

2017



# ANNUAL CONSOLIDATED ACTIVITY REPORT



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please visit: [www.chimimport.bg](http://www.chimimport.bg)

## INTRODUCTION

The present Annual Activity Report of the Group of Chimimport AD presents comments and analyzes of the financial statements and other material data on the financial position and the results of the Company's activity covering the one-year period from 1 January 2016. Until 31 December 2016. The report is prepared in accordance with the requirements of the Accountancy Act, Art. 100n, par. 7 of the Public Offering of Securities Act and Annex 10 to Art. 32, par. 1, item 2, from Ordinance № 2 of 17 September 2003.

More than 70 years "Chimimport" AD is one of the most successful Bulgarian enterprises. It started as a foreign trade company specializing in the marketing of chemical products, today "Chimimport" AD is an established holding company, uniting successful businesses.

The main area of activity of "Chimimport" AD is the acquisition, sale of shares in Bulgarian and foreign companies, restructuring and management of subsidiaries of the portfolio. Subsidiaries occupy leading positions in various economic sectors, which operate:

- banking and finance
- non-life insurance
- life insurance
- Pensions
- air transport and ground activities on servicing and repair of aircraft
- manufacture, production and marketing of petroleum and chemical products and natural gas
- production, processing and trade with cereals and vegetable oils

Each of every nearly 6 000 employees in the structure of "Chimimport" AD contributes to the successful integration of Bulgarian business to European standards. Recent years have strengthened the company as a leader of the "Bulgarian Stock Exchange - Sofia" AD, included in "Premium" segment share, in the indices SOFIX, BGBX40 and BGTR30, which is the result of proper planning of investments and professional actions and efforts of management. The company's activities as a public company is the creation and establishment of effectively functioning corporate governance models to ensure equal treatment and protection of the rights of all shareholders. The common practice is the transparent and fair disclosure of information needed by current shareholders, stakeholders and potential investors.

At this stage the main advantages of "Chimimport" AD are:

- Knowledge of economic and political conditions and resources in Bulgaria, needs and specificities of clients conquered good positions in strategic sectors of the economy;
- Approved management team - the group has a highly motivated team of managers with a vision for the growth of the holding company, with proven skills and experience in management, acquisition and restructuring of companies in both favorable and unfavorable market environment.



IVO KAMENOV  
CEO /Chief Executive Officer/

## INFORMATION FOR THE GROUP OF CHIMIMPORT AD

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

All members of the Management Board and the Supervisory Board shall meet the legal requirements for taking up their position. Management bodies of the Company are: General Meeting of Shareholders, Supervisory Board and Management Board. The Management Board manages in accordance with the established vision, goals and strategy of Chimimport AD. All members and management and supervisory bodies are guided by their generally accepted principles of integrity, managerial and professional competence.

The basic strategy and investment policy of "Chimimport" AD are focused on positioning the group as a significant partner in servicing the traditional for the country and region trade flows. In particular, this motivates the entry of the group in sectors such as transport, agriculture, financial operations and real estate.

The companies of the economic group of Chimimport JSC are 61, in total, in the following leading and key sectors:

- The financial sector, an area where the group strives to offer a full range of services to its clients. The financial group under the "Chimimport" AD now includes a universal commercial bank, which has traditionally good positions in lending, life and non- life insurance companies, pension company, management company (mutual funds).

- Transport is an important sector for the group. Bulgaria is geographically located at the crossroads between Europe and Asia / Middle East, as five of the ten Trans European transport corridors pass through the country. The group of "Chimimport" AD develops air, river and sea transport, and in all three cases seek to cover the entire spectrum of activities, not just transport ( incl. the management of airports and ports, repair and maintenance vehicles, cargo handling, agency).

- Both in the transport sector and in agriculture, "Chimimport" AD seeks to spread its activities over the full spectrum of business - in this case, focusing firstly on buying, trading, logistics, storage of grain and oilseeds, actively seeking and exploiting interconnections and synergies with other businesses (transport, finance, etc.).

- The sector exploration and production of oil and gas is primarily develop through its subsidiary PDNG AD, which is the only Bulgarian company engaged in the full range of activities in prospecting, exploration, development and exploitation of oil and gas fields and processing crude oil into finished products for the market. And is the successor of the main geological, scientific research and production enterprises and objects of Bulgarian oil industry with over 50 years of history.

## THE COMPANY TODAY

<b>Share capital</b>	BGN 239 646 thousand
<b>In precisions owned by subsidiaries</b>	BGN (12 411) thousand
<b>Equit /consolidated/</b>	BGN 1 396 502 thousand
<b>Assets /consolidated/</b>	BGN 8 845 316 thousand
<b>Profit for the year attributable to the shareholders of Chimimport AD</b>	BGN 68 370 thousand
<b>Executive directors</b>	Ivo Kamenov Marin Mitev
<b>Majority shareholder</b>	Company management in the face of “Invest Capital” AD -72,96 %
<b>Minority shareholders of Chimimport AD are respected international companies and institutions</b>	Uncredit Bank Austria - Austria Eurobank Ergasias - Greece The Bank of New York Mellon - USA Eaton Vance Emerging Markets Funds - USA Raiffeisen Bank International - Austria Pension funds DSK Rodina - Bulgaria Karoll Financial Group - Bulgaria North Emerging Markets Master Fund Limit – George Town National Bank of Greece Clients – Greece Polunin Discovery Funds – Frontier Markets – Luxembourg BNP Paribas Securities Services S.C.A. – France North Emerging Markets Master Fund Limit – George Town Euroins Romania Asigurare – Reasigurare - Horizon Growth Fund N.V.

## MANAGING BODIES



### *Members of Supervisory Board :*

Chairman of the Supervisory Board  
Invest Capital AD

Member of the Supervisory Board  
CCB Group EAD

Member of the Supervisory Board  
Mariana Bazhdarova.

### *Members of Managing Board:*

Chairman of the Managing Board  
Tsvetan Botev

Deputy Chairman of the Managing Board;  
Alexander Kerezov

Executive Director and Member of the Managing Board  
Ivo Kamenov

Executive Director and Member of the Managing Board  
Marin Mitev

Member of the Managing Board  
Nikola Mishev

Member of the Managing Board  
Mirolyub Panchev

The Company is managed by a two-tier management system.

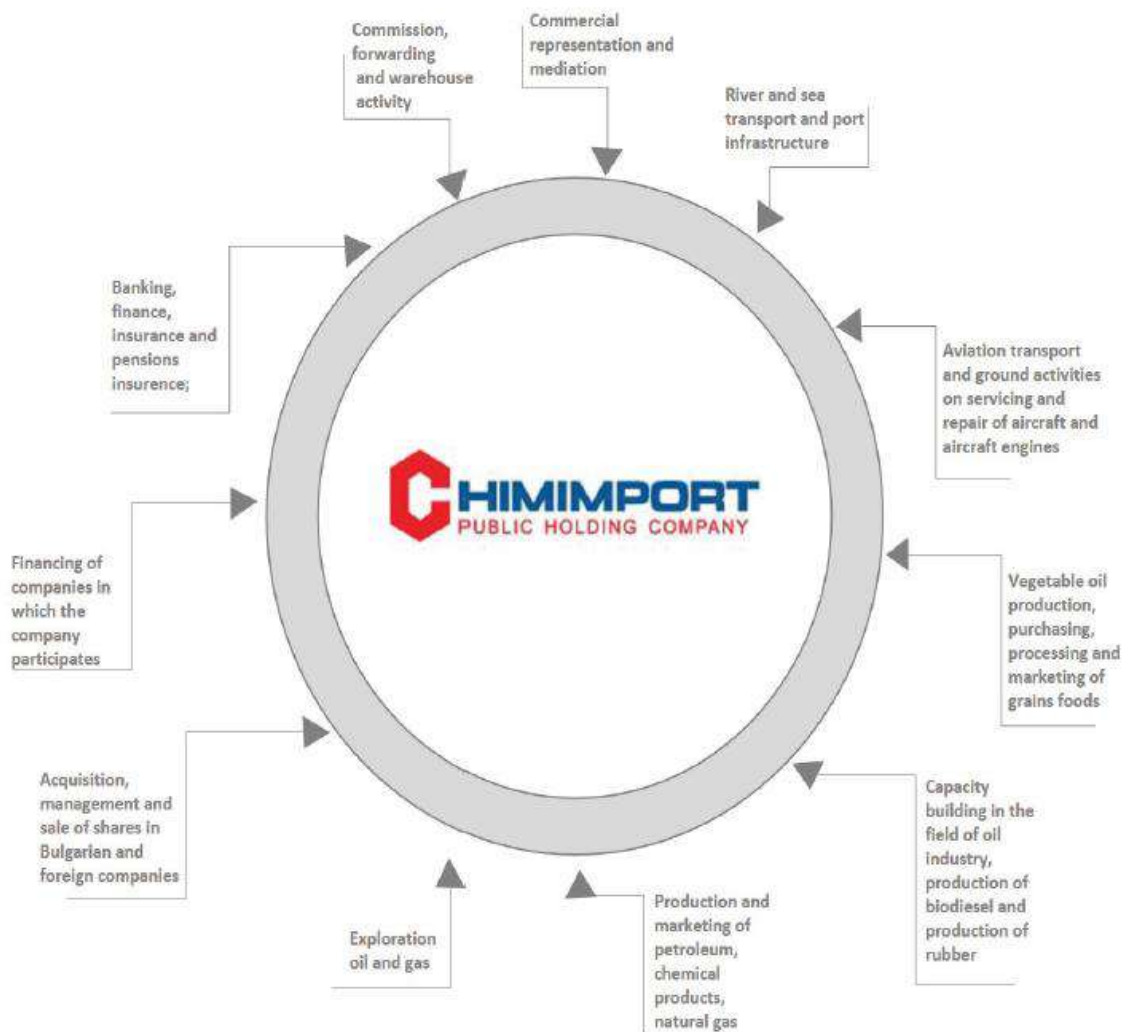
Boards are:

- General Meeting of Shareholders
- Supervisory Board
- Managing Board

“Chimimport” AD is represented by its executive directors Ivo Kamenov and Marin Mitev together and separately.

## SCOPE OF ACTIVITY

Chimimport AD develops its activities through its subsidiaries. Its financial position, operating results and prospects are directly dependent on the status, results and prospects of its subsidiaries.



## GENERAL INFORMATION

### LIST A SUBSIDIARY

Name of the subsidiary	Country of incorporation	Main activities	31.12.2017 Percentage of consolidation	31.12.2017 Nominal percentage	31.12.2016 Percentage of consolidation	31.12.2016 Nominal percentage
Central Cooperative Bank AD	Bulgaria	Finance	79.30%	79.31%	79.35%	79.36%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	72.82%	91.83%	72.88%	91.83%
ZAO Investment Corporate Bank	Russia	Finance	68.41%	86.27%	68.46%	86.27%
CCB Group EAD	Bulgaria	Finance	100.00%	100.00%	100.00%	100.00%
CCB Assets Management EOOD	Bulgaria	Finance	79.30%	100.00%	79.35%	100.00%
ZAD Armeec	Bulgaria	Finance	96.26%	96.26%	94.30%	94.30%
Armeec Leasing EOOD	Bulgaria	Finance	96.26%	100.00%	94.30%	100.00%
ZAED CCB Life	Bulgaria	Finance	100.00%	100.00%	100.00%	100.00%
POAD CCB Sila	Bulgaria	Finance	51.57%	56.46%	51.26%	56.46%
DPF CCB Sila	Bulgaria	Finance	51.57%	56.46%	51.26%	56.46%
UPF CCB Sila	Bulgaria	Finance	51.57%	56.46%	51.26%	56.46%
PPF CCB Sila	Bulgaria	Finance	51.57%	56.46%	51.26%	56.46%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	68.12%	68.12%	68.94%	68.94%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	49.59%	65.92%	50.21%	66.18%
Bulgarska Petrolna Rafinieria EOOD	Bulgaria	Production, Trade and	49.59%	100.00%	50.21%	100.00%



## GENERAL INFORMATION

		Services				
Slanchevi Iachi Provadia EOOD	Bulgaria	Production, Trade and Services	68.12%	100.00%	68.94%	100.00%
Asenova Krepost AD	Bulgaria	Production, Trade and Services	49.96%	71.91%	48.76%	72.57%
PDNG Service EOOD	Bulgaria	Production, Trade and Services	49.59%	100.00%	50.21%	100.00%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	34.71%	70.00%	35.15%	70.00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	44.96%	66.00%	45.50%	66.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	40.87%	60.00%	41.36%	60.00%
Chimceltex OOD	Bulgaria	Production, Trade and Services	40.96%	60.13%	41.45%	60.13%
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	49.59%	100.00%	50.49%	100.00%
Zarneni Hrani Grain AD	Bulgaria	Production, Trade and Services	68.12%	100.00%	68.94%	100.00%
Pharmimport AD	Bulgaria	Production, Trade and Services	46.32%	68.00%	46.88%	68.00%
National Stokova Borsa AD	Bulgaria	Production, Trade and Services	75.00%	75.00%	75.00%	75.00%
Asela AD	Bulgaria	Production, Trade and	25.68%	51.39%	27.16%	51.39%

## GENERAL INFORMATION

		Services				
AK Plastic OOD	Bulgaria	Production, Trade and Services	49.46%	99.00%	52.31%	99.00%
Prime Lega Consult OOD	Bulgaria	Production, Trade and Services	70.00%	70.00%	70.00%	70.00%
AH HGH Consult OOD	Bulgaria	Production, Trade and Services	59.34%	59.34%	59.34%	59.34%
Omega Finance OOD	Bulgaria	Production, Trade and Services	96.00%	96.00%	96.00%	96.00%
IT Systems Consult EOOD	Bulgaria	Production, Trade and Services	68.12%	100.00%	68.94%	100.00%
Technocapital AD	Bulgaria	Production, Trade and Services	86.40%	90.00%	86.40%	90.00%
Texim Trading AD	Bulgaria	Production, Trade and Services	-	-	35.16%	51.00%
Bulgarian Shipping Company EAD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Parahodstvo Bulgarsko Rečno Plavane AD	Bulgaria	Sea and River Transport	79.89%	79.89%	80.71%	80.71%
Port Balchik AD	Bulgaria	Sea and River Transport	78.64%	100.00%	77.88%	100.00%
Port Lesport AD	Bulgaria	Sea and River Transport	99.00%	99.00%	99.00%	99.00%
Lesport Project Management EOOD	Bulgaria	Sea and River Transport	99.00%	100.00%	99.00%	100.00%
MAYAK KM AD	Bulgaria	Sea and River Transport	41.04%	51.37%	76.07%	94.25%
Bulgarian Logistic Company EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%

## GENERAL INFORMATION

Port Pristis OOD	Bulgaria	Sea and River Transport	43.94%	55.00%	44.39%	55.00%
Portstroi Invest EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Port Invest EOOD	Bulgaria	Sea and River Transport	79.89%	100.00%	80.71%	100.00%
Interlihter Slovakia	Slovakia	Sea and River Transport	79.89%	100.00%	80.71%	100.00%
Bulgarian Airways Group EAD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Aviation Transport	99.99%	99.99%	99.99%	99.99%
Bulgaria Air Technique EOOD	Bulgaria	Aviation Transport	99.99%	100.00%	99.99%	100.00%
Airport Consult EOOD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%
Trans intercar EOOD	Bulgaria	Vehicle Transport	100.00%	100.00%	100.00%	100.00%
Rentintercar EOOD	Bulgaria	Vehicle Transport	100.00%	100.00%	-	-
Energoproekt AD	Bulgaria	Construction and engineering	83.25%	83.25%	83.25%	83.25%
Energoproekt Utilities OOD (in liquidation)	Bulgaria	Construction and engineering	42.46%	51.00%	42.46%	51.00%
Bulgaria Air Maintanance EAD	Bulgaria	Real Estate	100.00%	100.00%	100.00%	100.00%
Golf Shabla AD	Bulgaria	Real Estate	32.23%	65.00%	32.64%	65.00%
Sporten Complex Varna AD	Bulgaria	Real Estate	65.00%	65.00%	65.00%	65.00%
Sporten management EOOD	Bulgaria	Real Estate	65.00%	100.00%	65.00%	100.00%
TI AD	Bulgaria	Real Estate	87.66%	87.66%	87.66%	87.66%
Nico-Comers AD	Bulgaria	Real Estate	100.00%	100.00%	100.00%	100.00%

## GENERAL INFORMATION

Bulchimex GmbH	Germany	Real Estate	100.00%	100.00%	-	-
Sitniakovo Project Estate EOOD	Bulgaria	Real Estate	49.59%	100.00%	50.49%	100.00%

The Group includes non-controlling interest (NCI), broken down by segments as follows:

Name segment	Accumulated non controlling interest	
	2017 BGN '000	2016 BGN '000
Finance sector	95 303	69 925
Production, trade and services	129 139	139 757
Transport	21 107	21 819
Real Estate	29 631	28 244
Construction and engineering	1 566	1 425
<b>TOTAL</b>	<b>276 746</b>	<b>261 170</b>

In 2017 dividends paid to non-controlling interest amount to BGN 3 852 thousand (2016: BGN 2 343).

**Appendix № 10 to Art. 32, par. 1, of the Ordinance № 2 / 17.09.2003**

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

Due to the specific nature of the activity of the issuer - holding activity, the main revenues of the company are both income from operating activities and financial, formed by positive differences from operations with financial instruments, interest income and dividends. Operating revenues are mainly related to investment property, services and others.

Changes in Profit and Income from Non-Financial Activities of Segment Group

Business Segments	Production, Trade and Services BGN '000	Financial Sector BGN '000	Transport Sector BGN '000	Real estate BGN '000	Construction and Engineering sector BGN '000
31 December 2017 Share of the single segment in the Group's profit	5,50%	89,08%	2,99%	2,11%	0,32%
31 December 2016 Share of the single segment in the Group's profit	5,17%	93,06%	-0,46%	0,14%	2,09%

The Finance segment has the biggest share of the Group's net profit in 2017.

## INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

Information on revenue broken down by category of activity, internal and external markets.

Operating segments	Production, trade and services	Financial sector	Transport sector	Real estate Sector	Construction and engineering sector	Elimination	Consolidated
31.12.2017	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
<b>Income from non-financial activities from external customers</b>	98 365	21 932	308 954	5 714	971	(2 897)	433 039
<b>Change in fair value of investment property</b>	(52)	2 160	-	-	-	-	2 108
<b>Gain from sale of non-current assets</b>	(145)	29	(833)	2 059	76	(7 319)	(6 133)
<b>Inter-segment income from non-financial activities</b>	8 341	816	2 844	606	1 258	(13 865)	-
<b>Total income from non-financial activities</b>	106 509	24 937	310 965	8 379	2 305	(24 081)	429 014
<b>Result from non-financial activities</b>	8 974	24 937	1 205	3 492	698	(9 015)	30 291
<b>Insurance income from external customers</b>	-	352 019	-	-	-	-	352 019
<b>Inter-segment insurance income</b>	-	2 059	-	-	-	(2 059)	-
<b>Total insurance income</b>	-	354 078	-	-	-	(2 059)	352 019
<b>Result from insurance</b>	-	34 881	-	-	-	(1 337)	33 544
<b>Interest income</b>	6 600	206 500	1 957	744	138	(16 471)	199 468
<b>Interest expenses</b>	(8 275)	(38 049)	(7 495)	(1 348)	(388)	16 366	(39 189)
<b>Result from interest</b>	(1 675)	168 451	(5 538)	(604)	(250)	(105)	160 279
<b>Result from transactions with financial</b>	5 667	102 883	13 522	-	1	(21 352)	100 721

## INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

instruments, net							
<b>Administrative expenses</b>	(5 910)	(228 383)	(10 372)	-	-	7 554	(237 111)
<b>Net result from equity accounted investments in associates</b>	42	-	5 699	-	-	-	5 741
<b>Other financial income/ (expenses)</b>	(421)	41 659	(2 526)	(211)	(51)	(1 999)	36 451
<b>Profit for allocating insurance batches</b>	-	(45 021)	-	-	-	-	(45 021)
<b>Profit for the period before tax</b>	6 677	99 407	1 990	2 677	398	(26 254)	84 895
<b>Tax expense</b>	(521)	266	1 356	(319)	(42)	31	771
<b>Net profit for the year</b>	6 156	99 673	3 346	2 358	356	(26 223)	85 666
<b>Assets of the segment</b>	720 205	9 283 949	788 388	283 222	15 403	(2 280 271)	8 810 896
<b>Equity accounted investments in associates</b>	4 027	-	23 475	-	2	6 916	34 420
<b>Total consolidated assets</b>	<b>724 232</b>	<b>9 283 949</b>	<b>811 863</b>	<b>283 222</b>	<b>15 405</b>	<b>(2 273 355)</b>	<b>8 845 316</b>

## INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

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

### Income and expenses structure

Income from non-financial activities	2017 BGN '000	2016 BGN '000	Change
Income from the sale of plane tickets	229 362	245 910	-6,73%
Income from sale of finished goods	54 075	51 731	4,53%
Income from services rendered	54 429	67 774	-19,69%
Income from sale of trading goods	40 704	65 025	-37,40%
Other	54 469	45 373	20,05%
<b>Total</b>	<b>433 039</b>	<b>475 813</b>	<b>-8,99%</b>

Expenses for non-financial activities	2017 BGN '000	2016 BGN '000	Change
Hired services expense	(186 435)	(201 822)	-7,62%
Cost of materials	(96 961)	(95 578)	1,45%
Cost of goods sold	(37 966)	(61 322)	-38,09%
Employee benefits expense	(35 389)	(36 034)	-1,79%
Depreciation and Amortization	(17 657)	(21 737)	-18,77%
Changes in inventories of finished goods and work in progress	472	1 081	-56,34%
Other	(24 787)	(26 706)	-7,19%
<b>Total</b>	<b>(398 723)</b>	<b>(442 118)</b>	<b>-9,82%</b>

Gain / (Loss) from change in fair value of investment property	2017 BGN '000	2016 BGN '000	Change
Gain on change in fair value of investment properties	2 654	6 256	-57,58%
Loss from change in fair value of investment properties	(546)	(2 662)	-79,49%
<b>Net effect of changes in fair value of investment properties</b>	<b>2 108</b>	<b>3 594</b>	<b>-41,35%</b>



# INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

Profit from sale of non-current assets	2017 BGN '000	2016 BGN '000	Change
Revenue from sale of non-current assets	2 562	41 089	-93,76%
Carrying amount of sold non-current assets	(8 695)	(34 022)	-125.56%
<b>Total</b>	<b>(6 133)</b>	<b>7 067</b>	<b>-186.78%</b>

Insurance income	2017 BGN '000	2016 BGN '000	Change
Insurance premium income	195 732	181 024	8,12%
Income from reinsurance operations	142 443	136 309	4,50%
Regression income	10 226	9 937	2,91%
Income from release of insurance reserves	2 872	-	100%
Other insurance income	746	3 996	-81.33%
<b>Total</b>	<b>352 019</b>	<b>331 266</b>	<b>6.26%</b>

Insurance expense	2017 BGN '000	2016 BGN '000	Change
Net change in insurance reserves set aside	(3 082)	(1 354)	-127.62%
Indemnities paid off	(150 220)	(131 939)	13,86%
Reinsurance expenses	(103 971)	(108 745)	-4,39%
Acquisition expenses	(43 181)	(38 754)	11,42%
Liquidation of damages expenses	(5 652)	(5 231)	8,05%
Other insurance expenses	(12 369)	(13 532)	-8,60%
<b>Total</b>	<b>(318 457)</b>	<b>(299 555)</b>	<b>5,36%</b>

Interest income by types of sources:	2017 BGN '000	2016 BGN '000	Change
Legal entities	107 584	131 067	-17,92%

# INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

Government securities	40 270	39 545	1,83%
Banks	4 516	3 952	14,27%
Individuals	45 394	32 725	38,71%
Other	1 704	1 554	9,65%
<b>Total</b>	<b>199 468</b>	<b>208 843</b>	<b>-4,49%</b>

Interest expenses by depositors:	2017 BGN '000	2016 BGN '000	Change
Legal entities	(10 743)	(15 525)	-30,80%
Individuals	(18 247)	(29 891)	-38,95%
Banks	(7 143)	(7 148)	-0,07%
Other	(3 056)	(1 572)	94,40%
<b>Total</b>	<b>(39 189)</b>	<b>(54 136)</b>	<b>-27,61%</b>

Gains from transactions with financial instruments	2017 BGN '000	2016 BGN '000	Change
Gains from transactions with securities and investments	513 338	504 696	1,71%
Income from financial instruments dividends	14 251	2 912	389,39%
Other	1 086	-	100,00%
<b>Total</b>	<b>528 675</b>	<b>507 608</b>	<b>4,15%</b>

Losses from transactions with financial instruments	2017 BGN '000	2016 BGN '000	Change
Losses from transactions with securities and investments	(427 941)	(440 520)	-2,86%
Other	(13)	-	100,00%
<b>Total</b>	<b>(427 954)</b>	<b>(440 520)</b>	<b>-2,85%</b>

# INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

Administrative expenses	2017 BGN '000	2016 BGN '000	Change
Employee benefits expense	(78 281)	(74 422)	5,19%
Hired services expense	(61 432)	(67 240)	-8,64%
Depreciation and Amortization	(13 586)	(14 077)	-3,49%
Cost of materials	(5 838)	(6 230)	-6,29%
Other	(77 974)	(79 295)	-1,67%
<b>Total</b>	<b>(237 111)</b>	<b>(241 264)</b>	<b>-1,72%</b>

Employee benefits expense	2017 BGN '000	2016 BGN '000	Change
Wages	(97 068)	(94 265)	2,97%
Social security expenses	(16 602)	(16 191)	2,54%
<b>Total</b>	<b>(113 670)</b>	<b>(110 456)</b>	<b>2,90%</b>

Other financial income, net	2017 BGN '000	2016 BGN '000	Change
Fees and commissions income, net	59 342	58 827	0,88%
Net result from foreign exchange differences	(19 599)	13 061	-250,06%
Other financial (expenses)/income	(3 292)	(6 094)	-45,98%
<b>Total</b>	<b>36 451</b>	<b>65 794</b>	<b>-44,60%</b>

Fees and commissions income	2017 BGN '000	2016 BGN '000	Change
Bank transfers in Bulgaria and abroad	23 531	24 146	-2,55%
Servicing of deposit accounts	15 116	14 879	1,59%
Servicing loans	3 381	3 038	11,29%
Servicing commitments and contingencies	1 030	1 548	-33,46%
Other fees and commissions income, different from banks	14 920	14 019	6,43%
Other income	12 557	11 023	13,92%

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<b>Total fees and commissions income</b>	<b>70 535</b>	<b>68 653</b>	<b>2,74%</b>
<hr/>			
<b>Fees and commissions expense</b>	<b>2017 BGN '000</b>	<b>2016 BGN '000</b>	<b>Change</b>
<b>Bank transfers in Bulgaria and abroad</b>	<b>(6 881)</b>	<b>(7 739)</b>	<b>-11,09%</b>
<b>Servicing accounts</b>	<b>(527)</b>	<b>(404)</b>	<b>30,45%</b>
<b>Release of precious parcels</b>	<b>(335)</b>	<b>(319)</b>	<b>5,02%</b>
<b>Transactions with securities</b>	<b>(154)</b>	<b>(70)</b>	<b>120,00%</b>
<b>Other fees and commissions expenses, different from banks</b>	<b>(2 217)</b>	<b>(180)</b>	<b>1131,67%</b>
<b>Other expenses</b>	<b>(1 079)</b>	<b>(1 114)</b>	<b>-3,14%</b>
<b>Total fees and commissions expenses</b>	<b>(11 193)</b>	<b>(9 826)</b>	<b>13,91%</b>

- **Research and development**

- In 2017 the Company has not performed any action on research and development.

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

- The Group does not have large deals for the period under Art. 114, para 1 of Public Offering of Securities Act.

- **Information regarding the transactions between the issuer and its related parties in 2016, the proposals for concluding such deals, as well as deals not related to the main activity, including the amount of the transactions, the relationship between the parties and any other information, needed for valuation of the impact on the financial statement of the issuer**

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

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

Key management of the Group includes members of the Managing Board and Supervisory Board. Key management personnel remuneration includes the following expenses:

Transactions with key management personnel	2017 BGN '000	2016 BGN '000
<b>Short-term wages:</b>		
- Salaries, including bonuses	(1 201)	(956)
- Social security costs	(20)	(19)
<b>Total short-term benefits</b>	<b>(1 221)</b>	<b>(975)</b>

Related party balances at year-end:	2017 BGN '000	2016 BGN '000
<b>Non-current</b>		
<b>Receivables from:</b>		
- owners	-	3 056
- associates	2 295	2 317
- joint ventures	3 266	40
- other related parties under common control	3 197	3 334
<b>Total non-current receivables from related parties</b>	<b>8 758</b>	<b>8 747</b>

Current	2017 BGN '000	2016 BGN '000
<b>Receivables from:</b>		
- owners	28 362	37 827
- associates	580	834
- joint ventures	3 446	698
- other related parties under common control	36 532	25 784

# INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

Total current receivables from related parties	68 920	65 143
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Non-current Payables to:	2017 BGN '000	2016 BGN '000
- owners	-	10
- associates	1 043	2 934
- joint ventures	379	130
- other related parties under common control	2 893	1 419
<b>Total non-current payables to related parties</b>	<b>4 315</b>	<b>4 493</b>

Current Payables to:	2017 BGN '000	2016 BGN '000
- owners	8 894	580
- associates	12 164	13 914
- joint ventures	262	3
- other related parties under common control	16 099	3 195
<b>Total current payables to related parties</b>	<b>37 419</b>	<b>17 692</b>

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

No unusual events for the issuer that might have a significant impact on its activities occurred in 2017.

- Information regarding off-balance transactions

As at 31 December 2017 and 2016 the Group has entered into granting bank loans to customers, which future utilization depends on whether the lessees fulfil certain requirements, including no overdue loans, granting collateral with certain quality and liquidity, etc

The contingent liabilities related to the bank activity of the Group are as follows:

	2017 BGN '000	2016 BGN '000
<b>Bank guarantees in: BGN</b>	<b>38 096</b>	<b>41 058</b>
<b>Bank guarantees in: foreign currency</b>	<b>24 170</b>	<b>15 765</b>
<b>Irrevocable commitments</b>	<b>118 176</b>	<b>118 784</b>
<b>Other contingent liabilities</b>	<b>-</b>	<b>134</b>
<b>Total contingent liabilities</b>	<b>180 442</b>	<b>175 741</b>

As at the date of preparation of the financial statements, the Group has a legal dispute with Sofia Airport EAD in connection with an Act establishing public state receivables on airport charges. The group appealed the issued act.

The Group is a part to bank guarantees issued by two commercial banks amounting to BGN 400 thousand, EUR 96 thousand, as well as a letter of credit worth USD 999 thousand. Bank guarantees are issued in connection with securing trade obligations of the Company.

Under a concession contract of "Port Terminal Lom" - part of a public transport port of Lom, the Group should maintain fixed bank guarantees.

- bank guarantee for good performance to guarantee the investment program in the amount of BGN 282 issued by Eurobank Bulgaria AD with a validity date 31.10.2018
- A bank guarantee: for good performance guarantee fulfillment of obligations under a contract in the amount of BGN 449 thousand, issued by Eurobank Bulgaria AD with a validity date 31.10.2019

Under an agreement to take credit commitments with Unicredit Bulbank AD, the Group established the first pledge on agricultural production, on claims arising from contracts, orders and invoices for realization of agricultural production, as well as all claims by all accounts the Group in the Bank

On January 25, 2017 DSK Bank EAD issued bank guarantees under concession contracts for oil and gas extraction amounting to BGN 142 thousand - representing the value of the total concession fee paid by the Group under the concession contracts for Selanovtsi Deposit and Iskär-West Deposit for 2016 with VAT.). The validity of the guarantees is until 28.02.2018.

The Group has a guarantee issued from "Eurobank EFG Bulgaria" AD amounting to BGN 2 600 thousand in favor of the Customs Agency valid until April 5, 2019.

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

**- Information regarding changes in non-current and current investments of the Group:**

Changes occurred in investment in subsidiaries and Changes in controlling shares

Acquisition of controlling interest of Rentintercar

During 2017 the Group has set up a new subsidiary with a name Rentintercar EOOD. The capital of the newly created company amounts to BGN 2 523 thousand and is formed by an in-kind contribution of vehicles.

-Acquisition of controlling interest in Nico – Comers AD

During 2017 the Group acquired control over the company Niko - Commerce AD, based in Sofia, due to the expiry of the 2010 management contract for the transfer of the voting rights, as a result of which it owns 100% of its equity and voting rights in the company.

## INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

The total acquisition cost for the Group amounts to BGN 5,817 thousand, which was allocated to the acquired assets and liabilities of Nico-Comers AD in 2017. The value of each group of acquired assets and liabilities recognized at the acquisition date is presented as follows:

	Recognized cost at acquisition date
	BGN'000
Property, plant and equipment	840
Investment property	13 847
Financial assets	16 466
Other assets	17
Cash and cash equivalents	3
Liabilities	(25 356)
Net asset value	5 817
Fair value of identifiable net assets acquired by the Group	5 817
Remuneration	5 817
Fair value of identifiable net assets acquired by the Group	(5 817)



**Result of acquisition**

**-Acquisition of non-controlling interest in ZAD Armeec**

During 2017 the Group acquired additional equity in the amount 1.96 % in its subsidiary Armeec Insurance Joint Stock Company for the amount of BGN 6 333 thousand, thereby increasing its controlling interest to 96.26% (consolidation).

The carrying amount of the newly acquired net assets of the subsidiary ZAD Armeec recognized at the date of acquisition in the consolidated financial statements amounts to BGN 1 367 thousand. The Group has recognized a reduction in non-controlling interest amounting to BGN 1,367 thousand and a decrease of the retained earnings of BGN 4 966 thousand.

**-Sale of part of non-controlling interest in MAYAK KM AD**

During 2017 the Group sold equity in the amount of 35.03% in its subsidiary Mayak KM AD for a cash consideration of BGN 4 724 thousand, thus reducing its controlling interest to 41.04% (consolidation).

The carrying amount of the net assets of the subsidiary Mayak KM AD recognized at the date of sale in the consolidated financial statements as an increase in the non-controlling interest amount to BGN 2 577 thousand. The Group has recognized an increase of retained earnings of BGN 2 147 thousand

**-Sale of controlling interest in Texim Trading AD**

During 2017 the Group sold its entire shareholding of 35.16% (consolidation) in its subsidiary Texim Trading AD for the amount of BGN 1 231 thousand.

The Group has recognized an increase in retained earnings amounting to BGN 254 thousand, a decrease in the goodwill of BGN 460 thousand and a decrease of the minority interest amounting to BGN 1 025 thousand.

