

Grant Thornton Ltd.
26, Cherni Vrah Blvd, 1421 Sofia
4, Paraskeva Nikolau Str., 9000 Varna
T (+3592) 987 28 79, (+35952) 69 55 44
F (+3592) 980 48 24, (+35952) 69 55 33
E office@bg.gt.com
W www.grantthornton.bg

INDEPENDENT AUDITOR'S REPORT

**To the shareholders of
Chimimport AD
Sofia 1000
2, Stefan Karadja Str.**

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Chimimport AD ("the Company") containing the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, as well as the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by EU and Bulgarian legislation.

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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements of Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. 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 highest 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.

Investments in subsidiaries	
Note 8 "Investments in subsidiaries" to the separate financial statements	
Key audit matter	How this matter was addressed during the audit
<p>As at 31 December 2018, investments in subsidiaries amount to BGN 782 054 thousand.</p> <p>We focused on the management judgement regarding indications of impairment of investments in subsidiaries and the need to perform impairment tests due to the materiality of the investments in subsidiaries, which represent 53% of the total assets of the Company as at 31 December 2018, and due to the significant assumptions necessary for making those judgments.</p>	<p>During our audit, our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - evaluating the appropriateness of key assumptions for indications of impairment, including based on the current financial performance of subsidiaries; - analysis of financial statements, other relevant information, including forecast information; - evaluating the management impairment estimates and analysis; - evaluation of the completeness and adequacy of the disclosures in the separate financial statements, including disclosures of the main assumptions and estimates regarding investments in subsidiaries.

Impairment of loans and advances to customers, including initial application of IFRS 9 Financial Instruments effective from 01.01.2018	
Note 3.1 New standards, amendments and interpretations to existing standards that are effective for annual periods beginning on or after 1 January 2018	
<p>IFRS 9 "Financial Instruments" is effective for accounting periods beginning on or after 1 January 2018. The new standard introduces significant changes in the classification and measurement of financial assets, new models of expected credit loss for impairment of financial assets. The initial effect of applying IFRS 9 should be disclosed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and other applicable standards.</p> <p>The need to apply significant judgments, estimates and assumptions by management in assessing the Company's financial assets, has led to the identification of this issue as a key audit matter.</p>	
Key audit matter	How this matter was addressed during the audit
<p>The key assumptions and uncertainties inherent in IFRS 9 are mainly related to the following areas:</p> <ul style="list-style-type: none"> - Classification and initial assessment: During the initial classification and evaluation of financial instruments, management has made its judgment on the business models for managing the financial assets of the Company and the characteristics of the contractual cash flows of the financial assets. The management concludes that the cash flows from financial assets classified as loans and deposits are held only within a business model whose purpose is to collect the contractual cash flows that represent only principal and interest payments on the outstanding principal at certain dates. The accompanying accounting estimates are of significant importance as the loans and deposits provided by the Company represent a significant part of the Company's assets. This group of 	<p>During our audit, our audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> - Review of the Company's criteria for classification and subsequent measurement of each category of financial assets and the compliance of these criteria with the requirements of IFRS 9; - Review and assessment of the policies and procedures ensuring the new methodology for expected credit loss provisioning of financial assets including loans and deposits; - Review on a sample basis of the classification of loans as well as impairment loss calculation on both individually and collectively. Performing tests of details as part of our substantive procedures covered the classification and valuation of loans and deposits. We analysed debtors' financial

<p>financial assets is subsequently measured at amortized cost.</p> <ul style="list-style-type: none"> - The expected credit loss model: The new requirements of IFRS 9 have led to an increase in the complexity and degree of judgment required in the development of a model for the calculation of expected credit losses that is appropriate to the size and operations of the Company, its holding structure, economic significance and risk characteristics. The new model requires that the calculation of expected credit losses be based on forward-looking historical information on macroeconomic indicators on the basis of which different scenarios are being developed. <p>Loans and deposits to related and unrelated parties as at 31 December 2018 amount to BGN 322 170 thousand and represent 22% of the total assets of the Company. The preparation of a model for expected credit losses requires a set of significant judgments, assumptions and uncertainties on the part of the management of the Company. Therefore, we have identified the transition to IFRS 9 and disclosure requirements as a key audit matter.</p> <p>Note 3.1 to the separate financial statements provides detailed information on the estimates and assumptions used by the management of the Company in estimating the expected credit losses from impairment of loans and deposits for 2018 and presents the effect, from the application of IFRS 9 Financial Instruments, on the opening balances as at 1 January 2018.</p>	<p>performance investigating for any deviations from contractual terms. For the sampling, we took into account the impact of economic conditions, valuation of assets provided as collaterals, and other factors that may influence the collection of loans and deposits.</p> <ul style="list-style-type: none"> - We applied professional judgement in order to analyse and assess key assumptions used in modelling the expected credit losses for loans and deposits. We reviewed the impairment loss calculations of the Company's management both collectively and individually whereas to compare the results with our expectations and approximations. - Assessment of the adequacy of the disclosures in the financial statements related to impairment of loans and deposits including the initial effect from IFRS 9, classification and impairment losses as well as the Company's exposure to credit risk.
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Information Other than the Separate Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management report, including the corporate governance statement, prepared in accordance with Bulgarian 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. 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 whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation, and for such internal control as management determines is necessary to enable the preparation of separate 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 ISAs and Bulgarian Independent Financial Audit Act 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 our 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 to 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 that were 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 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

