

Annual Separate Management Report

of "Sirma Group Holding" JSC

according to Annex N10 of Ordinance 2 to Article 32,
Paragraph 1, Item 2, Article 35, Paragraph 1, Item 2, Article 41,
Paragraph 1, Item 2

for 2019

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

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

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 separate financial statements as at 31 December 2019;
- there is no actual or potential breach of laws and (or) other regulatory provisions that would have a material impact on the separate financial statements or could serve as a basis for reporting contingent losses;
- 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 we could reasonably expect to 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 that 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 Risk Section of the report.

The words "purpose", "predict", "accept", "believe", "in the future", "we could", "rely", "we are confident", "appreciate", "expect", "we intend", "we can", "can", "prospect", "plan", "project", "predict", "would" and other similar expressions are intended to identify these forward-looking statements. Such estimates are, for example, those made in the Business Results section of our quantitative and qualitative disclosures about market risk in accordance with International Financial Reporting Standards (IFRS), namely IFRS 7 and related statements in our Notes to the financial statements, our prospects for development, and other forecast information that appears in other parts of this report. Unless required by law, we do not commit and we

have no obligation to update or revise predictive statements as a result of new information we have received about the conditions that existed at the time of this report, future events, or otherwise unless we are obliged to do so under the law.

This report includes IT industry statistics and global economic trends that 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 data type 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 Separate Management Report, we analyze our business activities for the reporting financial period as well as the current situation of Sirma Group Holding. 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 the „Sirma Group Holding“ JSC report includes our separate 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 separate financial statements have been prepared in accordance with IFRSs. Internal control over financial reporting ensures the reliability of the information presented in the separate financial statements. Our Board of Directors has confirmed the effectiveness of our internal financial reporting.

The reporting period is the financial period ending on 31.12.2019. The report includes the activity of “Sirma Group Holding” JSC.



2/ ORGANIZATION AND WAY OF PRESENTATION

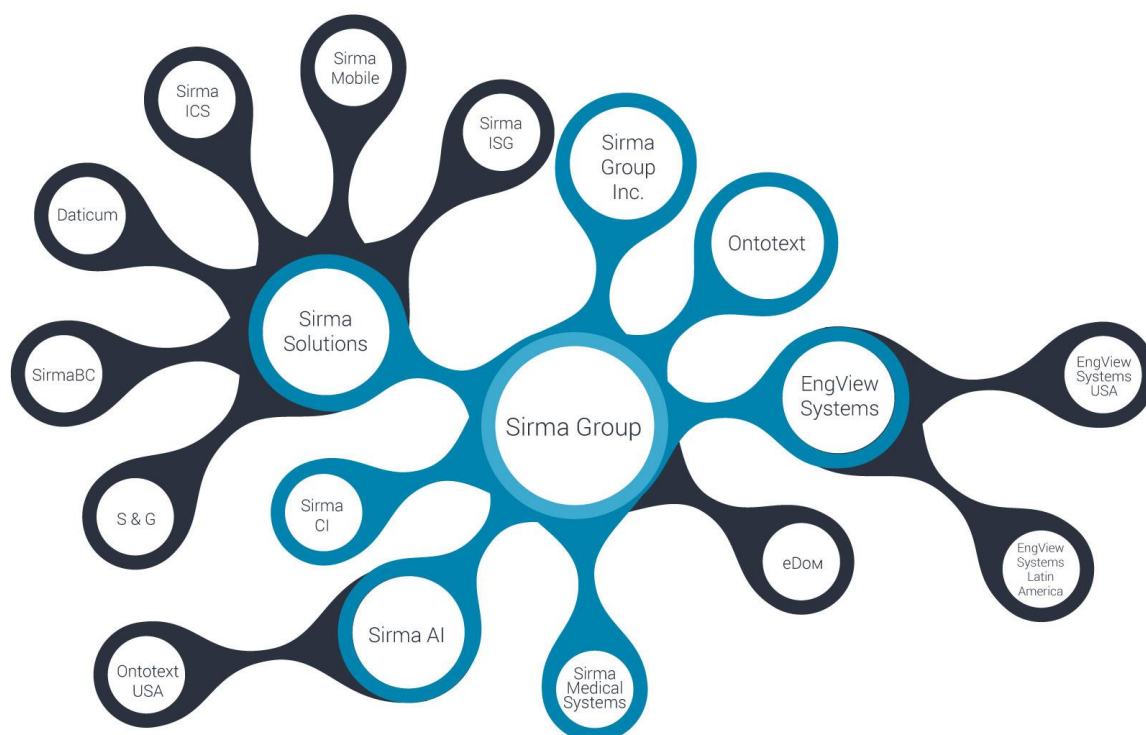
"Sirma Group Holding" JSC is a holding company which invests in technological businesses. It provides its subsidiaries with strategical and operational management as well as administrative, marketing and financial services.