**- Investments accounted for using the equity method**

Investments in associates

The Group owns shares in the share capital of the following associated companies:

	2017	Share	2016	Share
	BGN '000	%	BGN '000	%
Lufthansa Technik Sofia OOD	8 256	24,90%	6 777	24.90%
Swissport Bulgaria AD	5 409	49,00%	4 959	49.00%
Silver Wings Bulgaria OOD	5 132	42,50%	4 817	42.50%
Amadeus Bulgaria OOD	3 343	45,00%	3 182	45.00%
VTC AD	3 502	41,00%	3 214	41.00%
Dobrich fair AD	755	39,98%	745	39.98%
Kavarna Gas OOD	496	35,00%	464	35.00%
<b>Total</b>	<b>26 893</b>		<b>24 158</b>	

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Investments in associates are presented in the financial statements of the Group using the equity method. Associates have a reporting date as at 31 December.

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

	2017 BGN '000	2016 BGN '000
<b>Assets</b>	117 294	102 985
<b>Liabilities</b>	(60 186)	(49 632)
<b>Revenues</b>	154 846	136 388
<b>Profit for the period</b>	11 807	9 179
<b>Profit attributable to the Group</b>	4 112	3 183

During 2017 the Group received dividends from its associate companies amounting to BGN 1 387 (2016: BGN 1 810 thousand).

Investments in joint ventures

The Group holds shares in the capital of these joint ventures:

Name	2017		2016	
	BGN '000	Share %	BGN '000	Share %
Varna ferry OOD	5 007	50%	5 007	50.00%
Nuance BG AD	2 520	50%	1 310	50.00%
<b>Total</b>	<b>7 527</b>		<b>6 317</b>	

The investment in the joint venture is presented in the financial statements of the Group using the equity method. Associates have a reporting date as at 31 December. The financial information about the joint venture can be summarized as follows:

	2017 BGN '000	2016 BGN '000
<b>Assets</b>	24 926	28 520
<b>Liabilities</b>	(17 242)	(24 690)
<b>Revenues</b>	49 202	50 072
<b>Loss for the period</b>	4 273	2 706
<b>Loss attributable to the Group</b>	2 137	1 353
<b>Recognized share of the loss, attributable to the Group</b>	1 629	274

The Group has no contingent liabilities or other commitments in relation to the associated company.

For the reporting period, the Group's share in the profits of joint ventures is recognized after deducting unrecognized losses from previous periods

- **Information on the loan agreements concluded by the issuer, its subsidiary or its Parent company in their capacity as borrowers / lenders.**

Financial liabilities	Current		Non-current	
	2017 BGN '000	2016 BGN '000	2017 BGN '000	2016 BGN '000
<b>Financial, liabilities measured at fair</b>	-	209	3 396	-

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value:

<b>Derivatives held for trading</b>				
Liabilities to depositors	3 980 628	3 633 088	1 072 313	998 430
Liabilities for dividends	-	6 506	-	-
Bonds and debenture loan	12 558	2 895	29 792	34 587
Bank loans	61 119	67 239	120 332	83 278
Other borrowings and financing	21 830	27 408	18 848	3 520
Deposits from banks	7 048	8 359	-	-
Cession liabilities	17 536	18 591	18 018	4 206
Liabilities under repurchase agreements	15 433	17 409	-	-
<b>Total carrying amount</b>	<b>4 116 152</b>	<b>3 781 704</b>	<b>1 262 699</b>	<b>1 124 021</b>

## Liabilities to depositors, long-term and short-term.

Analysis by term and type of currency:	2017 BGN '000	2016 BGN '000
<b>Demand deposits</b>		
in BGN	1 095 702	859 988
in foreign currency	232 192	198 787
	<b>1 327 894</b>	<b>1 058 775</b>
<b>Term deposits</b>		
in BGN	1 247 268	1 200 103
in foreign currency	1 037 232	1 027 929
	<b>2 284 500</b>	<b>2 228 032</b>
<b>Savings accounts</b>		
in BGN	978 826	903 673
in foreign currency	443 826	431 666
	<b>1 422 652</b>	<b>1 335 339</b>
<b>Other deposits</b>		
in BGN	14 653	8 513
in foreign currency	3 242	859
	<b>17 895</b>	<b>9 372</b>
<b>Total liabilities to depositors</b>	<b>5 052 941</b>	<b>4 631 518</b>

## Total liabilities to other depositors

	2017 BGN '000	2016 'BGN '000
<b>Individual deposits</b>		
in BGN	2 285 615	2 125 862
in foreign currency	1 449 010	1 373 184
	<b>3 734 625</b>	<b>3 499 046</b>
<b>Legal entities deposits</b>		
in BGN	1 029 880	833 515
in foreign currency	264 262	282 685
	<b>1 294 142</b>	<b>1 116 200</b>
<b>Deposits of other institutions</b>		
in BGN	19 521	13 381
in foreign currency	4 653	2 891
	<b>24 174</b>	<b>16 272</b>
<b>Total liabilities to depositors</b>	<b>5 052 941</b>	<b>4 631 518</b>

### Dividend liabilities

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

	Current		Non-current	
	2017 BGN '000	2016 BGN '000	2017 BGN '000	2016 BGN '000
<b>Dividend liabilities</b>		<b>6 506</b>		<b>-</b>

The Group's dividend liabilities arise in respect of the mandatory convertible preferred shares issued in 2009 with a 9% guaranteed fixed annual dividend. On June 15, 2016, all preference shares of the parent at that date are necessarily converted into ordinary shares under the terms of the prospectus for issue.

In 2017, Chimimport AD distributes to its shareholders, holders of preferred shares, a guaranteed dividend amounting to BGN 6 506 thousand (2016: 17 736 thousand) or BGN 0.0921 (2016: BGN 0.1998) per one preferred share.

### Bonds and debenture loans

Bonds and debenture loans, received by the Group, relate to the following entities

	Current		Non-current	
	2017 BGN '000	2016 BGN '000	2017 BGN '000	2016 BGN '000
<b>Bonds and debenture loans</b>		<b>2 895</b>		<b>34 587</b>
<b>Total</b>	<b>12 558</b>	<b>2 895</b>	<b>29 792</b>	<b>34 587</b>

The carrying amount of the bond issue at 31 December 2017 is BGN 42 350 thousand (2016 BGN 37 482 thousand) is calculate as using the effective interest

### Bank loans

The Bank loans of the Group comprise loans, granted by Bulgarian commercial banks, designated for financing investment projects of the Group, as well as, for refinancing the current operating activity of the Group. Bank loans are classified according to their contracted maturity date.

	Current		Non-current	
	2017 BGN'000	2016 BGN'000	2017 BGN'000	2016 BGN'000
<b>Bank loans</b>	<b>61 119</b>	<b>67 239</b>	<b>120 332</b>	<b>83 278</b>

### Long-term bank loans

	2017 BGN'000	2016 BGN'000
<b>Revolving and investment bank credits</b>	<b>120 332</b>	<b>83 278</b>

### Investment loans

The Group has received the following investment loans as with the following terms and conditions.

- The Group is party to a contract for an investment bank loan, signed on 30 January 2015 with maturity date on 30 April 2023. The repayment of the loan is made in BGN and is in accordance with an agreed repayment schedule for the whole term of the contract. The annual interest rate on the loan is 3M SOFIBOR plus 4.9%. The loan is secured by investment property with carrying amount as at 31 December 2017 amounting to BGN 35 831 thousand.
- The Group is party to a contract for an investment bank loan, signed on 28 December 2015 with maturity date on 31 December 2025. The repayment of the loan is made in BGN and is in accordance with an agreed repayment schedule for the whole term of the contract. The annual interest rate on the loan is 1M SOFIBOR plus 3%. The loan is secured by contractual mortgage of a hangar, all receivables of the Group arising from lease agreements concluded with Lufthansa Technik Sofia OOD in its capacity of tenant.
- The Group is party to a contract for an investment bank loan, signed on 01 November 2016. The repayment of the loan is made in BGN and is in accordance with an agreed repayment schedule with beginning date on 31 October 2018. The annual interest rate on the loan is 1M SOFIBOR plus 3%. The loan maturity is on 30 September 2028. The loan is secured by all receivables of the Group arising from lease agreements concluded with tenant.
- The Group is party to a contract for an investment bank loan, signed on 20 December 2013. The repayment of the loan is made in BGN and is in accordance with an agreed repayment schedule for the whole term of the contract. The annual interest rate on the loan is 3M SOFIBOR plus 6%. The loan is secured by non-self-propelled dry cargo barge BRP 19003 (owned by the Group) and tangible fixed assets purchased with funds from the respective credit.
- The Group is party to a contract for an investment bank loan, signed on 21 June 2013, maturing on 22 May 2023. The interest on the loan is at the rate of 3-month SOFIBOR + 3%, but not less than 6.5%. The loan is secured by real estate mortgage, pledge of fixed assets by the Law on Pledges.
- The Group is party to a contract for an investment loan, signed on 04 December 2015 for the purchase of extrusion plant for production of film sleeve for small containers. The annual interest is formed by the sum of the monthly SOFIBOR and a margin 4.8%, but not less than 5.5%. The deadline for the loan repayment is 01 May 2019 according to repayment schedule. The loan is secured by pledged property, plant and equipment..

### Revolving loans

#### 1) Bulgaria Air

The Group was granted bank loan for working capital with due date on 01 February 2021. The annual interest rate on the contract is 4.2 % on the used portion of the loan. The loan is secured by a contract for pledge of making third party lease of "Hangar with lightweight construction (HOK)" and connecting corridor, located in the town. Sofia Slatina, Sofia Airport

**Short-term bank loans**

	2017 BGN'000	2016 BGN'000
<b>Short-term revolving and investment bank credits</b>	<b>61 119</b>	<b>67 239</b>

**Investment Loans**

Liabilities of the Group as at 31 December 2017 comprise the following investment bank loan:

- The Group is party to a contract for an investment bank loan, signed on 16 March 2011, with maturity date on 05 December 2018. The annual interest on the loan is 12M EURIBOR plus 6%. The loan is secured by a real estate mortgage, a pledge of long-term tangible assets under the Law on Special Pledges.

**Revolving Loans**

- The Group was granted a bank loan on 5 October with maturity date on 29 September 2018. The loan is secured by real estate. The annual interest rate equals 8.5%, formed based on 1-month SOFIBOR + 4.00% such as between 8.50% and 10.00%.

- The Group was granted a bank loan to provide working capital with maturity date on 31 August 2018 in the amount of BGN 750 thousand. The interest rate is 4.20%. The loan is secured by pledged receivables on current accounts.

- The Group was granted a bank loan to provide working capital with maturity date on 28 June 2018 in the amount of BGN 329 thousand. The annual interest rate is formed by sum of basis interest rate and allowance for risk. At the date of the renegotiation of the loan, the annual interest rate is 4.2%. The loan is secured by pledge of goods with carrying amount as at 31 December 2017 in the amount of BGN 330 thousand.

-The Group was granted a bank loan to provide working capital with maturity date on 31 December 2018. The outstanding principal is in the amount of BGN 6 275 thousand and annual interest rate 5.5%. The loan is secured by pledge of receivables under public procurement contracts to provide airline tickets.

-The Group was granted a revolving bank credit, signed on 28 January 2008 with maturity date on 25 September 2018. The annual interest rate is 1M SOFIBOR plus 6%.

-The Group was granted a revolving bank credit, signed on 21 June 2013 with maturity date on 22 May 2018. The annual interest rate is 3M SOFIBOR plus 3%, but not less than 6%.

-The Group was granted a revolving bank credit, signed on 13 December

**Other borrowings and financing**

	Current		Non-current	
	2017 BGN'000	2016 BGN'000	2017 BGN'000	2016 BGN'000
<b>Other borrowings</b>	<b>21 830</b>	<b>27 408</b>	<b>18 848</b>	<b>3 520</b>

**Other non-current borrowings**

	2017 BGN'000	2016 BGN'000
<b>Financing from State Agricultural Fund</b>	<b>17 573</b>	<b>2 245</b>
<b>Long term borrowings</b>	<b>1 275</b>	<b>1 275</b>
<b>Total</b>	<b>18 848</b>	<b>3 520</b>

Other non-current borrowings are received under annual interest rates from 3% to 8% depending on the contract period, received from third parties. The long-term borrowing are not secured. Payments are concluded in the currency, in which they were granted.

The funding refers to acquired assets - Station for geophysical studies in oil and gas drilling, Station for drilling geophysical studies in oil and gas drilling under a contract between Oil and Gas Exploration and Production and DG "European Funds for Competitiveness" - Managing Authority of the OPC to the Ministry of Economy and Energy - the successor of BSMEPA, regarding grant № 2TMG-02-21 / 13.06.2011 under the Operational Program "Development of the Competitiveness of the Bulgarian Economy 2007-2013" Financed by the European Union through the European Regional Development Fund, and others.

**Other current borrowings**

	2017 BGN'000	2016 BGN'000
<b>Current borrowings</b>	<b>19 736</b>	<b>27 161</b>
<b>Operational program financing</b>	<b>2 094</b>	<b>247</b>
<b>Total</b>	<b>21 830</b>	<b>27 408</b>

Other current borrowings are received under annual interest rates from 3% to 8% depending on the contracted period. The period of repayment is on demand by the Group. The loans are not pledged with any collateral. The fair value of the loans is not separately determined as the management considers that the carrying amount of the loans is a reasonable approximation of their fair value.

**Insurance contracts liabilities**

	2017 BGN'000	2016 BGN'000
<b>Insurance liabilities</b>	10 252	9 037
<b>Reinsurance liabilities</b>	14 546	16 654
<b>Transactions with Guarantee fund</b>	617	28
<b>Total</b>	25 415	25 719

**Derivatives, held-for-trading**

As at 31 December 2017 derivatives, held-for-trading, amounting to BGN 3 396 thousand (2016: BGN 209 thousand), are presented at fair value and include purchase and sales of currency, securities, forward contracts, and currency swaps on the open market.

**Deposits from Banks**

	Current		Non-Current	
	2017 BGN'000	2016 BGN'000	2017 BGN'000	2016 BGN'000
<b>Demand deposits – local banks</b>				
in BGN	632	325	-	-
in foreign currency	3 215	4 812	-	-
<b>Demand deposits from foreign banks in foreign currency</b>	749	1 224	-	-
<b>Demand deposits from local banks in BGN</b>	409	325	-	-
<b>Term deposits from foreign banks in foreign currency</b>	2 043	1 672	-	-
	7 048	8 359	-	-

**Payables under repurchase agreements of securities**

As at 31 December 2017, the Group has entered into agreements with a repurchase clause with Bulgarian companies totalling BGN 15 433 thousand (2016: BGN 17 409 thousand), including accrued liabilities under Interest on them. The maturity of these agreements is until the end of 2018.

**Leases**

**Finance leases as lessee**



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The Group has entered into finance leases as a lessee to acquire machinery and equipment such as ships, cars, industrial machinery and computer equipment. Assets are included in the consolidated statement of financial position in "Property, Plant and Equipment" (see note 8). Net book value of assets acquired under finance leases amounted to BGN 16 607 thousand (2016: BGN 19 387 thousand).

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

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

31 December 2017	Within 1 year	1 to 5 years	Total
	BGN '000	BGN '000	BGN '000
<b>Lease payments</b>	1 265	2 965	4 230
<b>Finance charges</b>	(132)	(159)	(291)
<b>Net present values</b>	1 133	2 806	3 939

31 December 2016 r.	Within 1 year	1 to 5 years	Total
	BGN '000	BGN '000	BGN '000
<b>Lease payments</b>	1 506	3 846	5 352
<b>Finance charges</b>	(151)	(264)	(415)
<b>Net present values</b>	1 355	3 582	4 937

The lease agreements include fixed lease payments and purchase option in the last year of the lease term. The agreements are non-cancellable but do not contain any further restrictions. No contingent rents were recognized as an expense and no sublease income is expected to be received as all assets are used exclusively by the Group.

### Operating leases as lessee

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

	Within 1 year	1 to 5 years	After 5 Years	Total
	BGN '000	BGN '000	BGN '000	BGN '000
<b>31 December 2017</b>	<b>55 373</b>	<b>160 956</b>	<b>12 999</b>	<b>229 307</b>
<b>31 December 2016</b>	<b>49 175</b>	<b>122 729</b>	<b>27 761</b>	<b>199 665</b>

Lease payments recognized as an expense during the period amount to BGN 64 324 thousands (2016: BGN 51 134 thousand).

Significant to the Group operating leases are related to hiring airplanes and real estate. At the date of preparation of this consolidated financial statements, the Group is a lessee under operating leases on 9 aircraft (Airbus and BAE).

Operating lease agreements do not contain provisions for contingent payments or purchase.

### Operating leases as lessor

In 2017 and 2016 the Group allows for the lease of airplanes to other companies under operating leases. Revenues from leasing of airplanes rent in 2017 amounted to BGN 12 577 thousand (2016: BGN 9 286 thousand).

In 2017 and 2016 the Group leases real estate of property, plant and equipment, and investment properties under operating leases.

Rental income for 2017 amounting to BGN 4 155 thousand (2016: BGN 6 019 thousand).

Costs incurred in operating the investment properties amounting to BGN 565 thousand are recognized in the consolidated statement of profit and loss and other comprehensive income (2016: BGN 724 thousand).

Future minimum lease payments are as follows:

	Minimum lease payments due			
	Within 1 year	1 to 5 years	After 5 years	Total
	BGN '000	BGN '000	BGN '000	BGN '000
31 December 2017	10 387	59 542	38 442	108 371
31 December 2016	6 848	53 239	33 268	93 355

For operating leases, the Group does not contain any contingent rent clauses. None of the operating lease agreements contains an option to renew or purchase or escalation clauses or restrictions regarding dividends, further leasing or additional debt.

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

- During the reporting period the issuer did not increase its capital.

- **Information about changes during the reporting period in the key management principles of the issuer and its economic group.**

- In 2017 no changes have been made to the issuer's key management principles.

- **Information on changes in management and supervisory bodies during the reporting financial year**

- During the reporting period there were no changes in the number and persons participating in the Management and Supervisory Board of Chimimport AD.

