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1. BACKGROUND CORPORATE INFORMATION

Neochim AD (the 'Company') was established in 1951. It was registered as a joint-stock company in July 1997. The Company has a seat and registered address at: Himkombinatska St., East Industrial Zone, Dimitrovgrad and it has been entered in the Commercial Register under UIC 836144932. The latest changes in the Articles of Association were entered in the Register of Commercial Companies on 6 August 2013. The latest changes in the managing bodies were entered in the Commercial Register on 30 December 2016. An extension of the term of office of the Board of Directors until 22 June 2018 was entered in the Commercial Register on 2 July 2015.

1.1. Ownership and management

Neochim AD is a public company under the Public Offering of Securities Act.

The structure of Company's share capital as at 31 December 2016 was as follows:

| | |
|---|-----------|
| • Eco Tech AD | - 24.28 % |
| • Evro Fert AD | - 24.03 % |
| • Feboran OOD | - 20.30 % |
| • Agrofer International Establishment, Lichtenstein | - 7.68 % |
| • Neochim AD (treasury shares) | - 2.58 % |
| • UPF Saglasie | - 2.39 % |
| • ZPAD Allianz Bulgaria | - 2.30 % |
| • UPF CCB Sila | - 2.19 % |
| • Other | - 14.25 % |

Neochim AD has one-tier management system with a Board of Directors. The Board of Directors consists of 9 members as follows:

| | |
|---------------------------|---------------------------|
| Dimcho Staikov Georgiev | Chairman |
| Elena Simeonova Shopova | Deputy Chairperson |
| Dimitar Stefanov Dimitrov | Member |
| Tosho Ivanov Dimov | Member |
| Vasil Jivkov Grancharov | Member |
| Victoria Ilieva Cenova | Member |
| Zarneni Hrani Bulgaria AD | Member |
| Feboran AD | Member (until 29.12.2016) |
| Feboran OOD | Member (from 30.12.2016) |
| Feboran Prim EOOD | Member (from 22.06.2016) |
| Hubert Puchner | Member (until 21.06.2016) |
| Tarunjeev Singh Puri | Member (until 21.06.2016) |

The Company is represented and managed by Dimitar Stefanov Dimitrov – Executive Director.

The management of Neochim AD is performed by the Board of Directors. Some of the operating functions are delegated to the - the Executive Director. The Audit Committee, which has the role of governance and supervision over Neochim AD, including the financial reporting process.

The members of the Audit Committee are as follows:

Tanya Dimitrova Kovanlashka
Nikolina Zheleva Delcheva
Iordanka Atanasova Nikolova

As at 31 December 2016, the total number of Company's personnel was 989 workers and employees (31 December 2015: 1,012).

1. BACKGROUND CORPORATE INFORMATION (CONTINUED)**1.2. Principal activities**

The principal activities of the Company include the following types of transactions and deals:

- production of inorganic and organic chemical products;
- trade.

1.3. Main indicators of the economic environment

The main economic indicators of the business environment that affected Company's activities throughout the period 2013 – 2016, are presented in the table below:

| Indicator | 2013 | 2014 | 2015 | 2016 |
|---|--------|--------|--------|---------|
| GDP in million levs | 82,166 | 83,634 | 88,571 | 91,873* |
| Actual growth of GDP | 0.9% | 1.3% | 3.6% | 3.4%* |
| Year-end inflation (HICP) | -0.9% | -2.0% | -0.9% | -0.5% |
| Average exchange rate of USD for the year | 1.47 | 1.47 | 1.76 | 1.77 |
| Exchange rate of the USD at year-end | 1.43 | 1.59 | 1.80 | 1.86 |
| Basic interest rate at year-end | 0.02 | 0.02 | 0.01 | 0.00 |
| Unemployment rate at year-end | 11.8% | 10.7% | 10.0% | 8.0% |

* BNB forecast for 2016; Source: BNB

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES**2.1. Basis for preparation of the separate financial statements**

These separate financial statements have been prepared in all material respects in accordance with all International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations for their application issued by the International Financial Reporting Interpretations Committee (IFRIC), accepted by the European Union (EU) and applicable in the Republic of Bulgaria. IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

Initial application of new amendments to existing standards and interpretations that have come into force in the current reporting period

New amendments to existing standards and new interpretations, issued by IASB and endorsed by the EU, have become effective for the current reporting period are as follows:

- IAS 19 (as revised in 2011) "Employee Benefits" (in force for annual periods beginning on or after 1 July 2014 – endorsed by EU for annual periods as of 1 February 2015);
- Annual Improvements to IFRSs 2010-2012 Cycle (December 2013) – improvements to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38 (in force for annual periods beginning on or after 1 July 2014 – endorsed by EU for annual periods as of 1 February 2015);
- IFRS 14 "Regulatory Deferral Accounts" (in force for annual periods beginning on or after 1 January 2016 – EU has postponed the endorsement process for this interim standard until the issue of the final standard).

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.1. Basis for preparation of the separate financial statements (continued)

Initial application of new amendments to existing standards and interpretations that have come into force in the current reporting period (continued)

- IAS 1 (amended) "Presentation of Financial Statements" – regarding disclosure initiative (in force for annual periods beginning on or after 1 January 2016);
- Annual Improvements to IFRSs 2012-2014 Cycle (September 2014) – improvements to IFRS 5, IFRS 7, IAS 19, IAS 34 (in force for annual periods beginning on or after 1 January 2016);
- IAS 27 (amended) "Separate Financial Statements" – regarding the equity method in separate financial statements (in force for annual periods beginning on or after 1 January 2016);
- IAS 16 (amended) "Property, Plant and Equipment" and IAS 41 (amended) "Agriculture" – regarding bearer plants (in force for annual periods beginning on or after 1 January 2016);
- IAS 16 (amended) "Property, Plant and Equipment" and IAS 38 (amended) "Intangible Assets" – regarding the acceptable methods of depreciation and amortisation (in force for annual periods beginning on or after 1 January 2016);
- IFRS 11 (amended) "Joint Arrangements" – regarding acquisitions of interests in joint operations (in force for annual periods beginning on or after 1 January 2016);
- IFRS 10 (amended) "Consolidated Financial Statements", IFRS 12 (amended) "Disclosure of Interests in Other Entities" and IAS 28 (amended) "Investments in Associates and Joint Ventures" – regarding exemptions from consolidation for investment entities (in force for annual periods beginning on or after 1 January 2016);
- IFRS 10 (amended) "Consolidated Financial Statements" and IAS 28 (amended) "Investments in Associates and Joint Ventures" – regarding the sale or contribution of assets between an investor and its associate or joint venture (in force for annual periods beginning on or after 1 January 2016 – the EC endorsement procedure has been postponed for an indefinite period).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in Company's accounting policies.

Amendments to existing standards, issued by IASB and endorsed by EU, but not yet effective

At the issue date of these separate financial statements, there are several new standards and interpretations as well as amended standards and interpretations, issued and endorsed by EU, but not yet in force for annual periods beginning on 1 January 2016, which have not been adopted by the Company for early application. Company's management has done research and has concluded that these amendments would not affect materially the accounting policies, and the value and classification of Company's assets, liabilities, transactions and performance, except for the possible effects that could arise as a result of the application of the following standards:

- IFRS 15 "Revenue from Contracts with Customers" (in force for annual periods beginning on or after 1 January 2018).

In addition, with regard to the indicated below new standard, the management has concluded that it is unlikely to have a potential impact for changes in the accounting policies, and in the classification and value of reporting items in Company's financial statements, namely:

- IFRS 9 "Financial Instruments" (in force for annual periods beginning on or after 1 January 2018).

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.1. Basis for preparation of the separate financial statements (continued)

New standards and interpretations, issued by IASB, but not yet endorsed by EU

At the issue date of these separate financial statements, there are several new standards and interpretations as well as amended standards and interpretations, issued but not endorsed by the EU, which have not been adopted by the Company for early application.

Company's management has done research and has concluded that these amendments would not affect materially the accounting policies, and the value and classification of Company's assets, liabilities, transactions and performance, except for the following standard, which could have an impact:

- IAS 7 (amended) "Statement of Cash Flows" – regarding disclosure initiative (in force for annual periods beginning on or after 1 January 2017).

In addition, with regard to the indicated below new standards, amended/revised standards and new interpretations, the management has concluded that the following are unlikely to have a potential impact for changes in the accounting policies, and in the classification and value of reporting items in Company's financial statements, namely:

- IFRS 16 "Leases" (in force for annual periods beginning on or after 1 January 2019);
- IAS 12 (amended) "Income Taxes" – recognition of deferred tax assets for unrealised losses (in force for annual periods beginning on or after 1 January 2017);
- IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding the relief from the requirement to restate comparatives and the related thereto disclosures when applying IFRS 9 (in force for annual periods beginning on or after 1 January 2018);
- IFRS 15 "Revenue from Contracts with Customers" – clarifications (in force for annual periods beginning on or after 1 January 2018);
- IFRS 2 (amended) "Share-based Payment" – clarifications (in force for annual periods beginning on or after 1 January 2018);
- Annual Improvements to IFRSs 2014-2016 Cycle (December 2016) – improvements to IFRS 12 (in force for annual periods beginning on or after 1 January 2017 – not endorsed by EC), IFRS 1 and IAS 28 (in force for annual periods beginning on or after 1 January 2018);
- IFRIC 22 (amended) "Foreign Currency Transactions and Advance Consideration" (in force for annual periods beginning on or after 1 January 2018);

The Company anticipates that the adoption of these standards and amendments to existing standards would not impact materially its financial statements in the period of their initial application.

2.2. Consolidated financial statements of the Company

These financial statements represent the separate financial statements prepared in accordance with the requirements of the accounting and tax legislation of the Republic of Bulgaria. The Company has interest and exercises control over two subsidiaries (Note 11) and therefore, in accordance with the requirements of the Bulgarian Accountancy Act and based on IFRS 10 Consolidated Financial Statements, it also prepares consolidated financial statements.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.3. Accounting assumptions and estimates

The presentation of the financial statements in accordance with International Financial Reporting Standards requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, income and expenses and the disclosure of contingent receivables and payables as at the date of the financial statements. These estimates, accruals and assumptions are based on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them (whereas in the conditions of financial crisis the uncertainties are more significant). The items presuming a higher level of subjective assessment or complexity or where the assumptions and accounting estimates are material for the financial statements, are disclosed in Note 2.27.

2.4. Comparatives

In these separate financial statements the Company presents comparative information for one prior year.

Where necessary, comparative data is reclassified for the purpose of achieving comparability in view of the current year presentation changes.

2.5. Functional currency and recognition of exchange differences

Functional currency is the currency of the main economic environment in which a company operates and where cash is mostly generated and expensed. It reflects the basic transactions, events and conditions, which are significant for the entity.

The Company keeps its accounting records and prepares its financial statements in the national currency of the Republic of Bulgaria – the Bulgarian lev, adopted by the Company as its functional currency.

Net foreign exchange differences related to cash, trade receivables and payables, denominated in a foreign currency, are recognised in the statement of comprehensive income (within profit or loss for the year) when they arise and are presented net under 'other operating income/(losses)'.

The non-monetary items in the statement of financial position, which have been initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the transaction date and are not subsequently revalued at the closing exchange rate.

These separate financial statements are prepared in hundred levs (BGN'000).

2.6. Revenue

Revenue is recognised on accrual basis and to the extent that it is probable that the economic benefits will flow to the Company and as far as the revenue can be reliably measured.

Upon sale of finished products, goods and materials, revenue is recognised when all significant risks and rewards of ownership have passed to the buyer.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.6. Revenue (continued)

Upon rendering of services, revenue is recognised by reference to the stage of completion of the transaction at the date of the statement of financial position, if this stage as well as the transaction and completion costs, can be measured reliably.

Revenue is measured on the basis of the fair value of the products, goods and services sold, net of indirect taxes (excise duties and VAT) and any discounts and rebates granted.

Upon sale on an instalment plan, revenue is recognised on the date of sale, excluding the incorporated interest.

Finance income is presented separately on the face of the statement of comprehensive income (within profit or loss for the year) and comprises interest income on placed deposits, income/gains from investments in subsidiaries, including dividends, and gains from transactions with financial instruments.

2.7. Expenses

Expenses are recognised by the Company as they are incurred, following the accrual and matching concepts but only as far as the latter does not result in recognising reporting items for assets or liabilities that do not satisfy the criteria of IFRS and the framework thereto.

Deferred expenses are put off and recognised as current expenses in the period when the contracts, whereto they refer, are performed.

Finance costs are included in the statement of comprehensive income when incurred and comprise: interest expenses related to received loans as well as bank charges and other direct expenses on loans and bank guarantees and exchange differences from foreign currency loans.

2.8. Property, plant and equipment

Property, plant and equipment (tangible fixed assets) are presented in the financial statements at cost (cost of acquisition) less the accumulated depreciation (excluding land) and any impairment losses in value.

Initial acquisition

Upon their initial acquisition, property, plant and equipment are valued at cost, which comprises the purchase price, customs duties and any other directly attributable costs of bringing the asset to working condition for its intended use.

The directly attributable costs include the cost of site preparation, initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes, expenses on capitalised interest for qualifying assets, satisfying the requirements of IAS 23 and other. Components acquired together with or as addition to other specific tangible fixed assets, but have not yet been installed thereto, are capitalised to the amount of the basic item and depreciated using its residual useful life.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.8. Property, plant and equipment (continued)

Upon self-construction of tangible fixed assets, the acquisition cost includes all direct costs related to the resources through which the respective items are constructed (salaries and insurances, raw materials and consumables, hired services, etc.).

The Company has set a value threshold of BGN 500, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the time of their acquisition.

Subsequent measurement

The chosen by the Company approach for subsequent measurement of property, plant and equipment, is the cost model under IAS 16, i.e. cost less any accumulated depreciation and any accumulated impairment losses in value.

Depreciation methods

The Company applies the straight-line depreciation method for property, plant and equipment. Depreciation of an asset begins when it is available for use. Land is not depreciated. The useful life per group of assets has been determined considering: their physical wear, the characteristic features of the equipment, the intentions for future use and the expected obsolescence.

