

## ***INDEPENDENT AUDITOR'S REPORT***

**To the shareholders of  
Alterco AD  
Sofia**

### **Report on the audit of separate financial statements**

#### **Auditor's opinion**

We have audited the financial statements of **Alterco AD** (the Company) which comprise the separate statement of financial position as at 31 December 2020, the separate statement of comprehensive income, the separate statement of changes in equity and the separate cash flow statement for the year then ended and the explanatory notes to the financial statements containing a summary of essential accounting policies, among other things, presented on pages 8 to 57.

In our opinion, the enclosed separate financial statements present the financial position, financial performance and cash flows of the Company as at 31 December 2020 accurately in all material aspects for the year then ended, in accordance with the International Accounting Standards (IASs) endorsed for application in the European Union.

#### **Basis for expressing an auditor's opinion**

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

#### **Emphasis of matter**

We draw attention to the announcement in item 2.5 *Consolidated Financial Statement* of the Notes to the separate financial statements. As at 31 December 2020, the Company holds investments in subsidiaries registered in Bulgaria and abroad. In these financial statements, the investments in subsidiaries are recorded at acquisition cost and these statements are not consolidated statements within the meaning of IFRS 10 *Consolidated Financial Statements*. The Company prepares and presents consolidated financial statements which, in accordance with the laws of Bulgaria, are presented after the separate financial statements have been approved.

Our opinion has not been modified in regards to this matter.

We draw attention to the information disclosed in item 11 *Other Disclosures in the Notes to the Separate Financial Statements*: “In relation to the necessity of limiting and containing 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. The anti-epidemiological measures imposed by the government throughout 2020, which are mandatory for all natural and legal persons, may result in decrease of income and in decrease and delay of the cash flows generated by the Company. In 2020, Management successfully implemented certain stabilisation measures limiting the negative financial effects on its 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 Company and its subsidiaries operating in sectors which have not been hit by the crisis have improved their financial indicators. The Company 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 Company increased its capital through public offer of shares which will additionally increase the financial stability of the group.

Our opinion has not been modified in regards to 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b><i>How this key audit matter was addressed in our audit</i></b>
<p><b><i>Valuation of investments in and receivables from subsidiaries</i></b></p> <p>As disclosed in notes 3.03 and 3.06 to these separate financial statements, as at 31 December 2020 the Company holds investments in subsidiaries at the amount of BGN 6,958 thousand, and also has receivables from subsidiaries (dividends and granted additional monetary payments) at the total amount of BGN 2,371 thousand. The review and testing of Management for indicators and need for impairment of these exposures (investments and receivables) have been made in the context of its forecasts and intentions regarding the future economic benefits and returns expected from the subsidiaries. In those calculations, significant assumptions and judgments are made with respect to the assessment of future collection of receivables by analyzing the future collection of the Company's overall exposure to each of these subsidiaries. Each of the subsidiaries is treated as a separate cash-generating unit and a number of factors are taken into account, such as: operations specifics, business environment, expected growth in sales volumes, and other risks. Therefore,</p>	<p><b>In this area, our audit procedures comprised:</b></p> <ul style="list-style-type: none"> <li>- reviewing the Company's analyzes of its overall exposure to the subsidiaries and the potential for return;</li> <li>- analytical procedures regarding the main indicators of turnover of receivables from and payables to the subsidiaries in prior periods and the current year and after the end of the reporting period;</li> <li>- assessment and verification of the completeness, relevance and adequacy of disclosures in the Company's separate financial statements regarding the measurement of investments and receivables from subsidiaries and the results of the impairment tests.</li> </ul>

uncertainty is inherent to these estimates of Management.

Due to the fact that the process of determining and testing for any potential impairment losses of the Company's exposure to its subsidiaries involves a number of judgments and assumptions and also because of the materiality of this reporting object, as described above, we have determined this question as a key audit matter.

### **Information other than the separate financial statements and auditor's report thereon**

Management is responsible for the other information. The other information comprises the information included in the annual management report and the corporate governance statement prepared by Management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditor's report thereon, and this other information we received before the date of our audit report.

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

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 financial statements or 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 that fact.

We have nothing to report in this respect.

### **Responsibilities of Management for the separate financial statements**

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Accounting Standards endorsed for application by 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 misstatements, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern assumption 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 the supervision of the financial reporting process in the Company.

