

# **R E P O R T**

**on the activities of the Audit Committee  
of the Chimimport AD, UIC 000627519  
for the period of  
01 January 2017 to 31 December 2017**

*Pursuant to the requirements of the Law of Independent Financial Audit Act  
The Commission for Public Oversight of Registered Auditors*

№	Theme	Answer
1.	Number of members of the Audit Committee.	<p>The Audit Committee is elected by the General Meeting of Shareholders, which determines the number of members and their mandate.</p> <p>Members of the Audit Committee may be persons eligible to comply with the Independent Financial Audit Act. The Audit Committee of Chimimport AD consists of three members, one of them chairman. The Audit Committee of Chimimport AD is with a mandate of 3 (three) years.</p>
2.	Names and qualifications of the members of the Audit Committee.	<p>The Audit Committee of Chimimport AD consists of three members: Petar Krasimirov Terziev, (Chairman), with master degree; Vesselina Petrova Stefanova, with master degree; Elena Milcheva Karakasheva, with master degree</p>
3.	Date of adoption (date of last revision) of the status of the audit committee.	<p>Statute of the Audit Authority Committee of Chimimport AD is developed in accordance with the requirements of Art. 108 of the Law of Independent Financial Audit Act. He is adopted by the General Assembly of the shareholders held on June 27, 2017.</p>
4.	Number of meetings of the Audit Committee.	<p>For the period since his appointment at 27.06.2017 the Audit Committee has met six times at regular basis.</p> <p>There are regular meetings reviewed updated policies for the work of the Committee, the procedures at the option of a registered auditor, its independence, the key questions and findings from the audit process of Chimimport AD and its subsidiaries (the Group) as well as the current one monitoring financial Group accountability, efficiency the internal control environment and the risk management system connected with financial reporting, Additional Report to the Audit Committee of Chimimport AD.</p>
5.	An explanation of how the Committee has assessed the effectiveness of the Independent Financial Audit process.	<p>During performance of the commitment to independent finance an audit including the period covered by audit, and the process to issue</p>

		<p>the audit report afterwards, The Committee communicates with Manual and registered auditor on all relevant issues.</p> <p>Viewed and / or communicated the experience and qualifications of the persons, participating on behalf of Registered auditor, auditor strategy and approach for the current commitment, identified key issues as well the findings and recommendations made, Additional Report to the Audit Committee of Chimimport AD.</p> <p>Based on this Audit Committee assesses the effectiveness of the process independent financial audit.</p>
6.	An explanation of the approach to appointing or re-appointing the external auditor.	The external auditor is selected from The General Meeting of the Shareholders on proposal of the Audit Committee after translating the procedures, provided in the Rules (Statute) of the Audit Committee.
7.	When was the last appointment for the appointment of an external auditor?	The last appointment of a registered auditor took place in 2017.
8.	Has the last pre-selection for the appointment of a registered auditor by the Audit Committee been carried out? If no, who did the selection and respectively the proposal to appoint an external auditor to the general meeting?	<p>In 2017, according to the Rules (status) of the Audit Committee, he is made the selection and did a proposal to the MB for appointment of a registered auditor for the period.</p> <p>The proposal for the last choice of registered auditor is made by The Management Board of GMS is the specialized auditing Grant Thornton OOD for registered auditor of the company for 2017 to check and endorsement of the annual financial statements and the consolidated annual financial report of Chimimport AD for 2017</p>
9.	How many registered auditors (auditing firms) were invited during the last pre-selection and how many candidates submitted offers?	During the last preliminary selection of a registered auditor, three auditing companies were invited, all three submitting offers for auditing the consolidated and individual financial statements of Chimimport AD.
10.	In the last pre-selection for the appointment of a registered auditor, did the General	At the last pre-selection for the appointment of a registered auditor, the general meeting appoints the registered

