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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NEOCHIM AD

Report on the Separate Financial Statements

1. We have audited the accompanying separate financial statements of Neochim AD (the Company), which comprise the separate statement of financial position as at 31 December 2014, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and information.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

6. The separate statement of financial position as at 31 December 2014 includes a total exposure to the foreign subsidiary at the amount of BGN 7,384 thousand, representing a gross amount of BGN 18,289 thousand and recognised impairment of BGN 10,905 thousand (Notes 8, 17). The exposure comprises: investment in the subsidiary amounting to BGN 1,257 thousand, trade receivables – BGN 6,013 thousand and bank guarantees availed by the Company in its favour – BGN 114 thousand. Company's management believes that the carrying amount of the total exposure does not exceed its recoverable amount, but has been unable to provide us with sufficient and relevant evidence for that. Due to these circumstances, we were unable to satisfy ourselves, by other audit procedures, as to whether the carrying amount of the total exposure to the subsidiary as at 31 December 2014 did not exceed its recoverable amount.

Because of the fact that indicators for impairment of the total exposure have also been available as at 31 December 2013, we are unable to satisfy ourselves about whether and to what extent the stated impairment loss at the amount of BGN 10,816 thousand refers entirely to 2014 as well as about the effects of this circumstance on the amount of retained earnings as at 1 January 2014.

7. Company's separate statement of financial position as at 31 December 2014 includes an investment in a local subsidiary with a book value of zero, representing a gross amount and recognised impairment at the amount of BGN 1,000 thousand. Because of the fact that indicators for impairment of the total exposure have also been available as at 31 December 2013, we are unable to satisfy ourselves about whether and to what extent the stated impairment loss at the amount of BGN 1,000 thousand refers entirely to 2014 as well as about the effects of this circumstance on the amount of retained earnings as at 1 January 2014.

Qualified Opinion

8. In our opinion, except for the possible effects of the matters, described in paragraphs 6 and 7 of the Basis for Qualified Opinion, the separate financial statements present fairly, in all material respects, the financial position of Neochim AD as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, accepted by the Commission of the European Union.

Report on Other Legal and Regulatory Requirements


Separate Annual Report on the activities of Neochim AD under the Bulgarian Accountancy Act (Art. 33)

9. Pursuant to the requirements of the Bulgarian Accountancy Act (Art. 38, para 4), we have read the separate Annual Report of the management on Neochim AD activities for the reporting year 2014. This Report is not a part of the annual separate financial statements for the same period. The management of the Company is responsible for the preparation of this separate Annual Report on the activities dated 24 March 2015. The historical financial information presented in the separate Annual Report on the activities is consistent, in all material respects, with the information disclosed in the Company's separate financial statements as at 31 December 2014, prepared in accordance with International Financial Reporting Standards, accepted by the Commission of the European Union.


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24 March 2015

This is a translation from Bulgarian of the Independent Auditors' Report on the Separate Financial Statements of Neochim AD for the year ended 31 December 2014.