

INDEPENDENT AUDITOR'S REPORT

**To the shareholders of
Allterco Jsc.
Sofia**

Report on the audit of the consolidated financial statements

Qualified audit opinion

We have audited the consolidated financial statements of **Allterco Jsc.** ("the Group") consisting of consolidated statement on the financial position as of 31 December 2020, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, as well as explanatory notes to the financial statements containing summary disclosure of the material accounting policies and other explanatory information laid out on pages 8 to 56.

In our opinion, except for the possible effects of the matter described in "*Basis for qualified audit opinion*" section of our report below, the accompanying consolidated financial statements present fairly, in all material aspects, the financial position of the Group as of 31 December 2020, and its consolidated financial position and its consolidated cash flows for the year then ended in accordance with the International Accounting Standards (IAS) approved for application by the European Union (EU).

Basis for expression of qualified auditor's opinion

In the consolidated statement of financial position of the Group as of December 31, 2020, goodwill amounting to BGN 2,801 thousand is presented. This goodwill is formed as a result of performed business combinations carried out in relation to the acquisition of subsidiaries in different prior periods. According to the requirements of International Financial Reporting Standards (IFRS) 3 *Business Combinations*, goodwill may be accounted for as such and presented in the consolidated statement of financial position only if the value of the investment made in the respective subsidiary is higher than its share in the fair value of the identifiable assets and liabilities acquired as a result of the business combination. In the course of our audit we were unable to obtain sufficient and convincing evidence of the assessment of the identifiable assets acquired during prior periods in the individual business combinations at their fair value as at the date of their acquisition thereof. As a result, we are unable to confirm the value of the goodwill presented in the consolidated statement of financial position as of 31 December 2020.

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in section "*Auditor's responsibilities for the audit of the financial statements*" of our report. We are independent of the Group within the meaning of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (the IESBA Code), together with the ethical requirements of the Independent Financial Audit Act (IFAA), applicable to our audit of the financial statements in Bulgaria, and have also fulfilled our other ethical responsibilities in accordance with the requirements of IFAA and the IESBA code. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis of our qualified opinion.

Emphasis of Matter

We draw attention to note 11. Other disclosures of the Notes to the consolidated financial statements: *“In relation to the necessity of limiting and overcoming the spread of the Coronavirus (COVID-19) pandemic in the country, a state of emergency was declared in the Republic of Bulgaria from 13 March to 13 May 2020. After this period, an emergency epidemic situation was announced. In 2020, the management has successfully implemented certain stabilisation measures, limiting the negative financial effects on Groups’ activities. As a result, from these measures, there is no worsening of the financial position of the Group in 2020, quite the opposite in fact, the parent Company and its subsidiaries, operating in sectors which have not been hit by the crisis have improved their financial indicators. The Group is counting on a similar effect in 2021, so that if the emergency epidemic situation is extended, this would not have a negative impact on its ability to continue as a going concern. During the reporting period, the parent company “Allterco” increased its share capital through public offer of shares which additionally increase the financial stability of the group.”*

Our opinion is not modified in respect of this matter.

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 basis for a separate opinion on these matters. With the exception of the issue described in the section *“Basis for expressing a qualified audit opinion”*, we considered that there were no other key audit matters to be communicated in our auditor’s report.

Information other than the consolidated financial statements and auditor's report thereon

The management is responsible for the other information. The other information comprises the annual management report and a declaration on corporate governance, prepared by the management pursuant to chapter seven of the Accountancy Act, but does not include the consolidated financial statements and our audit report thereon, which we received before the date of our audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except if explicitly stated in our report and to the extent it is stated.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or with 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 this other information, we are required to report this fact.

As described in the section *“Basis for expressing a qualified audit opinion”* above, we were not able to obtain sufficient appropriate audit evidence about the value of goodwill presented in the consolidated statement of financial position as of December 31, 2020. Accordingly, we are not in a position to conclude whether the other information does not contain material misstatement in relation to this issue.

Responsibilities of the management on the consolidated financial statements

The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Accounting Standards (IAS) approved for application by

the European Union (EU) and for such internal control system, as the management determine is necessary to ensure the preparation of the consolidated financial statements, which are free from material misstatements, whether or not due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, matters, related to the going concern assumption and using a going concern basis of accounting, unless the management either intend to liquidate the Group or to cease operations, or the Management has no other alternative but to proceed in this way.

Those, charged with governance are responsible for the supervision of the process of Group's financial reporting.

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 misstatements, whether or not due to fraud or error, and to issue an auditor's report that includes our auditor's opinion. Reasonable assurance is a high level of assurance, but it is not guaranteed that an audit, conducted in accordance with Independent Financial Audit Act and ISAs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material, if they can reasonably be expected, individually or in the aggregate, to influence the economic decision of the users taken on the basis of these consolidated financial statements.