The useful life, set for any tangible fixed asset, is reviewed at the end of each reporting period and in case of any material deviation from the future expectations of their period of use, the latter is adjusted as from the date of change.

The determined useful life per group of assets is as follows:

- buildings – 10-50 years;
- machinery and equipment – 2-25 years;
- computers – 2-5 years;
- motor vehicles – 3-15 years;
- furniture and fixtures – 2-15 years.

The useful life, set for any tangible fixed asset, is reviewed at the end of each reporting period and in case of any material deviation from the future expectations of their period of use, the latter is adjusted as from the date of change.

Subsequent costs

Repair and maintenance costs are recognised as current expenses as incurred. Subsequent costs incurred in relation to property, plant and equipment having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are capitalised in the carrying amount of the respective asset whereas the residual useful life is revised at the capitalisation date. At the same time, the non-depreciated part of the replaced components is derecognised from the carrying amount of the assets and is recognised in the current expenses for the period of restructure.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.8. Property, plant and equipment (continued)

Impairment of assets

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount might permanently differ from their recoverable amount. If any indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognised in the item 'Impairment of non-current assets' in the statement of comprehensive income (within profit or loss for the year).

Gains and losses on disposal (sale)

Tangible fixed assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of 'property, plant and equipment' group are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net within 'Other operating income/(losses), net' on the face of the statement of comprehensive income (within profit or loss for the year).

2.9. Intangible assets

Intangible assets are stated in the separate financial statements at cost less accumulated amortisation and any impairment losses in value. They include licences for the use of software and emission quotas under EU emissions trading scheme and units of reduced emissions.

The Company classifies the emission quotas as current ones when it expects to realise them within one reporting period and as non-current ones – all others.

The Company applies the straight-line amortisation method for the intangible assets with a determined useful life of 5 years, except for the non-current emission quotas, which are written-off when used.

The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount. Then impairment is recognised as an expense in the statement of comprehensive income (within profit or loss for the year).

Intangible assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net within 'Other operating income/(losses), net' on the face of the statement of comprehensive income (within profit or loss for the year).

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**2.9. Intangible assets (continued)****EU emissions trading scheme and units of reduced emissions**

On initial acquisition the allocated quotas for greenhouse gases from the National register for trade with greenhouse gas emissions in relation to the third period from the EU emissions trading scheme (EU ETS) are recognised as intangible assets at nominal value (zero value). The purchased quotas are recognised on initial acquisition at cost and are classified as current or non-current ones depending of the intents for their use. The Company has chosen to apply the cost model for subsequent measurement of non-current emission quotas, i.e. costs less accumulated impairment losses. Current emission quotas are recognised within expenses (cost of finished products) when they are written-off within the current reporting period. In addition, the Company recognises a liability in the statement of financial position when the level of noxious gases for a certain period exceeds the level of allocated and available quotas. The liability is measured at the acquisition cost of purchased quotas – until reaching the level of the quotas held by the Company, and are revalued at current market price at the date of the statement of financial position – for the excess over the available quotas whereas the changes in the liability amount are recognised in the statement of comprehensive income (within the profit or loss for the year).

The company applies a method for writing-off the harmful gas quotas on the basis of the quotas actually used for the period.

2.10. Investments in subsidiaries

Long-term investments, representing interest in subsidiaries are presented in the financial statements at acquisition cost (cost) being the fair value of the consideration paid. Investments in subsidiaries are not traded in the stock exchange. This circumstance does not provide opportunity for ensuring active market price quotations in order to determine reliably the fair value of these shares. In addition, the future functioning of a part of these companies is related to some uncertainties that affect the ability of making reasonable and justified long-term assumptions for the fair value calculation of their shares through other valuation methods.

In accordance with the requirements of IFRS 10 Consolidated Financial Statements the Company controls other entities if and only if it has achieved all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- ability to use its power over the investee to affect the amount of investor's returns.

Base on the above criteria, the Company has concluded that it controls all entities in which it holds directly or indirectly more than 50% of the voting shares.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.10. Investments in subsidiaries (continued)

The investments in subsidiaries, owned by the Company, are subject to review for impairment. Where conditions for impairment are identified, the impairment is recognised in the statement of comprehensive income (within profit or loss for the year). The impairment amount reflects the difference between the cost of investments acquisition and the present value of expected future cash flows, discounted at the end of reporting period. Impairment losses are recognised in the item 'Impairment of non-current assets' on the face of the statement of comprehensive income (within profit or loss for the year).

In purchases and sales of investments in subsidiaries the date of trading (conclusion of the deal) is applied.

Investments are derecognised when the rights related thereto are transferred to third parties due to existing legal grounds for that and thus the control over the economic benefits from the investments is being lost. The gains/(losses) on their sale or liquidation are presented respectively as 'Finance income' or 'Finance costs' in the statement of comprehensive income (within profit or loss for the year).

2.11. Available-for-sale investments

The Company's investments, representing shares in other companies (minority interest), are measured and included in the statement of financial position at cost since their shares are not traded on an active market, no active market price quotations are available thereof and the assumptions for the application of alternative valuation methods are highly uncertain so as to achieve a sufficiently reliable fair value determination.

The available-for-sale securities, owned by the Company, are reviewed for impairment at each statement of financial position date. If any such conditions are identified, the impairment is reported in the statement of comprehensive income (within profit or loss for the year). The amount of the recognised impairment loss is equal to the difference between the carrying amount and the recoverable amount of the investment.

Any purchase or sale of available-for-sale securities is recognised on the date of trading, i.e. the date when the Company undertakes the commitment to buy or sell the financial asset.

2.12. Inventories

Inventories are valued at the lower of acquisition cost (cost) and net realisable value.

Expenses, incurred at bringing a certain product to its current condition and location, are included in the cost (acquisition cost) as follows:

- Commercially available raw and other materials – all delivery costs, including the purchase price, import customs duties and charges, transportation expenses, non-refundable taxes and other expenses, incurred for rendering the materials ready for usage;
- Finished products and work in progress – cost of direct materials and labour and the attributable proportion of the manufacturing overheads, based on normal operating capacity of production facilities, but excluding administrative expenses, exchange rate gains and losses and borrowing costs.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.12. Inventories (continued)

Production overheads are included in the cost of finished and semi-finished products based on normal operating capacity of the production facilities. The Company has chosen to allocate them to products on the basis of the quantity of articles produced.

Upon putting into production (sale) of inventories, the weighted average cost method is applied.

The net realisable value represents the estimated selling price of an asset in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

2.13. Trade and other receivables

Trade and other receivables are recognised and carried at fair value based on the original invoice amount (cost) less any allowance for uncollectable debts. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the receivables are initially valued at their fair value and subsequently – at amortised cost, after deducting the interest incorporated in their nominal value and determined following the effective interest method (Note 2.25).

An estimate allowance for doubtful and bad debts is made when significant uncertainty exists as to the collectability of the full amount or a part of it. Bad debts are written-off when the legal grounds for this are available. Impairment of trade receivables is being accrued through a respective corresponding allowance account for each type of receivable in the item 'Impairment of assets' on the face of the statement of comprehensive income (within profit or loss for the year). When a particular trade receivable is assessed as uncollectable, it is written-off against the allowance account.

2.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, current accounts and short-term deposits with banks, with original maturity of less than three months (Note 2.25).

For the purposes of the statement of cash flows:

- cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- interest under received working capital loans is included as payment in the operating activities;
- interest on investment purpose loans received (also stated as current expense and capitalised in qualifying assets) is included as payment in the financing activities;
- payments related to self-constructed assets (including to suppliers and personnel) are included as payments in the investing activities;
- payments for purchase of emission quotas, classified as current ones, are included as payment for operating activities (cash paid to suppliers);
- permanently blocked funds are not treated as cash and are not included in the cash flow statement.
- the grant received for electric energy in relation to the expenses on energy from renewable sources is included in the cash flows from financing activities.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.15. Trade and other payables

Trade and other amounts payable are carried at fair value on the basis of the original invoice amount (acquisition cost), which is the fair value of the consideration to be paid in the future for assets and services received. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value and subsequently – at amortised cost, after deducting the interest incorporated in their nominal value and determined following the effective interest method (Note 2.25).

2.16. Interest-bearing loans and other borrowings

All loans (granted and received) and other borrowings are recognised at cost (nominal amount), which is accepted to be the fair value of the consideration received on the transaction, netted of the direct costs related to these loans and borrowings. After the initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortised cost by applying the effective interest method. Amortised cost is calculated by taking into account all types of charges, commissions and other costs, including any discount or premium on settlement associated with these loans. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) as finance income or costs throughout the amortisation period, or when the liabilities are derecognised or reduced.

Interest-bearing loans and other financial resources granted are classified as current ones unless (and for the relevant portion thereof) the Company has unconditionally the right to settle its obligation within 12 months after the statement of financial position date (Note 2.25).

2.17. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset (qualifying assets).

According to the requirements of IAS 23 *Borrowing Costs*, a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This period for the Company is 12 months.

The amount of borrowing costs eligible for capitalisation to the value of a qualifying asset is determined by applying a capitalisation rate. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when the following conditions are met:

- expenditures for the asset are incurred;
- borrowing costs are incurred; and
- activities are undertaken that are necessary to prepare the asset for its intended use or sale.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.17. Borrowing costs (continued)

Expenditures on a qualifying asset include only those expenditures that have resulted in payments of cash, transfers of other assets or the assumption of interest-bearing liabilities.

Borrowing costs are reduced by any payments received or grants received in connection with the asset. Borrowing costs are also reduced by any investment income earned on the temporary investment of those borrowed funds.

Capitalisation of borrowing costs ceases when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

2.18. Leases

Finance lease

Lessee

Finance leases, which transfer to the Company a substantial part of all risks and rewards incidental to ownership of the leased asset, are capitalised in the statement of financial position of the lessee and are presented as leased item of property, plant and equipment at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between the finance cost (interest) and the attributable portion of the lease liability (principal) so as to achieve a consistent interest rate on the remaining outstanding principal balance of the lease liability. Interest expenses are recognised in the statement of comprehensive income (within profit or loss for the year).

The finance lease gives rise to depreciable cost for depreciated assets as well as finance costs for each reporting period. The depreciation policy with regard to depreciable leased assets is compliant with that for own depreciable assets. Where there is no sufficient assurance that the ownership will be acquired by the end of the lease term the asset is depreciated over the shorter of the term of the lease agreement and the useful life of the asset.

Operating lease

Leases where the lessor keeps a substantial part of all risks and economic benefits incidental to the ownership of the specific asset are classified as operating leases.

Operating lease payments are recognised as expenses in the statement of comprehensive income (within profit or loss for the year) on a straight-line basis over the lease term.

Lease income from operating leases is recognised on a straight-line basis over the lease term in the statement of comprehensive income (within profit or loss for the year). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.19. Employee benefits

The employment and social security relations with the workers and employees of the Company are based on the provisions of the Labour Code and the effective social security legislation in Bulgaria.

Short-term benefits

Short-term employee benefits in the form of remuneration, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or have met the required terms and requirements) are recognised as an expense in the statement of comprehensive income (within profit or loss for the year) in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. The Company's obligations for social security and health insurance are recognised as a current expense and liability at their undiscounted amount together with the relevant benefits and within the period of the respective income to which they are related.

At the date of the annual financial statements, the Company measures the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated expenses on the employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

Long-term retirement benefits

Defined contribution plans

The major duty of the Company in its capacity as an employer is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund and for health insurance. The rates of social security and health insurance contributions are defined under the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC) at the ratio 60:40 (2015: 60:40).

These social security and pension plans, applied by the Company in its capacity of an employer, are based on the Bulgarian legislation and are defined contributions plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient means to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are analogous.

There is no established and functioning private voluntary social security fund at the Company.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.19. Employee benefits (continued)

The contributions, payable by the Company under defined contribution plans for social security and health insurance, are recognised as a current expense in the statement of comprehensive income (within profit or loss for the year) unless a particular IFRS requires this amount to be capitalised to the cost of an asset, and as a current liability at their undiscounted amount along with the accrual of the respective employee benefits to which the contributions refer and in the period of rendering the underlying service.

Defined benefit plans

In accordance with the Labour Code, the Company in its capacity as an employer in Bulgaria is obliged to pay an indemnity to its personnel when coming of age for retirement, at an amount which, depending on the length of service with the entity, varies between two and six gross monthly salaries at the employment termination date. In their nature these are unfunded defined benefit schemes.

The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they shall be presented in the statement of financial position, and respectively, the change in their value – in the statement of comprehensive income as follows:

- (a) current and past service costs, interest costs and effects of curtailment and settlements are recognised immediately when incurred and are presented within current profit or loss in the item 'employee benefits expense';
- (b) the effects of obligation remeasurements, which in substance represent actuarial gains and losses, are recognised immediately when incurred and are presented within other comprehensive income in the item 'remeasurements of defined benefit pension plans'. Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments.

At the end of each reporting period, the Company assigns certified actuaries who provide their report with calculations regarding the long-term retirement benefit obligations. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation, and using the interest rates of long-term government bonds of similar term, quoted in Bulgaria where the Company itself operates.

Termination benefits

The Company recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on announced plan, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the statement of financial position at their present value.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.20. Share capital and reserves

Neochim AD is a joint-stock company and is obliged to register with the Commercial Register a specified share capital, which should serve as a security for the creditors of the Company for execution of their receivables. Shareholders are liable for the obligations of the Company up to the amount of the capital share held by each of them and may claim returning of this share only in liquidation or bankruptcy proceedings.

The Company reports its share capital at the nominal value of the shares registered in the Commercial Register.

According to the requirements of the Commercial Act and the Articles of Association, the Company is obliged to set aside a Reserve Fund (statutory reserves) by using the following sources:

- at least one tenth of the profit, which should be allocated to the Fund until its amount reaches one tenth of the share capital or any larger amount as provided in the Articles of Association;
- other sources as provided for by a decision of the General Meeting of Shareholders.

