Liabilities under insurance contracts | 1 677 | - |
| Other | 1 448 | 478 |
| | **45 052** | **22 589** |

**Short-term loans**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Bulbank AD - credit facility | 12 688 | - |
| DSK Bank - revolving credit facility | 5 000 | 5 000 |
| Ost - West Handelsbank - mortgage loan | 1 956 | 1 956 |
| Postbank - short - term portion (Note 0) | 1 946 | 1 948 |
| Hypovereinzbank - trade loan | 1 115 | 1 062 |
| INO - trade loan - short - term portion (Note 0) | 1 113 | - |
| Hypovereinzbank - mortgage loan | 863 | 863 |
| Hypovereinzbank - KfW Loan | 100 | 100 |
| Bayer - Germany - trade loan | 80 | - |
| Roseximbank - turnover facility | - | 4 646 |
| | **24 861** | **15 575** |

**Bulbank AD**

A credit facility from BULBANK is in force by 20 August 2005. The contractual loan amount is EUR 6 500 thousand and repayment is due in EUR. The collateral comprises of mortgage on land and real estate in Provadia as well as of pledge on machines and equipment. The negotiated interest rate is the bank interest rate plus 3% on annual basis.

**DSK Bank AD**

The bank loan from DSK Bank AD under contract 336 signed on 23 September 2002 is in the form of revolving credit facility collaterized with a mortgage over the administrative building of Niko Commerce located in 2, Stefan Karadja Str. as well as parts of the administrative building located in 1, Alexander Batenberg Str. and 2, Stefan Karadja Str. which are owned by Chimimport AD. The negotiated interest rate is the bank's interest rate plus 0.5% on annual basis. The expiry date of the loan is 22 September 2005.

**Ost – West Handelsbank**

The mortgage loan from Ost-West Handelsbank is collaterized with a mortgage of real estate in Muelhaim. The contractual loan amount is EUR 1 000 thousand and repayment is due in EUR. The interest rate is 6.30% on annual basis and after prolongation with one year the agreement is in force by 31 December 2005.

Hypovereinzbank AD

The commercial loan from HVB is collaterized with mortgage and pledge over receivables. The contractual loan amount is EUR 570 thousand and repayment is due in EUR. The interest rate is 6.80% on annual basis and the expiry date of the loan is 17 April 2005.

The mortgage loan from HVB 1 is in force by 31 December 2005. The contractual loan amount is EUR 134 thousand and repayment is due in EUR. The negotiated interest rate is 5.50% on annual basis. The collateral is a mortgage over a real estate in Offenbach, Germany.

The mortgage loan from HVB 2 is in force by 31 December 2005. The contractual loan amount is EUR 308 thousand and repayment is due in EUR. The interest rate is 5.35% on annual basis. The collateral presented to the bank is a real estate in Hanau.

The KfW loan from HVB is in force by 31 December 2005 and the negotiated interest rate is 5.35% on annual basis. The amount of BGN 50 thousand is paid twice a year. There is no collateral negotiated.

**Liabilities under repurchase agreements**

As of 31 December 2004 the Group has signed repurchase agreements with local companies to the total amount of BGN 9 568 thousand, including the outstanding interest payables. The Group has secured this liability by a pledge of Bulgarian government securities. The maturity of these repurchase agreements is between January and June 2005.

**Temporary financing**

| | 2004 BGN'000s | 2003 BGN'000s |
|---|---|---|
| Slanchevi lachi trade EOOD | 3 257 | 3 298 |
| Inimport OOD | 2 798 | - |
| Hamer 2003 EOOD | 1 009 | - |
| Sticks | 434 | 3 238 |
| | **7 498** | **6 536** |

The negotiated interest rate is from 10 to 12% p.a. and the maturity is within 1 year.

**Trade payables**

| | 2004 BGN'000s | 2003 BGN'000s |
|---|---|---|
| Fertitron | 3 881 | 7 862 |
| Biorad | 3 254 | 2 860 |
| ANZ Bank | 2 674 | - |
| General stock and Lovico | 2 362 | - |
| GVA | 2 047 | 2 790 |
| Prima him EOOD | 1 431 | - |
| Back international AD | 1 177 | 1 784 |
| Desislava 2001 | 508 | - |
| Eurocontrol | 486 | 248 |
| Agrochimikali OOD | 475 | - |
| Media advertising | 463 | - |
| Stan 1 OOD | 394 | - |
| Metalcommerce EOOD | 339 | - |
| Slanchevi Lachi AD | 338 | - |
| Zarneni hrani Balchik | - | 1 415 |
| AK Balkan | - | 930 |
| Other | 11 045 | 2 919 |
| | **30 874** | **20 808** |

The fair values of trade payables has not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheet to be a reasonable approximation of their fair value.

**Tax payables**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Corporate income tax | 1 680 | 972 |
| VAT | 264 | 323 |
| Excise duty | 1 310 | 213 |
| Local tax and fees | 60 | 39 |
| One-time taxes | 90 | 33 |
| Income tax | 93 | 63 |
| Other | 184 | - |
| | **3 681** | **1 643** |

**Payables to employees and social security institutions**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Wages and salaries payables | 2 214 | 984 |
| Social security payable | 579 | 457 |
| | **2 793** | **1 441** |

**Other payables**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| BAKB | 4 343 | - |
| Interest liabilities | 2 413 | - |
| Bulgarochim | 1 993 | 3 243 |
| Fertitron | 1 296 | 1 296 |
| Inimport | - | 2 834 |
| Other | 19 980 | 14 272 |
| | **30 025** | **21 645** |

**Income from non-financial activities**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Sale of finished goods | 30 900 | 18 110 |
| Sale of trading goods | 19 650 | 20 139 |
| Sale of services | 11 739 | 5 199 |
| Sales of performed flights | 43 495 | 33 714 |
| Others | 6 447 | 7 620 |
| | **112 231** | **84 782** |

**Expenses on non-financial activities**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Cost of finished and trading goods sold | 23 025 | 19 891 |
| Materials | 31 554 | 16 855 |
| Hired services | 31 684 | 25 278 |
| Depreciation | 3 804 | 3 073 |
| Employee expenses | 9 041 | 8 386 |
| Other | 5 987 | 6 096 |
| | **105 095** | **79 579** |

**Administrative costs**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Materials | 1 250 | 297 |
| Hired services | 11 054 | 2 545 |
| Depreciation | 2 600 | 238 |
| Employee expenses | 12 535 | 1 524 |
| Other | 8 823 | 1 132 |
| | **36 262** | **5 736** |

**Insurance income**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Insurance premiums | 26 920 | 12 743 |
| Regression income | 358 | 99 |
| Released insurance reserves | 7 055 | 3 249 |
| Income from reinsurance operations | 2 109 | 1 887 |
| Other insurance income | 93 | 99 |
| | **36 535** | **18 077** |

Insurance income has occurred in the course of the insurance activity of the Group performed by ZAD Armeec.

**Insurance premiums**

For the years 2003 and 2004, the percentages of the principal kinds of insurances in the insurance portfolio of ZAD Armeec according to the amount of the premium income from direct insurance, are as follows:

| | **2004**<br>**Premium income**<br>**'000 BGN** | **2004**<br>**% from total premium income** | **2003**<br>**Premium income**<br>**'000 BGN** | **2003**<br>**% from total premium income** |
|---|---|---|---|---|
| Casco (Hull) | 12 765 | 48.61 | 6 692 | 52.52 |
| Motor liabilities | 4 786 | 17.38 | 2 833 | 22.23 |
| Fire and natural calamities | 2260 | 8.20 | 785 | 6.16 |
| Property damage | 492 | 1.79 | 496 | 3.89 |
| Accident | 2347 | 8.52 | 491 | 3.85 |
| Credit and lease | 1307 | 4.74 | 261 | 2.05 |
| General public liability | 299 | 1.09 | 235 | 1.84 |
| Aviation public liability | 720 | 2.61 | 231 | 1.81 |
| Travel assistance | 293 | 1.06 | 209 | 1.64 |
| Guarantee Insurance | 221 | 0.80 | 194 | 1.52 |
| Aviation hull | 342 | 1.24 | 154 | 1.21 |
| Cargo | 851 | 3.09 | 93 | 0.73 |
| Financial loss | 109 | 0.41 | 40 | 0.32 |
| Marine hull | 128 | 0.46 | 29 | 0.23 |
| | **26 920** | **100** | **12 743** | **100** |

**Income from reinsurance operations**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|

| | | |
|---|---|---|
| Income from received indemnity from reinsurers | 289 | 854 |
| Income from participation in reserves of reinsurers | 4 | - |
| Income from received commissions from reinsurers | 144 | 141 |
| Income from reserves set aside for the reinsurer | 1 672 | 892 |
| | **2 109** | **1 887** |

**Insurance expenses**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Claims paid | 5 044 | 2 767 |
| Liquidation of damages expenses | 105 | 55 |
| Commissions and fees expenses | 2 829 | 1 582 |
| Insurance reserve formed | 14 730 | 7 072 |
| Expenses for reinsurance operations | 3 880 | 1 772 |
| Other expenses for insurance operations | 1 311 | 151 |
| | **27 899** | **13 399** |

Insurance expenses have occurred in the course of the insurance activity of the Group performed by ZAD Armeec.

*Claims paid*

The procedure of liquidation of damages and the payment of the insurance indemnity are regulated by the methods developed and adopted by ZAD Armeec for each kind of insurance. Concerning the general insurance, there is a description of the relationships between the parties in the case of occurring of the insurance event, as well as of the way of payment of the insured sum. For some of the insurances there are also requirements concerning the preliminary information that the insurer has to obtain in order to assume the obligations under the insurance contract. For some of the insurances there are also requirements concerning the preliminary information that the insurer has to obtain in order to assume the obligations under the insurance contract.

The liquidation is performed by the Head Office of ZAD Armeec. The claims are paid by the Head Office upon the issue of a report by liquidation experts, legal experts and the approval of The liquidation of damages may also be performed by the Company's agencies. Each agency is authorised to liquidate damages within the limits determined by the Head Office. When the amount exceeds the limit, the liquidation is performed by the Head Office.

ZAD Armeec has expenses from participation in the result from the insurance policies concluded with the Ministry of Defence. As at 31 December 2004 these expenses amount to BGN 33 thousand.

During the year 2004 the following claims, classified by kind and by group of insurances, have been paid:

| | 2004<br>Claims paid ‘000 BGN | 2004<br>% from total claims paid | 2003<br>Claims paid ‘000 BGN | 2003<br>% from total claims paid |
|---|---|---|---|---|
| Casco | 3 712 | 73.59 | 1 383 | 49.98 |
| Motor liabilities | 693 | 13.74 | 658 | 23.78 |
| Accident- group | 184 | 3.65 | 146 | 5.28 |
| Fire and natural calamities | 181 | 3.59 | 141 | 5.09 |
| Credits | 166 | 3.29 | 25 | 0.9 |
| Property damage | 83 | 1.64 | 384 | 13.88 |
| Travel assistance | 20 | 0.4 | 8 | 0.29 |
| Cargo | 2 | 0.04 | 3 | 0.11 |
| Accident– at the places | 1 | 0.02 | 10 | 0.36 |
| Accident– individual | 1 | 0.02 | 1 | 0.04 |
| General public liability | 1 | 0.02 | 1 | 0.04 |
| Hotel guests | - | - | 7 | 0.25 |
| | **5 044** | **100** | **2 767** | **100** |

**Expenses for reinsurance operations**

| | 2004<br>BGN’000s | 2003<br>BGN’000s |
|---|---|---|
| Expenses for granted premiums to reinsurers | 2 989 | 792 |
| Expenses for released reserves for reinsurers | 891 | 980 |
| | **3 880** | **1 772** |

**Interest income**

| | 2004 BGN'000s | 2003 BGN'000s |
|---|---|---|
| **Interest income by source:** | | |
| Enterprises | 23 171 | - |
| Government securities | 2 090 | - |
| Banks | 2 076 | 7 |
| Individuals | 2 223 | |
| Other | 3 232 | 1 636 |
| | **32 792** | **1 643** |

**Interest expense**

| | 2004 BGN'000s | 2003 BGN'000s |
|---|---|---|
| **Interest expenses by recipients:** | | |
| Enterprises | 4 620 | - |
| Individuals | 4 836 | - |
| Banks | 3 709 | 882 |
| Other | 3 848 | 2 581 |
| | **17 013** | **3 463** |

**Gains from transactions with financial instruments**

| | 2004 BGN'000s | 2003 BGN'000s |
|---|---|---|
| Revaluation of financial instruments | 4 211 | 902 |
| Gains from dealing with securities | 875 | 95 |
| Others | 981 | 1 643 |
| | **6 067** | **2 640** |

**Losses from transactions with financial instruments**

| | 2004 BGN'000s | 2003 BGN'000s |
|---|---|---|
| Revaluation of financial instruments | 1 352 | 718 |
| Losses from dealing with securities | 180 | 85 |
| Others | 148 | 1 767 |
| | **1 680** | **2 570** |

**Negative goodwill**

Income from excess of fair value of net assets acquired over cost occurred as a result of the following acquisitions in 2004:

| | Negative goodwill<br>BGN'000s | Shares acquired<br>% |
|---|---|---|
| Central Cooperative Bank AD | 6 352 | 28.43% |
| Inohem AD | 229 | 100.00% |
| **Income recognised in current period profit** | **6 581** | **-** |

For further details on the acquisitions performed see Note 0.

**Other financial income/(expense)**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Fees and commissions income, net | 12 452 | - |
| Net result from foreign exchange differences | (905) | (4 026) |
| Income from merger of Hemus Hold | 13 946 | |
| Others | 4 455 | 8 775 |
| | **29 948** | **4 749** |

**Fees and commissions income, net**

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Servicing loans | 4 146 | - |
| Servicing commitments and contingencies | 606 | - |
| Servicing deposit accounts | 1 985 | - |
| Bank transfers | 2 716 | - |
| Cash services | 1 343 | - |
| Bank card services | 1 341 | - |
| Other income | 1 229 | - |
| Fees and commissions expenses | (914) | - |
| | **12 452** | **-** |

**Allocation to secured individuals**

As at 31 December 2004 and 2003 BGN 1 512 thousand and BGN 780 thousand respectively are the amounts that are subject to distribution to secured individuals in the course of the activity of the pension funds that are part of the Group.

**Income tax expense**

The relationship between the expected tax expense based on the effective tax rate at 19.5 % (2003: 23.5 %) and the tax expense actually recognised in the income statement can be reconciled as follows:

| | 2004<br>BGN'000s | 2003<br>BGN'000s |
|---|---|---|
| Result for the period before tax | 34 693 | 8 071 |
| Tax rate | 19.50% | 23.50% |
| **Expected tax expense** | (6 765) | (1 897) |
| | Tax effect<br>At 19.5 % | Tax effect<br>At 23.5 % |
| Adjustment for tax exempt income | 2 334 | 543 |
| **Current tax expense** | (4 431) | (1 354) |
| **Deferred tax income/(expense), resulting from:** | | |
| - origination and reversal of temporary differences and changes in tax rates | 27 | - |
| **Actual tax expense, net** | (4 404) | (1 354) |
| Effective tax rate | 12.69% | 16.78% |

Please refer to note 0 for information on the entity's deferred tax assets and liabilities.

**Earnings per share**

The weighted average number of outstanding shares used for basic earnings per share as well as profits attributable to shareholders is as follows:

| | 2004<br>BGN | 2003<br>BGN |
|---|---|---|
| Profit attributable to equity holders of Chimimport AD | 26 136 000 | 6 698 000 |
| Weighted average number of ordinary shares in issue | 18 797 814 | 10 000 000 |
| **Basic earning per share (BGN per share)** | 1.3904 | 0.6698 |

The basic earnings per share is determined by dividing the net profit for the period attributable to the equity holders of Chimimport AD by the weighted average number of ordinary shares outstanding during the period ending 31 December 2004 and 2003 respectively.

The weighted average number of shares is calculated as a sum of the number of ordinary shares outstanding at the beginning of the period and the number of ordinary shares issued during the period, multiplied by the time-weighting factor.

**Related parties transactions**

None of the transactions incorporate special terms and conditions and no guarantee was given or received.

**Receivables from related parties**

| | 2004<br>BGN‘000 | 2003<br>BGN‘000 |
|---|---|---|
| Konor Switzerland | 862 | 938 |
| Zarneni hrani Plovdiv | 368 | - |
| TPO EOOD | 357 | - |
| Office 1 Superstore | 230 | - |
| Kavarna gaz OOD | 145 | - |
| Hemus Air AD | - | 783 |
| CCB AD | - | 524 |
| Other | 3 484 | 696 |
| | **5 446** | **2 941** |

**Long-term payables to related parties**

| | 2004 BGN'000 | 2003 BGN'000 |
|---|---|---|
| Chimimport Invest | 5 200 | 2 137 |
| Others | 3 607 | - |
| | **8 807** | **2 137** |

The liability to Chimimport Invest occurred as a result of two long-term credits. One of them amounted to BGN 2 004 thousand received in 2003 with a maturity date on 31 December 2006 and annual interest rate 9.5%.

The second one is for trade with oil and oil products amounting of USD 2 million (BGN 3 197 thousand) received in 2004 with a maturity date on 31 December 2006. Chimimport Invest has the right to participate in the profit from the activity.

**Short-term payables to related parties**

| | 2004 BGN'000 | 2003 BGN'000 |
|---|---|---|
| Ministry of defence | 361 | - |
| CCB AD | - | 106 |
| Other | 28 | 545 |
| | **389** | **651** |

**Commitments and contingencies**

**Guarantees issued**

The aggregate amount of outstanding guarantees at year-end is as follows:

| | **2004** |
|---|---|
| | **BGN'000** |
| Bank guarantees | |
| -In BGN | 37 420 |
| -In foreign currency | 14 520 |
| | **51 940** |

Irrevocable commitments

As of 31 December 2004 in course of its banking activity the Group has signed contracts for granting of revolving and other loans to customers at the total amount of BGN 926 thousand. The future utilization and other of this amount depends on the customer's ability to meet certain criteria, including no record of overdue payments on previously granted loans, provision of collateral with suitable quality and liquidity.

**Other contingent liabilities**

The group has entered into several loan agreements under which collaterals have been given. For details on collaterals submitted by the Group refer to Notes 0, 0, 0.

**Contingent assets**

As at 31 December 2004 the contingent assets and the estimate of their financial effect are as follows:

| | **2004** |
|---|---|
| | **'000 BGN** |
| Fixed assets pledged as security in favour of the Group | 481 248 |
| Financial assets pledged as security in favour of the Group | 169 812 |
| Collaterals subject to execution | 7 419 |
| Receivables under foreign exchange transactions | 20 105 |
| | **678 584** |

**Post Balance sheet events**

With a court decision dated 07 January 2005 the share capital of Chimimport AD was increased from BGN 20 000 000 to BGN 25 000 000. The capital increase was performed by cash instalment by Chimimport Invest AD.

On 28 January 2005 the General Meeting of the Shareholders has taken the decision to increase the share capital from BGN 25 000 000 to BGN 60 000 000. The increase is registered on 20 May 2005 with court decision N22.

From 14 February 2005 a new member joined the Management Board of Chimimport AD – Marin Mitev and Chimimport AD is represented by the executive directors Dimitar Kalchev and Marin Mitev and the procurator Ivo Georgiev.

With court decision dated 12 April 2005 Chimimport Invest AD and CCB Group Assets Management EAD became members of the Supervisory board.

On 26 May 2005 Sport Complex Varna AD was registered by the regional court of Varna. The company is with capital of BGN 34 575 000, which is divided into 34 575 shares with par value of BGN 1 000. According to the Articles of association founders of the company are Chimimport AD and Municipality Varna. Chimimport AD is in possession of 22 474 shares representing 65 % of the share capital.

**Risk management objectives and policies**

The Group is exposed to a variety of financial risks, which result from both its operating and investing activities.

***Liquidity and interest rate risks***

The interest rate risk is the risk that the value of the Group's interest – bearing loans might vary as a consequence of the changes in the market interest rates.

The Group maintains the required liquidity of operating currencies. The Group places the available cash funds on "overnight deposits" on a daily basis. The management intents to increase the interest income, as these types of operations bear much higher interest than the interest on nostro accounts with the correspondents, without declining the liquidity of the Group.

The maturity of assets and liabilities and the ability to replace, at an acceptable cost, the interest bearing liabilities as they mature, are taken into consideration by the management in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

The Group applied the following methods in assets and liabilities management:

- in assets management the Group intends to maintain a balanced loan and securities portfolio regarding the assets with fixed and floating interest rates. Except for some loans, all granted by the Group loans bear floating interest rates. Those bearing fixed interest rates, mature up to 1 year and the interest levels considerably exceed the current market ones. The active management of securities portfolio additionally facilitates avoiding the risk of unfavourable fluctuations of interest rates.
- in management of attracted funds the Group takes into consideration the terms of competition, but includes in its deposit contracts a clause for resetting of contracted interest rates upon amendments to the Interest Rates Tariff. This allows for a dynamic management of cost of attracted funds, although the deposit contracts are concluded at a fixed interest rate.

