



Annual Consolidated Management Report

of "Sirma Group Holding" JSC
for 2019

Content

1	STATEMENT BY THE BOARD OF DIRECTORS OF “SIRMA GROUP HOLDING” JSC	IV
2	ORGANIZATION AND WAY OF PRESENTATION	V
3	STRUCTURE OF SHARE CAPITAL AND MANAGEMENT AUTHORITIES.....	VII
4	FUNCTIONING OF THE GROUP	XIV
5	SIRMA GROUP IN 2019	XVI
5.1	The business	XVI
5.2	Economic Trends	XVI
5.3	Additional information for 2019.....	XIX
5.4	Major news in 2019	XX
5.5	Main legal information in 2019.....	XXIII
5.6	Information for contracted large transactions in 2019.....	XXIV
5.7	Information of the used financial instruments in 2019	XXIV
5.8	R&D activity of the company in 2019.....	XXIV
5.9	Possible future development of the company.....	XXIV
5.10	Contracts under Art.240b of the Commerical Code in 2019	XXIV
5.11	Audit remuneration in 2019	XXIV
6	RESULTS BY COMPANY.....	XXV
	Daticum	XXV
	Sirma Solutions	XXVII
	Sirma AI and Ontotext USA.....	XXXV
	Ontotext.....	XXXVIII
	EngView Systems Sofia	XXXIX
	Sirma Business Consulting JSC.....	XLI
	Sirma Group Inc./dba Panaton	XLIV
	Sirma ICS.....	XLV
	S&G Technology Services	XLVII
	Sirma CI	XLVII
	Sirma Medical Systems.....	XLVII
	Sirma Group Holding – individual financial results	L
7	RESULTS BY SEGMENTS.....	LI
8	MAIN MARKETS.....	LII
9	CONSOLIDATED FINANCIAL RESULTS.....	LIII
	Consolidated revenues.....	LIII
	Consolidated expenses	LIV
	Consolidated financial income / costs (net)	LIV
	Consolidated assets	LV
	Equity	LVI
	Consolidated liabilities.....	LVI
	Cash flows.....	LIX
	Indicators and ratios	LX
	Related companies transactions	LXII
10	EMPLOYEES AND ECOLOGY.....	LXX
11	RISK FACTORS	LXXI



Market risk analysis.....	LXXI
Credit risk.....	LXXIII
Liquidity risk	LXXIII
12 OTHER INFORMATION AS PER APPENDIX 11 of ORDINANCE 2 OF THE FSC.....	LXVII
13 CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY.....	LXXVII
14 EVENTS AFTER THE END OF THE REPORTING PERIOD	LXXVIII



1 STATEMENT BY THE BOARD OF DIRECTORS OF “SIRMA GROUP HOLDING” JSC

The present annual consolidated management of “Sirma Group Holding” JSC covers the year, ending on 31 December 2019 and was prepared in accordance with the provisions of Article 39 of the Accountancy Law and Art. 100o, para. 2 and 5 of the the Public Offering of Securities Act (POSA), including also the established events, occurring after the balance sheet date. The structure of this report is in accordance with Appendix 9, 10 and Appendix 11 to Article 32a (2) of Ordinance No. 2 of the Financial Supervision Commission (FSC).

The board of directors of the holding confirms that:

- there were no irregularities in which managers or employees were involved, which may be material to the consolidated financial statements;
- all material transactions are duly accounted for and reflected in the annual consolidated financial statements as at 31 December 2019;
- there is no actual or potential breach of laws and (or) other regulatory provisions which would have a material impact on the consolidated financial statements or could serve as a basis for reporting contingent loss;
- there are no legal or other restrictions on the flow of funds;
- there are no known trends, requests, commitments, events or occasional circumstances for which there is reason to expect that they may affect the company as a whole.

This management report contains estimates and information based on our beliefs and assumptions, using currently available information about them. Any statements contained in this report which are not historical facts are predictions. We have based these statements on the future of our current expectations, assumptions and predictions about future conditions and events. As a result, our predictions and information are exposed to uncertainties and risks, many of which are beyond our control. If one or more of these uncertainties or risks materialize or if the underlying management assumptions prove to be incorrect, our actual results may differ materially from those described in the report. We describe these risks and uncertainties in the report in the Risk Section.

This report includes IT industry statistics and global economic trends which come from information published

by sources including International Data Corporation (IDC), a market information and information technology consultant, telecoms and consumer technology markets; Gartner, the European Central Bank (ECB); and the International Monetary Fund (IMF). This type of data is only the forecasts of IDC, the ECB, the IMF and other data sources for the global economy and industry. SIRMA does not guarantee any statistical information provided by sources such as IDC, Gartner, ECB, IMF, or other similar sources cited in this report. In addition, although we believe that information from these sources is generally reliable, this type of data is inaccurate. We warn readers not to create unnecessary dependence on this data.

In our Annual Consolidated Management Report, we analyze our business activities for the reporting financial period as well as the current situation of “Sirma Group Holding” JSC. Starting from a description of our business, economic environment and strategy, we present our financial system and explain in detail our results and operations as well as our financial position and net assets. We also report on the various aspects of financial sustainability of Sirma Group Holding and the expected development of possible risks.

The financial information presented in this report includes our consolidated financial statements, our report to the Board of Directors and some financial aspects derived from our management accountability. The non-financial data presented in the report includes aspects of intellectual, human and social rights and relationships derived from our materiality assessment.

Our annual consolidated financial statements have been prepared in accordance with IFRSs. Internal control over financial reporting ensures the reliability of the information presented in the consolidated financial statements. Our Board of Directors has confirmed the effectiveness of our internal financial reporting.

All financial and non-financial data and information for the reporting period is collected and / or reported by the responsible business units.

The reporting period is the financial year ending on 31.12.2019. The report includes Sirma Group Holding JSC and all subsidiary companies of the group without Flash Media, Engview Systems Latin America, Eyeball Interactive, Excell Management and e-Dom, which are excluded from consolidation due to lack of relevance.

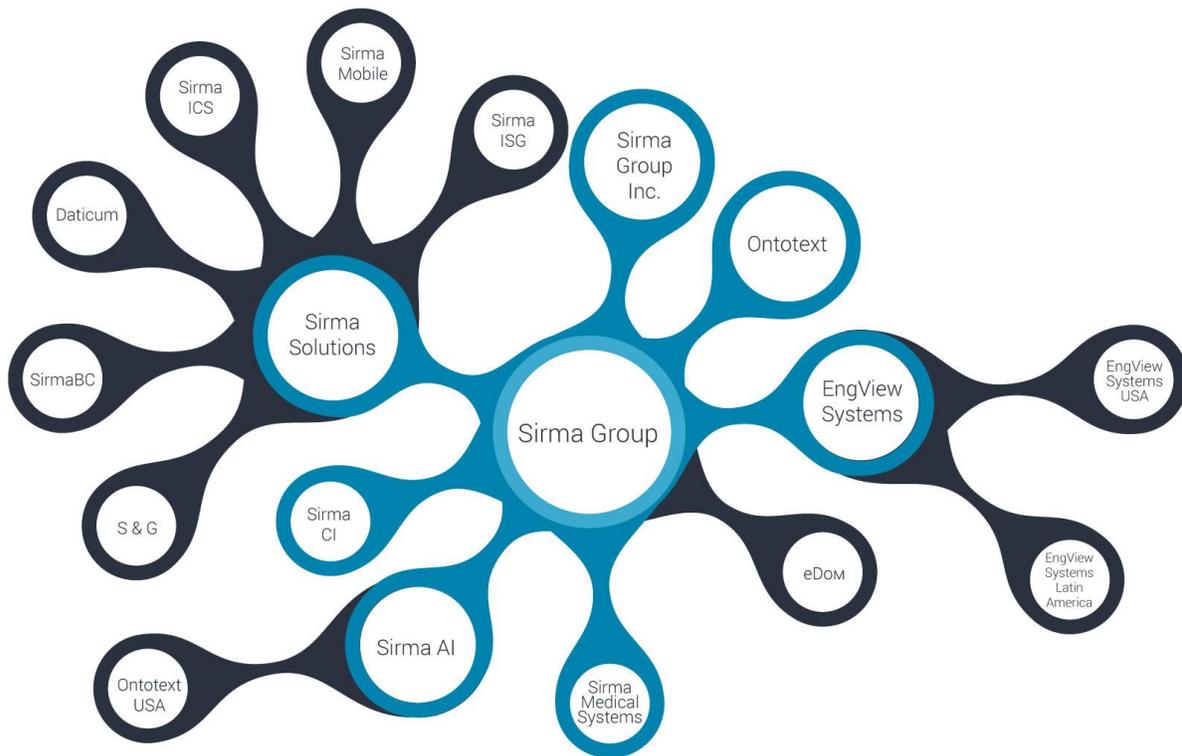


2 ORGANIZATION AND WAY OF PRESENTATION

"Sirma Group Holding" JSC is a holding company that invests in technological businesses, manages them strategically and operationally, provides its subsidiaries with management, administrative, marketing and financial services.

Over the years, Sirma has created over 20 companies, investing in them a tremendous financial and human capital. Our strategy is to create businesses, incubate them and develop them.

Generating robust growth, cost-effectiveness and consistent business results are among the company's top priorities.



Branches of the company

"Sirma Group Holding" JSC has no registered branches.

History and development of the company

"Sirma Group Holding" JSC is a holding company registered on 25.04.2008 at the Registry Agency with UIC 200101236, with head office: BULGARIA, Sofia (capital), Sofia Municipality, City Sofia 1784, Mladost area, bul. Tsarigradsko Shosse, No 135. The name of the company changed on 23.03.2009 from "SGH" JSC to "Sirma Group Holding" JSC.

The object of the company is: ACQUISITIONS, MANAGEMENT, EVALUATION AND SALE OF

PARTICIPATION IN BULGARIAN AND FOREIGN COMPANIES, ACQUISITION, EVALUATION AND SALE OF PATENTS, CESSION OF LICENSES TO USE PATENTS OF COMPANIES WHICH THE COMPANY HOLDS, FINANCE OF COMPANIES IN WHICH THE COMPANY PARTICIPATES, ORGANIZATION OF ACCOUNTING AND COMPILING FINANCIAL STATEMENTS UNDER THE LAW OF ACCOUNTING. THE COMPANY MAY PERFORM INDEPENDENT BUSINESS ACTIVITIES WHICH ARE NOT PROHIBITED BY LAW.

Changes in the statement of activity

At the time of its incorporation, the company operated under the following business activities: design, development, marketing, sales, implementation, training and support of software products and complete solutions, including software project management, information and communication technology consultancy services, accounting services, as well as any other activity not prohibited by law.

On 23.03.2009 Sirma Group Holding changed its scope of activity as follows: Acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies, acquisition, evaluation and sale of patents, surrender of licenses for use of patents of companies in which the holding company participates, financing of the companies in which the holding company participates, organization of the

accounting and preparation of financial statements under the order of the Law for Accounting. The company may also carry out its own commercial activity, which is not prohibited by law.

From the establishment of the company until the date of this document, Sirma Group Holding JSC:

- is not the subject of consolidation;
- no transfer or pledge to the enterprise;
- No claims have been filed for the opening of insolvency proceedings of the company;
- There are no tenders from third parties to the Company or from the Company to other companies;

CAPITAL

The share capital of the company amounts to 59 360 518 BGN, divided into 59 360 518 dematerialized shares with nominal value of BGN 1.

History of Share Capital

History of changes in share capital

- The company was incorporated with BGN 50,000 of capital.

On 15.10.2008, after the adoption of three triple expert appraisals of experts, the share capital was increased from BGN 50,000 to BGN 77,252,478 through non-cash contributions and issuance of new 77,202,478 shares. Non-cash contributions are as follows:

- 1) 29 software modules worth 61,555,838 BGN;
- 2) Non-monetary contribution representing real estate amounting to 3 911 660 BGN:
 - Office building - offices, floor 3th and floor 5th of an office building, located in Sofia, 135 Tsarigradsko shose

On 22.10.2010. as a result of the decision of the regular annual general meeting of the Company's shareholders, a reduction of the capital of "Sirma Group Holding" JSC from

Blvd., owned by "Sirma Group" AD, a company registered in the Commercial Register at the Registry Agency UIC 040529004, with headquarters and address of management in Sofia, Mladost district, 135 Tsarigradsko shose Blvd., accepted as shareholder in "SGH" AD by decision of the General Meeting of "SGH" JSC from 10.07.2008

3) Non-cash contribution representing shares of 11 734 980 BGN:

□ A total of 81,690 shares of the total amount of 11,734,980 BGN (143.6526 BGN per share) of the capital of "Sirma Group" JSC, registered in the Commercial Register at the Registry Agency UIC, 040529004

77 252 478 BGN to 73 340 818 BGN was recorded through the cancellation of 3 911 660 shares with a par value of 1



BGN each. The Company's capital was reduced on the basis of Art. 200, para. 2, in conjunction with Art. 187f, par. 1, item 2n of the Bulgarian Commercial Law.

During the transformation, entered in the Commercial Register on 23.10.2014, the Company's capital is reduced to 49 837 156 through the cancellation of 23 503 662 shares.

This decrease is a result of the estimated fair value of the shares of Sirma Group Holding JSC by three independent appraisers. The shareholder structure of the Company does not change as the shareholder structures of the transforming and that of the newly established companies are mirrored.

On 30.10.2015, after a successful initial public offering, the capital was increased to 59 360 518 BGN by issuing 9 523 362 new shares with nominal value per share 1 BGN and issue value 1,20 BGN.

Information on the terms of any vesting rights and / or liabilities for statutory but unissued capital

Sirma Group Holding JSC does not have information about the terms of any acquisition and / or liabilities for statutory but unissued capital.

3 STRUCTURE OF SHARE CAPITAL AND MANAGEMENT AUTHORITIES

3.1. Capital structure

As of 31.12.2019 the distribution of the share capital of Sirma Group Holding is as follows:

	31.12.2019 BGN '000	31.12.2018 BGN '000
Share capital	59 361	59 361
Number of shares (par value of 1 BGN)	59 360 518	59 360 518
Total number of registered shareholders	1064	1041
Including legal entities	57	48
Including Individuals	1007	993
Number of shares held by legal entities	11 614 752	10 747 462
% of capital of legal entities	19,57%	18,11%
Number of shares held by individuals	47 745 766	48 613 056
% of capital held by individuals	80,43%	81,89%



Shareholders	Number of shares at 31.12.2019	Number of shares at 31.12.2018	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,95%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	1	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,07%
Veselin Kirov Antchev	4 700 786	4 700 786	1	4 700 786	7,92%	7,98%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,35%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,90%
Krasimir Nevelinov Bozhkov	2 534 161	2 596 821	1	2 534 161	4,27%	4,30%
"NN Universal Pension Fund"	2 323 939	2 434 539	1	2 323 939	3,91%	3,95%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,70%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,66%
Emiliana Ilieva Ilieva	1 792 168	2 343 985	1	1 792 168	3,02%	3,04%
Ivo Petrov Petrov	1 572 828	835 800	1	1 572 828	2,65%	2,67%
Yavor Liudmilov Djonev	1 392 746	1 392 746	1	1 392 746	2,35%	2,37%
Peter Nikolaev Konyarov	1 187 480	1 271 910	1	1 187 480	2,00%	2,02%
Foundation for Educational Transformation	363 327	1 301 855	1	363 327	0,61%	0,62%
Unicredit Bank Austria	1 094 249	296 649	1	1 094 249	1,84%	1,86%
UPF "Doverie"	1 047 678	802 126	1	1 047 678	1,76%	1,78%
"Mandjukov" Ltd.	960 000	960 000	1	960 000	1,62%	1,63%
Bank of New York Melon	857 600	0	1	857 600	1,44%	1,46%
UPF "DSK Rodina"	747 036	747 036	1	747 036	1,26%	1,27%
Expat Bulgaria SOFIX UCITS ETF	732 355	977 907	1	732 355	1,23%	1,24%
UPF "Pension Insurance Institute"	715 810	664 190	1	715 810	1,21%	1,22%
Elena Yordanova Kozuharova	607 040	948 250	1	607 040	1,02%	1,03%
Stanislav Ivanov Dimitrov	257 368	649 868	1	257 368	0,43%	0,44%
Others	10 624 246	10 586 349	1	10 624 246	17,92%	17,24%
Total	59 360 518	59 360 518		59 360 518	100%	100%

As of 31.12.2019 "Sirma Group Holding" JSC holds 474 724 repurchased own shares with total value of BGN 474 724 (0,80 % of share capital). The Company has no newly acquired own shares during 2019.

As of 31.12.2019, "Ontotext" owns 550 shares of the parent company „Sirma Group Holding“ JSC with total value of BGN 643,50.

SHAREHOLDERS HOLDING MORE THAN 5% OF THE COMPANY'S CAPITAL ARE:

Shareholders	Number of shares at 31.12.2019	% of capital	% of capital with deducted repurchased own shares
Veselin Antchev Kirov	4 700 786	7,92%	7,98%
Tsvetan Borisov Alexiev	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,07%
Georgi Parvanov Marinov	5 269 748	8,88%	8,95%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,35%



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Veselin Antchev Kirov	4 700 786	7,92%	7,98%
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Georgi Parvanov Marinov	5 269 748	8,88%	8,95%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,35%

Insofar as it is known to the Company, indicate whether the company is directly or indirectly owned or controlled and by whom and how the nature of that control and the measures introduced are introduced to avoid abusing such control.

"Sirma Group Holding" JSC is owned by its shareholders exercising full control over the company. Operational control is delegated to the Board of Directors and, respectively, the Executive Director. The company has implemented a number of internal documents aimed at regulating the work and preventing abuses. Such are the "Instruction on the Obligations and Responsibilities of Insiders with Insider Information", "Code of Conduct for Financial and Accounting Posts", "Rules of Procedure of the Board of Directors", "Good Corporate Governance Program".

Description of any arrangements known to the Company, the operation of which may at any subsequent date result in a change in the control of the Company

The Company is not aware of any arrangements the effect of which could lead to a change in the control of "Sirma Group Holding" JSC in the future.

3.2 Management authorities

Sirma Group Holding has a one-tier management system - Board of Directors.

The Board of Directors as of 31.12.2019 includes the following members:

Chavdar Velizarov Dimitrov
Tsvetan Borisov Alexiev
Atanas Kostadinov Kiryakov
Georgi Parvanov Marinov
Petar Borisov Statev - independent member
Yordan Stoyanov Nedev - independent member

Pursuant to a resolution of the Annual General Meeting of Shareholders of "Sirma Group Holding" held on 19.06.2019, as of 04.07.2019 Tsvetomir Angelov Doskov and Sasha Konstantinova Bezukhanova are dismissed as members of the Board of Directors.

Method of determining the mandate of the Board of Directors: 2 years from the date of entry of their election.

Current term of the Board of Directors is until: 19.09.2021

The company is represented by the CEO of "Sirma Group Holding" JSC Tsvetan Borisov Alexiev.

Competencies of the management

The competences of the management are in line with those listed in the Commercial Law, the Statute and the POSA.



Stock options of the company

As of the date of this report, no options are available to the members of the Board of Directors on shares of the Company.

Rights of the members of the BD to acquire shares and bonds of the company

The rights of the members of the BD to acquire shares in the company are regulated in the legal framework. The company does not have a bond issue.

Participation of the members of the BD of "Sirma Group Holding" JSC in other companies

The members of the BD of "Sirma Group Holding" JSC have the following other participations in companies, as per the provisions of Art. 247, Par.2, p.4 of the Commercial Code:

Georgi Parvanov Marinov – Chairman of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2019.
2. Does not own more than 25% of the capital of other companies in 2019.
3. Procurator/manager/member of a managing/supervisory body in 2019:
 - Executive director and Chairman of the BD of "Engview Systems Sofia" JSC;
 - Member of the BD of "Sirma Business Consulting" JSC;
 - Executive director and Member of the BD of "Pirina Technologies" JSC;

Chavdar Velizarov Dimitrov – Deputy Chairman of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2019.
2. Does not own more than 25% of the capital of other companies in 2019.
3. Procurator/manager/member of a managing/supervisory body in 2019:
 - Member of the BD of „Sirma Medical Systems“ JSC;
 - Member of the BD of „Daticum“ JSC.

