

# KORADO - BULGARIA AD

## Annual Audit Committee Report to the Shareholders for the financial year 2019

### 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 8 meetings. The basic activities of the Committee relating to the fiscal year 2019 were as follows:

#### 3.1 Financial reporting

The Committee reviewed and discussed, including the discussion of the quality, the periodic financial reporting process in the Company implemented by the management. The interim or annual financial statements were periodically discussed and reviewed with 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 31 December 2019. This registered auditor was approved by the shareholders on the Committee’s recommendation in the year 2019. The overall audit

process for 2019 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 significant findings or auditor's recommendations were respected. The Committee reviewed and discussed the Independent Auditor's report, Annual Activity Report, Corporate Governance Statement and Annual Financial Statements with the registered auditor. In compliance with the Committee Charter the Committee declares following:

**The Committee recommends, subject to shareholder approval, the Company's registered auditor for the financial year 2020 to be PricewaterhouseCoopers Audit OOD.**

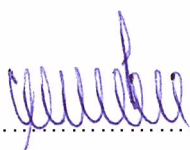
### 3.3 Risk management and internal control systems

The Committee regularly reviewed the results and measures of the internal audits undertaken by the group internal audit department according to the internal audit's plan in compliance with the International internal audit's standards. The Committee considered the adequacy of the management's response to the matters raised, including the implementation of the internal audit's recommendations. The main issues of the reviews performed by the Committee were the auditor's findings related to the Company business activities, cost accounting, compensatory inspections of the conflict access rights and operating matters including their fulfilment.

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 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 Committee Charter was reviewed and was found completely acceptable.



Snezhana Kaloyanova

Committee Chairperson  
on behalf of the Committee

Date: 18th March 2020