The assets and liabilities of the Group as at 31 December 2004 mature over the following periods, based on remaining maturity.

| | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | No stated maturity | Total |
|---|---|---|---|---|---|---|---|
| | **’000 BGN** | **’000 BGN** | **’000 BGN** | **’000 BGN** | **’000 BGN** | **’000 BGN** | **’000 BGN** |
| **Assets** | | | | | | | |
| **Non-current** | | | | | | | |
| Property, plant and equipment | - | - | - | - | - | 95 926 | 95 926 |
| Investment property | - | - | - | - | - | 9 286 | 9 286 |
| Goodwill | - | - | - | - | - | 7 729 | 7 729 |
| Intangible fixed assets | - | - | - | - | - | 752 | 752 |
| Investments in associates | - | - | - | - | - | - | - |
| Long - term financial assets | - | - | - | 33 830 | 3 939 | 3 917 | 41 686 |
| Long-term receivables | - | - | - | 12 819 | - | - | 12 819 |
| Deferred tax assets | - | - | - | - | - | 253 | 253 |
| | **-** | **-** | **-** | **46 649** | **3 939** | **117 863** | **168 451** |
| **Current** | | | | | | | |
| Inventories | - | - | - | - | - | 17 539 | 17 539 |
| Short-term financial assets | 21 259 | 34 120 | 128 362 | 84 849 | 906 | 1 829 | 271 325 |
| Loans granted | - | - | 24 822 | - | - | - | 24 822 |
| Receivables from related parties | - | - | 5 446 | - | - | - | 5 446 |
| Trade receivables | 21 843 | - | - | - | - | - | 21 843 |
| Tax receivables | - | 2 057 | - | - | - | - | 2 057 |
| Other receivables | - | - | 21 393 | 736 | - | - | 22 129 |
| Cash and cash equivalents | 251 595 | 7 289 | - | - | - | 386 | 259 270 |
| | **294 697** | **43 466** | **180 023** | **85 585** | **906** | **19 754** | **624 431** |
| **Total assets** | **294 697** | **43 466** | **180 023** | **132 234** | **4 845** | **137 617** | **792 882** |

| | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | No stated maturity | Total |
|---|---|---|---|---|---|---|---|
| | **’000 BGN** | **’000 BGN** | **’000 BGN** | **’000 BGN** | **’000 BGN** | **’000 BGN** | **’000 BGN** |
| **Liabilities** | | | | | | | |
| **Non-current** | | | | | | | |
| Payables to secured individuals | - | - | - | - | 16 190 | - | 16 190 |
| Long - term financial liabilities | - | - | - | 12 060 | - | - | 12 060 |
| Long - term trade payables | - | - | - | 8 901 | - | - | 8 901 |
| Long-term payables to related parties | - | - | - | 8 807 | - | - | 8 807 |
| Other attracted funds | - | - | - | 10 856 | - | - | 10 856 |
| Other non - current liabilities | - | - | - | 11 505 | - | - | 11 505 |
| Deferred tax liabilities | - | - | - | - | - | 1 231 | 1 231 |
| | - | - | - | 52 129 | 16 190 | 1 231 | 69 550 |
| **Current** | | | | | | | |
| Payables to depositors | 339 386 | 34 053 | 82 158 | 414 | - | 6 902 | 462 913 |
| Short-term financial liabilities | 1 287 | 4 508 | 39 257 | - | - | - | 45 052 |
| Trade payables | 30 874 | - | - | - | - | - | 30 874 |
| Short-term payables to related parties | - | - | 389 | - | - | - | 389 |
| Tax payables | - | 3 681 | - | - | - | - | 3 681 |
| Payables to employees and social security institutions | 2 793 | - | - | - | - | - | 2 793 |
| Other payables | - | - | 30 025 | - | - | - | 30 025 |
| | 374 340 | 42 242 | 151 829 | 414 | - | 6 902 | 575 727 |
| **Total liabilities** | **374 340** | **42 242** | **151 829** | **52 543** | **16 190** | **8 133** | **645 277** |
| **Net liquidity gap** | **(79 643)** | **1 224** | **28 194** | **79 691** | **(11 345)** | **129 484** | **147 605** |
| **Cumulative** | **(79 643)** | **(78 419)** | **(50 225)** | **29 466** | **18 121** | **147 605** | |

**Foreign currency risk**

A major part of the loans received by the Group are in EURO, which limits the currency risk exposure. As far as the loans in USD are concerned the exchange rate changes for the last year were in favour of the Group.

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2004. The Group's assets and liabilities are included in the table below at their carrying amounts in thousand BGN, broken down by currency.

| | **BGN** | **EUR** | **USD** | **Other** | **Total** |
|---|---|---|---|---|---|
| | **'000 BGN** | **'000 BGN** | **'000 BGN** | **'000 BGN** | **'000 BGN** |
| **Assets** | | | | | |
| **Non-current** | | | | | |
| Property, plant and equipment | 95 926 | - | - | - | 95 926 |
| Investment property | 9 286 | - | - | - | 9 286 |
| Goodwill | 7 729 | - | - | - | 7 729 |
| Intangible fixed assets | 752 | - | - | - | 752 |
| Investments in associates | - | - | - | - | - |
| Long - term financial assets | 41 037 | 649 | - | - | 41 686 |
| Long-term receivables | 1 457 | - | 11 362 | - | 12 819 |
| Deferred tax assets | 253 | - | - | - | 253 |
| | **156 440** | **649** | **11 362** | **-** | **168 451** |
| **Current** | | | | | |
| Inventories | 17 539 | - | - | - | 17 539 |
| Short-term financial assets | 190 763 | 57 542 | 23 020 | - | 271 325 |
| Loans granted | 24 822 | - | - | - | 24 822 |
| Receivables from related parties | 5 446 | - | - | - | 5 446 |
| Trade receivables | 17 395 | 448 | 4 000 | - | 21 843 |
| Tax receivables | 2 057 | - | - | - | 2 057 |
| Other receivables | 14 119 | 386 | 7 624 | - | 22 129 |
| Cash and cash equivalents | 86 420 | 104 193 | 53 684 | 14 973 | 259 270 |
| | **358 561** | **162 569** | **88 328** | **14 973** | **624 431** |
| **Total assets** | **515 001** | **163 218** | **99 690** | **14 973** | **792 882** |

| | BGN | EUR | USD | Other | Total |
|---|---|---|---|---|---|
| | **’000 BGN** | **’000 BGN** | **’000 BGN** | **’000 BGN** | **’000 BGN** |
| **Liabilities** | | | | | |
| **Non-current** | | | | | |
| Payables to secured individuals | 16 190 | - | - | - | 16 190 |
| Long - term financial liabilities | 4 712 | 5 319 | 2 029 | - | 12 060 |
| Long - term trade payables | - | - | 8 901 | - | 8 901 |
| Long-term payables to related parties | 5 610 | - | 3 197 | - | 8 807 |
| Other attracted funds | 10 856 | - | - | - | 10 856 |
| Other non - current liabilities | 4 739 | 1 288 | 4 210 | 1 268 | 11 505 |
| Deferred tax liabilities | 1 231 | - | - | - | 1 231 |
| | 43 338 | 6 607 | 18 337 | 1 268 | 69 550 |
| **Current** | | | | | |
| Payables to depositors | 245 892 | 129 462 | 72 911 | 14 648 | 462 913 |
| Short-term financial liabilities | 26 384 | 18 668 | - | - | 45 052 |
| Trade payables | 18 703 | 5 616 | 6 555 | - | 30 874 |
| Short-term payables to related parties | 389 | - | - | - | 389 |
| Tax payables | 3 681 | - | - | - | 3 681 |
| Payables to employees and social security institutions | 2 793 | - | - | - | 2 793 |
| Other payables | 18 221 | 3 811 | 7 833 | 160 | 30 025 |
| | 316 063 | 157 557 | 87 299 | 14 808 | 575 727 |
| **Total liabilities** | **359 401** | **164 164** | **105 636** | **16 076** | **645 277** |
| | | | | | |
| **Net position** | **155 600** | **(946)** | **(5 946)** | **(1 103)** | **147 605** |

**Credit risk**

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group structures the credit risk determining limits for the credit risk as a minimum exposure to one debtor, to a group of related parties and respectively, geographically and to business sectors. In order to decrease the credit risk respective collaterals and guarantees are required.

**Market risk**

A market risk arises on opened exposures on interest, currency and capital products, as all of them are sensitive to general and specific market movements. Exposure to market risk is managed by the Group in accordance with the limits stipulated by the management.

**Chimimport AD**
**Interim financial statements**
**30 June 2007**

## Contents

Interim balance sheet

| | Notes | 31 June 2007 '000 BGN | 31December 2006 '000 BGN |
|---|---|---|---|
| **Assets** | | | |
| **Non-current** | | | |
| Property, plant and equipment | **Error! Reference source not found.** | 19 101 | 20 074 |
| Intangible assets | | 371 | 495 |
| Investment property | | 1 214 | 1 253 |
| Investments in subsidiaries | | 185 909 | 151 995 |
| Investments in associates | | 18 052 | 27 935 |
| Long-term financial assets | | 17 699 | 30 072 |
| Long-term receivables | | 12 674 | 11 691 |
| | | **255 020** | **243 515** |
| **Current** | | | |
| Inventories | | 296 | 302 |
| Receivables from related parties | | 63 472 | 17 492 |
| Short-term financial assets | | 2 517 | 1 864 |
| Loans granted | | 5 107 | 11 348 |
| Trade receivables | | 2 824 | 4 315 |
| Court receivables | | 145 | 145 |
| Other receivables | | 15 959 | 8 282 |
| Cash and cash equivalents | | 30 455 | 26 392 |
| | | **120 775** | **70 140** |
| **Total assets** | | **375 795** | **313 655** |

**Prepared by: ____________________**

**Executive director:____________________**

**Data: 26 July 2007 г.**

Interim balance sheet

| | Notes | 31 June 2007 '000 BGN | 31December 2006 '000 BGN |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 0 | 130 000 | 130 000 |
| Premium reserve | | 32 925 | 32 925 |
| Other reserves | | 7 119 | 7 125 |
| Retained earnings | | 65 945 | 36 709 |
| Net profit for the period | | 41 307 | 29 236 |
| **Total equity** | | **277 296** | **235 995** |
| | | | |
| **Liabilities** | | | |
| **Non-current** | | | |
| Long-term bank loans | | 1 788 | 1 723 |
| Long-term trade payables | | 8 242 | 8 502 |
| Long-term payables to related parties | | 27 235 | 7 760 |
| Other long-term payables | | 539 | 539 |
| | | **37 804** | **18 524** |
| | | | |
| **Current** | | | |
| Short-term payables to related parties | | 35 548 | 21 860 |
| Short-term bank loans | | 9 137 | 10 339 |
| Trade payables | | 5 579 | 7 773 |
| Tax payables | | 6 | 1 895 |
| Payables to employees and social security institutions | | 554 | 524 |
| Other payables | | 9 871 | 16 745 |
| | | **60 695** | **59 136** |
| | | | |
| **Total liabilities** | | **98 499** | **77 660** |
| | | | |
| **Total equity and liabilities** | | **375 795** | **313 655** |

**Prepared by: ____________________**

**Executive director:____________________**

**Data: 26 July 2007 г.**

**Interim Income Statement**

| | Notes | 30 June 2007 '000 BGN | 30 June 2006 '000 BGN |
|---|---|---|---|
| Gains from transactions with financial instruments | | 49 168 | 71 |
| Losses from transactions with financial instruments | | (6 588) | (5) |
| **Net result from transactions with financial instruments** | | **42 580** | **66** |
| | | | |
| Interest income | | 7 | 187 |
| Interest expenses | | (933) | (484) |
| **Interest expenses, net** | | **(926)** | **(297)** |
| | | | |
| Gains from foreign exchange differences | | 279 | - |
| Losses from foreign exchange differences | | (5) | (4) |
| **Net result from foreign exchange differences** | | **274** | **(4)** |
| | | | |
| Other financial income/(expenses), net | | **(75)** | **(46)** |
| | | | |
| Operating income | | 2 982 | 4 369 |
| Operating expenses | | (3 528) | (1 747) |
| **Operating result** | | **(546)** | 2 622 |
| | | | |
| **Result for the period before tax** | | **41 307** | **2 341** |
| | | | |
| Tax expenses, net | | - | (341) |
| **Net result for the period** | | **41 307** | **2 000** |

| | | 30 June 2007 BGN | 30 June 2006 BGN |
|---|---|---|---|
| **Earnings per share** | **Error! Reference source not found.** | 0.32 | 0.02 |

**Prepared by: ____________________**

**Executive director:_____________________**

**Data: 26 July 2007 г.**

Interim cash flow statement

| | Notes | 30 June 2007 '000 BGN | 30 June 2006 '000 BGN |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Proceeds from short-term loans | | 70 052 | 49 207 |
| Payments for short-term loans | | (47 785) | (28 973) |
| Purchase of short-term financial assets | | 1 161 | 4 617 |
| Proceeds from sale of short-term financial assets | | (1 112) | (5 391) |
| Cash receipts from customers | | 6 882 | 2 316 |
| Cash paid to suppliers | | (2 950) | (1 204) |
| Gains/(losses) from foreign exchange differences | | 6 | (4) |
| Interest income | | 7 | - |
| Cash paid to employees and social security institutions | | (278) | (94) |
| Taxes paid | | (1 926) | (145) |
| Other payments for operating activities | | (50) | (57) |
| Other proceeds from operating activities | | 48 | 63 |
| **Net cash used in operating activities** | | **24 055** | **20 335** |
| **Investing activities** | | | |
| Purchase of non-current assets | | (25 016) | (172) |
| Proceeds from sale of non-current assets | | 41 195 | 214 |
| Purchase of investments in subsidiaries and associates | | (31 950) | (12 569) |
| **Net cash used in investing activities** | | **(15 771)** | **(12 527)** |
| **Financing activities** | | | |
| Payments for bank loans received | | (2 499) | (6 656) |
| Discharge of finance lease liabilities | | (1 133) | - |
| Interest paid | | (589) | (185) |
| Other payments for financing activities | | - | (184) |
| Other proceeds from financing activities | | - | 182 |
| **Net cash used in financing activities** | | **(4 221)** | **(6 843)** |
| **Cash and cash equivalents at beginning of period** | | **26 392** | **3 607** |
| Net increase in cash and cash equivalents | | 4 063 | 965 |
| **Cash and cash equivalents at end of period** | | **30 455** | **4 572** |

**Prepared by: ____________________**

**Executive director:_____________________**

**Data: 26 July 2007 г.**

Interim statement of changes in equity

| All amounts presented in BGN'000s | **Share capital** | **Unpaid capital** | **Additional paid-in capital** | **Other reserves** | **Retained earnings** | **Total equity** |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2006** | **60 000** | **(2 082)** | **58 916** | **7 596** | **36 708** | **161 138** |
| Installments for increase in share capital | 58 916 | 2 082 | (58 916) | - | - | **2 082** |
| Net result for the period | - | - | - | - | 2 000 | **2 000** |
| Donations granted | - | - | - | (133) | - | **(133)** |
| Other changes in equity | - | - | - | (1) | 1 | **-** |
| **Balance as at 30 June 2006** | **118 916** | **-** | **-** | **7 462** | **38 709** | **165 087** |

| All amounts presented in BGN'000s | **Share capital** | **Share premium** | **Other reserves** | **Retained earnings** | **Total equity** |
|---|---|---|---|---|---|
| **Balance 01 January 2007** | **130 000** | **32 925** | **7 125** | **65 945** | **235 995** |
| Net result for the period | - | - | - | 41 307 | **41 307** |
| Other changes in equity | - | - | (6) | - | **(6)** |
| **Balance as at 30 June 2007** | **130 000** | **32 925** | **7 119** | **107 252** | **277 296** |

**Prepared by: ____________________**

**Executive director:_____________________**

**Data: 26 July 2007 г.**

Selected explanatory notes to interim financial statements

**General information**

CHIMIMPORT AD was registered as a joint-stock company at Sofia city court on 24 January 1990.

The Company is engaged in the following business activities:

- Import, export, re-export and other commercial transactions with oil and other chemical products;
- Commission, forwarding and warehousing transactions;
- Commercial agency and brokerage;
- Sale of manufactured goods;
- Acquisition, management and trade of shares in Bulgarian and foreign companies;
- Financing of companies in which interest is held;
- Tourist services.

The address of the Company's registered office is 2, St. Karadja Str., Sofia, Bulgaria.

The financial statements for the period ended 30 June 2007 were approved by the Management Board on 26 July 2007.

**Basis for preparation of the interim financial statements**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Company as at 31 December 2006.

Interim financial statements are presented in BGN, which is also the functional currency of the Company.

The main accounting policies of the Company have remained unchanged from those set out in the annual financial statements of the Company as at 31 December 2006.

**Property, plant and equipment**

| | Land | Buildings | Machinery | Aircraft | Vehicles | Other fixed assets | Assets in process of acquisition | Total |
|---|---|---|---|---|---|---|---|---|
| | BGN'000s | BGN'000s | BGN'000s | BGN'000s | BGN'000s | BGN'000s | BGN'000s | BGN'000s |
| At 1 January 2006 | | | | | | | | |
| Cost | 200 | 654 | 1 030 | 13 255 | 193 | 606 | 100 | 16 038 |
| Accumulated depreciation | - | (100) | (962) | (1 326) | (192) | (433) | - | (3 013) |
| **Net book amount** | **200** | **554** | **68** | **11 929** | **1** | **173** | **100** | **13 025** |
| **Year ended 31 December 2006** | | | | | | | | |
| Opening net book amount | 200 | 554 | 68 | 11 929 | 1 | 173 | 100 | 13 025 |
| Additions | 401 | - | 28 | 8 787 | - | 1 | 11 392 | 20 609 |
| Disposals | (200) | - | (11) | - | (14) | - | (11 492) | (11 717) |
| Decrease in depreciation | - | - | 11 | - | 15 | - | - | 26 |
| Depreciation charge | - | (26) | (51) | (1 765) | (2) | (25) | - | (1 869) |
| **Closing net book amount** | **401** | **528** | **45** | **18 951** | **-** | **149** | **-** | **20 074** |
| **At 31 December 2006** | | | | | | | | |
| Cost or valuation | 401 | 654 | 1 047 | 22 042 | 179 | 607 | - | 24 930 |
| Accumulated depreciation | - | (126) | (1 002) | (3 091) | (179) | (458) | - | (4 856) |
| **Net book amount** | **401** | **528** | **45** | **18 951** | **-** | **149** | **-** | **20 074** |

**Year ended 30 June 2007**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Opening net book amount | 401 | 528 | 45 | 18 951 | - | 149 | - | 20 074 |
| Additions | | | 2 | | | | 161 | 163 |
| Depreciation charge | | (15) | (7) | (1 102) | - | (12) | | (1 136) |
| **Closing net book amount** | **401** | **513** | **40** | **17 849** | **-** | **137** | **161** | **19 101** |
| | | | | | | | | |
| **At 30 June 2007** | | | | | | | | |
| Cost or valuation | 401 | 654 | 1 049 | 22 042 | 179 | 607 | 161 | 25 093 |
| Accumulated depreciation | - | (141) | (1 009) | (4 193) | (179) | (470) | - | (5 992) |
| **Net book amount** | **401** | **513** | **40** | **17 849** | **-** | **137** | **161** | **19 101** |

**Share capital**

On 15 February 2006 the General Meeting of the Shareholders took the decision to increase the share capital from BGN 60 000 000 to BGN 118 916 086 and to start the procedure for transforming the company into a public company. The increase of the share capital came in force with court decision No 24 dated 10 April 2006, issued by Sofia City Court. At the General Meeting of the Shareholders on 31 March 2006 a decision to increase the share capital from BGN 118 916 086 to BGN 130 000 000 was taken. Therefore, 11 083 914 new ordinary dematerialized shares have been issued, each with par value of BGN 1 and issue price of BGN 4. The increase of the share capital has been performed by public offering of the shares. The Prospectus for the public offering has been approved by the Financial Supervision Commission with decision № 618-E dated 9 August 2006. The increase of the share capital came in force with court decision № 25 dated 29 September 2006, issued by Sofia City Court.

**Earnings per share**

The basic earnings per share is determined by dividing the net profit for the period attributable to the equity holders of Chimimport AD.

The weighted average number of outstanding shares used for basic earnings per share as well as profits attributable to shareholders is as follows

| | **30 June 2007** | **30 June 2006** |
|---|---|---|
| Net result for the period in BGN | 41 307 000 | 2 000 000 |
| Weighted average number of ordinary shares in issue | 130 000 000 | 86 512 239 |
| **Basic earning per share (BGN per share)** | 0,3177 | 0,0231 |

**CHIMIMPORT Plc**
**Financial Statement**
**31 December 2006**

# AUDITOR'S REPORT

To the SHAREHOLDERS OF
CHIMIMPORT AD

Sofia

**Report on Financial Statements**

We have audited the financial statements of CHIMIMPORT AD consisting of balance sheets, income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2006 as well as the accompanying notes. Understanding of the financial situation, presentation and the cash flows of the Company can be obtained only by reading the financial statements prepared by the management of the Company.