The amounts in the Fund can only be used to cover annual loss or losses from previous years. When the amount of the Fund reaches the minimal value specified in the Articles of Association the excess may be used for increasing the share capital.

Treasury shares are presented in the statement of financial position at cost (acquisition cost) whereas the Company's equity is decreased with the gross amount of treasury shares. Gains or losses on sales of treasury shares are carried directly to Company's equity in the 'Retained earnings' component.

The component from restatement of retirement benefit obligations (defined benefits plan) is set aside from the remeasurements of the payables to personnel upon retirement, which in substance represent actuarial gains and losses, and are recognised immediately when incurred and presented within other comprehensive income in the item 'remeasurements of defined benefit pension plans'.

2.21. Income taxes

Current income taxes are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal income tax rate for year 2016 was 10% (2015: 10%).

Deferred income taxes are determined using the liability method on all temporary differences, existing at the date of the financial statements, between the carrying amounts of the assets and liabilities and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of those originating from recognition of an asset or liability, which has not affected the accounting and the taxable profit/(loss) at the transaction date.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.21. Income taxes (continued)

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax losses, to the extent that it is probable they will reverse and a taxable profit will be available or taxable temporary differences might occur, against which these deductible temporary differences can be utilised, with the exception of the differences arising from the recognition of an asset or liability, which has affected neither the accounting nor taxable profit/(loss) at the transaction date.

The carrying amount of all deferred tax assets is reviewed on the preparation of the statement of financial position and reduced to the extent that it is probable that they will reverse and sufficient taxable profit to be generated or occurring in the same period taxable temporary differences to allow the deferred tax asset to be deducted or compensated.

Deferred taxes, related to items that are accounted for as other components of comprehensive income or an equity item in the statement of financial position, are also reported directly in the respective component of the comprehensive income or the equity item in the statement of financial position.

Deferred tax assets and liabilities are measured at the tax rates and on the bases that are expected to apply to the period and type of operations when the asset is realised or the liability – settled (repaid) on the basis of the tax laws that have been enacted or substantively enacted, and at tax rates of the country (Bulgaria) under the jurisdiction of which the respective deferred asset or liability is expected to be recovered or settled.

The deferred tax assets of the Company are presented net against its deferred tax liabilities when and as much as it is the tax payer for them in the respective jurisdiction (Bulgaria), and this is only in cases where the Company is legally entitled to perform or receive net payments of current tax liabilities or income tax receivables.

The deferred income tax liabilities of the Company as at 31 December 2016 were assessed at a rate, valid for 2017, at the amount of 10%.

2.22. Earnings per share

Basic earnings per share are calculated by dividing net profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding during at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. This factor represents the number of days that the shares are outstanding as a proportion of the total number of days in the period.

In case of a capitalisation, bonus issue or splitting, the number of the outstanding ordinary shares as at the date of such event, is adjusted as to reflect the proportional change in the number of outstanding ordinary shares as if the event has occurred in the beginning of the earliest presented period.

Diluted earnings per share are not calculated because no dilutive potential ordinary shares have been issued.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.23. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. The measurement of provisions is based on the best estimate, made by the management at the date of the statement of financial position, concerning the expenses that will be incurred for the settlement of the particular obligation.

The estimate is discounted if the obligation is long-term. When part of the resources required to settle the obligation are expected to be recovered by a third party, the Company recognises a receivable if it is virtually certain that reimbursement will be received, its amount can be reliably measured and income (credit) is recognised in the same item of the statement of comprehensive income (within profit or loss for the year) where the provision itself is presented.

2.24. Government grant (grant from public institutions)

Government grants are different forms of grants from the state (local and central authorities and institutions) and/or international agreements and organizations.

The government grant (a grant from public institutions) is initially recognised as deferred income (financing) when there is reasonable assurance that it will be received by the Company and that the latter has complied and complies with the associated thereto terms and requirements.

The government grant (a grant from public institutions) that compensates the Company for expenses incurred is recognised in current profit or loss on a systematic basis in the same period in which the expenses are recognised or if it has been legally determined and obtained in a subsequent period – in this period.

The government grant (a grant from public institutions) that compensates investment expenses incurred to acquire an asset is recognised in current profit or loss on a systematic basis over the useful life of the asset usually at the amount of the recognised depreciation charge.

2.25. Financial instruments

2.25.1. Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale assets. The classification depends on the nature and purpose (designation) of the financial assets at the date of their acquisition. The management determines the classification of Company's financial assets at the time of their initial recognition on the statement of financial position.

The Company usually recognises its financial assets on the statement of financial position on the trade date, being the date on which the Company commits (undertakes an ultimate engagement) to purchase the respective financial assets. All financial assets are initially measured at their fair value plus the directly attributable transaction costs except for the assets at fair value through profit or loss. The latter are recognised at fair value while the directly attributable transaction costs are recognised immediately in the statement of comprehensive income (within profit or loss for the year).

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.25. Financial instruments (continued)

2.25.1. Financial assets (continued)

Financial assets are derecognised from Company's statement of financial position when the rights to receive cash (flows) from these assets have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership of the asset to another entity (person). If the Company retains substantially all risks and rewards associated with the ownership of a particular transferred financial asset, it continues to recognise the transferred asset on its statement of financial position but also recognises a secured liability (a loan) for the consideration received (Notes 2.13 and 2.14).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured in the statement of financial position at their amortised cost using the effective interest method less any allowance for impairment. These assets are included in current assets when having maturity within 12 months or within a common operating cycle of the Company while the remaining ones are classified as non-current assets. This group of financial assets includes: loans granted, trade receivables, other receivables from counterparts and third parties, cash and cash equivalents from the statement of financial position.

Interest income on loans and receivables is recognised by applying the effective interest rate except for short-term receivables (less than 12 months) where the recognition of such income would be unjustifiable as immaterial and within the common credit terms. It is presented in the statement of comprehensive income (within profit or loss for the year) under 'Other operating income'.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative assets that are either designated as available-for-sale or are not classified in any other category. These are usually unlisted or not actively traded shares, or shares in other companies, acquired for investment purposes, and are included within non-current assets, except where the Company intends to sell them in the following 12 months and is actively searching for a buyer.

Available-for-sale financial assets are measured at acquisition cost because they are in closed-end companies for which it is difficult to find analogous market transactions data or due to the circumstance that the future operation of these companies is related to certain doubts so that reasonable and justifiable long-term assumptions are possible for the calculation of the fair value of their shares through other alternative valuation methods.

Dividends on shares, classified as available-for-sale financial assets, are recognised in the statement of comprehensive income (within profit or loss for the year) when the Company's right to receive the dividends is established.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.25. Financial instruments (continued)

2.25.2. Financial liabilities and equity instruments

The Company classifies debt and equity instruments either as financial liabilities or as equity depending on the substance and the conditions of the contractual arrangements with the respective counterpart regarding these instruments.

Financial liabilities

Financial liabilities include loans and payables to suppliers and other counterparts. They are initially recognised in the statement of financial position at fair value net of the directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method (Note 2.15).

2.25.3. Fair value measurement

IFRS 13 is applied when another IFRS requires or allows fair value measurement or disclosure of the measurement at fair value both of financial instruments and non-financial items. The standard is not applicable for share-based payment transactions that fall within the scope of IFRS 2 Share-based Payment, lease transactions within the scope of IAS 17 Leases and with regard to measurements that have some similarities to fair value but are not fair value – e.g. measurement at net realisable value under IAS 1 Inventories or at value in use under IAS 36 Impairment of Assets.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal (or most advantageous) market under current market conditions. According to IFRS 13, fair value is an exit price no matter if this price is directly observable or has been estimated by another valuation technique.

Fair value is measured from the perspective of using the assumptions and judgments that potential market participants would use when pricing the respective asset or liability assuming that market participants act in their economic best interest.

In measuring the fair value of non-financial assets the starting point is always the assumption what would be the highest and best use of the particular asset for the market participants.

2.26. Segment reporting

A reporting segment is a distinguishable component of the Company that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the Company), whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assesses its performance, and for which discrete financial information is available. The Company has a single reporting segment.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.27. Critical accounting judgments on applying the Company's accounting policies. Key estimates and assumptions of high uncertainty

Recognition and evaluation of provisions

Production waste repositories

The Company has recognised a provision for closing-down of industrial waste repositories (landfills) and for recultivation of the terrain based on the simultaneous existence of:

- legal obligation by virtue of Ordinance No. 8 of 24 September 2004 of the Minister of Environment and Water (MEW) on the conditions and requirements for the construction and functioning of repositories and other equipment and installations for waste recovery and disposal; and
- plan for rendering the repository in line with the legal requirements, which has been approved in terms of types of activities and terms and forecasted values by the Ministry of Environment and Water in accordance with the requirements of the above Ordinance.

In order to determine the amount of the provision, the Company has assigned certified experts-ecologists to prepare an estimate of costs by type of activity necessary for the execution of the obligation and to issue a special purpose report and a budget account. The amounts, expected to be utilised over a period longer than one year, are discounted.

Quotas for greenhouse gases

At the end of each reporting period, the Company reports issued quantities of quotas for greenhouse gases. In case of shortage of quotas, the Company recognises a provision for the current liability for settlement of verified quotas. The provision amount is determined as the quantity of shortage (the difference between the free quotas and the actual emissions of gases for the reporting period) of quotas, verified via a special document – Report on annual emission quotas, are valued at current market price at the reporting date while the changes in the liability amount are recognised in the statement of comprehensive income (within profit or loss for the year).

Recognition of tax assets

At the issue date of the annual separate financial statements and based on the budgeted positive results for the following years, Company's management has judged that the Company will be able to generate sufficient taxable profit for deducting the tax losses for 2012 amounting to BGN 349 thousand and for 2014 amounting to BGN 4,374 thousand within the applicable in Bulgaria period for tax losses carry forward (5 years) as defined in the Corporate Income Taxation Act. Therefore, it has taken a decision to recognise deferred tax assets on tax losses in the separate financial statements for 2015 at the amount of BGN 473 thousand. In 2016, the Company deducted the total amount of the accumulated tax losses from prior periods.

As at 31 December 2016, there are unrecognised deferred tax assets at the amount of BGN 2,101 thousand (31 December 2015: BGN 2,073 thousand), related to impairment of investments in and receivables from subsidiaries, because the management has assessed as unlikely for the temporary difference to reverse in the foreseeable future.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.27. Critical accounting judgments on applying the Company's accounting policies. Key estimates and assumptions of high uncertainty (continued)

Impairment of receivables

Impairment of trade receivables is recognised when there are objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter insolvency proceedings or other financial reorganisation, and payment past due by more than 90 days, are considered by the management when it defines and classifies a particular receivable as impaired. The impairment amount is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the original effective interest rate. For this purpose, different scenarios of the forecasts are done, which incorporate differing assumptions for the risks, uncertainties and probabilities for the future realization of the cash flows. These scenarios are carefully analyzed by the Management and the results from them are weighted in the calculations of the recoverable value of the overdue receivables.

The receivables assessed as uncollectable are 100% impaired. The carrying amount is adjusted through the use of an allowance account for accumulating all impairments and the amount of the impairment loss for the period is recognised in the statement of comprehensive income within 'other expenses'. In case of a subsequent reversal of impairment loss, it is stated as other income against a decrease in the allowance account. When a particular receivable is assessed as uncollectable, it is written-off against the allowance account.

For 2016, the amount of impairment of trade receivables is BGN 2 thousand (2015: BGN 1 thousand), the amount of receivables from related parties – none (2015: BGN 8,660 thousand) (Note 8).

Impairment of inventories

At the end of each financial year, the Company reviews the state, useful life and usability of the existing inventories. When the companies identify inventories the assessment of which shows that it is highly probable for them to be not realised at their current carrying amount in the following reporting periods, these inventories are impaired to net realisable value.

For 2016, the amount of impairment of inventory is BGN 143 thousand (2015: BGN 170 thousand) (Note 8).

Actuarial calculations

Calculations of certified actuaries have been used every year when determining present value of long-term payables to personnel upon retirement on the basis of assumptions for mortality rate, staff turnover rate, future salaries level and discount factor.(Note 25)

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.27. Critical accounting judgments on applying the Company's accounting policies. Key estimates and assumptions of high uncertainty (continued)

Impairment of investments in subsidiaries

At each reporting date, the management makes an analysis and an assessment on whether indications for impairment of Company's investments in subsidiaries exist. The following are accepted as indicators for impairment: significant reduction in the volume or discontinuing of investee's operations; reporting of losses for a longer period of time, as well as stating of negative net assets or assets at an amount below the registered share capital.

The tests and assessments of the management on the impairment of investments have been made through the prism of its plans and intents as to the future economic benefits, which are expected from the subsidiaries, including trade benefits and production experience, position on foreign markets, expectations for future sales, etc.

For this purpose, different scenarios of the forecasts are done, which incorporate differing assumptions for the risks, uncertainties and probabilities for the future realization of the cash flows and earnings from these investments. These scenarios are carefully analyzed by the Management and the results from them are weighted in the calculations of the recoverable value of the investments.

For 2016, no impairment of investment in subsidiary is booked (2015: BGN 1,2570 thousand) (Note 14).

