

FOURTH QUARTER OF

2024



INTERIM ACTIVITY REPORT



INTRODUCTION

The current interim report on the activities of Chimimport AD is a commentary and analysis of the financial statements and other material information about the financial position and results of the Company for the fourth quarter of 2024.

The report is prepared in accordance with the requirements of the Accountancy Act, with Art. 100o of the Law on the Public Offering of Securities Act and the provisions of ORDINANCE № 2 of 09 November 2021.

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 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.




MIROLYUB IVANOV
CEO /Chief Executive Officer/

- **Information on important events that occurred in the fourth quarter of 2024**

- On 29.11.2024, Chimimport AD presented a Quarterly Consolidated Report for the third quarter of 2024.
- On 30.10.2024 Chimimport AD presented a Quarterly report for the third quarter of 2024
- On 18.09.2024, Chimimport AD presented the Regular General Meeting of shareholders Protocol for 2023.
- On 29.08.2024, Chimimport AD presented a Quarterly Consolidated Report for the second quarter of 2024.
- On 07.08.2024 Chimimport AD presented an invitation for the Regular General Meeting of shareholders
- On 30.07.2024 Chimimport AD presented a Quarterly report for the second quarter of 2024
- On 29.05.2024, Chimimport AD presented a Quarterly Consolidated Report for the first quarter of 2024 and the annual consolidated report for 2024.
- On 30.04.2024 Chimimport AD presented a Quarterly report for the first quarter of 2024
- On 01.04.2024 Chimimport AD annual individual report for 2023.
- On 29.02.2024, Chimimport AD presented a Quarterly Consolidated Report for the fourth quarter of 2023.
- On 30.01.2024 Chimimport AD presented a Quarterly report for the fourth quarter of 2023

- **Financial indicators**

- Due to the specific character 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.

INFORMATION ACCORDING TO REGULATIONS

BGN 33 811 thousand	• REVENUES/total/ 31.12.2024
BGN 20 315 thousand	• PROFIT BEFORE THE TAX 31.12.2024
BGN 18 794 thousand	• NET PROFIT OF SHAREHOLDERS 31.12.2024

**Detailed information on financial performance is described in the Interim Condensed Financial Statement.*

- **Impact of the important events for the Company that occurred in the fourth quarter of 2024.**

Legislators, regulators and users of non-financial information are currently paying a lot of attention to climate change. The EU has adopted the European Green Deal to transition to a more sustainable economic and financial system, and in the coming years detailed climate change reporting requirements will become applicable as part of European sustainability reporting standards under the upcoming Corporate Reporting Directive.

Risks induced by climate changes may have future adverse effects on the Company's business activities. These risks include transition risks (e.g., regulatory changes and reputational risks) and physical risks. How the subsidiaries and associated companies of the Group operate their businesses may be affected by new regulatory constraints on the CO2 emissions it generates. Some of the subsidiaries and associated companies are engaged in purchasing emission allowances according to Directive 2003/87/EC, ETS Directive - last amended by Directive (EU) 2018/410, thereby making a significant contribution to reducing the risks of carbon displacement emissions and are stimulating decarbonisation, through the inclusion of benchmarks for free allocation of emissions based on the performance of the best performing enterprises in a given sector. This aims to encourage efficient operators to improve their performance while rewarding those who achieve good results.

The company on an individual level is not directly affected by climate risks, mainly due to the fact that it operates as a holding company and the main activity is aimed at qualitative and quantitative increase in the volume of projects in all sectors in which the companies of its Group operate, development of modern, management strategies and their immediate implementation through its subsidiaries. Concrete reflections of climate change could materialize in the amount of dividend income received by subsidiaries and associated

companies that operate in the highly affected sectors from the point of view of sustainable development and its three main pillars. At the moment, most companies in the group of the most vulnerable segments have established and detailed measures to overcome changes of a climatic nature, as well as ways to reach the NetZero level of carbon emissions.

The activity of Chimimport AD is in accordance with the minimum limits under Art. 18 of Regulation/EU/2020/852 of the EP and of the Council and respects the principle "of not causing significant damage".

The effects of climate change can be in the context of two perspectives - the impact that a business can have through its activity on the climate, and the impact that climate change can have on its economic activity.

The activity of Chimimport AD has no direct impact on the environment. Regarding the third perspective, the effect would be indirect through the impact on the activities of subsidiaries and associated enterprises and respectively the income from dividends and administrative management services of the Company.

In the event of climate change actions in the future directly affecting the business, Chimimport AD undertakes to analyse the impact on the climate and reduce its carbon emissions, if any, by 50% by 2030 and to be carbon neutral no later than 2050.