*Responsibility of the management of the Company*

The management of the Company is responsible for the preparation and the fair presentation of the financial statements, through which information is provided for the financial situation, presentation and the cash flows of the Company in accordance with the International Financial Reporting Standards as adopted by the EU and the national accounting legislation. This responsibility includes:

- organizing and planning the internal control in order to find and prevent from misstatements, whether or not due to fraud;
- choosing and applying accounting policy in accordance with IFRS and appropriate under the specific circumstances;
- performing the necessary accounting estimates including the preparation of essential assumptions on which these estimates are based;

*Responsibility of the Auditor*

Our responsibility is to express an opinion on these financial statements based on our audit. We performed the audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether or not due to fraud. An audit includes:

- understanding of the Company's activity and environment in order to estimate the risks of material misstatements and mistakes in the financial statements as well as defining and conducting further audit procedures, so that we can manage this risk;

## AUDITOR'S REPORT (continued)

- examining, on a test basis, accounting records and other information supporting the amounts and disclosures in the financial statements;
- estimating the adequacy of the accounting policy that is chosen and applied;
- assessing the reasonability of the accounting principles used and significant estimates made;
- evaluating the overall financial statement presentation as well as the notes to the financial statements

In an audit of financial statements the auditor achieves understanding of the internal control system of the Company, which serves as a basis for defining the type, period and the extent of the audit procedures but the purpose of this is not to provide a reasonable basis for opinion concerning the building and effective functioning of the internal control.

We believe that our audit provides a reasonable basis for our opinion on the financial statements.

*Our opinion*

In our opinion, the financial statements present fairly, in all material aspects the financial position of the Company for the year ended 31 December 2006, and of the results of its operations and its cash flows for the period then ended in accordance with the International Financial Reporting Standards as adopted by the EU and the national accounting legislation.

| Auditing company | Registered auditor |
|---|---|
| Grant Thornton LTD | Mariy Apostolov |

02 April 2007
Sofia

# Contents

# Balance

| | Notes | 2006 '000 BGN | 2005 '000 BGN |
|---|---|---|---|
| **Assets** | | | |
| **Non-current** | | | |
| Property, plant and equipment | 5 | 20 074 | 13 025 |
| Intangible assets | 6 | 495 | 737 |
| Investment property | 7, 8.1 | 1 253 | 1 331 |
| Investments in subsidiaries | 9 | 151 995 | 125 267 |
| Investments in associates | 10 | 27 935 | 24 364 |
| Long-term financial assets | 11 | 30 072 | 8 207 |
| Long-term receivables | 12 | 11 691 | 6 003 |
| | | **243 515** | **178 934** |
| **Current** | | | |
| Inventories | 13 | 302 | 1 057 |
| Receivables from related parties | 36.1 | 17 492 | 11 167 |
| Short-term financial assets | 14 | 1 864 | 1 691 |
| Loans granted | 15 | 11 348 | 23 625 |
| Trade receivables | 16 | 4 315 | 3 345 |
| Court receivables | 17 | 145 | 145 |
| Other receivables | 18 | 8 282 | 4 242 |
| Cash and cash equivalents | 19 | 26 392 | 10 583 |
| | | **70 140** | **55 855** |
| **Total assets** | | **313 655** | **234 789** |

**Prepared by:** ______________________

**Executive director:** ______________________

**Date: 1 March 2007**

**Audited by:** ______________________

0488 Марий Апостолов Регистриран одитор

Специализирано одиторско предприятие София Рег. №032 "Грант - Торнтон" ООД

Grant Thornton ЦД

The notes on pages 7 to 47 are an integral part of the financial statements.

# Balance

| | Notes | 2006 '000 BGN | 2005 '000 BGN |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 20.1 | 130 000 | 60 000 |
| Unpaid capital | 20.1 | - | (2 082) |
| Additional paid-in capital | | - | 58 916 |
| Share premium | 20.2 | 32 925 | - |
| Other reserves | 20.3 | 7 125 | 7 596 |
| Retained earnings | | 36 709 | 14 254 |
| Net profit for the period | | 29 236 | 22 454 |
| **Total equity** | | **235 995** | **161 138** |
| **Liabilities** | | | |
| **Non-current** | | | |
| Long-term bank loans | 21 | 1 723 | 4 062 |
| Long-term trade payables | 22, 8.2 | 8 502 | 7 265 |
| Long-term payables to related parties | 36.2 | 7 760 | - |
| Deferred tax liabilities | 23 | 539 | 825 |
| | | **18 524** | **12 152** |
| **Current** | | | |
| Short-term payables to related parties | 36.3, 36.4 | 21 860 | 27 131 |
| Short-term bank loans | 24 | 10 339 | 7 339 |
| Trade payables | 25, 8.2 | 7 773 | 15 786 |
| Tax payables | 26 | 1 895 | 137 |
| Payables to employees and social security institutions | 27.1, 27.2 | 524 | 21 |
| Other payables | 28 | 16 745 | 11 085 |
| | | **59 136** | **61 499** |
| **Total liabilities** | | **77 660** | **73 651** |
| **Total equity and liabilities** | | **313 655** | **234 789** |

**Prepared by:** ______________

**Executive director:** ______________

**Date: 1 March 2007**

**Audited by:** ______________

0483 Марий Апостолов Регистриран одитор

Специализирано одиторско предприятие София Рег. №032 "Грант - Торнтон" ООД

Grant Thornton Ltd

The notes on pages 7 to 47 are an integral part of the financial statements.

## Income Statement

| | Notes | 2006 '000 BGN | 2005 '000 BGN |
|---|---|---|---|
| Gains from transactions with financial instruments | 29 | 18 375 | 28 931 |
| Losses from transactions with financial instruments | 30 | (111) | (7 367) |
| **Net result from transactions with financial instruments** | | **18 264** | **21 564** |
| Interest income | 31 | 3 663 | 4 349 |
| Interest expenses | 31 | (3 116) | (6 309) |
| **Interest income/(expenses), net** | | **547** | **(1 960)** |
| Gains from foreign exchange differences | | 1 315 | 2 643 |
| Losses from foreign exchange differences | | (97) | (3 978) |
| **Net result from foreign exchange differences** | | **1 218** | **(1 335)** |
| Other financial income, net | | 19 | 283 |
| Operating income | 32 | 15 552 | 16 896 |
| Operating expenses | 33 | (4 760) | (12 398) |
| **Operating result** | | **10 792** | **4 498** |
| **Result for the period before tax** | | **30 840** | **23 050** |
| Tax expenses, net | 34 | (1 604) | (596) |
| **Net result for the period** | | **29 236** | **22 454** |

| | | 2006 BGN | 2005 BGN |
|---|---|---|---|
| **Earnings per share** | 35 | 0.28 | 0.48 |

**Prepared by:** ____________________ **Executive director:** ____________________

**Date: 1 March 2007**

**Audited by:** ____________________

0486 Марий Апостолов
Регистриран одитор

Специализирано одиторско предприятие
София
Рег. №032
"Грант - Торнтон" ООД
Grant Thornton Ltd

The notes on pages 7 to 47 are an integral part of the financial statements.

## Cash Flow Statement

| | Notes | 2006 '000 BGN | 2005 '000 BGN |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Proceeds from short-term loans | | 128 561 | 290 476 |
| Payments for short-term loans | | (122 405) | (256 229) |
| Purchase of short-term financial assets | | (3 779) | (17 109) |
| Proceeds from sale of short-term financial assets | | 1 740 | 11 896 |
| Cash receipts from customers | | 6 102 | 19 942 |
| Cash paid to suppliers | | (1 897) | (9 138) |
| Gains/(losses) from foreign exchange differences | | 1 339 | (182) |
| Interest income | | 1 885 | 1 217 |
| Interest payments | | (2 078) | (52) |
| Cash paid to employees and social security institutions | | (227) | (203) |
| Taxes paid | | (197) | (46) |
| Other payments for operating activities | | (123) | (316) |
| Other proceeds from operating activities | | 1 594 | 1 375 |
| **Net cash used in operating activities** | | **10 515** | **41 631** |
| **Investing activities** | | | |
| Purchase of non-current assets | | (3 909) | (172) |
| Proceeds from sale of non-current assets | | 214 | 292 |
| Purchase of investments in subsidiaries and associates | | (23 761) | (30 717) |
| Other payments for investing activities | | - | (2 030) |
| Other proceeds from investing activities | | 2 412 | 4 370 |
| **Net cash used in investing activities** | | **(25 044)** | **(28 257)** |
| **Financing activities** | | | |
| Proceeds from issuing of shares | | 46 418 | - |
| Proceeds from bank loans received | | 23 821 | 3 797 |
| Payments for bank loans received | | (32 042) | (9 158) |
| Discharge of finance lease liabilities | | (1 475) | - |
| Interest paid | | (6 718) | (1 033) |
| Other payments for financing activities | | (204) | (369) |
| Other proceeds from financing activities | | 538 | 365 |
| **Net cash used in financing activities** | | **30 338** | **(6 398)** |
| | | | |
| **Cash and cash equivalents at beginning of period** | | **10 583** | **3 607** |
| Net increase in cash and cash equivalents | | 15 809 | 6 976 |
| **Cash and cash equivalents at end of period** | 19 | **26 392** | **10 583** |

**Prepared by:** ____________

**Executive director:** ____________

**Date: 01 March 2007**

**Audited by:** ____________

0488 Марий Апостолов
Регистриран одитор

Специализирано одиторско предприятие
София
Рег. №032
"Грант - Торнтон" ООД
Grant Thornton Ltd

The notes on pages 7 to 47 are an integral part of the financial statements.

## Statement of changes in equity

| All amounts presented in BGN'000s | Share capital | Unpaid capital | Additional paid-in capital | Share premium | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2005** | **20 000** | **-** | **37 916** | **-** | **7 612** | **14 303** | **79 831** |
| Increase in share capital | 40 000 | (2 082) | (37 916) | - | - | - | 2 |
| Installments for increase in share capital | - | - | 58 916 | - | - | - | 58 916 |
| Net result for the period | - | - | - | - | - | 22 454 | 22 454 |
| Other changes in equity | | | - | - | (16) | (49) | (65) |
| **Balance as at 31 December 2005** | **60 000** | **(2 082)** | **58 916** | **-** | **7 596** | **36 708** | **161 138** |
| **Balance as at 1 January 2006** | **60 000** | **(2 082)** | **58 916** | **-** | **7 596** | **36 708** | **161 138** |
| Installments for increase in share capital | 58 916 | 2 082 | (58 916) | - | - | - | **2 082** |
| Initial public offering | 11 084 | - | - | 32 925 | - | - | **44 009** |
| Net result for the period | - | - | - | - | - | 29 236 | **29 236** |
| Donations granted | - | - | - | - | (470) | - | **(470)** |
| Other changes in equity | | - | - | - | (1) | 1 | **-** |
| **Balance as at 31 December 2006** | **130 000** | **-** | **-** | **32 925** | **7 125** | **65 945** | **235 995** |

**Prepared by:** ______________________

**Executive director:** ______________________

**Date: 01.03.2007**

**Audited by:** ______________________

0488 Марий Апостолов Регистриран одитор

Специализирано одиторско предприятие София Рег. №032 "Грант Торнтон" ООД

Grant Thornton Ltd

The notes on pages 7 to 47 are an integral part of the financial statements.

**General information**

CHIMIMPORT Plc 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 was registered on the Bulgarian Stock Exchange – Sofia on 30 October 2006.

The main scope of activities of the Company includes:

- Import, export, re-export and other commercial transactions with oil and other chemical products;
- Commission, forwarding and warehousing transactions;
- Commercial agency and brokerage;
- Sale of one's own manufactured goods;
- Acquisition, management and sale of shares in Bulgarian and foreign companies;
- Financing of companies where Chimimport Plc is a shareholder;
- Tourist services.

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

**The Supervisory Board has the following members:**

Nicola Alexandrov Damyanov
Chimimport Invest JSC
CCB Group Assets Management EAD

**The Management Board has the following members:**

Nicola Peev Mishev
Tzvetan Tzankov Botev
Alexander Dimitrov Kerezov
Marin Velikov Mitev
Ivo Kamenov Georgiev

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

The financial statements for the year ended 31 December 2006 (including the comparative information for the year ended 31 December 2005) were approved by the Management Board on 30 March 2007.

**Basis for preparation of the financial statements**

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

These financial statements represent the individual financial statements of the Company. The Company prepares consolidated financial statements according to IFRS, adopted by the EU, in which its subsidiaries are presented according to the requirements of IAS 27 for preparation of consolidated financial statements.

The financial statements are presented in TBGN ('000 BGN).

**Change in the accounting policies**

(a) Amendments to published standards, effective in 2006

• IAS 19 (Amendment), Employee Benefits, is mandatory for the Group's accounting periods beginning on or after 1 January 2006. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts;

• IAS 39 (Amendment), The Fair Value Option.

(b) Standards, which are not early adopted by the Company

The Company does not apply early adoption of IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures.

(c) Standards, amendments and interpretations effective in 2006 which are not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

• IAS 21 (Amendment), Net Investments in Foreign Operations;

• IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

• IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;

• IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;

• IFRS 6, Exploration for and Evaluation of Mineral Resources;

• IFRIC 4, Determining whether an Arrangement contains a Lease; and

• IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

• IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

**Summary of the accounting policies**

***Overall considerations***

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

The financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and certain financial assets and liabilities. The measurement bases are more explicitly described in the accounting policies below.

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

***Investments in subsidiaries***

A subsidiary is an entity that is controlled by the Company. Control is the power to govern the financial and operating policies of the subsidiary to obtain benefits from its activities. In the individual financial statements of the Company investments in subsidiaries are accounted for using the cost method.

Investment is recorded at cost. The income statement reflects income from investment only to the extent that the investor receives distribution from accumulated net profits of the investee, arising subsequent to the date of acquisition. Any income from distribution received in excess of these profits is considered as a recovery of the investment and is recorded as a reduction of the cost of the reinvestment.

***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 at cost and subsequently accounted for using the cost method.

Investment is recorded at cost. The income statement reflects income from investment only to the extent that the investor receives distribution from accumulated net profits of the investee, arising subsequent to the date of acquisition. Any income from distribution received in excess of these profits is considered as a recovery of the investment and is recorded as a reduction of the cost of the reinvestment.

***Foreign currency translation***

The separate elements of the financial statements of the Company are in the currency of the main economic environment in which it carries out its activities ("functional currency"). Company's financial statements are presented in Bulgarian Leva (BGN), which is also the functional currency for presenting the financial statements of the Company.

Foreign currency transactions are translated into the functional currency using the official 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 translation of remaining balances at year-end exchange rates are recognized in the income statement.

The Currency Board was introduced in Bulgaria on 01 July 1997 following the recommendations of the International Monetary Fund (IMF) and fixed the value of the BGN against the DEM in ration 1:1. Following the introduction of the EURO, the BGN was fixed to the EURO at rate 1 EURO = 1.95583 BGN.

***Income and expense recognition***

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates, allowed by the Company. In case of similar assets with similar values are exchanged, the transaction is not recognized as generating income.

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

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the value of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the enterprise;
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is recognized, when the outcome of the transaction can be measured reliably.

Operating expenses are recognized in the income statement upon utilization of the service or at the date of their origin. Interest income and expenses are reported on an accrual basis. Dividends received, other than those from investments in associates, are recognized at the time of their distribution.

***Borrowing costs***

All borrowing costs are expensed as incurred. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

***Property, plant and equipment***

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

Subsequent to initial recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses according to benchmark treatment. Impairment losses are recognized in the current period income statement.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized in the financial statements is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as an expense in the period in which it is incurred.

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

- Buildings 25 years
- Machines 5 years
- Aircraft 10 years

- Vehicles 5 years
- Others 6.7 years

The recognition threshold, selected by the Company for its property, plant and equipment amounts to BGN 500.

***Intangible assets***

Intangible fixed assets are measured initially at cost. If an intangible asset is acquired separately, 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, according to the benchmark treatment, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

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.

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

- software 6.6 years
- property rights 5 years

Deprecation for intangible assets is stated in the income statement in operating expenses.

The recognition threshold, selected by the Company for intangible fixed assets amounts to BGN 500.

***Impairment testing of assets***

The Company's assets are subject to impairment testing at every balance – sheet date, other intangible assets and property, plant and equipment are subject to impairment testing.

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually and 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.

The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation, expected to benefit from the asset during their useful life.

Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

***Leases***

**Lessee**

In accordance with IAS 17 (rev 2004), 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 time of inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs.

Assets acquired under the terms of finance lease are depreciated in accordance with IAS 16 Property, plant and equipment or IAS 38 Intangible assets.

All other leases are treated as operating lease agreements. Operate lease payments are recognized as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

**Lessor**

Assets subject to operating lease agreements are presented in the balance sheet and are depreciated in accordance with the lessor's normal depreciation policy for similar assets. The depreciation charge are calculated on the basis set out in IAS 16, Property, plant and equipment and IAS 38 Intangible assets. Lease income is recognized on a straight line basis in the Income statement for the period of the lease agreement.

Assets held under a finance lease agreement are presented in the balance sheet as a receivable at amount equal to the net investment in the lease. The sales revenue from assets is recognized in the current year Income statement. The recognition of the financial income is based on a pattern reflecting a constant periodic rate of return of the lessor's net investment outstanding in respect of the finance lease.

***Investment property***

Investment property represents buildings held to earn rental income or for capital appreciation or both, rather than held for:

- Production or supply of goods or services or for administrative purposes;
- Sale in the ordinary course of the business.

Investment property is recognized in the financial statements of the company as an asset only to the extend that the following conditions are present:

- It is probable that future economic benefits, associated with the investment property, will flow to the company;
- The cost of the investment property can be measured reliably.

The investment property is initially measured at cost, which comprises 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 stated at cost according to the benchmark treatment of IAS 16, Property, plant and equipment. The investment property is reported at its cost less accumulated depreciation and any impairment losses.

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

- Buildings 25 years

Subsequent expenditure relating to investment property is added to the carrying amount of the investment property when it is probable that future economic benefits, in excess of the originally assessed standards of performance of the existing investment property, will flow to the Company. All other subsequent expenditures are recognized as an expense in the period they are incurred.

Investment property is recognized on disposal or when it is permanently withdrawn from use in case no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal are recognized in the Income statement and represent the difference between the net disposal proceeds and the carrying amount of the Investment property.

***Financial assets***

Company's financial assets include cash and financial instruments. Financial instruments, other than hedging instruments, can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

Financial assets are recognized on their settlement date.

All financial assets are initially recognized at fair value. Transaction costs which are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial assets or liabilities at fair value through profit or loss, are attributed to the cost of the financial asset or liability.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from Issuer financial assets are recognized in the Income statement when received, regardless of how the related carrying amount of financial assets is measured.

Held-to-maturity investments are financial instruments with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if it is the intention of the Company's management to hold them until maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in the income statement.

Financial assets at fair value through profit or loss include financial assets that are accounted or incurred particularly for the purpose of selling or repurchasing in the near term. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading. Subsequent to initial recognition, the financial instruments included in this category are measured at fair value, except those which have no market value at active markets 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 don't have fixed date of payment.

Available-for-sale financial assets include those assets which do not qualify for inclusion in any of the other categories of financial assets: loan and receivables held – to – maturity investments and financial assets at fair value through profit or loss. All 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 don't have fixed date of payment.

Changes in value are recognized in equity, net of any effects arising from income taxes. Gains and losses arising from financial assets classified as available-for-sale are recognized in the income statement when they are sold or impaired

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in the Income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the carrying amount of the asset and the present value of estimated future cash flows.

***Inventories***

Inventories comprise raw materials and supplies, and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories are carried at the lower of cost and net realizable value. The impairment amount down to their net realizable value is recognized as an expense in the period in which it occurred.

Net realizable value is the estimated selling price in the ordinary course of business 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 a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount should not exceed the carrying amount of the inventories prior to the impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The cost of inventories is assigned by using the weighted average cost.

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

***Accounting for income taxes***

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognized in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if the Company can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets. Deferred tax asset in relation to carried forward losses is recognized to the extent that the realization of the related tax benefits through the future taxable profits is probable.

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 offset against future taxable income.

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 at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to equity (such as the re-evaluation of land are charged or credited directly to equity.

***Cash and cash equivalents***

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, deposits, short term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

***Equity***

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

***Pension obligations and short term employee benefits***

The Company has not elaborated and does not apply plans for employee benefits after leaving, nor other long term income and plans for income after leave or ones in the form compensations with shares of the share capital or interest.

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.

***Financial liabilities***

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

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the Income statement.

Bank loans are raised for support of long - term funding of the Company's operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

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

Dividend distributions to shareholders are included when the dividends are approved by the shareholders' meeting.

***Other provisions, contingent liabilities and contingent assets***

Provisions, representing current obligations of the Company arising from past events, the settlement of which is expected to result in an outflow of resources, are recognized as liabilities. A provision is recognized only when the following conditions are present:

- The Company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Company takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Company does not recognize contingent assets in the financial statements as possible obligations arise, whose existence is not yet confirmed or this may result in the recognition of income that may never be realized.