3. REVENUE

| | <u>2016</u> | <u>2015</u> |
|-----------------------|-----------------------|-----------------------|
| Domestic market sales | 148,936 | 165,294 |
| Export | 91,781 | 119,829 |
| | <u>240,717</u> | <u>285,123</u> |

Sales by product – domestic market

| | <u>2016</u> | <u>2015</u> |
|----------------------------------|-----------------------|-----------------------|
| Ammonium Nitrate – EC Fertilizer | 142,214 | 156,691 |
| NPK EC Fertilizer | 2,723 | 4,049 |
| Ammonia | 1,633 | 2,136 |
| Sodium Nitrate | 1,020 | 1,089 |
| Carbon Dioxide | 656 | 590 |
| Nitric Acid | 220 | 220 |
| Ammonia Water | 199 | 194 |
| Ammonium Hydrogencarbonate | 159 | 158 |
| Oxygen | 14 | 35 |
| Other | 98 | 132 |
| | <u>148,936</u> | <u>165,294</u> |

3. REVENUE (CONTINUED)*Sales by product – export for 2016* were as follows:

| | Europe | North America | Asia and Africa | Total |
|----------------------------------|---------------|---------------|-----------------|---------------|
| Ammonium Nitrate – EC Fertilizer | 43,070 | - | 13,900 | 56,970 |
| Ammonia | 29,352 | - | 704 | 30,056 |
| Ammonium Hydrogencarbonate | 1,288 | - | 1,234 | 2,522 |
| Sodium Nitrate | 671 | - | 1,534 | 2,205 |
| Liquid Nitrogen Fertiliser | 22 | - | - | 22 |
| Ammonia Water | 6 | - | - | 6 |
| | 74,409 | - | 17,372 | 91,781 |

Sales by product – export for 2015 were as follows:

| | Europe | North America | Asia and Africa | Total |
|----------------------------------|---------------|---------------|-----------------|----------------|
| Ammonium Nitrate – EC Fertilizer | 61,041 | 7,762 | 11,811 | 80,614 |
| Ammonia | 34,608 | - | 1,102 | 35,710 |
| Ammonium Hydrogencarbonate | 1,520 | - | 679 | 2,199 |
| Sodium Nitrate | 278 | - | 885 | 1,163 |
| Carbon Dioxide | 71 | - | - | 71 |
| Ammonia Water | 67 | - | - | 67 |
| NPK | 5 | - | - | 5 |
| | 97,590 | 7,762 | 14,477 | 119,829 |

Information on major clients

The total revenue from transaction with the largest clients of the Company are as follows:

| | 2016 | 2015 |
|----------|---------|---------|
| Client 1 | 115,797 | 121,941 |
| Client 2 | 43,471 | 67,088 |
| Client 3 | 9,515 | 17,003 |
| Client 4 | 9,331 | - |
| Client 5 | 8,729 | 10,386 |
| Client 6 | 7,478 | 12,836 |
| Client 7 | 7,321 | - |
| Client 8 | - | 7,785 |
| Client 9 | - | 6,748 |

4. OTHER OPERATING INCOME, NET

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Sales of goods | 101 | 342 |
| Cost of goods sold | (78) | (324) |
| <i>Gain on sales of goods</i> | <u>23</u> | <u>18</u> |
| Sales of materials | 340 | 989 |
| Cost of materials sold | (267) | (540) |
| <i>Gain on sale of materials</i> | <u>73</u> | <u>449</u> |
| Sales of PPE | 355 | 654 |
| Carrying amount of PPE sold | (38) | (159) |
| <i>Gain on sale of PPE</i> | <u>317</u> | <u>495</u> |
| Electric energy government grant | 3,122 | - |
| Sales of services | 410 | 962 |
| Foreign currency exchange gains | 126 | 1,435 |
| Liquidation of PPE | 124 | 83 |
| Surpluses of assets | 76 | 56 |
| Reversed impairment | 57 | 48 |
| Financing under operational programmes | 37 | 37 |
| Indemnities received | 19 | 357 |
| Other | 40 | 201 |
| | <u><u>4,424</u></u> | <u><u>4,141</u></u> |

***Gain on sales of materials* includes:**

| | <u>2016</u> | <u>2015</u> |
|---------------|------------------|-------------------|
| Processed oil | 13 | 41 |
| Metal scrap | 8 | 364 |
| Other | 52 | 44 |
| | <u><u>73</u></u> | <u><u>449</u></u> |

***Sales of services* include:**

| | <u>2016</u> | <u>2015</u> |
|-------------------------|-------------------|-------------------|
| Rental income | 181 | 232 |
| Manoeuvre services | 30 | 446 |
| Transportation services | 26 | 64 |
| Other | 173 | 220 |
| | <u><u>410</u></u> | <u><u>962</u></u> |

The electric energy grant represents aid for reducing the burden related to the expenses on energy from renewable sources and refers to two pricing periods, covering years 2015 and 2016, for which the Company was an applicant under the Ordinance on Reducing the Burden of Renewable Energy Costs. For the first pricing period the Company received a compensation at the amount of BGN 2,233 thousand and for the second pricing period the approved amount to be received is BGN 889 thousand (Note 19).

The sold non-current assets include mainly accommodation facilities and motor vehicles, owned by the Company.

5. RAW MATERIALS AND CONSUMABLES USED***Expenses on materials* include:**

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|-----------------------|-----------------------|
| Basic raw materials and consumables | 131,872 | 196,947 |
| Fuel and energy | 13,355 | 14,213 |
| Auxiliary materials | 1,415 | 1,195 |
| Spare parts | 1,234 | 1,037 |
| Other materials | 401 | 455 |
| | <u><u>148,277</u></u> | <u><u>213,847</u></u> |

5. RAW MATERIALS AND CONSUMABLES USED (CONTINUED)*Basic raw materials and consumables include:*

| | 2016 | 2015 |
|-------------------------------------|----------------|----------------|
| Natural gas | 119,961 | 182,617 |
| Packaging | 4,531 | 4,757 |
| Monoammonium phosphate | 1,362 | 2,144 |
| Calcinated soda | 1,242 | 1,260 |
| Lubricants | 1,131 | 1,229 |
| Magnesit | 1,076 | 1,148 |
| Platinum | 758 | 957 |
| Sodium hydroxide | 342 | 343 |
| Calcium carbonate | 214 | 192 |
| Sulphuric acid | 200 | 181 |
| Methyldiethanolamine | 193 | 402 |
| Kalium chloride | 191 | 290 |
| Quicklime | 72 | 64 |
| Ammonium sulphate | 42 | 131 |
| Other raw materials and consumables | 557 | 1,232 |
| | 131,872 | 196,947 |

6. HIRED SERVICES EXPENSE

| | 2016 | 2015 |
|--|---------------|---------------|
| Transportation | 8,038 | 7,539 |
| Repairs of PPE | 3,439 | 1,845 |
| Freight | 1,719 | 2,874 |
| Insurance | 1,149 | 842 |
| Taxes and charges | 1,017 | 862 |
| Security | 931 | 1,043 |
| Fire safety | 665 | 115 |
| Consulting services | 443 | 333 |
| Subscribed servicing and technical control | 437 | 367 |
| Cargo handling costs | 387 | 108 |
| Porters' and port costs | 341 | 557 |
| Waste recovery/disposal | 272 | 84 |
| Operating lease | 231 | 253 |
| Cleaning and planting | 201 | 163 |
| Bank fees and charges | 144 | 164 |
| Communications | 69 | 93 |
| Training courses | 65 | 50 |
| Commodity inspection costs | 53 | 62 |
| Civil contracts and fees | 24 | 89 |
| Metals cutting | 18 | 58 |
| Commissions under sales contract | 8 | 140 |
| Other services | 254 | 177 |
| | 19,905 | 17,818 |

The accrued expenses for the year on obligatory audit are for BGN 190 thousand (2015: BGN 181 thousand), agreed-upon procedures for BGN 10 thousand (2015 : none) and other services – BGN 1 thousand (2015:BGN 2 thousand).

7. EMPLOYEE BENEFITS EXPENSE*Personnel costs* include:

| | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|
| Salaries and other remuneration | 20,466 | 17,871 |
| Social security contributions | 4,150 | 3,691 |
| Food for personnel | 849 | 1,119 |
| Accruals for long-term payables to personnel (Note 25) | 233 | 186 |
| | <u>25,698</u> | <u>22,867</u> |

Remuneration costs include:

| | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|
| Current wages and salaries | 20,462 | 17,861 |
| Accrued/(recovered) amounts for unused paid leaves | 4 | 10 |
| | <u>20,466</u> | <u>17,871</u> |

Social security contributions include:

| | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|
| Social security contributions | 4,151 | 3,688 |
| (Recovered)/accrued amounts for state social security on unused paid leaves | (1) | 3 |
| | <u>4,150</u> | <u>3,691</u> |

8. IMPAIRMENT OF CURRENT AND NON-CURRENT ASSETS*Impairment of current assets* is as follows:

| | <u>2016</u> | <u>2015</u> |
|--|-------------|--------------|
| Inventories | 143 | 170 |
| Receivables (including from related parties) | 2 | 8,661 |
| | <u>145</u> | <u>8,831</u> |

Impairment and write-off of non-current assets comprises:

| | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|
| Impairment of PPE in progress | 1,708 | - |
| Write-off of PPE in progress | 314 | - |
| Impairment of property, plant and equipment | 31 | 89 |
| Impairment of investments in subsidiaries – Note 14 | - | 1,257 |
| Other | - | 1 |
| | <u>2,053</u> | <u>1,347</u> |

9. OTHER OPERATING EXPENSES**Other operating expenses include:**

| | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|
| Carbon emissions (quotas for harmful gases), including | 2,496 | 2,645 |
| <i>current expense on carbon emissions (quotas for harmful gases)</i> | 1,641 | 1,019 |
| <i>carbon emissions (quotas for harmful gases - this year) written-off</i> | 1,015 | 1,609 |
| <i>carbon emissions (quotas for harmful gases - last year) written-off</i> | 859 | 22 |
| <i>provision for carbon emissions (quotas for harmful gases)</i> | (1,019) | (5) |
| Electric energy excise expenses under a Tax Assessment Notice | 163 | - |
| Remuneration to BD members – legal and natural persons | 144 | 48 |
| Business trip costs | 69 | 47 |
| Interest under a Tax Assessment Notice | 55 | - |
| Entertainment costs | 42 | 17 |
| Pollution penalties | 39 | 33 |
| Shortage of assets | 38 | 40 |
| Carrying amount of PPE written-off | 21 | 12 |
| Accrued/(reversed) amounts related to provisions, net | 17 | 98 |
| Unrecognized VAT credits | 15 | 30 |
| Materials and finished products scrapped | 10 | 9 |
| Fines and penalties to suppliers | 2 | 105 |
| Other | 65 | 68 |
| | <u>3,176</u> | <u>3,152</u> |

10. FINANCE COSTS AND INCOME, NET

| | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|
| Interest expense | (1,136) | (2,012) |
| Income from liquidation shares in subsidiaries | - | 139 |
| Interest income | - | 1 |
| | <u>(1,136)</u> | <u>(1,872)</u> |

The income from liquidation shares in subsidiaries for 2015 includes: BGN 124 thousand from Neochim Engineering EOOD – a deleted trader and BGN 15 thousand from Neochim Catering EOOD – a deleted trader.

11. INCOME TAX EXPENSE

| | <u>2016</u> | <u>2015</u> |
|---|----------------|----------------|
| Statement of comprehensive income (loss or profit for the year) | | |
| Current income tax expense for the year | (2,302) | - |
| <i>Deferred income taxes</i> | | |
| Related to origination and reversal of temporary differences | (831) | (1,447) |
| Total income tax expense | <u>(3,133)</u> | <u>(1,447)</u> |
| Reconciliation of income tax expense applicable to the accounting profit or loss: | | |
| | <u>2016</u> | <u>2015</u> |
| Accounting profit for the year | 31,160 | 5,966 |
| Income tax expense – 10% (2015: 10%) | (3,116) | (597) |
| <i>Non-deductible amounts under tax return</i> | | |
| Related to increases – BGN 174 thousand (2015: BGN 10,651 thousand) | (17) | (1,066) |
| Related to decreases – none (2015: BGN 2,168 thousand) | - | 216 |
| Total income tax expense carried to the statement of comprehensive income (within profit or loss for the year) | <u>(3,133)</u> | <u>(1,447)</u> |
| Effective tax rate | <u>10.05%</u> | <u>24.25%</u> |

12. EARNINGS PER SHARE

| | <u>2016</u> | <u>2015</u> |
|---|--------------|-------------|
| Weighted average number of shares based on days | 2,585,964 | 2,585,964 |
| Profit for the year (BGN'000) | 28,027 | 4,519 |
| Earning per share (BGN) | 10.84 | 1.75 |

13. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

| | <i>Land and buildings</i> | <i>Plant and equipment</i> | <i>Motor vehicles</i> | <i>Other</i> | <i>PPE and IA in progress</i> | <i>Total</i> | <i>Intangible assets</i> |
|--|-------------------------------|--------------------------------|---------------------------|--------------|-----------------------------------|----------------|------------------------------|
| Book value | | | | | | | |
| At 1 January 2015 | 22,923 | 152,112 | 8,225 | 1,191 | 4,925 | 189,376 | 944 |
| Additions | - | - | 50 | - | 5,459 | 5,509 | - |
| Disposals | (159) | (152) | (146) | (14) | - | (471) | (105) |
| Transferred | - | 5,655 | - | 17 | (5,672) | - | - |
| 31 December 2015 | 22,764 | 157,615 | 8,129 | 1,194 | 4,712 | 194,414 | 839 |
| Additions | 31 | - | 1,202 | - | 5,374 | 6,607 | - |
| Disposals | (97) | (190) | (437) | (21) | (2,193) | (2,938) | - |
| Transferred | - | 4,901 | - | 21 | (4,975) | (53) | 53 |
| 31 December 2016 | 22,698 | 162,326 | 8,894 | 1,194 | 2,918 | 198,030 | 892 |
| Accumulated depreciation/amortisation | | | | | | | |
| At 1 January 2015 | 7,354 | 70,615 | 5,650 | 939 | 19 | 84,577 | 619 |
| Depreciation/amortisation charge for the year | 662 | 9,665 | 644 | 79 | - | 11,050 | 30 |
| Impairment charged | 91 | 17 | - | - | - | 108 | - |
| Impairment written-off | - | - | - | - | (19) | (19) | - |
| Depreciation/amortisation written-off | (55) | (141) | (92) | (13) | - | (301) | - |
| 31 December 2015 | 8,052 | 80,156 | 6,202 | 1,005 | - | 95,415 | 649 |
| Depreciation/amortisation charge for the year | 652 | 10,175 | 778 | 65 | - | 11,670 | 37 |
| Impairment charged | 7 | 24 | - | - | 1,708 | 1,739 | - |
| Impairment written-off | - | (1) | - | - | (1,708) | (1,709) | - |
| Depreciation/amortisation written-off | (60) | (170) | (436) | (19) | - | (685) | - |
| 31 December 2016 | 8,651 | 90,184 | 6,544 | 1,051 | - | 106,430 | 686 |
| Net carrying amount at 31 December 2015 | 14,712 | 77,459 | 1,927 | 189 | 4,712 | 98,999 | 190 |
| Net carrying amount at 31 December 2016 | 14,047 | 72,142 | 2,350 | 143 | 2,918 | 91,600 | 206 |

Company's tangible fixed assets as at 31 December 2016 include land at the amount of BGN 3,630 thousand (31 December 2015: BGN 3,630 thousand) and buildings of carrying amount BGN 10,417 thousand (31 December 2015: BGN 11,082 thousand).

13. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

Tangible fixed assets as at 31 December 2016 include assets of book value BGN 25,165 thousand, which have been fully depreciated but still in use in Company's activities (31 December 2015: BGN 15,882 thousand).

As at 31 December 2016, there is a contractual mortgage of immovable property with a carrying amount of BGN 6,122 thousand (31 December 2015: BGN 6,459 thousand) and a pledge on machinery and equipment with a carrying amount of BGN 10,190 thousand (31 December 2015: BGN 8,157 thousand) established as collateral under used bank loans (Note 22).

The non-current assets in progress are presented under the item property, plant and equipment on the face of the statement of financial position until the time when the assets become fit for operation and then they are presented respectively as tangible or intangible assets. The non-current assets in progress as at 31 December include:

- Offices, garage, storage and shop – BGN 1,551 thousand (31 December 2015: BGN 1,539 thousand);
- SAP information system – equipment – BGN 472 thousand (31 December 2015: BGN 472 thousand);
- Advances granted to suppliers – BGN 361 thousand (31 December 2015: BGN 67 thousand);
- Purification of infiltrate from a repository for harmful solid production waste in a Neutralisation Unit – BGN 212 thousand (31 December 2015: none);
- Distribution and transformer sub-station RTP-8 – BGN 60 thousand (31 December 2015: BGN 60 thousand);
- Conveying ammonia water from gasgolder (k.301) to AM-76 workshop (CTA) – BGN 40 thousand (31 December 2015: none);
- High density polyethylene pipes for water supply from Chernogorovo dam – BGN 29 thousand (31 December 2015: BGN 29 thousand);
- Unit GPP2-1X20/25MV – none (31 December 2015: BGN 2,061 thousand). The strategy for ensuring electric energy supply to the Company and construction of Closed Unit GPP-2-1x20/25MVA, 110/6.3 KV project was revised in 2016. A decision was taken for not executing further the project. The expenses at the date of the decision that are written-off amount to BGN 2,061 thousand.
- Other projects - BGN 193 thousand (31 December 2015: BGN 484 thousand). Design and exploratory works and other expenses on projects that will not be executed at the amount of BGN 139 thousand were written-off (Note 8).

In 2016, the Company purchased 681 thousand tons of emission of greenhouse gases at the amount of BGN 1,874 thousand (31 December 2015: 242 thousand tons of emission at the amount of BGN 1,526 thousand).

| | <i>31.12.2016</i> | <i>31.12.2015</i> |
|---|-------------------|-------------------|
| Balance at the beginning of the year | - | 105 |
| Newly acquired | 1,874 | 1,526 |
| Written-off as expense (Note 9) | (1,015) | (1,631) |
| Written-off in relation to provision (Note 9) | (859) | - |
| Balance at the end of the year | - | - |

14. INVESTMENTS IN SUBSIDIARIES

| <i>Company name</i> | <i>Location of registration</i> | <i>Carrying amount</i> | <i>% of interest</i> | <i>Carrying amount</i> | <i>% of interest</i> |
|----------------------|---------------------------------|------------------------|----------------------|------------------------|----------------------|
| | | <i>31.12.2016</i> | | <i>31.12.2015</i> | |
| Neochim Tarim Ltd. | Turkey | 83 | 99.00 | 83 | 99.00 |
| Neochim Protect EOOD | Bulgaria | 5 | 100 | 5 | 100 |
| Neochim Gübre Ltd. | Turkey | - | 99.83 | - | 99.83 |
| | | 88 | | 88 | |

A total accumulated impairment of the investment in the subsidiary Neochim Gübre Ltd. at the amount of BGN 3,144 thousand due to the incurred losses for extended periods of time, negative net assets and low probability of return on the investment (31 December 2015: BGN 3,144 thousand).

The scope of activities of the subsidiaries and the dates of their acquisition are as follows:

- Neochim Gübre Ltd., Odrin, Turkey – import, export and local trade in all types of chemical fertilizers. Date of acquisition – 13 August 2002;
- Neochim Tarim Ltd., Odrin, Turkey – import, export and local trade in all types of chemical fertilizers. Date of acquisition – 15 October 2012. The company was acquired through incorporation;
- Neochim Protect EOOD, Dimitrovgrad – safeguarding property of legal entities, buildings, premises and offices; safeguarding physical persons and their property and others. Date of acquisition – 24 April 2002.

As at 31 December 2016, as a result of the performed review for impairment of the investments in subsidiaries, the Company has not identified necessity in additional impairment (as at 31 December 2015, a performed review proved the necessity in recognition of impairment on the investment in the subsidiary Neochim Gübre Ltd., Turkey, at the amount of BGN BGN 1,257 thousand, whereby the total impairment of this investment became BGN 3,144 thousand) (Note 8).

| | <i>2016</i> | <i>2015</i> |
|---|-------------|--------------|
| Balance at the beginning of the year | 88 | 1,350 |
| Impaired | - | (1,257) |
| Written-off | - | (5) |
| Balance at the end of the year | 88 | 88 |

15. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred income taxes as at 31 December are related to the following items of the statement of financial position:

| | <i>temporary difference</i> | <i>tax</i> | <i>temporary difference</i> | <i>tax</i> |
|--|---------------------------------|-------------------|---------------------------------|-------------------|
| | <i>31.12.2016</i> | <i>31.12.2016</i> | <i>31.12.2015</i> | <i>31.12.2015</i> |
| Property, plant and equipment | (8,386) | (838) | (2,304) | (231) |
| Total deferred tax (liabilities)/assets | (8,386) | (838) | (2,304) | (231) |
| Impairment of inventories | 2,469 | 247 | 757 | 76 |
| Provision for emissions (quotas for harmful gases) | 1,641 | 164 | 1,019 | 102 |
| Accruals for retirement benefit obligations to personnel | 826 | 83 | 840 | 84 |
| Accruals for unpaid benefits to physical persons | 379 | 38 | 228 | 22 |
| Provision for repositories recultivation | 336 | 33 | 319 | 32 |
| Impairment of receivables | 287 | 29 | 290 | 29 |
| Accruals for unused paid leaves | 81 | 8 | 78 | 8 |
| Provision for repository costs | 21 | 2 | 21 | 2 |
| Tax loss to be carried forward | - | - | 4,723 | 473 |
| Total deferred tax assets | 6,040 | 604 | 8,275 | 828 |
| Net balance of deferred income tax – (liabilities)/assets | (2,346) | (234) | 5,971 | 597 |

There are unrecognised deferred tax assets at the amount of BGN 2,101 thousand (31 December 2015: BGN 2,073 thousand) related to impairment of investments in and receivables from subsidiaries. The temporary difference on which no tax asset is recognised, respectively, amounts to BGN 21,006 thousand (31 December 2015: BGN 20,733 thousand).

The movements within deferred tax assets and liabilities are presented below:

| <i>Deferred tax (liabilities)/ assets</i> | <i>Balance at 1 January 2016 BGN '000</i> | <i>Recognised in profit or loss for the year</i> | <i>Balance at 31 December 2016</i> |
|---|---|--|--|
| Property, plant and equipment | (231) | (607) | (838) |
| Tax loss to be carried forward | 473 | (473) | - |
| Provision for emissions (quotas for harmful gases) | 102 | 62 | 164 |
| Accruals for retirement benefit obligations to personnel | 84 | (1) | 83 |
| Impairment of inventories | 76 | 171 | 247 |
| Provision for repositories recultivation | 32 | 1 | 33 |
| Impairment of receivables | 29 | - | 29 |
| Provision for remuneration of foreign natural and legal persons | 14 | 8 | 22 |
| Accruals for unused paid leaves | 8 | - | 8 |
| Accruals for unpaid benefits to local physical persons | 8 | 8 | 16 |
| Provision for repository costs | 2 | - | 2 |
| Total tax assets/(liabilities) | 597 | (831) | (234) |

15. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

| <i>Deferred tax (liabilities)/ assets</i> | <i>Balance at 1 January 2015 BGN '000</i> | <i>Recognised in profit or loss for the year</i> | <i>Balance at 31 December 2015</i> |
|--|---|--|--|
| Property, plant and equipment | 794 | (1,025) | (231) |
| Tax loss to be carried forward | 1,013 | (540) | 473 |
| Provision for emissions (quotas for harmful gases) | 1 | 101 | 102 |
| Accruals for retirement benefit obligations to personnel | 88 | (4) | 84 |
| Impairment of inventories | 60 | 16 | 76 |
| Provision for repositories recultivation | 31 | 1 | 32 |
| Impairment of receivables | 33 | (4) | 29 |
| Provision for remuneration of foreign individuals | 5 | 9 | 14 |
| Accruals for unused paid leaves | 6 | 2 | 8 |
| Accruals for unpaid benefits to local physical persons | 9 | (1) | 8 |
| Provision for repository costs | 2 | - | 2 |
| Total tax assets/(liabilities) | 2,044 | (1,447) | 597 |

16. INVENTORIES

| | <i>31.12.2016</i> | <i>31.12.2015</i> |
|-------------------|-------------------|-------------------|
| Materials | 20,757 | 19,557 |
| Work in progress | 2,195 | 3,489 |
| Finished products | 1,159 | 3,161 |
| Goods | 387 | 9 |
| | 24,498 | 26,216 |

| <i>Materials include:</i> | <i>31.12.2016</i> | <i>31.12.2015</i> |
|---------------------------|-------------------|-------------------|
| Precious metals | 8,122 | 7,925 |
| Spare parts and bearings | 5,014 | 5,010 |
| Auxiliary materials | 3,449 | 3,358 |
| Basic materials | 2,674 | 1,876 |
| Packaging materials | 955 | 703 |
| Catalysers | 251 | 299 |
| Automobile tyres | 50 | 56 |
| Other materials | 242 | 330 |
| | 20,757 | 19,557 |

| <i>Basic materials</i> | <i>31.12.2016</i> | <i>31.12.2015</i> |
|------------------------|-------------------|-------------------|
| Ammonium sulphate | 1,033 | 148 |
| Magnesit | 380 | 305 |
| Chemicals, catalysers | 258 | 199 |
| Calcinated soda | 198 | 168 |
| Kalium chloride | 156 | 347 |
| Methyldiethanolamine | 133 | 69 |
| Lubricant | 124 | 124 |
| Calcium carbonate | 95 | 83 |
| Monoammonium phosphate | 78 | 162 |
| Sodium hydroxide | 39 | 32 |
| Quicklime | 30 | 26 |
| MEA solution | - | 8 |
| Kalium sulphate | - | 2 |
| Other | 150 | 203 |
| | 2,674 | 1,876 |

16. INVENTORIES (CONTINUED)

| <i>Finished products</i> | <i>31.12.2016</i> | <i>31.12.2015</i> |
|----------------------------------|-----------------------|-----------------------|
| Ammonium Nitrate – EC Fertilizer | 925 | 2,835 |
| Ammonium Hydrogencarbonate | 106 | 159 |
| Sodium Nitrate – technical grade | 101 | 87 |
| Ammonia Water | 16 | 23 |
| Other | 11 | 57 |
| | 1,159 | 3,161 |
| <i>Work in progress</i> | <i>31.12.2016</i> | <i>31.12.2015</i> |
| Ammonia | 1,963 | 3,108 |
| Nitric Acid | 177 | 228 |
| Ammonium Nitrate | 18 | 26 |
| Ferro-molybdenum catalyser | - | 56 |
| Other | 37 | 71 |
| | 2,195 | 3,489 |

There are established pledges on inventories as at 31 December 2016 as collateral for used bank loans as follows:

- Precious metals – BGN 8,122 thousand (31 December 2015: BGN 7,925 thousand);
- Finished products (Ammonium Nitrate) – BGN 925 thousand (31 December 2015: BGN 2,835 thousand);
- Work in progress (Ammonia) – BGN 1,963 thousand (31 December 2015: BGN 3,108 thousand).

As at 31 December 2016, the Company has inventories at the amount of BGN 4 thousand (31 December 2015: BGN 7 thousand) measured at fair value less the costs to sell.

17. RECEIVABLES FROM RELATED PARTIES

| | <i>31.12.2016</i> | <i>31.12.2015</i> |
|--|-------------------|-------------------|
| Receivables on sales in foreign currency | 20,677 | 20,588 |
| Receivables on sales in foreign currency | (19,299) | (18,619) |
| Receivables on sales in BGN | 15 | 18 |
| Receivables on sales in foreign currency | (11) | (11) |
| | 1,382 | 1,976 |

The Company has set a common credit period of up to 270 days for which no interest is charged to counterparts – related parties. Any delay beyond 365 days is regarded by the Company as an indicator for impairment. The management assesses collectability by analysing the specific receivables and circumstances related to delay and takes a decision as to whether impairment is to be charged and at what amount. The policy adopted by the Company, for setting the common credit term is related to the seasonal nature of the manufactured finished products (fertilizers intended for agriculture).

The receivables from related parties in foreign currency are denominated in USD: USD 742 thousand – BGN 1,378 thousand); (31 December 2015: USD 1,100 thousand – BGN 1,969 thousand).

The management performed a review for impairment of receivables from related parties as at 31 December 2016. It was found that no indications were available for additional impairment of the receivables.

The impaired receivables are from related parties in Turkey and amount to an accumulated amount of BGN 19,299 thousand(31.12.2015:BGN 18,619 thousand).