Tsvetan Borisov Aleksiev – Executive director and member of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2019.
2. Does not own more than 25% of the capital of other companies in 2019.
3. Procurator/manager/member of a managing/supervisory body in 2019:
 - Executive director and Chairman of the BD of "Sirma Solutions" JSC;
 - Chairman of the BD of „Sirma Business Consulting“ JSC;
 - Member of the BD of „Ontotext“ JSC;
 - Member of the BD of „Daticum“ JSC;
 - Member of the BD of „Sirma AI“ EAD;
 - Member of the BD of "Engview Systems Sofia" JSC;
 - Member of the BD of „Sirma“ Sha., Albania.



Atanas Kostadinov Kirjakov - Member of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2019.
2. Does not own more than 25% of the capital of other companies in 2019.
3. Procurator/manager/member of a managing/supervisory body in 2019:
 - Executive director and Member of the BD of "Ontotext" JSC;
 - Member of the BD of "Sirma Solutions" JSC;
 - Member of the BD of "Engview Systems Sofia" JSC;
 - Executive director and Member of the BD of „Sirma AI" EAD.

Peter Borisov Statev – independent Member of the BD as per Art. 116a, Par. 2 of POSA.

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2019.
2. Owns more than 25% of the capital of:
 - „Smartcom Bulgaria“ AD - 50 % of capital;
 - „Barin Sports“ JSC - 25% of capital.
3. Procurator/manager/member of a managing/supervisory body in 2019:
 - Executive director of "Smartcom Bulgaria" AD;
 - Chairman of the BD of "Barin Sports" AD;
 - Member of the BD of the foundation „ESY Center Bulgaria“;
 - Chairman of the MB of the Foundation "Cluster Information and Communication (ICT)".
 - Member of the BD of "Smart Networks" AD;
 - Member of the SD of "Sofia Tech Park AD";

Yordan Stoyanov Nedev – independent Member of the BD as per Art. 116a, Par. 2 of POSA.

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2019.
2. Owns more than 25% of the capital of:
 - "Susana and Vesko – SV" OOD – 75 %.
3. Procurator/manager/member of a managing/supervisory body in 2019:
 - Member of the BD of MAC „Bushido“;
 - Trustee of the foundation „Alexander“.

Committees in The Company

"Sirma Group Holding" JSC creates the following internal committees, which are assigned to manage the respective activities at the operational level, as well as to propose decisions to the Board of Directors of the company:

1. Investment and Risk Committee, composed of:

*Yordan Nedev – chairman
Tsvetan Alexiev – member
Radka Peneva – member
Georgi Marinov – member*

2. Remuneration Committee, composed of:

*Georgi Marinov – chairman
Petar Statev – member
Yordan Nedev – member*

3. Information Disclosure Committee, composed of:

*Tsvetan Alexiev – chairman
Radka Peneva – member
Stanislav Tanushev – member
Chavdar Dimitrov – member
Atanas Kirjakov - member*

4. Audit Committee, composed of:

*Angel Petrov Kraychev - chairman
Alexander Todorov Kolev - member
Emilian Ivanov Petrov – member*



Accepted internal normative documents

In 2015 the company adopts the necessary internal documents related to the company's working and management processes and fulfillment of its obligations as a public company:

- Good Corporate Governance Program::
- Operating Rules of the Board of Directors::
- Instructions and clarifications on the obligations and responsibilities of internal insiders::
- Special code of conduct for financial and accounting positions.

All documents are publicly available on the company's website:

<https://investors.sirma.com/investors/corporate-governance.html>

THE PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS IN THE CAPITAL OF THE COMPANY IS AS FOLLOWS:

Shareholders	Number of shares at 31.12.2019	Number of shares at 31.12.2018	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,90%
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,95%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	1	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,07%
Petar Borisov Statev	10 100	10 100	1	10 100	0,02%	0,02%
Yordan Stoyanov Nedev	3 433	3 433	1	3 433	0,01%	0,01%
Total	17 787 344	17 787 344		17 787 344	29,96%	30,21%

During the period 31.12.2018 - 31.12.2019 there was no change in the participation of the members of the BD in the capital of the company.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS OF "SIRMA GROUP HOLDING" JSC

Pursuant to Article 25, paragraph 5 of the Articles of Association of the Company, each member of the Board of Directors has received the following permanent gross remuneration (Pursuant to a resolution of the Annual General Meeting of Shareholders of "Sirma Group Holding" held on 19.06.2019, as of 04.07.2019 Tsvetomir Angelov Doskov and Sasha Konstantinova Bezukhanova are dismissed as members of the Board of Directors) :



Board Member	Company	Sums for the period 01.01.2019 -31.12.2019
		(BGN)
Atanas Kostadinov Kiryakov	EngView Systems Sofia	(600)
	Ontotext	(1 091)
	Sirma AI	(13 909)
	Sirma Group Holding	(18 000)
	Sirma Solutions	(6 000)
Georgi Parvanov Marinov	EngView Systems Sofia	(102 888)
	Sirma Business Consulting	(10 624)
Yordan Stoyanov Nedev	Sirma Group Holding	(18 000)
	Sirma Medical Systems	(71 095)
Petar Borisov Statev	Sirma Group Holding	(661)
Sasha Konstantinova Bezuhanova	Sirma Group Holding	(18 000)
Tsvetan Borisov Alexiev	Sirma Group Holding	(9 196)
	Daticum	(240)
Tsvetomir Angelov Doskov	EngView Systems Sofia	(600)
	Ontotext	(273)
	Sirma AI	(5 727)
	Sirma Business Consulting	(21 249)
	Sirma Group Holding	(139 000)
	Sirma Solutions	(84 000)
	Sirma Business Consulting	(102 124)
Chavdar Velizarov Dimitrov	Sirma Group Holding	(9 196)
	Daticum	(240)
Total	Sirma Group Holding	(18 000)
	Sirma Medical Systems	(1 200)
		(651 913)

Information on the contracts of the members of the administrative, management or supervisory bodies with the company providing severance pay

In the contracts of the members of the board of directors, both with the Company itself and with subsidiaries of the Company, where such contracts are available to them, no benefits have been provided upon termination of their contracts.

Information on the company's audit committee or remuneration committee, including the names of the members of the committee and a mandate summary by which the committee functions

At the Extraordinary General Meeting of the Shareholders of the Company held on 26.08.2019, the mandate of the Audit Committee was continued with 3 (three) years at the current remuneration. The Audit Committee consisting of:

Angel Petrov Kraychev - chairman
Alexander Todorov Kolev - member
Emilian Ivanov Petrov – member



Statement on whether the company complies or does not to the regime for corporate governance

In view of the fact that "Sirma Group Holding" JSC is entered in the Register under Art. 30, para. 1, item 3 of FSCA, kept by FSC, the Company has implemented a Program prepared in accordance with internationally recognized standards for good corporate governance. In accordance with the provision of Art. 100n, para. 4, item 3 of POSA, the financial statements of Sirma Group Holding JSC comply with its Program for the application of internationally recognized standards for good corporate governance and maintains its accounting policy in accordance with International Accounting Standards.

4 FUNCTIONING OF THE GROUP

The economic group of "Sirma Group Holding" JSC includes the parent company and its subsidiaries and associates - all of them operating in the IT sector. The Group functions as a typical holding structure with the organization, coordination and subordination of the companies characteristic of a similar structure.

Group companies have a common strategic framework, corporate values, financial and accounting policies, a vision of good corporate governance and staff policy.

Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.12.2019 (in BGN'000)	Percentage of capital at 31.12.2019	Percentage of capital with adjusted repurchased own shares at 31.12.2019	Value of the investment at 31.12.2018 (in BGN'000)	Percentage of capital at 31.12.2018	Percentage of capital with adjusted repurchased own shares at 31.12.2018	Changes (in BGN'000)
Sirma Solutions	39 311	77,71%	82,43%	39 311	77,71%	82,43%	-
Sirma AI	7 035	100,00%	100,00%	7 035	100,00%	100,00%	-
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	-
Sirma Group Inc.	3 471	76,16%	76,29%	3 471	76,16%	76,29%	-
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%	-
Ontotext	17 865	87,65%	90,44%	17 865	87,65%	90,44%	-
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	-
Total	67 904			67 904			-

Subsidiaries of "Sirma Solutions"

Company	Value of the investment at 31.12.2019 BGN '000	Percentage of capital at 31.12.2019	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Changes BGN '000
Sirma Business Consulting	1 374	54,08%	1 374	54,08%	-
Daticum	1 394	60,50%	1 394	60,50%	-
S&G Technology Services Ltd., UK	117	51,00%	117	51,00%	-
Sirma ISG	0	71%	0	71%	-
Sirma ICS	270	90,00%	270	90,00%	-
Total	3 155		3 155		-



Subsidiaries of "Sirma AI"

Company	Value of the investment at 31.12.2019	Percentage of capital at 31.12.2019	Value of the investment at 31.12.2018	Percentage of capital at 31.12.2018	Changes
	BGN '000		BGN '000		BGN '000
Ontotext USA	30	100,00%	0	0%	30

Subsidiaries of "EngView Systems Sofia"

Company	Value of the investment at 31.12.2019	Percentage of capital at 31.12.2019	Value of the investment at 31.12.2018	Percentage of capital at 31.12.2018	Changes
	BGN '000		BGN '000		BGN '000
EngView Systems Latin America	7	95%	7	95%	(7)
Impairment	(7)		-		-
EngView USA	9	100%	9	100%	-
Total	9		16		(7)

Associated companies of "Sirma Group Holding"

Company	Value of the investment at 31.12.2019	Percentage of capital at 31.12.2019	Value of the investment at 31.12.2018	Percentage of capital at 31.12.2018	Changes
	BGN '000		BGN '000		BGN '000
GMG Systems (IN LIQUIDATION)	-	19,93%	150	19,93%	(150)
E-DOM MANAGEMENT	-	35,00%	7	35,00%	(7)
Total	-		157		(157)

Associated companies of "Sirma Solutions"

Company	Value of the investment at 31.12.2019	Percentage of capital at 31.12.2019	Value of the investment at 31.12.2018	Percentage of capital at 31.12.2018
	BGN '000		BGN '000	
SEP Bulgaria	-	6,50%	-	6,50%
EYE BILL INTERACTIVE	-	34%	-	34%
EXCELL MANAGEMENT	-	34%	-	34%
Flash Media	-	50%	-	50%
Sirma Group Inc.	916	23,85%	916	23,85%
Sirma Mobile	15	40%	15	40%
Total	931		931	

The Company is not aware of any arrangements the effect of which could lead to a change in the control of "Sirma Group Holding" JSC in the future.

The company has no branches.



5 SIRMA GROUP IN 2019

5.1 The business

Established in 1992, Sirma has become one of the largest IT companies in the region for 27 years, owning a range of proprietary, innovative technologies, a diverse product portfolio and growing market share in Europe and North America.

Sirma owns software solutions for a wide range of businesses with a focus on the development of cognitive technologies (AI). The Group has diversified market exposure exclusively to the private sector with a stable customer portfolio. Sirma's products are concentrated in the most promising and high-tech areas - financial technology, semantics, industrial software, IoT, computer vision, medicine. In 2017, as part of its renewed strategy, the group began a focused effort to build cross-selling capacity, updated its sales and marketing model in line with the global trends.

Sirma is a globally recognizable company in semantic technology and among the top 10 worldwide in the areas of Graph Databases (GpahDB), Text Analysis, Data Detection, and Federationing (Bloor, 2016). One of Sirma's products - EngView Package Designer Suite CAD is part of the design and packaging solutions of world leaders in the printing industry. The Holding is one of the regional leaders of the IT market, with 60% of the operators in the financial sector being its clients. Sirma is a top class regional cloud service provider with Class 4 Data Center licensed to store data from the Bulgarian National Bank and other organizations requiring increased data security. Through one of its companies, the Holding is the leader in the SaaS delivery to insurance brokers. Sirma has a strong presence on the US market by running a huge number of IT consulting projects. The group has a broad partner and distribution ecosystem in over 50 countries around the world.

Some of Sirma's unique advantages are:

- The Best RDF Triplestore in the World;
- Top Text Analytics Engine for Business (used by BBC, AstraZeneca, Ministry of Defense USA);
- Face recognition technology - among the top 10 worldwide;
- Extensive expertise in news and social media analysis;
- Extensive expertise in creating Chatbot and AI Assitant applications.

5.2 Economic Trends

Development of the economy in Bulgaria in 2019 and expectations for 2020

Bulgaria's GDP growth in 2019 accelerated from 3.1% to 3.4%, according to preliminary NSI data. The engines behind the 2019 growth were consumption, investments and exports.

In 2017, the group developed its 5-year "Sirma 2022 Strategy". Sirma focuses on the process of transforming organizations into "intelligent organizations." We have technology and know-how for all stages of this transition - from data collection - internal, external, structured, unstructured, open, connected, "dark" etc., through the development of models and knowledge repositories, the development of analytical models and predictive models based on artificial intelligence, to the provision of "human" interfaces of the next generation.

The main elements of the Strategy are:

- Technological transformation through concentration of R&D;
- Improvement of the commercialization of technologies;
- Expansion and technological leap in Sirma's product portfolio through:
 - o Cloud base;
 - o Development of new products with a cognitive element;
- Complementing the sales model - from predominantly on premise to SaaS sales;
- Significant expansion of the distribution network and partner ecosystem to improve the sales model - in addition to direct sales and sales through a major affiliate distribution network, including increasing OEM partnerships;
- Organizational restructuring to implement the strategy.

The transition to the SaaS sales model, the increase of cognitive sales, combined with planned marketing and sales investments will ensure a smooth and steady growth of Sirma to a global level and an increase in the value of the Group.

Our philosophy about our strategic technologies and products is that we embody the sense of human thought - perception, interpretation, forecasting and decision making.

By adopting the 2018-2022 Strategy, we began preparing for its implementation. We provided debt finance to eliminate minority holdings in Ontotext - a key company for the Strategy implementation. We have developed detailed development plans for the strategic verticals of the group. We have begun a process of organizational and technological restructuring.

In its [report from 27.05.2020, the European Commission](#) recognizes that the restrictive measures introduced in 2020 will have a "devastating impact" on production and income, and will be extremely different in different sectors and different countries of the EU. Those who rely on tourism, exports and trade in raw materials will suffer the worst consequences. The differences in the impact of the pandemic on the economy are also exacerbated by the different opportunities that different countries have to



implement primary state aid. The Commission considers that "the crisis is in danger of hurting the most fragile and still in convergence Member States the most".

On [06.05.2020 in its Spring Report the European Commission](#) published its forecasts for Bulgaria, expecting a "sharp decline in 2020 followed by a partial recovery in 2021", namely a decline in GDP in 2020 of 7.2% and a recovery in 2021 of 6 %.

The EC expects investment to shrink by 18%, consumption by 6% (regardless of the measures taken) and exports by 13% to be the main reasons for the economic downturn in Bulgaria in 2020.

The recovery of the Bulgarian economy is highly conditional and depends on the measures taken at local and European level, as well as on the recovery of European economies, which are also the leading markets for Bulgarian industry.

Development of the global economy in 2019 and expectations for 2020

In 2019, global growth is contracting sharply. Global economic growth is expected to be 3% in 2019, according to an analysis by the International Monetary Fund ([IMF WEO, October 2019](#)). This is the lowest level since 2008-2009.

Global recession

The first half of 2020 was marked by the impact of the measures against COVID-19 on the world economy and the recession in which most countries fell. All forecasts for the economic impact of the COVID-19 crisis are based on the assumption that there will be no strong "second wave of the pandemic" in the second half of 2020 and economies will begin to recover. The full impact of pandemic constraints is difficult to calculate and "all projections contain unprecedented uncertainty" ([Global Economic Prospects, World Bank, June 2020](#)).

According to a report by the World Bank ([The Global Economic Outlook During the COVID-19 Pandemic: A Changed World, 8 June 2020](#)), the pandemic is expected to lead to a significant economic contraction in the short term due to a sharp decline in daily activity, consumption reduction, decrease in world trade, falling commodity prices, disruption of global supply chains, a sharp contraction in tourism and air transport. The World Bank recognizes that the recession in which the world has fallen in 2020 will lead to the largest decline in GDP in recent history, even against the backdrop of previous global crises, and expects a decline of 5.2% in GDP y/y.

According to the International Monetary Fund ([World Economic Outlook, 24, June 2020](#)), the world is "in a crisis like no other and recovery is uncertain". This uncertainty is also evident in the continuous revision of the expected economic development by all the world's leading organizations. The IMF forecast (quite close to that of the

World Bank) is for a 4.9% decline in the world economy in 2020, with the largest decline in GDP expected in the developed economies, especially the Eurozone (-10.2%) and the United States (-8%).

All forecasts from May and June 2020 are based on the assumption that pandemic-related restrictions are gradually lifted in the second quarter and the global economy recovers rapidly in the second half of the year. Subsequently, the IMF expects the so-called V-shaped recovery in 2021 and, moving to strong growth, although not at the pace projected at the end of 2019. At the same time, the chief economist of the IMF [Gita Gopinath said in an interview on 13.05.2020](#) said that the contraction in consumption is likely to lead to new revisions of forecasts in a negative direction, with a possible decline in world GDP reaching 6% in 2020 and 0% growth in 2021. In an [interview on 09.05.2020, the Executive Director of the IMF Kristalina Georgieva](#) warned that the lack of a medical solution may lead to more serious economic consequences for some economies and a corresponding reduction in forecasts for 2020 and 2021

"Second wave" and recovery in 2021

The negative effects of the health crisis on the economy are exacerbated by the indirect impact of pandemic restrictions on various other systems - social and unemployment / consumption, logistics and transport barriers / global trade, investment and falling stock prices, resources and the declining prices of various raw materials. The risk of a second wave of the pandemic increases in mid-2020. Accordingly, slightly more pessimistic are the OECD economists, who in their [report of 10.06.2020](#) forecast a global decline in GDP in 2020 to reach 6% in the absence of a "second wave" of the pandemic, or in the event of a second wave – 7.6%.

The OECD is concerned about a second wave of pandemics in the third and fourth quarters of 2020, which would further impair the functioning and recovery of the world's economies.

In a speech on [06.05.2020, EU Commissioner for Economic Affairs Paolo Gentiloni](#) said that Europe was experiencing an economic shock that has no parallel since the Great Depression of 1929. The European Commission expects a GDP contraction for the EU of 7.5% in 2020 and an incomplete recovery in 2021 of 6%. At the same time, both the contraction and the recovery are expected to be unevenly distributed, from a decline of 4.25% in Poland to 9.75% in Greece. The recovery of the various economies will depend not only on their coping with the disease, but also on the structure of their economies and their ability to respond with stabilization policies.

[The World Bank \(June 8, 2020\)](#) is also considering two scenarios for overcoming the crisis. The main scenario envisages easing the constraints from the beginning of the second half of the year in developed countries, stopping the recession and moving to growth and recovery. In this baseline scenario, the World Bank expects a partial recovery



from the decline in 2020 and global GDP growth of 4.2% in 2021. At the same time, the outlook is quite uncertain and the negative risks prevailing, including the development of a longer pandemic, a contraction in world trade, the financial crisis and disruptions in supply links. This negative scenario could lead to a contraction of the world economy by 8% this year, followed by a fragile recovery with 1% GDP growth in 2021.

The Industry of Sirma

The companies from Sirma Group Holding specialize in the information technology (IT) industry. Industry data is usually combined with data for the 'communication segment', as this segment is entirely dependent on information technology. Respectively, the industry acquires the name "Information and Communication Technologies" or ICT for short. Of all the diversity of ICT segments, the companies in the group work mainly in the segment "IT services" (system integration, infrastructure as a service, software as a service, software support, consulting) and "Business software" (different software products aimed at different business verticals and custom software development).

Forecast for the Global ICT Sector in 2020

All forecasts of leading world agencies for the expected development of the ICT sector in 2020 and future years are a function of the development of the health crisis and the economic stagnation caused by it. Further to their substantial general difference they also differ according to the date of publication of the respective forecast, reflecting the outcomes of the more current developments from the pandemic-related constraints.

As 2020 progresses, more and more forecasts for the development of the ICT sector are undergoing a negative revision. At the beginning of May 2020, most of the analysis for the development of the ICT sector show a general decline in the spending for purchases of IT products and services.

