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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Chimimport AD** and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the 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 Consolidated Financial Statements” section of our report. We are independent of the Group 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 most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Impairment of bank loans granted to clients | |
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| Note 13.1 and 16.1 to the consolidated financial statements | |
| Key audit matter | How this matter was addressed during the audit |
| <p>As of 31 December 2016, the accumulated impairment of bank loans granted by the Group amounts to BGN 92 431 thousand.</p> <p>We focused on the Bank's estimates of impairment of bank loans due to the significant judgments related to its recognition.</p> <p>The assessment of the loans granted to customers depends on the credit risk associated with the borrowers.</p> <p>If there is objective evidence that a credit may not be fully recovered in accordance with the agreed terms, the credit risk and the credit assessment shall be judged on an individual basis. In determining the necessary impairment, the management applies an assessment of the factors that it considers relevant. These factors include the borrower's financial position, the vesting period and the collateral valuation, the expected cash flows for servicing the loan, the economic conditions and past experience with regards to the collection of non-performing loans. The Group recognizes impairment for uncollectibility of loans granted to customers in accordance with IFRS.</p> | <p>During our audit, our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - analysing the adequacy of the Group's policies, procedures and controls in place related to impairment assessment; - assessment of the design, implementation and operation of controls related to the process of determining impairment, as well as tests of their operational efficiency; - detailed substantive tests to verify the credit classification and to identify whether there are any indicators of impairment and whether additional impairments should be recognized; - analysis of the assumptions used in determining impairments and comparison of our estimates with those used by the Group; - analysis of the borrowers' financial condition and verification of whether there are deviations in compliance with the agreed terms, considering the impact of current economic conditions, asset valuations pledged as collateral and other factors that may impact on the collection of credits included in the audited sample; - in determining the sampling for our substantive procedures, we analysed the Bank's loan portfolio of the Group in order to determine the exposures on which to focus our procedures; - assessment of the adequacy of the disclosures of consolidated financial statements related to impairment of bank loans granted to customers. |

| Impairment of goodwill | |
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| Note 11 to the consolidated financial statements | |
| Key audit matter | How this matter was addressed during the audit |
| <p>As of 31 December 2016, the Group's goodwill amounts to BGN 33 042 thousand.</p> <p>We focused on management's estimates used for impairment testing because of the significant assumptions required to predict the expected future cash flows and the applicable discount factors when calculating the recoverable amount of cash-generating units.</p> | <p>During our audit, our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - assessment of the relevance of key assumptions, including discount factors, expected growth, and other key performance indicators, with our internal valuation experts, by comparing with average market performance of companies with similar activity and the Group's current financial performance; - analysis of the management calculations related to sensitivity; - assessment of the adequacy of the disclosures of consolidated financial statements, including the disclosures for main assumptions, judgements and sensitivity. |

| Fair value assessment of investment property | |
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| Note 10 to the consolidated financial statements | |
| Key audit matter | How this matter was addressed during the audit |
| <p>As of 31 December 2016, the Group's investment property amounts to BGN 337 574 thousand.</p> <p>We focused on management's judgment on the fair value measurement of investment properties because of their size and the significant assumptions used to determine their fair value. Property estimates contain significant assumptions, such as expected rental income, discount factors, employment rates, market transaction information, market assumptions, and others.</p> | <p>During our audit, our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - analysis of the objectivity, independence and professional experience of the external valuation specialists used by the Group; - verifying the accuracy of incoming data related to the investment properties used in the valuations; - assessment and analysis of the relevance of key management assumptions about expected rental income, discount factors, employment rates, market transaction information, market assumptions, and others; - assessing the adequacy of the disclosures in the consolidated financial statements, including disclosures of the underlying assumptions and judgments about the fair value of investment property. |

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual consolidated management report, including the consolidated corporate governance statement, and the consolidated report on payments to governments, prepared in accordance with Bulgarian Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group’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 Group’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 consolidated 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 Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 Consolidated Financial Statements and Auditor’s Report Thereon”, regarding annual consolidated management report, including the consolidated corporate governance statement, and the consolidated report on payments to governments, 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), issued on 29 November 2016. 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 consolidated management report is consistent with the consolidated financial statements for the same reporting period;
- (b) the consolidated 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 Group and the environment in which it operates, we have found no cases of material misrepresentation in the consolidated management report;
- (d) the consolidated 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;
- (e) the consolidated report on payments to governments is and made available in accordance with the requirements of Bulgarian Accountancy 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 Group 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 Group 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 consolidated corporate governance statement, being a component of the annual consolidated management report.

Mariy Apostolov
Managing partner

Grant Thornton Ltd.
Audit firm

2 May 2017
Sofia



Zornitza Djambazka
Registered auditor responsible for the audit