Consistent with the prior year, as at 31 December 2023, the Company has not identified significant risks induced by climate changes that could negatively and materially affect the Company's financial statements. Management continuously assesses the impact of climate-related matters.

Assumptions could change in the future in response to forthcoming environmental regulations, new commitments taken and changing consumer demand. These changes, if not anticipated, could have an impact on the Company's future cash flows, financial performance and financial position.

- **Information regarding the transactions between the company and its related parties**
 - ***Related party transactions entered during the reporting period of the current financial year that materially affected the financial position or results of the company's operations in that period.***
 - The related parties of the Company include: the parent company, its subsidiaries, the key management personnel, and other parties. The key management personnel of the Company include the members of the Management Board and the Supervisory Board. During the reporting period there were no transactions that materially affected the financial position or the results of the company's activity during this period

INFORMATION ACCORDING TO REGULATIONS

- ***Changes in related party transactions disclosed in the annual report that have a material impact on the financial position or results of the company during the respective accounting period of the current financial year.***
 - During the reporting period there was no impact on the financial position or the results of the company's operations as a result of the changes in the related transactions with related parties, disclosed in the annual report.

GENERAL RISKS AND UNCERTAINTIES



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

Since Chimimport conducts business through its subsidiary companies exclusively, its financial position, operating results and prospects are in a direct relation to the position, results and prospects for its subsidiary companies, especially the Principal Subsidiaries. The stock exchange price of the Issuer's Shares reflects the business potential and assets of the Group as a whole. The ability of Chimimport to continue investing its own funds in the growth of the Group and to pay dividends to the holders of ordinary shares, should a decision to this effect be made by the Issuer's general meeting of shareholders, will depend on a number of factors related to its subsidiary companies, including the amount of profit and cash flows from the subsidiary companies and the growth in the stock exchange price of the shares in its subsidiary companies which are public companies and traded on the Bulgarian Stock Exchange Sofia (BSE), and for the last time in 2019 a dividend was paid.

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

Until now, the Group has developed its operations in Bulgaria primarily through acquisitions of companies and assets and Chimimport expects that these acquisitions will

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

Chimimport Group is in the process of introducing a number of reorganizations. The Group expects that these reorganizations will result in economies of funds and a more effective management of the businesses. There is no certainty, however, that Chimimport Group will manage to implement the planned reorganizations timely and completely, no that they will generate the expected benefits, including economies of expenses.

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

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

The Group “Chimimport” may choose inappropriate market strategy

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

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

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

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

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

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

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

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

Abrupt climate changes and natural disasters may have a negative impact on the yield of grains which will have an adverse effect on the grain business of the Group, including cargo turnover of Parahodstvo BRP and make it difficult to obtain payments on the loans to agricultural producers given by CCB. A decline in the yield of agricultural activities related to unfavorable climate conditions, pests or other reasons may lead to overdue receivables related to the sale of fertilizers with deferred payments and, as a result, to a decrease in the revenue of the Group from the production of and trading in chemical products. The coming into being of large-scale insurance events may lead to difficulties for ZAD Armeec with the compensation payments, irrespective of the reinsurance strategy of the company. Terrorist attacks on sites of the air, river and maritime transport in the region may bring about a reduction in the flow of travelers and traffic and to losses for the

companies of the transport branch of the Group: Air Company Bulgaria Air, and Parahodstvo BRP. The activities of the latter may suffer the negative impact of changes in the navigability of the Danube. Both extremes – a critically low and a critically high BGNel of the river - are exceedingly problematic for shipping, because the impeded or completely interrupted navigation results in an increase in expenses and a drop in income for the company.

Influence of the military conflict in Ukraine

A number of factors and events have an impact on the global economy and may have a significant impact on the economy, including Bulgaria, in the near future. On February 24, 2022, the Russian Federation launched an armed invasion of Ukraine. As a result, economic and financial sanctions have been imposed on Russia in the coming days by the European Union and a number of other countries which, in addition to affecting Russia itself, are expected to have a comprehensive negative impact on the world economy and almost every area of the economy and of everyday life (rising prices, shortages of various goods and products, etc.). In addition, with the extremely unfavorable development of the conflict, it can grow enormously

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

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

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

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

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

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

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

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

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

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

INFORMATION ACCORDING TO REGULATIONS

The Group operates mainly in Bulgaria, which is already a EU member, but so far it has been classified as an emerging market. Emerging markets are associated with higher risks than more developed markets, including, in some cases significant legal, economic and political risks (see below the section Risks related to Bulgaria).

