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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of  
Sirma Group Holding JSC  
135 Tsarigradsko shjosse blvd., Sofia

### Report on the Audit of the Separate Financial Statements

#### Opinion

We have audited the financial statements of Sirma Group Holding JSC (the Company), which comprise the statement of financial position as at 31 December 2019 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements of Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter

We draw attention to Note 37 "Post-reporting date events", where it is announced that in early 2020, due to the spread of a new coronavirus (Covid-19), global business and economic difficulties affect activity of a number of enterprises and entire economic branches. As the situation and the measures taken by the state authorities are extremely dynamic, the management of the Company is not able to assess the exact quantitative parameters of the impact of the coronavirus pandemic on the future financial condition and results of its activities. The analysis performed by the management assessed the financial risks associated with the change of the business environment and different scenarios with different degrees of probability for their manifestation have been developed. The worst-case scenario, assessed as unlikely by management, could lead to a potential reduction in business volume and revenue from sales of products and services. This could lead to a change in the carrying amount of the company's assets, which are determined in the separate financial statements, using a number of judgments and assumptions made by management and the most reliable information available at the date of estimates. Our opinion has not been modified on this issue.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the

financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of intangible assets, accounted for using the cost model	
Note 7 to the separate financial statements	
Key audit matter	How this matter was addressed during the audit
<p>Most of the revenue generated by the Company is due to the intangible assets owned by the Company. As at 31 December 2019, their carrying amount amounts to BGN 10 122 thousand. Intangible assets are subsequently measured at cost less accumulated amortization and impairment losses.</p> <p>At least annually, management analyzes the recoverable amount of cash-generating assets and / or units. The purpose of this analysis is to determine whether it is necessary to recognize an impairment loss for intangible assets.</p> <p>In performing this analysis, determining the value in use, the Company's management, in cooperation with independent licensed appraisers, determines the expected future cash flows for each cash-generating unit and defines the appropriate discount factor in order to calculate the present value of these cash flows.</p> <p>We consider the valuation of intangible assets to be a key audit issue, as analyses performed by management require the use of significant judgments and assumptions regarding future gross gains, accumulated cash-generating units related to future events and circumstances. The use of different valuation methods, scenarios and assumptions may lead to different valuations of intangible assets.</p>	<p>During our audit, our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>- review of the adopted accounting policy of the Company regarding the subsequent reporting of intangible assets and analysis of its compliance with applicable IAS / IFRS;</li> <li>- review of the determined useful life of the intangible assets and analysis of the appropriateness in its definition;</li> <li>- assessment of the key assumptions used by the management of the Company in determining the useful life of the assets, as well as their recoverable amount;</li> <li>- analysis of evaluations performed by licensed appraisers with the help of our internal expert appraisers;</li> <li>- an assessment of the control over the output used to carry out the assessments and the review of the assessments by management;</li> <li>- verification and analysis of the qualification and independence of the independent appraisers used by the company;</li> <li>- analysis and evaluation of the applied evaluation methods, incl. assumptions and other key indicators, with the participation of our internal experts-evaluators;</li> <li>- comparison of historically achieved business results and forecasts made by management, as well as comparison with external data sources, where possible and appropriate;</li> <li>- performing independent impairment tests based on our knowledge of the nature and activities of the Company, as well as information on the specifics of its assets, taking into account external and internal indicators of impairment;</li> <li>- comparison of the results of the audit tests with the results of the assessment of the management of the Company;</li> <li>- assessment of the adequacy of the disclosures in the separate financial statements.</li> </ul>

Impairment testing of investments in subsidiaries, accounted for using the cost model	
Note 7 to the separate financial statements	
Key audit matter	How this matter was addressed during the audit
<p>As of 31 December 2019, the investments in subsidiaries of Sirma Group Holding AD amount to BGN 67 904 thousand and represent 73% of the Company's assets. Investments in subsidiaries are measured at cost and are subject to regular annual impairment testing.</p> <p>In determining the recoverable amount of investments, the Company's management makes a number of significant assumptions and assumptions that may be based on uncertain future events. Management performs detailed analyzes of the activities of its subsidiaries and the financial results achieved by them to determine whether there are indications of impairment of the value of investments. In addition, it uses reports from independent licensed appraisers to determine the fair value of those who have a significant fund of assets as of 31 December 2019.</p> <p>Due to the importance of investments in subsidiaries, as well as the fact that management's judgment is based on significant assumptions and future events, we have identified this issue as a key audit issue for the audit.</p>	<p>During our audit, our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>- assessment of the control regarding the initial information used for the performance of the analyses by the Management;</li> <li>- analysis of the assumptions and assumptions used by the management regarding their relevance and adequacy;</li> <li>- review of the financial statements, other available, relevant financial information, including budgets, business plans and estimates of subsidiaries;</li> <li>- a detailed review and analysis of the financial condition of the most significant components of investments in subsidiaries, including their investments in other companies;</li> <li>- assessment of the control of the source information used to carry out the assessments by licensed assessors and verification thereof;</li> <li>- assessment and verification of the qualification of the external appraisers;</li> <li>- assessment and analysis of the independence of external experts, including through a declaration of independence;</li> <li>- analysis and evaluation of the applied valuation methods, including assumptions and other key indicators and their comparison with our available information on the real estate market and other external information;</li> <li>- assessment of the adequacy of the disclosures in the separate financial statements, including the disclosures of the main assumptions.</li> </ul>

