

Deloitte.

Deloitte Audit OOD
103, Al. Stamboliyski Blvd.
1303 Sofia
Bulgaria

Tel: +359 (2) 80 23 300
Fax: +359 (2) 80 23 350

www.deloitte.bg



AFA OOD
38, Oborishte Str.
1504 Sofia
Bulgaria

Tel: +359 (2) 943 37 00
Fax: +359 (2) 943 37 07

www.afa.bg

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 2013, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and information.

Management's Responsibility for the Separate Financial Statements

2. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards, accepted by the Commission of the European Union, and for such internal control as management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the Independent Financial Audit Law and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 2013 includes a receivable from a foreign subsidiary, which is presented at amortised cost of BGN 3,270 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 15,380 thousand, (including BGN 8,535 thousand overdue). In addition as at 31 December 2012 the Company has pledged bank guarantees in favour of the foreign subsidiary to the amount of BGN 368 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 22,162 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 2013 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 2012, dated 21 March 2013.

7. The separate statement of financial position as at 31 December 2013 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 1,034 thousand and the equity is negative totaling BGN 34 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 2012 totalling BGN 150 thousand. In addition, due to restructuring of the activities of the subsidiary, as well as due to the transfer of some of the activities to the Company, its activities are limited only to maintenance and reconstruction. 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 2013 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 2012, dated 21 March 2013.

Qualified Opinion

8. In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the separate financial statements present fairly, in all material respects, the financial position of Neochim AD as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, accepted by the Commission of the European Union.

Report on Other Legal and Regulatory Requirements

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

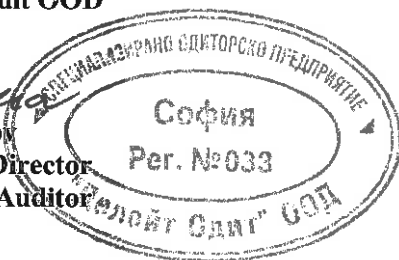
9. Pursuant to the requirements of the Bulgarian Accountancy Act (Art. 38, para 4), we have read the separate Annual Report of the management on Neochim AD activities for the reporting year 2013. This Report is not a part of the annual separate financial statements for the same period. The

management of the Company is responsible for the preparation of this separate Annual Report on the activities dated 24 March 2014. 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 2013, prepared in accordance with International Financial Reporting Standards, accepted by the Commission of the European Union.

Deloitte Audit OOD

Deloitte Audit OOD

As. Dimov
Asen Dimov
Managing Director
Registered Auditor



AFA

AFA OOD

Renny Georgieva Jordanova
General Manager
Registered Auditor

A handwritten signature in black ink, appearing to be 'Renny'.

Nadia Dimitrova Viachka
Registered Auditor

A handwritten signature in black ink, appearing to be 'Nadia'.

24 March 2014

This is a translation from Bulgarian of the Independent Auditors' Report on the Separate Financial Statements of Neochim AD for the year ended 31 December 2013.