

*This document is a translation of the original Bulgarian text,
in case of divergence the Bulgarian original shall prevail*

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NEOCHIM AD

Report on the Separate Financial Statements

1. We have audited the accompanying separate financial statements of Neochim AD (the Company), which comprise the separate statement of financial position as at 31 December 2011, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and information.

Management's Responsibility for the Financial Statements

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



Auditor's Responsibility

3. Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the Independent Financial Audit Law and the professional requirements of International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

6. The separate statement of financial position as at 31 December 2011 includes a receivable from a foreign subsidiary, which is presented at amortised cost of BGN 4,845 thousand with ultimate maturity on 30 June 2014, as well as current trade receivables from the sales of finished products at the amount of BGN 8,633 thousand, (including BGN 1,899 thousand overdue) and receivables on provided short term loan to the amount of BGN 1,866 thousand, including BGN 52 thousand in interest. In addition the Company has pledged bank guarantees in favour of the foreign subsidiary to the amount of BGN 361 thousand. The investment of Neochim AD in terms of shares in the capital of the subsidiary amounts to BGN 3,144 thousand as at the same date whereby the total exposure amounts to BGN 18,849 thousand. In addition, the subsidiary currently experiences financial difficulties and generates insufficient income. The Company's management has judged that the carrying amount of the investment does not exceed its recoverable value, but has been unable to provide us with sufficient and relevant supporting evidence for that. Due to those circumstances, we were unable to satisfy ourselves, by other audit procedures, as to whether the carrying amount of those assets as at 31 December 2011 does not exceed their recoverable amount.

A similar qualification in respect to this matter has been included also in the issued Auditors' Report for previous year 2010, dated 24 March 2011.

 A. Duso

7. The separate statement of financial position as at 31 December 2011 includes an investment in a local subsidiary to the amount of BGN 1,000 thousand. The operations of the subsidiary are limited in volume and are strongly interrelated from Neochim AD, the accumulated losses are BGN 1,168 thousand and the equity is negative totaling BGN 168 thousand. In addition, the Company is jointly liable with its subsidiary under a contract for multipurpose revolving credit facility up to BGN 250 thousand and closing balance of debt of the local subsidiary as of 31 December 2011 totalling BGN 245 thousand. The Company's management has judged that the carrying amount of the investment does not exceed its recoverable value, but has been unable to provide us with sufficient and relevant supporting evidence for that. Due to those circumstances, we were unable to satisfy ourselves, by other audit procedures, as to whether the carrying amount of those assets as at 31 December 2011 does not exceed their recoverable amount.

Qualified Opinion

8. In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs, the separate financial statements present fairly, in all material respects, the financial position of Neochim AD as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, accepted by the Commission of the European Union.

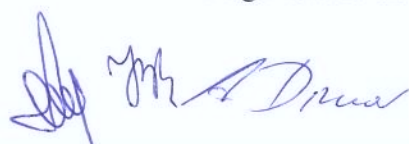
Emphasis of Matter

9. We draw attention to Note 24 to the separate financial statements regarding the circumstance that the operation of the Company is strongly dependent on one supplier – Bulgargas EAD. A supplementary agreement has been concluded with this supplier for rescheduling of debt amounting to BGN 4,403 thousand and repayment deadline on 31 December 2015. In accordance with this agreement, if the payments of the agreed-upon monthly installments as per the repayment schedule are past due for more than 30 days by the Company, the remaining amount of the rescheduled liability shall become eligible for immediate payment. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

Pursuant to the requirements of the Bulgarian Accountancy Act (Art. 38, para 4), we have read the separate Annual Report of the management on Neochim AD activities for the reporting year 2011. This Report is not a part of the annual separate financial statements for the same period. The management of the Company is responsible for the preparation of this separate Annual Report on



the activities dated 27 March 2012. The historical financial information presented in the separate Annual Report on the activities is consistent, in all material respects, with the information disclosed in the Company's separate financial statements as at 31 December 2011, prepared in accordance with International Financial Reporting Standards, accepted by the Commission of the European Union.

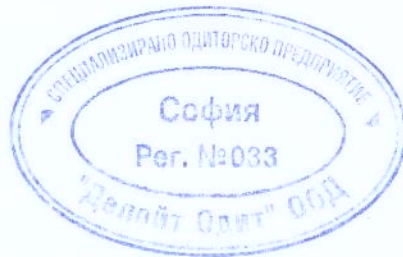
Deloitte Audit OOD

Deloitte Audit OOD

A Dimov

**Aspen Dimov
Managing Director
Registered Auditor**

27 March 2012



AFA OOD

AFA OOD

**Renny Georgieva Iordanova
General Manager
Registered Auditor**

Nadia

**Nadia Dimitrova Viachka
Registered Auditor**

[Handwritten signature]