A slowdown in the economy of Bulgaria, as a result from political or economic factors (internal or external to the country) will lead to a decline in the demand for the products and services of the Group. In particular, the development of a negative macroeconomic processes (decrease of income, increased unemployment, a significant decline in the prices of assets, incl. Real estate, deteriorating business climate and expectations, general macroeconomic instability, etc.) in the country could lead to direct or indirect effects on the Group companies, such as:

Deterioration in the creditworthiness of some of Central Cooperative Bank's clients and an increase of the share of problematic loans in its portfolio. Also, a significant decline in real estate prices may be a cause for impairment of collateral accepted by CCB. A number of factors, including regulatory changes may force the Bank to allocate more funds for provisions that would lead to a decline in its net profit.

A reduction in the growth rate of contributions to pension funds (mostly voluntary, but also the obligatory),

Decrease in the willingness and opportunity for private and business travels and cargo limiting purchases (including imported goods) and others. have a negative effect on the business of the transport companies in the Group.

The unfavorable political or economic events in other Central and Eastern European countries can have a significant negative impact on, among other things, the gross domestic product of Bulgaria, foreign trade and economy in general. Investors should also be aware that emerging markets are changing rapidly and the information contained in this document may be outdated soon.

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

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

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

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

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

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

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

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

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

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

General risks

Emerging markets

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

Risks associated with the Bulgarian securities market

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

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

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

At the end of the third quarter of 2023, shares of 82 companies were registered for trading on the BSE Main Market, 10 of which were registered for trading in the Premium segment, 56 in the Standard segment and 16 in the segment for companies with a special investment purpose. Separately, shares of 164 companies are registered for trading on the Alternative Market, of which 130 are registered in the segment for shares, and 34 are registered in the segment for companies with a special investment purpose.

As of the end of the third quarter of 2023, the market capitalization of the companies traded on the Main Market of the BSE amounted to BGN 2.386 billion (Premium shares segment), BGN 7.776 billion (Standard shares segment) and BGN 1.184 billion (segment for special investment purpose companies). Separately, the companies traded on the Segment for shares of the Alternative market have a capitalization of BGN 18.295 billion,

and those traded on the Segment for companies with a special investment purpose on the same market - BGN 0.372 billion.

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

Risks associated with Bulgaria

Political risks

Under continued international financial and economic crisis conditions, the usual political risks have an additional burden, related to timely and adequate response of political structures, legislative and executive authorities to the economic situation.

A political risk is also the successful carry on of Bulgaria's integration to the EU. Bulgaria's accession to the EU legitimates the economic reforms have been undertaken in the name of the country's integration to the Union. In the future the economic growth will depend on the political will to carry on with the economic reforms and to apply the best market practices of the EU, as well as on the impact on the Bulgarian economy of the financial crisis. The government's ability to carry out reforms in turn depends on the extent to which members of the government can continue their efforts to promote the current reform, especially in conditions of economic uncertainty. At the moment, Bulgaria is in a situation of holding another early parliamentary election in 2023 with a highly fragmented parliament, which nevertheless managed to produce a regular pro-European government. It is supported by the two largest parliamentary forces and provides for a rotation of the prime minister every nine months.

The relatively unstable political situation in the short term poses risks that have not yet manifested themselves. Despite the lack of expectations for serious shocks and significant policy changes, uncertainty about the future governance of the country is a significant risk that could affect the economic development of the country. In view of all this, the political risk in the country remains increased.

The current Bulgarian political system is vulnerable to fragmentation of political forces (often caused by the pursuit of personal interests or external), economic hardship, widespread dissatisfaction with reform and EU membership due to unrealistic expectations and social instability and changes in government policies, organized crime and corruption, all of which could have a material adverse effect on the Group of Chimimport, its operating results and financial condition.

Economic risks

These are the risks of macroeconomic shocks that can affect economic growth, population incomes, supply and demand, profits of economic entities, etc. Bulgaria has an open economy and its development depends directly on international market conditions. In this sense, the global economic crisis that broke out in mid-2008 had a negative impact on the economic situation in the country, mostly in terms of a decrease in exports and a drop in the inflow of foreign capital, which reflected on investment activity, the level of unemployment, incomes and domestic consumption. This led to negative real economic growth in 2009. In the following years, the GDP growth rate was again positive, but quite low. Only from the third half of 2014 did the GDP begin to grow solidly and the economy to enter a boom phase. According to NSI data, in 2018 GDP growth was 2.7%, and in 2019 4%. In 2020, in view of the consequences of the Covid-19 pandemic, the GDP growth rate is already negative and amounts to -4%. In the second quarter of 2021, the GDP growth rate was 0.2%, while in the third, the third and the second, it was already a stable positive value. All this leads, according to preliminary data of NSI, to a significant GDP growth for the whole of 2021 of 7.6%. In 2022, real GDP, according to preliminary data, grows by 3.4%, and in the second quarter of 2023, the growth is 2.1%. In its latest economic forecast, the EC expects GDP growth of 1.5% and 2.4% in 2023 for Bulgaria respectively.