Over the years, Sirma has created over 20 companies and has invested a tremendous financial and human capital in

these. Our strategy is to create, incubate and develop businesses.

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

2.1. Group structure



HISTORY AND DEVELOPMENT OF THE COMPANY

"Sirma Group Holding" JSC is a holding company registered on 25.04.2008 in the Commercial Register under UIC 200101236, with principal place of business and registered office: BULGARIA, Sofia (capital), Sofia municipality, city, Sofia, 1784, Mladost area, bul. Tsarigradsko Shosse, No 135.

The name of the company was changed on 23.03.2009. from "SGH" JSC to "Sirma Group Holding" JSC.

The company's principal activities include: Acquisition, management, evaluation and sale of interest in Bulgaria and foreign entities; acquisition, evaluation and sale of patents, granting of licenses to use patents of the entities in which the company holds interests, financing the entities in which the company holds shares, organizing their accounting and compiling financial statements under the law of accounting. The Company may perform independent business activity that is not prohibited by law.

Changes in the principal activity:

On 23.03.2009 "Sirma Group Holding" changed its principal activity as follows: Acquisition, management, evaluation and sale of interest in Bulgaria and foreign entities; acquisition, evaluation and sale of patents, granting of licenses to use patents of the entities in which the company holds interests, financing the entities in which the company holds shares, organizing their accounting and compiling financial statements under the Law of Accounting. On The company may also carry out its own commercial activity,

which is not prohibited by law. 04.07.2012 the subject of activity was changed to the current one.

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 integrated solutions, including software project management, information and communication technology consultancy; accounting services, as well as any other activity not prohibited by law.

Since the incorporation of the company until the date of this document, "Sirma Group Holding" JSC:

- has not transferred or established a pledge of the enterprise;
- has not filed claims for the opening of insolvency proceedings of the company;
- has not received tenders from third parties to purchase the Company or from the Company to purchase other companies;

CAPITAL

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

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

Non-monetary contributions - description:

1. Software representing 29 (twenty nine) software modules.

Amount: BGN 61 555 838

2. 81 960 number of ordinary registered shares of "Sirma Group" JSC, the company registered in the Commercial Register to the Registry Agency under UIC 040529004.

Amount: BGN 11 734 980

3. Real Estate - Floor 3 of an office building "IT - Center Office Express" in Sofia, bul. "Tsarigradsko Shosse " N 135 with an area 796, 50 square meters, pursuant to Deed of buying and selling real estate N 126, Volume I, reg. N 4551, case N 116 from 23.04.2003 and 5 floor of an office building "IT - center office Express" in Sofia bul. " Tsarigradsko Shosse " N 135 with area 281.81 square meters, according to Deed of sale of real estate N 86, Volume 4, Reg. N 10237, Case N 592 of 23.12.2004

Amount: BGN 3 911 660

Total Amount: BGN 77 202 478

Non-cash contributions are detailed in Article 7, paragraph 3 of the Articles of Association of the Company.



HISTORY OF SHAREHOLDER CAPITAL

- Through an initial public offering, according to a resolution of the GMS dated 04.12.2014, an increase of the capital of "Sirma Group Holding" JSC was registered on 30.10.2015, increasing the capital to BGN 59 360 518 BGN.
- 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 valuers. The shareholding structure of the Company does not change as a result of the separation until the shareholding structures in the transforming and newly established companies are mirrored.
- 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 77,252,478 BGN to 73,340,818 BGN was recorded through the cancellation of 3,911,660 shares with a par value of one each. The Company's capital was reduced on the basis of Art. 200, para. 2, in conjunction with Art. 187f, par. 1, item 2n in Bulgarian commercial law.

- On 15.10.2008 after the adoption of three triple expert appraisals, the share capital is increased from 50 000 BGN to 77 252 478 BGN through non-cash contributions by issuing new 77 202 478 shares as follows:

- 29 software modules worth 61 555 838 BGN;
- 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 Blvd., owned by "Sirma Group" JSC, 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" JSC by decision of the General Meeting of "SGH" JSC from 10.07.2008

- 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.