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

- In 2016 the Company has not published any forecasts of the financial result for the 2017. All publicly announced targets and objectives of the Group were accomplished.

The Chimimport Group`s companies have not published any forecasts for the results of the current financial year, with the exception of Assenova Krepost AD, which reported on the basis of the fourth quarter non-performing production forecast at the amount of BGN 2 309 thousand.

In quantitative terms based on the production forecast, some over-performances are observed. For the implementation of the production program, the Group has provided a number of activities that are targeted as follows:

- Technical and organizational events aimed at the reconstruction and modernization of the existing equipment in order to increase its productivity and the quality of the produced product.
- In connection with the implementation of the program for the implementation of the measures for the repair and modernization of the existing equipment, the calculations made require the provision of BGN 920 thousand.
- Elaborating and implementing an energy efficiency program to reduce energy costs and reduce the cost of production. The program includes energy saving measures for available production capacities, lighting and heating. About BGN 190 thousand is needed in connection with the implementation of the program
- Investment studies
- Participation in program BG16RFOP002-3.002 "Enhancement of energy efficiency in large enterprises" in order to reduce the energy consumption and increase the profitability of the products.
- Developing and implementing an effective marketing strategy to attract new customers to increase sales

- **Analysis and valuation of the financial resources management policy, including the ability to cover debt payments, subsequent threats and precautions that have been taken or are to be taken by the issuer for their avoidance.**

The parent company successfully manages its financial resources and serves its duties properly and in a timely manner.

- **Assessment of the possibilities for realization of the investment intentions with indication of the amount of available funds and reflection of possible changes in the structure of financing of this activity.**

In the conditions of financial and economic crisis, the parent company, through its subsidiary Zarneni Hrani Bulgaria, carries out a serious revaluation of its investment intentions.

The factory for processing plant oils in Provadia passed the "load tests" successfully and has a permit for operation from the State Acceptance Commission.

In October 2017, contracts were signed for the renting of main production workshops and the adjoining warehouses, auxiliary units and other installations, facilities and buildings necessary for servicing the production activity of the tenants. The management believes that the contracts with two of the leading

companies on the Bulgarian oil and fuel production market will lead to a significant increase in the Group's performance.

• **Information about the main characteristics applied by the issuer in the process of preparing financial statements, internal control system and risk management.**

- The main features of the internal control system and risk management are detailed on page 65 of this Report.

• **Post balance sheet events**

The Group signs preliminary sale/purchase agreement on 5 February 2018 for sale of the equity instruments of Pharmimport AD (Chimimport Pharma AD) held by the Group. On 23 March 2018, the sale of the subsidiary was published in the Commercial Register at the Registry Agency.

No adjusting or significant non-adjusting events have occurred between the reporting date of the consolidated financial statements and the date of approval for publication.

There are no remedial events or other significant non-adjusting events, except as noted above, occurred between the date of the financial statements and the date of their approval for publication.

• **Information about the amount of remuneration, rewards and / or benefits of each of the members of the management and control bodies for the financial year, paid by the issuer and its subsidiaries, regardless of whether they have been included in the expenses of the issuer or arise from the distribution profits, including:**

The key management personnel of the Parent company includes the members of the Management Board and the Supervisory Board. The remuneration of key management personnel consists of current salaries and wages as follows

	2017	2016
	BGN'000	BGN'000
<b>Short-term employee benefits::</b>		
<b>Salaries, including bonuses</b>	<b>(1 201)</b>	<b>(956)</b>
<b>Social security expenses</b>	<b>(20)</b>	<b>(19)</b>
<b>Company car allowance</b>	<b>-</b>	<b>-</b>
<b>Total remunerations</b>	<b>(1 221)</b>	<b>(975)</b>

The Issuer did not provide options on its securities as well as special rights of ownership on the part of the members of the Management Board.

- **Information about the issuer's shares held by the members of the management and supervisory bodies**

According to a reference from the Central Depository issued as at 31 December 2017, the members of the Managing and Supervisory Board own the following number of shares:

**Members of the Managing Board:**

IVO KAMENOV	495 880	0,21%
ALEXANDER KEREZOV	160 000	0,07%
MIROLYUB IVANOV	89 066	0,04%
NIKOLA MISHEV	36 790	0,02%
MARIN MITEV	26 533	0,01%

**Members of Supervisory Board:**

INVEST CAPITAL AD	174 847 247	72,96%
CCB GROUP EAD	1 296 605	0,54%
MARIANA BAZHDAROVA	199	0,00%



## INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

- **Information about participation of Members of Supervisory and Managing Board in other trade companies as general partners, as owners' of more than 25 % in other companies' shares, as managers of other companies and as members of other companies' Supervisory, Managing Boards and Boards of, in accordance with Art. 247 of Commercial act.**

<b>Ivo Kamenov Georgiev - Executive director, Member of Supervisory and Managing Board of Chimimport AD:</b>
- Manager / Executive Director: Chimimport AD, UIC 000627519 -Sofia; Invest Capital AD, UIC 831541734 - Sofia
- Member of the Managing Board of: Chimimport AD, UIC 000627519-Sofia; CCB Group EAD, UIC 121749139 - Sofia
- Member of the Supervisory Board of CCB AD, UIC 831447150, - Sofia;
- Member of the Board of directors of: Invest Capital AD, UIC 831541734 - Sofia;
- Owner of more than 25% of the shares of: Varnenska Konsultantska Kompania OOD, ID: 103060548 - Varna; Invest Capital Management OOD, UIC 103045368 - Varna;

<b>Marin Velikov Mitev – Executive director, Member of Supervisory and Managing Board of Chimimport AD:</b>
- Manager/ Executive director/chairman of Chimimport AD, UIC 000627519-Sofia, Invest Capital AD, UIC 831541734 - Sofia; Sporten complex Varna AD, UIC 103941472 - Varna; Golf Shabla AD, UIC 124712625-Shabla; ET"Marin Mitev-Project Management" UIC 103326073- Varna; Association "Sports Club-Tim", UIC 103014351 - Varna; Association "Bulgarian Karate Kyokushin Federation", UIC 103570622 - Varna; Association "Club of Aerobics" Tim - Class, UIC 103556156 - Varna; Association "Sports Club for Martial Arts- Tim", UIC 103606634 - Varna;
- Member of the Supervisory Board of: CCB AD, UIC 831447150 - Sofia CCB Group EAD, UIC 121749139 - Sofia;
- Member of the Managing Board / collective management body of: Chimimport AD, UIC 000627519 - Sofia; Association "Sports Club of Martial Arts- Tim", UIC 103606634 - Varna; Association "Club of Aerobics" Tim - Class, UIC 103556156 - Varna
- Member of the Board of Directors of: "Invest Capital" AD, UIC 831541734 - Sofia; "Sport Complex Varna" JSC, UIC 103941472 - Varna; "Golf Shabla" JSC, UIC 124712625 - Shabla; Varna-Fruit AD, UIC 103106697 - Varna;
- Owner of more than 25% of the shares of: "Varna Consultancy Company" Ltd., UIC103060548 - Varna; "Invest Capital Management" Ltd., UIC 103045368 - Varna; ET "Marin Mitev - Project Management", UIC 103326073 - Varna;

<b>Mariana Angelova Bazhdarova - Member of Supervisory Board of Chimimport AD:</b>
- does not participate in the management of other companies or cooperatives as a procurator, manager or board member under art. 247 of Comercial act.
- Member of the Supervisory Board of Chimimport AD, UIC 000627519 -Sofia;
- Owner of more than 25% of the shares of: MB CONSULT COMMERCE, UIC 203 868 694 - Sofia;

- Information about participation of Members of Supervisory and Managing Board in other trade companies as general partners, as owners' of more than 25 % in other companies' shares, as managers of other companies and as members of other companies' Supervisory, Managing Boards and Boards of, in accordance with Art. 247 of Commercial act.

**Tsvetan Tsankov Botev - Chairman of the Managing Board of Chimimport AD:**

- Manager/ Executive director: Chimimport Pharma AD, UIC 131181471 - Sofia; "Pharma GBS", UIC 176397025 - Rousse; Bulhimitread Ltd., UIC 200477808 - Sofia; Consortium "CHIMIMPORT-BIOPHARM ENGINEERING", UIC 131071224 - Sofia

- Member of the Management Board of: Chimimport AD, UIC 000627519 - Sofia; CCB Plc, UIC 831447150 - Sofia;

- Member of the Board of Directors of: Chimimport Pharma AD, UIC 131181471 - Sofia. ;

- does not hold directly more than 25 per cent of the capital of other commercial companies.

**Alexander Dimitrov Kerezov - Deputy Chairman and member of the Managing Board of Chimimport AD:**

- Manager / Executive Director: Zarneni Hrani Bulgaria AD, UIC 175410085 - Sofia; AH "HGH Consult" Ltd., UIC 130452457 - Sofia; PROTECT ART Ltd., UIC 203844348 - Sofia; Association "AGREEMENT 066", UIC 176941060 - Sofia;

- Member of the Managing Board of: - Chimimport AD, UIC 000627519 - Sofia; Armeec Insurance Company, UIC 121076907 - Sofia; "Shipbrokers BRP" AD, UIC 827183719 - Rousse; "CCB Group" EAD, UIC 121749139 - Sofia; Zarneni Hrani Bulgaria AD, UIC 175410085 -Sofia; Assenova Krepost AD, UIC 112012041, Asenovgrad; CCB Plc, UIC 831447150- Sofia; Association "AGREEMENT 066", UIC 176941060 - Sofia;

- Member of the Supervisory Board: of CCB "Sila", UIC 825240908 - Sofia;

- Member of the Board of Directors of: "Bulgarian Airways Group" EAD, UIC 131085074 - Sofia;

- Owner of more than 25% of the shares of: PROTEKT ART, UIC 203844348 - Sofia



- Information about participation of Members of Supervisory and Managing Board in other trade companies as general partners, as owners' of more than 25 % in other companies' shares, as managers of other companies and as members of other companies' Supervisory, Managing Boards and Boards of, in accordance with Art. 247 of Commercial act.

**Mirolyub Pantchev Ivanov - member of the Managing Board of Chimimport AD:**

- Manager / Executive Director: CCB REAL ESTATE FUND REIT, UIC 131550406 - Sofia; Armeec Insurance Company, UIC 121076907 - Sofia; Omega Finance Ltd., UIC 831385114 - Sofia; Prime Lega Consult Ltd., UIC 130993620 - Sofia; Capital Invest EAD, UIC 121878333 - Sofia, "Invest Capital Asset Management" EAD, UIC 200775128 - Sofia; "Consortium Technocapital" UIC 176018753 - Sofia; Mutual Fund "High Capital Investment", UIC 175860666 - Sofia; TI AD, UIC 121483350 - Sofia;

- Member of the Managing Board of: Chimimport AD, UIC 000627519 Sofia; "Exploration and Production of Oil and Gas AD", UIC 824033568 - Sofia; Zarneni Hrani Bulgaria AD, UIC 175410085 - Sofia; ZAD "Armeec", UIC 121076907 - Sofia

- Member of the Board of Directors of: "CCB REAL ESTATE FUND" REIT, UIC 131550406 - Sofia; Bulgarian Shipping Company AD, UIC 175389730 - Sofia; National Stock Exchange AD, UIC 115223519 - Plovdiv; "Kepital Invest EAD, UIC 121878333 - Sofia; "Invest Capital Asset Management" EAD, UIC 200775128 - Sofia; TI AD, UIC 121483350 - Sofia;

- Member of the Supervisory Board of: "Pension Insurance Joint Stock Company CCB - Sila" AD, UIC 825240908 - Sofia; "Energoproekt" AD, UIC 831367239 - Sofia;

- does not hold directly more than 25 per cent of the capital of other commercial companies



**Nikola Peev Mishev - member of the Managing Board of Chimimport AD:**

- Manager / Executive Director: Chimsnab Trade Ltd., UIC 131388356 - Sofia; "Rab Trade" Ltd., UIC 130430425 - Sofia; Bulhimtread Ltd., UIC 200477808 - Sofia; "Chimeltex" Ltd., UIC 130434434 - Sofia; Assenova Krepost AD, UIC 115012041 - Asenovrad;

- Member of the Board of Directors of: "Asella" AD, UIC 115023575 - Asenovgrad ;

- Member of the Managing Board of: Chimimport AD, UIC 000627519 Sofia; Zarneni Hrani Bulgaria AD, UIC 175410085 - Sofia; Assenova Krepost AD, UIC 115012041 - Asenovrad;

- Member of the Supervisory Board of: Armeec Insurance Company, UIC 121076907 - Sofia - as representative of Chimimport AD; "Energoproekt" AD, UIC 831367239 - Sofia;

- does not hold directly more than 25 per cent of the capital of other commercial companies



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

There is no information regarding the Company's agreements (including post balance sheet period), that may cause changes in the relative number of the shares and bonds, owned by the current shareholders and bondholders.

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

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

#### Categories of financial assets and liabilities

The carrying amount of the Group's financial assets and liabilities, can be presented in the following categories:

Financial assets	2017 BGN'000	2016 BGN'000
<b>Financial assets held to maturity</b>		
- Debentures	36 469	30 188
<b>Financial assets available for sale:</b>		
- Securities and debentures	664 195	674 083
<b>Financial assets held for trading (carried at fair value through profit or loss):</b>		
- Non-derivative financial assets securities and debentures	1 429 298	1 345 724
- Derivatives	1 025	21
<b>Total Financial assets</b>	<b>1 430 323</b>	<b>1 345 745</b>
<b>Loans and receivables</b>	<b>190 364</b>	<b>203 816</b>
- Trade and other receivables	2 900 649	2 825 968
- Receivables on loans provided	77 678	73 890
- Receivables from related parties	2 204 904	1 767 126
- Cash and cash equivalents	5 373 595	4 870 800
<b>Total Loans and receivables</b>	<b>7 504 582</b>	<b>6 920 816</b>

# INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

Financial liabilities	2017 BGN'000	2016 BGN'000
<b>Financial liabilities, measured at amortized cost:</b>		
-liabilities to depositors	5 052 941	4 631 518
- loans	264 479	218 927
- dividend obligations	-	6 506
- bank deposits	7 048	8 359
- cession payables	35 554	22 797
- obligations under repo agreements	15 433	17 409
- finance lease obligations	3 939	4 937
-trade and other payables	142 971	167 993
- related parties payables	41 734	28 443
<b>Total</b>	<b>5 564 099</b>	<b>5 106 889</b>
<b>Derivatives designated as hedging instruments in cash flow (at fair value):</b>		
Derivatives	3 396	209
<b>Total</b>	<b>5 567 495</b>	<b>5 107 098</b>

## GENERAL RISK AND UCERTAINTIES

- **Financial instruments risk**

### **Risk management objectives and policies**

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

The Group is exposed to different types of risk with regards to its financial instruments. For more information on financial assets and liabilities by category of the Group. The most significant financial risks to which the Group is exposed to are described below.

### **Insurance risk**

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

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

The Group is exposed mainly to the following risks:

- Risk, related to the profitability of the investments – risk of loss when the profitability of the investment is different from what is expected.
- Risk, related to the expenses – risk of loss when the expenses are different from what is expected;

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

The main factors on which depends the Group's insurance business's positive financial performance is the loss rate, the cost quota and the investment income

### **Reinsurance strategy**

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

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

## GENERAL RISKS AND UNCERTAINTIES

### Damages settlement procedure

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

Types of insurances	2017	2017	2016	2016
	Damages, quota, gross	Damages, quota, net	Damages, quota, gross	Damages, quota, net
	%	%	%	%
Accident insurance	68%	66%	3%	4%
Including obligatory accident insurance of the passengers in the public transport	79%	87%	2%	2%
Casco	42%	33%	54%	57%
Casco of aircrafts	33%	285%	2%	-18%
Casco of vessels	-15%	-24%	20%	27%
Cargo insurance during transportation	11%	13%	45%	45%
Fire and natural calamities insurance	38%	37%	41%	20%
Property damage insurance	27%	27%	55%	60%
Insurance associated with the ownership and usage of motor vehicles, including:			118%	124%
Third-party vehicle insurance	73%	93%		
“Green Card” insurance	74%	92%	120%	127%
-Third-party boarder insurance	58%	215%	95%	80%
Third-party carrier insurance	-366%	-12%	111%	29%
Third-party aviation insurance	66%	68%	-8%	-8%
Third party vessels insurance	18%	331%	2%	65%
General third-party insurance	-109%	142%	277%	167%
Credit insurance	37%	14%	-20%	-51%
Insurance against financial losses	-53%	-53%	1%	1%
Travel assistance	-4%	-4%	-2%	-2%
Total	19%	19%	51%	51%
	48%	41%	65%	60%

Comparing annual net damages quota - for 2017 and 2016 it appears that there is a significant increase in damages mainly due to “Insurance of civil liability of owners of vehicles”.

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

Type of insurance	BGN	Number	Average indemnity	Average indemnity	Average indemnity	Average indemnity
			2017	2016	2015	2014
Accident insurance	2 142 512	2 473	866	619	813	516
Casco	68 682 257	89 033	771	786	890	958
Casco of aircrafts	152 676	7	21 811	19 033	26 013	184 805
Casco of vessels	122 613	15	8 174	9 877	10 367	6 173
Cargo insurance during transportation	259 401	36	7 206	3 135	7 332	2 602
Fire and Natural calamities insurance				1 564	1 362	1 509
Property damage insurance	3 475 163	2 197	1 582			
Insurance associated with the ownership and usage of motor vehicles, including:	9 840	10	984	14 520	20 745	18 840
	26 899 321	8 538	3 151	3 124	2 240	2 080

## GENERAL RISKS AND UNCERTAINTIES

Third-party aviation insurance	62 023	7	8 860	7 368	787	977
Third party vessels insurance	-	-	-	324	2 175	-
General third-party insurance	207 732	32	6 492	1 972	11 223	41 920
Loand and leasing	-	-	-	3 665	4 308	10 956
Miscellaneous financial losses	-	-	-	-	11 388	6 212
Travel assistance	1 609 876	2 995	538	610	722	725
<b>Total</b>	<b>103 623 414</b>	<b>105 343</b>	<b>984</b>	<b>1 020</b>	<b>1 044</b>	<b>1 140</b>

- **Currency risk**

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

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

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

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

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

### Group's policies regarding the banking activities

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

The foreign currency positions include mainly assets and liabilities, denominated in Macedonian dinars. and Russian Rubles.

