

REPORT
OF THE AUDIT COMMITTEE OF
SIRMA GROUP HOLDING JSC
for 2017

This report of the Audit Committee of Sirma Group Holding JSC is prepared on the basis of Art. 108, par.1, item 8 of the Independent Financial Audit Act, requiring reporting of the activities of the Audit Committee to the Appointing Authority.

The Audit Committee of Sirma Group Holding JSC was created by decision of the General Meeting of Shareholders on 14.06.2016, consisting of:

1. Angel Petrov Kraichev – Chairman of the Audit Committee;
2. Aleksander Todorov Kolev – Member of the Audit Committee;
3. Emiliyan Ivanov Petrov – Member of the Audit Committee.

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

- Monitoring the financial reporting processes in the enterprise;
- Monitoring the effectiveness of internal control systems;
- Monitoring the effectiveness of the system for risk management;
- Monitoring the independent financial audit in the enterprise;
- Reviewing the independence of the registered auditor of the entity in accordance with the requirements of the Independent Financial Audit Act and the Code of Ethics for Professional Accountants.

During the execution of these tasks, the Audit Committee did the following:

1. Monitoring the financial reporting processes in Sirma Group Holding

The Company prepares individual and consolidated quarterly interim financial statements, individual and consolidated annual financial reports, which it presents to the Financial Supervision Commission and discloses to the public. The Audit Committee took note of the financial calendar on the company's website and the information on the publication of the periodical information on the Bulgarian Stock Exchange's website and noted that the requirements for timely presentation of individual and consolidated financial statements were complied with. For a more efficient organization of the financial reporting process and the disclosure of financial information, an Information Disclosure Committee has been set up to gather at intervals

2. Monitoring the effectiveness of internal control systems

The Audit Committee monitored the functioning of the internal control organization and the permanent control and accountability procedures, controlling the certified auditor's internal control communication. The audit committee found that financial analyzes and financial control were periodically performed by the management of the current accounting in the company, and the relevant reports were brought to the attention of the Board of Directors.

3. Monitoring the effectiveness of the system for risk management

The Audit Committee took note of the company's financial risk management policy and, in particular, the risks it considers most important, namely: market risk (including currency risk, fair value risk and price risk), credit risk, liquidity risk, and the risk of interest-bearing cash flows. The Company also considers industry risks as important, such as sectoral risk - the risk of adverse developments in the information and communications technology market, the specific company risk - the adverse change in the terms of sale of the products and services offered by the Group, the risk of protection of intellectual property - the risk that third parties may use or sell technologies which Sirma Group Holding JSC considers to be their own. Risk management is currently conducted by the management of the company, in support of the activity of the Board of Directors. It operates an Investment and Risk Committee, which defines and proposes for approval to the Board of Directors the Risk Management Policy.

4. Monitoring the independent financial audit in the enterprise

The certified auditor of the financial statements of Sirma Group Holding AD for 2017 is Teodora Tsvetanova. The Audit Committee's observation showed that a favorable environment for the independent financial audit was created in the context of working with the management of the company.

The records of the certified auditor confirm that the individual annual financial report for 2017 and the consolidated annual financial report for 2017 present fairly, in all material aspects, the financial position of Sirma Group Holding JSC. The reports were prepared within the agreed deadlines.

The certified auditor presented and discussed with the Audit Committee the additional reports on the individual annual financial statement for 2017 and the consolidated annual financial report for 2017 in accordance with Art. 60 par. 1 and par. 2 of the Independent Financial Act

5. Reviewing the independence of the registered auditor of the entity in accordance with the requirements of the Independent Financial Audit Act and the Code of Ethics for Professional Accountants.

The Audit Committee took note of the Independent Auditor's Statement of Independence, which she submitted at the start of the financial audit. The Audit Committee finds that the certified auditor complies with the obligation to publish on its website: www.investex-audit.com a transparency report which includes the information required by law. The Transparency Report was signed by the registered

auditor Teodora Tsvetanova. The Audit Committee requested information whether the certified auditor Teodora Tsvetanova performs additional services besides the financial audit services of the audited entity and has received an assurance from the management of the audited company that there is no agreement to provide additional services and that no such services are provided and also a statement from the certified auditor confirming that they are not other services beyond the financial audit. The Audit Committee also notes that in the additional reports the registered auditor has again declared both his independence and the lack of provision of additional services to the audited entity.

As a result, the Audit Committee did not find any violation of the requirements of the Independent Financial Audit Act and the Professional Code of Ethics of Independent Accountants, and has verified the independence of the registered auditor Teodora Tsvetanova from the audited entity.

6. Suggestion regarding the election of a certified auditor, for performing the 2018 financial audit of Sirma Group Holding JSC.

In order to comply with the requirements of the Accountancy Act and the Independent Financial Audit Act, the General Meeting of Shareholders on 14.06.2017 elected Teodora Ivanova Tsvetanova, with diploma N2 0771/2012, issued by the Institute of Certified Public Accountants in Bulgaria, as a certified auditor who will perform an independent financial audit of the individual and consolidated annual financial statements of Sirma Group Holding JSC for the year 2017. Considering the fact that Mrs. Teodora Tsvetanova has not had audit engagements for the audited company Sirma Group Holding JSC for 7 consecutive years in the sense of Art. 65 of the Independent Financial Audit Act, the Audit Committee proposes to the General Meeting of Shareholders of Sirma Group Holding JSC to re-elect Mrs. Teodora Ivanova Tsvetanova for the independent financial audit of the individual and consolidated annual financial statements of the Company for the year 2018. The motives presented by the Audit Committee are based on the accepted results of the registered auditor's activity up to the moment, achieved in strict compliance with the relevant legal norms and following good professional practices as well as following the corporate practices of the audited company Sirma Group Holding JSC, and its business specifics.

Sofia, 02 May 2018

Chairman of the Audit Committee:



A handwritten signature in black ink, written over a horizontal dotted line. The signature is stylized and appears to be the name of the Chairman of the Audit Committee.