

INDEPENDENT AUDITOR'S 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 2021, 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 separate financial position of the Company as at 31 December 2021, 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 *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants* (including the International Independence Standards) of the International Ethics Standards Board for 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. For each matter included in the table below, the description of how this matter was addressed in our audit was made in this context.

<i>Key audit matter</i>	<i>How this key audit matter was addressed in our audit</i>
<p><i>Management's judgement on the impact of price factors on Company's operations. Going concern and effects of price factors.</i></p> <p><i>Notes 2.28.1, 5, 9, 25 and 39 to the separate financial statements and Section III, item 6 of the Management Report.</i></p> <p>IFRS adopted by EU require from the Board of Directors (The "Management") the financial statements of the Company to be prepared on the going concern basis. As disclosed in Note 2.28.1, the management has determined that the going concern basis is valid for the purpose of financial reporting as it continuously and timely takes all necessary measures for the Company to maintain the viability of its business in the future.</p> <p>As part of this assessment the management considers and analyses the impact of two key price risk factors – natural gas price and carbon emission quotas price, on the Company's cash flows, cost (expenses) structure, respectively the significant fluctuations in the Company's financial results reported in the separate reporting periods.</p> <p>These two risk price factors are beyond the Company's control but have a direct impact on the stability of its cash flows management and on the key reporting indicators of operating results thereof. These are the main reasons for the volatility of the Company's financial results in the past few years (losses for 2018 and 2019 at the total amount of BGN 32 million and profit for 2020 and 2021 at the total amount of BGN 63 million).</p> <p>The first factor is natural gas price. It is the Company's main production raw material,</p>	<p><i>In this area, our audit procedures comprised, among others:</i></p> <ul style="list-style-type: none"> • Obtaining an updated understanding on the statutory approval and state regulation of the two main price risk factors, natural gas price and carbon emission quotas price, including regarding subsequent changes after the reporting date. Examination of legislative documents, inspection of contracts, other relevant documentation and correspondence. • Examination of the Company's policy to manage the risk of the two price factors to its operations. • Examination and analysis of the effects of the impact of the two price factors on the cost structure, reported financial results, and the structure of cash flows. Inspection of internal calculation documents and discussions with the responsible persons. • Review of the management's plans and estimates for mitigating the negative impact of the above-mentioned facts on the Company's results and cash flows. Inspection of internal documents. Meetings and discussions with management representatives regarding estimates and forecasts thereof.

Key audit matter	How this key audit matter was addressed in our audit
<p>respectively, its price has the most significant impact on the Company's cost and financial results. In 2021, as well as in the beginning of 2022, on both international markets and in Bulgaria there has been constant and significant growth in natural gas price (324% growth in March 2022 compared to 1 January 2021). In its operations, the Company faces constant and significant risk of dramatic and material fluctuations in the price of the natural gas supplies, as well as regarding the security of gas supplies, since the continuity of supplies is of key importance for production activities.</p> <p>The second factor is the established and growing (due to the gradual decrease in free quotas granted) obligation for purchase of carbon quotas, resulting from the generation of carbon emissions in the production of ammonia and nitric acid. The Company is exposed to a price risk of the continuous increase in the prices of carbon emission quotas on the international exchange (for the last 14 months as at 28 February 2022, the increase has been by 153%).</p> <p>As a result of the combined simultaneous impact of these two factors, there has been significant volatility in the Company's key indicators – the total expenses in 2021 amount to BGN 222,922 thousand (2020: BGN 116,007 thousand), which is an increase by BGN 106,915 thousand (over 92%). Respectively, cash outflows for the two periods related to these two components, are BGN 259,767 thousand, respectively – BGN 147,811 thousand.</p> <p>The Management's position and analyses, based on publicly available information regarding the changes made and measures on a state level is that the Company is able to continue the balancing management of the quickly changing impact of</p>	<ul style="list-style-type: none"> • Critical review and assessment of the reasonableness of the assumptions of the Company's experts regarding potential scenarios for the future behaviour of the two price factors and the impacts on cost, financial results and cash flows in each scenario. Review of the management's sensitivity analysis and discussion thereon with management. • Review of public information regarding the policy of Bulgaria's government regarding the diversification of natural gas suppliers and routes, market liberalisation, etc. • Examination of the regulatory changes at EU level regarding requirements on carbon emission pollution to be applied at Stage 4 over the 2021-2030 period, and the determination at European level of the allocation of free quotas. Analysis of the management's assumption through the perspective of this information. • Assessment of the appropriateness, completeness and relevance of disclosures in the separate financial statements regarding the two price factors, natural gas price and carbon emission quotas price, and the management's assessment of their impact on the Company's operating results and cash flows.