The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2017 is as follows:

	BGN	EUR	USD	Other	Total
<b>FINANCIAL ASSETS</b>					
Placements with, and advances to, banks	8 157	43 098	173 686	67 061	292 002
Receivables under repurchase agreements	164 378	32 532	-	-	196 910
Financial asset held-for-trading	68 106	13 158	1	1 056	82 321
Loans and advances to customers, net	1 420 920	783 138	7 274	193 169	2 404 501
Available-for-sale financial assets	170 979	415 124	3 215	6 456	595 774
Held-to-maturity financial assets	-	-	-	34 010	34 010

## GENERAL RISKS AND UNCERTAINTIES

<b>TOTAL ASSETS</b>	<b>1 832 540</b>	<b>1 287 050</b>	<b>184 176</b>	<b>301 752</b>	<b>3 605 518</b>
<b>FINANCIAL LIABILITIES</b>					
Deposits from banks	757	4 988	1 035	228	7 008
Bank loans	-	-	-	4 539	4 539
Obligations under repo agreements	3 379 344	1 264 852	225 199	243 738	5 113 133
Liabilities to other depositors	-	-	-	778	778
Other attracted funds	-	70 235	-	-	70 235
Subordinated liabilities	-	-	-	49	49
<b>TOTAL LIABILITIES</b>	<b>3 380 101</b>	<b>1 340 075</b>	<b>226 234</b>	<b>249 332</b>	<b>5 195 742</b>
<b>NET POSITION</b>	<b>(1 547 561)</b>	<b>(53 025)</b>	<b>(42 058)</b>	<b>52 420</b>	<b>(1 590 224)</b>

The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2016 is as follows:

	<b>BGN</b>	<b>EUR</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
<b>FINANCIAL ASSETS</b>					
Placements with, and advances to, banks	17 013	33 896	151 320	54 127	256 356
Receivables under repurchase agreements	149 637	49 621	-	-	199 258
Financial asset held-for-trading	100 352	15 164	43	14	115 573
Loans and advances to customers, net	1 244 255	899 103	12 451	177 160	2 332 969
Available-for-sale financial assets	150 855	506 401	6 933	762	664 951
Held-to-maturity financial assets	-	-	-	30 188	30 188
<b>TOTAL ASSETS</b>	<b>1 662 112</b>	<b>1 504 185</b>	<b>170 747</b>	<b>262 251</b>	<b>3 599 295</b>
<b>FINANCIAL LIABILITIES</b>					
Deposits from banks	485	2 607	4 371	912	8 375
Bank loans	-	-	-	246	246
Obligations under repo agreements	3 014 378	1 221 840	229 334	224 235	4 689 787
Liabilities to other depositors	39	-	-	778	817
Other attracted funds	-	70 126	-	-	70 126
Subordinated liabilities	2	831	180	192	1 205
<b>TOTAL LIABILITIES</b>	<b>3 014 904</b>	<b>1 295 404</b>	<b>233 884</b>	<b>226 363</b>	<b>4 770 556</b>
<b>NET POSITION</b>	<b>(1 352 792)</b>	<b>208 781</b>	<b>(63 137)</b>	<b>35 888</b>	<b>(1 171 260)</b>

## GENERAL RISKS AND UNCERTAINTIES

- Interest rate sensitivity

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

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. As at 31 December 2016, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. All other financial assets and financial liabilities of the Company are at fixed interest rates.

The following table illustrates the sensitivity of the annual net financial result after tax and equity to a reasonably possible change in interest rates on loans with a floating rate based on: 1-week SOFIBOR, amounting to +/- 2.73% (2016: 2.81 %), 1-month SOFIBOR, amounting to +/- 2.77% (2016: 3.82%), 3-month SOFIBOR, amounting to +/- 2.52% (2016: 4.24%) and a floating rate based on 1-month EURIBOR, amounting to +/- 0.10% (2016: 4.95%), 12-month EURIBOR, amounting to +/- 3.19% (2016: 3.43%). These changes are considered to be reasonably possible based on observation of current market conditions. Calculations are based on the change in the average market interest rate and the financial instruments held by the Group at the end of the reporting period that are sensitive to interest rate changes. All other parameters are taken to be constant.

31 December 2017	Net financial result		Equity	
	Increase of the interest rate	Decrease of the interest rate	Increase of the interest rate	Decrease of the interest rate
1W SOFIBOR	(2)	2	(2)	2
1M SOFIBOR	(24)	24	(24)	24
3M SOFIBOR	(14)	14	(14)	14
1M EURIBOR	-	-	-	-
12M EURIBOR	(4)	4	(4)	4

31 December 2016	Net financial result		Equity	
	Increase of the interest rate	Decrease of the interest rate	Increase of the interest rate	Decrease of the interest rate
1W SOFIBOR	(4)	4	(4)	4
1M SOFIBOR	(5)	5	(5)	5
3M SOFIBOR	(32)	32	(32)	32
1M EURIBOR	(1)	1	(1)	1
12M EURIBOR	(1)	1	(1)	1

### Group's policy regarding banking activities

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

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

## GENERAL RISKS AND UNCERTAINTIES

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

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2017 is negative, amounting to BGN 1 738 743 thousand. The GAP coefficient, as an indicator for this imbalance, compared to the total income generating assets of the bank of the Group (interest bearing assets and equity instruments) is minus 48%.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>INTEREST BEARING ASSETS</b>						
Placements with, and advances to banks	284 944	-	3 129	3 929	-	292 002
Receivables under repurchase agreements	66 376	45 364	85 170	-	-	196 910
Financial assets held-for-trade	-	-	-	13 260	343	13 603
Loans and advances to customers, net	92 489	78 457	329 525	1 263 284	640 746	2 404 501
Financial assets held-for-trade	15 697	8 810	21 295	213 137	256 985	515 924
Financial assets held-to-maturity	19 341	4 626	10 043	-	-	34 010
<b>INTEREST-BEARING ASSETS</b>	<b>478 847</b>	<b>137 257</b>	<b>449 162</b>	<b>1 493 610</b>	<b>898 074</b>	<b>3 456 950</b>
<b>INTEREST-BEARING LIABILITIES</b>						
Deposits from banks	7 008	-	-	-	-	7 008
Bank loans	4 361	-	6	172	-	4 539
Liabilities to other depositors	2 495 935	382 916	1 151 563	1 080 106	2 613	5 113 133
Other attracted funds	-	-	-	778	-	778
Shares Issues	-	-	-	-	70 235	70 235
<b>INTEREST-BEARING LIABILITIES</b>	<b>2 507 304</b>	<b>382 916</b>	<b>1 151 569</b>	<b>1 081 056</b>	<b>72 848</b>	<b>5 195 693</b>
<b>IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET</b>	<b>(2 028 457)</b>	<b>(245 659)</b>	<b>(702 407)</b>	<b>412 554</b>	<b>825 226</b>	<b>( 738 743)</b>

The Group is exposed to a reduction of the interest income when the interest rates rise, as the Group holds a negative imbalance. The imbalance impact, as at 31 December 2017, over the net interest income, assuming an increase of 2% of the interest rates for one year is a reduction of the net interest income amounting to BGN 2 585 thousand (2016: BGN 2 099 thousand).

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2016 is negative, amounting to BGN 1 353 477 thousand. The GAP coefficient, as an indicator for this imbalance,



## GENERAL RISKS AND UNCERTAINTIES

compared to the total income generating assets of the bank of the Group (interest bearing assets and equity instruments) is minus 37.42%

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
<b>INTEREST-BEARING ASSETS</b>						
Placements with, and advances to banks	256 356	-	-	-	-	256 356
Receivables under repurchase agreements	73 275	41 626	84 357	-	-	199 258
Financial assets held-for-trade	1 719	-	1 954	12 266	-	15 939
Loans and advances to customers, net	111 294	132 755	313 798	1 124 173	650 949	2 332 969
Financial assets held-for-trade	762	5 815	84 381	76 399	413 806	581 163
Financial assets held-to-maturity	14 553	5 699	9 936	-	-	30 188
<b>INTEREST-BEARING ASSETS</b>	<b>457 960</b>	<b>185 895</b>	<b>494 426</b>	<b>1 212 838</b>	<b>1 064 755</b>	<b>3 415 874</b>
<b>INTEREST-BEARING LIABILITIES</b>						
Deposits from banks	8 375	-	-	-	-	8 375
Bank loans	8	-	20	218	-	246
Obligations under repo agreements	2 054 276	410 658	1 147 977	1 075 417	1 459	4 689 787
Liabilities to other depositors	4	21	14	778	-	817
Other attracted funds	-	-	-	-	70 126	70 126
Shares Issued	2 062 663	410 679	1 148 011	1 076 413	71 585	4 769 351
<b>INTEREST-BEARING LIABILITIES</b>	<b>(1 604 703)</b>	<b>(224 784)</b>	<b>(653 585)</b>	<b>136 425</b>	<b>993 170</b>	<b>(1 353 477)</b>
<b>IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET</b>	<b>(1 612 928)</b>	<b>(269 559)</b>	<b>(655 223)</b>	<b>(104 847)</b>	<b>1 741 703</b>	<b>(900 854)</b>

## GENERAL RISKS AND UNCERTAINTIES

- **Credit risk sensitivity**

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

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

	2017	2016
	BGN'000	BGN'000
<b>Financial assets – carrying amounts</b>		
<b>Non-current financial assets</b>	2 606 120	2 452 621
<b>Related parties receivables</b>	8 758	8 747
<b>Current financial assets</b>	2 425 516	2 423 363
<b>Related parties receivables</b>	68 920	65 143
<b>Cash and cash equivalents</b>	2 204 904	1 767 126
<b>Trade and other receivables</b>	190 364	203 816
<b>Carrying amount</b>	7 504 582	6 920 816

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

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Trade receivables consist of a large number of customers in different industries and geographical areas. Based on historical indicators, the management considers that the trade receivables that are not past due are of good credit quality.

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

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

- **Group's policy regarding banking activities**

The credit risk represents the probability of losses, due to the inability of the counterparty to meet its liabilities in time.

The Group manages its credit risk sensitivity both for the bank and commercial portfolio.

The Group applies individual credit policies for the different business segments.

## GENERAL RISKS AND UNCERTAINTIES

The Group structures the credit risk as it sets limits for the credit risk as a maximum exposure to one debtor, to a group of related parties, to geographic regions and the different business sectors, bearing common risk. The limits define the risk appetite and risk tolerance for credit risk and the planned allocation of capital, required for its coverage. In order to reduce the credit risk, in compliance with the internal credit rules, the approach for calculation of capital requirements and the current banking legislation, corresponding securities and guarantees are required.

The cash and bank accounts in the Central bank, amounting to BGN 1 840 004 thousand do not carry any credit risk for the Group, due to their nature and the ability of the Group to dispose of them.

The provided advances and advances to banks with book value BGN 295,720 thousand are mainly deposits in first-class international and Bulgarian financial institutions with maturity up to 7 days. These financial assets bear certain credit risk, whose maximum exposure according to the Group's policy may be 20%, 50% or 100%, depending on the qualitative characteristics of financial institutions. As at 31 December 2017 the lump sum of this risk amounts to BGN 65,133 thousand. As at 31 December 2017 the provisions for coverage of losses from impairments of the provided resources and advances to banks amount to BGN 3,718 thousand.

The receivables under repurchase agreements, amounting to BGN 196,910 thousand carries credit risk to the Group, which is dependent on the credit risk of the collateral. One part of receivables amounting to BGN 54,933 thousand, does not carry any credit risk to the Group, as they are secured by the Bulgarian government securities. The remaining receivables amounting to BGN 136,766 thousand carry credit risk 100% and receivables amounting to 5,211 thousand carry risk 150 % to the Group, as they are secured by corporate securities.

The held-for-trading financial assets, amounting to BGN 82,321 thousand carry mainly market risk to the Group, which is analysed in the notes, related to the market risk.

The equity instruments held-for-sale, amounting to BGN 80,610 thousand, are shares in financial and non-financial companies as well as shares in mutual funds, that carry credit risk, whose maximum exposure percentage is 100%.

The debentures held-for-sale and issued by the Republic of Bulgaria in the amount of BGN 301,504 thousand do not bear credit risk for the Group due to their guarantee by the Republic of Bulgaria. The debentures available-for-sale and issued by other European countries in the amount of BGN 170,807 thousand expose the Group to credit risk to the issuer.

The debentures available-for-sale and issued by local and foreign companies, amounting to BGN 44,683 thousand, bear credit risk, whose maximum exposure is 100% or BGN 44,683 thousand. As at 31 December 2017, the Group's provision for covering impairment losses on debentures available-for-sale amounting to BGN 1,830 thousand.

The debentures held to maturity and issued by the National Bank of the Republic of Macedonia in the amount of BGN 17,796 thousand and by the Republic of Macedonia in the amount of BGN 16,214 thousand expose the Group to credit risk to the issuer.

Loans and advances to customers with carrying value amounting to BGN 2,523,849 thousand bear credit risk for the Group. For determining the amount of exposure of the Group to this risk, an analysis of individual risk for the Group is performed, resulting from any particular exposure, the Group applies the criteria for evaluation and classification of risk exposures compliance with the banking legislation of the

## GENERAL RISKS AND UNCERTAINTIES

Republic of Bulgaria, Macedonia, the Russian Federation and IFRS. According to these criteria, and the analysis performed the maximum exposure of the Group to credit risk amounts to BGN 1,909,475 thousand. In order to minimize the credit risk detailed lending process procedures on the analysis of the economic viability of each project, the types of collateral acceptable to the Group controls on the use of funds allocated and administration associated with that activity are applied. The Group maintains relation to total capital adequacy above the regulatory requirements, mainly as a measure against the risk of concentrations.

Adoption and control limits for credit risk limit concentrations of risk exposures by geographic areas, industries, business segments and groups of loans, presenting joint risk. The Group has adopted a methodology for calculating the provision for impairment of loans and advances to customers according to the IFRS. As of 31 December 2017 the amount of the Group's formed provisions to cover impairment losses on loans and advances amounts to BGN 119,348 thousand.

- **Quality of the credit portfolio**

Classes of financial assets as at 31 December 2017:

Debt	Granted loans			Unutilized engagement	Given guarantees		
	Group	Amount BGN '000	Share %		Provisions BGN '000	Amount BGN '000	Amount BGN '000
Serviced	2 296 807	91%	19 785	95 837	62 239	99.92%	43
Not serviced	227 042	9%	99 563	358	50	0.08%	-
<b>Total</b>	<b>2 523 849</b>	<b>100%</b>	<b>119 348</b>	<b>96 195</b>	<b>62 289</b>	<b>100%</b>	<b>43</b>

Classes of financial assets as at 31 December 2016:

Debt	Granted loans			Unutilized engagement	Given guarantees		
	Group	Amount BGN '000	Share %		Provisions BGN '000	Amount BGN '000	Amount BGN '000
Serviced	2 202 896	90.83%	13 849	97 289	64 773	99.91%	47
Not serviced	222 504	9.17%	78 582	403	61	0.09%	-
<b>Total</b>	<b>2 425 400</b>	<b>100%</b>	<b>92 431</b>	<b>97 692</b>	<b>64 834</b>	<b>100%</b>	<b>47</b>

## GENERAL RISKS AND UNCERTAINTIES

Loans granted by the Group can be summarized in the following table:

Name of the group	31 December 2017		31 December 2016	
	Loans, granted to non – financial clients BGN '000	Loans to banks and receivables under repurchase agreements BGN '000	Loans, granted to non –financial clients BGN '000	Loans to banks and receivables under repurchase agreements BGN '000
Not outstanding and not impaired	2 052 498	196 910	1 942 272	199 258
Outstanding but not impaired	95 256	-	133 981	-
Impaired on individual base	376 095	-	349 147	-
<b>Total</b>	<b>2 523 849</b>	<b>196 910</b>	<b>2 425 400</b>	<b>199 258</b>
Set-aside provisions	(119 348)	-	(92 431)	-
<b>Net loans</b>	<b>2 404 501</b>	<b>196 910</b>	<b>2 332 969</b>	<b>199 258</b>

As at 31 December 2017 and 2016 the predominant share of the loans, represented as outstanding but not impaired, are loans, for which a 30-day delay in payment is allowed. The Group considers that such incidental delays are not indication for impairment of these loans.

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

	2017 BGN '000	2016 BGN '000
Credit cards and overdrafts	20 007	19 959
Consumer loans	365 469	272 720
Mortgage loans	247 403	146 402
Corporate clients	1 419 619	1 503 192
<b>Total</b>	<b>2 052 498</b>	<b>1 942 273</b>

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

	2017 BGN '000	2016 BGN '000
Credit cards and overdrafts	10 792	11 839
Consumer loans	34 623	31 583
Mortgage loans	14 601	15 143
Corporate clients	35 240	75 416
<b>Total</b>	<b>95 256</b>	<b>133 981</b>

## GENERAL RISKS AND UNCERTAINTIES

The book value of the loans, with accrued provision on an individual basis as at 31 December 2017 and 2016 is BGN 376 059 thousand and BGN 349 147 thousand. These amounts do not include cash flows from the collaterals of these loans.

