

PricewaterhouseCoopers Slovensko, s.r.o.

Transparency Report

for the Financial Year Ending 31 December 2008



This report is published in accordance with the requirements of Article 24 of the Slovak Act on Auditors No. 540/2007 Coll. (hereafter “Act on Auditors”) and implements article 40 of the Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (the Audit Directive).

Legal Structure, Ownership and Network Arrangements

PricewaterhouseCoopers Slovensko, s.r.o. is a private limited company owned by following shareholders:

	Share in the registered capital	
	in EUR	%
PricewaterhouseCoopers Eastern Europe B.V. (country of incorporation: Netherlands)	19 917	50,00
Ing. Mária Frühwaldová	6 639	16,67
Ing. Ivan Kupkovič	6 639	16,67
PricewaterhouseCoopers podjetje za revizijo in druge finančno računovodske storitve, d.o.o. (country of incorporation: Slovenia)	6 639	16,66
Total	39 834	100,00

The Company's statutory body as of 31 December 2007 and 2008 is represented by executives:

[Ing. Mária Frühwaldová, SKAU licence No. 47](#)
[Ing. Ivan Kupkovič, SKAU licence No. 689](#)

That entity is ultimately owned by the partners of PricewaterhouseCoopers in our Central and Eastern European/CIS firms. PricewaterhouseCoopers Slovensko, s.r.o. together with other firms across the world, is a member of PricewaterhouseCoopers International Limited, a company limited by guarantee and registered in England. Each member firm is a separate legal entity.

PricewaterhouseCoopers Slovensko, s.r.o. cooperates with other Central and Eastern European member firms to provide services to local and mutual international clients operating in our region. This cooperation is organised through a regional management team which, in addition to ensuring the adherence of regional firms to the policies and procedures of PricewaterhouseCoopers International Limited, enables resource sharing, the enforcement of risk management policies and quality standards.

Each national member firm also has its own local management structure in place, in accordance with legal and operational requirements.

This legal structure and network arrangement gives each member firm the flexibility and autonomy to respond quickly and effectively to conditions in its local market. It also reflects the fact that regulatory authorities in most countries grant the right to practise as auditors to nationally based firms in which locally qualified professional auditors (or in the European Union a combination of auditors and or EU audit firms) have at least majority ownership and control.

When a member firm becomes a member of PricewaterhouseCoopers International Limited and joins the global network, it acquires the right to use the PricewaterhouseCoopers name and gain ready access to the network's shared resources, methodologies, knowledge and expertise. In return each firm commits to abide by a set of common policies and maintain agreed quality standards.

The global network of PricewaterhouseCoopers creates a platform on which member firms share knowledge, skills and resources in order to deliver services of a consistently high standard to clients across the world. In every country our firms are supported by shared methodologies, knowledge databases, technology and by access to highly specialist expertise and thought leadership.

Governance

Within the Central and Eastern European grouping of PricewaterhouseCoopers member firms which includes 29 national territories, a matrix system of management is operated. Each partner votes in the periodic election of a Chief Executive who selects a Management Board, comprising of a mixture of territory Chief Executives and Operational leaders from functional and business lines. This Board is responsible for setting broad business objectives and ensuring compliance with PricewaterhouseCoopers International policies.

Across geographical lines the policy and business objectives of each principal business line (assurance, taxation and advisory) are set by the business line management team.

Each national practise has its own legal Management Board which complies with local regulations in respect of voting rights. The Management Board approves all decisions on key business issues and compliance related matters.

Supervision of the Regional Management Board on behalf of the partners is carried out through an elected regional Partners Council which cooperates closely with the Management Board, approving key policies and decisions which affect partners and the firm.

Internal Quality Control System and Statement of Effectiveness

As a member firm of PricewaterhouseCoopers International Limited we are obliged to abide by the common risk and quality standards approved by the organisation. These requirements are supplemented by local legal requirements and the professional quality standards of Úrad pre dohľad nad výkonom auditu (Audit oversight authority), Slovenská komora audítorov (Slovak Chamber of Auditors) and where applicable USA. Generally Accepted Auditing Standards if we are required to report on an entity from the USA in accordance with that country's standards.