	Assembly choose the auditor (s) as proposed by the Audit Committee?	auditor, as proposed by the audit committee and the MB.
11.	Name of the current registered auditor (audit company).	On the regular General meeting of the shareholders of the Chimimport AD, as a registered auditor of the Consolidated and the Individual financial statement of the Company is selected Audit Company Grant Thornton OOD, registered under number 032 in the special register at the Institute of the certified experts accountants, the accounts are audited by Grant Thornton OOD with registered auditor responsible for the Audit Zornitsa Djambazka.
12.	The duration of the mandate of the current registered auditor (audit company).	Grant Thornton OOD is appointed as a statutory auditor of the financial report of Chimimport AD for the year ended at 31 December 2017 by decision of the General Meeting of Shareholders taken at a meeting held on 27.06.2017 for a period of one year. Auditing the Financial Statement for the year ending on 31 December 2017 of the Company represents sixteenth consecutive year of continuous commitment to a mandatory audit of this enterprise that it have done.
13.	Name of the current auditor responsible (when the audit is performed by an audit company).	The current auditor responsible for the audit of the consolidated and the Individual Financial Statement of Chimimport AD is Zornitsa Djambazka. Chartered accountant, Registered Auditor, entered in The Institute of Expert-Experts accountants with diploma № 726.
14.	How long does the current auditor perform (if the audit is performed by an audit company)?	The current auditor performs this function for the second consecutive year from the initial election of the audit company.
15.	A policy description of the Committee for approval of non-audit services provided by the statutory auditor.	The Committee's policy on other services that may be provided by the registrant auditor, is in accordance with Art. 64, para. 1 of the Law of Independent Financial Audit Act., in conjunction with Art. 5 of Regulation 537/2014 (the Regulation), wich only allowed provision of tax services under the meaning of the Regulation, that: -Services do not affect either have an insignificant influence, either individually or collectively, on the financial statements subject to the

		<p>the audit commitment;</p> <ul style="list-style-type: none"> <li>-the assessment of their impact on the financial statements are documented and exhaustively explained in the report of The Audit Committee</li> <li>-the registered auditor respects independence requirements.</li> </ul> <p>Eligible services can be provided by the registered auditor only after the explicit approval by the Audit committee for which the former is obliged to notified the Commission of Public Oversight of Statutory Auditors, by providing a copy of notification to the Committee.</p> <p>In connection with the requirements of the Law Regulation, the Audit Committee is established a restrictive policy, by allowing them to be used services exceptionally and at the end necessity.</p>
16.	A description of how the committee guarantee the auditor's objectivity and independence statutory auditing, and when statutory auditor is providing non- auditing services	<p>In case of provision of additional services, beyond audit, by the registered auditor, The Audit Committee requires the services to be provided by other teams, who does not participate in the commitment auditing of financial statements.</p> <p>At a pinch, in case of impossibility services to be provided by team that does not participate in the process of audits, the Committee calls information for quality control of commitment before issue of the audit report and again communicates the independence of the registered auditor and the assessment for the effect of the provided services.</p>
17.	Amount of remuneration for statutory audit of the individual and consolidated (where applicable) financial statements.	Contracted Audit Fees of the individual and the consolidated Financial Statement of Chimimport AD for 2017 are disclosed in individual and consolidated financial statements.

18.	Amount of remuneration for audit-related services and other non-audit services provided by the statutory auditor.	Remuneration for associated with auditing and other non - audit services are disclosed in the individual consolidated financial statements.
19.	List of approvals granted to the entity by the external auditor for services other than the statutory financial audit.	In 2017, they were not requested, respectively no approvals have been given from Audit Committee to provide services other than the mandatory one audit, by the registered auditor
20.	During the year, the Audit Committee refused to request other auditor services for auditing mandatory auditing? If yes, please specify the type of services requested and what were the reasons for the refusals?	In 2017, they were not requested, respectively no approval has been refused by from Audit Committee to provide services other than the mandatory one audit, by the registered auditor
21.	Information on established threats (if any) on the independence and objectivity of the external auditor.	During the implementation of the Independent Financial Audit Commitment, including the period covered by the audit and the process until the audit report is issued, no risks to the independence and objectivity of the registered auditor have been identified.
22.	List of services provided by the external auditor to the companies controlled by the audited entity.	In 2017 the registered auditor is provided services on a mandatory basis financial audit at part of the subsidiaries of Chimimport AD.
23.	Information on the decisions (if any) on the appointment of quality control reviews prior to the issuance of the auditor's report by an auditor appointed by the audit committee in the cases of Art. 66, para. 2 of the Independent Financial Audit Act.	During the period they were not applicable the provisions of Art. 66, para. 2 of Law of Independent Financial Audit Act.
24.	Information on the decisions (if any) for the continuation by the external auditor of commitments under a mandatory financial audit in the cases of Art. 66, para. 3 of the Independent Financial Audit Act.	During the period they were not applicable the provisions of Art. 66, para. 3 of Law of Independent Financial Audit Act.
25.	How many times did the Audit Committee meet the management and the persons charged with governance to communicate their activities, identified weaknesses in the business and related recommendations during the reporting year?	<p>During the period covered by the audit, and afterwards, the Committee has held six meetings with the Management board and the persons, charged with governance, of who are discussing the current monitoring financial Group accountability and efficiency the internal control systems, and risk management.</p> <p>No systemic weaknesses in the systems</p>