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/ PORTFOLIO OF "SIRMA GROUP HOLDING" JSC

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 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
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%	76,16%	3 471	76,16%	76,16%
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		

Associated companies of "Sirma Group Holding" JSC

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)
GMG Systems (IN LIQUIDATION)	-	19,93%	-	19,93%	-
E-DOM MANAGEMENT	-	35,00%	-	35,00%	-
Total	-		-		-



INFORMATION ON PARTICIPATION

Apart from the above mentioned participations of the Company under PORTFOLIO above, there are no other participations which are likely to have a significant effect on the valuation of its own assets and liabilities, financial position or profits or losses.

The company has no branches.

4/ STRUCTURE OF SHAREHOLDERS CAPITAL AND MANAGEMENT AUTHORITIES

4.1. Distribution of share capital

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

	31.12.2019 BGN '000	30.09.2019 BGN '000
Share capital	59 361	59 361
Number of shares (par value of BGN 1.00)	59 360 518	59 360 518
Total number of registered shareholders	1064	1072
Including legal entities	57	57
individuals	1007	1015
Number of shares held by legal entities	11 614 752	11 674 892
% Of participation of entities	19,57%	19,67%
Number of shares held by individuals	47 745 766	47 685 626
% Participation of individuals	80,43%	80,33%

Shareholders	Number of shares at 31.12.2019	Number of shares at 30.09.2019	Nomina l 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%
Veselin Kirov Antchev	4 700 786	4 700 786	1	4 700 786	7,92%	7,98%
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%
Yavor Liudmilov Djonev	1 392 746	1 392 746	1	1 392 746	2,35%	2,37%
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,95%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,30%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,35%
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%
Peter Nikolaev Konyarov	1 187 480	1 187 480	1	1 187 480	2,00%	2,02%
Emiliana Ilieva Ilieva	1 792 168	1 792 168	1	1 792 168	3,02%	3,04%
Elena Yordanova Kozuharova	607 040	638 942	1	607 040	1,02%	1,03%
Ivo Petrov Petrov	1 572 828	1 450 000	1	1 572 828	2,65%	2,67%
Stanislav Ivanov Dimitrov	257 368	257 368	1	257 368	0,43%	0,44%
Expat Bulgaria SOFIX UCITS ETF	732 355	977 907	1	732 355	1,23%	1,24%
Foundation for Educational Transformation	363 327	554 479	1	363 327	0,61%	0,62%
"NN Universal Pension Fund"	2 323 939	2 323 939	1	2 323 939	3,91%	3,95%
Bank of New York Melon	857 600	857 600	1	857 600	1,44%	1,46%
UPF "Doverie" JSC	1 047 678	802 126	1	1 047 678	1,76%	1,78%
UPF "DSK Rodina"	747 036	747 036	1	747 036	1,26%	1,27%
UPF "Pension Insurance Institute"	715 810	715 810	1	715 810	1,21%	1,22%
"Mandjukov" Ltd.	960 000	960 000	1	960 000	1,62%	1,63%
Unicredit Bank Austria	1 094 249	1 094 249	1	1 094 249	1,84%	1,86%
Others	10 624 246	10 524 020	1	10 624 246	17,90%	18,04%
Total	59 360 518	59 360 518		59 360 518	100%	100%



As of 31.12.2019 "Sirma Group Holding" JSC possesses repurchased 474 724 own shares (0,80% from share capital). There is no newly repurchased own shares by the company during the reporting period.

Shareholders holding more than 5% of the company's capital are:

Shareholders	Number of shares at 31.12.2019	% Shareholding	% shareholding 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%

Shareholders	Number of shares at 30.09.2019	% Shareholding	% shareholding 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%

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.

4.2. Management authorities

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

The Board of Directors as at 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.

Determination of the mandate of the Board of Directors: 2 years from the date of entry.

The current mandate of the Board of Directors: 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.

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 “Sirma Medical” JSC;
 - Member of the BD of MAC „Bushido“;
 - Trustee of the foundation „Alexander“.

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 its shares.