Our detailed quality control procedures are contained within our audit policy manuals. The following summarises the key policies, attitudes, behaviours and actions which ensure that we maintain a consistently high level of audit quality:

Quality Control Standards

PricewaterhouseCoopers members firms are required by internal policies, global Generally Accepted Auditing Standards and Slovak National Auditing Regulations to enforce a system of quality controls over our auditing practices.

Our quality control system is in full compliance with the International Auditing and Assurance Standards Board (IAASB) requirements and the standards determined by Úrad pre dohľad nad výkonom auditu (Audit oversight authority).

With effect from 15 June 2005 International Standard on Quality Control 1 (ISQC 1), issued by IAASB (the audit regulatory body of The International Federation of Accountants) applies to all audit member firms carrying out audits and reviews of historic financial information.

This standard sets out the required elements of the quality control system which should operate in an audit firm.

The requirements cover:

- Leadership responsibilities for quality within the firm
- Ethical requirements
- Procedures for acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement Performance
- Monitoring

PricewaterhouseCoopers Slovensko, s.r.o. addresses these requirements as follows:

Leadership Responsibilities for Quality within the Firm

Tone at the Top: Our regional and Slovak leadership is committed to taking all actions required to ensure that

PricewaterhouseCoopers continues to stand for quality, independence and objectivity. Firm leadership regularly sends communications to partners that include an emphasis on the importance of "standing firm on quality" and PricewaterhouseCoopers has "stood firm" in individual client situations and where, when necessary, we have exited the client. The same messages are contained in regular leadership communications to all staff members.

Equally important is leadership's commitment to regular communications that alert our partners and staff about new standards and related guidance to assist them in providing high-quality service to our clients. Communications from the top, whether by email or at meetings take every relevant opportunity to emphasize the importance of maintaining the highest quality in all we do. Our leadership team is expected to and does demonstrate by its behaviours that it firmly believes in our quality assurance objectives and systems.

Ethical requirements

All PricewaterhouseCoopers International Member Firms, partners and professional staff are required to comply with the firm's ethical standards. Those standards demand that our people act with integrity, objectivity; that they act with professional competence and due care; that they respect confidentiality and behave in a professional manner. Our ethical standards comply fully with the IFAC Code of Ethics and are contained in the PricewaterhouseCoopers "Code of Conduct". The PricewaterhouseCoopers code of conduct is issued to all partners and staff members including new staff members and they are tested on their knowledge of the code. Among other things the code contains a "framework for ethical decision making" which our people are required to use as a basis for determining their professional behaviour.

Supervision over ethical matters is carried out by a regional Business Conduct Leader and each country practise has a local Business Conduct leader who is a partner. The Business Conduct Leader leads on ethical matters locally and is responsible for ensuring that we comply with all applicable ethical standards. Each office has access to the detailed ethical policies which supplement our Code of Conduct. These policies include guidance on such matters as the receipt of gifts from clients and how staff should proceed if they become aware of unethical behaviour by any partner or employee. Staff may also submit anonymous questions to their local Business Conduct Leader about correct procedure in particular circumstances. A library of queries and answers is maintained and available for staff.

The Business Conduct Leader is obliged to investigate all complaints or allegations by staff and ensure appropriate measures are taken to prevent any reprisals against staff reporting breaches of ethical conduct.

The PricewaterhouseCoopers website contains in the Code of Conduct section a link which enables third parties to submit information about potential breaches of ethical behaviour by the firm's employees and partners to the Business Conduct leader.

IFAC and PricewaterhouseCoopers standards are supplemented with the independence and ethical requirements of Article of 26 of Act on Auditors. The ISQC 1 framework covers the question of independence in the ethics guidance section. We refer to it in a separate section of the report.

Client Acceptance and Retention

PricewaterhouseCoopers's proprietary decision support system for client acceptance and retention is called FRISK. The system involves a determination by the engagement team, industry experts and risk management professionals of whether the risks related to an existing client or a potential client are manageable, and whether or not we should be associated with the particular company and its management. Among the issues that we consider during the course of the FRISK process are:

- The reputation of the company and its management
- The effectiveness of its Board
- The background and experience of the client's financial reporting personnel
- Any incentives or inclinations for management to manipulate reported results
- Any significant transactions structured to achieve revenue recognition
- Any unusually aggressive or creative accounting
- Any transactions that are complex, unusual or difficult to evaluate
- Any estimates that involve uncertainty or subjective judgments
- Any transactions with related parties that are not part of the consolidated group
- Any indications that the company might be in financial difficulty
- A lack of required expertise by the engagement team.