Optimistic projections for an increase of 5.1% of ICT spending in 2020 have undergone, like many other sectors, a dramatic revision as a result of measures to combat the global pandemic. The various projections for the impact of the global pandemic on the ICT industry are again based on strong spending constraints in the second quarter of 2020 and a rapid recovery in the third and fourth quarters of the year - **assumptions that may not occur.**

According to Gartner (13.05.2020), ICT spending in 2020 will decline by 8% compared to 2019 and will shrink to USD 3.456 trillion. Gartner also does not expect a speedy recovery, as the forces behind the current recession are disrupting both suppliers and consumers of ICT products and services. All segments are expected to decline in 2020, with "Data Centers" and "Devices" experiencing the largest contraction.

Global spending on ICT current prices

	2017	2018	2019	2020
Data Centers				
Spending USD Billion	182	210	212	191
Annual growth	6.40%	15.70%	0.70%	-9.70%
Software				
Spending USD Billion	370	420	458	426
Annual growth	10.40%	13.50%	8.80%	-6.90%
Devises				
Spending USD Billion	673	713	698	590
Annual growth	5.70%	5.90%	-2.20%	-15.50%
IT Services				
Spending USD Billion	931	994	1 032	952
Annual growth	4.40%	6.70%	3.80%	-7.70%
TELCO				
Spending USD Billion	1 381	1 380	1 357	1 297
Annual growth	1.00%	-0.10%	-1.60%	-4.50%
Total ICT				
Spending USD Billion	3 537	3 717	3 756	3 456
Annual growth	3.90%	5.10%	1.00%	-8.00%
IT without TELCO				
Spending USD Billion	2 156	2 337	2 399	2 159
Annual growth	5.80%	8.40%	2.65%	-7.70%



At the same time, as remote work continues to gain momentum in relation to maintaining social distance, sub-segments such as "public cloud services", "cloud-based telephony and messaging" and "cloud-based conferencing" will be the light in the tunnel, having expected growth in 2020 of 19%, 8.9% and 24.3% respectively. The total cost of "Cloud Services" which Gartner expected to be reached in 2023-2024 will now be reached in 2022.

According to David Lovelock from Gartner ([May 2020](#)), recovery will be slow and incomplete in 2020. The hardest hit industries such as tourism, air transport, entertainment and heavy industry will return to the levels of IT spending from 2019 only after 3-4 years.

In its forecast, [IDC \(updated on 04.05.2020\)](#) expects global IT spending to shrink in 2020 by 5.1% on an annual basis in constant currency. The expected greater contraction in ICT expenditures than the contraction in GDP is due to short-term measures taken by many organizations to reduce ICT expenditures related to revenue contractions, activity constraints and staff reductions.

The largest decline of about 12.4% is expected in the spending on "Devices". Although enterprise infrastructure costs are expected to increase by 3.8%, they will focus mainly on IaaS and cloud storage and this will not be enough to overcome the decline in purchases of PCs, servers, phones and tablets - investments, which are severely curbed in times of crises.

The 2.6% reduction in IT spending on IT services is due to the suspension of IT projects by various organizations affected by the crisis. Spending on Software is expected to shrink by 1.9% in 2020. Software niches for development are expected to emerge in the next 6 months, which are related to the needs of organizations to strengthen their opportunities for remote work. The spending on TELCO are not expected to be severely affected, as their consumption increased sharply during the pandemic. Thus, IDC's expectations for a decline in the global ICT industry in 2020 are of 3.4% y/y, with a rapid recovery in spending and a shift to growth in 2021.

However, the contraction in ICT spending will not be even across all sectors of the economy. While some, such as tourism and manufacturing, which are severely affected by the imposed restrictions, will decline by around 5% y/y, other, more resilient sectors, such as the "public sector" and "professional services", will even increase by 1.4% this year at constant prices.

To overcome the risks of economic downturn, providers of ICT products and services should refocus their efforts on more sustainable industrial segments.

After the decline in 2020, growth is expected to recover in 2021, which is related to the needs dictated by economic recovery and the specific ICT needs related to it. Naturally, the risk of inaccurate forecasts for 2021 is related to the period of restrictions imposed in 2020 and the measures related to the economic recovery after that.

5.3. Additional information for 2019

IMPACT OF EXCLUSIVE FACTORS

The information in this report is not affected by the presence of exceptional factors.

SUMMARY INFORMATION RELATING TO THE STATE OF WHICH THE COMPANY DEPENDS ON PATENTS OR LICENSES, INDUSTRIAL, COMMERCIAL OR FINANCIAL CONTRACTS OR FROM NEW PROCESSING PROCESSES

Sirma Group Holding is not dependent on patents or licenses, industrial, commercial or financial contracts, as well as new production processes.

For all employees of the Company, it has the appropriate licenses for operating systems and application software for PCs and servers required for the normal workflow.

INFORMATION, CONCERNING SIGNIFICANT FACTORS, INCLUDING NON-ORDINARY OR RARE EVENTS OR NEW DEVELOPMENTS, THAT EXPRESSLY RENDER THE INCOME OF THE COMPANY'S ACTIVITY

There are no significant factors, including unusual or rare events or new developments that materially affect the Company's revenue and future investments.



SIGNIFICANT CHANGES IN NET SALES OR REVENUES DISCLOSED IN THE ACCOUNTS

Significant changes in net sales or earnings reported in the Company's accounts detailed in Section 9 of this Report are observed during the period considered.

INFORMATION ON GOVERNANCE, ECONOMIC, FISCAL, MONETARY POLICY OR POLITICAL COURSE OR FACTORS THAT SIGNIFICANTLY HAVE BEEN CONCERNED OR MAY CONTRIBUTE TO SIGNIFICANT, DIRECT, OR CONSEQUENTIAL ACTIVITY OF THE COMPANY

During the period under review, there were no factors of government, economic, fiscal, monetary or political factors that had a significant impact on the company's operations.

The main factors that may affect the Company's operations and how it manages the risk are described in the Risk Factors of this document.

5.4. Major news in 2019

The following events and business news took place in 2019:

17.12.2019

Disclosure of internal information for reverse repo deals concluded by Georgi Marinov and Atanas Kiryakov.

13.12.2019

Launch of a new version of the product Ontotext Platform 3.0.

09.12.2019

The Bulgarian Association of Software Companies published the results of the survey "Barometer 2019", which was re-published on www.sirma.com.

06.12.2019

Disclosure of internal information for repo deals concluded by Georgi Marinov and Atanas Kiryakov.

05.12.2019

Request for information by Marian Yordanov in connection to the recent publication of the interim financial statements as at 30.09.2019. The information has been diligently provided, after which it was published as an article in Investor.bg.

29.11.2019

Disclosure of interim consolidated financial statements of "Sirma Group Holding" JSC as at 30.09.2019.

13.11.2019

The solution developed by Sirma Solutions "National Information System for Pricing and Reimbursement of Medical Products" was awarded the European Public Sector Award for 2019.

11.11.2019

Sirma AI successfully finalized its part of the project "euBusiness Graph Marketplace".

30.10.2019

Disclosure of interim separate financial statements of "Sirma Group Holding" JSC as at 30.09.2019.

01.10.2019

Launch of a new version of the product GraphDB 9.0.

30.09.2019

Disclosure of a closed contract between the daughter company Sirma Solutions JSC and the National Health Assurance Fund for provision of cloud services to the amount of BGN 6.6 million without VAT.

20.09.2019

Diabetes: M is ranked 5th among the best diabetes apps by the Disability Credit Canada organization.

29.08.2019

Disclosure of a closed contract with the investment bank from Luxembourg „CORUM GROUP INTERNATIONAL“ S.À.R.L. for support in finding investor for the semantic technologies and the GraphDB product.



29.08.2019

Disclosure of interim consolidated financial reports of "Sirma Group Holding" as at 30.06.2019.

27.08.2019

Disclosure of the Protocol of the conducted Extraordinary General Meeting of Shareholders of "Sirma Group Holding" JSC on 26.08.2019 and the list of proxies.

30.07.2019

Publication of the interim separate reports of "Sirma Group Holding" JSC for Q2 2019.

20.07.2019

The product GraphDB has been included in the "Trend Setting List for 2019" by the KMWorld Magazine.

19.07.2019

The daughter company Sirma Medical System JSC has signed of a global partnership agreement with the Irish med-tech company Innovation Zed.

18.07.2019

Publication of the Invitation for the Extraordinary GMS of "Sirma Group Holding" on 26.08.2019.

05.07.2019

Disclosure of registration of changes in the Board of Directors of "Sirma Group Holding" JSC in the Trade Register.

21.06.2019

Disclosure of the Protocol of the Annual GMS of "Sirma Group Holding" JSC and the lists of proxys at the meeting.

20.06.2019

Disclosure of the notification for the distribution of profit for 2018 and the distribution of dividends, adopted by the GMS of "Sirma Group Holding" JSC.

19.06.2019

Annual General Meeting of the Shareholders of "Sirma Group Holding" JSC.

18.06.2019

Disclosure of the exclusion of points from the Agenda of the GMS of "Sirma Group Holding" following the Resolution 795/14.06.2019 of the FSC and publication of the updated Agenda.

04.06.2019

Disclosure of additional points to the Agenda for the General Meeting of Shareholders of "Sirma Group Holding" made by Veselin Kirov and publication of the expended Agenda.

20.05.2019

Publication of the Invitation for the Annual General Meeting of Shareholders of "Sirma Group Holding" and the respective documents.

16.05.2019

EngView Systems launches the 7-th version of the EngView Packing and Display Designer Suite

15.05.2019

Sirma AI is awarded by the BCIC as "the most successful innovative company for 2018".

10.05.2019

Sirma AI is a sponsor of the First Knowledge Graph Conference in New York

30.04.2019

Publication of the Interim Separate Financial Statements of "Sirma Group Holding" JSC for the period ending on 31.03.2019.

30.04.2019

Publication of the Annual Audited Consolidated Financial Statements of "Sirma Group Holding" JSC for 2018.

09.04.2019

Sirma AI launches the latest version of Graph DB – version 8.9

01.04.2019

Publication of the Annual Audited Separate Financial Statements of "Sirma Group Holding" JSC for 2018.

27.03.2019

Ontotext JSC has been awarded by the Ministry of Education and Science for its successful participation in the Europeand program "Horizon 2020", where the company won finance for the development of four of its projects for some EUR 3.1 million.



27.02.2019

"Sirma Group Holding" and the School of Management in partnership with Cardiff Metropolitan University from the UK launch their program for free education of high-school students in the 10, 11 and 12th grade in Varna

19.02.2019

Publication of Invitation for the return of sums as per art.89, par.4 of POSA.

19.02.2019

Sirma Medical System has been awarded by the President Rumen Radev for technological achievements in the field of innovation.

19.02.2019

Sirma AI launched its project for fighting cancer - ExaMode.

19.02.2019

Disclosure of Notification for the end of the public offering and the achieved results.

08.02.2019

Phone conference with Ben Griffith from Caravan Capital Management, USA. Issues discussed were related to future options for capital raise.

06.02.2019

Phone conference with Tim Mesina from Briarwood Chase Management, USA. Topics discussed were related to the Strategy of Sirma and the current raise of capital.

29.01.2019

Meeting and discussion with Ben Griffith from Caravan Capital Management, USA. Issues discussed were related to the implementation of the Strategy and the current raise of capital.

29.01.2019

Daticum JSC has been certified under the special cloud services standard ISO 27018.

23.01.2019

A new version of Graph DB 8.8.0 is released.

21.01.2019

Disclosure of internal information for the decision for prolongation of the public offering of Sirma Group Holding. The information is also available in English.

18.01.2019

Notification of the Financial Supervision Commission about the decision for prolongation of the public offering of Sirma Group Holding.

18.01.2019

Disclosure of internal information for a concluded contract for the sale of the daughter company Ontotext JSC to Sirma AI JSC. The information is also available in English.

03.01.2019

Disclosure of internal information for the acquisition of a liquidation share by Sirma AI in Sirma Software. The information is available in English.



5.5. Main legal information in 2019

Transactions with shares for the period 01.01.2019 - 31.12.2019:

- **A Purchase of "Ontotext" from "Sirma AI"**

On 18 January 2019, a contract was concluded on the grounds of Art.15 of the Commercial Act and a decision of the General Meeting of Shareholders of Ontotext JSC, by which the commercial enterprise of Ontotext JSC, as a set of rights and obligations and factual relations created by realization of its previous business activity was sold to Sirma AI JSC for a price equal to the net asset value, according to the balance sheet of the company as at 17.01.2019 - BGN 21 249 612,89.

- **Sale of a consolidated part of „Sirma Solutions“ to „Sirma AI“**

On 23 January 2019, a contract was signed under which the subsidiary Sirma Solutions transferred the ownership right to a consolidated part of its trading company Sirma Solutions, UIC 040529004 as a consolidated set of rights, obligations and factual relations, created in the course of his previous commercial activity to Sirma AI, for a price of BGN 20 912 384.19 (twenty million nine hundred and twelve thousand three hundred eighty four and four hundred levs). In the consolidated part of the enterprise are included assets - software modules, contracts with receivables on them and employees.

- **Sale of a consolidated part of „Daticum“ to „Sirma AI“**

On 7 March 2019, a contract was signed under which the subsidiary "Daticum" transferred the ownership right to a consolidated part of its trading company "Daticum", UIC 200558943, as a consolidated set of rights, obligations and factual relations, created in the course of his previous commercial activity of "Sirma AI", for a price of BGN 1 241 786.93 (one million two hundred and forty thousand and one thousand seven hundred and eighty-six leva and 93 st.). In the consolidated part of the enterprise are included assets - cloud platform and employee liability.

- **A resolution to repurchase shares of the Company was adopted**

At the Extraordinary General Meeting of Shareholders of the Company held on 26.08.2019, a resolution was adopted that „Sirma Group Holding“ JSC would buy-back own shares. The Board of Directors can enact the buy-back under the following conditions:

- The maximum number of shares subject to the buy-back are 19 000 000.
- The minimum price is BGN 0,10 per share and the maximum price is BGN 2 per share. The maximum price for buy-back of shares should not exceed BGN 20 000 000 (twenty million leva).
- The term of the buy-back is until 31.12.2022.
- Means of the buy-back – through an investment intermediary.

The General Meeting of Shareholders authorizes the Board of Directors to enact all necessary legal and factual actions for execution of the buy-back."

Litigation for the period 01.01.2019 - 31.12.2019:

"Sirma ISG" OOD against Tianko Sashkov Latev

Claims amount: 69 162,19 levs of which::

- 50 000 levs - filed as a partial claim for compensation for damages, expressed as expenses incurred from a total amount due from 311 524 levs
- 11 162,19 levs - representing indemnity for damages, expressed as unaccountable material means
- 8 000 levs - representing damages in the form of the lost benefit

Grounds for claims: Art. 45 of the LOC in relation to Art. 145 TL, Art. 36 LPC and Art. 142 TL

There are no lawsuits filed against the company for the period.



5.6 Information for contracted large transactions in 2019

In 2019, the company made several large contracts with customer and subcontracts, in connection with the new strategy of the Group:

Purchases:

- Deal 1 for BGN 4 548 thousand
- Deal 2 for BGN 2 268 thousand
- Deal 3 for BGN 2 037 thousand

Sales:

- Deal 1 for BGN 4 832 thousand
- Deal 2 for BGN 3 278 thousand
- Deal 3 for BGN 2 915 thousand

5.7 Information of the used financial instruments in 2019

In 2019 the company has not used any financial instruments.

5.8 R&D activity of the company in 2019

The strategy for growth and development of Sirma Group Holding JSC foresees the concentration of the intellectual property of the Group in the Holding company. This concentration also implies the concentration of the Group's research and development activities at Sirma Group Holding JSC. Implementation of this process started in 2018.

The total value of the investments made in research and development in 2019 amounts to BGN 2 658 thousand.

5.9 Possible future development of the company

In 2019, "Sirma Group Holding" announced its updated "Growth and Development Strategy", which covers the future development of the company by 2022.

At the beginning of 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties in the business and economic activity of a number of enterprises and entire economic sectors appeared. On 11 March 2020, the World Health Organization also announced the presence of a coronavirus pandemic (Covid-19). On 13 March 2020, the Bulgarian government declared a state of emergency for a period of one month, which was subsequently extended by another month and introduced a number of restrictive and protective measures for business and people. The situation and the measures taken by the state authorities are extremely dynamic, but at the moment the management of the Company believes that they will not have an effect on the activities of the Company.

The Company reports liabilities on received loans. The Company does not expect a reduction in its revenues to such an extent that this will affect the ability to repay its current liabilities on loans received.

5.10 Contracts under Art.240b of the Commercial Code in 2019

During 2019 the company has not been notified for contracted transactions with the members of the Board of Directors or parties related to them, which fall outside the line of activity of the company or the terms of which differ substantially from the current market.

5.11 Audit remuneration in 2019

„Grant Thornton“ OOD, registered under number 032 in the public register of audit companies at the Institute of Certified Public Accountants in Bulgaria, was selected as the auditor of the consolidated annual financial statements of „Sirma Group Holding“ JSC. The remuneration for the independent financial audit of the consolidated annual financial statements for 2019 amounts to BGN 19 558,30 without VAT.



6 RESULTS BY COMPANY

DATICUM

- <https://www.daticum.com/>
- **Datium JSC is a subsidiary of Sirma Solutions AD**
- **Capital:** BGN 2 302 049 divided into 2 302 049 registered materialized shares with a nominal value of BGN 1 with the right to vote, the right to dividend and a liquidation share according to the participation in the capital. Sirma Solutions JSC holds 1 392 740 shares or 60.5% of the capital.

In the beginning of 2009, Daticum was transformed from a business unit of Sirma Solutions AD into an independent company, attracting financing from Asarel Medet AD.

The company operates as a center for reliable data storage from the highest possible generation. The main services it provides are cloud services, including public and private, colocation, hosting, virtualization, hardware rental, communications and network services, the construction and operation of backup data centers, archiving and storage of information, provision of services for building and maintenance of hardware and software systems, building of data centers, system integration, building of test environments, etc.

The robust expertise in the field of building and providing public and private cloud computing platforms has contributed to the growth of the company's business and has a positive impact on both revenue and profits. In 2018, Daticum designed and successfully migrated computational activities from conventional architecture to cloud platforms for multiple customers, as well as customers who have decided to purchase the necessary computing equipment independently.

Daticum is certified by Microsoft and has the right for Bulgaria to provide the full range of Microsoft products, paid on a monthly basis according to the customer's requirement (Certified Microsoft SPLA Provider). All customers can rent any Microsoft product from Daccum for as long as they need this product and use storage volume and computational resources which they actually consume. This partnership opens the possibility for all developers and system integrators who operate on the territory of Bulgaria and use Microsoft products in their solutions to be able to provide these solutions to their clients as a service in the only legal way possible, namely through a Microsoft SPLA partner on monthly basis, without having to invest in tangible fixed assets for computational resources or purchase of licenses.

Daticum is certified as VMWare Service Provider, which also provides it with the only legal opportunity to provide public cloud services as well as private cloud rental solutions using the latest VMWare technology.

Daticum is increasingly reoriented from a company providing basic collocation services to client equipment, to a company providing services on a monthly basis with high added value.

MAIN MARKETS:

Bulgaria, North and South America, Europe

MAIN CLIENTS:

The main clients of the company are the following industries - insurance, ICT, utilities, media and information services, industrial production, wholesale and retail, transport and courier services.

MAIN COMPETITORS:

Neterra OOD, Evolink AD, Teleponet OOD, 3DC EAD and international companies providing cloud services such as Amazon, Rackspace, Microsoft, IBM and others.

BUSINESS MODEL OF THE COMPANY.

The Company's core business model is to build infrastructure to provide computing resources for data processing and storage and to provide these resources for a fee to a wide range of customers who prefer not to maintain such infrastructure or have a temporary need for these resources.

RESOURCES OF THE COMPANY

The company has the necessary resources and is able to invest in the development of its business without using debt capital.

NEW PRODUCTS, NEW BUSINESS OR BUSINESS MODELS FOR THE PERIOD.

The company focused on consolidating its market positions and expanding its IaaS and PaaS cloud services. Thanks to our partners, we can now offer a new Remote Backup as a Service, through which we can back up our data center data from client servers and end user devices regardless of their geographic location. In the next reporting period, we will develop and offer a Key Management Software as a Service in relation to meeting GDPR requirements. Along with the increasing tendency of customers to use leased computing resources on a monthly use basis, there is a similar tendency on the part of the company's suppliers to switch to business models for the provision of licenses and services based on monthly consumption.

