

REPORT
OF THE AUDIT COMMITTEE
OF SIRMA GROUP HOLDING JSC
FOR 2019

This report of the Audit Committee of Sirma Group Holding JSC was prepared on grounds of art. 108. para.1, item 8 of the Independent Financial Audit Act, requiring report on the activities of the Audit Committee to the appointing authority.

The mandate of the Audit Committee was extended for another 3 years by a decision of the General meeting of August 26, 2019. The Audit Committee maintained the same composition:

1. Angel Petrov Kraychev - Chairman of the Audit Committee;
2. Alexander Todorov Kolev - Member of the Audit Committee;
3. Emilian Ivanov Petrov - Member of the Audit Committee,

During the reporting period, the Audit Committee carries out its activities in compliance with the requirements of the Independent Financial Audit Act. The main activities of the Audit Committee include:

- Monitoring financial reporting processes in the enterprise;
- Monitoring the effectiveness of internal systems control;
- Monitoring the effectiveness of risk management systems;
- Monitoring the independent financial audit in the enterprise;
- Performing a review of the independence of the registered auditor, responsible for the audit, and the audit firm in accordance with the requirements of the Independent Financial Audits Act and International Code of Ethics of professional accountants.

In carrying out this tasks, the Audit Committee performed the following:

1. Monitoring of the financial reporting processes in Sirma Group Holding JSC

The company prepares individual and consolidated quarterly interim financial statements, individual and consolidated annual financial statements which are present to the Financial Supervision Commission and discloses to the public. The Audit Committee got acquainted with the Financial Calendar on the company's website and with information about the publication of periodic information on the page of The Bulgarian Stock Exchange and concluded that the individual and consolidated interim and annual financial statements have been dully presented. The Information Disclosure Committee to the Board of Directors was also active during the reporting period in order to support the process of more effective financial reporting and disclosure of financial information.

2. Monitoring the effectiveness of internal control systems

The Audit Committee monitored the functioning of organization for internal control and ongoing

control and reporting procedures, as well as the communication of the audit company with internal control. The Audit Committee found that financial analyzes and financial control are periodically performed by the management of the current accounting in the company.

3. Monitoring the effectiveness of risk management systems

The company's policy for financial risk management, and most of all the risks that the company considers most important, include the following: market risk (includes currency risk, fair value risk and price risk), credit risk, liquidity risk and interest rate risk. The company also considers important industrial risks, such as industry risk - the risk of adverse market conditions in the information and communication technologies markets, the specific company risk - adverse changes in the terms of sale of the products and services offered by the Group, the risk on the protection of intellectual property - the risk of third parties using or sell technologies which Sirma Group Holding JSC considers its own. Risk management is carried out on an ongoing basis by the company's management. In support of the activities of the Board of Directors there is a Investment and Risk Committee, which identifies and proposes for approval by the Board of Directors the risk management policy.

4. Monitoring of the independent financial audit in the enterprise

The independent financial audit of the financial statements of Sirma Group Holding JSC for 2019 is performed by Grant Thornton Ltd. as a registered auditor, with Gergana Mihailova being responsible for the audit. The Audit Committee's observation showed that a favorable environment has been created for the activity of the independent financial audit in working in cooperation with the management of the company.

The Audit Reports confirm that the individual annual financial statements for 2019 and the consolidated annual financial statements for 2019 present reliable, in all material aspects, the financial condition of Sirma Group Holding JSC. The reports were prepared within the agreed deadlines.

The final reports on the individual and consolidated annual financial statements were presented to the Audit Committee, in accordance with Art. 60 para. 1, item 2 of The Independent Financial Audit Act. The reports noted that there were no significant deficiencies in the internal financial control system and in the accounting system of the enterprise. The key audit questions were discussed with management during the audit.

5. Reviewing the independence of the audit firm and the registered auditor responsible for the audit, in accordance with the requirements of the law and the International Code of Ethics for Professional Accountants

The Audit Committee was acquainted with the Declarations of Independence of the Auditor Grant Thornton Ltd., represented at the beginning of the financial audit, and verified the independence of the audit firm and the responsible auditor. The Audit Committee found that the audit firm was fulfilling its obligation to publish on its website a transparency report that includes the information required by law. The Transparency Report is signed by the manager of the company. The Audit Committee requested information on whether the audit firm performs additional services, in addition to the financial audit services of the audited company and received assurance from the management of the audited company that no agreement for the provision of additional services and such are not provided. The audit firm also declares that no other services are provided outside the financial audit. The Audit Committee also found that in the additional reports the registered auditor has again declared both his independence and

lack of provision of additional services to the audited entity.

As a result, the Audit Committee found no breach of the requirements of the Independent Financial Audit Act and the International Ethics Act code of professional accountants regarding the independence and is certain of the independence of the audit firm and the registered auditor, responsible for the audit, by the audited entity.

Sofia, August 2, 2020

Chairman of the AC: Angel Kraychev