FRISK is a powerful enabler, but the real backbone of our client acceptance and continuance process is the significant time invested by our risk management team. As discussed more fully in the Engagement Performance section below, our risk management partners are senior partners with stature and independence who provide key input into the decision to accept or continue a client relationship.

Upon acceptance or retention of the client, the results of these assessments are incorporated into our audit process, impacting for example the scope of work and assignment of resources. We decline to propose, accept, or retain work when the risks are considered not to be manageable, when the company will not agree on the scope of the work required or the fee relationship is otherwise unacceptable.

Human Resources

Hiring: We maintain stringent hiring standards for both entry-level and experienced recruits, which include assessment not only of each individual's school/academic records, but also interviews, background checks, and references. We also assess the quality of those people we hire from colleges and universities, ensuring that we focus our recruiting efforts on those that have a track record of graduating high-quality people who do well in our profession.

Professional Development: Training is an ongoing process. Training starts when a person is hired and continues throughout his or her career. Our people participate in a variety of local and national formal training courses and are also trained continuously on the job. Both the broad core competencies in accounting, auditing and independence and the specialized areas in which they work (a specific industry) are addressed. Our partners also receive continuous training, development and education, and they are an integral part of the on-the-job training of our staff. A key partner responsibility is to work with all staff members - coaching, reviewing, training, sharing experience and setting the example for the professionals on their teams.

The Firm has established an environment in which our people are personally responsible for their own development over the course of their careers and, to that end, we have developed broad course offerings and tools to help our people tailor a personalized training curriculum to match their roles and responsibilities with the unique aspects of the clients they serve. The Firm also ensures compliance with national professional standards on the amount and type of continuing professional education required each year. Our learning and education programs are continually updated to ensure that they provide our people with the development, skills and experiences they need as client service professionals.

Supervision and direction: Each engagement partner is responsible, in consultation with others as necessary, for ensuring that partners and staff assigned to the engagement have the professional competence and experience required in the circumstances. Further, on the engagement they are ultimately responsible for determining the extent of direction, supervision and review of the work of more junior staff to whom work is delegated.

Advancement: Partner and staff performance is evaluated annually through a review process that includes peers, subordinates and superiors. Partners and client service staff are recognized and rewarded for performing as good, well-rounded accountants and auditors. We also encourage, recognize and reward teamwork. Staff are provided with formal performance feedback for each project where they spend 40 or more hours. All staff are formally evaluated at least annually with input from partners and superiors with whom they have worked on an engagement. Additionally, our audit methodology provides built-in opportunities for informal feedback and coaching throughout an engagement. Our methodology is designed to ensure both a quality work product and the continued development of our people. All of this leads into an annual assessment of how well each of our people has performed relative to our values, the goals each has set for the year and their peers.

Following individual annual performance reviews and assessments a moderation process involving senior staff is carried out to ensure that staff assessments are consistent and that advancements are justified. Our staff move up in their careers only when they are ready for the next level of responsibility.

All staff and partners are subject at least annually to anonymous upward feedback from the staff who report to them on all aspects of their overall performance – how they relate to staff and clients, their strengths and weaknesses. When individual weaknesses are consistently identified the staff member concerned is given counselling support or training to enable the weakness to be eliminated.

The firm also carries out a Global People Survey annually where staff are asked for their views on a wide range of topics which affect them. Global management take the results of the survey very seriously and a formal process of addressing the issues identified is undertaken with the direction of the global firm.

Engagement Performance

Consistent Global Methodology: We, in conjunction with other PricewaterhouseCoopers firms on a global basis, use an audit methodology and process for all audit engagements to ensure uniformity and consistency in approach. The methodology is enhanced as necessary to respond to the changing environment. All partners and staff receive on-going training in this methodology. Our methodology is in compliance with IAASB regulations. Where required by local regulations we will incorporate additional procedures into our basic methodology.