HR POLICY.

Preserve current staff. Maintaining and increasing its qualification through training, courses and participation in affiliate programs. We perform a selective increase in staff, following requirements arising from the increase in the volume of activity. Staff costs are rising in line with an increase in business volumes by up to 10-15% per year.



DATICUM IN 2019**BUSINESS DEVELOPMENT IN 2019 AND REALIZATION OF THE INVESTMENT PLAN**

- Daticum maintains the growth in services by 10%, as the total growth of 60% in the company's revenues is due to projects in the field of system integration, which are not common for the company and we do not rely on their recurrence in 2020. In this regard we concentrate in the core business of services and we monitor its change over the years.
- Partnerships give us results and we manage to attract new customers through them;
- We have expanded and upgraded our cloud infrastructure with new storage and whiteboards of the latest generation;

NEWS

- Successfully completed the process of acquiring customers from another cloud provider and migrating them to the Daticum platform;
- Launch of the new Daticum service – Daticum C2, which provides a client console for the administration and management of cloud resources.
- Launch of a new BaaS service on remote workstations and servers not located in Datikum. The devices in question can be backed up and restored to the Datikum cloud platform only with an internet connection. The

process is entirely self-service for the client and no contact with or intervention of our employee is required.

IMPORTANT EVENTS

- Certification under ISO/IEC 9001:2015;
- Certification under ISO/IEC 27001:2013;
- Certification under ISO/IEC 27018:2014;

FORECAST FOR 2020

- Given the global economic situation created by the pandemic of COVID-19 and the fact that we are a service industry of other industries and their shrinking in sectors such as automotive, transport, retail and tourism, affects our business in a negative direction. Revenues from services are expected to be maintained compared to 2019, despite the planned standard 10-15% growth per year in the company's initial plan.
- Cloud services will continue to grow in volume, moving along with the expected global growth of the IaaS market in 2020, but the pace will be slower.
- The company is revising its business plan for 2020 and is ready to make a new revision with a clear horizon for more correct planning.
- At the moment we do not plan to reduce revenues or financial indicators of the company compared to 2019, but growth is threatened by the economic situation caused by the pandemic.

FINANCIAL RESULTS

	31.12.2019	31.12.2018	Change BGN '000	Change %
Revenues	3 620	2 258	1 362	60,32%
EBITDA	978	776	202	26,03%
Depreciation	(376)	(264)	(112)	42,42%
Net Result	534	460	74	16,09%
EBITDA margin	27,02%	34,37%	(7,35%)	(21,39%)
Net Profit margin	14,75%	20,37%	(5,62%)	(27,59%)
Sales per share	1,5725	0,9809	0,59	60,32%
EPS	0,2320	0,1998	0,03	16,09%
ROE	0,1764	0,1582	0,02	11,48%
Total Assets	3 993	4 590	(597)	(13,01%)
Intangibles	-	1 242	(1 242)	(100%)
Book value	3 027	1 665	1 362	81,80%
Equity	3 027	2 907	120	4,13%
Total Liabilities	966	1 683	(717)	(42,60%)
Interest bearing	663	-	663	n/a
D/E	0,3191	0,5789	(0,26)	(44,88%)
ROA	0,1337	0,1002	0,03	33,44%



SIRMA SOLUTIONS

- <http://www.sirmasolutions.com>
 - **Sirma Solutions is a subsidiary of Sirma Group Holding JSC**
 - **Capital: BGN 35 370 800**
 - Shares:
 - Ordinary, Number: 3 444 366, Nominal: BGN 10 Rights: Every ordinary share entitles one vote to the general meeting of shareholders as well as a right to dividend and a liquidation quota proportional to the nominal value of the share.
 - Class A, Number: 15 000, Nominal: BGN 10 Rights: Class A shares are preferred non-voting shares with a guaranteed dividend amounting to 12% of the nominal value.
 - Class B, Issue: 77 714, Nominal: BGN 10 Rights: Class B shares are right and have a voting right and a liquidation quota in proportion to the nominal value of the share.
- The company owns 194 417 units. own shares with nominal value of each share BGN 10

SIRMA SOLUTIONS IN 2019:

General information

Sirma Solutions JSC is a global provider of complex software systems, IT consulting and system integration, in various industrial verticals. Founded in 1992, the company is the largest in Sirma Group Holding JSC. Since its inception, Sirma Solutions has developed organically, thanks to the unique combination of innovative spirit, solid technology expertise and business flair.

The company specializes in the creation of corporate software systems and solutions, system integration and IT consulting for both specific industries and multi-industrial solutions. Sirma Solutions JSC is among the leading Bulgarian software developers, thanks to its excellent reputation, proven expertise and comprehensive know-how used in software product development and the successful implementation of numerous complex projects for clients on a regional and global scale.

Sirma Solutions also specializes in hardware delivery, infrastructure development, cloud services and virtualization.

The company maintains excellent relationships with leading software and technology vendors for the fastest growing industries, as well as independent software companies. Also, there are excellent interactions with the other holding company, which ensures the successful realization of projects, regardless of the degree of complexity. Depending on the size and complexity of a project, the company has access to an expanded range of resources from over 500 people.

Sirma Solutions is Microsoft Gold Partner, IBM Advanced Partner, Oracle Gold Partner, HP Preferred Gold Partner, and so on. The company is certified to ISO 9001: 2015 and ISO 27001: 2005 to meet the regulatory and contractual requirements in terms of security and data integrity and IT management.

6.2.1 Conditions for business development in 2019

6.2.1.1 Marketing analysis of the industries in which the company operates

6.2.1.1.1 IT BFSI (Information technologies in Banking Financial Services and Insurance)

In Europe, 2019 was set as the deadline for the implementation of the first phase of the Open Banking / PSD2. This brought some dynamics to the market, especially in banks that have delayed this process. According to statistics, 26% of banks are not yet fully compliant with the Directive and this process is expected to continue until 2021,

with the main focus in 2020 falling on the part of PSD2 regulating the Strong Customer Authentication (SCA).

The market for alternative banking and payment systems was also very dynamic in 2019 - the year with the most new services (similar to Revolut) which recruited customers. The main reason for this boom is due to the large investments in



2018, which reached \$ 40 billion globally and led to the market launch of new products.

In 2019, investments in alternative banks and services declined slightly (to \$ 33 billion) compared with 2018, because investors saw difficulties in quickly profiting in this sector, mainly because of the slowness of banks to adapt to new regulations. This creates major obstacles to the growth of smaller players and slows them down in launching new products and services. However, research shows that this

6.2.1.1.2 Healthcare

The size of the global healthcare IT market was estimated at USD 125 billion in 2015, with forecast to reach USD 297 billion by 2022, with a CAGR of 13.2%.

(<https://www.alliedmarketresearch.com/healthcare-information-technology-market>)

This market growth is driven by a growing commitment to patient safety and data reliability, the need to minimize healthcare costs, and the introduction of various health

6.2.1.1.3 IT services

Global professional IT services market size is expected to reach USD 1.07 trillion by 2025 at a CAGR of 8.4%, according to a new study by Grand View Research, Inc. (<https://www.grandviewresearch.com/press-release/global-it-professional-services-market>). Growth is driven by the demand for knowledge-based services. Preferences for flexible and responsive professional services are driving the global market.

Enterprises from different industries are under increasing pressure to reduce capital costs and increase operational efficiency. Adoption of IT professional services is increasing as these services can help reduce overall IT costs and, in turn, capital expenditures. The benefits of such services, such as ease of implementation, lower risk and higher security, are also contributing to market growth.

BFSI's businesses, retail, telecommunications and IT industries all prefer cloud services. As the number of businesses that have opted for digital transformation continues to grow, resellers find it more convenient to provide IT services through cloud technology. It also allows providers to expand their geographical reach and offer scalable services as well as on-demand support.

The global public sector software market is estimated at USD 87.72 billion in 2017 and will reach USD 169.65 billion by 2023, at a CAGR of 11.62% over the period.

market (of alternative banks) will develop and grow significantly.

It is expected that the market for IT BFSI will grow from USD 82,06 billion in 2017 to USD 149,74 billion in 2022 with CAGR of 12,8% in this period, due to the rapid growth of the data generated by the multitude of sources in various applications. (<https://www.marketsandmarkets.com/Market-Reports/it-bfsi-market-245625011.html>) .

policies which promote the use of HCIT in healthcare establishments.

Health information technology connects all healthcare companies, minimizing human error and reducing costs. It is also expected that an increased demand for better healthcare facilities and an increased demand for integrated healthcare systems will drive this sector over the forecast period.

Increased mobility decision-making is a major driver of market growth. As internet penetration increases, so does the adoption of software solutions that drive market growth. On the other hand, the availability of open source solutions impedes market growth.

The European IT services market has continued to grow steadily in 2019. Despite the increasingly gloomy economic outlook, the expanding scope of digital transformation initiatives across all industrial sectors has retained investment in IT consulting, system integration and operational services.

Market expectations were more cautious for 2019, against a backdrop of two years that saw a slight acceleration in growth, from + 3.4% in 2017 to + 4.4% in 2018. This was driven by strong investment in project services (over 5% growth over both years) and public IaaS / PaaS (dramatic growth, albeit with relatively small volume). Generally, growth is expected to slow down slightly to 3.7% in 2020, with a noticeable slowdown in most countries (and in Germany in particular, with growth falling below 3% in 2020), offset by acceleration in the UK (after the elections and after Brexit, following three years of uncertainty).



6.2.1.2 Marketing analysis of the products of the company

6.2.1.2.1 Museum Space

Museum space is a museum management software specifically designed for galleries, libraries, archives, and museums (the so-called GLAM institutions) to support their daily work processes and to preserve and digitize their cultural treasures.

The product was created using the experience of museum staff and museum IT professionals from around the world. Museum Space is a web-based product that stores and links documents, images, notes, etc. in a way that suits the way most art institutions work.

Museum space is designed to optimize conservation, cataloging, restoration and display activities.

Technologically Museum space is the best product of its class in the world. Following the reference clients are the National Gallery of Washington, the Van Gogh Museum, the Metropolitan Museum of Art, Yale and more.

With global economic growth slowing down, the museum management software industry has also had some impact, but has maintained relatively optimistic growth over the past four years, marketing museum management software to maintain an average annual growth rate of \$ 1 million through 2014 to 2018.

6.2.1.2.2 Kanin.IO

Kanin.IO is a product that allows you to create analytical information structures, load them with data and receive processed (ready for action) information in real time without the need for programming. Kanin.IO is a real-time BIG Data analysis product. Potential customers are all businesses that handle large amounts of data and need real-time analytics to improve their business performance. Examples of such businesses are numerous: telecoms, banks, energy companies, large retailers, insurance companies, IoT operators, and many more.

The real-time market size of big data analytics was estimated at USD 6.32 billion in 2018 and is expected to register a

CAGR of 28.9% from 2019 to 2025. Increasing investment from companies in this type of analysis (also known as "streaming analytics") are intended to improve performance by better understanding the risks and opportunities of on-the-go data analysis. The rapid development of IoT (internet of things) sensors and devices used by industrial and consumer applications has created a growing need for the use of such technologies.

Based on the industries in which this technology is being used, the market is segmented into BFSI (banking, financial services and insurance), IT and telecoms, retail, healthcare, public sector, media and entertainment, education, etc.

6.2.1.2.3 Customer Intelligence Platform

CIP is a platform for collecting and analyzing customer information and their actions. There are various modules in CIP in the areas of: customer loyalty & customer engagement, big data real time analysis, computer vision based customer intelligence, chat bots, mobile marketing services and more.

Platform-specific solutions help marketers build deeper and more effective customer engagement and improve strategic planning through in-depth customer base analysis.

The global Customer Intelligence market is segmented based on solutions, services, verticals and regions. In terms of solutions, the CI market can be segmented into web analytics, voice and image analysis, mobile analytics, social media analysis and more. Based on verticals, the consumer intelligence (CI) market is classified into: BFSI, retail,

telecommunications, health and life sciences, media and entertainment, manufacturing, utilities, travel and tourism and more.

Leading companies in the consumer intelligence (CI) market are Microsoft Corporation, SAS Institute Inc., Open Text, Qlik International AB, Verint Systems, FICO Inc., Information Builders Inc., Angoss Software Corp, IBM Corporation, and SAP SE.

According to MarketWatch (<https://www.marketwatch.com/press-release/customer-intelligence-market-size-is-projected-to-be-around-us-50-billion-by-2022-2018-11-12>) the CI market is expected to be around USD 5 billion in 2022 at a CAGR of 20% for the period 2015-2022.



6.2.2 Business development in 2019 and realization of the investment plans

6.2.2.1 IT BFSI

We have implemented a PSD2 implementation for a large bank in Ireland and have been able to deliver the project very quickly and with excellent quality so that the terms set in the directive were met. In the USA, we have executed several successful projects for MascomaBank.

S&G - Sirma Solutions' Company in the UK for the last 3 years:

- Increased and diversified its revenue by continuing to work on product development for Temenos and Temenos Services while expanding its operations at KBC Group

- established its reputation with many different clients - KBC Ireland, Bank of Ireland, Banque Internationale a Luxembourg, Advanzia, Metrobank

- increased its expertise in integrating various software products with T24

In 2019, S&G diversified its customer base and found a steady stream of revenue and sales throughout the year. A key new client is Deloitte, with which a partnership is being developed. The resource utilization rate is over 95% for the year.

We have successfully completed another phase of a very large project at Raiffeisen Bank.

6.2.2.2 Healthcare

We have won a big 4-year contract at the NHIF for the provision of on-premises cloud rental. We have started marketing and business activities to refocus Diabetes: M

from end-user sales to sales to clinics, pharmaceuticals, insurance companies and practitioners.

6.2.2.3 IT professional services (IT consulting, software product development, public sector)

6.2.2.3.1 European IT projects

At the end of the year we managed to win new clients in Austria, with which the process of market entry of Sirma as a provider of IT solutions to this market was started.

6.2.2.3.2 Consulting projects in the USA

We have completed several successful projects in the US:

- Oasis Senior Advisors - a software system in the business of housing seniors in boarding houses and homes.
- PetsBest - a system for automatically classifying invoices by pet insurance policies using machine learning algorithms.
- UBeam - software connected to wireless charging devices via sound wave

Over the years, Sirma Solutions has managed to build an excellent name in the US software services market, with teams in Bulgaria and the US able to deliver quality on time without a failed project. This has led to a high percentage of repeatable sustainable businesses (over 80%). We believe that our existing contracts are low to medium risk of termination or in other words, we do not expect existing clients to change our services with other competing companies.

6.2.2.3.3 Public sector projects

We have won and successfully executed a public sector project in Albania. We have successfully completed a

milestone of an FMO (Financial Mechanism Office, Brussels) project.



6.2.2.3.4 System integration:

The business of system integration has been dynamic in 2019. We have managed to maintain our position in the private sector and develop expertise in the delivery and introduction of new products and services, mainly in cybersecurity and cloud technologies. The experience gained in working with large international corporations has helped us win the first major public sector projects.

We have successfully developed five new partnerships with cyber security products and have been able to implement projects and / or deliverables with each of these new products. We have developed two new services - on-premise cloud, which is extremely suitable for clients in the public sector and we have signed a large contract for our first client in this area. We have developed the Device as a Service (DaaS), which will be marketed in 2020.

Sirma Solutions has years of expertise in delivering customized devices to major international companies. Working with them has allowed us to achieve the highest possible new partnerships and certifications in some of the largest manufacturers, such as HP and Lenovo. In this regard, we have full access and the right to configure tailored products for our customers' needs and to manage the overall

- Contract for building application security solution for client from FinTech industry
- Contract for the migration of 3000 services from New Relic to AppDynamics
- Replacing huge disk arrays for a large international client in the FinTech industry
- Consolidation of support in the data centers of a large international client
- Build a DLP client solution
- Building an application security solution for an international client

In the past 2019, in the system integration department we concluded contracts for representation of five new products for the Bulgarian market, with each of them we were able to realize at least one project or sale to our clients:

process - from design, through technical parameters, planning to production, and channels for delivery. This gives us an extremely competitive advantage over traditional vendors relying on pre-configured models available in stock that cost marketing and distribution channels. In this regard, we were able to win a project to supply over 2000 personalized devices to the Employment Agency.

In the last 5 years Sirma has successfully built over 50 private cloud systems for our clients. Including clouds fully designed, delivered, built and operated by us. Together with our subsidiary Daticum, we transformed our customers' information departments from our own to ITaaS (IT as a service) or outsourced IT services. In different projects we have used technologies from VMWare, Microsoft, Oracle, HPE, IBM and others. The accumulated expertise in continuous cloud solutions in 2019 we were able to apply by winning the National Health Insurance Fund as a client, where we signed a 4-year contract for the provision of cloud services for database operations, with the cloud located in our customer data center and operated by Sirma and our partners in the project, in particular Oracle Cloud Operations.

- AppDynamics - product for Application Performance Management. An independent company that was acquired by Cisco several months ago
- Qualys - product for Vulnerability Management, Web Application Scanning, full spectrum of auditing, compliance and protection of IT systems and web applications
- CyberArk - a security software focused on eliminating cyber threats using insider privileges to attack the heart of the enterprise
- Veracode - Web Application Scanning, Static and Dynamic analytics
- Forcepoint is transforming cybersecurity by focusing on understanding people's intentions as they interact with critical data wherever it resides.



6.2.2.4 Realization of the company's products

6.2.2.4.1 Museum Space

In 2019, we were able to win two new customers for the Museum Space product: the Van Gogh Museum and the Royal Institute for Cultural Heritage (Brussels). Work on the

projects began in 2019, with the first phase being completed in early 2020. Phase 2 is to be implemented.

6.2.2.4.2 Customer Intelligence Platform

We implemented a solution for KIOSK terminals in Metro, with our solution processing an average of 8000 users per day.

We have signed a strategic agreement with KFC Bulgaria, whereby Sirma Solutions has become a major provider of online solutions for the company.

6.2.2.4.3 Kanin.IO

Based on Kanin.IO and artificial intelligence techniques, we have developed a joint product with the US company PureInfluencer, which provides services to car dealers in the US. The product monitors and classifies real-time visitors to car dealership websites, enabling sellers to reach potential

buyers much easier. The product was shown at the Nada Show 2020 in Las Vegas and already has several customers.

6.2.3 New clients

- S&G won a key new client - Deloitte
- Employment Agency
- Register Agency
- National Health Insurance Fund
- Austrian insurance company

6.2.4 New services

- On-premise rental cloud - an extremely working service for the public sector. In 2020, we have plans to offer this service to several other institutions.
- Together with our HP and Lenovo partners, we have developed DaaS (Desktop as a Service). A real test of the

market and its realization with real customers is coming in 2020

6.2.5 Important events in the first months of 2020

- Successfully completed the migration of the NHIF databases to the rental cloud provided by us, thus starting the 4 year period of our services.
- Migration of 3000 services from New Relic to AppDynamics for a large FinTech client began

• We are working on delivering a cloud resource management platform to distributed data centers in several countries on different continents for a large client in the FinTech industry.



6.2.6 Solved and pending issues in the execution of the business plan for 2019

6.2.6.1 Software services

The main problem in 2019 was insufficient leads to new business, which led to incomplete staff utilization in the second half of the year and deterioration in financial results. To address this, a restructuring of the marketing and sales department was made in the fourth quarter of 2019. Since the beginning of 2020, we have focused marketing and sales on the most promising verticals.

We have already achieved the following results:

- We have improved the selection and participation process in international tenders

- We have established a network of partners to work with in different countries (Austria, Mexico, Stockholm, Germany)

- We have adopted and started implementing an ambitious marketing plan

Another major challenge is our ability to retain our experienced programmers as well as the selection and engagement of highly qualified software engineers. The great strain on the labor market in the sector and the increase in wages are persistent problems. We decided to invest the time and financial resources in building a solid HR recruitment department that would be trained to handle the challenges of recruiting as well as retaining current staff.

6.2.6.2 System integration

The implementation of the business plan in 2019 was successful as the department was able to achieve and exceed the set profit targets. Revenues were not fulfilled to the maximum amount as planned, but the opportunity to work on projects with higher expertise and added value resulted in

higher profits than previously planned, despite the smaller amount of revenue.