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 Kiryakov – member*

4. Audit Committee, composed of:

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

Adopted internal 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) :

Name	Company	Period: 01.01.2019 - 31.12.2019 (BGN)
Tsvetan Borisov Alexiev	"SIRMA GROUP HOLDING" JSC	(139 000)
Chavdar Velizarov Dimitrov	"SIRMA GROUP HOLDING" JSC	(18 000)
Tsvetomir Angelov Doskov	"SIRMA GROUP HOLDING" JSC	(9 196)
Atanas Kostadinov Kiryakov	"SIRMA GROUP HOLDING" JSC	(18 000)
Georgi Parvanov Marinov	"SIRMA GROUP HOLDING" JSC	(18 000)
Sasha Konstantinova Bezukhanova	"SIRMA GROUP HOLDING" JSC	(9 196)
Yordan Stoyanov Nedev	"SIRMA GROUP HOLDING" JSC	(71 095)
Petar Borisov Statev	"SIRMA GROUP HOLDING" JSC	(18 000)
Total		(300 487)

INFORMATION ON THE CONTRACTS OF THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODIES WITH THE COMPANY PROVIDING BENEFITS FOR THE DISCONTINUATION OF EMPLOYMENT

The contracts of the members of the board of directors, both with the Company and its subsidiaries, where such contracts

are available, do not include the right to benefits upon termination.



INFORMATION ON THE COMPANY'S AUDIT COMMITTEE, INCLUDING THE NAME OF THE MEMBERS OF THE COMMITTEE AND A MANDATE SUMMARY ON 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 extended with 3 (three) years at the current remuneration. The Audit Committee includes the following members:

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

STATEMENT ON WHETHER THE COMPANY COMPLIES OR DOES NOT WITH 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

"Sirma Group Holding" JSC is obliged to comply its financial statements with the requirements within the program for the application of internationally recognized standards for good corporate governance and maintains its accounting policy in accordance with International Accounting Standards.

5/ "SIRMA GROUP HOLDING" IN 2019

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. The leading reason for the growth was personal consumption, which was reinforced by favorable developments in the labour market as well as increased lending.

The major risk for the economy in 2020 is the global pandemic of the COVID-19 coronavirus. The restrictions and the state of emergency imposed as measures to combat the pandemic will lead to a 3.7% drop in Bulgaria's GDP in 2020, as forecast by the [World Bank in April 2020](#), and an economic recovery of 3.9% in 2021. The International Monetary Fund's (IMF) projections of 14.04.2020 ([World Economic Outlook, 14 April 2020, The Great Lockdown](#)) predict more extreme values of a 4% contraction in the economy in 2020 and a 6% growth in 2021.

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 the European economies, which are also the leading markets for the 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.

The beginning of 2020 was marked by the impact of the measures against COVID 19 on the world economy. Although the full impact is difficult to predict, according to a World Bank report ([Europe and Central Asia Economic Update, Spring 2020, Fighting COVID-19](#)), the pandemic is expected to cause a significant short-term shrinkage due to a severe decline in daily activity, disruption of global supply chains, severe contraction of tourism and air transport.

In its April 2020 study, the International Monetary Fund ([World Economic Outlook, 14 April 2020, The Great Lockdown](#)) forecast a global economic downturn of 3% in 2020, with the largest drop in GDP expected in the Euro Area (-7.5%) and USA (-5.9%).

This prediction is based on the assumption that pandemic 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 so-called. V-shaped recovery in 2021 moving to strong growth.

The decline expected in 2020 is almost triple that of the 2008-2009 financial crisis, when global GDP contraction was 1.1%.



At the same time, the risk of adverse economic development is considerable.

The majority of global economic projections expect a rapid recovery of the global economy in the third quarter of 2020, which will continue at a more moderate pace in 2021.

At the same time, some of the world-renowned agencies are less optimistic in their forecasts. The Fitch Credit Agency ([April 22, 2020](#)) expects an "unprecedented global recession" with a US-European GDP decline of 7-8% and a global contraction of 3.9%. The negative effects of the health crisis on the economy are exacerbated by the indirect influence they have on various other systems - social and unemployment, logistical and transport barriers, investment and the fall in stock exchange prices, the resource and the contraction in commodity prices.

In May 2020, the full forecast of the International Monetary Fund's for the economic development is expected, anticipating "[the worst economic crisis since the Great Depression](#)".

The Industry of Sirma

The companies in Sirma Group specialize in the industry of information technologies (IT). Industry data is usually combined with data for the "communication segment", as the segment depends entirely on IT. Respectively, the industry is known as Information and Communication Technology (ICT). 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). These segments, according to [Gartner research from January 2020](#) study, are expected to be the leading growth segments in the IT industry in 2020 and drive growth across the sector.

Forecast for the Global ICT Sector in 2020

After 2018, with a growth of 5.1% on an annual basis, the industry growth slowed down in 2019 to 0.5% per year.

