

# KORADO - BULGARIA AD

## Annual Audit Committee Report to the Shareholders for the financial year 2020

### 1. Introduction

According to its Charter the Audit Committee („**Committee**“) of KORADO – BULGARIA AD („**Company**“) is responsible for performing its duties and reports each year to the general assembly on the results of its work.

### 2. Role and organization of the Committee

The Committee consists of 3 members elected in compliance with the requirements of the Independent Financial Audit Law. The main duties of the Committee are to oversee the work of the registered auditor including the direct responsibility for his appointment, to oversee the Company’s financial reporting processes, the Company’s compliance with legal and regulatory requirements, monitoring and assessment of the internal control and risk management systems. The Committee maintains free and open communication with the registered auditor, internal auditors and management of the Company.

### 3. Committee work

The constitution of the Committee in the course of the observed period was as follows : Mrs. Snezhana Kaloyanova – chairperson, Mr. František Hamáček – member, Mrs. Milena Raikova – member. At the time of its work the Committee held 7 meetings. Due to the restrictive measures caused by the epidemic situation 4 of these meetings were carried out in the form „in absentia“. The basic activities of the Committee relating to the fiscal year 2020 were as follows:

#### 3.1 Financial reporting

The Committee reviewed the periodic financial reporting process and the interim or annual financial statements in the Company implemented by the management. The financial statements were prepared in accordance with Bulgarian law, the International Financial Reporting Standards and in cooperation with the parent company.

#### 3.2 Registered auditor

The Committee has held a meeting with the registered auditor PricewaterhouseCoopers Audit OOD to oversee that it is completely independent from the Company’s management and Company and reviewed the declaration for their independence for the year ended 31st December 2020. This registered auditor was approved by the shareholders on the Committee’s recommendation in the year 2020. The overall audit

process for 2020 year, audit approach and major audit issues of the significant audit areas were discussed with the registered auditor including the cooperation with the Company's management and quality of the documents. The Committee reviewed and discussed the Report of the Registered Auditor, Report of the Management Board and Annual Financial Statements for the year 2020 with the registered auditor. On the qualified opinion of the registered auditor due to incomplete disclosure of information in the Report of the Management Board has the Company's management other arguments on auditor's interpretation of the requirements in this matter. In compliance with the Committee Charter the Committee declares following:

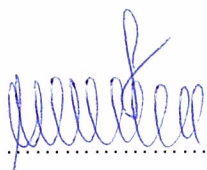
**The Committee recommends, subject to shareholders approval, the Company's registered auditor for the financial year 2021 to be PricewaterhouseCoopers Audit OOD.**

### 3.3 Risk management and internal control systems

Internal audit's works 2020 performed by the Internal Audit Department of the parent company had to be adapted to the new business environment and turned to the on line area. Regularly were checked the financial statements sent to Bulgarian StockExchange. The Committee reviewed and discussed the risk management frameworks implemented by the Company's management, especially the solution of the overdue receivables.

### 4. Audit Committee performance

The Committee periodically reported the Committee activities to the Supervisory Board. The Committee concludes that its work during the observed period, regardless of difficult conditions raised of negative impact of the virus spread, was effective and all its duties were fulfilled. All its activities were found accountable for making sure that the entity achieves its objectives regarding the reliability of financial reporting, effectiveness and efficiency of operations. The update of the Committee Charter will be submitted to the approval of the General Meeting of the Company.



Snezhana Kaloyanova

Committee Chairperson  
on behalf of the Committee

Date: 26th March 2021