We have been able to expand our product and service portfolio to support and drive growth next year.

6.2.7 Prospects and forecast for 2020

6.2.7.1 BFSI

We will develop two new areas:

- Implementation and configuration of the T24. We will attract and train a team of business analysts who will be able to participate in the Temenos T24 core banking system configuration and implementation projects. We are partnering with Deloitte to win business in this area.

- Remote project work. In addition to being an on-site consulting service provider, we are currently trying to position ourselves as a provider that can handle the overall project development outside the bank.

6.2.7.2 Software services

6.2.7.2.1 USA

In 2020, the goal is to gain 2-3 new core customers and increase project revenue in the US by over 15%. US business is largely dependent on the number of project staff employed and hours paid per year.

This prediction can easily be exceeded if the new Kanin.io product and related software services are well received by the market.

Overall, the prospects for 2020 remain good. The company is expanding its team with a new reseller in the US, focusing on the services and development of Kanin.io technology.



6.2.7.2.2 Europe

In Austria, we aim to grow our business with two large clients: one of the largest companies in the medical sector, as well as Austrian Post, who bought a bank and are entering the Fintech sector.

In Bulgaria, there is an opportunity to get even stronger in the healthcare sector by taking over the implementation of software projects in the NHIF.

6.2.7.3 System integration

The forecast and goals set for the system integration department is a 15% increase in revenue. Further diversification of customers and the industries in which they

operate. Further public sector penetration in cyber security, cloud technology, application management and data centers.

FINANCIAL RESULTS

	31.12.2019	31.12.2018	Change BGN '000	Change %
Revenues	32 329	37 776	(5 447)	(14,42%)
EBITDA	2 321	2 283	38	1,66%
Depreciation	(1 179)	(1 168)	(11)	0,94%
Net Result	1 005	939	66	7,03%
EBITDA margin	7,18%	6,04%	1,14%	18,79%
Net Profit margin	3,11%	2,49%	0,62%	25,06%
Sales per share	0,9140	1,0680	(0,15)	(14,42%)
EPS	0,0284	0,0265	0,002	7,03%
ROE	0,0210	0,0200	0,001	4,80%
Total Assets	59 573	59 096	477	0,81%
Intangibles	7 578	27 835	(20 257)	(72,78%)
Book value	36 580	21 576	15 004	69,54%
Equity	47 851	46 854	997	2,13%
Total Liabilities	15 415	9 685	5 730	59,16%
Interest bearing	5 542	2 353	3 189	135,53%
D/E	0,1158	0,0502	0,066	130,62%
ROA	0,0169	0,0159	0,001	6,17%



SIRMA AI AND ONTOTEXT USA

- **Sirma AI is a Daughter company of Sirma Group Holding JSC**
- **Share Capital: BGN 1 410 460.**
- Shares:
 - **Ordinary Shares,** Number: 127 144, Nominal: BGN 10, available, with voting rights, dividend and liquidation share.

Conditions for the business development in 2019

The main technology market on which Sirma AI's sales depend is that of graph databases and, in general, technologies based on graph representation of data for integration and analysis purposes. (Here, "database" is used as the popular short name of "database management system", DBMS – ie. software such as the popular ORACLE or MS SQL Server.)

A growing technological trend in this market is the creation and use of so-called Knowledge graphs. In 2019, for the first time, several international conferences were held on the subject, among which the most significant and most indicative of the growing interest in technology was the Knowledge Graph Conference, held in May in New York. Despite the organization's extremely short deadlines, the conference attracted more than 200 visitors, most of them from leading banks and financial institutions in the United States.

According to a research of the agency Markets & Markets from August 2019, the market for graph data bases is expected to grow from USD 1 billion in 2019 to USD 2.8 billion in 2024. In February 2019 Gartner identified the graph technologies as one of the leading 10 technologies for management and analysis of data). There, they predict that the graph technology market, including graph databases and knowledge management platforms, will grow at an average annual growth rate of over 100% by 2022, ie. that it will double in each of these years. According to this analysis, the graph technology supports data science (data science and data analytics) in two ways: it accelerates data preparation and allows for more adaptive and flexible analysis. The need for graph analysis is summarized as "more complex analysis of more complex data that are not practical and often not possible with SQL technology."

Sirma AI's most popular product is Ontotext GraphDB. In 2019, it established itself as the leader of semantic graph databases.

GraphDB is recognized as one of the leading databases of its kind globally and is currently used in numerous media, pharmaceutical companies, museums, government organizations and more. One of the distinctive features of GraphDB over its competitors is its ability to automatically output new data, according to the semantics of languages for describing data schemas and ontologies RDFS, OWL 2 RL and OWL 2 QL. GraphDB implements a unique algorithm that, when deleting data, automatically removes extracted facts that cannot be extracted from the data after deletion. This makes it the only database graph to ensure that logical inference is used without creating performance issues over the entire data lifecycle: load, query, and change.

- **Class A,** Number: 13 902, Nominal: BGN 10

Sirma Group Holding owns 100% of the capital of the company.

Regional and international factors, reflected on the business of the company

The company develops all its products in Bulgaria, but sells its products globally through its offices in Bulgaria and the US, as well as through employees located in the UK. In addition to direct sales, the company also sells through distributors and other types of partners (consultants or OEMs) in the US, Western Europe, Japan and Korea.

Trade revenue in 2019 is evenly distributed between the UK, US, Asia, and Continental Europe, as shown in the chart. Thus, the company carries a limited risk in terms of exposure to regional markets. The trend is to increase revenue in the US, which will reduce the risk of concussions in the UK related to BREXIT.

In addition to commercial sales revenue, the company also has substantial revenue from European Commission-funded R&D projects that are not directly dependent on market conditions in Europe.

Business development in 2019 and realization of the investment plan

2019 was a good year for the business of the company:

- In addition to increased revenue, the share of revenue in both product revenue and recurring revenue increased. This ensures greater business resilience and creates the conditions for faster growth;
- The second development center of Rouse was opened within the already existing office of Sirma Solutions (also part of Sirma Group Holding). This significantly improved the company's ability to attract experienced technical staff. By the end of 2019, 7 people are engaged in it;
- The Knowledge Graph Platform (Ontotext Platform 3.0) product was successfully developed and marketed, which improves positioning in relation to the new market trend for knowledge graphs, and introduces up-to-date standards and architectures (GraphQL and SHACL);
- Increased sales in the US, which reduced dependence on customer revenue in the UK;
- Significant steps were taken to expand the affiliate network;
- A contract for marketing services and access to analytical information was concluded with



the largest technology analytics company Gartner. The contract was signed through Sirma Group Holding;

In May the company won an award from the Bulgarian Chamber of Commerce and Industry for being the most innovative enterprise.

New clients, projects, products and services in 2019

New:

- **Clients:** top 5 aircraft manufacturer; the top 10 cyber security companies; a top 5 provider of building air conditioning and automation systems. Contracts with most of the large corporate clients do not allow their public mention.
- **Projects:** two major new contracts for the financing of research projects.
- **Products:** Ontotext Platform 3.0; GraphDB 9.
- **Services:** none.

Important events in 2019

- In January, the company acquired the trading company of Ontotext AD, together with all its assets, contracts, personnel and management. As part of Sirma Group Holding's strategy to consolidate assets and activities related to artificial intelligence. Consolidated parts of the companies were also purchased
- Corum Group was hired as a consultant to identify potential strategic partners and investors in the semantic technology field. Sirma Group Holding signed a

Perspectives and forecast for 2020

In 2020, it is expected that the good market conditions will remain and the company will increase its revenues by 16%. The average number of employees is planned to reach 79.

Among the most important business development plans are the following:

- Developing a partner network and generating partner revenue of at least BGN 2 million. Currently, the company partners with more than 40 other trading

contract with Corum Group in September 2019.

- In 2019 the company moved to a new office in Sofia due to the expiration of the contract with the previous landlord.
- Sirma AI was presented at numerous international conferences and trade shows, including: Knowledge Graph Conference, New York; Graphorum, Chicago; Connected Data London; Recent Advances in NLP, Varna; BioData World, Basel; L3C AI and FinTech, London.

New contracts in 2019

The following is information about new contracts and transactions of high commercial potential and importance:

- Major deals for GraphDB's annual licenses with landmark clients, including a top 5 US bank and a global leader in aircraft production;
- Contract with one of the largest providers of building automation systems to integrate GraphDB into the next version of their core product;
- Funding was awarded and contracts were signed for new research projects: TheFSM (Food Safety and Certification; EUR 420 thousand funding for the company) and PLANET (Logistics; EUR 300 thousand funding).

companies, the most active of which are partnerships with 15 of them. At the end of 2019, a Partnership Manager was appointed;

- Increase in license revenue and maintenance up to 50% of total revenue;
- Increase in recurring revenues over 35% of total revenues;
- Expenditure on external marketing and sales related services is estimated at just under BGN 600 thousand (compared to BGN 220 thousand in 2019). Much of the increase is related to the contract with Gartner.



FINANCIAL RESULTS**SIRMA AI**

	31.12.2019	31.12.2018	Change BGN '000	Change %
Revenues	10 519	131	10 388	7 929,77%
EBITDA	2 364	(559)	2 923	(522,90%)
Depreciation	(2 282)	(205)	(2 077)	1 013,17%
Net Result	(138)	(804)	667	(82,84%)
EBITDA margin	22,47%	(426,72%)	449,19%	n/a
Net Profit margin	(1,31%)	(613,74%)	612,43%	(99,79%)
Sales per share	75	1	73,67	7 929,77%
EPS	(0,9787)	(5,7021)	4,72	(82,84%)
ROE	(0,0022)	(0,0529)	0,05	(95,88%)
Total Assets	79 771	25 649	54 122	211,01%
Intangibles	67 081	25 412	41 669	163,97%
Book value	(3 652)	(22 399)	18 747	(83,70%)
Equity	63 429	3 013	60 416	2 005,18%
Total Liabilities	16 342	22 636	(6 294)	(27,81%)
Interest bearing	8 544	542	8 002	1 476,38%
D/E	0,258	7,513	(7,26)	(96,57%)
ROA	(0,0017)	(0,0313)	0,03	(94,48%)

ONTOTEXT USA

	31.12.2019	31.12.2018	Change BGN '000	Change %
Revenues	1 843	805	1 038	128,94%
EBITDA	6	191	(185)	(96,86%)
Depreciation	-	-	-	n/a
Net Result	4	(71)	75	n/a
EBITDA margin	0,33%	23,73%	(23,40%)	(98,63%)
Net Profit margin	0,22%	(8,82%)	9,04%	n/a
Sales per share	61	27	34,60	128,94%
EPS	0,1333	(2,3667)	2,50	n/a
ROE	(0,0357)	0,6068	(0,64)	n/a
Total Assets	516	377	139	36,87%
Book value	(112)	(117)	5	(4,27%)
Equity	(112)	(117)	5	(4,27%)
Total Liabilities	628	494	134	27,13%
D/E	(5,6071)	(4,2222)	(1,38)	32,80%
ROA	0,0078	(0,1883)	0,196	n/a



ONTOTEXT

- <http://www.ontotext.com>
- Ontotext is a subsidiary of Sirma Group Holding JSC
- Share Capital: BGN 16 068 801

Shares: 16 068 801

Classes of shares:

CLASS A 1, Number: 4 187 087, Nominal value: BGN 1 - materialized with right to vote, dividend, different economic rights incl. the right to a different liquidation share upon

termination of the company depending on its market capitalization and different share of the income from the sale of shares, etc. economic rights..

ORDINARY, Number: 11 038 684, Nominal: BGN 1 - materialized, with voting rights, dividend, liquidation quota, right of first refusal, right of access.

The company participated in the business combinations described above. On January 19 2019, the trading company of Ontotext AD was sold to Sirma AI EAD.

FINANCIAL RESULTS

ONTOTEXT

	31.12.2019	31.12.2018	Change BGN '000	Change %
Revenues	199	9 118	(8 919)	(97,82%)
EBITDA	26	3 562	(3 536)	(99,27%)
Depreciation	(58)	(1 804)	1 746	(96,78%)
Net Result	(32)	1 477	(1 509)	n/a
EBITDA margin	13,07%	39,07%	(26,00%)	(66,56%)
Net Profit margin	(16,08%)	16,20%	(32,28%)	n/a
Sales per share	0,0124	0,5674	(0,56)	(97,82%)
EPS	(0,0020)	0,0919	(0,09)	n/a
ROE	(0,0015)	0,0691	(0,07)	n/a
Total Assets	21 344	27 772	(6 428)	(23,15%)
Intangibles	-	19 853	(19 853)	(100,00%)
Book value	21 338	1 516	19 822	1307,52%
Equity	21 338	21 369	(31)	(0,15%)
Total Liabilities	6	6 403	(6 397)	(99,91%)
Interest bearing	-	179	(179)	(100,00%)
D/E	0,0003	0,2996	(0,30)	(99,91%)
ROA	(0,0015)	0,0532	(0,05)	n/a



ENGVIEW SYSTEMS SOFIA

- **EngView Systems Sofia JSC is a daughter company of Sirma Group Holding JSC**
- **Capital : BGN 68 587.**

Shares: **68 587 ordinary named voting shares, with right to dividend and liquidation share, proportional to the participation in the capital.**

Sirma Group Holding owns 50 000 shares or 72,9 % of the company capital.

EngView Systems Sofia JSC is a joint-stock company, member of Sirma Group Holding JSC, with main activity - development of software products and services in the field of two main vertical markets:

- Packaging industry. The products developed by the company are based on proprietary innovative technology for variation and parametric CAD / CAM and are designed for automation and optimization of the production processes, mainly connected with packages and displays of different sheet materials.

- Quality control of serial production in various industries, mainly related to machine building, mechanics, aluminum and plastic parts, etc. In this field, the company develops entirely proprietary market solutions as well as technological solutions

designed for specific measurement machines for the main strategic partner - QVI.

ENGVIEW SYSTEMS IN 2019

CONDITIONS FOR BUSINESS DEVELOPMENT IN 2019

In the packaging industry, in recent years, there has been a trend towards an increasing penetration of digital technologies for the production and optimization of the business processes. 2019 is no different in this regard. Although a large proportion of packaging production remains in the established offset printing, the proliferation of digital technologies is accelerating and more companies are investing in digital printing and production machines. New niche markets are shaping up as well, such as personalization, small print carton and corrugated packaging, promotional products and better visualization of selected brands (displays) or entire structures, exhibition stands, shows, printed and thick-cut materials (Rigid Board). Companies that until yesterday were throwing large print runs or printing newspapers and books on offset machines are now using their fleet for new products to satisfy consumers' increasingly diverse and creative service needs. Robotic and cognitive technologies are emerging. In the recent years in Europe and the US, there is also a trend towards the entry and production of materials and products which are directly related to nature conservation and are environmentally friendly, easy to recycle and re-use.

This also determines the direction of the prevailing investment in the packaging industry - in addition to machinery, companies from different niches are looking for solutions to further save time and resources, modernize their production in order to improve their competitiveness, and follow the modern technologies that help them improve their customer relationships and optimize their ordering channels. Such solutions are Internet and cloud based solutions for communication with customers and shortening of the web-to-print, web-to-pack cycles, which are made possible in combination with the new digital technologies.

On the market for quality monitoring technologies of serial production the technological dynamics are smaller. However there may also be trends towards more intensive integration between classic measurement technologies and communication, mobile, information and internet / cloud based technologies which enable the acceleration of the transfer, storage and processing of information received from measuring machines and, as a result, improve the efficiency and reliability of quality assurance systems.

Engview Systems successfully develops its products in its two main areas of packaging and video measurement industries. In recent years, the company has been investing in the development of new products based on its already implemented solutions and the accumulated knowledge and expertise in individual niches. They meet the latest trends, as well as customer requirements for high-quality software capable of accelerating production rates, boosting sales through optimizations and supporting additional processes. The main products of the company which are still being developed in the last six months are Packaging Suite, ScanFit & Measure, m-caliper, packGATE, TurnCheck. In 2019, the development of a new project for one of the main corporate clients of the CAD system - the Princeton Holding in Austria, the owner of corrugated board production and recycling plants - begins. The goal of the project is to integrate certain modules and functionality from the Packaging Suite into their existing CPMS system to increase the efficiency of production and service to their end customers, as well as to use files from all users and from all factories. This integration is expected to be completed by mid-2020.

A contract has been signed with Heidelberg Germany to jointly develop a new platform and grant licenses based on the cloud technology of packGATE and Packaging Suite. It is expected to launch first in China and, if successful, spread worldwide.



Quality control and measurement products are gradually gaining in popularity in the market. In 2019, new contracts for the distribution of ScanFit & Measure and m-caliper were signed. Sales were made in Dubai, Portugal and Greece.

REGIONAL AND INTERNATIONAL FACTORS INFLUENCING THE BUSINESS OF THE COMPANY

The company develops all of its products in Bulgaria, but has a network of distributors worldwide, as well as its own offices in the USA and Brazil. The factors influencing the business are mainly related to the saturation of the market with competitive products or the degree of development of the given market. The largest share of software sales for the packaging industry is still generated in Europe, with 2019 showing an increase compared to 2018 in both license sales in the US and Brazil, as well as in India, Italy, Romania, Thailand, the Benelux countries. EngView, one of the leading names in the packaging industry, works with strategic partners from Germany - Heidelberg, for whom new versions of their products for the printing industry are being developed each year and the United States - QVI for their video measuring machines. EngView has worked with both companies for years, consolidating its position by providing quality and advanced software to their clients. The company is investing in a new QVI solution - Turn Check, which led to first sales of licenses in 2019. The software manages a new type of QVI machine for measuring rotary parts and elements. As part of the OEM solution, the software is marketed and fully distributed by the US giant. The product is fully relied on by QVI's own network of companies and dealerships worldwide.

BUSINESS DEVELOPMENT AND INVESTMENTS IN 2019

During 2019 the preparation and launch of a new basic version of the CAD / CAM product - Packaging Suite was done. Customers around the world will be able to upgrade their and take advantage of new features, modules and enhancements. The preparation also included a certification seminar at the end of February, attended by distributors and representatives from over 40 companies from Mexico, Japan, China, Philippines, Korea, India, Israel, Jordan, Egypt, Dubai,

Germany, Italy, England, Czech Republic, Croatia and other countries. The campaign started successfully as a large part of the customers took advantage of the promotional terms for the upgrade during the first month of its official launch. The new versions and partners of manufacturers of cutting plotters with rebranded versions of the CAD system were gradually prepared and implemented, which will continue in stages in 2020. At the end of the year, a new distribution contract was signed in Sri Lanka.

The distribution of m-caliper is also being prepared, looking for new partnerships, pilot clients and participation in various exhibitions. The necessary links and customer visits have already been created and the first sale of m-caliper in Bulgaria was realized in the summer of 2019.

The year for the development of ScanFit & Measure was also successful. A major investment was made in promoting the product and seeking new partnerships and distributors.

MAIN EVENTS IN 2019

- Certification Seminar for Packaging Suite Distributors
- Participation in exhibitions and support of the distribution network
- Visits to FESPA Germany, metrology show Quality and K-online Plastics and Tires Exhibition in Germany, meetings with strategic partners

OBJECTIVES AND FORECAST FOR 2020

US revenue is expected to decline to develop new QVI functionalities and products. This decline will be offset by the first sales of new products in which EngView has invested in recent years.

Expected overall revenue growth of between 15-20% compared to 2019.



FINANCIAL RESULTS

	31.12.2019	31.12.2018	Change BGN '000	Change %
Revenues	3 572	3 103	469	15,11%
EBITDA	1 697	1 021	676	66,21%
Depreciation	(772)	(427)	(345)	80,80%
Net Result	820	534	286	53,56%
EBITDA margin	47,51%	32,90%	14,60%	44,39%
Net Profit margin	22,96%	17,21%	5,75%	33,40%
Sales per share	51,7681	44,9710	6,80	15,11%
EPS	11,8841	7,7391	4,14	53,56%
ROE	0,2284	0,1786	0,05	27,89%
Total Assets	5 295	3 574	1 721	48,15%
Intangibles	2 951	2 418	533	22,04%
Book value	639	572	67	11,71%
Equity	3 590	2 990	600	20,07%
Total Liabilities	1 705	584	1 121	191,95%
Interest bearing	-	-	-	n/a
D/E	-	-	-	n/a
ROA	0,1549	0,1494	0,01	3,65%

SIRMA BUSINESS CONSULTING JSC

- <https://sirmabc.com/>
- **Sirma Business Consulting JSC is a subsidiary of Sirma Solutions**
- **Capital: BGN 2 539 768**

Shares: Special conditions for transfer: the shares are vinculated and non-transferable for a period of three years from the incorporation of the company.