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 3.4% 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.**

[Forester](#) (forecast published by Forbes on March 16, 2020) revised downward expectations for the development of the global ICT industry, still maintaining its expectations for growth (albeit reduced) of about 2% in 2020. The pessimistic scenario, forecast by Forester, anticipates entry in complete recession, where ICT markets are expected to shrink by about 2%.

In both scenarios forecasted by Forester, the weakest link is expected to be "Devices" spending, with an expected contraction of between 5 and 10% on an annual basis in 2020. "IT consulting and system integration" (an important segment for Sirma) is expected to remain at the 2019 levels in the optimistic scenario or to shrink by 5% in a pessimistic development of the situation. Software spending will either increase between 2% and 4% in 2020 in the optimistic scenario, or remain at 2019 levels. Forester's only positive expectations are related to "Cloud Infrastructure" and "Specialized Services", where spending is expected to increase.

In its forecast, [IDC](#) (published on 02 and updated on 21.04.2020) expects a reduction in global ICT spending by 2.7% on an annual basis in constant currency. The reason for the expected greater contraction in ICT spending from the GDP contraction is due to the measures taken in the short term by many organizations to curtail ICT spending related to revenue shrinkage, activity restriction and staff reductions.

The biggest drop of about 8.8% is expected in hardware spending. Although enterprise infrastructure costs are expected to increase by 5.3%, 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 limited in times of crisis.

The 2% reduction in spending for "IT services" is due to the suspension of IT projects by various organizations affected by the crisis. "Software" spending is expected to increase by 2% mainly from spending associated with cloud investments and some more sustainable IT projects. 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 costs of TELCO services are not expected to be severely affected, as their consumption increased sharply during the pandemic. However, shrinking ICT spending will not be uniform across various sectors of the economy. While some, such as tourism and manufacturing, which are heavily affected by the imposed restrictions, will decline by around 5%, other more resilient sectors, such as the public sector and professional services, will even grow by 1.4% y/y at constant prices.

After the downturn in 2020, growth is expected to recover in 2021, which is related to the needs dictated by the economic recovery and the specific ICT needs associated with it.



PARTICIPATION IN MANAGEMENT AND IMPLEMENTATION OF CONTROL ON THE SUBSIDIARY COMPANIES

In 2019, as in previous periods, Sirma Group Holding's senior management was actively involved in the management of its subsidiaries. The high expertise and accumulated experience of Sirma Group Holding's managers helped companies to formulate their development goals and strategies as well as their business and financial plans. As a

MARKETING

In operational terms, the annual marketing strategy and budget of the "Sirma Group Holding" for 2019 ensured the planning, development and successful implementation of the following activities:

1. Creating, developing and maintaining a general knowledge of the Sirma brand through a range of activities that help for successful branding and corporate communications - public relations, investor relations, public institutions, company employees, general public. They included internet marketing, online meetings, helping managers and managers with marketing materials for their investment tours, press interviews, TV, radio, participation in specialized and high profile business events.

2. Building a strong employer brand and affirming the company as an attractive place to work, career development and realization of own innovative ideas for creating new software products and solutions, working with the most advanced technologies, entering new market niches. A favorable environment has been created and the innovation process in companies is regularly promoted. Social media is actively used for informal communication with employees, engaging in important causes, informing about upcoming

result, the company achieved outstanding successes over the past period. At the same time, taking part in the management of the Group's companies, they monitored the Group's overall objectives, strategies for its development and financial discipline.

events, company and product news. The team building conducted at the end of the year was traditionally one of the most anticipated events that enabled people from different companies, cities and offices to communicate in an informal environment.

3. Increased presence of the brand in social media and communication management through digital channels. As part of marketing through social channels, a content marketing program has been developed. It aims at:

- enhanced performance across the global network through digital tools - a substantial increase in traffic to "Sirma Group Holding" sites and subsidiaries; improved detection in the most popular search engines - SEO & SEM activities;
- raising awareness of external and internal audiences about corporate initiatives and key business events;
- informing the audience about new products and services created by our companies, the development of existing products and services, company achievements;

FINANCIAL ACTIVITY AND MANAGEMENT OF FINANCIAL RESOURCES OF THE GROUP

ASPECTS OF THE FINANCIAL ACTIVITY OF HOLDING AND GROUP

Over the past period the management of the financial activities of "Sirma Group Holding" was carried out in the following:

I. Goals

As a **strategic goal** of financial management, "Sirma Group Holding" has accepted the increase in the wealth of the owners, which can only be achieved by maximizing the market value of the company based on the share price.