**Property, plant and equipment**

| | Land | Buildings | Machinery | Aircraft | Vehicles | Other fixed assets | Assets in process of acquisition | Total |
|---|---|---|---|---|---|---|---|---|
| | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 | BGN ’000 |
| **At 1 January 2005** | | | | | | | | |
| Cost | 200 | 1 435 | 1 027 | - | 260 | 530 | 13 353 | 16 805 |
| Accumulated depreciation | - | (116) | (771) | - | (223) | (415) | - | (1 525) |
| **Net book amount** | **200** | **1 319** | **256** | **-** | **37** | **115** | **13 353** | **15 280** |
| **Year ended 31 December 2005** | | | | | | | | |
| Opening net book amount | 200 | 1 319 | 256 | - | 37 | 115 | 13 353 | 15 280 |
| Additions | - | - | 3 | 13 255 | - | 94 | 100 | 13 452 |
| Disposals | - | (781) | - | - | (67) | (18) | (13 353) | (14 219) |
| Decrease in depreciation | - | 54 | - | - | 50 | 18 | - | 122 |
| Depreciation charge | - | (38) | (191) | (1 326) | (19) | (36) | | (1 610) |
| **Closing net book amount** | **200** | **554** | **68** | **11 929** | **1** | **173** | **100** | **13 025** |
| **At 31 December 2005** | | | | | | | | |
| Cost | 200 | 654 | 1 030 | 13 255 | 193 | 606 | 100 | 16 038 |
| Accumulated depreciation | - | (100) | (962) | (1 326) | (192) | (433) | - | (3 013) |

| | Land | Buildings | Machinery | Aircraft | Vehicles | Other fixed assets | Assets in process of acquisition | Total |
|---|---|---|---|---|---|---|---|---|
| **Net book amount** | **200** | **554** | **68** | **11 929** | **1** | **173** | **100** | **13 025** |
| | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** |
| **Year ended 31 December 2006** | | | | | | | | |
| Opening net book amount | 200 | 554 | 68 | 11 929 | 1 | 173 | 100 | 13 025 |
| Additions | 401 | - | 28 | 8 787 | - | 1 | 11 392 | 20 609 |
| Disposals | (200) | - | (11) | - | (14) | - | (11 492) | (11 717) |
| Decrease in depreciation | - | - | 11 | - | 15 | - | - | 26 |
| Depreciation charge | - | (26) | (51) | (1 765) | (2) | (25) | - | (1 869) |
| **Closing net book amount** | **401** | **528** | **45** | **18 951** | **-** | **149** | **-** | **20 074** |
| **At 31 December 2006** | | | | | | | | |
| Cost or valuation | 401 | 654 | 1 047 | 22 042 | 179 | 607 | - | 24 930 |
| Accumulated depreciation | - | (126) | (1 002) | (3 091) | (179) | (458) | - | (4 856) |
| **Net book amount** | **401** | **528** | **45** | **18 951** | **-** | **149** | **-** | **20 074** |

As of 31 December 2006 a pledge was raised on 3 of the company’s airplanes (British Aerospace BAE/Model 146-300), acquired under a contract for finance lease. This pledge was registered in the State register for special pledges. Net book amount of those assets by 31 December 2006 is TBGN 8 347 (Ref. 8.2).

As of 31 December 2006 the cost of the fully depreciated assets still in use amounts to TBGN 841. The Company does not have any property, plant and equipment purchase commitments.

**Intangible assets**

| | Property rights BGN'000s | Trademarks BGN'000s | Software BGN'000s | Total BGN'000s |
|---|---|---|---|---|
| **At 1 January 2005** | | | | |
| Cost | 3 | 1 | 38 | 42 |
| Accumulated amortization | (3) | - | (35) | (38) |
| **Net book amount** | **-** | **1** | **3** | **4** |
| | | | | |
| **Year ended 31 December 2005** | | | | |
| Opening net book amount | - | 1 | 3 | 4 |
| Additions | 978 | - | 2 | 980 |
| Amortization charge | (244) | - | (3) | (247) |
| **Closing net book amount** | **734** | **1** | **2** | **737** |
| | | | | |
| **At 31 December 2005** | | | | |
| Cost | 981 | 1 | 40 | 1 022 |
| Accumulated amortization | (247) | - | (38) | (285) |
| **Net book amount** | **734** | **1** | **2** | **737** |
| | | | | |
| **Year ended 31 December 2006** | | | | |
| Opening net book amount | 734 | 1 | 2 | 737 |
| Additions | - | - | 6 | 6 |
| Amortization charge | (244) | - | (4) | (248) |
| **Closing net book amount** | **490** | **1** | **4** | **495** |
| | | | | |
| **At 31 December 2006** | | | | |
| Cost | 981 | 1 | 46 | 1 028 |
| Accumulated amortization | (491) | - | (42) | (533) |
| **Net book amount** | **490** | **1** | **4** | **495** |

As of 31 December 2006 the Company does not have any intangible assets, pledged as security for liabilities and does not have any commitments for purchase of intangible assets. As of 31 December 2006 the cost of the fully depreciated intangible assets still in use amounts to TBGN 39.

Intangible assets contain capitalized expenses related to the marketing researches carried out in 2005, which net book value as of 31 December 2006 amounts to TBGN 490. As of 31 December 2006, the remaining useful life of these intangible assets is 3 years.

**Investment property**

Investment property owned by the Company includes a real estate property located at 1, Batenberg Str., Sofia which is used for renting purposes only.

| | Investment **Property** **BGN'000** |
|---|---|
| **At 1 January 2005** | |
| Cost | 1 889 |
| Accumulated depreciation | (557) |
| **Net book amount** | **1 332** |
| | |
| **Year ended 31 December 2005** | |
| Opening net book amount | 1 332 |
| Additions | 75 |
| Depreciation charge | (76) |
| **Closing net book amount** | **1 331** |
| | |
| **Year ended 31 December 2005** | |
| Opening net book amount | 1 964 |
| Accumulated depreciation | (633) |
| **Closing net book amount** | **1 331** |
| | |
| **Year ended 31 December 2006** | |
| Opening net book amount | 1 331 |
| Depreciation charge | (78) |
| **Closing net book amount** | **1 253** |
| | |
| **At 31 December 2006** | |
| Cost or valuation | 1 964 |
| Accumulated depreciation | (711) |
| **Net book amount** | **1 253** |

The investment property has been recognized in the financial statements of the Company at cost.

As of 31 December 2006 the fair value of the investment property amounts to TBGN 24 300 and is determined by the company according to current market prices. No independent valuer has been appointed for determining this fair value.

As of 31 December 2006 a mortgage was raised on the investment property in favor of DSK JSC bank in relation to a received revolving credit facility (Ref. 0).

As of 31 December 2006 the Company does not have any commitments for purchase of investment property.

The following amounts related to the investment property have been recognized in the Income statement:

| | 2006 BGN'000s | 2005 BGN'000s |
|---|---|---|
| Rental income | 4 527 | 3 222 |
| Buildings tax | 3 | 3 |

**Lease**

***Operating lease***

***Lessor***

The Company is a lessor under several operating leasing contracts.

Future minimum lease proceeds on operating lease of the company are as follows:

| | **Up to 1 year** **BGN'000s** | **1 to 5 years** **BGN'000s** | **More than 5 years** **BGN'000s** | **Total** **BGN'000s** |
|---|---|---|---|---|
| As at 31 December 2006 | 4 527 | 24 131 | 2 429 | **31 087** |
| As at 31 December 2005 | 3 384 | 9 771 | 1 872 | **15 027** |

Lease contracts do not contain clauses for contingent proceeds.

The terms of the major operating lease contracts are as follows:

- Long-term 10-year contract with CCB Plc, signed on 23 October 2004 for office premises with monthly installment amounting to EUR 13 600 starting from 1 January 2007. (EUR 6 800 until 31 December 2006)
- 5-year contract with Hemus Air JSC, signed on 31 December 2005 for operating lease of 2 airplanes BAe 146-200 with monthly installment amounting to USD 154 828.
- 5-year contract with Hemus Air JSC, signed on 30 April 2006 for operating lease of 3 airplanes BAe 146-200 with monthly installment amounting to USD 128 856.
- Long-term contracts for renting office premises with monthly price of EUR 8/sq. meter.

***Finance lease***

***Lesee***

The company is a lesee upon finance lease, based on a 5-year contract for finance lease, signed on 31 March 2006 with ANSEF London for the purchase of 3 airplanes – BAE, until April 2011 (Ref. 0)

Future minimum lease payments are as follows:

| **As at 31 December 2006** | **Up to 1 year BGN'000s** | **1 to 5 years BGN'000s** | **Total BGN'000s** |
|---|---|---|---|
| Total amount of lease liabilities | 2 304 | 7 613 | **9 917** |
| Discounting | (466) | (1 708) | **(2 174)** |
| **Net book amount** | **1 838** | **9 581** | **7 743** |

The airplanes received under this contract are rented to Hemus Air JSC under non-cancellable contract for operating sublease (Ref. 0).

Future minimum sublease proceeds from Hemus Air JSC are as follows:

| | **Up to 1 year BGN'000s** | **1 to 5 years BGN'000s** | **Total BGN'000s** |
|---|---|---|---|
| **As at 31 December 2006** | 2 304 | 7 613 | **9 917** |

**Investments in subsidiaries**

| Name of the subsidiary | Country | 2006 BGN'000 | share % | 2005 BGN'000 | share % |
|---|---|---|---|---|---|
| CCB Group Assets Management JSC | Bulgaria | 79 552 | 100.00% | 59 417 | 100.00% |
| Prouchvane i dobiv na neft i gaz Plc | Bulgaria | 11 891 | 52.00% | 10 950 | 51.04% |
| Balkan Hemus Group JSC | Bulgaria | 23 568 | 100.00% | 23 568 | 100.00% |
| Slanchevi lachi Bulgaria Plc | Bulgaria | 7 222 | 70.97% | 3 476 | 100.00% |
| Chimimport Bimas Ltd. | Bulgaria | - | 0.00% | 1 313 | 100.00% |
| Chimsnab JSC, Sofia | Bulgaria | 1 011 | 93.33% | 452 | 60.00% |
| SK Chimimport Consult, Ltd. | Bulgaria | 111 | 59.34% | 111 | 59.34% |
| Chimimport Lega Consult, Ltd. | Bulgaria | 4 | 70.00% | 4 | 70.00% |
| Brand New Ideas Ltd. | Bulgaria | 5 | 100.00% | 5 | 100.00% |
| Bulchimeks Ltd. | Bulgaria | 2 500 | 100.00% | 2 500 | 100.00% |
| Chimimport Group JSC | Bulgaria | 998 | 100.00% | 992 | 100.00% |
| Sport Complex Varna JSC | Bulgaria | 22 474 | 65.00% | 22 474 | 65.00% |
| Bulgarska Korabna Kompania Ltd. | Bulgaria | 5 | 100.00% | 5 | 100.00% |
| BM Port JSC | Bulgaria | 990 | 99.00% | - | 0.00% |
| Energoproekt JSC | Bulgaria | 1 664 | 83.20% | - | 0.00% |
| | | **151 995** | | **125 267** | |

The method used to account the investments in subsidiaries is the cost method.

As of 31 December 2006 the book value of pledged investments amounts to TBGN 5 686, in connection with an investment credit received from BPB JSC (Ref. 0).

In October 2006 Chimimport Plc, being a sole owner of the joint-stock company CCB Group Assets Management JSC, made a decision to increase the share capital of the company with the amount of TBGN 50 853. On 31 December 2006 TBGN 20 135 are paid in accordance with article 192a, paragraph 1, line 2 from the Commercial Act.

With a Court decision N9, dated 26 July 2006 of Sofia City Court, the share capital of Chimsnab JSC was increased to BGN 1 000 000, and Chimimport Plc has paid the full amount of its liability amounting to TBGN 559. Because of non-executed rights of the other shareholders, the share of Chimimport Plc was increased with 33.33% as of 31 December 2006.

On 30 March 2006 Chimimport Balchik Ltd. was renamed to Bulgarska Korabna Kompania Ltd. On 12 October 2006 Chimimport Plc transferred its shares in Chimimport Bimas Ltd. to Bulgarska Korabna Kompania Ltd.

During the reporting period Chimimport Plc has purchased 123 125 shares of PDNG Plc, and has sold 6 024 shares of the same entity, which resulted in the acquisition of total 116 921 new shares. In relation to the share capital increase of PNDG Plc, Chimimport Plc has acquired new 0.96% of the Company's capital.

On 22 December 2006 the subsidiary Slanchevi Lachi Bulgaria Plc was listed on BSE – Sofia with a secondary public offering, on the basis of which Chimimport Plc has sold 29.03% of the entity's share capital.

In 2006 Chimimport Plc has acquired the companies BM Port JSC and Energoproekt JSC.

**Investments in associates**

| Investments in associates | Country | 2006 | share | 2005 | share |
|---|---|---|---|---|---|
| | | '000 BGN | % | '000 BGN | % |
| POK Saglasie | Bulgaria | 15 028 | 49.28% | 15 028 | 49.28% |
| VTC JSC | Bulgaria | - | 0.00% | 451 | 41.00% |
| Parahodstvo Bulgarsko rechno plavane Plc | Bulgaria | 10 367 | 16.58% | 8 880 | 24.19% |
| Conor Ltd. | Switzerland | 5 | 20.00% | 5 | 20.00% |
| Kauchuk Pazardjik JSC | Bulgaria | 2 535 | 37.50% | - | - |
| | | **27 935** | | **24 364** | |

The investments in associates are accounted for under the cost method.

As of 31 December 2006 the fair value of the shares of Parahodstvo Bulgarsko Rechno Plavane Plc, according to the published price quotations (151.18 BGN per share), amounts to TBGN 29 354. The number of shares owned by Chimimport Plc is 216 221. Parahodstvo Bulgarsko rechno plavane Plc is a subsidiary of Bulgarska Korabna Compania Ltd. and thus classified by Chimimport Plc as an associate.

Financial information regarding the investments in associates, except for Conor Ltd., Switzerland, can be summarized as follows:

| 2006 | POK Saglasie | Parahodstvo BRP Plc | Kauchuk Pazardjik Plc | Total |
|---|---|---|---|---|
| | '000 BGN | '000 BGN | '000 BGN | '000 BGN |
| **Assets** | 9 156 | 43 949 | 40 804 | 93 909 |
| **Liabilities** | 1 365 | 9 270 | 18 149 | 28 784 |
| **Revenue** | 3 935 | 33 976 | 30 680 | 68 591 |
| **Net profit for the period** | 241 | 2 506 | 923 | 3 670 |

| 2005 | POK Saglasie | Parahodstvo BRP Plc | VTC JSC | Total |
|---|---|---|---|---|
| | ‘000 BGN | ‘000 BGN | ‘000 BGN | ‘000 BGN |
| **Assets** | 6 844 | 17 258 | 4 226 | 28 328 |
| **Liabilities** | 768 | 5 748 | 2 618 | 9 134 |
| **Revenue** | 3 851 | 32 028 | 515 | 36 394 |
| **Net profit for the period** | 24 | 1 719 | 168 | 1 911 |

As of 31 December 2006 there are no pledged investments in associates.

**Long-term financial assets**

Financial assets classified as financial assets at fair value through profit or loss are as follows:

| Name of the company | Country | 2006 | share | 2005 | share |
|---|---|---|---|---|---|
| | | ‘000 BGN | % | ‘000 BGN | % |
| CCB AD | Bulgaria | 30 042 | 8.73% | 8 177 | 3.05% |

Shares in CCB Plc have been classified as financial assets at fair value through profit or loss and are accounted for based on their fair value reflecting their current stock market price.

Financial assets classified as available-for-sale are:

| Name of the company | Country | 2006 | share | 2005 | share |
|---|---|---|---|---|---|
| | | ‘000 BGN | % | ‘000 BGN | % |
| BZOK Zakrila JSC - Sofia | Bulgaria | 10 | 5.00% | 10 | 5.00% |
| Gasinvest JSC - Sofia | Bulgaria | 8 | 8.00% | 8 | 8.00% |
| Oksimoron 2003 Ltd | Bulgaria | 5 | 47.00% | 5 | 47.00% |
| BKK JSC – Sofia | Bulgaria | 4 | - | 4 | - |
| Inofert Ltd – Stara Zagora | Bulgaria | 2 | 20.00% | 2 | 20.00% |
| TB Biochim JSC | Bulgaria | 1 | - | 1 | - |
| | | **30** | | **30** | |

As of 31 December 2006 Oksimoron 2003 Ltd. was reclassified from an investment in subsidiaries to a long-term financial asset.

All other long-term financial assets have been classified as available-for-sale and have been accounted at cost, because their fair value cannot be reliably measured. No financial instruments from this group have been sold during the period.

As of 31 December 2006 there are no pledged long-term financial assets.

**Long-term receivables**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Franchise development Ltd. - long-term loan | 5 682 | 4 092 |
| Piero 97 MA JSC - cession receivable, long-term portion | 4 000 | - |
| POK Saglasie - cession receivable | 739 | 739 |
| Neftedna Targovska Compania Ltd. | 421 | - |
| Slanchevi Lachi Provadia Plc | 397 | 397 |
| Mlechen Put JSC – long-term loan | 294 | 687 |
| Interlease JSC | 88 | 88 |
| Inter Rubber Hemi Ltd. | 70 | - |
| | **11 691** | **6 003** |

The long-term loan to Franchise development Ltd. was granted for 5 years with maturity date 20 October 2013 and annual interest rate amounting to 2%. The investment was granted for establishment and development of stores for quick sale of home and office consumables. The loan has no collaterals.

The long-term loan to Mlechen Put JSC is in relation to the debt of the Company to Hebros Bank JSC. The loan is payable in 35 equal monthly installments until 20 July 2008 (Ref. 0).

The receivable from Piero 97 MA JSC is in relation to a cession contract, dated 6 July 2006 concerning a receivable of Chimimport Plc from Technostil Ltd. under an agreement for establishment of trade marks. Based on the contract, the assignee is obliged to grant to Chimimport Plc an advertising time on the national television bTV or other medias, agreed between both parties. The maturity of the long-term portion of the cession is TBGN 2 000 in 2008 and TBGN 2 000 in 2009. The short-term portion is presented in note 0.

**Inventories**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Materials | 32 | 10 |
| Goods | 270 | 1 047 |
| | **302** | **1 057** |

No reversal of previous write-downs was recognized as a reduction of expense in 2006. None of the inventories are pledged as security for liabilities.

**Short-term financial assets**

| Name of the company | Country | 2006 | share % | 2005 | share % |
|---|---|---|---|---|---|
| David 202 JSC | Bulgaria | 519 | 99.79% | 519 | 99.79% |
| Mit 2003 Ltd. | Bulgaria | 161 | 100.00% | 161 | 100.00% |
| Zarneni hrani Varna Ltd. | Bulgaria | 3 | 60.00% | 3 | 60.00% |
| Zarneni hrani Plovdiv Ltd. | Bulgaria | 3 | 51.00% | 3 | 51.00% |
| TPO - Varna | Bulgaria | - | 0.00% | 11 | 100.00% |
| BMPort JSC | Bulgaria | - | 0.00% | 990 | 99.00% |
| PFK Cherno More JSC | Bulgaria | 1 175 | 91.67% | - | 0.00% |
| Government securities | | 3 | - | 4 | - |
| | | **1 864** | | **1 691** | |

For the purposes of measuring the short-term financial assets, subsequent to initial recognition, have been classified as financial instruments, available-for-sale. The main part of these assets are stated at cost, as their fair value is not reliably measurable. Government securities are measured at fair value.

As of 31 December 2006 there are no pledged short-term financial assets.

**Loans granted**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Trans Intercar Ltd. | 2 311 | 1 749 |
| Lorian Ltd. | 1 640 | 893 |
| Nomokanon 2000 Ltd. | 1 269 | 936 |
| Andezit Ltd. | 1 093 | 1 049 |
| Office 1 Superstore Ukraine | 1 001 | 1109 |
| Noviko Chirpan Ltd. | 921 | 761 |
| Noviko Nord Ltd. | 640 | 640 |
| Business Center Izgrev Ltd. | 569 | - |
| Nordius Ltd. | 454 | 2 004 |
| Issuer Varna AD | 423 | - |
| Mlechen Put JSC – short-term portion | 393 | 393 |
| Familia Ltd. | 260 | 260 |
| Bliasak Ltd. | 257 | 1 020 |
| ET Dobrev – R.V.Dobrev | 117 | 117 |
| Finance Consulting JSC | - | 3 371 |
| Issuer Nov Vek Plc | - | 1 932 |
| Zarneni Hrani Balchik JSC | - | 1 836 |
| Bildko Ltd. | - | 1 586 |
| Zarneni Hrani Bulgaria JSC | - | 651 |
| AKS 77 Ltd. | - | 557 |
| Energomat Ltd. | - | 464 |
| Rentapark Ltd. | - | 358 |
| Tim Consult Ltd. | - | 318 |
| TPO Ltd. | - | 317 |
| Technostil Ltd. | - | 233 |
| Inter Rubber Hemi Ltd. | - | 31 |
| Crone Bulgaria JSC | - | 10 |
| Marimeks 77 Ltd. | - | 5 |
| Other | - | 1 025 |
| | **11 348** | **23 625** |

Short-term loans have been granted with annual interest rates from 10 to 12%. The loans are repayable upon demand on the part of the Company. The loans have no collaterals. The fair value of the granted loans has not been determined separately, as the management considers the amounts recognized at the balance sheet to be a reasonable approximation of their fair value. As of 31 December 2006 there are no pledged receivables.