Classes of shares:

CLASS A: Number: 1 958 268, Nominal: BGN 1 Rights: regular, voting, right to dividend and liquidation share

CLASS B: Number: 581 500, Nominal: BGN 1 - Privileged, Non-voting, Entitled to Guaranteed Dividend

Sirma Solutions JSC holds 1 077 048 pcs. Class A shares and 296 500 Class B shares or 54.08% of the company's capital and 55% of the voting shares.

Sirma Business Consulting JSC (SirmaBC) is a subsidiary of Sirma Solutions JSC, which is highly specialized in the provision of software products and services in the financial sector. The SirmaBC implements Universal Banking Solutions (UBS) individually or based on the FlexCube (Oracle platform). This is a complete banking solution which

has received worldwide recognition as one of the most preferred systems in the banking and financial industries.

The range of services provided by the company covers mainly banking, retail and wholesale banking, regulatory compliance and risk management as well as the whole range of implementation and advisory services. SirmaBC is the



third largest holding company and accounts for about 20% of revenue.

SirmaBC was established as a consolidated unit in 2007 and has since become one of the leading technology players in the financial sector. The company has been established not only in the local market, but has continued to seek to increase its presence on international markets, especially in Europe, North and South America, Asia and the Caribbean. SirmaBC has a team of highly specialized professionals with complementary expertise in the financial field. This helps to develop a wide range of products designed to respond to growing demand and evolving industry trends tailored to the banking and financial industry specification both locally and globally.

The company is practically free of debt, and presents itself solidly, with strong financial results.

CONDITIONS FOR BUSINESS DEVELOPMENT OF SIRMA BC IN 2019

The financial services market and trends in its development globally and in Bulgaria continues to be strongly influenced by regulations and the pursuit of digitalization. On the one hand, all major players are adapting to open systems and offering more and more digital services that incorporate artificial intelligence and various analytical tools. On the other hand, the business development of all consultants and technology solution providers is mainly driven by the increased global requirements for:

- customer information and knowledge about their behavior,
- combating the resources generated by the informal sector of the economy, including the requirements for monitoring and preventing 'money laundering',
- measures for the safeguarding of personal data and its protection,
- planned changes and increased accountability requirements for financial players.

In the sector, everyone is projecting investments that are slower than expected. The main attitudes and actions are related to the introduction of "new" payment channels (PSD2), although the adoption of open banking is slow, with only 33% of bank executives claiming to have implemented it effectively, as well as electronic customer registration. There is increasing talk of "tokenization" and the provision of services that can be trusted by financial players' clients. The widespread use of hybrid services, as well as customer expectations for the free provision of easily accessible products and forms of payment, continue to determine technological solutions. In addition, everyone clearly understands that a new generation of streamlining and optimization is coming in the sector, based on "robots", machine learning, analysis of large data sets and business process automation. Everything related to changes and digitalization in the sector is further re-drawn and provoked by Fintech organizations, which are gaining momentum and

becoming more recognizable and interesting on the one hand to customers and on the other to medium and large banks. Market observations here are that Open Banking is evolving and evolving into Open π, where banks and new non-traditional players join forces to provide banking services that integrate the digital experience into other parts of customers' lives.

Licensed financial players need to choose strategic partners that complement product portfolios, improve service delivery, increase sales - and work together. By leveraging effective collaboration while maximizing traditional fortresses, banks can create a powerful advantage in the times of Open π.

SirmaBC continues to provide its own services and products that are focused solely on the financial sector. In 2019, the company is retiring, part of products that have not experienced significant development in the last 3-4 years and focuses on updating and upgrading available products for use not only in the local market.

Customers report low positive experience in many banking interactions, with loan and mortgage applications and problem solving identified as the highest friction (69.3% for mortgage applications and 63.7% for problem solving) and the lowest positive experience (37.7% for mortgage applications and 40.3% for problem solving.) Customers report lower friction, but also lower positive experience in the early stages of banking relationships, such as opening accounts and gathering information, probably due to lack of resolution multichannel channels. For example, the majority of Gen Y customers (71.9%) consider mobile apps to be an important banking channel, but only a few (32.9%) report a positive experience on this channel. Poor experiences with both initial contact points and more complex customer journey transactions, especially in the last mile, can lead to missed revenue opportunities and call for a sound universal channel strategy.

The company's most recognizable products continue to be "RepXpress", "ceGate" and "UBX Suite".

REGIONAL AND INTERNATIONAL FACTORS, INFLUENCING THE BUSINESS OF THE COMPANY

There are no exceptional regional (Balkan) factors that are different or totally individual from what is happening in Europe. In particular, everything in Bulgaria is influenced by the economic trends in Europe and the whole policy of regulation of the financial and other sectors of the economy.

BUSINESS DEVELOPMENT IN 2019 AND REALIZATION OF THE INVESTMENT PLAN

The development of the business is influenced by the global and local factors for development as well as especially for SirmaBC it is influenced by the closed contracts in 2019 for which we are currently in the phase of implementation and delivery, as well as the desire of existing clients to intervene on the market of PSD2 services and products.



NEW CLIENTS, PROJECTS, PRODUCTS AND SERVICES IN 2019**- Clients**

For 2019 the company has 4 new clients, which are non-bank institutions.

- Projects

The major projects being implemented are two parallel deployments of major banking systems and several projects for the implementation of payment and other satellite solutions covering: "RepXpress", "ceGate" and "UBX Suite", DIGI Bank, Notifications.

- Products

During the year, the company invested and developed several PSD2 solutions and made changes and upgrades to two of its existing solutions, namely:

PSD2:

Open π - Open banking API hub that implements the BISTRA standard for all PSD2 services

Up2Pay - A payment software terminal that resides with a mobile application merchant or as a Plug-in for a web site.

Up2Seal - One-time password and code generation portfolio that also serves as an advanced electronic signature and provides SCA. For the purposes of the Payment Regulation.

- Services

The company is positioning a suite of consulting services for analysis and documentation regarding the selection and choice of digital solutions. The methodology used is based on Assist Knowledge Development and the British Business Analysis Association.

MAIN EVENTS IN 2019

Renewed certificates for:

- Certificate under ISO/IEC 9001:2015;
- Certificate under ISO/IEC 27001:2013;
- Certificate under additional standard ISO/IEC 27018:2014 for the implementation of the common measures for control and personal data protection regulations.

FINANCIAL RESULTS

	31.12.2019	31.12.2018	Change BGN '000	Change %
Revenues	5 547	5 858	(311)	(5,31%)
EBITDA	1 389	871	518	59,47%
Depreciation	(663)	(294)	(369)	125,51%
Net Result	646	516	130	25,19%
EBITDA margin	25,04%	14,87%	10,17%	68,41%
Net Profit margin	11,65%	8,81%	2,84%	32,21%
Sales per share	2,1839	2,3063	(0,12)	(5,31%)
EPS	0,2543	0,2031	0,05	25,19%
ROE	0,1876	0,1587	0,03	18,21%
Total Assets	4 874	4 763	111	2,33%
Intangibles	88	449	(361)	(80,40%)
Book value	3 356	2 803	553	19,73%
Equity	3 444	3 252	192	5,90%
Total Liabilities	1 430	1 511	(81)	(5,36%)
Interest bearing	88	-	88	n/a
D/E	0,0256	-	0,03	n/a
ROA	0,1325	0,1083	0,02	22,34%



SIRMA GROUP INC./DBA PANATON

- <http://panatonsoftware.com/>
- Sirma USA is a subsidiary of Sirma Solutions

General Business Conditions in 2019

We operate exclusively in North America and our business Sirma Group Inc. (SGI) engaged clients in the semiconductor, cybersecurity, consumer services, B2B and financial services sectors. Because of the diversity of our clients we are impacted more from general macroeconomic conditions rather than specific sentiment in any one vertical.

We are observing a maturing and commoditization of the software outsourcing services business. Our clients and prospects are aligning in two clear groups. The cost-first group is driven exclusively by the cost per hour of the services offered and is generally less well informed and competent in terms of IT technology. These clients are hard to win as we are competing with lowest-cost providers from India, China and the former soviet republics. The second group of clients are ones that have a specific and/or immediate technology need, or who understand the TCO of building and operating software systems. This is our sweet spot, as we offer highly sophisticated small teams with specific in-depth technology capabilities.

In 2020 we intend to market our services in a more focused

manner with an emphasis of specific business processes and types of clients.

New Contracts and Clients

The key new clients in 2019 were in Consumer Electronics and Retirement Services. We worked with Sonic Energy and Oasis Senior Advisors to develop their key product features and business process automation platforms. In the case of OSA we engaged in a new for us vertical – the management of a franchised service organization that requires integrated corporate and franchisee systems that address both logistics and financial management issues in a multitenant, HIPAA compliant platform.

Forecast for 2020

We expect to continue to grow the outsourcing business at a moderate rate in 2020 and we intend to invest modestly in the trial launch of a core employee performance management technology we have been developing as part of a specific client engagement.

We are also planning to launch a startup incubator specific program that we believe will enhance our marketing reach.

FINANCIAL RESULTS

	31.12.2019	31.12.2018	Change BGN '000	Change %
Revenues	8 142	6 928	1 214	17,52%
EBITDA	1 506	(197)	1 703	n/a
Depreciation	(22)	(15)	(7)	46,67%
Net Result	1 447	(210)	1 657	n/a
EBITDA margin	18,50%	(2,84%)	21,34%	n/a
Net Profit margin	17,77%	(3,03%)	20,80%	n/a
Sales per share	0,3773	0,3211	0,06	17,52%
EPS	0,0671	(0,0097)	0,08	n/a
ROE	1,0640	(0,2652)	1,33	n/a
Total Assets	6 120	4 108	2 012	48,98%
Intangibles	1 650	1 266	384	30,33%
Book value	(290)	(474)	184	(38,82%)
Equity	1 360	792	568	71,72%
Total Liabilities	4 760	3 316	1 444	43,55%
Interest bearing	51	21	30	142,86%
D/E	0,0375	0,0265	0,01	41,43%
ROA	0,2364	(0,0511)	0,288	n/a



SIRMA ICS

- <http://sirmaics.com/>
- **Sirma ICS is a subsidiary of Sirma Solutions**
- **Capital:** BGN 300 000 divided into 300 000 number of registered nominal shares with a nominal value of 1 BGN per 1 share with voting right, dividend and liquidation share. Sirma Solutions owns 270 000 number of shares or 90% of the capital.

Sirma ICS in 2019

Sirma ICS is part of Sirma Group Holding, with the main goal to concentrate the technological and business knowledge of Sirma Group's in the insurance sphere.

Conditions for Business Development in 2019

The Company operates in the insurance sector with target clients insurance brokers and insurance companies. Both segments show revenue growth and, therefore, digital demand is on the increase. At the same time, both segments reduce the number of market participants, a trend particularly evident in the segment of insurance brokers. The reason for this is the growing regulatory and financial requirements for insurance brokers, leading to a reduction in their number.

The company offers Sirma Insurance Enterprise Platform and Sirma Insurance Enterprise MTPL API, as well as customized solutions such as websites, end-to-end web portals and administrative portals, mobile applications, software for process and document management, and others. Due to regulatory changes and changes in the workflow of the web services of the insurance companies, the full upgrade of the Sirma Insurance Enterprise Web Calculator was done. This continued until the middle of 2019. The company also creates customized solutions and custom development projects such as websites, web portals for end clients and administrative portals, mobile applications.

Regional and global factors influencing the business of the company

The company has business only in Bulgaria at the moment, but by working with our international clients in 2019 a plan and assessment was prepared for the necessary resources for expansion in other markets on the Balkans.

Business Development in 2019 and Investment plan

In 2019 Sirma ICS continued with the execution of its strategic objectives:

- Increase of the product range in insurance broker software and product optimization and its functionality



www.sirma.com

- We continued the development of e-insurance in the "ICS WEB PLATFORM" module, which has been integrated with our core product Sirma Insurance Enterprise Platform.
- Building new portals and mobile applications, including client portfolios of insurance companies and insurance brokers.

We were successful in attracting a few new insurance broker clients, while introducing the new price policy of the company.

In 2019, the company continues to rely on a stable and sustainable model of product sales with a monthly license fee instead of relying on large single-sale deals which are more difficult to predict.

New:

- customers

The Company entered into 5 new contracts with insurance brokers and 1 with insurance company.

- projects

- Individualization of the Sirma Insurance Enterprise Platform for bank brokers,
- Launch of Sirma Insurance Enterprise Web Calculator
- API for Liability Insurance for for an insurance broker,
- API for Third Party Liability Insurance for the Telecommunications Sector,
- API for Leasing Companies,

New Contracts

The first contracts with clients of Sirma Insurance Enterprise Web Calculator have been concluded, API for the TPL insurance for the telco sector, contracts for the Sirma Insurance Enterprise Platform module for leasing companies,

new features in two mobile applications, consultancy services for end clients.

Information on Client Retention

We anticipate the growth of Sirma Insurance Enterprise Platform, customer acquisition for Sirma Insurance Enterprise Web Calculator. Inclusion of Casco insurance product from at least 2 insurance companies. Improvements to 2 mobile applications, creation of at least 1 new mobile application, creation of websites and customer portals.

Challenges and unsolved issues in 2019

Delayed realization of the project for Raiffeisen Broker, as well as for individualization for Leasing Contracts. The product is scheduled to launch in Q4 2019.

Perspectives for 2020

We forecast growth of revenue from sales of Sirma Insurance Enterprise Platform, attraction of clients for the Sirma Insurance Enterprise Web Calculator, development start on the customization of the SIE Platform for bank brokers and leasing companies. Inclusion of Casco insurance product from at least 2 insurance companies. Improvements to 2 mobile applications, creation of at least 1 new mobile application, creation of websites and customer portals.

Extraordinary Information

Increasing regulatory requirements. Aggravation of the requirements to the main clients of the company - insurance brokers and insurance companies, leading to mergers and acquisitions and respectively, a smaller market.

FINANCIAL RESULTS

	31.12.2019	31.12.2018	Change BGN '000	Change %
Revenues	832	701	131	18,69%
EBITDA	173	94	79	84,04%
Depreciation	(124)	(17)	(107)	629,41%
Net Result	36	64	(28)	(43,75%)
EBITDA margin	20,79%	13,41%	7,38%	55,06%
Net Profit margin	4,33%	9,13%	(4,80%)	(52,61%)
Sales per share	2,7733	2,3367	0,44	18,69%
EPS	0,1200	0,2133	(0,09)	(43,75%)
ROE	0,0487	0,0910	(0,04)	(46,49%)
Total Assets	1 313	1 111	202	18,18%
Intangibles	959	1 041	(82)	(7,88%)
Book value	(220)	(338)	118	n/a
Equity	739	703	36	5,12%
Total Liabilities	574	408	166	40,69%
Interest bearing	269	27	242	896,30%
D/E	0,3640	0,0384	0,33	847,76%
ROA	0,0274	0,0576	(0,03)	(52,40%)



S&G TECHNOLOGY SERVICES

- <http://www.sngservices.co.uk/>
- **S & G Technology Services operates in the Financial Segment**

S & G Technology Services is a joint venture of Sirma Solutions, which operates in the United Kingdom. The company provides technology services in the areas of software integration, data integration and mobile technologies for the financial service sector.

S & G Technology Services has accumulated tremendous expertise on the banking industry and the development of technology solutions for some of the world's largest banks. This enables the company to better understand the challenges faced by customers, identify the areas in which it can provide innovative solutions and integrate seamlessly into its specific solutions within a broader delivery program. S & G Technology Services specializes in providing IT consulting services, software products and services to the software ecosystem of one of the most popular banking systems - the Temenos T24.

In 2019, the company successfully completed projects in major international banks in Ireland, Kenya, Luxembourg and the UK.

SIRMA CI

- **Sirma CI** is a subsidiary of Sirma Group Holding
- **Capital:** BGN 133 000. **Sirma Group Holding** owns 80% of the capital.

Conditions for Business Development in 2019

Sirma CI (Customer Intelligence) offers intelligent software solutions in the field of Retail. We advise and assist trade organizations in their digital adaptation of the so-called. multichannel or unified trading by implementing proven software solutions relevant to each trader's development phase.

We implement Artificial Intelligence (AI) -based software solutions for real-time analytics and recommendations, both for business and end clients.

This approach allows for the flexible use of resources, platform solutions and software modules that provide merchants with the complement or refinement of existing systems tailored to their specific business.

New:

New products

- We launched the new product "Sirma Card-Smart White-Label Card" – a bank card and loyalty program for large retailers who manage a multitude of clients.
- "Kiosk" – a solution queue management and marketing campaigns

New clients

- Contract with a large outsourcing company for the development and licence of a "Virtual Assistant" (Chatbot);
- Contract with a large retail chain for the product "Retail Kiosk & Digital Signage";
- Contract for the development and maintenance of an online store for luxury goods;

New partners

- A distribution contract for the "Loyalty Program Solutions" in the Caribbean

Perspectives for 2020

We will focus on the banking sector, medium and large retail chains that need to introduce new or upgrade existing information systems. Our specialization will be in the following areas: banking services (retail), sports, retail, FMCG, shopping malls, consumer electronics, personal hygiene and cleaning products, airport shopping areas, etc. We will try to implement more Cognitive Commerce (AI Analytics). We will transform companies from multi-channel trading to a unified model.

We will develop our affiliate program outside the country through local partners and look for new ones for our priority markets. We have established partners in Austria, Singapore and Mexico.



FINANCIAL RESULTS

	31.12.2019	31.12.2018	Change BGN '000	Change %
Revenues	298	15	283	1 886,67%
EBITDA	(202)	(63)	(139)	220,63%
Depreciation	-	-	-	n/a
Net Result	(203)	(64)	(119)	185,94%
EBITDA margin	(67,79%)	(420%)	352,21%	(83,86%)
Net Profit margin	(61,41%)	(426,67%)	365,26%	(85,61%)
Sales per share	0,9933	0,0500	0,94	1 886,67%
EPS	(0,61)	(0,2133)	(0,4)	185,94%
ROE	1,8972	(0,8421)	2,74	n/a
Total Assets	85	206	(121)	(58,74%)
Book value	(107)	76	(183)	n/a
Equity	(107)	76	(183)	n/a
Total Liabilities	192	130	62	47,69%
ROA	(2,3882)	(0,3107)	(2,08)	668,71%

SIRMA MEDICAL SYSTEMS

- **Sirma Medical Systems** is a subsidiary of Sirma Group Holding
- **Capital:** BGN 100 000. **Sirma Group Holding** owns 66% of the capital.

Key trends in 2019

The main trends in diabetes management systems are the automation of the data collection process and the use of artificial intelligence, wherever and whenever possible. Attempts to create a system that resembles the normal functioning of the organism (so-called artificial pancreas) are still unsuccessful and companies are competing in the development and supply of integrated systems connected to different devices. New types of CGM devices with new technologies are being developed, but the process is rather slow and there is nothing new to the market.

Highlights in 2019

Sirma Medical Systems registered Diabetes: M at the Medicines Agency as a medical device and received a CE mark that allows it to be marketed in the European Union. The presentation of the system by Nipro Diagnostics continues and there are already English doctors who use it to monitor the therapy.

A partnership agreement was signed with the Specialized Hospital for the Active Treatment of Pediatric Diseases (SBALDB), and training was then given to endocrinology staff on how to use Diabetes: M for follow-up of their patients' post-hospital treatment.

At the end of 2019, it completed the development of MPI-2 applications for Android, which were officially released on Google Play in February 2020.

Product development in 2019:

Diabetes: M

Diabetes: M continues to rank 1 / 2 on Google Play and is highly rated and accepted by users. There are extremely positive reviews from doctors.

In 2019, Sirma Medical Systems updated Diabetes: M to meet the requirements for obtaining the CE mark.

MPI-2

Both versions of MPI-2 applications for Android have been developed.

2020 targets

The main goals for 2020 are certification of Sirma Medical Systems according to ISO 13485.

Analysis and planning for the development of the MPI-2 system to work without the need for specialist assistance.