Comprehensive Policies and Procedures: We have comprehensive policies and procedures governing our accounting and auditing practice that are constantly updated to reflect new professional developments and our operating environment, and to address emerging issues, as well as the needs and concerns of the practice. These policies cover not only professional and regulatory standards, but also reflect the guidance that we provide to our professionals about how to best implement them. They are available in electronic files and databases, are regularly updated or supplemented for all current developments and are accessible to our people remotely at any time.

Engagement-Specific Quality Controls: There are a number of other quality control procedures that are performed specifically with respect to a particular engagement. For example, on all of our listed clients, we appoint a Quality Review Partner who discusses all significant issues with the engagement partner and who is responsible for independently assessing the audit plan and its execution, the resolution of significant issues, the financial statements and disclosures and the appropriateness of the Firm's report. Specific criteria are set forth in our policies to ensure that the assigned Quality Review Partner has the appropriate level of experience and industry expertise to perform that role.

Our policies also require consultations with firm-wide technical experts and industry specialists for specified transactions and circumstances that may involve the application of significant judgment. Finally, our "consultative culture", which is discussed further below, means that our engagement teams regularly have consultations with such experts and others beyond those that are formally required.

Engagement partners are rotated on a cyclical basis in accordance with the Audit Directive (7 years), USA – Security Exchange Commission requirements (5 years), or in the case of low risk and smaller clients up to a maximum of 10 years to ensure a fresh look without sacrificing institutional knowledge. In accordance with Act on Auditors engagement partners responsible for audit of public interest entities are rotated on 5-years basis.

Furthermore, PricewaterhouseCoopers Global Methodology is built on the principle that work performed by each member of the engagement team is reviewed by another member of the team, of at least equal competence, to consider whether the work has been performed as intended, competently, and to ensure that the correct conclusions have been drawn.

Accounting and Auditing Resources: Consultation is a key element to quality control in our Firm. Our Accounting Consulting group is staffed by partners and staff who are experts in accounting and auditing. If an engagement partner disagrees with the advice provided by our technical experts, we have a formal process for continuing the discussion within our chain-of-command until the matter is resolved with due regard for the view of such technical experts.

With the wider introduction of International Financial Reporting Standards as approved for use in the EU (IFRS) we have set up a system to ensure that our clients' financial statements are evaluated by our audit teams in a way that is consistent and in accordance with the full intent of the Standards.

The key element of the system is the review work carried out independently by our regional Accounting Consulting Services team ("ACS") which is geographically located throughout CEE/CIS. Depending on the complexity and risk associated with particular industry sectors, client size and listed/non-listed status, ACS will carry out a review of clients' IFRS statements. The financial statements of listed financial services clients for example will be reviewed by a specialist team with a final review being carried out by one of our ACS partners. Smaller clients in less risky sectors will be reviewed cyclically by the ACS team. All first IFRS adoption clients or first audit by PricewaterhouseCoopers of a new client reporting in accordance with IFRS will trigger a full review. During the review the audit team will be required to explain the justifications for the IFRS treatments and disclosures in the financial statement and obtain the client's consent to improving treatments and disclosures where these are assessed by the ACS team as being non-compliant with the standards.

Risk and Quality Group: Our Firm's risk management, consulting and policy resources are a central function, internally referred to as Risk and Quality or R&Q. R&Q is a separate unit within our accounting and auditing practice, substantially independent from those responsible for revenue generation or management, with a seat on the Assurance Practice top leadership team. The R&Q organization includes the following key functions: Risk Management and Independence Accounting Consulting Services, Capital Markets Services, Methodology Policy and Assurance Quality. R&Q includes at least one full-time partner assisted by other experienced personnel. This partner is also assisted by R&Q partners from other larger PricewaterhouseCoopers practices when the need arises.

A key responsibility of the risk management partners is to be an integral part of the client acceptance and retention process, responsible for assessing risk on both a qualitative and quantitative basis. In addition, risk management partners are required to be integrally involved with engagement teams, where necessary, for consultations on issues and judgments, such as going concern considerations. This group of independent and experienced partners is focused on quality, prompting changes to policy and procedures when and as appropriate.