**Trade receivables**

The most considerable trade receivables as of 31 December 2006 are as follows:

| | 2006 '000 BGN | 2005 '000 BGN |
|---|---|---|
| Piero 97 MA JSC – short-term portion | 2 000 | - |
| Neftena Targovska Compania Ltd. | 1 250 | 1 250 |
| Trans Intercar Ltd. | 303 | 3 |
| Malki Traktori JSC | 117 | 117 |
| Zarneni Hrani Bulgaria JSC | 113 | 70 |
| Bildko Ltd. | 103 | 100 |
| Institute Pirogov | - | 369 |
| TIN – Serbia | - | 303 |
| Alvis Ltd. | - | 243 |
| Damex Ltd. | - | 122 |
| Other | 429 | 768 |
| | **4 315** | **3 345** |

The trade receivables are usually due within 30 to 120 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the management of the Company does not identify specific credit risk, as the recognized amounts represent a large number of receivables from various customers.

The fair value of the trade receivables has not been determined separately, as the management considers their carrying amounts to be a reasonable approximation of their fair value.

As of 31 December 2006 no trade receivables are pledged.

**Court receivables and writs**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Hidrotechnika JSC | 40 | 40 |
| ET Skad | 34 | 34 |
| Other | 71 | 71 |
| | **145** | **145** |

The Company expects to collect a considerable amount of its court receivables in 2007.

**Other receivables**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Interest receivables under long-term and short-term loans | 3 226 | 2 530 |
| Tax receivables | 28 | 19 |
| Other short-term receivables | 5 028 | 1 693 |
| | **8 282** | **4 242** |

The interest receivables under loans are due from the following companies:

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Issuer Nov Vek Plc | 554 | 293 |
| Finance Consulting JSC | 369 | 120 |
| Trans Intercar Ltd. | 362 | 174 |
| Andezit Ltd. | 201 | 96 |
| Energomat Ltd. | 183 | 127 |
| Bliasak Ltd. | 181 | 89 |
| Noviko Nord Ltd. | 163 | 89 |
| Nomokanon 2000 Ltd. | 151 | 33 |
| Nordius Ltd. | 147 | 303 |
| Noviko Chirpan Ltd. | 138 | 62 |
| AKS 77 Ltd. | 134 | 80 |
| Franchaiz Development Ltd. | 124 | 28 |
| Niko Commerce Ltd. | 90 | 61 |
| Office 1 Superstore – Ukraine | 39 | 20 |
| Other | 390 | 956 |
| | **3 226** | **2 531** |

**Cash and cash equivalents**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Cash in BGN | 7 298 | 6 466 |
| Cash in foreign currency | 19 031 | 2 021 |
| Blocked cash | 63 | 2 096 |
| | **26 392** | **10 583** |

As of 31 December 2006 blocked cash represents cash in VAT accounts of the Company.

**Equity**

***Share capital***

As of 31 December 2006 the shareholders of Chimimport Plc are 2 657 individuals and legal entities. The par value of one share is BGN 1.00. The shares of the company are ordinary, dematerialized, registered and freely transferable.

| | **2006** | **2005** |
|---|---|---|
| Shares issued and fully paid | | |
| - beginning of the year | 60 000 000 | 20 000 000 |
| - issued during the year | 70 000 000 | 40 000 000 |
| **Shares issued as of 31 December** | **130 000 000** | **60 000 000** |
| - issued during the year - unpaid | - | (2 082 375) |
| **Shares as of 31 December – issued and fully paid** | **130 000 000** | **57 917 625** |

The list of the main shareholders is as follows:

| | **2006**<br>**Number of shares** | **2006**<br>**%** | **2005**<br>**Number of shares** | **2005**<br>**%** |
|---|---|---|---|---|
| Chimimport Invest JSC | 112 586 647 | 86.61% | 58 878 298 | 98.13% |
| EFG Eurobank Clients ACC | 937 453 | 0.72% | - | - |
| Raiffeisen Central Bank - Austria | 721 111 | 0.55% | - | - |
| Raiffeisen –funds | 142 000 | 0.11% | - | - |
| Consolid Comers JSC | 704 276 | 0.54% | 704 276 | 1.17% |
| DSK – funds(OTP Group) | 608 061 | 0.47% | - | - |
| Investbank JSC | 468 180 | 0.36% | - | - |
| Bank Austria Credit Anstalt | 446 424 | 0.34% | - | - |
| Danske Fund Eastern Europe – Luxembourg | 398 624 | 0.31% | - | - |
| COPER Bank Slovenia | 353 126 | 0.27% | - | - |
| Advance Invest AD | 348 796 | 0.27% | - | - |
| Alpha Trust Andromeda - Greece | 322 235 | 0.25% | - | - |
| Elana – funds | 308 931 | 0.24% | - | - |
| MEI – Romanian and Bulgarian Funds | 266 400 | 0.20% | - | - |
| Standard Investment –funds | 245 882 | 0.19% | - | - |
| ING – pension funds | 244 912 | 0.19% | - | - |
| Hansapank Clients | 147 490 | 0.11% | - | - |
| Scandinavian Enskilda Banken | 128 640 | 0.10% | - | - |
| Erste Bank Austria | 58 472 | 0.04% | - | - |
| Other legal entities | 3 865 784 | 2.97% | 41 888 | 0.07% |
| Other individuals | 6 696 556 | 5.15% | 375 538 | 0.63% |
| | **130 000 000** | **100.00%** | **60 000 000** | **100.00%** |

***Shares premium***

The share premium amounting to TBGN 32 925 was accumulated from the initial public offering (IPO) of shares of the company. The IPO was held on a subscription from 7 September 2006 to 20 September 2006. The number of the submitted purchase requisition forms, respectively of the investors, exceeds 2 100. The proceeds in the bank account of Chimimport Plc were 2.5 times more than the listed issue. The expenses relating to the share issues amounting to TGBN 327 have been deducted from the share premium.

***Other reserves***

Other reserves amounting to TBGN 7 125 have been accumulated in accordance with the requirements of the Commercial Act for accumulation of legal reserves.

***Potential income tax consequences of dividends***

The withIssuer tax on dividends for individuals (according to the provisions of the Income Taxes on Natural Persons Act) and foreign legal entities, which are not registered in the member country of the EU, amounts to 7% for 2007, as the tax is to be withheld from the gross amount of the dividends. For Bulgarian legal entities and foreign legal entities, which are registered in a member country of the EU, in accordance with the provisions of the Corporate Income Tax Act, no withIssuer tax on dividends is due.

**Long-term bank loans**

| | **2006** | **2005** |
|---|---|---|
| | **'000 BGN** | **'000 BGN** |
| Bulgarian Post Bank JSC – investment credit – long-term portion | 1 428 | 688 |
| Hebros Bank – long-term portion | 295 | 3 374 |
| | **1 723** | **4 062** |

The investment loan from BPB JSC under contract 535-1464, dated 30 September 2003 is effective by 30 September 2008. The agreed interest rate under the loan amounts to three-month EURIBOR plus 6%. The loan was granted in EUR, and the monthly installments amount to TEUR 83 - principal and the corresponding interest over the outstanding amount. The loan is collateralized with a pledge over shares of PDNG Plc, Pleven with par value TBGN 542 as of 31 December 2006. There are no specific obligatory covenants under the loan agreement.

With an agreement dated 19.09.2005 Chimimport Plc has assigned in the debt of Mlechen Put JSC due to Hebros bank JSC under a credit contract in BGN. The debt is payable in 35 equal monthly installments by 20.07.2008.

**Long-term trade payables**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| ANSEF London – financial lease long-term portion | 5 905 | - |
| ANZ Bank, Australia – long-term portion | 2 597 | 7 265 |
| | **8 502** | **7 265** |

The liability to ANSEF London results from financial lease contract for purchase of 3 airplanes British Aerospace BAE/146-300. The repayment schedule is presented in note 0. The contract is collateralized with a mortgage of the airplanes and a special pledge is entered in the State register for special pledges.

The liability to ANZ Bank Australia derives from a purchase contract for 3 airplanes BAe/146-200 on deferred payment amounting to USD 9 289 680. The amount is payable in 60 equal monthly installments amounting to USD 154 828 until 30 April 2009. The contract is collateralized with a bank guarantee, issued by Bulbank JSC amounting to USD 1 000 000, which is secured with a mortgage of hangar number 3, owned by Hemus Air JSC. There are no specific obligatory covenants on the credit.

**Deferred tax liabilities**

Deferred taxes arising from temporary differences under the liability method, using a principal tax rate in 2006 15%, as well as the correction due to the change in the tax rate to 10% in 2007 can be summarized as follows:

| | 2006<br>Deferred tax liabilities<br>'000 BGN | 2005<br>Deferred tax liabilities<br>'000 BGN |
|---|---|---|
| **Related to:** | | |
| Financial assets at fair value through profit and loss | 539 | 825 |
| | **539** | **825** |

Please also refer to note 0 for information on the Company's tax expense.

**Short-term bank loans**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| DSK Bank JSC | 8 000 | 5 000 |
| Bulgarian Post Bank – investment credit – short-term portion | 1 946 | 1 946 |
| Hebros bank JSC - short-term portion | 393 | 393 |
| | **10 339** | **7 339** |

The revolving credit line from DSK Bank JSC

The revolving credit line from DSK Bank JSC was granted, based on a contract 336, signed on 23 September 2002. The final term of the credit line is 23 September 2007. The revolving credit facility is collateralized with a mortgage over an administrative building of Niko Commerce located at 2, Stefan Karadja Str. as well as over parts of the administrative building located at 1, Alexander Batenberg Str. and 2, Stefan Karadja Str., owned by Chimimport PLC. The agreed interest rate for the credit line is the bank's interest rate plus 0.5%. The maximum amount of the credit is BGN 5 million, which is utilized at full as of 31 December 2006, decreasing to BGN 4 million from the tenth month and decreasing to BGN 2.5 million from the eleventh month.

The bank loan from DSK Bank JSC

The bank loan from DSK Bank JSC was granted, based on a contract 599, signed on 02 October 2006, with final term - 2 October 2007. The loan is collateralized with a third mortgage over the administrative building of Niko Commerce located at 2, Stefan Karadja Str, as well as over parts of the administrative building located at 1, Alexander Batenberg Str. and 2, Stefan Karadja Str. owned by Chimimport Plc. The agreed interest rate for the loan is the bank's interest rate plus 0.5%. The amount of the credit is BGN 3 million.

**Trade payables**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| ANZ Bank, Australia – short-term portion | 3 839 | 3 010 |
| ANSEF London – financial lease short-term portion | 1 838 | - |
| Neftena Targovska Kompania Ltd. | 1 250 | 1 250 |
| Biorad – France | 358 | 683 |
| Sv. Sv. Konstantin i Elena Issuer Plc | - | 9 528 |
| Others | 488 | 1 315 |
| | **7 773** | **15 786** |

The fair values of the trade and other payables have not been disclosed as, due to their short term maturity, the management of the Company considers their amounts recognized at the balance sheet to be a reasonable approximation of their fair value.

**Tax payables**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Corporate income tax | 1 889 | 136 |
| VAT payable | 5 | - |
| Personal income tax | 1 | 1 |
| | **1 895** | **137** |

**Employees**

***Employee expenses***

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Wages and salaries | 709 | 203 |
| Social security | 48 | 57 |
| | **757** | **260** |

***Payables to employees and social security institutions***

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Wages and salaries payables | 515 | 15 |
| Social security payable | 9 | 6 |
| | **524** | **21** |

**Other payables**

| | 2006 | 2005 |
|---|---|---|
| Payables to assignees | 654 | 4 496 |
| Payables under repo agreements | 3 600 | 3 600 |
| Interest payables | 461 | 743 |
| Loans received | 6 405 | 428 |
| Other short-term payables | 5 625 | 1 818 |
| | **16 745** | **11 085** |

**Payables to assignees**

| | 2006 '000 BGN | 2005 '000 BGN |
|---|---|---|
| Expressbank JSC (Kambana-Burgas) | 566 | 1 562 |
| Finance Consulting JSC | 88 | - |
| Bulgarian – American Credit Bank Plc | - | 2 523 |
| Metalik – Stara Zagora JSC | - | 411 |
| | **654** | **4 496** |

**Interest payables**

| | 2006 '000 BGN | 2005 '000 BGN |
|---|---|---|
| Neftena Targovska Kompania Ltd. | 153 | - |
| Velgraf Assets Management JSC | 91 | - |
| Zarneni Hrani Export JSC | 91 | 52 |
| Zarneni Hrani Bulgaria JSC | 77 | 180 |
| Prima Chim Ltd. | 14 | - |
| Zarneni Hrani Valchi Dol JSC | 10 | - |
| St. St. Constantin and Elena Issuer Plc | 9 | - |
| Zarneni Hrani Balchik JSC | - | 386 |
| Lorian Ltd. | - | 110 |
| Other | 16 | 15 |
| | **461** | **743** |

**Loans received**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Velgraf Assets Management JSC | 2 513 | - |
| Zarneni Hrani Bulgaria JSC | 2 248 | - |
| Prima Chim Ltd. | 620 | - |
| Issuer Nov Vek Plc | 598 | - |
| AKS 77 Ltd. | 203 | - |
| Conopus Star Ltd. | 123 | - |
| Zarneni Hrani Valchi Dol JSC | 100 | - |
| Zarneni Hrani Export JSC | - | 428 |
| | **6 405** | **428** |

**Gains from transactions with financial instruments**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| **Gains from transactions with financial instruments** | 18 375 | 28 931 |
| | **18 375** | **28 931** |

In 2006 shares of CCB Plc, PDNG Plc Parahodstvo Bulgarsko Rechno Plavane Plc, KRZ Odesos, Kauchuk Plc, Pazardjik, Slunchevi Lachi Bulgaria Plc, St. St. Konstantin and Elena Plc were sold on the stock exchange market and as a result gains amounting to TBGN 18 375 were realized.

**Losses from transactions with financial instruments**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| **Losses from transactions with financial instruments** | 111 | 7 367 |
| | **111** | **7 367** |

In 2006, the losses from transactions with financial instruments result from the revaluation of shares of CCB Plc amounting to TBGN 103 and the sale of shares in other entities amounting to TBGN 8.

**Interest income and interest expense**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| **Interest income resulting from:** | | |
| Cash in bank and deposit accounts | 1 | 2 |
| Granted loans | 3 662 | 4 347 |
| **Interest income** | **3 663** | **4 349** |
| | | |
| **Interest expense resulting from:** | | |
| Short-term loans | 472 | 561 |
| Long-term bank credits | 1 196 | 525 |
| Received loans and deposits | 1 448 | 5 223 |
| **Interest expenses** | **3 116** | **6 309** |

**Operating income**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Sale of goods | 180 | 6 521 |
| Rendered services | 8 245 | 1 140 |
| Gains on asset disposal | 2 600 | 4 956 |
| Rental income | 4 527 | 4 279 |
| | **15 552** | **16 896** |

**Operating expenses**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Cost of goods sold | 144 | 6 291 |
| Materials | 33 | 97 |
| Hired services | 1 345 | 3 258 |
| Depreciation and amortization | 2 195 | 1 933 |
| Employee expenses | 758 | 260 |
| Other | 285 | 559 |
| | **4 760** | **12 398** |

**Income tax expense**

The expected tax expense based on the effective tax rate at 15 % (2005: 15 %) and the tax expense actually recognized in the income statement can be summarized as follows:

| | | | | |
|---|---|---|---|---|
| | | **2006** | | **2005** |
| | | **'000 BGN** | | **'000 BGN** |
| Result for the period before tax | | 30 840 | | 23 050 |
| Tax rate | | 15% | | 15% |
| Expected tax expense | | **(4 626)** | | **(3 458)** |
| | **Base Amount** | **Tax effect 15 %** | **Base Amount** | **Tax effect 15 %** |
| Increases in financial result for tax purposes | (2 325) | (349) | (3 133) | (470) |
| Decreases in financial result for tax purposes | 20 571 | 3 086 | 25 353 | 3 804 |
| **Current tax expense** | | **(1 889)** | | **(124)** |
| **Deferred tax income/(expense), resulting from:** | | | | |
| - origination of temporary differences | | - | | (472) |
| - reversal of temporary differences | | 15 | | - |
| - tax rate correction - 10% | | 270 | | - |
| **Actual tax expense, net** | | **(1 604)** | | **(596)** |

Please refer to note 23 for information on the Company's deferred tax assets and liabilities.

**Earnings per share**

The basic earnings per share have been calculated using the net profit, subject to distribution to the shareholders of the Company as numerator.

The weighted average number of outstanding shares used for calculation of the basic earnings per share as well as the net profit, subject to distribution to the shareholders are as follows:

| | 2006<br>BGN | 2005<br>BGN |
|---|---|---|
| Net result for the period | 29 236 000 | 22 454 000 |
| Weighted average number of ordinary shares in issue | 105 434 430 | 46 424 658 |
| Basic earnings per share (BGN per share) | **0.2773** | **0.4837** |

**Related parties transactions**

***Receivables from related parties***

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Loans granted | 13 059 | 5 043 |
| Interest receivables from related parties | 1 693 | 1 032 |
| Other | 2 740 | 3 333 |
| Receivables in connection with increase in capital | - | 1 759 |
| | **17 492** | **11 167** |

The loans granted to related parties are current with maturity date within one year, interest rates between 9%-11%, with floating principal amount, due on demand. There are no collaterals received under these loan agreements.

**Receivables related to capital increase**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Energoproekt JSC | - | 1 200 |
| Chimsnab JSC | - | 559 |
| | **-** | **1 759** |

The receivables from related parties derive from Companies that are part of the group of Chimimport Plc, as follows:

**Loans Granted**

| | **2006**<br>**'000 BGN** | **2005**<br>**'000 BGN** |
|---|---|---|
| Bulgarska Korabna Kompania Ltd. | 4 013 | 856 |
| Balkan Hemus Group JSC | 3 696 | 1 657 |
| TIM Consult Ltd. | 895 | - |
| Conor Ltd. – Switzerland | 890 | 992 |
| Chimimport Petrol JSC | 815 | - |
| ZPAD Armeec | 660 | - |
| Bulchimex Ltd.- Germany | 490 | - |
| BM Port JSC | 392 | - |
| Zarneni Hrani Plovdiv Ltd. | 368 | 638 |
| PFK Cherno More JSC | 318 | - |
| Chimimport Chimtseltex Ltd. | 208 | 208 |
| Chimimport Farma JSC | 100 | - |
| CCB Group Assets Management JSC | - | 387 |
| Chimimport Rubber Ltd. | - | 160 |
| Other | 214 | 145 |
| | **13 059** | **5 043** |

**Interest receivables from related parties**

| | 2006 | 2005 |
|---|---|---|
| | **'000 BGN** | **'000 BGN** |
| Balkan Hemus Group JSC | 720 | 488 |
| Bulgarska Korabna Compania Ltd. | 359 | 254 |
| Chimsnab JSC | 164 | 164 |
| TIM Consult Ltd. | 58 | 7 |
| Chimimport Rubber Ltd. | 43 | 24 |
| Energoproekt JSC | 37 | 27 |
| PFK Cherno More JSC | 156 | - |
| Zarneni Hrani Plovdiv Ltd. | 104 | 68 |
| Other | 52 | - |
| | **1 693** | **1 032** |

***Long-term payables to related parties***

| | 2006 | 2005 |
|---|---|---|
| | **'000 BGN** | **'000 BGN** |
| Chiminvest JSC | 7 760 | - |
| | **7 760** | **-** |

Chimimport Plc is a borrower under a credit line contract, dated 14 June 2006 with Chimimport Invest JSC. The maturity date is 30 November 2011 and the interest rate is 10%.

***Short-term payables to related parties***

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Received deposits | 17 651 | 3 950 |
| Received loans | 2 825 | 4 680 |
| Interest payables | 945 | 692 |
| Other | 439 | 953 |
| Payables for share capital installments | - | 16 856 |
| | **21 860** | **27 131** |

**Payables to share capital installments**

The payable for share capital installments to the amount of TBGN 16 856 as of 31 December 2005 of Chimimport Plc was due to Sporten Complex Varna JSC and is fully paid up to 31 December 2006.

**Received deposits**

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| Sporten Complex Varna JSC | 16 579 | 1 576 |
| CCB Group Assets Management JSC | 1 072 | - |
| BMPort JSC | - | 435 |
| Slanchevi Lachi Bulgaria Plc | - | 1 054 |
| Other | - | 885 |
| | **17 651** | **3 950** |

The payable of Sporten Complex Varna JSC incurred on 25 October 2006 and is based on a contract for deposit in accordance with Article 280/3/ of the Commercial Act with 2% interest rate.

Chimimport Plc entered into one year contract for deposit with CCB Group Assets Management JSC on 30 September 2006 with interest rate of 4.5 %.