Analysis of the planning and development of two new applications of the "M" family - Cardiac: M for the recording and tracking of people with high blood pressure and Medicine: M for the creation of a medication plan, medication record and analysis of compliance with planned this reception.

The entry into new hospitals and clinics of Diabetes: M, and possibly Cardiac: M and Medicine: M, in the field of remote patient follow-up.



FINANCIAL RESULTS

	31.12.2019	31.12.2018	Change BGN '000	Change %
Revenues	392	338	54	15,98%
EBITDA	20	48	(28)	(58,33%)
Depreciation	(49)	(12)	(37)	308,33%
Net Result	(28)	32	(60)	n/a
EBITDA margin	5,10%	14,20%	(9,10%)	(64,07%)
Net Profit margin	(7,14%)	9,47%	(16,61%)	n/a
Sales per share	1,3067	1,1267	0,18	15,98%
EPS	(0,0933)	0,1067	(0,20)	n/a
ROE	(0,3415)	0,2909	(0,63)	n/a
Total Assets	926	724	202	27,90%
Intangibles	689	650	39	6,00%
Book value	(607)	(540)	(67)	12,41%
Equity	82	110	(28)	(25,45%)
Total Liabilities	844	614	230	37,46%
Interest bearing	(0,0302)	0,0442	(0,07)	n/a
D/E	392	338	54	15,98%
ROA	20	48	(28)	(58,33%)



SIRMA GROUP HOLDING – INDIVIDUAL FINANCIAL RESULTS

BGN '000	31.12.2019	31.12.2018	Change	Change
			BGN '000	%
Revenues*	5 325	5 884	(559)	(9,50%)
EBITDA	3 025	3 296	(271)	(8,22%)
Depreciation	(655)	(242)	(413)	170,66%
Net Result	1 898	2 557	(659)	(25,77%)
EBITDA margin	56,81%	56,02%	0,79%	1,41%
Net Profit margin	35,64%	43,46%	(7,81%)	(17,98%)
Sales per share	0,0897	0,0991	(0,01)	(9,50%)
EPS	0,0320	0,0431	(0,01)	(25,77%)
ROE	0,0262	0,0362	(0,01)	(27,71%)
Total Assets	93 147	92 019	1 128	1,23%
Intangibles	10 122	9 394	728	7,75%
Book value	62 405	61 236	1 169	1,91%
Equity	72 527	70 630	1 897	2,69%
Total Liabilities	20 620	21 389	(769)	(3,60%)
Interest bearing	12 614	15 866	(3 252)	(20,50%)
D/E	0,1739	0,2246	(0,05)	(22,58%)
ROA	0,0204	0,0278	(0,01)	(26,67%)

* according to the FSC's instructions, the dividend income is included in the income from the main activity of "Sirma Group Holding" JSC



7 RESULTS BY SEGMENTS

THE GROUP DEFINED OPERATION IN SEVERAL SEGMENTS:

Segment INTELLIGENT EVOLUTION OF ENTERPRISES

Companies of Sirma Group operating in the segment are: EngView Systems, Sirma AI, Sirma Solutions, Sirma Medical Systems, Datium, Sirma CI and Sirma Group Inc.

FINANCIAL RESULTS OF THE SEGMENT

	2019 BGN'000	2018 BGN'000
Revenue from:		
- external customers	28 245	25 187
Segment revenues	28 245	25 187
Changes in finished goods and work in progress	(1 242)	742
Cost of materials	(579)	(491)
Hired services expenses	(4 065)	(4 146)
Employee benefits expense	(15 633)	(12 426)
Depreciation and amortisation of non-financial assets	(4 449)	(4 093)
Impairment of non-financial assets	(79)	-
Other expenses	(1 097)	(2 140)
Segment operating profit	1 101	2 633

In 2019 the revenues of the segment increased by 12,14%, and operating profit decreased by 58,18% compared to 2018.

Segment SOLUTIONS, PRODUCTS AND CONSULTING IN FINANCE

Companies of Sirma Group operating in the segment are: Sirma Business Consulting, Sirma ICS, Sirma AI, Sirma Solutions, S&G Technologies Inc. and Sirma Group Inc..

FINANCIAL RESULTS OF THE SEGMENT

	2019 BGN'000	2018 BGN'000
Revenue from:		
- external customers	10 233	10 115
Segment revenues	10 233	10 115
Changes in finished goods and work in progress	(6)	-
Cost of materials	(67)	(99)
Hired services expenses	(756)	(989)
Employee benefits expense	(5 742)	(5 312)
Depreciation and amortisation of non-financial assets	(793)	(312)
Impairment of non-financial assets	-	-
Other expenses	(684)	(614)
Segment operating profit	2 185	2 789

In 2019 the revenues of the segment increased by 1,17%, and operating profit decreased by 21,66% compared to 2018.



Segment SYSTEM INTEGRATION**COMPANIES OF SIRMA GROUP OPERATING IN THE SEGMENT ARE: SIRMA SOLUTIONS****FINANCIAL RESULTS OF THE SEGMENT**

	2019 BGN'000	2018 BGN'000
Revenue from:		
- external customers	22 772	23 523
Segment revenues	22 772	23 523
Changes in finished goods and work in progress	-	-
Cost of materials	(18 572)	(21 101)
Hired services expenses	(705)	(53)
Employee benefits expense	(372)	(559)
Depreciation and amortisation of non-financial assets	(23)	(7)
Impairment of non-financial assets	-	-
Other expenses	(11)	(1)
Segment operating profit	3 089	1 802

In 2019 the revenues of the segment decreased by 3,19%, and operating profit increased by 71,42% compared to 2018.

8 MAIN MARKETS

Consolidated earnings of Sirma Group Holding for the historical period under review are of different nature and geographic origin. Traditionally, revenues from services and goods have the highest share. At the same time, Europe, North America and the United Kingdom are at the forefront of geographic distribution of earnings. Revenues by region and countries are presented in the following table.

REVENUE BY REGIONS AND COUNTRIES:

Region	31.12.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Australia	22	3	19	633,33%
Asia	462	232	230	99,14%
Africa	28	39	(11)	(28,21%)
Europe	34 278	38 203	(3 925)	(10,27%)
United Kingdom	11 609	8 698	2 911	33,47%
South America	62	12	50	416,67%
North America	14 789	11 638	3 151	27,08%
Total	61 250	58 825	2 425	4,12%



9 CONSOLIDATED FINANCIAL RESULTS

CONSOLIDATED REVENUES

Consolidated revenues in 2019 includes:

	31.12.2019	31.12.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Revenue from contracts with customers	59 329	56 972	2 357	4,14%
Gain on sale of non-current assets	5	20	(15)	(75%)
Financing	54	290	(236)	(81,38%)
Other income	1 862	1 543	319	20,67%
Total	61 250	58 825	2 425	4,12%

Consolidated revenues increased with 4,12 % or BGN 2 425 thousand during 2019, which is in line with the upward trend in the business sector of the Group. The increase in consolidated revenues is due both to the attraction of new customers and to the increase in the volumes of existing ones.

Consolidated revenue by product line includes:

	31.12.2019	31.12.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Software services	20 168	23 794	(3 626)	(15,24%)
Sale of IT equipment	19 463	12 152	7 311	60,16%
Consulting services	6 290	6 424	(134)	(2,08%)
Subscriptions	3 208	3 606	(398)	(11,04%)
System integration	3 113	3 639	(526)	(14,45%)
Licenses	2 905	2 282	623	27,30%
Cloud services	2 060	2 902	(842)	(29,01%)
Others	2 122	2 173	(51)	(2,35%)
Total	59 329	56 972	2 357	4,14%



CONSOLIDATED EXPENSES

	31.12.2019	31.12.2018	Change
	BGN '000	BGN '000	(BGN '000,%)
Cost of materials	(3 240)	(10 710)	7 470
<i>Change in %</i>			(69,75%)
Hired services expenses	(6 043)	(11 063)	5 020
<i>Change in %</i>			(45,38%)
Employee benefits expense	(22 720)	(21 687)	(1 033)
<i>Change in %</i>			4,76%
Depreciation and amortisation of non-financial assets	(5 265)	(4 412)	(853)
<i>Change in %</i>			19,33%
Cost of goods sold and other current assets	(17 226)	(10 239)	(6 987)
<i>Change in %</i>			68,24%
Changes in finished goods and work in progress	(1 248)	742	(1 990)
<i>Change in %</i>			(268,19%)
Capitalized own expenses	2 658	8 523	(5 865)
<i>Change in %</i>			(68,81%)
Other expenses	(1 791)	(2 755)	964
<i>Change in %</i>			(34,99%)
Total expenses	(54 874)	(51 601)	(3 273)
<i>Change in %</i>			6,34%

During the period under review, consolidated operating expenses increased by BGN 3 929 thousand or by 13,24%.

CONSOLIDATED FINANCIAL INCOME / COSTS (NET)

	31.12.2019	31.12.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Financial costs	(703)	(1 306)	603	(46,17%)
Financial income	239	779	(540)	(69,32%)
Financial income / expenses (net)	(464)	(527)	63	(11,95%)

Consolidated financial costs decreased by BGN 603 thousand or by 46,17 % in 2019, mainly due to the exchange rate differences on currency transactions. Financial income decreased by BGN 540 thousand or by 69,32%, mainly due to the increase in revenues from currency operations.



CONSOLIDATED ASSETS

Consolidated assets posted an increase of BGN 4 272 thousand or 3,04 % in 2019. Traditionally, most of them are occupied by intangible assets, which is dictated by the activity of the Group and its ownership over a significant amount of software modules.

NON-CURRENT ASSETS

Assets	31.12.2019	31.12.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Non-current assets				
Goodwill	22 482	22 482	-	-
Property, plant and equipment	9 064	5 041	4 023	79,81%
Intangible assets	58 665	86 775	(28 110)	(32,39%)
Investments in subsidiaries	-	7	(7)	(100%)
Investments in Associates	-	157	(157)	(100%)
Deferred tax assets	419	476	(57)	(12,03%)
Total non-current assets	90 630	114 938	(24 308)	(21,15%)

Non-current assets decreased by BGN 27 498 thousand or by 23,28% in 2019.

CURRENT ASSETS

Assets	31.12.2019	31.12.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Current assets				
Inventory	1 255	2 710	(1 455)	(53,69%)
Trade receivables	10 806	10 914	(108)	(0,99%)
Prepayments and other assets	2 116	822	1 294	157,42%
Related party receivables	-	86	(86)	(100%)
Income tax receivables	103	11	92	836,36%
Cash and cash equivalents	10 550	11 068	(518)	(4,68%)
Total current assets	24 830	25 611	(781)	(3,05%)

Current assets decreased by BGN 781 thousand or by 3,05 % in 2019.

ASSETS INCLUDED IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	31.12.2019
	BGN '000
SEPlatform	16 752
SENPAI FIN-P	10 328
CYBER SECURITY-P	1 722
Automotive Retail Dynamic Pricing Platform	559
Total	29 361



EQUITY

	31.12.2019	31.12.2018	Change
	BGN '000	BGN '000	(BGN '000,%)
Share Capital	59 361	59 361	-
<i>Change</i>			-
Purchased own shares	(473)	(475)	-
<i>Change</i>			(0,63%)
Reserves	6 408	5 622	786
<i>Change</i>			13,98%
Retained earnings	22 813	18 275	4 538
<i>Change</i>			24,83%
Equity attributable to the owners of the parent	88 107	82 783	5 324
<i>Change</i>			6,43%
Non-controlling interest	15 908	15 677	231
<i>Change</i>			1,47%
Total	104 015	98 460	5 555
<i>Change</i>			5,64%

Equity during 2019 increased by BGN 5 555 thousand or by 5,64 %.

CONSOLIDATED LIABILITIES

Consolidated liabilities decreased by 1 283 BGN thousand or 3,05% in 2019.

NON-CURRENT LIABILITIES

	31.12.2019	31.12.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Pension and other employee obligations	276	203	73	35,96%
Long-term borrowings	8 380	9 359	(979)	(10,46%)
Long-term lease liabilities	2 908	127	2 781	2189,76%
Trade and other payables	-	8	(8)	(100%)
Financing (Grants)	19	58	(39)	(67,24%)
Deferred tax liabilities	33	311	(278)	(89,39%)
Total non-current liabilities	11 616	10 066	1 550	15,40%

Non-current liabilities increased by BGN 1 550 thousand or by 15,40% in 2019.



LONG-TERM AND SHORT-TERM BANK LOANS

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit	Remaining obligation to 31.12.2019	Date of making the loan	Interest rate	Number of remaining installments	The amount of monthly installment	End date of the contract	Collateral
Loans in which the Issuer is a debtor											
Sirma Group Holding JSC	Eurobank Bulgaria	overdraft	BGN	2 200 000	2 132 211	21.7.2016	2,50%			31.7.2019	Pledge on shares – 1 373 548 of the share of Sirma Business Consulting AD, owned by Sirma Solutions, Pledge of Future and Current Cash Receivables and Stocks on the Open Account in Eurobank, Receivables Pledge of the Receivables under the Business Incubator Contract №BG161PO003-2.2.0012-C0001 / 02.02.2012; Contractual mortgage of a real estate located in Sofia, Mladost district, Tsarigradsko Shose Blvd 135, namely the 5th floor of the building
Sirma Group Holding JSC	Societe Generale Expressbank	overdraft	BGN	2 000 000	6 349	8.8.2017	1 m. SOFIBOR +1,8%			31.8.2019	Pledge of 1 392 740 registered shares of the capital of Datium AD, owned by Sirma Solutions AD
Sirma Group Holding JSC	United Bulgarian Bank	overdraft	BGN	10 475 000	10 475 000	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	60	174 580	20.12.2024	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
Loans for which the Issuer is a guarantor											
Sirma Solutions	United Bulgarian Bank	overdraft	BGN	4 025 000	4 023 604	12.12.2019	RIR + 1.2%, but no less			20.12.2020	Pledge of receivables, pledge of commercial enterprises, pledge of



							that 1.3% per year		real estate
Sirma AI	United Bulgarian Bank	overdraft	EUR	741 000	666 620	15.08.2019	1 m. EURIBOR + 1,4% (but not less than 1,4%)	21.08.2020	Second in a row pledge on Sirma AI; Second pledge of his shares; A second pledge of current and future receivables totaling EUR 741 thousand; Pledge on receivables on all accounts of the borrower in UBB in the amount of EUR 741 thousand.
Sirma AI	United Bulgarian Bank	overdraft	EUR	3 000 000	2 955 029	15.08.2019	1 m. EURIBOR + 1,4% (but not less than 1,4%)	20.09.2020	The first in a row pledge of Sirma AI; The first pledge of the shares he holds; First in a row pledge of current and future receivables totaling EUR 3 million; Pledge on receivables on all accounts of the borrower in UBB in the amount of EUR 3 million.



CURRENT LIABILITIES

	31.12.2019	31.12.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Provisions	22	22	-	-
Pension and other employee obligations	3 370	3 493	(123)	(3,52%)
Short-term borrowings	15 761	9 401	6 360	67,65%
Short-term lease liabilities	588	42	546	1300%
Trade and other payables	6 592	9 904	(3 312)	(33,44%)
Contract liabilities	2 205	8 054	(5 849)	(72,62%)
Short-term related party payables	-	292	(292)	(100%)
Income tax liabilities	156	744	(588)	(79,03%)
Financing (Grants)	496	71	425	598,59%
Total current liabilities	29 190	32 023	(2 833)	(8,85%)

Current liabilities decreased by BGN 2 833 thousand or 8,85 % in 2019.

CASH FLOWS

The Group has no liquidity problems and operates with the available resources while maintaining a low level of indebtedness for the period under review. Traditionally, the largest pay-out in revenue streams is paid by customers, while the role of a negative item is paid by payments to suppliers and payments for staff and social security contributions.

SUMMARY OF CASH FLOW

	31.12.2019	31.12.2018	Изменение	Изменение
	BGN '000	BGN '000	BGN '000	%
Net cash flow from operating activities	2 774	9 039	(6 265)	(69,31%)
Net cash flow from investing activities	(7 331)	(10 694)	3 363	(31,45%)
Net cash flow from financing activities	4 047	6 646	(2 599)	(39,11%)
Net change in cash and cash equivalents	(510)	4 991	(5 501)	(110,22%)
Cash and cash equivalents at the beginning of the year	11 068	6 119	4949	80,88%
Exchange gains/(losses) on cash and cash equivalents	(8)	(42)	34	(80,95%)
Cash and cash equivalents at the end of the year	10 550	11 068	(518)	(4,68%)



INDICATORS AND RATIOS

№	Indicators (in BGN '000)	31.12.2019	31.12.2018	Change (value)	Change %
1	Revenue from operating activities	61 250	58 825	2 425	4,12%
2	Cost of sales	(53 083)	(48 846)	(4 237)	8,67%
3	Gross profit / loss	8 166	9 979	(1 813)	(18,17%)
4	Other operating costs	(1 791)	(2 755)	964	(34,99%)
5	Operating profit / loss	6 375	7 224	(849)	(11,75%)
6	Financial income	239	779	(540)	(69,32%)
7	Financial costs	(703)	(1 306)	603	(46,17%)
8	Profit / loss before tax expense	5 911	6 697	(786)	(11,74%)
9	Tax costs	(501)	(684)	183	(26,75%)
10	Net profit / loss	5 410	6 013	(603)	(10,03%)
11	Dividend	-	-	-	n/a
12	Cash and cash equivalents	10 550	11 068	(518)	(4,68%)
13	Inventories	1 255	2 710	(1 455)	(53,69%)
14	Short-term assets	24 830	24 021	809	3,37%
15	Total amount of assets	144 812	140 549	4 263	3,03%
16	Average arithmetic total asset value for 5 quarters	143 361	139 421	3 940	2,83%
17	Current liabilities	29 190	32 023	(2 833)	(8,85%)
18	Debt	27 637	18 929	8 708	46%
19	Liabilities (borrowed funds)	40 806	42 089	(1 283)	(3,05%)
20	Equity	104 015	98 460	5 555	5,64%
21	Equity averaged 5 quarters	106 146	103 557	2 589	2,50%
22	Turnover capital	(4 360)	(8 002)	3 642	(45,51%)
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	-
24	Gain / loss minority interest	307	1 165	(858)	(73,65%)
25	Interest expenses	(373)	(319)	(54)	16,93%
26	Weighted average price of last trading session	0,635	0,898	(0,263)	(29,29%)
27	Last price per share of last trading session	0,625	0,910	(0,285)	(31,32%)



Indicators	31.12.2019	31.12.2018	Change	Change
			(value)	%
EBITDA	11 856	12 593	(737)	(5,85%)
DEPRTIATION	(5 265)	(4 412)	(853)	19,33%
EBIT	6 591	8 181	(1 590)	(19,44%)
FIN/INVEST NET	(464)	(527)	63	(11,95%)
EBT	5 911	6 697	(786)	(11,74%)
ROA	0,0352	0,0345	0,0007	2,16%
ROA(BSE)	0,0356	0,0348	0,0008	2,37%
Debt/EBITDA Ratio	2,3311	1,5031	0,8279	55,08%
Quick Ratio	0,8076	0,6655	0,1421	21,36%
ROE	0,0510	0,0581	(0,0071)	(12,22%)
Debt/Equity Ratio (BSE)	0,3923	0,4275	(0,0352)	(8,23%)
Profitability ratios				
Gross profit margin	0,1333	0,1696	(0,0363)	(21,41%)
Operating profit margin	0,1041	0,1228	(0,0187)	(15,25%)
Net profit margin	0,0883	0,1022	(0,0139)	(13,59%)
Return on Assets	0,0377	0,0431	(0,0054)	(12,50%)
Return on Equity	0,0510	0,0581	(0,0071)	(12,22%)
Coefficients for assets and liquidity				
Assets turnover ratio	0,4289	0,4275	0,0014	0,33%
Assets turnover ratio (BSE)	0,4272	0,4219	0,0053	1,26%
Operating cycle	(14,0482)	(7,3513)	(6,6969)	91,10%
Current ratio	0,8506	0,7501	0,1005	13,40%
Quick ratio	0,8076	0,6655	0,1421	21,36%
Cash ratio	0,3614	0,3456	0,0158	4,57%
Odds per share				
P/S ratio	0,6154	0,9062	(0,2908)	(32,09%)
P/E ratio	6,9675	8,8652	(1,8976)	(21,41%)
Revenue per share	1,0318	0,9910	0,0409	4,12%
Earnings per share	0,0911	0,1013	(0,0102)	(10,03%)
Book value of equity per share	1,7881	1,7445	0,0436	2,50%
Development Ratios				
Revenue growth	0,0412	0,1305	(0,0892)	(68,40%)
Gross profit growth	(0,1817)	0,0647	(0,2463)	n/a
Assets growth	0,0303	0,1014	(0,0711)	(70,10%)
Leverage Ratios				
Debt/taotal assets	0,1928	0,1358	0,0570	41,99%
Debt/capital	0,2066	0,1545	0,0520	33,67%
Debt/equity	0,2604	0,1828	0,0776	42,44%
Total assets/equity	1,3506	1,3463	0,0043	0,32%
Market value of the company	37 101	54 019	(16 918)	(31,32%)