17. RECEIVABLES FROM RELATED PARTIES (CONTINUED)

The *age structure* of non-matured (regular) trade receivables from related parties is as follows:

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|----------------------|-------------------|-------------------|
| up to 30 days | 47 | 2 |
| from 31 to 90 days | 76 | - |
| from 91 to 180 days | - | 307 |
| from 181 to 365 days | - | 275 |
| | <u>123</u> | <u>584</u> |

The *age structure* of past due but not impaired trade receivables from related parties is as follows:

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|----------------------|-------------------|-------------------|
| up to 180 days | 204 | 4 |
| from 181 to 365 days | 187 | 504 |
| over 365 days | 868 | 884 |
| | <u>1,259</u> | <u>1,392</u> |

The past due unimpaired receivables from related parties are not impaired due to the fact that their value is lower than the amount of the expected discounted cash flows.

The past due unimpaired receivables are mainly from the subsidiary Neochim Tarim Ltd., Turkey.

Movement of allowance for impairment:

| | <u>2016</u> | <u>2015</u> |
|---|---------------|---------------|
| Balance at the beginning of the year | 18,630 | 9,019 |
| Impairment amount | - | 8,660 |
| Effect of revaluation of foreign currency positions | 680 | 951 |
| Balance at the end of the year | <u>19,310</u> | <u>18,630</u> |

In 2016, until the date of financial statements approval, the Company received payments for sale of finished products from Neochim Tarim Ltd., Turkey, at the amount of BGN 764 thousand.

18. TRADE RECEIVABLES AND ADVANCES

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|--|-------------------|-------------------|
| Receivables on sales to foreign clients | 2,164 | 1,227 |
| Impairment of receivables from foreign clients | (3) | (1) |
| Receivables on sales to local clients | 169 | 212 |
| Impairment of receivables from local clients | (1) | (4) |
| | <u>2,329</u> | <u>1,434</u> |
| Advances granted to local suppliers | 238 | 79 |
| Advances granted to foreign suppliers | 68 | - |
| | <u>2,635</u> | <u>1,513</u> |

The Company has set a common credit period of up to 365 days for which no interest is charged to counterparts – related parties. Any delay after this period is regarded by the Company as an indicator for impairment. The management assesses collectability by analysing the exposure of the client as well as the possibilities for repayment and takes a decision as to whether to charge impairment.

18. TRADE RECEIVABLES AND ADVANCES (CONTINUED)

The policy adopted by the Company, for setting the common credit term is related to the seasonal nature of the manufactured finished products (fertilizers intended for agriculture).

The age structure of non-matured (regular) trade receivables amounting to BGN 1,302 thousand (31 December 2015: BGN 1,278 thousand), is up to 30 days.

The age structure of past due but not impaired trade receivables is as follows:

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|----------------------|-------------------|-------------------|
| up to 30 days | 734 | 59 |
| from 31 to 90 days | 285 | 77 |
| from 91 to 180 days | 1 | 3 |
| from 181 to 365 days | 1 | 6 |
| over 365 days | 6 | 11 |
| | <u>1,027</u> | <u>156</u> |

The age structure of past due impaired trade receivables is as follows:

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|--------------------------|-------------------|-------------------|
| 1 to 2 years | 2 | 1 |
| over 2 year | 2 | 4 |
| Allowance for impairment | (4) | (5) |
| | <u>-</u> | <u>-</u> |

Movement of allowance for impairment:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|-------------|-------------|
| Balance at the beginning of the year | 5 | 54 |
| Impairment amount | 2 | 1 |
| Amounts written-off as uncollectable | (3) | (2) |
| Reversed impairment | - | (8) |
| Balance at the end of the year | <u>4</u> | <u>5</u> |

The *advances granted* as at 31 December are regular and are for the purchase of:

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|-----------|-------------------|-------------------|
| Materials | 262 | 2 |
| Services | 44 | 77 |
| | <u>306</u> | <u>79</u> |

19. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include:

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|---|-------------------|-------------------|
| Receivable under electric energy grant | 889 | - |
| Receivables from Bulgargas under overpaid excise duty | 555 | 555 |
| Prepayments | 540 | 684 |
| Court and awarded receivables | 10 | 7 |
| VAT refundable | - | 1,081 |
| Other | 79 | 47 |
| | <u>2,073</u> | <u>2,374</u> |

19. OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)*Prepayments* are comprised of:

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|---------------|-------------------|-------------------|
| Insurance | 504 | 645 |
| Subscriptions | 22 | 22 |
| Other | 14 | 17 |
| | <u>540</u> | <u>684</u> |

The Company has a receivable from Bulgargas under a paid in excess excise duty on basic raw materials (gas) at the amount of BGN 555 thousand (31 December 2015: BGN 555 thousand). The management of the Company has undertaken the necessary measures for the recovery of these amounts through a court procedure.

20. CASH AND CASH EQUIVALENTS

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|---|-------------------|-------------------|
| Current accounts | 52,619 | 418 |
| Cash in hand | 25 | 26 |
| Cash and cash equivalents carried to the statement of cash flows | <u>52,644</u> | <u>444</u> |
| Blocked amounts under bank guarantees (Note 33) | - | 116 |
| | <u>52,644</u> | <u>560</u> |

21. SHARE CAPITAL AND RESERVES*Share capital*

As at 31 December 2016 and 2015, the registered share capital of Neochim AD amounted to BGN 2,654 thousand, distributed in 2,654,358 ordinary, registered shares with right of vote, dividend and liquidation share with nominal value of BGN 1 per share.

The *treasury shares* are 68,394 at the amount of BGN 3,575 thousand (31 December 2015: 68,394 shares – BGN 3,575 thousand).

Statutory reserves (Reserve Fund) are set aside from distribution of profit in accordance with the Commercial Act and the Articles of Association of the Company.

The *component from remeasurement of defined benefit pension plan obligation* is formed in relation with the requirements of IAS 19 (Note 25).

22. LONG-TERM BANK LOANS

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|---|-------------------|-------------------|
| Non-current payables under bank loans | | |
| Bank loans | 6,990 | 13,553 |
| Deferred charges for loan management and administration | - | - |
| | <u>6,990</u> | <u>13,553</u> |
| Current portion of long-term bank loans | | |
| Bank loans | 7,413 | 8,258 |
| Deferred charges for loan management and administration | (21) | (11) |
| | <u>7,392</u> | <u>8,247</u> |
| Total payables under interest-bearing loans | <u>14,382</u> | <u>21,800</u> |

22. LONG-TERM BANK LOANS (CONTINUED)

The terms and conditions of the authorised loans are as follows:

| <i>Loan</i> | <i>31.12.2016</i> | <i>31.12.2015</i> | <i>Contracted</i> | <i>Maturity</i> | <i>Interest rate</i> |
|-------------|-------------------|-------------------|---------------------|-----------------|-----------------------------------|
| | <i>BGN '000</i> | <i>BGN '000</i> | <i>amount in</i> | | |
| | | | <i>currency</i> | | |
| 1 | 6,350 | 9,076 | BGN 16,344 thousand | 20.04.2019 | 1 M SOFIBOR plus 3.75 points p.a. |
| 2 | 3,332 | 3,162 | BGN 4,000 thousand | 20.04.2020 | 3 M SOFIBOR plus 3.75 points p.a. |
| 3 | 1,598 | 4,100 | BGN 6,000 thousand | 20.04.2017 | 3 M SOFIBOR plus 3.75 points p.a. |
| 4 | 2,042 | 3,064 | BGN 4,100 thousand | 20.12.2018 | 1 M SOFIBOR plus 3.9 points p.a. |
| 5 | 1,060 | 2,334 | BGN 5,000 thousand | 20.10.2017 | 1 M SOFIBOR plus 3.75 points p.a. |
| 6 | - | 64 | EUR 376 thousand | 20.04.2016 | 3 M EURIBOR plus 5 points p.a. |
| | 14,382 | 21,800 | | | |

The funds were granted for the purpose of renewal and reconstruction of production facilities for Ammonia, Nitric Acid and projects related to energy efficiency in the Company.

The long-term and short-term loans (Note 27) are secured with the following assets, owned by the Company:

- real estate with carrying amount of BGN 6,122 thousand (31 December 2015: BGN 6,459 thousand) (Note 13);
- equipment with carrying amount of BGN 10,190 thousand (31 December 2015: BGN 8,157 thousand) (Note 13);
- precious metals with carrying amount of BGN 8,122 thousand (31 December 2015: BGN 7,925 thousand) (Note 16);
- finished products (ammonium nitrate) with carrying amount of BGN 925 thousand (31 December 2015: BGN 2,835 thousand) (Note 16);
- work in progress (ammonia) with carrying amount of BGN 1,963 thousand (31 December 2015: BGN 3,108 thousand) (Note 16);
- proceeds from future receivables under concluded sales contracts at the amount of up to BGN 60,000 thousand (31 December 2015: BGN 30,000 thousand).

23. LONG-TERM PAYABLES TO SUPPLIERS

The long-term finance lease liabilities, included in the statement of financial position as at 31 December 2016, amounting to BGN 31 thousand (31 December 2015: BGN 85 thousand), are under agreements for acquisition of motor vehicles. They are presented net of the interest due and are as follows:

| <i>Term</i> | <i>31.12.2016</i> | <i>31.12.2015</i> |
|----------------|-------------------|-------------------|
| Up to one year | 50 | 64 |
| Over one year | 31 | 85 |
| | 81 | 149 |

23. LONG-TERM PAYABLES TO SUPPLIERS (CONTINUED)

The minimum lease payments under finance lease are due as follows:

| <i>Term</i> | <i>31.12.2016</i> | <i>31.12.2015</i> |
|---|-------------------|-------------------|
| Up to one year | 53 | 72 |
| Over one year | 32 | 89 |
| | 85 | 161 |
| Future finance costs under finance leases | (4) | (12) |
| Present value of finance lease liabilities | 81 | 149 |

Payments under finance lease agreements for the acquisition of automobiles due after 31 December 2017 are presented as non-current finance lease liabilities. Accordingly, the lease payments due in the following 12 months are presented in the statement of financial position under other current liabilities as current portion of finance lease liabilities (Note 32).

24. PROVISIONS

At 31 December the recognised provisions are as follows:

| | <i>31.12.2016</i> | <i>31.12.2015</i> |
|--------------------------------------|-------------------|-------------------|
| Balance at 1 January | 1,359 | 333 |
| Accrued | 1,679 | 1,052 |
| Released | (1,040) | (26) |
| Balance at 31 December | 1,998 | 1,359 |
| <i>including non-current portion</i> | <i>30</i> | <i>156</i> |
| <i>including current portion</i> | <i>1,968</i> | <i>1,203</i> |

Provisions include:

- provision for a liability for closing-down of production waste repositories used by the Company in prior periods and for recultivation of the terrains. The final term for performing the major recultivation procedures is year 2017 with continuing monitoring until year 2046. The total amount of the provision, determined on the basis of expert assessment of the expected expenses on the execution of the obligation is BGN 371 thousand (31 December 2015: BGN 374 thousand) while the amortised value at which it is presented in the statement of financial position is BGN 336 thousand (31 December 2015: BGN 319 thousand), including a non-current portion of BGN 30 thousand (31 December 2015: BGN 156 thousand). The amortised cost has been calculated on the basis of the present value of all future cash payments discounted with interest of 3.934%. The payments due for a period of up to one year amount to BGN 306 thousand (31 December 2015: BGN 163 thousand) are presented in the statement of financial position as other current liabilities (Note 27);
- provision for a liability for carbon emissions, classified as current one, at the amount of BGN 1,641 thousand (31 December 2015: BGN 1,019 thousand).
- provision for penalty imposed for environment pollution resulting as a result of production activities at the amount of BGN 21 thousand (31 December 2015: BGN 21 thousand).

25. RETIREMENT BENEFIT OBLIGATIONS

The long-term retirement benefit obligations to personnel include the present value of Company's liability at the date of the statement of financial position to pay indemnities to individuals of its employees upon coming of age for retirement.

In accordance with the Labour Code in Bulgaria, every employee is entitled to an indemnity on retirement at the amount of two gross monthly salaries, and if he or she has worked for the same employer during the last 10 years of their service the indemnity amounts to six gross monthly salaries at the time of retirement. This is a defined benefits plan. (Note 2.19).

For the purpose of establishing the amount of these obligations to personnel, the Company has assigned an actuarial valuation by using the services of a certified actuary.

Movements in the present value of retirement benefit obligations to personnel are as follows:

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|---|-------------------|-------------------|
| Present value of the obligations at 1 January | 1,559 | 1,307 |
| Interest cost | 45 | 51 |
| Current service cost | 181 | 146 |
| Past service cost recovered | - | - |
| Net actuarial gain recognised for the period | 7 | (11) |
| Payments for the year | (247) | (231) |
| Remeasurement gains or losses for the year, including: | 219 | 297 |
| Actuarial losses arising from changes in financial assumptions | 135 | 79 |
| Actuarial losses arising from experience adjustments | 80 | 39 |
| Loss for the year arising from changes in demographic assumptions | 4 | 179 |
| Liability recognised in the statement of financial position at 31 December | 1,764 | 1,559 |

The amounts of long-term retirement benefits of personnel accrued in the statement of comprehensive income are as follows:

| | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| Current service cost | 181 | 146 |
| Past service cost recovered | - | - |
| Interest cost | 45 | 51 |
| Net actuarial gain recognised for the year | 7 | (11) |
| Components of defined benefit plan costs recognised in profit or loss | 233 | 186 |
| Actuarial losses arising from changes in financial assumptions | 135 | 79 |
| Loss for the year arising from changes in demographic assumptions | 4 | 179 |
| Actuarial losses arising from experience adjustments | 80 | 39 |
| Components of defined benefit plan costs recognised in other comprehensive income | 219 | 297 |
| Total | 452 | 483 |

The cumulative effect of the difference between the actual experience in 2016 and the actuarial assumptions made in the previous assessment is an increase in the present value of the liability and formation of actuarial loss for 2016.

25. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The following actuarial assumptions are used in calculating the present value of the liability as at 31 December 2016:

- mortality rate – in accordance with the table issued by the National Statistics Institute for the total mortality rate of the population in Bulgaria for the period 2013 – 2015.
- staff turnover rate – from 0% to 23 % for the five age groups formed with the Company.
- discount factor – the rate applied is based on the effective annual interest rate $i = 2.5 \%$ (2015: $i = 2.8 \%$). The assumption is based on yield data for long-term government securities with 10-year maturity.
- the assumption for the future level of working salaries is based on the information provided by the Company's management and amounts by year as follows:
 - for 2017 – growth of 10% against the level in 2016;
 - for 2018 – growth of 5% against the level in 2017;
 - for 2019 – growth of 1% against the level in 2018;
 - for 2020 – growth of 1% against the level in 2019;
 - for 2021 – growth of 1% against the level in 2020.

The assumption in the previous year was as follows:

- for 2016 – growth of 10% against the level in 2015;
- for 2017 – growth of 1% against the level in 2016;
- for 2018 – growth of 1% against the level in 2017;
- for 2019 – growth of 1% against the level in 2018;
- for 2020 – growth of 1% against the level in 2019.

This defined benefit plan exposes the Company to the following risks: investment risk, interest risk, longevity risk and salary growth related risk: The Company's management assesses them as follows:

- investment risk – as far as this is unfunded plan, the Company should monitor and balance currently the forthcoming payments under it with the ensuring of sufficient cash resources. The historical experience and the liability structure show that the annual resource required is not material compared to the commonly maintained liquid funds;
- interest risk – any increase in the yield of government securities with similar term will increase the plan liability;
- longevity risk – the present value of the retirement benefit liability is calculated by reference to the best estimate and updated information about the mortality of plan participants. An increase in life expectancy would result in a possible increase in the liability. A relative stability of this indicator has been observed in the recent years;
- salary growth related risk – the present value of the retirement benefit liability is calculated by reference to the best estimate of the future increase in plan participants' salaries. Such an increase would increase the plan liability.

The sensitivity analysis of the main actuarial assumptions is based on the reasonably possible changes of these assumptions at the end of the reporting period, assuming that all other assumptions are held constant.

25. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The effect of a change (increase or decrease) by 1% in salary growth and interest rate on the total amount of current service cost and interest cost and on the present value of the obligation for payment of defined benefits on retirement is as follows:

For 2016:

| <i>Change in salary growth</i> | <i>Increase by 1%</i> | <i>Decrease by 1%</i> |
|--|---------------------------|---------------------------|
| Increase/(decrease) in interest cost and current service cost for 2017 | 21 | (19) |
| Increase/(decrease) in the present value of the obligation as at 31 December 2016 | 128 | (115) |
| <i>Change in interest rate</i> | <i>Increase by 1%</i> | <i>Decrease by 1%</i> |
| (Decrease)/increase in interest cost and current service cost for 2017 | (1) | 1 |
| (Decrease)/increase in the present value of the obligation as at 31 December 2016 | (114) | 130 |
| <i>Change in staff turnover rate</i> | <i>Increase by 1%</i> | <i>Decrease by 1%</i> |
| (Decrease)/increase in interest cost and current service cost for 2017 | (20) | 22 |
| (Decrease)/increase in the present value of the obligation as at 31 December 2016 | (121) | 136 |

The average duration of the long-term payable to personnel under the defined benefit plan is 7.0 years (2015: 7.3 years).

The expected payments as indemnities upon retirement under the defined benefit plan for the next 5 years amount to BGN 1,062 thousand, including BGN 247 thousand for 2017.

For 2015:

| <i>Change in salary growth</i> | <i>Increase by 1%</i> | <i>Decrease by 1%</i> |
|--|---------------------------|---------------------------|
| Increase/(decrease) in interest cost and current service cost for 2016 | 18 | (17) |
| Increase/(decrease) in the present value of the obligation as at 31 December 2015 | 118 | (106) |
| <i>Change in interest rate</i> | <i>Increase by 1%</i> | <i>Decrease by 1%</i> |
| (Decrease)/increase in interest cost and current service cost for 2016 | (1) | 1 |
| (Decrease)/increase in the present value of the obligation as at 31 December 2015 | (105) | 120 |
| <i>Change in staff turnover rate</i> | <i>Increase by 1%</i> | <i>Decrease by 1%</i> |
| (Decrease)/increase in interest cost and current service cost for 2016 | (18) | 20 |
| (Decrease)/increase in the present value of the obligation as at 31 December 2015 | (112) | 127 |

The average duration of the long-term payable to personnel under the defined benefit plan is 7.3 years (2014: 8.4 years).

The expected payments as indemnities upon retirement under the defined benefit plan for the next 5 years amount to BGN 946 thousand, including BGN 198 thousand for 2016.

26. GOVERNMENT GRANTS

The obtained financing is under operational programmes for projects related to Company's energy efficiency and amounts to BGN 476 thousand (31 December 2015: BGN 476 thousand). The recognised income from financing until 31 December 2016 amounts to BGN 252 thousand while the financing that will be recognised as income in subsequent reporting periods is BGN 224 thousand.

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|--|-------------------|-------------------|
| Up to 1 year (current portion) (Note 32) | 37 | 37 |
| Over 1 year (non-current portion) | 187 | 224 |
| | <u>224</u> | <u>261</u> |

The current portion of the financing will be recognised as current income over the following 12 months from the date of the statement of financial position and presented in Other current liabilities (Note 32).

27. SHORT-TERM BANK LOANS

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|---|-------------------|-------------------|
| Bank loans | 12,800 | 3,950 |
| Deferred charges for loan management and administration | (43) | (37) |
| | <u>12,757</u> | <u>3,913</u> |

The terms and conditions of the authorised loan are as follows:

| <i>Loan</i> | <i>31.12.2016</i> | <i>31.12.2015</i> | <i>Contracted</i> | <i>Maturity</i> | <i>Interest rate</i> |
|-------------|-------------------|-------------------|---------------------|-----------------|----------------------------------|
| | <i>BGN '000</i> | <i>BGN '000</i> | <i>amount in</i> | | |
| | | | <i>currency</i> | | |
| 1 | 12,757 | 3,913 | BGN 30,000 thousand | 20.04.2017 | 1 M SOFIBOR plus 3.0 points p.a. |
| | <u>12,757</u> | <u>3,913</u> | | | |

The collateral provided for the loans is disclosed in Note 22.

28. PAYABLES TO RELATED PARTIES

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|--|-------------------|-------------------|
| Advances received for sale of finished products | 22,980 | 12,739 |
| Payables for supplied materials, fuel and services | 196 | 202 |
| | <u>23,176</u> | <u>12,941</u> |

29. TRADE PAYABLES

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|---|-------------------|-------------------|
| Local suppliers | 2,932 | 4,381 |
| Advances from customers in BGN | 9,648 | 3,649 |
| Advances from customers in foreign currency | 852 | 2,506 |
| Foreign suppliers | 118 | 614 |
| | <u>13,550</u> | <u>11,150</u> |

29. TRADE PAYABLES (CONTINUED)

The advances (in BGN and in foreign currency) received are for supply of finished products.

In accordance with the terms and conditions for the supply of natural gas from Bulgargas EAD, the Company should pay the current supplies in advance as per the submitted order and additional payment within 12 days. After this date, Bulgargas EAD charges the statutory interest.

As at 31 December 2016, the Company has no current liabilities to Bulgargas EAD (31 December 2015: BGN 1,581 thousand).

30. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

| | <i>31.12.2016</i> | <i>31.12.2015</i> |
|---|-------------------|-------------------|
| Payables to personnel, including: | | |
| <i>Current payables for December</i> | 1,231 | 1,055 |
| <i>Accruals for unused paid leaves</i> | 1,163 | 992 |
| Payables for social security/health insurance, including: | 68 | 63 |
| <i>Current payables for December</i> | 639 | 527 |
| <i>Accruals for unused paid leaves</i> | 625 | 513 |
| | 14 | 14 |
| | 1,870 | 1,582 |

31. TAX PAYABLES

| | <i>31.12.2016</i> | <i>31.12.2015</i> |
|---|-------------------|-------------------|
| VAT payable | 946 | - |
| Income tax | 392 | - |
| Tax payables under Personal Income Taxation Act | 303 | 243 |
| Other | 27 | 35 |
| | 1,668 | 278 |

The tax payables are regularly settled.

By the date of issue of these financial statements the following inspections and audits have been performed:

- VAT – until 30 June 2013;
- Corporate tax – until 31 December 2012;
- Tax under Art. 194, 195 of CITA – until 31 December 2012;
- Tax under Art. 204 of CITA – until 31 December 2012;
- National Social Security Institute – until 31 March 2009;
- Customs Agency – excise duty liabilities for natural gas – until 29 February 2016;
- Customs Agency – excise duty liabilities for electric energy – until 5 June 2016.

Tax audit is performed within a 5-year period after the end of the year when the tax return for the respective liability has been submitted. The tax audit confirms ultimately the tax liability of the respective company — tax liable person except in the cases explicitly stated by law.

32. OTHER CURRENT LIABILITIES*Other current liabilities include:*

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|---|-------------------|-------------------|
| Provision for liabilities to the Ministry of Environment and Water for carbon emissions | 1,641 | 1,019 |
| Water usage charge | 464 | 420 |
| Current portion of provisions (Note 24) | 306 | 163 |
| Guarantees received | 243 | 189 |
| Deductions from work salaries | 169 | 157 |
| Remuneration payable to foreign physical persons | 226 | 144 |
| Deposits from clients | 66 | 172 |
| Dividend payable | 66 | 33 |
| Current portion of finance lease liabilities (Note 23) | 50 | 64 |
| Government grants (Note 26) | 37 | 37 |
| Other liabilities | 144 | 127 |
| | <u>3,412</u> | <u>2,525</u> |

The other non-current liabilities at the amount of BGN 25 thousand represent a part of accrued one-off additional remuneration to the Executive Director, deferred for payment after 1 January 2018 a per a decision of the Board of Directors..

33. CONTINGENT LIABILITIES AND COMMITMENTS*Blocked amounts for bank guarantees*

The Company does not have blocked funds for bank guarantees (31 December 2015: BGN 116 thousand) issued to secure the amount of a claim from EPET EOOD, Odrin, against the subsidiary company – Neochim Gübre Ltd., Turkey.

Guarantees granted

As at 31 December 2016, the Company has bank guarantees at the amount of BGN 147 thousand issued in favour of trade counterparts (31 December 2015: BGN 127 thousand).

34. FINANCIAL RISK MANAGEMENT**Categories of financial instruments:**

| <i>Financial assets</i> | <u>31.12.2016</u> | <u>31.12.2015</u> |
|---|-------------------|-------------------|
| Cash and cash equivalents | 52,644 | 560 |
| Loans and receivables, including: | 4,355 | 4,019 |
| Trade receivables from related parties (Note 17) | 1,382 | 1,976 |
| Trade and other receivables (Notes 18 and 19) | 2,973 | 2,043 |
| Available-for-sale investments | 4 | 4 |
| | <u>57,003</u> | <u>4,583</u> |
| <i>Financial liabilities</i> | <u>31.12.2016</u> | <u>31.12.2015</u> |
| Financial liabilities at amortised cost, including: | 31,428 | 31,979 |
| Short-term and long-term loans | | |
| (Notes 22 and 27) | 27,139 | 25,713 |
| Trade and other payables | | |
| (Notes 23, 28, 29 and 32) | 4,289 | 6,266 |

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

In the ordinary course of business, the Company can be exposed to a variety of financial risks the most important of which are market risk (including currency risk, risk of a change in the fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows. The general risk management is focused on the difficulty to forecast the financial markets and to achieve minimizing the potential negative effects that could affect the financial results and position of the Company. The financial risks are currently identified, measured and monitored through various control mechanisms in order to establish adequate prices for the Company's products and the borrowed thereby capital, as well as to assess adequately the market circumstance of its investments and the forms for maintenance of free liquid funds through preventing undue risk concentrations.

Risk management in the Company is currently performed by the management.

Market risk***Foreign currency risk***

The Company usually performs its activities with an active exchange with foreign suppliers and clients. The Company is exposed to currency risk in respect of USD. Approximately 3% of Company's financial assets are formed from receivables related to export of finished products contracted as payable in USD. The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognised assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.

Currency structure analysis**31 December 2016**

| | <i>in EUR</i> | <i>in USD</i> | <i>in BGN</i> | <i>Total</i> |
|---|-----------------|-----------------|-----------------|-----------------|
| | <i>BGN '000</i> | <i>BGN '000</i> | <i>BGN '000</i> | <i>BGN '000</i> |
| <i>Financial assets</i> | | | | |
| Cash and cash equivalents | 21,166 | 355 | 31,123 | 52,644 |
| Loans and receivables | 1,983 | 1,556 | 816 | 4,355 |
| Available-for-sale investments | - | - | 4 | 4 |
| | <u>23,149</u> | <u>1,911</u> | <u>31,943</u> | <u>57,003</u> |
| <i>Financial liabilities</i> | | | | |
| Financial liabilities at amortised cost | <u>118</u> | <u>-</u> | <u>31,310</u> | <u>31,428</u> |

31 December 2015

| | <i>in EUR</i> | <i>in USD</i> | <i>in GBP</i> | <i>in BGN</i> | <i>Total</i> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | <i>BGN '000</i> | <i>BGN '000</i> | <i>BGN '000</i> | <i>BGN '000</i> | <i>BGN '000</i> |
| <i>Financial assets</i> | | | | | |
| Cash and cash equivalents | 186 | 344 | - | 30 | 560 |
| Loans and receivables | 1,226 | 1,969 | - | 824 | 4,019 |
| Available-for-sale investments | - | - | - | 4 | 4 |
| | <u>1,412</u> | <u>2,313</u> | <u>-</u> | <u>858</u> | <u>4,583</u> |
| <i>Financial liabilities</i> | | | | | |
| Financial liabilities at amortised cost | <u>676</u> | <u>-</u> | <u>3</u> | <u>31,300</u> | <u>31,979</u> |

34. FINANCIAL RISK MANAGEMENT (CONTINUED)***Foreign currency sensitivity analysis***

The Company's risk is in the exposure to USD. The effect of Company's sensitivity to 10% increase/decrease in current exchange rates of BGN to USD, based on the structure of foreign currency assets and liabilities at 31 December and on the assumption that the influence of all other variables is ignored, has been measured and presented as impact on the post-tax financial result and on the equity.