<i>Key audit matter</i>	<i>How this key audit matter was addressed in our audit</i>
<p>these two price risk factors in the next reporting years, and respectively, that the Company will be able to generate better profitability and cost structure, and cash flows saving.</p> <p>Due to the inherent subjectivity, complexity and uncertainty of management's judgement and estimates regarding the forthcoming impact of these two significant price factors on the Company's cost structure, financial results and cash flow balance, we have considered this matter as a key audit matter.</p>	

Emphasis of Matter

- 1) We draw attention to the disclosure of Note 2.2. to the separate financial statements for year 2021, namely that at the date of issuance thereof the Company's consolidated financial statements for the same period had not yet been issued. The management plans to issue the consolidated financial statements not later than 29 April 2022. Our opinion is not qualified with respect to this matter.
- 2) We draw attention to the disclosure of Note 41 to the separate financial statements for year 2021, regarding the impact of the Ukraine conflict on the Company's operations. Our opinion is not qualified with respect to this matter.

Information Other than the Separate Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the management report, corporate governance statement, non-financial declaration and report on implementation of the remuneration policy, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditor's 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 applied 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.

Auditor's 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 auditor's 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 scepticism 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 auditor's 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 auditor's 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, the actions taken to eliminate threats and the safeguards applied.



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 auditor's 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

Reporting on compliance of the electronic format of the separate financial statements, included in the included in the annual separate financial report on activities under Art. 100(m), Para 4 of POSA with the requirements of the ESEF Regulation

In addition to our reporting responsibilities in accordance with ISAs, described in the section above "Auditor's Responsibilities for the Audit of the Financial Statements", we performed the procedures in accordance with "Guidelines on the issuing of audit opinion with respect to the application of the European Single Electronic Format (ESEF) to the financial statements of companies which securities are admitted to trading on a regulated market in the European Union (EU)" by the the Professional Organization of the Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures are related to the verification of the structure and whether the human-readable part of this electronic format corresponds to the audited separate financial statements, as well as expressing an opinion on the compliance of the electronic format of the separate financial statements of NEOCHIM AD for the year ended 31 December 2021, attached in the electronic file 549300FQ4SLXCQ46DP30-20211231-BG-SEP.xhtml, with the requirements of Commission Delegated Regulation (EU) 2018/815 from 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council by means of regulatory technical standards to define the European Single Electronic Format for reporting (ESEF Regulation). Based on these requirements, the electronic format of the separate financial statements, included in the annual separate financial report on activities under Art. 100(m), Para 4 of POSA, should be presented in XHTML format. The Management of the Company is responsible for the application of the requirements of the ESEF Regulation in preparing the electronic format of the separate financial statements in XHTML.

Our report covers only the electronic format of the separate financial statements attached in the electronic file 549300FQ4SLXCQ46DP30-20211231-BG-SEP.xhtml and does not cover the other information included in the annual separate financial report on activities under Art. 100(m), Para 4 of POSA.



Based on the procedures performed in our opinion, the electronic format of the separate financial statements of the Company for the year ended 31 December 2021, contained in the attached electronic file „549300FQ4SLXCQ46DP30-20211231-BG-SEP.xhtml“, has been prepared in all material respects in compliance with the ESEF Regulation.

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 Auditor's Report thereon* section, in relation to the management report, corporate governance statement, non-financial declaration and the report on implementation of the remuneration policy, 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. 100n, paragraph 10 of the POSA in conjunction with Art. 100n, paragraph 8(3) and (4) of the POSA, as well as Art. 100n, paragraph 13 of POSA in conjunction with Art. 116c, paragraph 1 of 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(n), 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 (n), 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.
- e/ The report on implementation of the remuneration policy for the financial year for which the separate financial statements have been prepared, is provided and prepared in accordance with the requirements of Art. 116c, Para 1 of the Public Offering of Securities Act.



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

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

The information about related-party transactions is disclosed in Note 40 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 2021, 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(n), 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 *Auditor's 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 2019, 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.



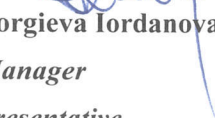
Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act


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 2021 by the General Meeting of Shareholders held on 29 June 2021, for a period of one year.
- The audit of the separate financial statements for the year ended 31 December 2021 represents a nineteenth total consecutive statutory audit engagement for that entity carried out by AFA OOD (§ 6, paragraph 2 of the Preliminary and Final Provisions of the IFAA).
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report submitted to the Group's Audit Committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Company.
- We hereby confirm that no prohibited non-audit services, referred to in Art. 64 of the Independent Financial Audit Act, were provided.


AFA OOD

Audit Firm, reg. No 015


Renny Georgieva Iordanova
General Manager
Legal Representative


Nadya Dimitrova Viachka
Registered Auditor in Charge of the Audit

24 March 2022

38, Oborishte Street

1504-Sofia, Bulgaria

This is a translation from Bulgarian of the Independent Auditor's Report on the Audit of the Separate Financial Statements of Neochim AD for the year ended 31 December 2021.