31 December 2017	Book value BGN '000	Impairment BGN '000	Total: BGN '000
Consumer loans	76 282	11 057	65 225
Mortgage loans	78 659	210	78 449
Mortgage loans	221 154	78 399	142 755
<b>Total</b>	<b>376 095</b>	<b>89 666</b>	<b>286 429</b>

31 December 2016	Book value BGN '000	Impairment BGN '000	Total: BGN '000
Consumer loans	43 286	10 109	33 177
Mortgage loans	39 379	105	39 274
Mortgage loans	266 482	58 859	207 623
<b>Total</b>	<b>349 147</b>	<b>69 073</b>	<b>280 074</b>

The amount of net exposure for 2017 and 2016 for the five largest loans and advances to clients is BGN 296 143 thousand and BGN 318 549 thousand respectively, which represents 12.31 % for 2017 and 13.65% for 2016 of the credits and advances to clients of the Group.

## GENERAL RISKS AND UNCERTAINTIES

Business segment, classification group and delays of payments as at 31 December 2017:

Segment	Amount Group	Delay of payments						
		Number of transactions	Debt	Principal	Interest	Court receivables	Provisions	Unutilized engagement
<b>Small</b>								
	Serviced	116 688	807 357	900	275	-	2 753	53 896
	Not-services	5 164	40 467	2 765	1 778	17 705	19 433	251
<b>Total</b>		<b>121 852</b>	<b>847 824</b>	<b>3 665</b>	<b>2 053</b>	<b>17 705</b>	<b>22 186</b>	<b>54 147</b>
<b>Corporate</b>								
	Serviced	1 990	1 476 355	533	153	-	17 031	41 344
	Not-services	228	186 579	28 692	7 374	60 319	80 131	107
<b>Total</b>		<b>2 218</b>	<b>1 662 934</b>	<b>29 225</b>	<b>7 527</b>	<b>60 319</b>	<b>97 162</b>	<b>41 451</b>
<b>Budget</b>	Serviced	6	13 091	-	-	-	-	-
	Not-services	-	-	-	-	-	-	-
<b>Total</b>		<b>6</b>	<b>13 091</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total Portfolio</b>	<b>124 076</b>	<b>2 523 849</b>	<b>32 889</b>	<b>9 580</b>	<b>78 024</b>	<b>119 348</b>	<b>95 598</b>

Business segment, classification group and delays of payments as at 31 December 2016:

Segment	Amount Group	Delay of payments						
		Number of transaction	Debt	Principal	Interest	Number of transaction	Debt	Principal
<b>Small</b>								
	Serviced	97 321	594 977	1 064	321	-	2 428	50 946
	Not-services	5 408	41 493	2 761	2 089	16 124	17 661	296
<b>Total</b>		<b>102 729</b>	<b>636 470</b>	<b>3 825</b>	<b>2 410</b>	<b>16 124</b>	<b>20 089</b>	<b>51 242</b>
<b>Corporate</b>								
	Serviced	1 387	1 594 993	6 044	3 044	-	11 421	45 764
	Not-services	227	181 011	44 068	10 405	55 782	60 921	107
<b>Total</b>		<b>1 614</b>	<b>1 776 004</b>	<b>50 112</b>	<b>13 449</b>	<b>55 782</b>	<b>72 342</b>	<b>45 871</b>
<b>Budget</b>	Serviced	7	12 926	-	-	-	-	557
	Not-services	-	-	-	-	-	-	-
<b>Total</b>		<b>7</b>	<b>12 926</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>557</b>
	<b>Total Portfolio</b>	<b>104 350</b>	<b>2 425 400</b>	<b>53 937</b>	<b>15 859</b>	<b>71 906</b>	<b>92 431</b>	<b>97 670</b>

- **Credit exposures with restraining measures**

As exposures with restraining measures the Group accepts credit exposures that have changed the original terms of the contract caused by deterioration in the financial condition of the debtor leading to inability to pay the full amount of the debt on time and other discounts that the bank would not give in other circumstances.

## GENERAL RISKS AND UNCERTAINTIES

The amendments to the original terms of the contract in connection with the implementation of measures under restraint may include:

- Reduction / removal of the debt or part of it;
- Replacement of part of the debt to equity;
- Refinancing of exposures that the debtor is unable to fulfill under the current contract;
- When the contract terms include more favorable terms for the repayment of obligations compared with the terms that the Bank would offer other clients with similar risk profile;
- Reduction of the interest rate under the contract, except for the change in the contractual rate of interest arising from changes in market interest rates.

Information on exposures with restraint measures is as follows:

2017	Corporate clients	Individuals
Book value before impairment	276 808	1 605
Impairment	(44 152)	(454)
Net value	232 656	1 151

2016	Corporate clients	Individuals
Book value before impairment	150 991	1 423
Impairment	(26 353)	(659)
Net value	124 638	764

As at 31 December 2017 exposures to corporate clients with a value before impairment of BGN 150,068 thousand represent serviced exposures that are not subject to delinquency.

### Collateral on loans granted

#### Mortgage loans to natural persons

The table below presents the book value of mortgage loans granted to natural persons as per the coefficient of security (loan-to-value ratio). The ratio is calculated as the ratio of the gross value of the credit exposure to the value of the collateral. The value of the collateral on mortgage loans is determined when the loan is granted and is updated upon significant changes in the prices of the housing market.

Coefficient of security (loan-to-value)	2017	2016
	BGN'000	BGN'000
Less than 50%	63 656	49 867
50% to 75%	117 368	84 918
75% to 90%	92 568	52 471
90% to 100%	8 041	7 102
Over 100%	3 620	2 284
Total	285 253	196 642

#### Loans granted to legal entities

With regard to loans to legal entities, the Group identifies the creditworthiness of each individual client as the most appropriate risk exposure indicator. Therefore, the Group has adopted an approach for individual credit assessment and impairment testing of corporate loans. To ensure additional security, in addition to



## GENERAL RISKS AND UNCERTAINTIES

the regular monitoring of the financial position of the legal entities - borrowers, the Group requires collaterals on the credit exposures to be provided. The Group accepts collateral for loans to legal persons in the form of mortgages on real estate, pledge of a commercial enterprise, a special pledge of tangible assets, and other guarantees and rights of ownership.

The Group periodically analyses and updates the value of the collateral taking into account significant changes in the market environment, the regulatory framework or other circumstances. In the event that there is a decrease in the value of the collateral, the Group may consider that it is not sufficient, and may require additional collateral by setting a certain period within which the addition will be provided

- **Liquidity risk analysis**

Liquidity risk is the risk that the Group cannot meet its liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash in- and outflows due to day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. The need for cash is compared to the available loans in order to determine shortage or surplus. This analysis determines whether the loans available will be enough to cover the Group's needs for the period.

The Group maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and sale of long-term financial assets. As at 31 December 2017 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

As at 31 December 2017 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

	Current			Non-current	
	Within 12 Months BGN'000	From 2 to 5 years BGN'000	Above 5 years BGN'000		
<b>Bank and other loans</b>	95 507	128 879	40 093		
<b>Related parties payables</b>	37 419	4 315	-		
<b>Financial lease payables</b>	1 265	2 965	-		
<b>Liabilities to other depositors</b>	3 980 628	1 069 700	2 613		
<b>Deposits from banks</b>	7 048	-	-		
<b>Obligations under repo agreements</b>	15 433	-	-		
<b>Liabilities under cession agreements</b>	17 536	18 018	-		
<b>Trade and other payables</b>	95 372	47 599	-		
<b>Derivatives</b>	-	3 396	-		
<b>Total</b>	<b>4 250 208</b>	<b>1 274 872</b>	<b>42 706</b>		

## GENERAL RISKS AND UNCERTAINTIES

As at 31 December 2016 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

	Current	Non-current	
	Within 12 Months BGN'000	From 2 to 5 years BGN'000	Above 5 years BGN'000
Dividend payables	6 506	-	-
Bank and other loans	101 402	121 385	-
Related parties payables	17 692	4 493	-
Financial lease payables	1 506	3 846	-
Liabilities to other depositors	3 633 088	991 752	6 678
Deposits from banks	8 359	-	-
Obligations under repo agreements	17 409	-	-
Liabilities under cession agreements	18 591	4 206	-
Trade and other payables	166 137	1 856	-
Derivatives	209	-	-
<b>Total</b>	<b>3 970 899</b>	<b>1 127 538</b>	<b>6 678</b>

The amounts, reported in this analysis for the maturity of the liabilities represent the nondiscounted cash flows from the contracts, which may differ from the carrying amounts of the liability as at the reporting date. The annual interest payments amount to BGN 7 451 thousand (2016: BGN 11 047 thousand).

### Group's policy regarding banking activities

The Group follows the obligations and restriction arising from the regulations of the banking legislations in countries involved in the management and supervision of bank's liquidity. The Group maintains specialized collective bodies for liquidity's management, which adopt the Group's policy of managing the liquidity risk. Quantitative measurement of liquidity risk, according to the regulations of the banking legislation is the coefficient of liquid assets, expressing the ratio of liquid assets to borrowing of the Group.

The Group traditionally maintains huge volume of highly liquid assets – cash and cash equivalents on hand and cash in Central Banks, which ensures the Group's smooth addressing of liquid need. As of 31 December 2017 they cover about 32.53% of the total assets of the Group. As an additional tool for ensuring high liquidity the Group uses resources and advances given to financial institutions. Essentially, these are deposits in prime foreign and Bulgarian financial institutions with maturity up to 7 days. As of 31 December 2017 they cover approximately 5.16% of the total assets. Bonds issued by the Republic of Bulgaria, governments of European Union countries and from National Bank of the Republic of Macedonia, which the Group possesses and has not pledged as a security are about 4.30% of the Group's assets. Maintaining approximately 42% of its assets in highly liquid assets, the Group is able to cover all its needs regarding payments on matured financial liabilities.

## GENERAL RISKS AND UNCERTAINTIES

The allocation of financial liabilities of the Group as of 31 December 2017, according to their residual term is as follows:

	Up to 1 month	From 1 to 3month s	From 3 months to 1 year	From 1 year to 5 years	Above 5 years	Total
	BGN'000.	BGN'00 0	BGN'000	BGN'000	BGN'0 00	BGN'000
<b>FINANCIAL LIABILITIES</b>						
Deposits from banks	7 008	-	-	-	-	7 008
Credits from banks	4 361	-	6	172	-	4 539
Liabilities to other depositors	2 495 935	382 916	1 151 563	1 080 106	2 613	5 113 133
Other borrowed funds Issued bonds	-	-	-	778	- 70	778
	-	-	-	-	235	70 235
Liabilities provision	-	-	49	-	-	49
Other liabilities	14 821	-	-	-	848	15 669
<b>FINANCIAL LIABILITIES</b>	<b>2 522 125</b>	<b>382 916</b>	<b>1 151 618</b>	<b>1 081 056</b>	<b>73 696</b>	<b>5 211 411</b>

Financial liabilities of the Group are formed mainly by borrowing from other depositors – deposits of natural persons and legal entities.

The allocation of financial liabilities of the Group as of 31 December 2016, according to their residual term is as follows:

	Up to 1 month	From 1 to 3month s	From 3 months to 1 year	From 1 year to 5 years	Above 5 years	Total
	BGN'000.	BGN'00 0	BGN'000	BGN'000	BGN'0 00	BGN'000
<b>FINANCIAL LIABILITIES</b>						
Deposits from banks	8 375	-	-	-	-	8 375
Credits from banks	8	-	20	218	-	246
Liabilities to other depositors	2 054 276	410 658	1 147 977	1 075 417	1 459	4 689 787
Other borrowed funds Issued bonds	4	21	14	778	- 70 126	817
	-	-	-	-	70 126	70 126
Liabilities provision	-	-	1 205	-	-	1 205
Other liabilities	12 375	-	-	-	-	12 375
<b>FINANCIAL LIABILITIES</b>	<b>2 075 038</b>	<b>410 679</b>	<b>1 149 216</b>	<b>1 076 413</b>	<b>71 585</b>	<b>4 782 931</b>

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

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

# GENERAL RISKS AND UNCERTAINTIES

## Fair value measurement

### - Fair value measurement of financial instruments

Financial assets and liabilities at fair value in the consolidated financial statements of financial position are grouped into three levels according to the fair value hierarchy

This hierarchy groups is based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset that are not based on observable market data.

A financial asset is classified at the lowest level of significant inputs used in measuring fair value.

31 December 2016	Note	Level 1	Level 2	Level 3	Total
		BGN '000	BGN '000	BGN '000	BGN '000
<b>Assets</b>					
<b>Financial assets held for trading</b>	a)		219		
		1 207 221	138	3 965	1 430 323
<b>Financial assets available for sale</b>	b)	560 077	-	104 118	664 195
<b>Total</b>			219		
		1 767 298	138	108 083	2 094 518
<b>Liabilities</b>					
<b>Derivatives</b>	c)	-	3 396	-	3 396
<b>Total</b>		-	3 396	-	3 396

There have been no transfers between levels 1 and 2 during the reporting period

### Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

#### a) Listed equity instruments

All listed equity investments are denominated in BGN and are publicly traded on the Bulgarian Stock Exchange, Sofia. Fair values have been determined by reference to their quoted bid prices at the reporting date.

#### b) Non-listed equity instruments

The fair value of these instruments is based on observed rates of recent market transactions with shares of similar companies, adjusted for specific factors.

#### c) Derivatives

## GENERAL RISKS AND UNCERTAINTIES

When derivative financial instruments are traded on stock markets or liquid OTC markets, the Group uses the closing prices on the stock markets at the reporting date. When derivative financial instruments are not traded on active markets, the fair value of these contracts is determined by using valuation techniques using observable market data (Level 2).

### d) Loans in BGN

The fair value of loans is determined by using valuation techniques.

All significant inputs to the model are based on observable market prices, namely market interest rates on similar loans with similar risk.

### - Fair value measurement of nonfinancial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2017:

31 December 2017	Level 1	Level 2	Level 3	Total
	BGN '000	BGN '000	BGN '000	BGN '000
<b>Investment property:</b>				
- Land, building, machines and equipment	-	-	405 502	405 502

Fair value of the Company's main property assets is estimated based on appraisals performed by independent qualified valuers.

Land, buildings, machines and equipment (Level 3)

The land, buildings, machines and equipment are revaluated on 31 December 2017.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:

	Investment properties Land, buildings, machines and equipment BGN '000
Balance at 1 January 2017	337 574
Gains or losses recognised in profit or loss - change in fair value of investment property	2 108
Acquisitions and reclassification	82 833
Disposals and reclassification	(17 013)
Balance at 31 December 2017	405 502
<b>Total amount included in Income from non-financial activities as a result of unrealized gains or losses from assets held at the end of the reporting period</b>	<b>2 108</b>

## GENERAL RISKS AND UNCERTAINTIES

- **Capital management policies and procedures**

The Group's capital management objectives are:

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

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

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

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

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

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

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

	2017	2016
	BGN '000	BGN '000
<b>Shareholders' equity</b>	<b>1 673 248</b>	<b>1 603 160</b>
<b>Equity</b>	<b>1 673 248</b>	<b>1 603 160</b>
<b>Debt</b>	<b>6 893 609</b>	<b>6 305 312</b>
<b>- Cash and cash equivalents</b>	<b>(2 204 904)</b>	<b>(1 767 126)</b>
<b>Net debt</b>	<b>4 688 705</b>	<b>4 538 186</b>
<b>Capital to net debt</b>	<b>1:2.80</b>	<b>1:2.83</b>

The increase in ratio during 2017 is primarily a result of the increase in the Group's net debt due to its bank and other activities. The Group has honored its covenant obligations, including maintaining capital ratios.

# CONSOLIDATED DECLARATION OF CORPORATE MANAGEMENT

The consolidated declaration of corporate management of the Group of Chimimport AD is prepared pursuant to the Bulgarian legislation requirements and principles of good corporate management, set out in the National Corporate Governance Code, the Commercial Act (CA), the Public Offering of Securities Act (POCA), the Accountancy Act (AA), the Independent Financial Audit Act (IFAA) and other laws and regulations and internationally recognized standards. The declaration of corporate management is prepared in accordance with the requirements of Article 39 of the Accountancy Act and Article 100n of POCA.

The Corporate Governance Declaration of the Chimimport Group applies to public companies in the Group.

The Individual Corporate Governance Declarations are integral part of the individual company activity reports for 2017 and have been published at 31 March 2018.

## **1. Information under Article 100m, paragraph 8, subparagraphs 1 and 2 of POCA**

**Implementation, enforcement and compliance, as appropriate, by Chimimport AD of the principles of the National Corporate Governance Code.**

As at 18 January 2008, Chimimport AD embraced the National Corporate Governance Code and conducts its activity in accordance with the set principles and provisions.

In its activities Chimimport AD is governed by the national corporate governance principles recommended for application by the National Committee on Corporate Governance, reflecting the international standards of good corporate governance and best practices. The management of Chimimport AD aims at strengthening the principles of good corporate governance, enhancing the confidence of shareholders, investors and other stakeholders interested in the management and operations of the Company. The management of Chimimport AD considers that the effective application of the good corporate management practices, contribute to sustainable growth and reaching the long-term goals of the Company, and to establish transparent and honest relationships with all stakeholders.

Information on corporate governance practices applied by the issuer in addition to the corporate governance code approved by the Deputy Chairperson or any other corporate governance code

Chimimport AD does not apply other corporate management practices in addition of the National Corporate Governance Code.

Explanation by the issuer as to which parts of the corporate management code, approved by the Deputy Chairperson or any other corporate governance code the issuer does not comply with and to what was the ground for the non-compliance when the issuer opted not to refer to any of the rules of the corporate management code

The basic principle of the National Corporate Governance Code is the principle of “comply or explain”. The Company aims to comply with the recommendations of the Code and in case of deviation, the management provides explanations on the reasons for the non-compliance.