The growth of GDP in the last few years did not immediately lead to a reduction of the unemployed. Thus, in 2011, according to NSI data, the unemployment rate rose to 11.3%, towards the end of 2012, the unemployment rate increased again to 12.3%, and for the whole of 2013, an increase in the number of unemployed was noted again to 12.9%. This trend began to reverse distinctly only in 2014 (11.4%), and on a monthly basis a tendency to decrease the level of unemployment is noticeable. In 2015, 2016, 2017 and 2018, it continued to decline, amounting to 9.1%, 7.6%, 6.2% and 5.2% respectively. For 2019, the coefficient is even better and amounts to 4.2%. In 2020, the unemployment rate increased and reached 5.1%, under the influence of the consequences of the COVID-19 pandemic. In 2021, the unemployment rate increases again slightly to 5.3%. In 2022, according to NSI data, the unemployment rate decreases to 4.3%, and in the second quarter of 2024 it rises slightly to 4.4%

At the same time, in recent years, a constant growth of the average monthly salary has been noted. Thus, in 2010 it amounted to BGN 648, in 2011 BGN 686, in 2012 BGN 731, in 2013 BGN 775, in 2014 BGN 822, in 2015 BGN 878 BGN, in 2016 BGN 948, in 2017 BGN 1,037, in 2018 BGN 1,146, in 2019 BGN 1,267, in 2020 BGN 1,391, in 2021 1,561 BGN, and in 2022 a new increase to BGN 1,761 was noted.

According to NSI data, the average annual inflation (the average annual change in the CPI) for 2012 and 2013 was 3.4% and 0.9%, respectively. In 2014, the country recorded deflation of 1.4%. In 2015 and 2016, the country recorded a lower, but still deflation of 0.1% and 0.8%, respectively. The outlined downward trend in inflation since 2012 is partly due to the decrease in international fuel prices (especially in 2014 and 2015). In 2017, for the second time in three years, average annual inflation of 2.1% was again noted. At the end of December 2018, the average annual CPI for the last 12 months recorded a growth

of 2.8%. In 2019, the average annual CPI, compared to the corresponding period of the previous year, was even higher and amounted to 3.1%. In 2020, the CPI change was 1.7%, and in 2021 it was 3.3%. In 2022, as in most countries of the world, inflation is already a very serious 15.3%. In the third quarter of 2024, a decrease in the rate of price growth was observed to 10.2%.

In 2021, according to preliminary data from the BNB, Bulgaria has a current account deficit amounting to EUR 577.7 million (-0.7% of GDP), which is an improvement compared to a deficit of EUR 1,315.8 million in 2021 (about 1.9% of GDP). The narrowing of the deficit was mainly due to the increase in the surplus in services. The capital and financial account balance from a positive amount of EUR 3,481.6 million in 2021 (4.9% of GDP) increases to a positive amount of EUR 5,474.2 million in 2022 (6.5% of GDP).

In 2011, the observed strict fiscal discipline led to a reduction of the budget deficit below the Maastricht threshold of 3% of GDP (1.7% according to Eurostat data), while in the previous year a deficit of 3.7% was reported. For 2012, the budget deficit was even lower and amounted to 0.8%, in 2013 and 2014 the deficit was already higher and reached 0.7% and 5.4% of GDP, respectively (the increase in the last year is mainly as a result of the inclusion of the deficit at the Bank Deposit Guarantee Fund). In the next few years after 2015, according to Eurostat data, the country's budget ended with a surplus (until 2020, when a deficit of 3.8% was reported again). The budget balance under the consolidated fiscal program at the end of 2021 is negative (deficit) in the amount of BGN 3.794 billion, mainly as a result of increased public spending caused by the pandemic (deficit of 3.9% according to Eurostat data). In 2022, the situation slightly improves, with the budget balance being negative again, but in a lower amount of BGN 1,347.3 billion (deficit of 2.8% according to Eurostat data). The revenues received under the consolidated fiscal program in 2022 amounted to BGN 64,765.4 million (compared to BGN 52,458.9 million in the previous year). The budget balance under the consolidated fiscal program as of May 2023 is negative in the amount of BGN 1,178.5 million and is formed by a deficit in the national budget in the amount of BGN 1,316.1 million and a surplus in European funds in the amount of to BGN 1,379.7 million.

