



AUDIT
FINANCE
ACCOUNTING
TAX
LAW

INDEPENDENT AUDITOR'S REPORT

TO
THE SHAREHOLDERS
OF SPEEDY AD

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of **SPEEDY AD** (the parent company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and consolidated statement of 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, except for the possible effect of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

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Basis for Qualified Opinion

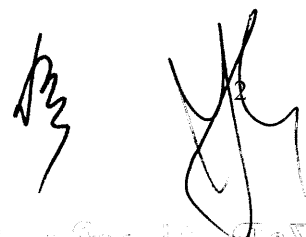
The consolidated statement of financial position as at 31 December 2020 includes goodwill and intangible assets, acquired in a business combination that occurred in a prior year (2014), with a total carrying amount of BGN 16,039 thousand (31 December 2019: BGN 16,732 thousand). We were not provided with sufficient documents, prepared usually in such type of transactions, and/or with other evidence confirming the completeness and adequacy of the performed actions, procedures and calculations in relation to compliance with the requirements of IFRS 3 "Business Combinations" and IFRS 13 "Fair Value Measurement" (Note 4) regarding the proper accounting treatment and measurement of these assets as a result of the business combination. Therefore, we were unable to satisfy ourselves by alternative audit procedures as to the proper identification and valuation of the recognised goodwill and intangible assets, acquired in the business combination occurred in a prior year, and accordingly to determine whether any adjustments, and at what amount, might have been necessary in respect of the carrying amount of these assets and the related thereto deferred taxes, and respectively, on the retained earnings in the consolidated statement of financial position as at 31 December 2020, as well as on the amortisation expenses of intangible assets, deferred taxes and the results of operations for 2020, presented in the consolidated statement of comprehensive income for 2020, accordingly, the same indicators in the comparative information for 2019.

Our auditor's report on the consolidated financial statements for the year ended 31 December 2019 was also qualified with respect in this matter.

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 Code of Ethics for Professional Accountants* (including the International Independence Standards) of the International Ethics Standards Board for Accountants (*IESBA Code*) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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. For each matter included in the table below, the description of how this matter was addressed in our audit was made in this context.



In addition to the matter described in the *Basis for Qualified Opinion* section of our report, we determined the matter described herein below as key audit matter to be communicated in our report.

Key audit matter

How this key audit matter was addressed in our audit

“Right-of-use” assets and lease liabilities

In this area, our audit procedures comprised, among others:

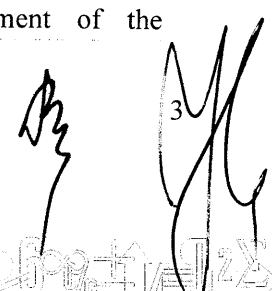
The Group’s disclosures regarding “right-of-use assets” and lease liabilities are described in Note 2.15 *Leases*, Note 2.26 *Significant accounting estimates on applying the Group’s accounting policy, key estimates and assumptions characterised by high uncertainty*, Note 13 *Leases* to the consolidated financial statements for year 2020.

For the purpose of its operations, the Group has concluded and constantly concludes a significant number of lease agreements for premises and motor vehicles in its capacity as lessee. These transactions constitute a significant component in its total volume of transactions.

As at 31 December 2020, the amount of “right-of-use” assets and lease liabilities recognised in the consolidated statement of financial position already totals BGN 76,020 thousand (31 December 2019: BGN 66,032 thousand) (36,98% (31 December 2019: 39,22%) of the total amount of assets, and respectively – BGN 74,292 thousand (31 December 2019: BGN 62,982 thousand) (57,26%) (31 December 2019: 58.07%) of the total amount of liabilities).

IFRS 16 *Leases* establishes a single new lessee accounting model that introduces lease recognition in the consolidated statement of financial position. This model is characterized by increased complexity of calculations and more significant judgements by the management in the analysis and measurement of the lease agreements concluded, with respect to: whether control is obtained over the use of a given asset; whether or not the

- Inquiries and update of our understanding of the process of lease agreement conclusion and monitoring in Group companies. Inspection and review of internal policies and procedures. Process walk-through. Identification of existing procedures for introduction, maintenance and control of databases of effective agreements.
- Review and assessment of the design and application of key controls appropriate for our audit, aimed to ensure accuracy and completeness of the maintaining of database and the generated lease agreement reports.
- Obtaining an understanding of the Group’s management’s approach to developing key criteria, assumptions and judgements used in the analysis and measurement of the terms of lease agreements.
- Review and assessment of the relevance, consistency and continuing appropriateness of the Group’s companies’ accounting policy for leases in their capacity as lessee, the approach and model for analysis and valuation of lease agreements and recognised “right-of-use” assets, respectively “lease liabilities” and the related income and expenses, recognised in profit or loss for the year, comply with the requirements of IFRS 16 *Leases*.
- Review and assessment of the results of the Group companies’ analysis of new lease agreements concluded thereby and modification of existing leases in 2020, on a sample basis. Examination and inspection of the supporting information and documentation on key assumptions and inputs.
- Critical analysis and assessment of the



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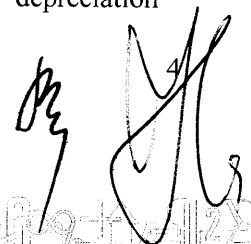


contract asset has been identified; the contract term, including options to extend the lease; the components of the consideration; the impact of modifications to contractual conditions; the incremental borrowing rate, etc. Additionally, the assumptions made are also subject to uncertainties related to the effects of the COVID-19 pandemic.