Monitoring

We have a formal post-issuance quality-monitoring program, which is run as part of a PricewaterhouseCoopers global program. The program includes inspection of a partner's work and all aspects of our quality control system to ensure that our quality controls are functioning properly and to provide reasonable assurance that we comply with all applicable professional standards and our own Firm policies and procedures. This program is managed and supervised by the Assurance Quality function within R&Q.

Engagement reviews are conducted by experienced partners, directors and senior managers with appropriate industry experience who are not connected either with the office that performs the audit or the audit itself. Reviews are conducted at least once every three years when all partners are subject to review. More timely reviews are performed when there is a possibility of increased risk.

In addition, there is a rotating program of "office" visits to review implementation of policies and practices at a firm, rather than engagement level. Our inspection process also involves periodic testing of the effectiveness of our quality controls in functional areas such as hiring, training, advancement and independence.

Quality monitoring is also an integral part of our continuous improvement program. We constantly evaluate inputs from formal programs such as this and a variety of informal sources in an ongoing effort to improve our policies, procedures and the consistency of the quality of our work. Every instance of failure to meet performance standards is treated seriously - the partner responsible is counselled to improve performance and the work of the partner is reviewed in the following year. Poor technical or risk management performance would result in a negative adjustment to the partner's compensation; in some cases the partner is no longer permitted to sign audit opinions in the Firms' name and in serious cases the partner is requested to leave the Firm.

The Management Board of PricewaterhouseCoopers Slovensko, s.r.o. believes that the quality control environment described above is in compliance with all applicable regulations and that it provides a reasonable basis for believing that statutory audits carried out by Slovak firm consistently meet the required quality standards.

Last Quality Assurance Review in Compliance with Article 31 of the Act on Auditors

The last quality assurance review carried out in compliance with the EU Audit Directive was carried out by Slovenská komora audítorov (Slovak Chamber of Auditors Chamber) between 20-21 October 2008 with satisfactory results. The Chamber did not propose any actions to improve the company's activities.

Public Interest Entities Audited for Statutory Purposes by PricewaterhouseCoopers Slovensko, s.r.o. in the Financial Year Ending 31 December 2008

AIG Funds Central Europe správ. spol., a.s.
AMSLICO AIG Life poisťovňa, a.s.
APOLLO zdravotná poisťovňa, a.s.
BRE Bank SA, pobočka zahraničnej banky v Slovenskej republike
CALYON S.A., pobočka zahraničnej banky
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky, Bratislava
Eastern Sugar Slovensko, a.s.
Europäische Reiseversicherung AG, organizačná zložka Slovensko
Generali Poisťovňa, a.s.
Glacier Tribometal Slovakia, a.s.
KD Investments, správ.spol., a.s.
KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group
KONTINUITA poisťovňa, a.s. Vienna Insurance Group
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group
Kraft Foods Slovakia, a.s.
Liptovská mliekareň, a.s.
Poisťovňa Cardif Slovakia, a.s.
POL'NONÁKUP HONT, a.s.
Prvá stavebná sporiteľňa, a. s.
Q B E poisťovňa a.s.
Smurfit Kappa Štúrovo, a.s.
Wüstenrot stavebná sporiteľňa, a.s.

Companies that meet the requirements of section 17a paragraph 2 of Act 431/2002 Coll. As amended by Act 561/2004 Coll.:

BILLA s.r.o.
Doprastav, a.s.
Matador, a.s.
Stredoslovenská energetika, a.s.
U. S. Steel Košice, s.r.o.
VOLKSWAGEN Finančné služby Slovensko s.r.o.
VOLKSWAGEN SLOVAKIA, a.s.
Východoslovenská energetika a.s.
Západoslovenská energetika, a.s.

Note: A list of public interest entities as of 31 December 2008, in respect of which company PricewaterhouseCoopers Slovensko, s.r.o issued an audit report to financial statements in its accounting period from 1 January 2008 to 31 December 2008.

Independence Practices of PricewaterhouseCoopers Slovensko, s.r.o.