Chimimport AD presents the current information regarding compliance with the Code, and the same will be published on the website of the company.

### **INFORMATION REGARDING CORPORATE MANAGEMENT**

Chimimport AD is a listed company with two-tier management system. All members of the Managing Board and the Supervisory Board comply with the legal requirements for their appointment.

# CONSOLIDATED DECLARATION OF CORPORATE MANAGEMENT

The managing bodies of the Company comprise: General meeting of the shareholders, Supervisory Board and Managing Board.

Members of the Supervisory Board:

1. Invest Capital AD
2. CCB Group EAD;
3. Mariana Bazhdarova.

Members of the Managing Board:

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

## ***Key functions, responsibilities, structure and competence***

The Supervisory Board of Chimimport AD consists of three members. It conducts regular control over the Managing Board, concerning the management of the Company by ensuring that the actions of the MB increase the interest of shareholders and facilitate the application of good corporate governance principles within the Company. The Supervisory Board, if necessary, may take the necessary steps to facilitate their duties through consultations with experts. The Supervisory Board shall appoint and dismiss members of the Managing Board delimiting the powers delegated to them, the application of their powers and the frequency with which they are to report to the SB. The Supervisory Board assesses the overall performance the Company, paying special attention to the information received by the Managing Board and periodically reconciles and analyses the difference between the achievements and goals. The Supervisory Board monitors and controls the process of disclosing information by the Company.

The Supervisory Board has included restrictions in its internal rules on the maximum number of companies in which members of the Managing and the Supervisory Board of Chimimport AD can sit on the managing and supervisory bodies, participation in which is considered acceptable in view of the requirement for effective implementation of obligations as a member of the boards of the Company. The Supervisory Board has set criteria that distinguish participations in other companies, depending on the position held and the time that each of the positions requires for the relevant obligations.

Following the requirements of the POSA and the Statute of the Company, the Supervisory Board, if necessary, reassesses the structure of the Managing Board, the division of duties, powers and the remuneration of each member of the MB. In carrying out its activities, the Supervisory Board members are obliged to perform their duties with due diligence in a manner that reasonably believed is in the interest of all shareholders and by using only information that they reasonably believe is reliable and complete, and show loyalty to the Company under POSA.

The Supervisory Board of the Company is supported by the Audit Committee. The structure and functions of the Committee are set out in the Internal rules of operation of the Audit Committee of Chimimport AD.

The Managing Board of Chimimport AD consists of six members. The competence, rights and obligations of the Managing Board are conducted in accordance with the legal requirements, the requirements of the current Company's Statute and the rules for its operation as approved by the Supervisory Board. The Managing Board reports, on its activities, to the Supervisory Board at least quarterly. The Managing Board shall immediately notify the chairman of the Supervisory Board of any circumstances that are essential for the Company. The Managing Board provides to the Supervisory Board the Annual Financial Statements, the Annual Activity Report and the Independent Auditor's Report, together with proposal for profit distribution, which will be brought to the General Meeting of Shareholders.

The Managing Board governs in accordance with the established vision, goals and strategy of Chimimport AD.

The Board members are guided in their activities by the generally accepted principles of integrity and management and professional competence.



# CONSOLIDATED DECLARATION OF CORPORATE MANAGEMENT

## ***Appointment and dismissal of board members***

Members of the Supervisory Board are appointed and dismissed by the General Meeting of the Shareholders, in accordance with the Company's Statute.

Members of the Managing Board are appointed by the Supervisory Board, which also determines their remuneration and can dismiss them at any point in time.

## ***Remunerations of the Managing and Supervisory Boards***

The General Meeting of the Shareholders has affirmed the remuneration policy of the Managing and Supervisory Boards of the Company, developed by the Supervisory Board.

The remuneration paid to the members of the Managing and Supervisory Boards of the Company, may be permanent (fixed) or variable in the form of premiums, bonuses, retirement benefits and other incentives, based on assessment criteria of the conducted activities. The proportion of the fixed remuneration in the total amount of the remuneration shall allow the implementation of flexible policy by the Company on the variable remuneration of the members of the Managing and Supervisory Boards of the Company. In 2017, the Company shall update the policy with the recommendation of the Code, namely the remuneration of the members of the SB to conform their activities and obligations and not be bound to the results of the Company operations and will present it to the General Meeting of the Shareholders for approval.

The remuneration policy observes the following principles and criteria:

- Consistency of the remunerations with the business goals and development strategy of the Company, the protection of the interests and promotion of the values of Chimimport AD;
- Providing remuneration that allows attraction, retention and motivation of board members with the necessary skills for successful management and development of the Company.
- Excluding discrimination, conflict of interest and unequal treatment of members of the Supervisory Board of the Company in setting and negotiating remunerations;
- Appreciation of the duties and input of each member of the Managing Board in the performance and results of the Company.

The Management discloses the remunerations of the Managing Board in accordance with the legal requirements and Company's policies regularly within the quarterly financial statements. Shareholders are provided easy access to information on remunerations.

## ***Conflict of interest***

The members of the Supervisory and Managing Boards avoid any real or potential conflict of interest. Procedures for preventing and detecting conflicts of interest are regulated by the statutes of the Company.

## ***Committees***

The Company has set Audit Committee in accordance with the requirements of the Independent Financial Audit Act of public interest companies.

In view of the change in the regulatory framework regarding requirements for Audit Committees, changes in the composition of the committee will be proposed at the next general meeting of the shareholders, as to comply with the new requirements of the IFAA. The Management of the Company will prepare and submit for approval to the General Meeting of Shareholders the statute of the Audit Committee regulating its structure, scope, tasks, operation and reporting procedures consistent with the new requirements of the legislation.

## **INFORMATION REGARDING CONDUCT OF AUDIT AND INTERNAL CONTROL**

The Companies from the group have developed and implemented internal control system that ensures the proper identification of risks associated with the Company's operations and supports their effective management, and adequate operation of the reporting systems and disclosure of information.

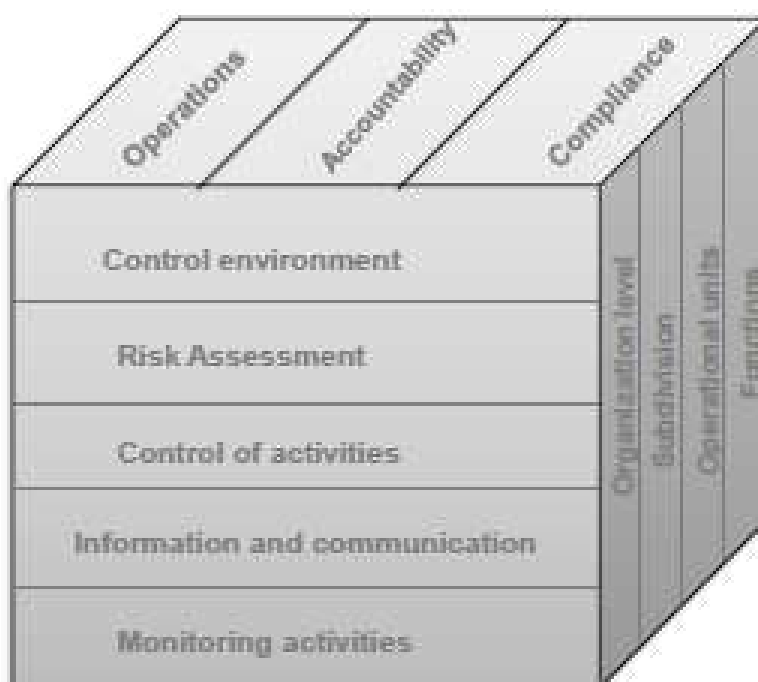
Internal control and risk management are dynamic and iterative processes carried out by management and supervisory bodies designed to provide a reasonable degree of certainty in terms of achieving the organization's objectives in terms of efficiency and effectiveness of operations; Reliability of financial statements; Compliance and enforcement of existing legal and regulatory frameworks.

# CONSOLIDATED DECLARATION OF CORPORATE MANAGEMENT

The main components of internal control systems are:

- Control environment
- Risk Assessment
- Activity control
- Information and communication
- monitoring activities

These components are relevant to the overall organization and to its individual levels and subdivisions, or to individual operational units, functions or other structural elements thereof, and this relationship is represented by the “COSO” Cube<sup>1</sup>



One of the main objectives of the internal control and risk management system is to assist the management of the companies and other stakeholders in assessing the reliability of the financial statements of the companies.

The Audit Committees apply the requirements of the Code of Ethics for Professional Accountants on the rotation of registered auditors when drafting proposals and recommendations for the selection of external auditors. They supervise internal audit activities and monitor the overall relationship with the external auditor, including the nature of the non-audit services provided by the auditor of the company.

Registered auditors are elected by the individual General Meetings of the Shareholders of the various companies to perform an independent financial audit of the annual financial statements of the companies for 2017 in accordance with the requirements of the Independent Financial Audit Act.

<sup>1</sup> The Committee of Sponsoring Organizations of the Treadway Commission (COSO) - Basic Concept of Internal Control

# CONSOLIDATED DECLARATION OF CORPORATE MANAGEMENT

The independent financial audit covers procedures to achieve a reasonable level of security:

- compliance with the accounting principles according to the applicable accounting basis;
- whether the accounting policy of the audited entity is appropriate for its operations and is consistent with the applicable accounting and accounting policies used in the industry concerned;
- the consistency of the application of the disclosed accounting policy under the applicable accounting basis;
- the effectiveness of the internal control system limited to the achievement of the audit objectives;
- the process of accounting closure and preparation of the financial statements
- the reliability and user-friendliness of the information presented and disclosed in the financial statements according to the applicable accounting basis.
- the consistency between the information in the financial statements and that in the management report of the audited entity as well as any other information that the management of the entity provides with the audited financial statement

To ensure the effectiveness of the external auditors of Chimimport AD, the Managing Board implements measures to ensure effective implementation of the obligations of auditors of the Company based on the requirements of the Independent Financial Audit Act.

## **INFORMATION ON PROTECTION OF THE RIGHTS OF SHAREHOLDERS**

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

The Company applies established rules of the organization and conduct of regular and extraordinary General Meetings of Shareholders.

The protection of shareholders' rights is ensured through:

- facilitation of the shareholders' effective participation in the work of the General Meetings of shareholders through timely disclosure of all materials for the GMS, on the following websites: [www.x3news.com](http://www.x3news.com), [www.investor.bg](http://www.investor.bg) and [www.chimimport.bg](http://www.chimimport.bg).
- transparent procedures regarding organization and conduct of regular and extraordinary General Meetings of Shareholders;
- established procedures on representation of shareholders at the GMS, including templates of letter of attorney both in Bulgarian and English;
- providing opportunity for participation in the profit distributions to the Company, if the General Meeting of Shareholders adopts a specific resolution for dividend distribution;
- implementing a policy to assist shareholders in exercising their rights

## **INFORMATION ON PROCEDURES FOR DISCLOSURE OF INFORMATION**

The Company has adopted rules for internal personnel and internal information, that regulate the obligations, order and responsibility for the public disclosure of inside information for Chimimport AD, prohibit insider trading and market manipulation of financial instruments. The public information regarding the activities of Chimimport AD is presented to the Financial Supervisory Commission, the Bulgarian Stock Exchange - Sofia AD and the investing community, distributed through the information agency X3 NEWS - [www.x3news.com](http://www.x3news.com).

Chimimport AD regularly updates its corporate website [www.chimimport.bg](http://www.chimimport.bg) both in Bulgarian and English, consistent in structure and volume with the information provided with the recommendations of the National Code and established good practices on systems of disclosure of information.

The website provides general information about the Company and the segments of operations of all companies within the economic group, current data on the financial and economic situation of the Company, including interim and annual financial statements of Chimimport AD on an individual and consolidated basis, as well as information on the Group structure, corporate governance and management of the company, corporate documents prepared and approved by the Managing Board of the

# CONSOLIDATED DECLARATION OF CORPORATE MANAGEMENT

Company and the securities issued. All shareholders, investors and interested parties can obtain information about upcoming and already held important corporate events, meetings of the General Meeting of Shareholders and the planned investment policy of the Company.

## INFORMATION ABOUT INTERESTED PARTIES AND RECOGNITION OF THEIR RIGHTS AND INTERESTS

The Company has not developed its own rules on accounting for the interests of stakeholders, but for all matters that directly or indirectly affect them, coordination procedures are carried out.

Chimimport AD identifies as stakeholders with respect to its activities all persons who are not shareholders and who have an interest in the economic prosperity of the Company:

- bondholders,
- employees,
- clients,
- suppliers,
- bank – creditors;
- the public, in general.

Within its policy towards stakeholders, the Company complies with the legal requirements and principles of transparency, accountability and business ethics. The Stakeholders are provided with the necessary information about the company's current data of the financial situation and everything that would help correct their orientation and make an informed and reasoned decision.

## **2.Information under Article 100m, paragraph 8, subparagraph 3 of the POSA**

### ***Characteristics of the internal control and risk management systems***

#### ***Internal control and risk management***

The Managing Board is responsible for the internal control and risk management systems and monitors their effectiveness.

These systems are created to manage but cannot fully eliminate the risk from falling behind the set business objectives. They can only provide reasonable, but not absolute assurance on the lack of any substantial inaccuracies or errors. The Managing Board has established an ongoing process for identifying, evaluating and managing significant risks for the Company.

#### ***Internal control***

Every year, the Company reviews and confirms the degree of compliance with the policies of the National Corporate Governance Code.

All major plans and programs of the Company require approval by the Managing Board.

There are limits to the authority to ensure that the appropriate approvals are obtained, if the Board is not required to verify the segregation of duties.

Financial policies, controls and procedures are enforced within the Company and are reviewed and updated regularly.

The main activities comprised within the system of internal control of the Company are:

- Control over the functioning of the current reporting and documentation of the Company;
- Maintaining the high competence of personnel with financial and reporting functions;
- Control over the content, accuracy and timeliness of financial statements;
- Completeness of the range and reliability of the financial information system;
- Lawful implementation of tax and social security obligations;
- Protection and preservation of assets;

# CONSOLIDATED DECLARATION OF CORPORATE MANAGEMENT

- Control over disposal of assets and resources.

A system of internal control and risk management operates to ensure the effective functioning of the reporting and disclosure of information. The internal control system is built and functions to identify inherent risks of the company and support their effective management.

The code of conduct of employees of Chimimport AD, determining the required levels of ethics and conduct, is communicated to all employees and any amendments to it are included in the employee training.

Management has overall responsibility of ensuring proper maintenance of accounting data and processes to ensure that financial information is relevant, reliable, consistent with applicable law and the financial statements and management reports are prepared and published by the Company in due course. The Company's management reviews and approves the financial statements to ensure that the financial position and results of the Company are presented fairly and correctly. The financial information, published by the Company is subject for approval by the Supervisory Board.

Annual review of the internal control environment is carried out by the Managing Board, with the assistance of the Audit Committee.

## ***Analysis and risk management***

The Managing Board determines the main risks of the Company regularly and monitors throughout the year the measures to address those risks, including through internal control and monitoring. The risk analysis includes business and operational risks, health and safety of employees, financial, market and operational risks, reputation risks, which may affect the Company, as well as specific areas identified in the business plan and the budget process.

All significant plans relating to the acquisition of assets or realization of operating income include consideration of relevant risks and appropriate action plans.

Inherently the risk management is a set of processes to identify, assess and control the risks that ensure that the objectives of the Group of Chimimport AD are met and effective management is achieved. Risk management is systematic, structured and in due time and thus facilitates continuous improvement of the organization.

The risk management system comprises the following activities:

- identification of the different groups of risks (indicated in the reports on the activities of the group)
- evaluation and risk analysis (indicated in the reports on the activities of the group)
- monitoring and procedures that will be applied to prevent or reduce the effects of onset risks.

Risk management is part of the internal control system. The goal of management is to detect risks that cast doubt on the functioning of the company, to assess and reduce critical risks. Well-managed risk-taking is a prerequisite for sustainable improvement of the organization. The Company management seeks to develop an active risk management by introducing a risk management system and directing efforts to improve it in line with international best practices.

The risk management system defines the duties and responsibilities in the structural divisions of the Company, organization, and procedure for interaction in risk management, analysis, and evaluation of information related to risks, preparing periodic reporting on risk management.

The internal control system and the risk management system are continuously improved following the legislative requirements and best practices. Their goals may be summarized as follows: compliance with the strategies, plans, internal regulations and procedures for the implementation of the activities to ensure effective and efficient operations, reliable financial reporting, storage and protection of assets. Risk management in Chimimport AD is performed by employees at all levels of management and is an integral part of operations and the corporate governance of the Company.

## ***Statement by the directors on the Annual Activity Report and the Financial Statements***

Pursuant to the requirements of the Code, the directors confirm their responsibility for preparing the annual activity report and the annual financial statements and consider the Annual Activity Report is

# CONSOLIDATED DECLARATION OF CORPORATE MANAGEMENT

transparent, balanced and understandable and provides the necessary information to shareholders, to assess the Company's position and operations, its business model and strategy.

## ***Responsibilities and interaction between the Supervisory Board, the Audit Committee and the external auditor of the Company***

As a public company, according to the Independent Financial Audit Act and the National Corporate Governance Code, Chimimport AD has established an Audit Committee, which is responsible for monitoring of the financial reporting and the independent financial audit as well as the effectiveness of the internal audit function and control and risk management systems of the Company.

At the General Meeting of Shareholders held on 01 July 2013, under the proposal of the Managing Board, the shareholders of Chimimport AD elected the following Audit Committee members: Dina Krasteva Paskova - Chairperson, Mariana Zarkova Parvanova and Zornitza Krasimirova Aleksova - members. The structure and functions of the Committee are defined under Article 108, Paragraph 1 of the Independent Financial Audit Act.