RELATED COMPANIES TRANSACTIONS

Sirma Group Holding

Transactions with other related parties

	2019	2018
	BGN'000	BGN'000
Purchases of services		
- Internet	16	17
- Consulting services	18	4
- Subscriptions	5	-
- Software services	-	200
- Software license rental	-	79
Sale of services		
- Administrative, accounting services	149	184
- Rent	47	37
- Sale of licenses	-	76
- Technical Support	15	14
- Marketing and Advertising	1	-
Purchases of goods		
- Consumables	6	-
- Deposits received	670	-
- Given loans	-	184
- Reimbursed loans	43	-
- Interest on loans granted	56	59

Transactions with key management personnel

Key management of the Company includes members of the board of directors. Key management personnel remuneration includes the following expenses:

	2019	2018
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	300	322
Social security costs	7	6
Total short-term employee benefits	307	328
Total remunerations	307	328



Sirma Solutions**Transactions with associates**

	2019	2018
	BGN'000	BGN'000
Sale of goods and services		
- sale of services to Sirma USA	4 480	3 345
- sale of services of Sirma Mobile	5	-
Purchases of goods and services		
- purchases of services from Sirma USA	70	120
- purchase of services from Sirma Mobile	11	582
Loan granted to Sirma Mobile	-	126

Transactions with other related parties

	2019	2018
	BGN'000	BGN'000
Sale of goods and services		
- sale of services	215	329
- sale of goods	51	82
Purchases of goods and services		
- purchase of services	176	281
- Purchase of goods	-	5

Transactions with key management personnel

Key management of the Company includes members of the board of directors. Key management personnel remuneration includes the following expenses:

	2019	2018
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	120	120
Total remunerations	120	120



Sirma AI**Transactions with other related parties under common control**

	2019	2018
	BGN'000	BGN'000
Sales of services		
- Consulting services	9	-
Purchases of assets	15	-
- Fixed assets	4	-
- Computer components	81	-
Purchases of services	53	-
- Software services	20	-
- Cloud services	148	-
- Interest on deposit	1	2

Transactions with key management personnel

Key management of the Company includes members of the board of directors. Key management personnel remuneration includes the following expenses:

	2019	2018
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	31	1
Social security costs	-	1
Total remunerations	31	2

EngView Systems Sofia**Transactions with other related parties under common control**

	2019	2018
	BGN'000	BGN'000
Sale of services:		
- licenses	1	87
- software services	9	7
Purchases of goods:		
- fixed assets	12	17
- materials, consumables	9	14
Purchases of services:		
- software services	5	216
- consulting services	3	-
- Internet	2	2



Transactions with key management personnel

Key management of the Company includes members of the board of directors. Key management personnel remuneration includes the following expenses:

	2019	2018
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	127	122
Social security costs	7	6
Total short-term employee benefits	134	128
Dividends	57	-
Total remunerations	191	128

Sirma Business Consulting**Transactions with other related parties under common control**

	2019	2018
	BGN'000	BGN'000
Purchases of materials	-	1
Purchases of services		
- Internet	4	4
- Administrative	83	86
- Others	1	-
- Consulting	-	1
- Rent	-	2
- Advertising and marketing	1	-
- seminars and training	9	2
- installments under leasing contracts	89	-
- interest on lease agreements	2	-
- deposit	220	-

Transactions with key management personnel

Key management of the Company includes members of the board of directors. Key management personnel remuneration includes the following expenses:

	2019	2018
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	443	459
Social security costs	20	18
Total short-term employee benefits	463	477
Total remunerations	463	477



Daticum**Transactions with other related parties under common control**

	2019	2018
	BGN'000	BGN'000
Sale of services, incl.	60	61
- internet	11	11
- server rental	25	27
- license rental		
- others	23	22
Interest income	1	1
Purchase of consumables	1	1
Purchase of services	8	
Purchase of administrative services	56	51
Purchase of others	31	23

Transactions with key management personnel

Key management of the Company includes members of the board of directors. Key management personnel remuneration includes the following expenses:

	2019	2018
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	112	107
Total short-term employee benefits	112	107
Total remunerations	112	107



Sirma ICS**Transactions with other related parties under common control**

	2019	2018
	BGN'000	BGN'000
Sale of services	16	122
Sale of fixed assets	7	-
Purchases of materials	5	5
Purchases of services		
- Subscriptions	1	-
- Administrative service	10	10
- Others	1	1
- Security	2	1
- Maintenance and repair of the office	3	-
- Cleaning	3	3
- Seminars and trainings	4	2
- Rent	-	23
- Software services	-	45
- Principals under a lease agreement	24	-
- Interest under the lease agreement	3	-
Purchase of intangible fixed assets	-	76
Repayed loan received	43	-
Interest on the loan received	4	-

Transactions with key management personnel

Key management of the Company includes members of the board of directors. Key management personnel remuneration includes the following expenses:

	2019	2018
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	87	87
Social security costs	7	7
Total remunerations	94	94



Sirma CI**Transactions with other related parties under common control**

	2019	2018
	BGN'000	BGN'000
Sale of services:		
- Software services	37	10
- Other services	1	-
Purchases of services:		
- Software services	83	21
- Subscription services	4	3
- Other services	1	-

Transactions with key management personnel

Key management of the Company includes members of the board of directors. Key management personnel remuneration includes the following expenses:

	2019	2018
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	75	15
Social security costs	7	1
Total remunerations	82	16

Sirma Medical Systems**Transactions with other related parties under common control**

	2019	2018
	BGN'000	BGN'000
Sale of services		
- sale of services	148	188
Purchases of materials and services		
- purchases of materials	1	-
- purchases of services	6	-



Transactions with key management personnel

Key management of the Company includes members of the board of directors. Key management personnel remuneration includes the following expenses:

	2019	2018
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses		
Social security costs	109	109
Total short-term employee benefits	7	6
Total remunerations	116	115
Short-term employee benefits:	116	115

Ontotext**Transactions with other related parties under common control**

	2019	2018
	BGN'000	BGN'000
Purchases of assets		
- Fixed assets	9	46
- Intangible assets	-	87
Purchases of materials		
- Computer components	2	4
Purchases of services		
- Software services	-	69
- Hosting	2	40
- Consulting services	-	171

Transactions with key management personnel

Key management of the Company includes members of the board of directors. Key management personnel remuneration includes the following expenses:

	2019	2018
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	2	36
Social security costs	-	-
Total remunerations	2	36



10 EMPLOYEES AND ECOLOGY

ECOLOGY

Sirma Group Holding maintains and observes its commitments in compliance with the national legislation in the field of environmental protection. The company applies measures for consolidated collection of waste, minimization, recovery and recycling of municipal waste. In 2017, the use of plastic cups stopped, and they were replaced with porcelain and glass.

EMPLOYEES

The Company believes that its employees play a key role in the development of its business and the overall corporate goals and therefore pays special attention to the development of a common human resources management

strategy and policies. Sirma Group Holding's policies in this regard are aimed at stimulating the responsibility and motivation of the staff to fulfill the assigned tasks and objectives.

The company and the companies in the group apply certain selection criteria and consider that they have an ambitious team of professionals capable of pursuing the strategic and operational objectives. Sirma Group Holding invests in various training programs for its employees and provides its employees with opportunities for professional development.

Count of employees in the Group:

31.12.2019

Company	LC	CMC	Total
SIRMA CI	2	1	3
SIRMA ICS	10	1	11
DATICUM	9	6	15
ENGVIEW SYSTEMS SOFIA	37	4	41
SIRMA AI	73	6	79
SIRMA BUSINESS CONSULTING	59	5	64
SIRMA GROUP HOLDING	21	6	27
SIRMA SOLUTIONS	126	7	133
SIRMA MEDICAL SYSTEMS	3	3	6
SIRMA GROUP INC.	5	1	6
S&G UK	1	1	2
SIRMA SHA	7	3	10
ONTOTEXT	0	1	1
Total	353	45	398



31.12.2018

Company	LC	CMC	Total
SIRMA ICS	9	1	10
DATICUM	10	6	16
ENGVIEW SYSTEMS SOFIA	42	5	47
SIRMA AI	1	2	3
SIRMA BUSINESS CONSULTING	56	5	61
SIRMA GROUP HOLDING	22	8	30
SIRMA SOLUTIONS	133	7	140
SIRMA MEDICAL SYSTEMS	4	3	7
SIRMA GROUP INC.	0	0	0
SIRMA USA	5	1	6
S&G UK	0	1	1
SIRMA SHA	7	3	10
ONTOTEXT	58	3	61
Total	352	48	400

11 RISK FACTORS

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in note 40. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is carried out by the central administration, in close co-operation with the board of directors and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Group is exposed are described below.

MARKET RISK ANALYSIS

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign currency risk

Most of the Group's transactions are carried out in Bulgarian leva (BGN). Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US-Dollars and British Pounds.

To mitigate the Group's exposure to foreign currency risk, non-BGN cash flows are monitored. Generally, Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into Bulgarian leva at the closing rate:



	Short-term exposure		
	USD BGN'000	GBP BGN'000	Others BGN'000
31 December 2019			
Financial assets	914	521	3
Financial liabilities	(488)	(48)	-
Total exposure	426	473	3
31 December 2018			
Financial assets	2 629	244	-
Financial liabilities	(302)	(73)	-
Total exposure	2 327	171	-

The following tables illustrate the sensitivity of post-tax financial result for the year and equity in regards to exchange rate differences between the Bulgarian Lev (BGN) and the following currencies 'all other things being equal':

- US Dollars (USD) +/- 1% (for 2018 +/- 5%)
- Pound Sterling (GBP) (+/- 1%) (for 2018 +/- 5%)

These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into.

31 December 2019	Increase of the exchange rate		Decrease of the exchange rate	
	BGN/foreign currency		BGN/foreign currency	
	Net financial result	Equity	Net financial result	Equity
	BGN'000	BGN'000	BGN'000	BGN'000
US Dollars (USD) (+/- x%)	4	-	(4)	-
Pound Sterling (GBP) (+/- x%)	25	-	(25)	-

31 December 2018	Increase of the exchange rate		Decrease of the exchange rate	
	BGN/foreign currency		BGN/foreign currency	
	Net financial result	Equity	Net financial result	Equity
	BGN'000	BGN'000	BGN'000	BGN'000
US Dollars (USD) (+/- x%)	7	-	(7)	-
Pound Sterling (GBP) (+/- x%)	9	-	(9)	-

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Interest rate risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2019, the Group is not exposed to changes in market interest rates through bank borrowings. All financial assets and liabilities of the Group are with fixed interest rates.



CREDIT RISK

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2019	2018
	BGN'000	BGN'000
Classes of financial assets – carrying amounts:		
Trade receivables	10 778	10 886
Related party receivables	-	86
Cash and cash equivalents	10 550	11 068
Carrying amount	21 328	22 040

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements in regard to transactions.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

LIQUIDITY RISK

Liquidity risk is the risk arising from the Group not being able to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at 31 December 2019, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2019	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	BGN'000	BGN'000	BGN'000	BGN'000
Borrowings	-	15 761	8 380	-
Finance lease obligations	340	340	2 610	739
Trade and other payables	5 928	-	-	-
Related party payables	-	-	19	-
Total	6 268	16 101	11 009	739



This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting period as follows:

31 December 2018	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	BGN'000	BGN'000	BGN'000	BGN'000
Borrowings	-	9 401	-	9 359
Finance lease obligations	22	23	-	136
Trade and other payables	9 224	-	-	-
Related party payables	292	-	58	-
Total	9 538	9 424	58	9 495

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

Financial assets used for managing liquidity risk

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables do not significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

12 OTHER INFORMATION AS PER APPENDIX 11 OF ORDINANCE 2 OF THE FSC

12.1 INFORMATION ABOUT EVENTS AND INDICATORS WITH INCREASED NATURE OF THE COMPANY, HAVING A SIGNIFICANT EFFECT ON THEIR ACTIVITY AND THEIR INCOME AND EXPENDITURE; EVALUATION OF THEIR IMPACT ON RESULTS IN THE CURRENT PERIOD

There are no events and indicators with an unusual nature for the company that have a significant impact on its operations and its realized revenues and expenses; assessing their impact on results during the current period.

12.2 INFORMATION ABOUT OUT OF THE BALANCE SHEET TRANSACTIONS - NATURE AND BUSINESS PURPOSE, FINANCIAL IMPACT OF THE TRANSACTION ON ACTIVITY IF THE RISKS AND BENEFITS OF THESE TRANSACTIONS ARE ESSENTIAL FOR THE COMPANY AND THE DISCLOSURE OF THIS INFORMATION IS ESSENTIAL FOR ASSESSING THE FINANCIAL POSITION OF THE COMPANY.

There are no deals out of the balance sheet of the Company.

12.3 INFORMATION ABOUT THE USE OF FUNDS FROM THE NEW ISSUE OF SECURITIES, CARRIED OUT DURING THE REPORTING PERIOD.

The company did not use funds from a new issue of securities in the reporting period.



12.4. ANALYSIS OF THE RELATIONSHIP BETWEEN THE FINANCIAL RESULTS ACHIEVED, REPORTED IN THE FINANCIAL STATEMENT FOR THE FINANCIAL YEAR AND EARLIER PUBLISHED PROJECTIONS FOR THESE RESULTS.

The financial results of the company correspond to the forecasts made in the Development Strategy of Sirma Group Holding, which is published on the company's website.

12.5 ANALYSIS AND FINANCIAL EVALUATION OF THE FINANCIAL RESOURCES MANAGEMENT POLICY WITH THE POSITION OF OPPORTUNITIES FOR THE SERVICE OF THE OBLIGATIONS, THE EVENTUAL THREATS AND MEASURES WHICH THE COMPANY WAS PREVENTED OR PROVIDED TO TAKE FOR THE PURPOSE OF REMOVING THEM.

The management of financial resources is subject to the requirement of maximizing efficiency while respecting payment deadlines agreed with both suppliers and customers. This means a predominant use of own funds, resulting in lower financial costs and interest costs. On the other hand, there is a significant reserve of undrawn loans that can serve both current and investment costs, which maintain high liquidity of payments.

The entity's ability to service obligations is expressed in terms of liquidity ratios in the description of the liquidity risk in this report. As evidenced by the values of the liquidity indicators, Sirma Group Holding JSC has no problems in meeting its obligations, both in the medium and long term. The company has regular proceeds from sale, while also using bank overdrafts, which allows it to service its obligations by successfully managing its financial resources and to properly and timely service its obligations.

12.6 ASSESSMENT OF THE POSSIBILITIES FOR THE IMPLEMENTATION OF INVESTMENT INTENTIONS WITH THE SIGNIFICANCE OF THE AMOUNT OF EXPENDITURE AND THE EFFECTIVENESS OF THE POSSIBLE CHANGES IN THE STRUCTURE OF FINANCING THAT ACTIVITY.

The management estimates that it is possible to realize the investment intentions declared with the prospectus for initial public offering.

12.7 INFORMATION ABOUT OCCURRING CHANGES IN THE REPORTING PERIOD IN THE MAIN PRINCIPLES FOR THE MANAGEMENT OF THE COMPANY AND ITS ECONOMIC GROUP.

There were no changes during the reporting period in the company's main management principles and its economic group.

12.8 INFORMATION ABOUT THE MAIN CHARACTERISTICS OF THE FINANCIAL REPORTING PROCESSING INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

Under Bulgarian law, the management should prepare an annual report on the operations and a financial statement for each quarter to give a true and fair view of the Company's financial position as of the end of the year, financial performance and cash flows in accordance with the applicable accounting framework. Management's responsibility also includes the implementation of an internal control system to prevent, detect and correct mistakes and false statements as a result of the accounting system's actions. In this respect, the

management observes the following basic principles in its activities:

- adherence to a particular management and accounting policy disclosed in the financial statements;
- carrying out all operations in compliance with the laws and regulations; coverage of all events and operations in a timely manner, with the exact amount of the amounts in the appropriate accounting articles.



- accounts and the relevant reporting period so as to allow the financial statements to be prepared in accordance with the specific accounting framework;
- observance of the precautionary principle in the valuation of assets, liabilities, income and expenses;
- detection and termination of frauds and errors;
- completeness and regularity of accounting information;

- preparation of reliable financial information;
- adherence to international financial reporting standards and adherence to the going concern principle.

During the reporting period, there have been no changes in the basic principles of management of SIRMA GROUP HOLDING

12.9 INFORMATION ON CHANGES IN MANAGEMENT AND SUPERVISORY BODIES IN THE FINANCIAL YEAR.

At the General Meeting of Shareholders of "Sirma Group Holding" JSC, held on 19.06.2019, Tsvetomir Angelov Doskov and Sasha Konstantinova Bezuhanova was dismissed as members of the Board of Directors.

12.10 INFORMATION ABOUT THE KNOWN TO THE COMPANY AGREEMENTS (INCLUDING ALSO AFTER THE CLOSING OF THE FISCAL YEAR) AS A RESULT OF WHICH CHANGES MAY OCCUR AT A FUTURE TIME IN THE OWNED PERCENT OF SHARES OR BONDS BY CURRENT SHAREHOLDERS OR BONDHOLDERS.

The company has no information of agreements which may alter the owned percent of shares by current shareholders. The company has not issued bonds.

12.11 DETAILS OF THE DIRECTOR FOR CONNECTIONS WITH THE INVESTOR, INCLUDING A TELEPHONE AND ADDRESS FOR CORRESPONDENCE.

Stanislav Tanushev

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13 CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY



14 EVENTS AFTER THE END OF THE REPORTING PERIOD

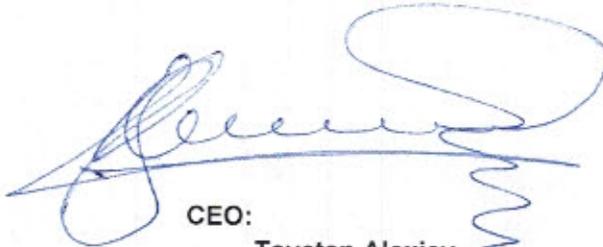
World pandemic and the declaration of a state of emergency in the Republic of Bulgaria.

In early 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties arose in the business and economic activities of a number of enterprises and entire economic sectors. On 11 March 2020, the World Health Organization also announced the presence of a coronavirus pandemic (Covid-19). On 13 March 2020, the Bulgarian government declared a state of emergency for a period of one month, which was subsequently extended by another month and introduced a number of restrictive and protective measures for business and people. The forecasts for the expected development of the Information and Communication Technologies sector in 2020 and the coming years are a function of the development of the health crisis and the economic stagnation caused by it.

The management has taken measures to improve the efficiency of the work process, in compliance with the prescriptions of the health authorities, focusing on the goal of retaining staff, which would ensure a good market position in the restoration of normal economic activity. The annual budget has been revised and analyzed in detail in order to limit the effects of the coronavirus and maintain stable financial indicators, and cost optimization measures are envisaged.

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. Management has analyzed the potential effects of the crisis and assessed the risks associated with it. In the analysis of the financial risks related to the change of the business environment, different scenarios with different degree of probability for their manifestation have been developed and considered. The worst case scenario, assessed as unlikely by management, could lead to a potential reduction in business volume and revenues from sales of products and services. This, in turn, could lead to a change in the carrying amounts of the company's assets, which in the separate financial statements are determined by a number of judgments and assumptions made by management and reporting the most reliable information available at the date of estimates.

Sofia
30.06.2020



CEO:
Tsvetan Alexiev