		that require adjustments. Responses in link to optimization and enhance the processes of financial reporting in the Company, respectively its Group.
26.	How many times in the reporting year the Audit Committee has met with management and those charged with governance to communicate the results of the statutory audit and its contribution to the reliability of the financial statements and the role of the Audit Committee in the financial reporting process?	<p>During the period covered by the audit, and afterwards, the Committee has held six meetings with the Management and the persons, charged with governance, of who have communicated the goals of the independent financial audit and the Committee, as well as their contribution to the financial reporting.</p> <p>The findings, established by the registered auditor at the course of the audit commitment of consolidated and individual financial statement of Chimimport AD, are communicated and those established in the course of the action of the Audit Committee as well the findings actions, and their impact on Financial Reporting The Company.</p>
27.	How many times during the reporting year did the Audit Committee meet with the external auditor to monitor the performance of the audit?	During performance of the commitment to independent finance audit including the period covered by audit, and the process to issue the audit report afterwards, are provided three meetings with registered auditor who is being discussed execution of the commitment and monitored.
28.	Has the external auditor submitted the additional report of the audit committee before or along with the presentation of the audit report? If the answer is "no", what were the reasons for this?	<p>The registered auditor has provided additional audit report of the individual and the consolidated financial statement of the Company with dated 2 April 2018 respectively.</p> <p>The discussions were discussed findings and recommendations from the registered auditor.</p>
29.	Did the Audit Committee know if it has taken into account the findings and recommendations made by the CPOSA at the last inspection to ensure the quality of the work of the external auditors?	Last Commission Verification for public oversight of the registered auditors in Bulgaria and ICPA for quality control was performed for the period from 01.07.2016 until 30.06.2017 and ended on 12.01.2018 with the issue of a report, according to which "for the inspection period of professional activity the auditing company was in compliance with all the essential aspects of quality

		<p>requirements of the audit services performed when applying the procedures, defined in the professional standards ". The results report of the inspection was accepted by the CPOSA with Decision 07 / 23.01.2018</p> <p>The Committee's last inspection quality control in Grant Thornton OOD by Grant Thornton International finished at 27 November 2017 and refers to the reporting period January 1 – 31 December 2016 Basic Conclusion of the Control Committee the quality of this check is that "Policies and procedures auditing firm commitments are sufficient for provision of a reasonable degree that they are respected professional standards and the requirements of Grant Thornton International.</p> <p>The managing partner of Grant Thornton OOD received this report and the necessary actions have been carried out in connection with the lessons learned comments to improve policies and procedures and following best practices.</p>
30.	Does the external auditor discuss with the audit committee the main audit questions as well as the significant deficiencies and inconsistencies found in internal control and in the financial reporting process of the entity being audited?	The registered auditor is identified the key auditing issues that are communicated and analyzed against the allegations of fidelity in the financial statements and related risks, evidence and procedures. The key issues are discussed with the Audit Committee and The management on the level planning of audit commitments and at their closure.
31.	During the reporting year, did the Audit Committee provide recommendations and suggestions to improve the efficiency of the entity's financial reporting process? If yes, please give a brief outline of the recommendations.	Over the current period they have been made recommendations to speed up the process by updating accounting policies related to entry into force of IFRS 9 and IFRS 15.
32.	Has the Audit Committee made recommendations during the reporting year to improve the internal control system and risk management system in the enterprise? If yes, please give a brief outline of the recommendations.	During the current period, they have not been made recommendations on the structure, functions and internal processes control and management system risk.
33.	Has the Audit Committee provided	The company is not built independent



	recommendations during the reporting year to improve the internal audit activity in the enterprise? If yes, please give a brief outline of the recommendations.	unit for internal audit. Monitoring system for internal control is carried out by individuals and entities to which they are assigned and other control activities. In this sense, the Audit Committee examines the internal audit in context of the overall system of internal control, as well as related recommendations and findings.
34.	Has the Audit Committee carried out follow-up on the implementation of recommendations made in the previous year?	Previous periods have been made recommendations on changes in accounting legislation and the disclosure requirements information from issuers of valuable papers. The recommendations are met and the company applies all the new ones standards, amendments and interpretations, adopted by the European Union and in force for the relevant periods as well all the requirements of the public offering of valuable papers and related regulations acts.
35.	Problem issues identified in relation to the Audit Committee's functions as defined by the Law of Independent Financial Audit Act regarding the external auditor's work.	During performance of the commitment to independent finance an audit including the period covered by audit, the period before, as well process until the issuance of the audit report for the current period are not established problematic issues linked to the Law of Independent Financial Audit Act, regarding registered auditor.
36.	Other information that the Audit Committee deems necessary to share with the Commission for Public Oversight of Registered Auditors.	In the current period they are not other issues have arisen require additional communication or consideration by Audit Committee.

**Audit Committee:**