

Measures to Ensure the Effective Performance of the Duties of Svilosa AD's Auditors

1. General provisions

The measures to ensure the effective performance of the auditor's duties are adopted by Svilosa AD's Board of Directors on the basis of the applicable legal requirements and the recognized international standards for good corporate governance, and constitute an integral part of the Good Corporate Governance Program of Svilosa AD (hereafter referred to, as well, as the Company). The measures are intended to guarantee the fluent fulfillment of the auditor's activities in the process of their performing all the necessary procedures for auditing Svilosa AD's annual financial reports and forming their independent auditor's opinion in compliance with the International Auditing Standards.

2. Scope, formation and expression of the auditor's opinion

The independent auditor's opinion shall be expressed in regard of the annual consolidated and non-consolidated financial reports on the activity of Svilosa AD that are due to be audited, as to whether they correspond to the applicable accounting standards, as well as to any other nationally adopted accounting basis for their preparation; as to the true presentation in all aspects of materiality of the Company's financial status, the financial result from the activity accounted for, the cash flows and the changes therein, the Company's own capital and the changes therein.

The forming and expression of the independent auditor's opinion shall be made in compliance with the International Accounting Standards.

3. Responsibilities of the Board of Directors for ensuring the effective performance of the auditor's duties

The Board of Directors of Svilosa AD shall:

- Before submitting the reasoned written proposal for auditor election to the regular annual General Assembly of Shareholders, demand a written statement from the candidate auditors of Svilosa AD that they do not fall under the restrictions for performing an independent financial audit under art. 28 of the Law on Independent Financial Audit¹.
- After the election of a registered auditor by the General Assembly of Shareholders, conclude a written contract for auditing of the financial reports of Svilosa AD according to art.9, p.1 of the Law on Independent Financial Audit, which shall stipulate the particular responsibilities of both parties – the Company and the elected auditor².

¹ Regarding the criteria and procedure for determining the independence of the auditor one can refer to the [Independence Criteria for Board members and the registered auditor of Svilosa AD](#) adopted by Svilosa AD's Board of Directors.

² Art. 9 (1) of the Law on Independent Financial Audit: „The independent financial audit shall be conducted on the basis of a contract between the mandator company and the certified public accountant (being a physical person) or through his/her enterprise or the specialized audit enterprise by pointing out the certified public accountant who shall be responsible for conducting the independent financial audit.”

- Require from the elected auditor to give them a working program covering the scope of the pending checks, as well as a schedule of the auditor's visits in Svilosa AD, in connection with the financial auditing.
- Require that the financial auditing covers the scope provided for by the law through the performance of checks in the following aspects:
 - observance of the accounting principles;
 - consistent application of the proclaimed accounting policy;
 - methodological reasoning of the ongoing accounting for an overall and true presentation of the assets, liabilities and activity of the Company, limited to the achievement of the audit purposes;
 - the effectiveness of the internal control, limited to the achievement of the audit purposes;
 - the process of annual closing of accounts; the authenticity and the scope necessary for the readers of the information presented in the financial reports;
 - the correspondence of the information in the financial reports with any other information provided by the management together with the reports.
- Require that the financial audit be conducted in fulfillment of all legally stipulated responsibilities by the registered auditor/audit enterprise, and in particular:
 - the following principles shall be observed: independence, professional competence, integrity and objectivity, fulfillment of the auditor's responsibilities unless objective circumstances would prevent it;
 - Svilosa AD's Board of Directors shall be informed of any substantial infringements of the laws and other normative acts, of the constituent or any other internal regulations, standards and procedures of the Company, as well as any other information, as far as they have become known to the auditor in the process of performance of the independent audit;
 - Svilosa AD's Board of Directors shall be warned of any acts or omissions detected, within the scope of the auditor's competence, that could harm the Company, as far as they have become known to the auditor in the process of performance of the independent audit;
 - Svilosa AD's representatives shall be explained the meaning of certain information received in the process of fulfillment of the auditor's duties;
 - documents shall be presented in proof of the fulfillment of the auditor's duties regarding the delivered opinion;
 - the International Auditing Standards and the Professional Code of Ethics adopted by the Institute of Certified Public Accountants shall be kept.
- Adopt the non-consolidated and consolidated annual financial reports on the activity of Svilosa AD, after they have been reviewed by the Internal Audit Committee and corrected accordingly where necessary, and shall submit them to the current auditor of the Company for auditing, until February 26 of the next calendar year; the Board of Directors shall bear responsibility for the correct preparation and keeping by the Company of the accounting documentation and the annual reports.
- Provide in time the registered auditor/audit enterprise with the whole information they require, which is needed for checking and certifying the financial reports, including all

written check-up documents signed by the respective persons, and notification of all newly occurred circumstances that have become known to the Board of Directors, provided that they could have any relevance to the independent auditing.

- Where necessary, provide the registered auditor/audit enterprise with assistants and experts – Company employees or persons who, on the basis of a written contract, perform the ongoing financial-accounting servicing of Svilosa AD, who should render assistance in the process of checkings.
- Provide all other necessary conditions for the registered auditor/audit enterprise to perform their checks and certification, including access to rooms and systems, and an opportunity to observe the stock-taking of the assets and liabilities of the Company.
- Demand that the auditor's opinion on the annual non-consolidated and consolidated financial reports on the activity of Svilosa AD be presented to them on March 15 of the next calendar year.
- Demand that a separate confidential Letter to the management be delivered by the auditor covering his/her observations and recommendations as to the improvement of the procedures and internal control of the Company.
- Observe the execution of these measures by the Company employees and all persons who, on the basis of a written contract, perform the ongoing financial-accounting servicing of Svilosa AD.

4. Collaboration of the independent auditor with the internal audit unit of Svilosa AD

The Internal Audit Committee of Svilosa AD may invite to its sessions the independent auditor with whom Svilosa has a valid contract, in order to discuss with him/her important issues regarding a pending audit of the annual financial reports. When the Company builds a separate unit of internal audit, it shall also actively cooperate with the independent auditor and support the performance of his/her duties.

5. Final provision

These measures were adopted by the Board of Directors of Svilosa AD, on a proposal from the Internal Audit Committee, on 29.01.2008.