### **Auditor's responsibilities for the audit of the separate financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 the 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 disregard or 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 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 financial statements, including the disclosures, and whether the 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 will 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 for the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless a law or a 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**

#### ***Additional matters to report in accordance with the Accountancy Act and Public Offering of Securities Act***

In addition to our responsibilities and reporting in accordance with ISAs described above in "Information other than the financial statements and auditor's report thereon" section with respect to the annual management report and the corporate governance statement, we have performed the procedures, in addition to those required under ISAs, in accordance with the Guidelines of the professional body of certified public accountants and registered auditors in Bulgaria – the Institute of Certified Public Accountants (ICPA). These procedures refer to checks of the existence, form and content of this other information in order to support us in forming an opinion whether the other information contains the disclosures required by Chapter Seven of the Accountancy

Act and by the Public Offering of Securities Act (Article 100n (10) of the POSA in conjunction with Art. 100n (8) (3) and (4) of the POSA), applicable in Bulgaria.

*Opinion in connection with Article (37) (6) of the Accountancy Act*

Based on the procedures we have performed, our opinion is that:

- a) The information included in the annual management report for the financial year presented in the separate financial statements corresponds to those separate financial statements on which we gave our unmodified opinion in *Report on the Audit of Separate Financial Statements* above.
- b) The annual management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and Article 100(n)(7) of the Public Offering of Securities Act.
- c) The corporate governance statement for the financial year presented in these separate financial statements, which is part of the annual management report, contains the information required by Chapter Seven of the Accountancy Act and Art. 100(n) (8) of the Public Offering of Securities Act.
- d) The report on the implementation of the policy for remuneration in the financial year for which the separate financial statements were prepared was presented and satisfies the requirements set out in the regulation under Article 116c(1) of the Public Offering of Securities Act.

*Opinion in connection with Art. 100n(10) in conjunction to Article 100n, (8) (3) and (4) of the Public Offering of Securities Act*

Based on the procedures performed and the knowledge and understanding obtained of the Company's activities and the environment in which it operates, in our opinion, the description of major characteristics of the Company's internal control and risk management systems relevant to the financial reporting process which is part of the corporate governance statement and the information under Article 10 (1)(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and the Council of 21 April 2004 on Takeover Bids do not contain any material misrepresentations.

*Statement in connection with Article 100n(4)4(3)(b) of the Public Offering of Securities Act*

The information about related party transactions is disclosed in notes 5 and 7 of the Notes to the separate financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the separate financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying financial statements for the year ended 31 December 2020, 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 addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

*Statement in connection with Article (n) (4)(3)(c) of the Public Offering of Securities Act*

Our responsibilities for the audit of the financial statements as a whole, described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, include an evaluation as to whether the separate financial statements present the significant transactions and events in a manner that achieves reliable presentation. Based on the audit procedures performed by us on the significant transactions underlying the separate financial statements for the year ended 31 December 2020, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and disclosures in accordance with the relevant requirements of IASs as adopted by the European Union. The results of our audit procedures on the Company's transactions and events significant for the separate financial statements were addressed by us in the context of forming our opinion on the separate

financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.

***Reporting in accordance with Article (10) of Regulation EC 537/2014 in connection to the requirements of Article 59 of the Independent Financial Audit Act***

According to the requirements of the Independent Financial Audit Act in connection with Article 10 of Regulation EC 537/2014 we hereby declare in addition the information set out below.

Primorska Audit Company OOD was appointed for statutory auditor of the separate financial statements of Alterco AD (the Company) for the year ended 31 December 2020 by the General Meeting of the Company held on 21 September 2020 for a period of one year. The audit engagement was confirmed with an audit engagement letter dated 28 September 2020.

The audit of the separate financial statements for the year ended 31 December 2020 is the fourth total uninterrupted engagement for statutory audit of this entity we have performed.

We confirm that our audit opinion is consistent with the additional report to the Company's audit committee, in accordance with the requirements of Article 60 of the Independent Financial Audit Act.

We confirm that we have not provided any of the prohibited non-audit services referred to in Article 64 of the Independent Financial Audit Act.

We confirm that we have remained independent of the Company in conducting the audit.

For the period our statutory audit refers to, aside from the audit, we have not provided any other services to the Company that have not been disclosed in the management report or the separate financial statements of the Company.

**Primorska Audit Company OOD**

**Marian Nikolov**  
*Registered Auditor*

**Piya Iliev**  
*Manager*



31 March 2021  
Varna