As a **tactical objective** of the financial management, "Sirma Group Holding" JSC opted the maximization of revenues and profit.

As an **operational objective** of financial management, "Sirma Group Holding" has determined the maintenance of the solvency of the company and the Group companies as an opportunity to service all emerging uncontested payments.

II. Execution of functions

1. Executed functions of Sirma Group Holding's management:

a) Financial planning - plans of "Sirma Group Holding" and of all companies of the Group for a one-year and mid-term period were prepared.

b) Co-ordination of the financial activity - "Sirma Group Holding" coordinated the activities of all the companies in the Group for the fulfillment of the general objectives of the financial activity management and for the implementation of unified policies in this activity;

c) Control - The financial team of the "Sirma Group Holding" throughout the year carried out regular and periodical control over the financial activity of the companies in the group.

2. As regards the financial activities of "Sirma Group Holding" and the subsidiaries, the Holding had the following functions:

a) financing - related to the provision of financial resources and the structuring of capital needed for the proper functioning of the enterprise.

This function is related to the company Balance liability. There are the sources of capital available to the enterprise for the conduct of its business.

b) investment - covers the insured capital in different assets in order to realize the strategic objective of the company. This feature is related to the Balance asset.

III. Completed tasks



1. Ensure sufficient financial resources in accordance with the strategy and tasks for the development of "Sirma Group Holding" and the subsidiaries during the respective period.
2. Ensuring the most efficient allocation and utilization of the volume of financial resources formed in the main directions of the Group's activity.
3. Optimization of the monetary turnover - synchronization by size and time of the receipts and payments for the normal service of the undisputed payments.
4. Ensure maximum profit at a given level of risk.

- ACCOUNTING SERVICES

In 2019 "Sirma Group Holding" performed the accounting services for 17 subsidiaries and associated companies and related companies. In addition to regular accounting services, management is presented with various BI reports built as know-how of the Group. The FAD of "Sirma Group Holding" achieved monthly reporting of results at individual and group level. The department also managed to manage the companies' relationships with the fiscal and social security

- LEGAL SERVICES

The legal department of "Sirma Group Holding" carries out legal services to the companies of the Group, which includes the preparation of corporate documents; assistance with the

- MANAGEMENT OF RISKS

The Board of Directors is responsible for risk management in "Sirma Group Holding". The Investment and Risk Committee assist the Board in this activity. The holding also supports its subsidiaries for risk management.

Risk management is, inherently, the ability to anticipate threats to the company's activities, individual projects and minimize their adverse effects. The process is iterative. It starts with identifying the possible risks, goes through risk analysis and planning their management, then begins a process of monitoring and a regular return to the analysis process.

A sophisticated risk management system has been set up in "Sirma Group Holding".

Risk management in the "Sirma Group Holding" includes:

- Risk identification - This is a lengthy process that detects potential threats. In order to identify the expected and predictable risks, different methods are used: questionnaires (interview questionnaires), interviews, brainstorming, document analysis, a list of expected and predictable risks (checklist analysis), based on a previous experience
- Qualitative and quantitative risk analysis - Once the potential risks have been identified, a qualitative and quantitative analysis of each of them is required. The likelihood of occurrence and impact through predefined scales is estimated, for example Probability: very small, small, medium, large or very large; Impact: catastrophic, critical, permissible, insignificant.

5. Ensure the financial equilibrium of "Sirma Group Holding" and the subsidiaries in the process of their development.

In fulfilling the task of financial equilibrium, we have complied with the golden balance rule, which requires long-term assets to be funded by long-term capital sources, and short-term assets from short-term sources of capital.

6. Providing opportunities for quick capital reinvestment when changing the external and internal conditions for carrying out the business activity.

systems. The timely introduction of taxes, timely information submission and the preparation of information under the Law for Public Offering of Securities to the Financial Supervision Commission and the BSE have been performed in the period.

preparation and implementation of the GMS; preparation of any commercial documents and contracts; settlement of commercial disputes; conducting court cases.

A risk table is prepared with the data. Risks are grouped into categories, their likelihood of occurrence and their impact, as well as case scenarios that are implemented in case the risk occurs. The resulting list is sorted by impact and probability. A threshold is set, the risks over which it will be managed. The risk table is reviewed and reassessed on a regular basis, as there is a chance that risks may be dropped, new ones added or ratings changed.