The fiscal reserve at the end of 2022 is BGN 13.4 billion against BGN 10.7 billion a year earlier. At the end of May 2024, the fiscal reserve is BGN 11.7 billion, incl. 10.8 billion BGN deposits of the fiscal reserve in the BNB and banks and 0.9 billion BGN receivables from the funds of the European Union for certified expenses, advances and others.

At the end of 2022, according to Eurostat, the level of indebtedness of the country (state and state-guaranteed debt) is 22.9% of GDP, compared to 23.9% for 2022, 24.5% for 2020, 20% of GDP for 2019, 22.1% in 2018, 25.1% at the end of 2017, 29.1% at the end of 2016, 25.9% at the end of 2015, 27% at the end of 2014 and 17% in 2013

According to this indicator, the country has the third lowest ratio among all EU countries (only Estonia has better data). The worrying thing is that in 2014 the state debt almost doubled, but after 2017 the situation is already a little more optimistic (however, it should be noted that our country is again the leader in the rate of debt growth in recent years, especially after the Covid-19 pandemic)

For 2022, according to the Ministry of Finance, the nominal amount of the government debt is EUR 18,965.5 million. However, by the end of May 2024, according to the Ministry of Finance, the nominal amount of the government debt increased and amounted to BGN 37,796.7.9 million (EUR 19,325.1.9 million), of which 11,102 BGN .6 million internal and BGN 26,694 million external. At the end of May, the public debt/GDP ratio was 205%. The ratios of internal and external government debt to GDP are 6% and 14.5%, respectively. In the structure of the debt, the relative share of the internal state debt is 28.4%, and of the external - 71.6%. At the end of May, the share of debt denominated in euros reached 71.6%, in levs - 28.2%, in US dollars - 0.1%, and in other currencies - 0.1%. In the structure of debt by creditors, the largest relative share is Eurobonds issued on international capital markets - 53.9%, followed by domestic debt - 28.4%, and loans from various international institutions. In the interest rate structure of the debt at the end of May, certain, minimal changes were also observed - the share of the debt with fixed interest rates slightly increased to 98.5%, and that with floating interest rates was 1.5%. Long-term debt prevails in the residual maturity of debt in circulation (up to 1 year - 1.87%, from 1 to 5 years - 38.33%, from 5 to 10 years - 33.7% and over 10 years - 26.11%).

Bulgaria's credit rating is BBB long-term on the Standard & Poor's scale. Most recently, on 29.11.2019, the rating itself was raised from BBB - to BBB with a positive outlook (currently, the outlook, according to the agency, is stable, and the rating was confirmed by the agency in November 2022). The rating agency Moody's last raised on 9.10.2020. the credit rating of the Republic of Bulgaria from Baa2 to Baa1 for long-term bank deposits, with a stable outlook (the rating was confirmed by the agency in February 2024). According to the Fitch scale, Bulgaria's foreign currency credit rating is BBB with a positive outlook (last upgraded on 01.12.2017, and in February 2021 the outlook was changed from stable to positive and confirmed in May 2023).

Of key importance for the Bulgarian macroeconomic and financial stability is the stability and predictability of the currency regime and trust in it. So far, there is a consensus in society as a whole regarding the need to maintain the Currency Board and the current fixed exchange rate of the leva to the euro until Bulgaria enters the Eurozone (in mid-2018, the country submitted an application to join the single currency mechanism ERM II, at the same time by submitting an application for close cooperation with the ECB in terms of banking supervision and in 2020, membership is already a fact, and the announced goal of entering the Eurozone is from the beginning of 2025). Also, the 2016 asset review and stress tests of commercial banks in the country (and then insurance and pension companies) should also have a positive effect on the stability of the financial sector.

In addition to the political risks discussed above in terms of dealing with the crisis, it should be noted that business in Bulgaria has a relatively limited history of operating in free market conditions. Compared to companies operating in countries with a developed market economy, Bulgarian companies are to a greater extent characterized by a lack of management experience in market conditions and limited capital resources with which to develop their operations, as well as low labor efficiency.

The activity of the Chimimport Group, the results of the activity and its financial condition depend to a significant extent on the state of the Bulgarian economy, which in turn affects

the growth of loans, interest costs and the ability of customers to fulfill their obligations on time. Any negative change in one or more macroeconomic factors, such as interest rates, which are influenced by interest rates in the Eurozone under the rules of the currency board operating in Bulgaria, inflation, wage levels, unemployment, foreign investment and international trade, may have significant adverse effect on the issuer's activity, operational results and financial condition.

Taxation

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

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

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

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