Due to the significance of the above described circumstances, namely: (a) the specifics of the accounting treatment including significant judgments and assumptions by the management, and the inherent high uncertainty in determining of the estimate of “right-of-use” assets and lease liabilities and the expenses related thereto in current profit or loss, as well as (b) the significance of these reporting items for the Group’s consolidated financial statements, we have determined this matter to be a key audit matter.

adequacy of the main judgements and assumptions used by the Group’s companies’ management and by the Group as a whole, including regarding: approach and justification of the identified lease agreements, identification of non-lease components, lease term and options to extend the lease, and the incremental borrowing rate applied; as well as period of depreciation and, treatment of the impact of modifications to lease agreements, as well as how the potential impacts of the COVID-19 pandemic crisis have been accounted for;

- Inquiries and inspection of documents about agreements contained in other Group contracts that might contain lease components.
- Comparison of the data about lease payments made over the reporting period according to data from the Group companies’ accounting registers and data from lease agreements, used by the management to calculate the present value of lease liabilities for open contracts as at 31 December 2020.
- Confirmation of the lease amounts by sending letters of confirmation, on a sample basis.
- Testing the mathematical and calculation logic of the formulas used in the calculation of the values of “right-of-use” assets, lease liabilities as at 31 December 2020, and of the respective interest charges and depreciation expenses for year 2020.
- Examination, through re-calculation of the mathematical accuracy of the “right-of-use” assets and lease liabilities, on a sample basis, accounted for as at 31 December 2020.
- Examination through re-calculation of the mathematical accuracy of the amounts of expenses for depreciation of “right-of-use” assets, interest charges on lease liabilities, and gains of disposal of “right-of-use” assets for year 2020, on a sample basis.
- Carrying out analytical procedures based on the data obtained, in order to assess correspondence between the depreciation



- expenses and interest charges, and the recognised lease assets and liabilities, by Group companies and overall for the Group.
- Assessing and examining the completeness, relevance and adequacy of disclosures in the Group's consolidated financial statements related to lease assets and liabilities, and the respective revenue and expenses resultant therefrom.

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

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor's report, comprises the consolidated management report, including the corporate governance statement and the consolidated non-financial declaration, prepared by management in accordance with Chapter Seven of the 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, unless and to the extent explicitly specified in our report and to the extent indicated.

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 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 the other information, we are required to report that fact.

As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of stated by the Group goodwill and intangible assets, recognised as a result of a business combination occurred in a prior year (2014) and the related thereto deferred taxes, as at 31 December 2020 and 31 December 2019. Accordingly, we were unable to conclude whether or not the other information with respect to this matter contains material misstatement of financial indicators and the accompanying disclosures thereon.



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 IFRSs, applicable in the EU, 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.

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 Group's operations, or has no realistic alternative but to do so.

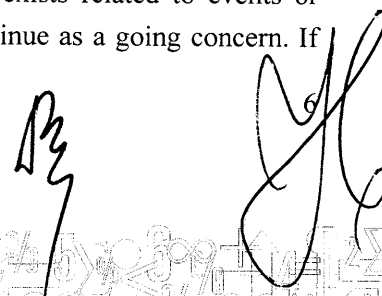
Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 International Standards on Auditing (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 consolidated financial statements.

As part of an 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.

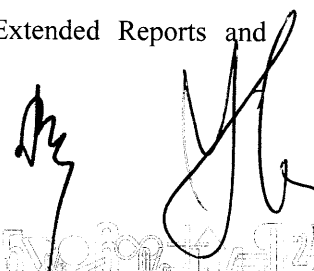
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate the threats or the safeguards applied.

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 auditors' report unless law or regulation precludes public disclosure of information 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 be Reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Consolidated Financial Statements and Auditor's Report Thereon* section, in relation to the consolidated management report and the consolidated corporate governance statement and the consolidated non-financial declaration, we have also performed the procedures added to those required under ISAs in accordance with the "Guidelines Regarding New Extended Reports and



Communication by the Auditor” of the professional organisation of Registered Auditors in Bulgaria – Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence as well as the form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

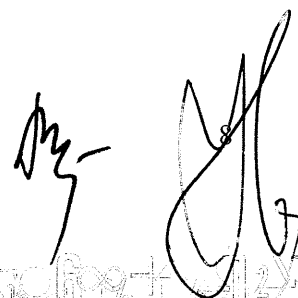
Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

- a) The information included in the consolidated management report referring to the financial year for which the consolidated financial statements have been prepared is consistent with the consolidated financial statements on which we have expressed a qualified opinion in the *Report on the Audit of the Consolidated Financial Statements* above.
- b) The consolidated management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act.
- c) The consolidated corporate governance statement referring to the financial year for which the consolidated financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.
- d) The consolidated non-financial declaration, covering the financial year for which the consolidated financial statements have been prepared, has been provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100(m), paragraph 8(3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about Group's activities and the environment in which it operates, in our opinion, the description of the main characteristics of Group's internal control and risk management systems relevant to the financial reporting process, which is part of the consolidated management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(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, do not contain any material misrepresentations.

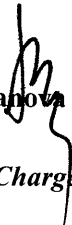


Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- AFA OOD was appointed as a statutory auditor of the consolidated financial statements of GROUP SPEEDY (the Group) for the year ended 31 December 2020 by the General Meeting of Shareholders held on 22 June 2020, for a period of one year.
- The audit of the consolidated financial statements for the year ended 31 December 2020 represents fifth total uninterrupted statutory audit engagement for that entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report dated provided to the audit committee of SPEEDY AD, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that no prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Group.


AFA OOD
Audit Firm


Valia Iordanova Iordanova
General Manager
Registered Auditor in Charge of the Audit

Yuliya Marinova Ancheva
Registered Auditor in Charge of the Audit

29 April 2021
38, Oborishte Street
1504-Sofia, Bulgaria



This is a translation from Bulgarian of the Independent Auditor's Report on the Consolidated Financial Statements of Group Speedy for the year ended 31 December 2020.