**Received loans**

| | 2006 '000 BGN | 2005 '000 BGN |
|---|---|---|
| PDNG Plc | 1 545 | - |
| Chimsnab JSC | 608 | - |
| CCB Plc | 419 | 420 |
| Geofizichni Izsledvania Ltd. | 135 | 135 |
| Chimimport Consult Ltd. | - | 586 |
| POK Saglasie AD | - | 1 600 |
| Other | 118 | 1 939 |
| | **2 825** | **4 680** |

The payable to PDNG Plc derived on 18 September 2006 and is based on a three party agreement with maturity date on 28 September 2007 with interest rate of 10%.

On 29 December 2006 Chimimport Plc entered into one year contract for financial aid with Chimsnab JSC. The interest rate is 9%.

The payable to CCB Plc is based on an overdraft credit contract. The maturity date of the credit is 18 December 2007. The loan is collateralized with a financial risk insurance. The agreed interest rate is the bank interest rate plus 4%. The maximum amount of the loan is TBGN 420 and is to be fully paid on the maturity date.

All other loans from related parties are current with maturity date within one year, interest rates between 9%-11%, with floating principal amounts, due on demand. There are no collaterals received under these loans.

**Interest payables**

| | 2006 '000 BGN | 2005 '000 BGN |
|---|---|---|
| Chimimport Invest JSC | 582 | - |
| Slanchevi Lachi Bulgaria Plc | 128 | 123 |
| CCB Group Assets Management JSC | 95 | 107 |
| PDNG Plc | 91 | - |
| Sporten Complex Varna JSC | - | 23 |
| Chimimport Consult Ltd. | - | 122 |
| ZDAP Armeec | - | 303 |
| Other | 49 | 14 |
| | **945** | **692** |

***Transactions with related parties***

| | 2006<br>'000 BGN | 2005<br>'000 BGN |
|---|---|---|
| **Sales of goods and services** | | |
| - sales of goods to Chimimport Rubber Ltd. | 37 | 20 |
| - sales of services to subsidiary companies | 321 | 427 |
| - operating lease of airplanes to Hemus Air JSC | 3 907 | 2 926 |
| - operating lese of offices to CCB Plc | 159 | 159 |
| - sale of building to POAD CCB Sila | - | 1 250 |
| - sale of financial instruments to POK Suglasie | - | 6510 |
| - sale of financial instruments to POAD CCB Sila | 4 641 | - |
| - sale of financial instruments to CCB Plc | 2 100 | - |
| - gain from sale of property of POK Saglasie | 2 600 | - |
| **Purchases of goods and services** | | |
| - purchases of goods from PNDG Plc | - | 159 |
| - purchases of goods from Chimimport Pharma JSC | 135 | 249 |
| - purchases of goods from Bulchimecs Ltd. - Germany | - | 16 |
| - purchases of services from subsidiary companies | 372 | 671 |
| - purchases of financial instruments and shares | - | 466 |

***Transactions with key management personnel***

During 2006 the remunerations paid to the members of Management Board of the Company and to the Procurator amount to TBGN 38. In 2006 no special transactions with the management of the Company have been performed.

**Contingent assets and contingent liabilities**

The Company is party under a contract for bank guarantees with DSK Bank AD from 20 December 2004 for a maximum amount of 1 million BGN, which is collateralized with a second mortgage over investment property.

**Post balance sheet events**

On 2 February 2007, based on a decision of the Board of Directors of "BSE Sofia" "Chimimport" Plc was included into the base of the stock-exchange index SOFIX.

On 10 February 2007 "Chimimport" Plc directly acquired 150 000 shares of the capital of "CCB Real Estate Fund" SIPC, representing 23.08% of the shared capital of this entity.

On 10 February 2007 "Chimimport" Plc directly acquired 150 000 shares of the capital of "Capital Management" SIPC, representing 23.08% of the shared capital of this entity.

On 26 February 2007, based on a decision of the Board of the Directors of "BSE Sofia" AD "Chimimport" Plc was included into to the base of the stock-exchange index BG 40.

“Balkan Hemus Group” JSC, solely owned by “Chimimport” Plc, signed a contract for purchase of 30 159 shares representing 99,99% of the share capital of “Bulgaria Air” JSC on 4 January 2007. On 14 February 2007 the ownership of the shares was transferred to “Balkan Hemus Group” JSC.

**Risk management objectives and policies**

The Company is exposed to a variety of financial risks, which result from both its operating and investing activities. Notwithstanding, the Company does not use financial instruments to decrease the level of financial risks.

***Foreign currency risk***

A major part of the loans received by the Company are in EURO, which limits the currency risk exposure (Ref. 0). Regarding the payables and receivables in USD, the exchange rate changes for the last year were not in favor of the Company.

***Credit risk***

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset’s carrying amount.

The Company’s trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

***Interest rate risk***

The interest risk is the risk that the value of the Company’s interest – bearing loans might vary as a consequence of the changes in the market interest rates. The interest loans include loans with fixed and floating interest rate that is why the Company is exposed to an interest risk.

**AUDITOR'S REPORT**

**To the Shareholders of**
**CHIMIMPORT AD**
**Sofia**

***Report on Financial Statements***

We have audited the financial statements of CHIMIMPORT AD consisting of balance sheets, income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2005 as well as the accompanying notes. Understanding of the financial situation, presentation and the cash flows of the Company can be obtained only by reading the financial statements prepared by the management of the Company.

***Responsibility of the management of the Company***

The management of the Company is responsible for the preparation and the fair presentation of the financial statements, through which information is provided for the financial situation, presentation and the cash flows of the Company in accordance with the International Financial Reporting Standards as adopted by the EU and the national accounting legislation. This responsibility includes:

- organizing and planning the internal control in order to find and prevent from misstatements, whether or not due to fraud;
- choosing and applying accounting policy in accordance with IFRS and appropriate under the specific circumstances;
- performing the necessary accounting estimates including the preparation of essential assumptions on which these estimates are based;

***Responsibility of the Auditor***

Our responsibility is to express an opinion on these financial statements based on our audit. We performed the audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether or not due to fraud. An audit includes:

- understanding of the Company's activity and environment in order to estimate the risks of material misstatements and mistakes in the financial statements as well as defining and conducting further audit procedures, so that we can manage this risk;
- examining, on a test basis, accounting records and other information supporting the amounts and disclosures in the financial statements;
- estimating the adequacy of the accounting policy that is chosen and applied;
- assessing the reasonability of the accounting principles used and significant estimates made;
- evaluating the overall financial statement presentation as well as the notes to the financial statements

In an audit of financial statements the auditor achieves understanding of the internal control system of the Company, which serves as a basis for defining the type, period and the extent of the audit procedures but the purpose of this is not to provide a reasonable basis for opinion concerning the building and effective functioning of the internal control.

We believe that our audit provides a reasonable basis for our opinion on the financial statements.

***Our opinion***

In our opinion, the financial statements present fairly, in all material aspects the financial position of the Company for the year ended 31 December 2005, and of the results of its operations and its cash flows for the period then ended in accordance with the International Financial Reporting Standards as adopted by the EU and the national accounting legislation.

| | |
|---|---|
| Auditing company | Registered auditor |
| Grant Thornton LTD | Mariy Apostolov |

29 March 2006
Sofia

**CHIMIMPORT AD**

**Financial Statement**

**31 December 2005**

Joint - Stock Company since 1947

## Contents:

Grant Thornton

**Balance**

| | Notes | 2005<br>BGN ’000 | 2004<br>BGN’000 |
|---|---|---|---|
| Assets | | | |
| **Non-current** | | | |
| Property, plant and equipment | 0 | 13 025 | 15 280 |
| Intangible assets | 0 | 737 | 4 |
| Investment property | 0 | 1 331 | 1 332 |
| Investments in subsidiaries | 0 | 125 272 | 81 845 |
| Investments in associates | 0 | 25 103 | 5 |
| Long-term financial assets | 0 | 8 202 | 4 908 |
| Long-term receivables | 0 | 5 367 | 103 |
| | | **179 037** | **103 477** |
| **Current** | | | |
| Inventories | 0 | 1 057 | 1 366 |
| Receivables from related parties | 0 | 12 973 | 18 969 |
| Short-term financial assets | 0 | 1 691 | 801 |
| Loans granted | 0 | 21 885 | 24 173 |
| Trade receivables | 0 | 3 329 | 4 714 |
| Court receivables | 0 | 145 | 1 579 |
| Other receivables | 0 | 4 089 | 6 034 |
| Cash and cash equivalents | 0 | 10 583 | 3 607 |
| | | **55 752** | **61 243** |
| **Total assets** | | **234 789** | **164 720** |

**Prepared by: ____________________** **Manager: ____________________**
**Date: 21 February 2006 ____________________**

**Audited by: ____________________**

**Balance**

| | Notes | 2005 BGN '000 | 2004 BGN'000 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 0 | 60 000 | 20 000 |
| Unpaid capital | 0 | (2 082) | - |
| Additional paid-in capital | 0 | 58 916 | 37 916 |
| Other reserves | 0 | 7 596 | 7 612 |
| Retained earnings | | 14 254 | 2 028 |
| Net profit for the period | | 22 454 | 12 275 |
| **Total equity** | | **161 138** | **79 831** |
| | | | |
| **Liabilities** | | | |
| **Non-current** | | | |
| Long-term bank loans | 0 | 4 062 | 5 319 |
| Long-term trade payables | 0 | 7 265 | 8 901 |
| Long-term payables to related parties | 0 | - | 8 807 |
| Other long-term payables | 0 | - | 5 353 |
| Deferred tax liabilities | 0 | 825 | 352 |
| | | **12 152** | **28 732** |
| | | | |
| **Current** | | | |
| Short-term payables to related parties | 0 | 26 074 | 7 905 |
| Short-term bank loans | 0 | 7 759 | 7 374 |
| Trade payables | 0 | 15 786 | 12 386 |
| Tax payables | 0 | 137 | 63 |
| Payables to employees and social security institutions | 0 | 21 | 14 |
| Other payables | 0 | 11 722 | 28 415 |
| | | **61 499** | **56 157** |
| | | | |
| **Total liabilities** | | **73 651** | **84 889** |
| | | | |
| **Total equity and liabilities** | | **234 789** | **164 720** |

**Prepared by: ____________________** **Manager: ____________________**

**Date: 21 February 2006____________________**

**Audited by: ____________________**

### Income Statement

| | Notes | 2005 BGN '000 | 2004 BGN'000 |
|---|---|---|---|
| Gains from transactions with financial instruments | 0 | 16 476 | 12 486 |
| Losses from transactions with financial instruments | 0 | (4 967) | (316) |
| **Net result from transactions with financial instruments** | | 11 509 | 12 170 |
| **Net result from forward transactions** | 0 | (2 400) | - |
| **Dividend income** | 0 | 12 455 | 24 |
| Interest income | 0 | 4 349 | 2 736 |
| Interest expenses | 0 | (6 309) | (3 806) |
| **Interest expenses, net** | | (1 960) | (1 070) |
| Gains from foreign exchange differences | | 2 643 | 2 749 |
| Losses from foreign exchange differences | | (3 978) | (2 015) |
| **Net result from foreign exchange differences** | | (1 335) | 734 |
| Other financial income/(expenses), net | | 283 | (122) |
| Operating income | 0 | 16 896 | 9 899 |
| Operating expenses | 0 | (12 398) | (8 971) |
| **Operating result** | | 4 498 | 928 |
| **Result for the period before tax** | | **23 050** | **12 664** |
| Tax expenses, net | 0 | (596) | (389) |
| **Net result for the period** | | **22 454** | **12 275** |

| | | 2005 BGN | 2004 BGN |
|---|---|---|---|
| **Earnings per share** | 0 | 0.48 | 0.61 |

**Prepared by: ____________________** **Manager: ____________________**

**Date: 21 February 2006____________________**

**Audited by: ____________________**

## Cash Flow Statement

| | Notes | 2005<br>BGN '000 | 2004<br>BGN'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 19 942 | 19 816 |
| Cash paid to suppliers | | (9 138) | (9 248) |
| Cash paid to employees and social security institutions | | (203) | (193) |
| Taxes paid | | (46) | (423) |
| Exchange gains/(losses) on cash and cash equivalents | | (182) | 733 |
| Other payments for operating activities | | (316) | (1 096) |
| Other proceeds from operating activities | | 1 229 | 267 |
| **Net cash used in operating activities** | | **11 286** | **9 856** |
| **Investing activities** | | | |
| Purchase of non-current assets | | (172) | (14 093) |
| Proceeds from sale of non-current assets | | 292 | 32 422 |
| Purchase of investments in subsidiaries, associates and other companies | | (30 717) | (8 964) |
| Purchase of current financial assets | | (17 109) | (2 500) |
| Proceeds from sale of current financial assets | | 11 896 | 2 506 |
| Other payments for investing activities | | (2 030) | - |
| Other proceeds from investing activities | | 4 370 | - |
| **Net cash used in investing activities** | | **(33 470)** | **9 371** |
| **Financing activities** | | | |
| Proceeds from issuing of shares | | - | 40 170 |
| Proceeds from loans received or granted | | 148 025 | 13 408 |
| Payments for loans received or granted | | (115 428) | (68 909) |
| Interest paid | | (1 033) | (601) |
| Proceeds from forward transactions | | 146 559 | - |
| Payments for forward transactions | | (148 959) | - |
| Other payments for financing activities | | (369) | (140) |
| Other proceeds from financing activities | | 365 | - |
| **Net cash used in financing activities** | | **29 160** | **(16 072)** |
| | | | |
| Cash and cash equivalents at beginning of period | | 3 607 | 452 |
| Net increase in cash and cash equivalents | | 6 976 | 3 155 |
| **Cash and cash equivalents at end of period** | 0 | **10 583** | **3 607** |

**Prepared by: ____________________** **Manager: ____________________**

**Date: 21 February 2006____________________**

**Audited by: ____________________**

**Statement of changes in equity**

| All amounts presented in BGN'000s | Share Capita | Unpaid capital | Additional paid-in capital | Other reserves | Financial result | Total equity |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2004** | **10 000** | **-** | **4 777** | **7 696** | **2 028** | **24 501** |
| Installments for increase in share capital | 10 000 | - | 33 139 | - | - | **43 139** |
| Net result for the period | - | - | - | - | 12 275 | **12 275** |
| Other changes in equity | - | - | - | (84) | - | **(84)** |
| **Balance as at 31 December 2004** | **20 000** | **-** | **37 916** | **7 612** | **14 303** | **79 831** |
| Increase in share capital | 40 000 | (2 082) | (37 916) | - | - | **2** |
| Installments for increase in share capital | - | - | 58 916 | - | - | **58 916** |
| Net result for the period | - | - | - | - | 22 454 | **22 454** |
| Other changes in equity | - | - | - | (16) | (49) | **(65)** |
| **Balance as at 31 December 2005** | **60 000** | **(2 082)** | **58 916** | **7 596** | **36 708** | **161 138** |

**Prepared by: ____________________** **Manager: ____________________**

**Date: 21 February 2006____________________**

**Audited by: ____________________**

## Notes to the financial statements

### General information

CHIMIMPORT AD was registered as a joint-stock company at Sofia city court on 24 January 1990.

The Company is engaged in the following business activities:

- Import, export, re-export and other commercial transactions with oil and other chemical products;
- Commission, forwarding and warehousing transactions;
- Commercial agency and brokerage;
- Sale of one's own manufactured goods;
- Acquisition, management and sale of shares in Bulgarian and foreign companies;
- Financing of companies in which interest is held;
- Tourist services.

The address of the Company's registered office is 2, St. Karadja Str., Sofia, Bulgaria.

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

The Supervisory Board has the following members:

Nicola Damyanov
Ivo Kamenov
Chimimport Invest AD
CCB Group AM EAD

The Management Board has the following members:

Tzvetan Botev
Alexander Kerezov
Dimitar Kalchev
Nicola Mishev
Marin Mitev
Nina Velcheva

The Company is represented by its executive directors Dimitar Kalchev and Marin Mitev and the procurator Ivo Kamenov.

The financial statements for the year ended 31 December 2005 were approved by the Management Board on 15 March 2006.

**Basis for preparation of the financial statements**

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

The financial statements have been prepared based on the accounting assumption for going concern.

These financial statements represent the individual financial statements of the Company.

The Company prepares consolidated financial statements according to IFRS, adopted by the EU, in which its subsidiaries are presented according to the requirements of IAS 27.

**Change in accounting policies**

In 2003 and 2004, the IASB issued a series of new International Financial Reporting Standards (IFRS) and revised International Accounting Standards (IAS), which in conjunction with unrevised IAS issued by the International Accounting Standards Committee, predecessor to the IASB, is referred to as "the IFRS Stable Platform 2005". The Group applies the IFRS Stable Platform 2005 from 1 January 2005.

This includes the following new and revised standards:

| | |
|---|---|
| IAS 1 (rev 2003) | Presentation of Financial Statements |
| IAS 2 (rev 2003) | Inventories |
| IAS 8 (rev 2003) | Accounting Policies, Changes in Accounting Estimates and Errors |
| IAS 10 (rev 2003) | Events after the Balance Sheet Date |
| IAS 16 (rev 2003) | Property, Plant and Equipment |
| IAS 17 (rev 2003) | Leases |
| IAS 21 (rev 2003) | The Effects of Changes in Foreign Exchange Rates |
| IAS 24 (rev 2003) | Related Party Disclosures |
| IAS 27 (rev 2003) | Consolidated and Separated Financial Statements |
| IAS 28 (rev 2003) | Investments in Associates |
| IAS 31 (rev 2003) | Interests in Joint Ventures |
| IAS 32 (rev 2003) | Financial Instruments: Disclosure and Presentation |
| IAS 33 (rev 2003) | Earnings per Share |
| IAS 36 (rev 2004) | Impairment of Assets |
| IAS 38 (rev 2004) | Intangible Assets |
| IAS 39 (rev 2004) | Financial Instruments: Recognition and Measurement |
| IAS 40 (rev 2003) | Investment Property |
| IFRS 1 (2003) | First Time Adoption of IFRS |
| IFRS 2 (2003) | Share-based Payments |
| IFRS 3 (2004) | Business Combinations |
| IFRS 5 (2004) | Non-current Assets Held for Sale and Discontinued Operations |

The changes in the International Financial Reporting Standards have not lead to significant changes in the accounting policies of the Company. The specific transitional provisions included in some of the standards have been taken into consideration. The application of these standards has not lead to changes in the reported amounts and notes for prior periods.

**Summary of accounting policies**

***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 on the historical cost basis except for the revaluation of certain properties and certain financial assets and liabilities. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in 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.

***Investments in subsidiaries***

A subsidiary is an entity that is controlled by the Company. Control is the power to govern the financial and operating policies of the subsidiary to obtain benefits from its activities. In the financial statements of the Company investments in subsidiaries are accounted for using the cost method\.

***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 at cost and subsequently accounted for using the cost method.

Investment is recorded at cost. The income statement reflects income from investment only to the extent that the investor receives distribution from accumulated net profits of the investee, arising subsequent to the date of acquisition. Distribution received in excess of these profits is considered a recovery of the investment and is recorded as a reduction of the cost of the reinvestment.

***Foreign currency translation***

The separate elements of the financial statements of the Company are in the currency of the main economic environment in which it carries out its activities ("functional currency"). Company's financial statements are presented in Bulgarian Leva (BGN), which is also is the functional currency of the Company.

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 translation of remaining balances at year-end exchange rates are recognized in the income statement.

The Currency Board was introduced in Bulgaria on 01 July 1997 following the recommendations by the International Monetary Fund (IMF) and fixed the value of the BGN against the DEM in ration 1:1. Following the introduction of the EURO, the BGN was fixed to the EURO at rate 1 EURO = 1.95583 BGN.

***Income and expense recognition***

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates, allowed by the Company. In case of similar assets with similar values are exchanged, the transaction is not recognized as generating income.

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

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the value of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the enterprise;
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is recognized, when the outcome of the transaction can be measured reliably.

Operating expenses are recognized in the income statement upon utilization of the service or at the date of their origin. Interest income and expenses are reported on an accrual basis. Dividends received, other than those from investments in associates, are recognized at the time of their distribution.

***Borrowing costs***

All borrowing costs are expensed as incurred. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

***Property, plant and equipment***

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

Subsequent to initial recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses according to benchmark treatment. Impairment losses are recognized in the current period income statement.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized in the financial statements is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as an expense in the period in which it is incurred.

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

- Buildings 25 years
- Machines 5 years
- Aircraft 10 years
- Vehicles 5 years
- Others 6.7 years

The recognition threshold, selected by the Company for its property, plant and equipment amounts to BGN 500.

***Intangible assets***

Intangible fixed assets are measured initially at cost. If an intangible asset is acquired separately, 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, according to the benchmark treatment, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

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.

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

- software 6.6 years
- property rights 5 years

The recognition threshold, selected by the Company for intangible fixed assets amounts to BGN 500.

***Impairment testing of assets***

The Company's assets are subject to impairment testing at every balance – sheet date.

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually and 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.