In addition to our responsibilities for reporting under ISAs, described above in section “Information Other than the separate financial statements and Auditor’s Report Thereon”, regarding annual management report, including the corporate governance statement, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act and Article 100m, paragraph (10) in relation to Article 100m, paragraph (8), subparagraphs (3) and (4) of Bulgarian Public Offering of Securities Act.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act

Based on the procedures performed, we describe the outcome of our work:

- (a) the information in the management report is consistent with the separate financial statements for the same reporting period;
- (b) the management report is prepared in accordance with the applicable legal requirements;
- (c) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the management report;
- (d) the corporate governance statement for the financial year contains the required information in accordance with the applicable legal requirements, including Article 100m, paragraph (8) of Bulgarian Public Offering of Securities Act.

Statement Pursuant to Article 100m, Paragraph (10) of Bulgarian Public Offering of Securities Act

Based on the procedures performed and our knowledge of the Company and the environment in which it operates, in our opinion, there is no material misstatement in the description of the main characteristics of the internal control system and of the risk management system of the Company in connection with the financial reporting process and also in the information pursuant to Article 10, paragraph 1, items “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, which are included in the corporate governance statement, being a component of the annual management report.

Additional reporting concerning the audit of separate financial statements in connection with Article 100m, paragraph (4), subparagraph (3) of Bulgarian Public Offering of Securities Act

- *Statement on Article 100m, paragraph 4, subparagraph (3), item "b" of Public Offering of Securities Act*

Related party transactions are disclosed in note 32 “Related party transactions” and note 33 “Related party balances at year end” to the separate financial statements. Based on the performed audit procedures on related party transactions as part of our audit of separate financial statements as a whole, no facts, circumstances or other information have come to our attention that caused us to conclude that the related party transactions are not disclosed in the accompanying separate financial statements for the year ended on 31 December 2018, 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 taken into consideration for the purposes of issuing an auditor’s opinion on the separate financial statements as a whole, not for issuing a separate opinion only on related party transactions.

- *Statement on Article 100m, paragraph (4), subparagraph 3, item "c" of Public Offering of Securities Act*

Our responsibilities for audit of the separate financial statements as a whole, described in our report in section „Responsibilities of the Auditor for the Audit of Separate financial statements“, include

assessment whether the separate financial statements present fairly the significant transactions and events. Based on the performed audit procedures on the significant transactions, which are fundamental to the separate financial statements for the year ended on 31 December 2018, no facts, circumstances or other information have come to our attention that caused us to conclude that there are instances of unfair presentation and disclosure in accordance with the requirements of IFRS, as adopted by the European Union. The results of our audit procedures on the significant transactions and events of the Company, which are material to the separate financial statements, were taken into consideration for the purposes of issuing an auditor's opinion on the separate financial statements as a whole, not for issuing a separate opinion only on the significant transactions.

Reporting Pursuant to Article 59 of Bulgarian Independent Financial Audit Act in relation to Article 10 of Regulation (EC) № 537/2014

In accordance with the requirements of Bulgarian Independent Financial Audit Act and in relation with Article 10 of Regulation (EC) № 537/2014, we report additionally the information as follows:

- Grant Thornton OOD was appointed as statutory auditor of the financial statements of Chimimport AD for the year ended on 31 December 2018 by the general meeting of shareholders, held on 29.06.2018, for a period of one year.
- The audit of the financial statements of the Company for the year ended on 31 December 2018 has been made for seventeenth consecutive year.
- In support of our audit opinion, we have provided a description of the most significant assessed risks of material misstatement, a summary of the auditor's response and where relevant, key observations arising with respect to those risks in the section „Key audit matters“ of this report.
- We confirm that our audit opinion is consistent with the additional report to the audit committee, which was provided in accordance with Article 60 of Bulgarian Independent Financial Audit Act.
- We declare that prohibited non-audit services referred to in Article 64 of Bulgarian Independent Financial Audit Act were not provided.
- We confirm that we remained independent of the Company in conducting the audit.
- For the period for which we were engaged as statutory auditors, we have not provided any other services to the Company in addition to the statutory audit, which have not been disclosed in the management report or financial statements.

Mariy Apostolov
Managing partner

Zornitza Djambazka
Registered auditor responsible for the audit

Grant Thornton Ltd.
Audit firm

1 April 2019
Sofia, Bulgaria