- Planning actions to overcome the risk

The next step in risk management is planning. This is the process of documenting the measures that will be applied to managing each of the identified key risks. 3 management strategies are used:

- a) risk avoidance - a strategy that reduces the likelihood of risk occurring;
- b) minimizing the risk-taking effect - a strategy that reduces the consequences of the risk;
- c) Emergency action plans - a strategy where the organization accepts the risk and is ready to deal with it if it comes to fruition;

As a result of the risk planning, a Risk Mitigation Monitoring and Management Plan is established. It may be a separate document or a set of information cards for each individual risk to be stored and managed in a database.

- Risk monitoring and control - This is the latest activity in risk management. This process has several main tasks:
 - confirm the occurrence of a risk



- ensure that activities to prevent or deal with risks are implemented
- o Identify what risk has caused the relevant problems
- document information to be used in a subsequent risk analysis;

IMPACT OF EXCEPTIONAL 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, or new production processes.

The Company has the appropriate licenses for operating systems and application software for PCs and servers required for the normal workflow for all employees.

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 6 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.

EVENTS AND BUSINESS 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 Luxemburg „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.

MAIN LEGAL INFORMATION IN 2019

Transactions with shares for the period 01.01.2019 - 31.12.2019:

- **Purchase of "Ontotext" by "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 conducting 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 separate 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 separate part of its trading company Sirma Solutions, UIC 040529004 as a separate set of rights, obligations and factual relations, created in the course of its 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 leva). The separate part of the enterprise includes assets - software modules, contracts with receivables on them and employees.

- **Sale of a separate 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 separate part of its trading company "Daticum", UIC 200558943, as a separate set of rights, obligations and factual relations, created in the course of its previous commercial activity to "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.). The separate part of the enterprise includes 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 BGN comprising of the following::

- 50 000 BGN - filed as a partial claim for compensation for damages, expressed as expenses incurred from a total amount due from 311 524 BGN
- 11 162,19 BGN - representing indemnity for damages, expressed as unaccountable material means
- 8 000 BGN - 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.

Audit compensation 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 separate annual financial statements of „Sirma Group Holding“ JSC. The remuneration for the independent financial audit amounts to BGN 19 558,30 without VAT for 2019.

Information for contracted large transactions in 2019

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

Purchases:

- Deal 1 for BGN 188 thousand
- Deal 2 for BGN 83 thousand
- Deal 3 for BGN 33 thousand

Sales:

- Deal 1 for BGN 1 320 thousand
- Deal 2 for BGN 1 021 thousand
- Deal 3 for BGN 715 thousand

Information of the used financial instruments in 2019

In 2019 the company has not used any financial instruments.

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.

In 2019 the Company invested BGN 133 thousand for research and development.

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.

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 ones.



6/ INDIVIDUAL FINANCIAL RESULTS

6.1. REVENUES

The company's revenues includes:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change 2019 - 2018 (BGN '000)	Change 2019/2018 (%)
Revenues from sales	4 848	5 558	(710)	(12,77%)
Interest income	232	269	(37)	(13,75%)
Dividends	160	-	160	n/a
Revenues from financing	54	54	-	0,00%
Other revenues	31	3	28	933,33%
Total	5 325	5 884	(559)	(9,50%)

In 2019 the revenues of "Sirma Group Holding" JSC decreased by BGN 559 thousand or by 9,50% compared to 2018.

Revenues in the period include interest income on loans granted to subsidiaries and associates. Additionally, the Company has received dividends due to its interests in subsidiaries as part of the principal activity of the holding company is holding shares in other entities.

Revenues from financing relate to the grant Contract BI-02-16 / 02.02.2012 under Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007-2013. Funding is received for buying fixed assets and incubating startups.

Revenues by product line includes:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change 2019 - 2018 (BGN '000)	Change 2019/2018 (%)
Rental of investment properties	523	301	222	73,75%
Sales of licenses	2 256	906	1350	149,01%
Cloud Services	1 021	3 316	(2 295)	(69,21%)
Administrative, accounting services	894	872	22	2,52%
Others	154	163	(9)	(5,52%)
Total	4 848	5 558	(710)	(12,77%)



6.2. EXPENSES

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change 2019/ 2018
Cost of materials	(67)	(91)	24
Change in %			(26,37%)
Hired services expenses	(852)	(4 624)	3 772
Change in %			(81,57%)
Employee benefits expense	(1 270)	(1 344)	74
Change in %			(5,51%)
Depreciation and amortisation of non-financial assets	(655)	(242)	(413)
Change in %			170,66%
Cost of goods sold and other current assets	-	(81)	81
Change in %			n/a
Capitalized own expenses	133	3 761	(3 628)
Change in %			(96,46%)
Other expenses	(203)	(198)	(5)
Change in %			2,53%
Total expenses	(2 914)	(2 819)	(95)
Change in %			3,37%

In 2019 the expenses of "Sirma Group Holding" JSC increased by BGN 95 thousand or by 3,37% as compared to 2018. A significant decrease was observed in the costs of hired services during the reporting period, which is mostly due to the decrease in the costs of software services.

