

KORADO - BULGARIA AD

Annual Audit Committee Report to the Shareholders for the financial year 2018

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 2018 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 2018. This registered auditor was approved by the shareholders on the Committee’s recommendation in the year 2018. The overall audit

process for 2018 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, 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 2019 to be PricewaterhouseCoopers Audit OOD.

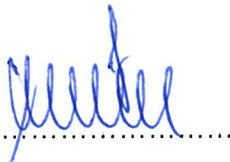
3.3 Risk management and internal control systems

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, compensation checks 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: 21st March 2019



DECLARATION

For lack of circumstances in accordance with art. 6 of Regulation (EU) 537/2014 in connection with the requirements of art.54 of the Independent Financial Audit Act

We, the undersigned, Tsvetana Tsankova Tsankova with PIN 6805206674, Jock Koman Nunan with PIN 3076816459, Boryana Hristova Dimova with PIN 8009306254 and Lidiya Georgieva Taseva-Peeva with PIN 8008143810, personally and on behalf of the specialised auditing entity PricewaterhouseCoopers Audit OOD, with UIC 121499387 (hereinafter "the Company"):

DECLARE

That

We do not have any other legal or factual relationships in place with Korado-Bulgaria AD, UIC 814190902, except those, which are relating to the performance of our independent audit, and which could place either me or the Company in a situation of breach of independence with the audited entity or its related parties according to the meaning of art. 54, para.5 of the Independent Financial Audit Act.

In particular, we declare that neither we, nor the Company:

1. have financial interests from the activities of the audited entity in the meaning of ownership of shares, stocks or other financial instruments, issued by the audited entity and/or participation in the main activities of the audited entity;
2. participate in the management of the audited entity;
3. are party to a litigation with the audited entity, as well as;
4. as an individual, I am not in matrimonial or direct kinship line relationships without limits and collateral to the second degree relationships with the officers holding the management positions of the audited entity.

Date: 7.03.2019

Declarers:



(Tsvetana Tsankova)



(Boryana Dimova)



(Jock Nunan)



(Lidiya Taseva-Peeva)

PricewaterhouseCoopers Audit OOD, 9-11 Maria Louisa Blvd., 1000 Sofia, Bulgaria
T: +359 2 9355200, F: +359 2 9355266, www.pwc.com/bg

Registered with the Sofia City Court under company file number 13424/1997.