Independence, Integrity and Objectivity

Our partners and staff receive a thorough orientation to the culture, values and core attributes of our Firm – the achievement of excellence; the development of teamwork; the commitment to building trust and showing leadership - upon hiring or admittance and are provided with a copy of the PricewaterhouseCoopers Code of Conduct. We expect our partners and staff to live by these values in the course of their professional careers. Our partners know they are responsible for consulting with our Technical and Risk and Quality experts as necessary and for communicating to the client when an accounting treatment is not acceptable even if it means losing or withdrawing from that client. We refer to this responsibility as "Standing Firm on Quality" and it is a key part of our culture at partner and all staff levels.

Our Slovak Independence Leader monitors strict regulatory, professional, and Firm independence requirements related to financial interests in and business relationships with clients. The Firm has, as part of a response throughout the PricewaterhouseCoopers Global Network, implemented an independence compliance program and monitoring system. The systems and controls cover the following key elements:

- Written independence policies and procedures
- An automated tracking system and restricted entity list
- Ongoing independence training
- Internal monitoring of our independence system and controls
- Responsibility for independence and our system and controls vested in senior management
- An appropriate "tone at the top" and culture relating to independence
- Prompt reporting of personnel employment negotiations with clients

- Reporting by personnel of potential or apparent independence violations
- Disciplinary policies and processes
- Controls over business relationships and alliances and commissions and contingent fees.

The last internal independence review to be carried out at PricewaterhouseCoopers Slovensko, s.r.o. took place on 29.9.2008 – 2.10.2008.

Continuing Education of Statutory Auditors

As referred to in the section above on audit quality our Statutory Auditors are fully involved in the firm's continuing education programme. Our Statutory Auditors are required to take part in the annual obligatory training in following extent:

- attend at least 120 hours of educational activities during a three-year cycle;
- attend at least 20 hours every year; and
- maintain evidence on educational activities.

Examples of professional development, which are acknowledged are:

- courses, conferences, seminars;
- self learning (e-learn), organized on-the-job training for new systems, procedures;
- published professional or academic writing;
- participation or work on technical committees;
- teaching a course in area related to professional responsibility;
- speaker in conferences, briefing sessions, discussion groups;
- writing technical articles, papers, books.

PricewaterhouseCoopers Slovensko, s.r.o. clearly articulates the L&E curriculum for our Assurance professionals including statutory auditors, it clearly designates which courses are mandatory for which Assurance professionals and monitor the attendance. Local L&D department is responsible for ensuring the access of staff and partners to learning activities. L&D ensures that, appropriate records are kept for each employee (data about activity, verifying documents) including statutory auditors.

Financial Information for the Year Ended 31 December 2008 (unaudited)

	SKK ths.	EUR ths.
Total turnover	627,390	20,826
of which in respect of:		
Statutory audit	153,585	5,098
Other Assurance services	248,469	8,248
Advisory (non-assurance) services	171,960	5,708
Other	53,376	1,772

Basis for Partners Remuneration

Partners are remunerated solely out of the profits of the firm and are personally responsible for funding pensions and other benefits such as medical care. A partner's remuneration is determined by the Regional Management Board after evaluating each partner's contribution to the firm during the year and following the completion of the annual audits for the national firms. The allocations made by the Management Board are reviewed and approved by the Partners Council. Each partner's remuneration comprises of three interrelated profit dependent components:

Responsibility Income - reflecting the partner's sustained contribution and responsibilities;
Performance Income - reflecting how a partner and the teams he works with perform in a given year and **Equity Unit Income** which represents a partner's share in the profits after the allocation of the first two elements.

Equity units are allocated to partners on the basis of a matrix which takes account of numerous factors including but not limited to consistency of performance and role within the firm. Performance income is determined by assessing a partner's achievements against an individually tailored balanced scorecard of objectives based on the partner's role. These objectives include the realisation of the firm's audit quality standards and absolute adherence to our integrity and independence regulations.

Our Commitment on This Report

To the best knowledge and belief of PricewaterhouseCoopers Slovensko, s.r.o. the information contained in this report is correct at the time of publication.



Ing. Mária Frühwaldová
PricewaterhouseCoopers Slovensko, s.r.o.