The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

***Leases***

Lessor

Assets subject to operating lease agreements are presented in the balance sheet and are depreciated in accordance with the lessor's normal depreciation policy for similar assets. The depreciation charge are calculated on the basis set out in IAS 16, Property, plant and equipment and IAS 38 Intangible assets. Lease income is recognized on a straight line basis in the Income statement for the period of the lease agreement.

Assets held under a finance lease agreement are presented in the balance sheet as a receivable at amount equal to the net investment in the lease. The sales revenue from assets is recognized in the current year Income statement. The recognition of the financial income is based on a pattern reflecting a constant periodic rate of return of the lessor's net investment outstanding in respect of the finance lease.

***Investment property***

Investment property represents buildings held to earn rental income or for capital appreciation or both, rather than held for:

- Production or supply of goods or services or for administrative purposes;
- Sale in the ordinary course of the business.

Investment property is recognized in the financial statements of the company as an asset only to the extend that the following conditions are present:

- It is probable that future economic benefits, associated with the investment property, will flow to the company;
- The cost of the investment property can be measured reliably.

The investment property is initially measured at cost, which comprises 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 stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognized in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Following the initial recognition, the investment property is stated at cost according to the benchmark treatment of IAS 16, Property, plant and equipment. The investment property is reported at its cost less accumulated depreciation and any impairment losses.

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

- Buildings 25 years

Subsequent expenditure relating to investment property is added to the carrying amount of the investment property when it is probable that future economic benefits, in excess of the originally assessed standards of performance of the existing investment property, will flow to the Company. All other subsequent expenditures are recognized as an expense in the period they are incurred.

Investment property is recognized on disposal or when it is permanently withdrawn from use in case no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal are recognized in the Income statement and represent the difference between the net disposal proceeds and the carrying amount of the Investment property.

***Financial assets***

Company's financial assets include cash and financial instruments. Financial instruments, other than hedging instruments, can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

Financial assets are recognized on their settlement date.

All financial assets are initially recognized at fair value. Transaction costs which are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial assets or liabilities at fair value through profit or loss, are attributed to the cost of the financial asset or liability.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Interest and other cash flows resulting from Issuer financial assets are recognized in the Income statement when received, regardless of how the related carrying amount of financial assets is measured.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if it is the intention of the Company's management to hold them until maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

Financial assets at fair value through profit or loss include financial assets that are accounted or incurred particularly for the purpose of selling or repurchasing in the near term aiming to achieve profit from short term changes in their value or dealer margins or designated in this category based on management decision. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading.

Available-for-sale financial assets include those assets which do not qualify for inclusion in any of the other categories of financial assets: loan and receivables held – to – maturity investments and financial assets at fair value through profit or loss. All 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. The last are measured at cost.

Changes in value are recognized in equity, net of any effects arising from income taxes. Gains and losses arising from financial assets classified as available-for-sale are recognized in the income statement when they are sold or impaired

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in the Income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the carrying amount of the asset and the present value of estimated future cash flows.

***Inventories***

Inventories comprise raw materials and supplies, purchased goods and production in progress. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories are carried at the lower of cost and net realizable value. The impairment amount down to their net realizable value is recognized as an expense in the period in which it occurred.

Net realizable value is the estimated selling price in the ordinary course of business 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 a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount should not exceed the carrying amount of the inventories prior to the impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The cost of inventories is assigned by using the weighted average cost.

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

***Accounting for income taxes***

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognized in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if the Company can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets. Deferred tax asset in relation to carried forward losses is recognized to the extent that the realization of the related tax benefits through the future taxable profits is probable.

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 offset against future taxable income.

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 at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to equity (such as the re-evaluation of land are charged or credited directly to equity.

***Cash and cash equivalents***

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, deposits, short term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

***Equity***

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

***Pension obligations and short term employee benefits***

The Company has not elaborated and does not apply plans for employee benefits after leaving, nor other long term income and plans for income after leave or ones in the form compensations with shares of the share capital or interest.

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.

***Financial liabilities***

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

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the Income statement.

Bank loans are raised for support of long - term funding of the Company's operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

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

Dividend distributions to shareholders are included when the dividends are approved by the shareholders' meeting.

***Other provisions, contingent liabilities and contingent assets***

Provisions, representing current obligations of the Company arising from past events, the settlement of which is expected to result in an outflow of resources, are recognized as liabilities. A provision is recognized only when the following conditions are present:

- The Company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Company takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Company does not recognize contingent assets in the financial statements as possible obligations arise, whose existence is not yet confirmed or this may result in the recognition of income that may never be realized.

**Property, plant and equipment**

| | Land | Buildings | Machinery | Aircraft | Vehicles | Other fixed assets | Assets in process of acquisition | Total |
|---|---|---|---|---|---|---|---|---|
| | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** |
| At 1 January 2004 | | | | | | | | |
| Cost | 201 | 1 439 | 1 006 | - | 260 | 480 | 398 | 3 784 |
| Accumulated depreciation | - | (60) | (580) | - | (175) | (378) | - | (1 193) |
| **Net book amount** | **201** | **1 379** | **426** | **-** | **85** | **102** | **398** | **2 591** |
| Year ended 31 December 2004 | | | | | | | | |
| Opening net book amount | 201 | 1 379 | 426 | - | 85 | 102 | 398 | 2 591 |
| Additions | - | - | 24 | - | - | 52 | 15 392 | 15 468 |
| Disposals | (1) | (4) | (3) | - | - | (2) | (2 437) | (2 447) |
| Decrease in depreciation | - | 1 | 3 | - | - | 2 | - | 6 |
| Depreciation charge | - | (57) | (194) | - | (48) | (39) | | (338) |
| **Closing net book amount** | **200** | **1 319** | **256** | **-** | **37** | **115** | **13 353** | **15 280** |
| At 31 December 2004 | | | | | | | | |
| Cost | 200 | 1 435 | 1 027 | - | 260 | 530 | 13 353 | 16 805 |
| Accumulated depreciation | - | (116) | (771) | - | (223) | (415) | - | (1 525) |

| | Land | Buildings | Machinery | Aircraft | Vehicles | Other fixed assets | Assets in process of acquisition | Total |
|---|---|---|---|---|---|---|---|---|
| **Net book amount** | **200** | **1 319** | **256** | **-** | **37** | **115** | **13 353** | **15 280** |
| | **Land** | **Buildings** | **Machinery** | **Aircraft** | **Vehicles** | **Other fixed assets** | **Assets in process of acquisition** | **Total** |
| | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** | **BGN ’000** |
| Year ended 31 December 2005 | | | | | | | | |
| Opening net book amount | 200 | 1 319 | 256 | - | 37 | 115 | 13 353 | 15 280 |
| Additions | - | - | 3 | 13 255 | - | 94 | 100 | 13 452 |
| Disposals | - | (781) | - | - | (67) | (18) | (13 353) | (14 219) |
| Decrease in depreciation | - | 54 | - | - | 50 | 18 | - | 122 |
| Depreciation charge | - | (38) | (191) | (1 326) | (19) | (36) | - | (1 610) |
| **Closing net book amount** | **200** | **554** | **68** | **11 929** | **1** | **173** | **100** | **13 025** |
| At 31 December 2005 | | | | | | | | |
| Cost or valuation | 200 | 654 | 1 030 | 13 255 | 193 | 606 | 100 | 16 038 |
| Accumulated depreciation | - | (100) | (962) | (1 326) | (192) | (433) | - | (3 013) |
| **Net book amount** | **200** | **554** | **68** | **11 929** | **1** | **173** | **100** | **13 025** |

As at 31 December 2005 the Company does not have any property, plant and equipment pledged as security for liabilities.

As at 31 December 2005 the gross book value of the fully depreciated assets still in use amounts to TBGN 196.

As at 31 December 2005 the Company does not have any property, plant and equipment purchase commitments.

**Intangible assets**

| | Property rights BGN'000s | Trademarks BGN'000s | Software BGN'000s | Total BGN'000s |
|---|---|---|---|---|
| At 1 January 2004 | | | | |
| Cost | 3 | 1 | 34 | 38 |
| Accumulated amortization | (3) | | (29) | (32) |
| **Net book amount** | **-** | **1** | **5** | **6** |
| | | | | |
| Year ended 31 December 2004 | | | | |
| Opening net book amount | - | 1 | 5 | 6 |
| Additions | | | 4 | 4 |
| Amortization charge | | | (6) | (6) |
| **Closing net book amount** | **-** | **1** | **3** | **4** |
| | | | | |
| At 31 December 2004 | | | | |
| Cost | 3 | 1 | 38 | 42 |
| Accumulated amortization | (3) | - | (35) | (38) |
| **Net book amount** | **-** | **1** | **3** | **4** |
| | | | | |
| Year ended 31 December 2005 | | | | |
| Opening net book amount | - | 1 | 3 | 4 |
| Additions | 978 | | 2 | 980 |
| Amortization charge | (244) | | (3) | (247) |
| **Closing net book amount** | **734** | **1** | **2** | **737** |
| | | | | |
| At 31 December 2005 | | | | |
| Cost | 981 | 1 | 40 | 1 022 |
| Accumulated amortization | (247) | - | (38) | (285) |
| **Net book amount** | **734** | **1** | **2** | **737** |

As at 31 December 2005 the Company does not have any intangible assets pledged as security for liabilities.

As at 31 December 2005 the gross book value of the fully depreciated intangible assets still in use amounts to TBGN 4.

As at 31 December 2005 the Company does not have any intangible assets purchase commitments.

As at 31 December 2005 the net book value of the substantial intangible assets amounts to TBGN 734. As at 31 December 2005 their remaining useful life is 4 years.

**Investment property**

Investment property at Company includes real estate property at Batenberg 1 Str., Sofia, which is owned for investment purposes only.

| | Investment **Property** | **Total** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| At 1 January 2003 | | |
| Cost | 1 588 | 1 588 |
| Accumulated depreciation | (481) | (481) |
| **Net book amount** | **1 107** | **1 107** |
| Year ended 31 December 2004 | | |
| Opening net book amount | 1 107 | 1 107 |
| Additions | 301 | 301 |
| Depreciation charge | (76) | (76) |
| **Closing net book amount** | **1 332** | **1 332** |
| Year ended 31 December 2004 | | |
| Opening net book amount | 1 889 | 1 889 |
| Additions | (557) | (557) |
| **Accumulated depreciation** | **1 332** | **1 332** |
| Year ended 31 December 2005 | | |
| Opening net book amount | 1 332 | 1 332 |
| Additions | 75 | 75 |
| Depreciation charge | (76) | (76) |
| **Closing net book amount** | **1 331** | **1 331** |
| At 31 December 2005 | | |
| Cost or valuation | 1 964 | 1 964 |
| Accumulated depreciation | (633) | (633) |
| **Net book amount** | **1 331** | **1 331** |

The investment property has been recognized in the financial statements of the Company at cost.

As at 31 December 2005 the fair value of the investment property amounts to BGN 14,3 million according to current market prices.

At 31 December 2005 the net book value of pledged investment property amounts to TBGN 1 256. The pledge is issued in connection with a revolving credit facility at DSK AD bank.

As at 31 December 2005 the Company does not have any investment property purchase commitments.

The following amounts, relating to the investment property have been recognized in the Income statement:

| | 2005<br>BGN'000s | 2004<br>BGN'000s |
|---|---|---|
| Rental income | 3 222 | 2 598 |
| Direct operating expenses | - | 12 |
| Buildings tax | 3 | 3 |

**Operating lease**

***Lessor***

The Company is lessor on several leasing contracts. They represent letting out of buildings, premises and aircraft – 2 airplanes BAe 146-200.

Future minimum lease payments are as follows:

| | **Up to 1 year** | **1 to 5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|
| | **BGN'000s** | **BGN'000s** | **BGN'000s** | **BGN'000s** |
| **As at 31 December 2005** | **3 384** | **9 771** | **1 872** | **15 027** |
| As at 31 December 2004 | 2 598 | 10 392 | 1 480 | **14 470** |

Lease contracts do not contain clauses for contingent payments.

The terms of the major lease contracts are as follows:

- Long-term 10-year contract with CCB AD for office premises with monthly installment amounting to EUR 6 800.
- 5-year contract with Hemus Air AD for operating lease of 2 airplanes BAe 146-200 with monthly installment amounting to USD 154 828.
- Long-term contracts for lending office premises the rent of which amounts to 8 EUR/sq. meter.

The Company does not participate as a lessee on any significant leasing contracts.
The Company does not participate in significant finance lease contracts.

**Investments in subsidiaries**

| Name of the subsidiary | Country | 2005 BGN'000 | share % | 2004 BGN'000 | share % |
|---|---|---|---|---|---|
| CCB Group Assets Management EAD | Bulgaria | 59 417 | 100.00% | 59 417 | 100.00% |
| Prouchvane i dobiv na neft i gaz AD | Bulgaria | 10 950 | 51.04% | 8 964 | 49.86% |
| Balkan Hemus Group EAD | Bulgaria | 23 568 | 100.00% | 4 612 | 100.00% |
| Slanchevi lachi Bulgaria EAD | Bulgaria | 3 476 | 100.00% | 3 476 | 100.00% |
| Chimimport Bimas EOOD | Bulgaria | 1 313 | 100.00% | 1 313 | 100.00% |
| Chimsnab AD Sofia | Bulgaria | 452 | 60.00% | 452 | 60.00% |
| SK Chimimport Consult OOD | Bulgaria | 111 | 59.00% | 111 | 59.00% |
| Chimimport Lega Consult OOD | Bulgaria | 4 | 70.00% | 4 | 70.00% |
| Brand New Ideas EOOD | Bulgaria | 5 | 100.00% | 5 | 100.00% |
| Bulchimeks OOD | Bulgaria | 2 500 | 100.00% | 2 500 | 100.00% |
| FBK Chimimport Finance EOOD | Bulgaria | - | - | 182 | 66.18% |
| IT Creation OOD | Bulgaria | - | - | 3 | 60.00% |
| Chimsin OOD | Bulgaria | - | - | 16 | 50.00% |
| Chimimport Oil OOD | Bulgaria | - | - | 238 | 60.00% |
| Chimimport Rubber OOD | Bulgaria | - | - | 69 | 60.00% |
| Chimimport Orgachim OOD | Bulgaria | - | - | 132 | 60.00% |
| Chimimport Chimceltex OOD | Bulgaria | - | - | 29 | 60.00% |
| Chimimport Fertilizers OOD | Bulgaria | - | - | 156 | 51.00% |
| Chimtrans OOD | Bulgaria | - | - | 48 | 60.00% |
| Inofert 2001OOD | Bulgaria | - | - | 3 | 51.00% |
| Dializa Bulgaria OOD | Bulgaria | - | - | 50 | 50.00% |
| Chimimport Pharma AD | Bulgaria | - | - | 30 | 60.00% |
| Siliko 07 | Bulgaria | - | - | 5 | 50.00% |
| Chimimport Agrochimikali OOD | Bulgaria | - | - | 2 | 51.00% |
| Ecoland Engineering OOD | Bulgaria | - | - | 3 | 52.00% |
| Franchise Development OOD | Bulgaria | - | - | 2 | 50.00% |
| Kame Bulgaria OOD | Bulgaria | - | - | 4 | 75.00% |
| Chimimport Medica OOD | Bulgaria | - | - | 2 | 51.00% |
| Chimimport Petrol AD | Bulgaria | - | - | 17 | 33.00% |
| Chimimport Group EAD | Bulgaria | 991 | 100.00% | - | - |
| Sport Complex Varna AD | Bulgaria | 22 475 | 65.00% | - | - |
| Chimimport Balchik EOOD | Bulgaria | 5 | 100.00% | - | - |
| Oksimoron 2003 OOD | Bulgaria | 5 | 54.00% | - | - |
| | | **125 272** | | **81 845** | |

The method used to account for the investment in the subsidiaries is the cost method.

As at 31 December 2005 the book value of pledged investments amounts to TBGN 5 686, in connection with an investment credit from BPB AD.

In 2005 Chimimport AD has found sole owner joint-stock company Chimimport Group EAD with equity amounting to TBGN 991, via contribution in kind of a number of its investments in different commercial companies.

In 2005 Chimimport AD has made contribution in kind in the equity of Balkan Hemus Group EAD amounting to TBGN 6 506, representing an airplane BAe 146-200.

Management Board of Chimimport AD, as a sole member of the General Meeting of the shareholders of Balkan Hemus Group EAD has decided to increase the share capital of the company by TBGN 12 450 against the profit distributed as dividends.

In 2005 Chimimport AD has increased its interest in the capital of PDNG AD, by acquiring 114 100 shares owned by Inter Rubber Hemi EOOD. The value of the transaction is set off against seller's liabilities under credit lent by the Company.

**Investments in associates**

| **Investments in associates** | **Country** | **2005 BGN'000** | **share %** | **2004 BGN'000** | **share %** |
|---|---|---|---|---|---|
| POAD Suglasie | Bulgaria | 15 767 | 49.28% | - | - |
| Vi Ti Si AD | Bulgaria | 451 | 41.00% | - | - |
| Parahodstvo Bulgarsko rechno plavane AD | Bulgaria | 8 880 | 24.19% | - | - |
| Konor OOD | Switzerland | 5 | 20.00% | 5 | 20.00% |
| | | **25 103** | | **5** | |

The investments in associates are accounted for under the cost method.

As at 31 December 2005 the fair value of the shares of Parahodstvo Bulgarsko rechno plavane AD, according to the published price quotations (41.10 BGN per share), amounts to TBGN 8 913.

Financial information concerning the investments in associates can be summarized as follows:

| | 2005 BGN'000s | 2004 BGN'000s |
|---|---|---|
| Assets | 38 812 | - |
| Liabilities | 9 958 | - |
| Revenue | 35 166 | - |
| Net result for the period | 1 911 | - |

As at 31 December 2005 there are no pledged investments in associates.

**Long - term financial assets**

| Name of the company | Country | 2004 BGN'000 | share % | 2003 BGN'000 | share % |
|---|---|---|---|---|---|
| CCB AD | Bulgaria | 8 177 | 5.00% | 4 883 | 5.00% |
| Inofert OOD – St. Zagora | Bulgaria | 2 | 20.00% | 2 | 20.00% |
| BKK AD - Sofia | Bulgaria | 4 | - | 4 | - |
| TB Biochim AD | Bulgaria | 1 | - | 1 | - |
| Gazinvest AD - Sofia | Bulgaria | 8 | 8.00% | 8 | 8.00% |
| BZOK Zakrila AD - Sofia | Bulgaria | 10 | 5.00% | 10 | 5.00% |
| | | **8 202** | | **4 908** | |

Shares in CCB AD are classified as held for trading and are accounted at their fair value based on the stock market price

All other long-term financial assets are classified as available-for-sale and are accounted at cost, because their fair value cannot be reliably measured. During the period no financial instruments from this group have been sold.

As at 31 December 2005 there are no pledged long-term financial assets.

**Long-term receivables**

| | 2005 BGN'000 | 2004 BGN'000 |
|---|---|---|
| Long-term loan Franchise development OOD | 4 092 | - |
| Long-term loan Mlechen Put AD | 687 | - |
| Assigned receivables - Interlease AD | 88 | 103 |
| Assigned receivables – Energoproekt AD | 500 | - |
| | **5 367** | **103** |

The long-term loan to Franchise development OOD is for 5 years with maturity date 31 December 2010 and annual interest rate amounting to 2%. The investment is for foundation and development of stores for quick sale of home and office consumables. There is no collateral under this loan.

The long-term loan to Mlechen Put AD is corresponding to the debt commitment of the Company to Hebros bank AD. The loan is payable in 35 equal monthly installments by 30 September 2008.

**Inventories**

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Materials | 10 | 52 |
| Goods | 1 047 | 1 314 |
| | **1 057** | **1 366** |

No reversal of previous write-downs was recognized as a reduction of expense in 2005. None of the inventories are pledged as security for liabilities.

**Short-term financial assets**

| Name of the company | Country | 2005<br>BGN'000 | share<br>% | 2004<br>BGN'000 | share<br>% |
|---|---|---|---|---|---|
| David 202 AD | Bulgaria | 519 | 99.79% | 519 | 99.79% |
| Mit 2003 EOOD | Bulgaria | 161 | 100.00% | 161 | 100.00% |
| Bulian EAD | Bulgaria | - | - | 100 | 100.00% |
| Zarneni hrani Varna OOD | Bulgaria | 3 | 60.00% | 3 | 60.00% |
| Zarneni hrani Plovdiv OOD | Bulgaria | 3 | 51.00% | 3 | 51.00% |
| TPO - Varna | Bulgaria | 11 | 100.00% | 11 | 100.00% |
| BMPortAD | Bulgaria | 990 | 99.00% | - | 0.00% |
| Government Securities | | 4 | - | 4 | - |
| | | **1 691** | | **801** | |

For the purposes of measuring these financial instruments, subsequent to initial recognition, they are classified as available-for-sale financial assets. The fair value of most of these investments is not reliably measurable. Therefore they are stated at cost.

During the period the investment in Bulian EAD is sold and a loss of TBGN 100 is realized.
As at the date of the transaction the book value of the investment amounts to TBGN 100.

As at 31 December 2005 there are no pledged short-term financial assets.