In case of 10% increase in the rate of USD to BGN, the final effect on post-tax profit of the Company would be an increase by BGN 172 thousand (2015: BGN 208 thousand) mostly attributable to the receivables from clients denominated in foreign currency. Respectively, the impact on equity would be the same.

On 10% decrease in the exchange rate of USD to BGN, the final impact on the post-tax profit of the Company would be equal and reciprocal of the stated above.

The management believes that the presented above sensitivity analysis based on the balance sheet structure of foreign currency assets and liabilities is representative for the currency sensitivity of the Company for the respective period (reporting year).

Price risk

The Company is exposed to a price risk of adverse changes in the price of the main raw material used in its production process – the natural gas, as far as this price is negotiated and determined at government level. In 2016, the price of natural gas shows globally a trend of decrease, which leads to the reduction of this risk for the Company in the period. The Company is not exposed to a significant price risk of adverse changes in the prices of other raw materials and other materials, because under the contractual relations with suppliers they are periodically analysed and discussed for revision and update in accordance with the market changes.

The Company applies a strategy for optimisation of production costs, flexible marketing and price policies.

Credit risk

The main financial assets of the Company are cash in hand and at bank accounts, trade and other receivables.

Credit risk is mainly the risk that any of the Company's clients (and other counterparts) will fail to discharge in full and within the normally envisaged terms the amounts due under trade and other receivables. The latter are presented in the statement of financial position at net value after deducting the impairment related to doubtful and bad debts. Such impairment is made where and when events have existed identifying loss due to uncollectability as per previous experience.

Collectability and concentration of receivables are strictly monitored on an ongoing basis by the Sales Department in accordance with the credit policy adopted by the Company. For this purpose, the open exposures by client, the observance of contractual payment terms, and the proceeds received are subject to review on daily basis. In addition, receivables that have not been paid within the set terms are also followed.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company performs the main part of its sales through distributors, including:

- For the domestic market – two distributors: Distributor 1 – 77%, Distributor 2 – 20%. It is an usual practice is to agree 100% advance payment of the transaction amount;
- In 2016, 42 % of the export made by the Company is performed with main clients: Client 1 – 14%, Client 2 – 10%, Client 3 – 10% and Client 4 – 8%.

The Company's management currently monitors and analyses the trade practices established with the main distributors and clients. On the basis of experience, the sales to Neochim Gübre Ltd and Neochim Tarim Ltd, Turkey, have been regarded as bearing higher risk due to the economic environment in this country and therefore, these receivables are subject to specific current consideration and assessment. The receivables from Neochim Gübre Ltd., Turkey and Neochim Tarim Ltd., Turkey (37% of the receivables under sales) are assessed by the management as concentration of credit risk.

Cash transactions are limited to reputable banks with high credit rating and liquid stability. The nature of Company's operations does not presume the existence of free funds of significant amount. In addition, the credit exposure with banks is currently monitored and analysed for the purpose of efficient use of funds.

Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally all of its obligations within their maturity. The liquidity management policy of the Company is conservative maintaining a constant optimal liquid reserve of cash and a capability for funding its business activities, including by securing and maintenance of adequate credit resources and facilities, continuous control monitoring of the actual and forecasted cash flows by periods ahead and matching maturity profiles of assets and liabilities.

One of the main resources for funding the Company's operations is the use of borrowings – bank loans.

Maturity analysis

The table below presents the financial non-derivative liabilities of the Company at the reporting date, grouped by remaining term to maturity, determined against the contractual maturity and cash flows. The table is prepared on the basis of undiscounted cash flows and the earliest date on which the receivable and respectively, the payable becomes due for payment. The amounts include principal and interest.

| 31 December 2016 | up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-2 years | 2-5 years | Total |
|--|--------------------------|-----------------------|-----------------------|------------------------|----------------------|------------------|--------------|
| Financial liabilities | | | | | | | |
| Financial liabilities at amortised cost | 17,085 | 2,343 | 2,012 | 3,367 | 4,961 | 2,283 | 32,051 |
| 31 December 2015 | up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-2 years | 2-5 years | Total |
| Financial liabilities | | | | | | | |
| Financial liabilities at amortised cost | 8,828 | 2,875 | 2,142 | 5,486 | 7,132 | 7,310 | 33,773 |

The financial liabilities at amortised cost at 31 December 2016, which mature in up to one month, represent trade payables and payables under a short-term bank loan.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)***Risk of interest-bearing cash flows***

In general, the Company does not have a significant portion of interest-bearing assets except for cash cash equivalents. Since it does not maintain significant amounts of free cash, its income and operating cash flows are largely independent from the changes in market interest rates.

Interest risk concentration of the Company refers to its long-term and short-term loans. They are usually with a floating interest rate, which makes its cash flows dependent on the interest rate risk.

When concluding bank loan contracts, the Company manages cash flow risk of interest rate levels by trying to negotiate interest rates through choosing from the most favourable conditions offered on the banking market.

Interest analysis

| | <i>Interest-free</i> | <i>With floating interest %</i> | <i>Total</i> |
|---|----------------------|---|---------------|
| 31 December 2016 | | | |
| <i>Financial assets</i> | | | |
| Cash and cash equivalents | 25 | 52,619 | 52,644 |
| Loans and receivables | 4,355 | - | 4,355 |
| Available-for-sale investments | 4 | - | 4 |
| | <u>4,384</u> | <u>52,619</u> | <u>57,003</u> |
| <i>Financial liabilities</i> | | | |
| Financial liabilities at amortised cost | <u>4,208</u> | <u>27,220</u> | <u>31,428</u> |
| 31 December 2015 | | | |
| <i>Financial assets</i> | | | |
| Cash and cash equivalents | 26 | 534 | 560 |
| Loans and receivables | 4,019 | - | 4,019 |
| Available-for-sale investments | 4 | - | 4 |
| | <u>4,049</u> | <u>534</u> | <u>4,583</u> |
| <i>Financial liabilities</i> | | | |
| Financial liabilities at amortised cost | <u>6,117</u> | <u>25,862</u> | <u>31,979</u> |

The Company's management currently monitors and analyses its exposure to changes in interest rates. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the impact of a defined interest rate shift, expressed in points, on the financial result and equity is calculated.

The table below demonstrates the Company's sensitivity to possible increase in interest rates by 0.5% based on the structure of assets and liabilities as at 31 December and with the assumption that the influence of all other variables is ignored. The effect is measured and presented as impact on the financial result after taxes and on equity.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

| 31 December 2016 | <i>With floating interest %</i> | <i>Interest rate increase</i> | <i>Impact on post-tax financial result</i> | <i>Impact on equity</i> |
|------------------------------|--|--|---|--------------------------------|
| <i>Financial assets</i> | | | | |
| BGN | - | 0.5 | - | - |
| <i>Financial liabilities</i> | | | | |
| EUR | - | 0.5 | - | - |
| BGN | 27,220 | 0.5 | (122) | (122) |
| | <u>27,220</u> | | <u>(122)</u> | <u>(122)</u> |
| 31 December 2015 | <i>With floating interest %</i> | <i>Interest rate increase</i> | <i>Impact on post-tax financial result</i> | <i>Impact on equity</i> |
| <i>Financial assets</i> | | | | |
| BGN | - | 0.5 | - | - |
| <i>Financial liabilities</i> | | | | |
| EUR | 65 | 0.5 | - | - |
| BGN | 25,797 | 0.5 | (116) | (116) |
| | <u>25,862</u> | | <u>(116)</u> | <u>(116)</u> |

On interest rate decrease by 0.5%, the final impact on Company's post-tax profit would be equal and reciprocal to the stated above. The above table does not include cash and cash equivalents for which the effect of increase or decrease in the floating interest rate would be insignificant.

Capital risk management

The capital management objectives of the Company are to build and maintain capabilities to continue its operation as a going concern and to provide return on the investments of shareholders and economic benefits to other stakeholders and participants in its business as well as to maintain an optimal capital structure to reduce the cost of capital.

The Company currently monitors the availability and structure of capital based on the gearing ratio as presented in the table below as at 31 December:

| | 2016 | 2015 |
|--|-----------------|----------------|
| Total borrowings, including: | 27,220 | 25,862 |
| Bank loans (<i>Notes 22 and 27</i>) | 27,139 | 25,713 |
| Finance lease liabilities (<i>Note 23</i>) | 81 | 149 |
| Less: cash and cash equivalents (excluding blocked funds) | 52,644 | 444 |
| Net debt | (25,424) | 25,418 |
| Total equity | 102,044 | 76,304 |
| Total capital | 76,620 | 101,722 |
| Gearing ratio | (33.18)% | 24.99% |

Fair value measurement

Fair value is generally the amount for which an asset could be exchanged, or a liability settled in an arm's length transaction between independent, willing and knowledgeable parties.

The financial assets, owned by the Company, represent mainly trade receivables and cash available at current bank accounts and therefore, it has been accepted that their carrying amount is almost equal to their fair value. The financial liabilities, owned by the Company, represent mainly loans with floating interest and trade payables and therefore, it has been accepted that their carrying amount is almost equal to their fair value.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

An exception to this are the available-for-sale investments for which at present neither market is available nor objective conditions to determine reliably their fair value and therefore, they are presented in the annual financial statements at acquisition cost.

Company's management believes that the values of financial assets and liabilities, presented in the statement of financial position, are as reliable, adequate and trustworthy as possible for financial reporting purposes under the existing circumstances.

35. RELATED PARTY TRANSACTIONS

The Company's related parties are as follows:

| <u>Related parties</u> | <u>Relation type</u> |
|------------------------------|-------------------------------------|
| Shareholders: | |
| Eco Tech AD | Main shareholding company (24.28 %) |
| Evro Fert AD | Main shareholding company (24.03 %) |
| Feboran OOD | Main shareholding company (20.30 %) |
| Subsidiaries: | |
| Neochim Protect EOOD | 100 % owned by the Company |
| Neochim Gübre Ltd. – Turkey | 99.83 % owned by the Company |
| Neochim Tarim Ltd. – Turkey | 99.00 % owned by the Company |
| Other: | |
| Terachim – Dimitrovgrad EOOD | 100 % owned by Evro Fert AD |
| Neo Kiten EOOD | 100 % owned by Evro Fert AD |
| Neoplod EOOD | 100 % owned by Evro Fert AD |

Supplies from related parties

| | <u>2016</u> | <u>2015</u> |
|---------------------------|--------------|--------------|
| Materials | | |
| Main shareholding company | 115 | 234 |
| Subsidiaries | 31 | 82 |
| Other related parties | 1 | - |
| | <u>147</u> | <u>316</u> |
| Services | | |
| Subsidiaries | 900 | 1,011 |
| Main shareholding company | 99 | 163 |
| Other related parties | 5 | 5 |
| | <u>1,004</u> | <u>1,179</u> |
| Goods | | |
| Subsidiaries | 365 | - |
| Main shareholding company | 57 | 72 |
| | <u>422</u> | <u>72</u> |
| PPE | | |
| Subsidiaries | - | 53 |
| Main shareholding company | - | 2 |
| | <u>-</u> | <u>55</u> |
| Total | <u>1,573</u> | <u>1,622</u> |

35. RELATED PARTY TRANSACTIONS (CONTINUED)

| <i>Sales to related parties</i> | 2016 | 2015 |
|---------------------------------|----------------|----------------|
| Finished products | | |
| Main shareholding company | | |
| Subsidiaries | 115,533 | 121,464 |
| Other related parties | 1,465 | 4,311 |
| | 1 | 1 |
| | <u>116,999</u> | <u>125,776</u> |
| Services | | |
| Main shareholding company | | |
| Subsidiaries | 215 | 58 |
| Other related parties | 40 | 51 |
| | - | 2 |
| | <u>84</u> | <u>111</u> |
| Goods | | |
| Main shareholding company | | |
| | - | 234 |
| Other | | |
| Main shareholding company | | |
| Subsidiaries | 215 | 183 |
| | 3 | 3 |
| | <u>218</u> | <u>186</u> |
| Total | <u>117,301</u> | <u>126,307</u> |

The terms and conditions of these transactions do not deviate from the market ones for similar transactions.

Short-term receivables from related parties as at 31 December are as follows:

| | 31.12.2016 | 31.12.2015 |
|---|--------------|--------------|
| Receivables on sales in foreign currency | | |
| Subsidiaries | | |
| Including book value | 1,378 | 1,969 |
| impairment charged | 20,677 | 20,588 |
| | (19,299) | (18,619) |
| Receivables on sales in BGN | | |
| Main shareholding company | | |
| Subsidiaries | 1 | 2 |
| Other related parties | 3 | 1 |
| | - | 4 |
| | <u>4</u> | <u>7</u> |
| Total | <u>1,382</u> | <u>1,976</u> |

Payables to related parties as at 31 December are as follows:

| | 31.12.2016 | 31.12.2015 |
|--|---------------|---------------|
| Advances received for sale of finished products | | |
| Main shareholding company | | |
| Subsidiaries | 22,980 | 12,723 |
| | - | 16 |
| | <u>22,980</u> | <u>12,739</u> |
| Payables under supplied assets and services | | |
| Subsidiaries | | |
| Main shareholding company | 180 | 180 |
| | 16 | 22 |
| | <u>196</u> | <u>202</u> |
| Total | <u>23,176</u> | <u>12,941</u> |

35. RELATED PARTY TRANSACTIONS (CONTINUED)***Remuneration of key management personnel:***

The members of the Company's key management personnel are disclosed in Note 1.

| | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| Salaries and other short-term benefits | 983 | 808 |