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management report, including the corporate governance statement, prepared in accordance with Bulgarian Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Separate financial statements**

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and Bulgarian Independent Financial Audit Act will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of our audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Separate financial statements and Auditor's Report Thereon", regarding annual management report, including the corporate governance statement, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act and Article 100m, paragraph (10) in relation to Article 100m, paragraph (8), subparagraphs (3) and (4) of Bulgarian Public Offering of Securities Act.

**Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act**

Based on the procedures performed, we describe the outcome of our work:

- (a) the information in the management report is consistent with the separate financial statements for the same reporting period;
- (b) the management report is prepared in accordance with the applicable legal requirements;
- (c) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the separate management report;
- (d) the separate corporate governance statement for the financial year contains the required information in accordance with the applicable legal requirements, including Article 100m, paragraph (8) of Bulgarian Public Offering of Securities Act;
- (e) the non-financial declaration is prepared and made available in accordance with the requirements of Bulgarian Accountancy Act.

**Statement Pursuant to Article 100m, Paragraph (10) of Bulgarian Public Offering of Securities Act**

Based on the procedures performed and our knowledge of the Company and the environment in which it operates, in our opinion, there is no material misstatement in the description of the main characteristics of the internal control system and of the risk management system of the Company in connection with the financial reporting process and also in the information pursuant to Article 10, paragraph 1, items "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, which are included in the corporate governance statement, being a component of the annual management report.

**Additional reporting concerning the audit of separate financial statements in connection with Article 100m, paragraph (4), subparagraph (3) of Bulgarian Public Offering of Securities Act**

– *Statement on Article 100m, paragraph 4, subparagraph (3), item "b" of Public Offering of Securities Act*  
Related party transactions are disclosed in note 29 to the separate financial statements. Based on the performed audit procedures on related party transactions as part of our audit of separate financial statements as a whole, no facts, circumstances or other information have come to our attention that caused us to conclude that the related party transactions are not disclosed in the accompanying separate financial statements for the year ended on 31 December 2019, in all material respects, in accordance with the requirements of IAS 24 „Related Party Disclosures“. The results of our audit procedures on related party transactions were taken into consideration for the purposes of issuing an auditor's opinion on the separate financial statements as a whole, not for issuing a separate opinion only on related party transactions.

– *Statement on Article 100m, paragraph (4), subparagraph 3, item "c" of Public Offering of Securities Act*  
Our responsibilities for audit of the separate financial statements as a whole, described in our report in section „Responsibilities of the Auditor for the Audit of Separate financial statements“, include assessment whether the separate financial statements present fairly the significant transactions and events. Based on the performed audit procedures on the significant transactions, which are fundamental to the separate financial statements for the year ended on 31 December 2019, no facts, circumstances or other information have come to our attention that caused us to conclude that there are instances of unfair presentation and disclosure in accordance with the requirements of IFRS, as adopted by the European Union. The results of our audit procedures on the significant transactions and events of the Company, which are material to the separate financial statements, were taken into consideration for the purposes of issuing an auditor's opinion on the separate financial statements as a whole, not for issuing a separate opinion only on the significant transactions.

**Reporting Pursuant to Article 59 of Bulgarian Independent Financial Audit Act in relation to Article 10 of Regulation (EC) № 537/2014**

In accordance with the requirements of Bulgarian Independent Financial Audit Act and in relation with Article 10 of Regulation (EC) № 537/2014, we report additionally the information as follows:

- Grant Thornton OOD was appointed as statutory auditor of the separate financial statements of Simra Group Holding JSC for the year ended on 31 December 2019 by the general meeting of shareholders, held on 19.06.2019, for a period of one year.
- The audit of the separate financial statements of the Company for the year ended on 31 December 2019 has been made for the first year.
- In support of our audit opinion, we have provided a description of the most significant assessed risks of material misstatement, a summary of the auditor's response and where relevant, key observations arising with respect to those risks in the section „Key audit matters“ of this report.
- We confirm that our audit opinion is consistent with the additional report to the audit committee, which was provided in accordance with Article 60 of Bulgarian Independent Financial Audit Act.
- We declare that prohibited non-audit services referred to in Article 64 of Bulgarian Independent Financial Audit Act were not provided.

- We confirm that we remained independent of the Company in conducting the audit.
- For the period for which we were engaged as statutory auditors, we have not provided any other services to the Company [and its controlled undertakings] in addition to the statutory audit

**Mariy Apostolov**  
Managing partner

Grant Thornton Ltd.  
Audit firm

5 May 2020  
Bulgaria, Sofia, 26, Cherni Vrah Blvd.



**Gergana Mihaylova**  
Registered auditor responsible for the audit