As a part of the audit in accordance with ISAs, we use professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether or not due to fraud or error, develop and perform audit procedures responsive to such risks, and obtain audit evidences, which are sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of an essential incorrect reporting which is the result of error since fraud may include collusion, forgery, intentional omissions, misrepresentations aiming to mislead the auditor, as well as to override or neglect the internal control;
- obtain an understanding of internal control relevant to the audit in order to implement 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 the related disclosures made by the management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidences obtained, whether a material uncertainty exists, concerning 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 evidences 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;

— we obtain sufficient appropriate audit evidence about the financial information of the entities or entities within the Group to express an opinion on the consolidated financial statements. We are responsible for instructing, overseeing and performing the Group's audit. We have sole responsibility for our audit opinion.

We communicate with those, charged with governance, among the other matters, the planning scope and timing of the audit and the significant audit findings, including any significant deficiencies in the internal control that we identify during the audit conducted by us.

We also provide those charged with governance with a statement that we have met the applicable ethical requirements regarding independence and that we will communicate with them any relationships and other matters that could reasonably be considered relevant to our independence, and where applicable, and the associated safeguards.

Among the matters communicated with the persons charged with governance, we determine those matters, which were of most significance in the audit of the consolidated financial statements for the current period and which are therefore key audit matters. We describe these matters in our auditor's report, except in cases when law or regulation precludes public disclosure of information about this 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

Additional matters prescribed to report according to Accountancy Act and Public Offering of Securities Act

In addition to our responsibilities and reporting according to ISAs, described above in " Information other than the consolidated financial statements and auditor's report thereon" section regarding the consolidated report on the business activities, corporate governance statement, we complied with the procedures, added to the requirements under ISAs, according to Guidelines regarding new and extended audit reports and auditor's communication of the professional organization of the registered auditors in Bulgaria - the Institute of the certified public accountants (ICPA).). These procedures concern the audits for the existence and audits of the format and the content of this other information on purpose to help us form an opinion regarding whether the other information includes disclosures and reports, pursuant to Chapter seven of the Accountancy Act and the Public Offering of Securities Act, (Art. 100m, para 10 of POSA in relation to Art. 100n, para 8, item 3 and 4 of POSA) applicable in Bulgaria.

Statement pursuant to Art. 37, par. 6 of the Accountancy Act

Based on the conducted procedures, our opinion is that:

- a) The information included in the management report for the financial year for which the consolidated financial statements have been prepared corresponds to the consolidated financial statements on which we have expressed qualified opinion in "Report on the Audit of the Consolidated Financial Statements" above.
- b) The report on business activities is prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and Article 100 (m), para. 7 of the Public Offering of Securities Act.
- c) In the corporate governance statement for the financial year, for which the consolidated financial statements were prepared, and which is presented as part of the management report, contains the required information pursuant with Chapter seven of the Accountancy Act and Art. 100(m), par.8 of the Public Offering of Securities Act.

Statement pursuant to Art. 100(m), par.10 in relation to Art. 100(m), para 8, item 3 and 4 of the Public Offering of Securities Act

Based on the conducted procedures and the obtained knowledge and understanding on the Group's operations and the environment in which it operates, in our opinion, the description of the main characteristics of the internal control and risk management systems of the Group in relation to the process of financial reporting, which is part of the corporate governance statement and information under Art. 10, para 1, letters "c", "d", "f", "h" and "i" of the Directive 2004/25/EC of the European Parliament and to the Counsel of 21 April 2004 on takeover bids, does not comprise cases of material misstatement.

Reporting pursuant to Art. 10 of the Regulations (EU) No 537/2014 in relation to the requirements of Art. 59 of the Independent Financial Audit Act

Pursuant to the requirements of the Independent Financial Audit Act in relation to Art.10 of Regulation (EU) № 537/2014, we report additionally the information disclosed below:

Primorska Audit Company Ltd. have been appointed as a statutory auditor of the consolidated financial statements for the year ended 31 December 2020 of Alterco AD (the Group) by the General Meeting of the Group, held on September 21, 2020, for a period of one year. The audit engagement was undertaken with an Audit Agreement Letter dated September 28, 2020.

The audit of the consolidated financial statements of the Group for the year ended on 31 December 2020 is the fourth consecutive complete engagement for statutory audit of this entity, conducted by us.

We confirm that the auditor's opinion expressed by us corresponds to the additional report submitted to the Group's Audit Committee according to the requirements of Article 60 of the Independent Financial Audit Act.

We confirm that prohibited non-audit services, specified under the Art. 64 of the Independent Financial Audit Act, were not provided.

We confirm that during the audit we maintained our independence of the Group.

For the period, that our statutory audit refers to, in addition to the audit, we have provided the following services to a company from the Group, which are not specified in the report on the business activities or financial statements of the Group:

Primorska Audit Company Ltd.

Marian Nikolov
Registered auditor

May 05, 2021
Varna



Илиа Илиев
Managing director

