

INDEPENDENT AUDITORS' REPORT

To the Shareholders of NEOCHIM AD

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Neochim AD (the Company), which comprise the separate statement of financial position as at 31 December 2017, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union ("EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the separate financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How this key audit matter was addressed in our audit</i>
<p><i>Measurement of investments in specific projects for construction of non-current assets</i></p> <p>The Company implements an investment program for the construction of new non-current tangible and intangible assets according to which there are several projects under construction that are specific in their nature, but supporting to the Company's main business activities. As it is disclosed in Note 13 to the separate financial statements, these items as at 31 December 2017 amount at a total of BGN 4,569 thousand or 3.05% of the total amount of assets (31 December 2016: BGN 2,543 thousand or 1.45%). Their ultimate feasibility depends also on a number of market, regional, regulatory and legislative requirements and changes, which requires from Company's management to revise periodically its judgments as to their execution, continuation or termination.</p> <p>In 2017, the management revised its plans, expectations and evaluation about the efficiency from the implementation of some projects under construction, and ceased their further execution. As reasons for such revision, it pointed out the occurrence of certain facts and circumstances that, in the management's opinion, require changes in their strategy and priorities in development of new technical projects and operations of the Company. The effects from ceasing these projects are reported in Note 8 of the separate financial statements for 2017 and</p>	<p>In this area, our audit procedures comprised, among others:</p> <ul style="list-style-type: none">• Identification and review of projects for construction of non-current assets for which no investments have been made for a period of more than twelve months as at 31 December 2017;• Inquiries of Company's technical and financial experts and discussing in details and analysis of the economic feasibility of the projects, justification and effects on their implementation as per the Company's investment program, and existing and expected regulatory requirements;• Consideration and analysis of the adequacy of the technical expert opinions, prepared by an internal commission, as to the stage of completion, the plans and capabilities for the implementation of each project commenced, upon an updated cost/benefit assessment, including comparison with previous opinions of experts and Company's management;• Testing and assessment of the appropriateness and adequacy of the disclosures in the Company's separate financial statements with regard to the presentation and valuation of Company's investments in projects for construction of non-current assets.



<i>Key audit matter</i>	<i>How this key audit matter was addressed in our audit</i>
amount to BGN 514 thousand.	
Due to: (a) the degree of subjectivity and complexity of the management judgments as to the technical and commercial risks, implications and benefits from and in relation to the feasibility of the above-described projects, as well as (b) the materiality of their carrying amounts, we have determined as a key audit matter the economic feasibility and the recoverable amount of specific projects commenced by the Company as part of its investment programme.	

Information Other than the Separate Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the management report and the corporate governance statement, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditors' report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRSs, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

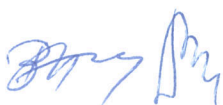
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and will communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters which have been of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure of information about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Separate Financial Statements and Auditors' Report Thereon* section, in relation to the management report and the corporate governance statement, we have also performed the procedures added to those required under ISAs in accordance with the *Guidelines on new and expanded auditor's reports and auditor's communication* of the professional organisation of certified public



accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

- a/ The information included in the management report referring to the financial year for which the separate financial statements have been prepared is consistent with the separate financial statements.
- b/ The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act.
- c/ The corporate governance statement referring to the financial year for which the separate financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.
- d/ The non-financial declaration referring to the financial year for which the separate financial statements have been prepared, is provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100(m), paragraph 8(3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about Company's activities and the environment in which it operates, in our opinion, the description of the main characteristics of Company's internal control and risk management systems relevant to the financial reporting process, which is a component of the content of the corporate governance statement and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

Additional Reporting on the Audit of the Financial Statements in connection with Art. 100(m), paragraph 4(3) of the Public Offering of Securities Act

Statement in connection with Art. 100(m), paragraph 4(3)(b) of the Public Offering of Securities Act

The information about related-party transactions is disclosed in Note 37 to the separate financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the separate financial statements as a whole, no facts, circumstances or other information have



come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying separate financial statements for the year ended 31 December 2017, in all material respects, in accordance with the requirements of IAS 24 *Related Party Disclosures*. The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

Statement in connection with Art. 100(m), paragraph 4(3)(c) of the Public Offering of Securities Act

Our responsibilities for the audit of the financial statements as a whole, described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report include an evaluation as to whether the separate financial statements present the significant transactions and events in a manner that achieves fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the separate financial statements for the year ended 31 December 2017, no facts, circumstances or other information have come to our attention based on which to conclude that there are material unfair presentations and disclosures in accordance with the relevant requirements of IFRSs as adopted by the European Union. We have considered the results of our audit procedures on the Company's significant transactions and events underlying the separate financial statements in forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.

Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act


In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.


- AFA OOD was appointed as statutory auditor of the separate financial statements of Neochim AD (the Company) for the year ended 31 December 2017 by the General Meeting of Shareholders held on 23 June 2017, for a period of one year.
- The audit of the separate financial statements of the Company for the year ended 31 December 2017 represents a fifteenth total consecutive statutory audit engagement for that entity carried out by AFA OOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report submitted to the Company's Audit Committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.



- We hereby confirm that no prohibited non-audit services, referred to in Art. 64 of the Independent Financial Audit Act, were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Company.


AFA OOD
Audit Firm

Valia Iordanova Iordanova 
General Manager
Registered Auditor in Charge of the Audit

Valentina Todorova Brankova 
Registered Auditor in Charge of the Audit

26 March 2018
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