The Committee recommends the registered auditor to conduct an independent financial audit of the company and monitor its independence in accordance with the law and the Code of Ethics for Professional Accountants.

The mandate and the number of members of the Audit Committee shall be determined by the General Meeting of Shareholders.

The functions and responsibilities of the Audit Committee are regulated by the Rules of the Audit Committee.

Committee members have unlimited access to the members of the Supervisory Board, the Managing Board and the senior management personnel directly responsible for the activities falling within the scope of the delegated competence of the Committee.

The Audit Committee reports its activity to the General Meeting of Shareholders annually.

The main functions of the Audit Committee include:

- to monitor the financial reporting processes;
- to monitor the effectiveness of internal control systems;
- to monitor the effectiveness of risk management systems;
- to monitor the independent financial audit on the Company;
- to oversee the independence of the registered auditor of the Company in accordance with the IFAA and monitor the provision of ancillary services by the auditor

## ***3. Information in accordance with Article 10, paragraph 1, items "c", "d", "f", "h", and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004.***

### **3.1 Information in accordance with Article 10, paragraph 1, item "c" of Directive 2004/25/EC on takeover bids regarding significant direct and indirect shareholdings (including indirect shareholdings through pyramUIC structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC.**

In 2017, no changes have been made relating to the acquisition or sale of shares of the Company that reach, exceed or fall below one of the thresholds of 10%, 20%, 1/3, 50% and 2/3 of the voting rights of the Company for the period as defined in Article 85 of Directive 2001/34 / EC.

The share capital of the Company as of 31 December 2017 consists of 239,646,267 ordinary shares with par value of BGN 1 per share. The ordinary shares of the Company are dematerialized, registered and freely transferable and entitle to one (1) vote and liquidation share.

On 15 June 2016, all preferred shares of the Company issued on 12 June 2009, were mandatory converted into ordinary, per the prospectus for the issue.

The list of major shareholders holding more than 5% of the shares of the Company is as follows:

# CONSOLIDATED DECLARATION OF CORPORATE MANAGEMENT

	Ordinary shares As a t 31.12.2017	Ordinary shares As a t 31.12.2017
Invest Capital AD	174 847 247	72.96%
Other legal entities and individuals not exceeding 5%	64 799 020	27.04%
	239 646 267	100.00%

### **3.2 Information in accordance with Article 10, paragraph 1, item “d” of Directive 2004/25/EC on takeover bids regarding the holders of any securities with special control rights and a description of those right**

Chimimport AD has no shareholders with special control rights..

### **3.3 Information in accordance with Article 10, paragraph 1, item “f” of Directive 2004/25/EC on takeover bids regarding any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company’s cooperation, the financial rights attaching to securities are separated from the holding of securities;**

There are no restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company’s cooperation, the financial rights attaching to securities are separated from the holding of securities

### **3.4 Information in accordance with Article 10, paragraph 1, item “h” of Directive 2004/25/EC on takeover bids regarding the rules governing the appointment and replacement of board members and the amendment of the articles of association;**

The management bodies of the Company are:

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

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

The members of the Managing board are appointed by the Supervisory Board, which can replace them at any time. One individual cannot be both a member of the Managing and Supervisory Board. Members of the Managing Board may be re-elected without limitation.

Members of the Managing Board of “Chimimport” AD are elected only if they meet the following legal requirements:

- be either individuals or legal persons;
- at the moment of election have not been convicted of crimes against property, economy or against the fiscal, tax and
- insurance authorities of the Republic of Bulgaria or abroad, unless rehabilitated;
- are not members of the managing or supervisory body of a company terminated due to bankruptcy in the past two years preceding the date of the declaration of insolvency, if any unsatisfied creditors remain;

Amendments to the Articles of Association of the Company are approved by General Meeting of the Shareholders.

### **3.5 Information in accordance with Article 10, paragraph 1, item “i” of Directive 2004/25/EC on takeover bids regarding the powers of board members, and in particular the power to issue or buy back shares;**

The amount of capital may be amended in the manner provided by the law and the Statutes of the Company. The decision to amend shall contain all the details required by law.

# CONSOLIDATED DECLARATION OF CORPORATE MANAGEMENT

The decision to increase the capital is taken by the General Meeting of the Shareholders or the Managing Board, within the mandate under Article 17 of the Statute of the Company.

If new shares are sold at a price higher than nominal, their issue price is determined with the decision to increase the capital.

Each shareholder is entitled to acquire part of the new shares, which corresponds to its share capital before the increase, unless that right is limited by law (Article 113, paragraph 2, subparagraph 2 of the Public Offering of Securities Act).

In the event of a capital increase through the capitalization of retained earnings and other assets by issuing new shares, the latter shall be acquired by the shareholders in proportion to shares already owned.

In its decision for capital increase under Article 17, the Managing Board sets the amount and purpose of the increase; the number and type of the new shares, their rights and privileges, deadline and conditions of transfer of rights under § 1, p. 3 of POSA issued against existing shares; the deadline and conditions for subscription of new shares; the amount of the issue price and terms and conditions for its payment; the investment intermediary entrusted with the implementation of the subscription; as well as determines any other terms and conditions provided for in the regulations or necessary to make the corresponding increase in equity.

#### **Capital decrease**

The capital reduction is carried out by decision of the General Meeting of Shareholders by decreasing the nominal value of shares or through cancellation of shares.

Cancellation of shares shall be allowed only through the purchase of company's own shares under the conditions and according to the Commercial Code.

#### **4. Composition and functions of the administrative, management and supervisory bodies**

The Supervisory Board of Chimimport consists of 3 members who are elected by the General Meeting of the Shareholders for a term of five years.

The Supervisory Board performs its activities in conformity with the Statute of Chimimport AD and the Internal rules of the Supervisory Board.

The Managing Board of Chimimport AD consists of six members who are elected by the Supervisory Board for a term of five years.

The Managing Board performs its activities in conformity with the Statute of Chimimport AD and the Internal rules of the Managing Board.

In carrying out their duties and responsibilities the members of the Managing and Supervisory Boards are governed by the legal requirements, by-laws of the Company and the standards of integrity and competence.

The Managing Board:

- governs and represents Chimimport AD;
- manages the operating activities of the Company;
- approves plans and programs for the Company's activities;
- approves the organizational and managerial structure of the Company;
- approves decisions that are not in the express competence of the General Meeting of the Shareholders and the Supervisory Board;
- decides on capital increase or decrease under the Articles of Association;

The Managing Board, with the approval of the Supervisory Board:

- approves and proposes for approval to the General Meeting of Shareholders the annual financial statements and the activity report of the Company;
- based on the financial performance of the Company at the end of the reporting year, makes a proposal on the appropriation of the profit



# CONSOLIDATED DECLARATION OF CORPORATE MANAGEMENT

Members of the Managing Board are guided in their activities by the generally accepted principles of integrity and management and professional competence.

Members of the Supervisory and Managing Board apply the principle of avoidance and prevention of actual or potential conflict of interest. Any conflict of interest should be disclosed to the Supervisory Board. Members of the Managing Board should inform the Supervisory Board about whether directly, indirectly or on behalf of third parties have a significant interest in any transactions or matters that have a direct impact on the Company.

## **5. Description of the diversity policy**

Chimimport AD, appoints and recommends for election by the Supervisory Board, candidates for members of the Management Board, taking into account the balance of professional knowledge and skills, the various qualifications and professional experience of the members of the board, necessary for the management of the Company.

CHIMIMPORT

# NON-FINANCIAL DECLARATION

This Non-financial Statement of Chimimport AD is prepared in accordance with the requirements of Art. 48 of the Accountancy Act and is an integral part of the Annual Activity report of Chimimport AD for 2017.

The management of Chimimport AD declares its SOCIAL RESPONSIBILITY POLICY, which is documented, implemented, maintained and communicated at all levels of the company structure.

Chimimport's Corporate Social Responsibility Policy is geared towards implementing strategic management activities that contribute to sustainable economic development, fair and ethical working relationships with employees, their families and society as a whole in order to improve the quality of life.

The management is committed to creating the necessary conditions for complying with the requirements of the Social Responsibility System and for the active assistance of the management and executive staff in its development.

Company's general principles on social responsibility include:

- compliance with applicable national legal and other requirements and respect for international instruments and their interpretation in the field of social responsibility;
- preventing child labor in contravention of labor law;
- non-participation or assistance in the use of forced or compulsory labor;
- preventing trafficking in human beings;
- ensuring healthy and safe working conditions for its employees;
- respect for human rights and fundamental freedoms as set out in the Universal Declaration of Human Rights;
- protecting common human values;
- developing and motivating staff;
- ensuring security of payments;
- maintaining adequate remuneration of labor with timely payment of salaries, taxes and types of social security contributions for employees and workers;
- ensuring that the policy is documented, implemented, maintained and disseminated in accessible and comprehensible form to all employees, including management, technical and executive staff as well as subcontractors and suppliers;

# NON-FINANCIAL DECLARATION

## I. Business model

For its more than 70 years of existence, Chimimport AD has become a successful foreign trade company specializing in the trade in chemical products in a large-scale holding company that brings together nearly 70 subsidiaries and associated companies operating in different sectors of the Bulgarian economy.

The company's priority investments are concentrated in the following industries:

- Banking, Finance, Insurance and Pension Insurance;
- Oil and gas extraction;
- Manufacture and trade in petroleum and chemical products;
- Capacity building in the petroleum, biofuel and rubber industry;
- Production of vegetable oils, purchase, processing and marketing of cereals;
- Aviation transport and ground handling activities for the maintenance and repair of aircraft and aircraft engines;
- River and maritime transport, port infrastructure;
- Securitization of real estate and receivables;
- Commercial representation and mediation;
- Commissioning, logistics and warehousing.

The main strategy and investment policy of Chimimport AD are focused on positioning the group as a significant partner in servicing the traditional trade flows for the country and the region. In particular, this motivates the group to enter into sectors such as transport, agriculture, financial operations and real estate. The financial sector is another area where the group strives to offer a full range of services to its clients.

The business model of the group is built to implement the above-defined development strategy based on maintaining and expanding the company's leading role in the sectors identified as important for the Bulgarian economy.

Some of the more specific objectives set by the management of Chimimport AD are:

- maintaining high growth rates of the Group's assets and equity, which is related to ensuring stable long-term returns to shareholders;
- validation of Chimimport AD as a holding with a strong presence in the economy of Bulgaria and Central and Eastern Europe;
- maintaining a leading position among the public companies in Bulgaria and improving the international reputation of the group.

## II. Policy description

For Chimimport AD the highest priority is to adhere to high standards in all its business relationships. The company's procedures have mechanisms in place to ensure that senior management and all stakeholders have the adequate and effective functioning of internal control, risk management, accountability and transparency systems.

The company applies a clear and categorical policy as well as transparent procedures for assessment, selection and interaction with its partners, suppliers, customers and all stakeholders. In addition to providing reliable and high-quality products and services, Chimimport's employees aim to precisely serve the needs, rights and interests of our clients, seek mutual benefit, comply with the law and internal rules and operate in full confidentiality, according to the requirements of current legislation in the country.

Chimimport AD imposes serious resources and efforts to investigate, formulate and select the appropriate solutions to prevent the occurrence of any problem encountered in practice.

### Ethics Business Code of Chimimport AD

In order to control the ethical aspects of the work of Chimimport AD employees, the Code of Conduct and Professional Ethics of the company has a system of rules that are systematically updated and supplemented.

## NON-FINANCIAL DECLARATION

The Code sets out the principles of honesty, loyalty and conscientiousness, as well as stringent requirements for employee behavior regarding their personal and professional ethics. It contains rules and norms that guide employees in their day-to-day work and set the tone of their relationship both within the company and with third parties.

### Anti-Corruption Policy

Chimimport AD does not tolerate any form of bribery or corruption. In particular, the company agrees to refrain from any action or conduct that might be perceived as active or passive bribery.

Employees are obliged to comply with the Money Laundering Act, the Implementing Regulations of the Money Laundering Act, the Act on Measures against the Financing of Terrorist Activity and the Internal Rules for the Control and Prevention of Money Laundering and Financing of Terrorist Activity.

Well-tested procedures are applied and they guarantee the company's assets and prevent insider trading and potential employee abuse. Apart from customer care, business partners, authorities and the public, all employees of Chimimport AD are also committed to ensuring fair treatment of all their colleagues and to strictly adhere to the requirements of the Protection against Discrimination Act.

The management of the company is aware that his professional and life example has a greater impact on employees than spoken or written words. That is why each of them strives to be an example of imitation in terms of professional ethics and high moral qualities, and in his duties to be guided by values such as honesty, fairness, precision, loyalty, respect and prudence. The management shares the belief that good corporate governance is not limited to covering the requirements set out in the legal framework, but above all is a matter of deep internal conviction. For Chimimport AD, good corporate management implies first and foremost respect for shareholders who have confided in MB, as well as awareness of the immediate and long-term benefits of management transparency.

### Employee policy

Led by the challenges of today's market environment and responding to rising requirements, management believes that successful business and stable development are only possible through focusing on quality across the whole range of activities of Chimimport AD.

As one of the largest employers in the country, employing nearly 6 000 people, Chimimport is aware that the way it treats its employees and the social benefits it provides is among the main mechanisms by which the company can work for the public good.

Therefore, since its inception, the company has invested in the continuous improvement of its human resources by applying precise methods of selection, training, evaluation and rewarding of staff. These practices build on the leadership's belief that people are their most valuable asset and the prerequisite for future growth.

Chimimport AD and the group attach great importance to:

- Job candidates based on their personal qualities and merits, based on a careful assessment of the knowledge, competence and professionalism of potential employees. It gives equal opportunity to all decent candidates to become part of their team regardless of their gender, ethnic origin, public position, beliefs, political views or any other factors unrelated to their professionalism and skills.
- Ensuring equal opportunities for training and career development for all employees, regardless of their current position.
- Creating a work environment that values, recognizes and rewards the efforts and achievements that are among the core values of the organization.

### Developing the potential of employees

Chimimport AD seeks to direct its employees to business activities that would allow the full deployment of their potential and the realization of their personal and professional ambitions. Emphasis is also placed on the development of qualities that allow the continuous growth of employees and hence of the whole organization.

The staff development policy at Chimimport AD enables employees of all hierarchical levels who have proven their professional qualities to be promoted not only within the same management / branch but also

# NON-FINANCIAL DECLARATION

to be re-appointed to other positions in the organization, possess the experience and professional qualities required for the new positions.

Last but not least, Chimimport AD is of the utmost importance to retain and develop its cadres and consistently makes efforts in this direction. Throughout the year, staff development programs are being set up to explore and improve the professional qualities of its staff and to fully exploit their potential.

## Assessment of performance and development

The overall performance of a company undoubtedly depends on the individual performance and achievements of its employees. Therefore, it is extremely important for the company to objectively assess the contribution of each employee, which is done during the annual evaluation of performance and development. The annual evaluation aims to determine the remuneration of employees that corresponds to their performance and to help them to improve their skills constantly.

The annual evaluation procedure itself ensures transparency and objectivity. It allows staff to be assessed on the basis of the position they occupy and takes into account the different nature of the duties performed. The appraisal system does not only address the extent to which the objectives are met but also draws attention to the way the tasks are done. This promotes communication between evaluators and evaluates and encourages the professional and personal development of each employee.

## Labor remuneration and social benefits

The pay and additional benefits policy has been developed to attract, hire and retain highly qualified staff. It is based on the following principles: internal balance, recognition of the personal qualities of each employee, remuneration consistent with performance and competitiveness.

## Company's values:

- fairness-equal opportunities for development.
- quality-we strive for perfection in every endeavor
- respect- to our colleagues, clients and fellow citizens
- teamwork - we succeed when we are together
- trust -it also makes the impossible achievable
- social responsibility - we work with public care
- effectiveness-we are looking for innovative ideas in our quest for improvement
- creativity - we always aim to achieve our goals.

## III. Major risks related to environmental and social issues

The success of any business is inextricably linked to the well-being of the community within which it operates. That is why the daily operations of Chimimport AD are subject to the highest ethical principles and to the unwavering desire of the company to make a significant contribution to the development of Bulgarian society. Chimimport AD also welcomes new opportunities for initiatives that benefit local communities and increase civic awareness among its employees.

The policy of the company for environmental protection consists of:

1. Implement the activities in a way that guarantees the protection of the environment
2. Analysis and assessment of the impact on nature as a result of the activities of all the companies in the Group
3. Take precautionary measures against potential environmental pollution
4. Respect all laws and regulations as well as the internal regulations adopted by the company for environmental equilibrium.

The main environmental risks that are relevant to the company 's activities are related to non-compliance with environmental standards and established rules.

The main social risk faced by the company is the risk of an increase in the average age of the staff. Other employee-related risks are: the occupational risk and the low qualification of newly recruited personnel.

Future tasks to Chimimport AD are:

1. Getting new qualified staff and lowering the average age of staff.

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2. Limiting turnover to a minimum by introducing incentives to achieve results and expanding the social agenda 3. Training of newly recruited personnel Chimimport adheres to all its environmental and social policies.

Chimimport adheres to all its accepted environmental and social policies.

CHIMIMPORT

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Медии за разкриване на информация  
[www.x3news.com](http://www.x3news.com)

All current shareholders, interested persons/stakeholders and potential investors may receive the necessary information related to the activities of the company and its financial results at the following address:

2 "Stefan Karadja" Str., Sofia 1000, every Friday from 13.00 till 17.00.



FOR ADDITIONAL INFORMATION  
PLEASE VISIT OUR WEBSITE

[www.chimimport.bg](http://www.chimimport.bg)



### USEFUL LINKS

Financial Supervision Commission  
<http://www.fsc.bg/>

Bulgarian Stock Exchange  
<http://www.bse-sofia.bg/>

Central Depository  
<http://www.csd-bg.bg/>

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