**Loans granted**

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Finance Consulting EAD | 3 371 | 2 769 |
| Nordius | 2 004 | 1 531 |
| Issuer Nov Vek | 1 932 | 1 477 |
| Zurneni Hrani Balchik | 1 836 | 629 |
| Trans Intercar | 1 749 | 1 420 |
| Bilko OOD | 1 586 | - |
| Andezit OOD | 1 049 | - |
| Bliasuk EOOD | 1 020 | - |
| Nomokanon EOOD | 936 | - |
| Lorian EOOD | 893 | - |
| Noviko Chirpan OOD | 761 | - |
| Zurneni Hrani Bulgaria AD | 651 | - |
| Noviko nord | 640 | 1 632 |
| Aks 77 EOD | 557 | - |
| Energomat | 464 | 480 |
| Rentapark EOOD | 358 | - |
| Familia EOOD | 260 | - |
| Technosteel EOOD | 233 | - |
| Krone Bulgaria AD | 10 | 2 252 |
| Marimeks 77 | 5 | 761 |
| Zurneni Hrani Bulgaria OOD | - | 2 910 |
| Primachim EOOD | - | 1 559 |
| Demira C | - | 1 138 |
| Balance Elit | - | 997 |
| Deniz 2001 | - | 595 |
| Inter Rubber Hemi | 31 | 3 230 |
| Pavleks 97 EOOD | - | 378 |
| Slunchevi lachi AD | 397 | 397 |
| Others | 1 142 | 18 |
| | **21 885** | **24 173** |

Short-term loans are granted at annual interest rate of 10-12%. The loans are repayable on demand. Loans are not collaterised.

The fair value of the granted loans is not determined separately, as the management considers the carrying amounts recognized at the balance sheet to be a reasonable approximation of their fair value.

As at 31 December 2005 there are no pledged receivables.

**Trade receivables**

The major trade receivables as at 31 December 2005 are as follows:

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Desislava 2001 EOOD | 1 250 | - |
| Pirogov | 369 | 89 |
| TIN – Serbia | 303 | 111 |
| Alvis OOD | 243 | - |
| Damex EOOD | 122 | 361 |
| Zarneni hrani Bulgaria OOD | 121 | 237 |
| Malki traktori OOD | 117 | - |
| Bildko OOD | 100 | - |
| Zarneni hrani Bulgaria AD | 70 | 70 |
| ZK Dajbog | 31 | 56 |
| Trans intercar | 3 | 303 |
| Altrop Corp | - | 2 728 |
| G. Genov | - | 147 |
| Ministry of Health | - | 37 |
| Chimimport Agro | - | 2 |
| Other | 600 | 573 |
| | **3 329** | **4 714** |

Trade receivables are usually due within 30 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Company does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognized represent a large number of receivables from various customers.

The fair value of the trade receivables is not determined separately, as the management considers the carrying amounts recognized at the balance sheet to be a reasonable approximation of their fair value.

As at 31 December 2005 the value of pledged receivables amounts to TBGN 369 in connection with bank guarantee with CCB AD (see note 40 for further information).

**Court receivables**

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Polirom, Romania | - | 1 371 |
| ING Bank | - | 58 |
| Hidrotechnika AD | 40 | 40 |
| ET Skad | 34 | 34 |
| Other | 71 | 76 |
| | **145** | **1 579** |

In 2005 the court receivable from Polirom is written off as bad debt.

**Other receivables**

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Interest receivables | 2 377 | 2 357 |
| Tax receivables | 19 | 18 |
| Other short-term receivables | 1 693 | 3 659 |
| | **4 089** | **6 034** |

**Cash and cash equivalents**

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Cash in BGN | 6 466 | 1 622 |
| Cash in foreign currency | 2 021 | 1 884 |
| Blocked cash | 2 096 | 101 |
| | **10 583** | **3 607** |

As at 31 December 2005 blocked cash is cash in VAT accounts of the Company according to VAT Act and a deposit amounting to BGN 2 000 000 in account of Privatization Agency for participation in the tender for privatization of Parahodstvo Bulgarsko rechno plavane AD.

**Equity**

***Share capital***

The share capital of the Company consists of ordinary shares with a par value of BGN 1. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Company.

| | **2005** | **2004** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Shares issued and fully paid | | |
| - beginning of the year | 20 000 000 | 20 000 000 |
| - issued during the year | 40 000 000 | - |
| **Shares issued as at 31 December** | **60 000 000** | **20 000 000** |
| - issued during the year - unpaid | (2 082 375) | - |
| **Shares as at 31 December – issued and fully paid** | **57 917 625** | **20 000 000** |

The list of the principal shareholders is as follows:

| | **2005** | **2005** | **2004** | **2004** |
|---|---|---|---|---|
| | **Number of shares** | **%** | **Number of shares** | **%** |
| Chimimport Invest AD | 58 878 298 | 98.13% | 18 878 298 | 94.39% |
| Consolid Comers AD | 704 276 | 1.17% | 704 276 | 3.52% |
| Bulfraht OOD | 18 088 | 0.03% | 18 088 | 0.09% |
| Despred OOD | 13 600 | 0.02% | 13 600 | 0.07% |
| VIHVP - Plovdiv | 6 800 | 0.01% | 6 800 | 0.03% |
| TB Biochim AD Sofia | 3 400 | 0.01% | 3 400 | 0.02% |
| Shareholders | 375 538 | 0.63% | 375 538 | 1.88% |
| | **60 000 000** | **100.00%** | **20 000 000** | **100.00%** |

***Unpaid capital***

As at 31 December 2005 the amount of BGN 2 082 375 is due by Chimimport Invest AD. This amount was remitted to Chimimport AD on 13 March 2006.

***Additional paid-in capital***

Installments for increase in share capital were made in 2005 by Chimimport Invest AD aiming increase in the share capital in 2006 up to BGN 119 million (note 0).

The installment amounting to of TBGN 58 916 is made by Chimimport Invest AD by means of contribution in kind of amounts receivable from the Company. The contribution in kind is evaluated by a triple court-accounting expert examination at par value.

***Other reserves***

Other reserves are formed in accordance with the requirements of the Bulgarian Commercial Act for formation of legal reserves.

**Long - term bank loans**

| | **2005** | **2004** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Investment credit BPB – long-term portion | 3 374 | 5 319 |
| Debt to Hebros bank AD assigned by Mlechen Put AD | 688 | - |
| | **4 062** | **5 319** |

The investment loan from BPB is in force by 30 September 2008. The negotiated interest rate is three-month EURIBOR plus 6%. The credit is granted in EUR, and the monthly installments amount to TEUR 83 principal and interest over the outstanding amount. The loan is collatrised with pledge over 297 000 shares of PDNG, Pleven as at 30 September 2003. There are no specific obligatory covenants under the credit.

With an agreement dated 19.09.2005 Chimimport AD has assigned in the debt of Mlechen Put AD due to Hebros bank AD for credit contract in BGN. The debt is payable in 35 equal monthly installments by 30.09.2008.

**Long-term trade payables**

| | **2005** | **2004** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| ANZ Bank, Australia – long-term portion | 7 265 | 8 901 |
| | **7 265** | **8 901** |

The liability results from a contract for purchase of 3 airplanes BAe/146-200 on deferred payment amounting to USD 9 289 680. The amount is payable in 60 monthly equal installments of USD 154 828 until 30 April 2009. The contract is guaranteed by a bank guarantee, issued by Bulbank AD amounting to USD 1 000 000, which is collaterised with a mortgage of hangar number 3, owned by Hemus Air EAD. There are no specific obligatory covenants on the credit.

**Other long-term payables**

| | 2005 BGN'000 | 2004 BGN'000 |
|---|---|---|
| Fritz International | - | 1 288 |
| PHL Group | - | 2 431 |
| Dessislava | - | 953 |
| Otornio Investment | - | 681 |
| | **-** | **5 353** |

**Deferred tax liabilities**

Deferred taxes arising from temporary differences under the liability method, using a principal tax rate of 2005 15%, can be summarized as follows:

| | 2005 Deferred tax liabilities BGN'000 | 2004 Deferred tax liabilities BGN'000 |
|---|---|---|
| **Related to:** | | |
| Financial assets | 825 | 352 |
| | **825** | **352** |

Please also refer to note 0 for information on the Company's tax expense.

**Short-term bank loans**

| | 2005 BGN'000 | 2004 BGN'000 |
|---|---|---|
| Credit facility DSK Bank AD | 5 000 | 5 000 |
| Overdraft CCB AD | 420 | 428 |
| Investment Credit BPB – short-term portion | 1 946 | 1 946 |
| Hebros bank AD - short-term portion | 393 | - |
| | **7 759** | **7 374** |

The bank loan from DSK Bank AD under contract 336 signed on 23 September 2002 is in the form of revolving credit facility collaterised with a mortgage over the administrative building of Niko Commerce located in 2, Stefan Karadja Str. as well as parts of the administrative building located at 1, Alexander Batenberg Str. and 2, Stefan Karadja Str. which are owned by Chimimport AD. The negotiated interest rate is the bank's interest rate plus 0.5%. The maximum amount of the credit is 5 million BGN, decreasing to 4 million BGN from the tenth month and decreasing to 2.5 million BGN from the eleventh month.

Overdraft CCB AD

The maturity date of the loan is 18 December 2006. The loan is collaterised with a registered pledge of inventory, bought with the credit, as well as with a registered pledge over receivables from Pirogov. The negotiated interest rate is the bank's interest rate plus 4%.The maximum amount of the credit is TBGN 420 and the total amount of the principal is payable at maturity.

**Trade payables**

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Sv. Sv. Konstantin i Elena | 9 528 | - |
| ANZ Bank, Australia – short-term portion | 3 010 | 2 674 |
| Desislava | 1 250 | - |
| Biorad France | 683 | 3 254 |
| Bayer Germany | 135 | - |
| Fertitron | - | 3 881 |
| Beck International | - | 1 177 |
| Others | 1 180 | 1 400 |
| | **15 786** | **12 386** |

The fair values of trade payables has not been disclosed as, due to their short term maturity, management considers the carrying amounts recognized at the balance sheet to be a reasonable approximation of their fair value.

**Tax payables**

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Corporate income tax | 136 | 62 |
| Personal income tax | 1 | 1 |
| | **137** | **63** |

**Employees**

***Employee expenses***

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Wages and salaries | 203 | 193 |
| Social security | 57 | 59 |
| | **260** | **252** |

***Payables to employees and social security institutions***

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Wages and salaries payables | 15 | 8 |
| Social security payable | 6 | 6 |
| | **21** | **14** |

**Other payables**

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Payables to assignees | 4 496 | 6 157 |
| Payables under repurchase | 3 600 | - |
| Interest payables | 743 | 2 005 |
| Loans received | 428 | 11 098 |
| Other short-term payables | 2 455 | 9 155 |
| | **11 722** | **28 415** |

**Gains from transactions with financial instruments**

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Shares sold | 9 506 | 10 053 |
| Revaluation of financial instruments held for trading | 4 240 | 2 348 |
| Revenue from assignment contracts | 2 607 | - |
| Written-off payables | 123 | 85 |
| | **16 476** | **12 486** |

During the period shares of CCB AD, PDNG AD, Parahodstvo Bulgaria rechno plavane AD and Bulbank AD were sold on the stock market and as a result gains amounting to TBGN 9 506 BGN were realized.

As at 31 December 2005 the remaining 1 479 539 shares of CCB AD were valued at their published market price of BGN 5.53 for BGN 1 par value, and as a result gains amounting to TBGN 4 240 were recognized in the current period profit.

**Losses from transactions with financial instruments**

| | 2005<br>BGN‘000 | 2004<br>BGN‘000 |
|---|---|---|
| Written-off receivables | 1 648 | 316 |
| Expenses under assignment contracts | 3 319 | - |
| | **4 967** | **316** |

**Result from forward transactions**

| | 2005<br>BGN‘000 | 2004<br>BGN‘000 |
|---|---|---|
| Forward currency sales | 146 559 | - |
| Forward currency purchases | (148 959) | - |
| | **(2 400)** | **-** |

The Company has performed forward transactions for purchase of USD against sales of EUR and BGN.

**Dividend and liquidation quota income**

| | 2005<br>BGN‘000 | 2004<br>BGN‘000 |
|---|---|---|
| Income from dividends of Balkan Hemus Group EAD | 12 450 | - |
| Income from liquidation of BKK AD | 5 | 24 |
| | **12 455** | **24** |

**Interest income and interest expense**

| | 2005<br>BGN‘000 | 2004<br>BGN‘000 |
|---|---|---|
| **Interest income resulting from:** | | |
| Cash in bank and deposit accounts | 2 | 4 |
| Granted loans | 4 347 | 2 732 |
| **Interest income** | **4 349** | **2 736** |
| | | |
| Interest expense resulting from: | | |
| Short-term loans | 561 | 577 |
| Long-term bank credits | 525 | 998 |
| **Received loans and deposits** | 5 223 | 2 231 |
| Interest expenses | **6 309** | **3 806** |

**Operating income**

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Sale of goods | 6 521 | 6 815 |
| Rendered services | 440 | 133 |
| Gains on asset disposal | 4 956 | - |
| Rents | 4 279 | 2 697 |
| Other | 700 | 254 |
| | **16 896** | **9 899** |

With the contribution in kind of airplane BAe 146-200 in the equity of Balkan Hemus Group EAD, the Company realized income amounting to TBGN 3 641, as a difference between the book value of the airplane and the evaluation of the experts assigned by the court. (note 0)

**Operating expenses**

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Cost of goods sold | 6 291 | 6 517 |
| Materials | 97 | 58 |
| Hired services | 3 258 | 1 594 |
| Depreciation | 1 933 | 419 |
| Employee expenses | 260 | 252 |
| Others | 559 | 131 |
| | **12 398** | **8 971** |

**Income tax expense**

The relationship between the expected tax expense based on the effective tax rate at 15 % (2004: 19.5 %) and the tax expense actually recognized in the income statement can be reconciled as follows:

| | | 2005<br>BGN'000 | | 2004<br>BGN'000 |
|---|---|---|---|---|
| Result for the period before tax | | 23 050 | | 12 664 |
| Tax rate | | 15.00% | | 19.50% |
| Expected tax expense | | (3 458) | | (2 469) |
| | **Base Amount** | **Tax effect**<br>15 % | **Base Amount** | **Tax effect**<br>19.5 % |
| Increases in financial result for tax purposes | (3 133) | (470) | (422) | (82) |
| Decreases in financial result for tax purposes | 25 353 | 3 804 | 12 894 | 2 514 |
| **Current tax expense** | | (124) | | (37) |
| **Deferred tax income/(expense), resulting from:** | | | | |
| - origination and reversal of temporary differences | | (472) | | (352) |
| **Actual tax expense, net** | | **(596)** | | **(389)** |

**Earnings per share**

| | 2005<br>BGN | 2004<br>BGN |
|---|---|---|
| Net result for the period | 22 454 000 | 12 275 000 |
| Weighted average number of ordinary shares in issue | 46 424 658 | 20 000 000 |
| Basic earnings per share (BGN per share) | 0.4837 | 0.6138 |

**Related parties transactions**

***Receivables from related parties***

| | 2005 BGN'000 | 2004 BGN'000 |
|---|---|---|
| Receivables in connection with increase in capital | 1 759 | 5 739 |
| Loans granted | 6 599 | 7 583 |
| Interest receivables from related parties | 1 208 | 434 |
| Others | 3 407 | 5 213 |
| | **12 973** | **18 969** |

Loans granted to related parties are current with maturity date within one year, interest rates between 9%-11%, with floating principal amount due on demand. There are no collaterals received under these loans.

Receivables from related parties represent the following receivables from Companies that are part of the Chimimport Group:

| | 2005 BGN'000 | 2004 BGN'000 |
|---|---|---|
| Balkan Hemus Group (Hemus Hold) | 1 657 | 2 750 |
| Energoproekt | 1 280 | - |
| "Office 1 Superstore" Ukraine | 1 109 | 793 |
| Konor Switzerland | 992 | 862 |
| Chimimport Bimas | 856 | 1 947 |
| Chimsnab | 559 | 438 |
| Mlechen Put AD | 393 | - |
| CCB Group AM EAD | 387 | - |
| Zarneni hrani Plovdiv | 368 | 368 |
| IKG EOOD | 318 | - |
| TPO EOOD | 317 | 357 |
| Chimimport Chimzeltex | 208 | 205 |
| Chimimport Rubber | 160 | 205 |
| Chimimport Oil | 80 | 197 |
| Chimimport Orgachim | 37 | 100 |
| Balkan Hemus Group | - | 5 739 |
| Chimimport Fertilizers | - | 240 |
| Others | 4 252 | 4 768 |
| | **12 973** | **18 969** |

***Long-term payables to related parties***

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Chimimport Invest | - | 5 200 |
| Others | - | 3 607 |
| | **-** | **8 807** |

***Short-term payables to related parties***

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Payables for equity installments | 16 856 | - |
| Received deposits | 3 950 | 821 |
| Interest payables | 743 | 408 |
| Received loans | 586 | 542 |
| Others | 3 939 | 6 134 |
| | **26 074** | **7 905** |

Payables to related parties represent the following payables to Companies that are part of the Chimimport Group:

| | 2005<br>BGN'000 | 2004<br>BGN'000 |
|---|---|---|
| Sporten Complex Varna AD – equity installments | 16 856 | - |
| ZAD Armeec | 1 939 | - |
| POAD Suglasie | 1 600 | - |
| Sporten Complex Varna AD - deposits | 1 576 | - |
| Slunchevi lachi Bulgaria EAD | 1 054 | 3 193 |
| Chimimport Consult | 586 | 542 |
| BM Port AD | 435 | - |
| Geofizichni izsledvaniq | 135 | 133 |
| Bulchimex | - | 225 |
| CCB Group Assets Management | - | 821 |
| Others | 1 893 | 2 991 |
| | **26 074** | **7 905** |

***Transactions with related parties***

| | 2005 BGN'000 | 2004 BGN'000 |
|---|---|---|
| Sales of goods and services | | |
| - sales of goods to Chimimport Rubber OOD | 20 | - |
| - sales of services to subsidiary companies | 427 | 117 |
| - operating lease of airplanes to Hemus Air EAD | 2 926 | 2 302 |
| - sale of building to POAD CCB Sila | 1 250 | - |
| - sale of financial instruments to POAD Suglasie | 6510 | - |
| | | |
| Purchases of goods and services | | |
| - purchases of goods from PNDG | 159 | 1 602 |
| - purchases of goods from Chimimport Pharma AD | 249 | - |
| - purchases of goods from Bulchimecs - Germany | 16 | - |
| -purchases of services from subsidiary companies | 671 | 172 |
| -purchases of financial instruments and shares | 466 | - |

***Transactions with key management personnel***

During 2005 the considerations paid to the members of Management Board of the Company and to the Procurator amount to TBGN 38. In 2005 no special transactions with the management of the Company have been performed.

**Contingent assets and contingent liabilities**

As at 31 December 2005 the Company is party to an active contract with CCB AD for issue of bank guarantees for a maximum amount of TBGN 400, which is collaterised with a pledge of cash and receivables related to contract with Pirogov. The Company is also party to a contract for bank guarantees with DSK Bank AD from 20 December 2004 for a maximum amount of 4 million BGN, which is collaterised with a second mortgage and pledge of receivables, which as at 31 December 2005 is not activated.

**Post Balance sheet events**

On 09 February 2006 Dimitar Kalchev is removed as a member of the Management Board and as an executive director of the Company. Ivo Kamenov is removed as a member of the Supervisory Board and as a Procurator of the Company. Ivo Kamenov joined the Management Board and became executive director of the Company. The Company is represented by the executive directors Ivo Kamenov and Marin Mitev, together and separately.

On 15 February 2006 the General Meeting of the Shareholders has taken the decision to increase the share capital from 60 000 000 BGN to 118 916 086 BGN and to start the procedure for transforming the company into a public company. The Company's management expects that the increase in capital will be registered with the court by the end of March 2006.

A special session of the General Meeting is appointed for 31 March 2006. The purpose of the meeting is to take decision for new increase in the capital via initial public offering (IPO) of 11 083 914 shares, each with par value of 1 BGN and emission value 4 BGN.

On 17 March 2006 with decision № 149 the Council of Ministers determined Chimimport AD as a participant, won the tender for sale of 626 783 shares, representing 70% of the capital of Parahodstvo Bulgarsko Rechno Plavane AD Ruse. The Company's management expects that the transaction will be finalized by the end of April or the middle of May 2006.

**Risk management objectives and policies**

The Company is exposed to a variety of financial risks, which result from both its operating and investing activities. The Company does not use financial instruments to decrease the level of financial risks.

***Foreign currency risk***

A major part of the loans received by the Company are in EURO, which limits the currency risk exposure (note 0). As far as the payables and receivables in USD are concerned the exchange rate changes for the last year were not in favour of the Company.

***Credit risk***

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Company's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

***Interest rate risk***

The interest risk is the risk that the value of the Company's interest – bearing loans might vary as a consequence of the changes in the market interest rates. The interest loans include loans with fixed and floating interest rate that is why the Company is exposed to an interest risk.

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