6.3. FINANCIAL INCOME / COSTS (NET)

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change 2019 – 2018 BGN '000	Change 2019/ 2018 %
Financial costs	(396)	(312)	(160)	126,92%
Financial income	72	84	(12)	(14,29%)
Financial income / costs (net)	(324)	(222)	(96)	42,11%

In 2019, financial income / costs (net) of "Sirma Group Holding" JSC increased by BGN 96 thousand as compared to 2018.

6.4. ASSETS

The sum of total assets of "Sirma Group Holding" JSC at the end of 2019 is with BGN 1 128 thousand (1,23%) higher than their value at the end of 2018.

	31.12.2019 BGN '000	31.12.2018 BGN '000	01.01.2018 BGN '000	Change 2019 - 2018 (BGN '000)	Change 2019/2018 %
Property, plant and equipment	916	840	456	76	9,05%
Intangible assets	10 122	9 394	5 136	728	7,75%
Investments in subsidiaries	67 904	67 904	56 392	-	0,00%
Investments in associates	-	-	64	-	n/p
Investment property	6 527	6 604	6 682	(77)	(1,17%)
Deferred tax assets	112	99	108	13	13,13%
Total non-current assets	85 581	84 841	68 838	740	0,87%

	31.12.2019 BGN '000	31.12.2018 BGN '000	01.01.2018 BGN '000	Change 2019 - 2018 (BGN '000)	Change 2019/2018 %
Trade receivables	155	142	1 066	13	9,15%
Prepayments and other assets	809	718	739	91	12,67%
Related party receivables	5 685	5 104	7 118	581	11,38%
Cash and cash equivalents	917	1 214	604	(297)	(24,46%)
Total current assets	7 566	7 178	9 527	388	5,41%



6.5. EQUITY

	31.12.2019	31.12.2018	01.01.2018	Change 2019 - 2018 (BGN '000)	Change 2019/2018 %
	BGN '000	BGN '000	BGN '000		
Equity					
Main / Share Capital	59 361	59 361	59 361	-	-
Purchased own shares	(475)	(475)	(475)	-	0,00%
Share premium reserve	5 462	5 462	5 462	-	0,00%
Other reserves	852	592	311	260	43,92%
Retained earnings	5 429	3 133	627	2 296	73,28%
Current financial result	1 898	2 557	2 809	(659)	(25,77%)
Total equity	72 527	70 630	68 095	1 897	2,69%

In 2019, Equity increased by BGN 1 897 thousand compared to the previous reporting period.

For the reporting period share capital remained unchanged from the previous period. In execution of the decisions of the regular General Meeting of Shareholders in 2017, "Sirma Group Holding" JSC purchased 474 724 own shares. The board of directors believes in the development of the "Sirma Group Holding" JSC and the increase of the market value of the shares in the future and therefore decided to purchase these shares at a relatively low price.

6.6. LIABILITIES

The amount of the liabilities of "Sirma Group Holding" JSC at the end of 2019 is with BGN 769 thousand (3,60%) higher than their value at the end of 2018.

	31.12.2019	31.12.2018	01.01.2018	Change 2019 - 2018 (BGN '000)	Change 2019/2018 %
	BGN '000	BGN '000	BGN '000		
Pension employee obligations	32	27	10	5	18,52%
Long-term borrowings	8 380	9 399	1 870	(1 019)	(10,84%)
Long-term Lease liabilities	-	66	114	(66)	(100,00%)
Financing	-	26	81	(26)	(100,00%)
Long-term related party payables	6 315	-	141	6 315	n/a
Total Non-current liabilities	14 727	9 518	2 216	5 209	54,73%

	31.12.2019	31.12.2018	01.01.2018	Change 2019 - 2018 (BGN '000)	Change 2019/2018 %
	BGN '000	BGN '000	BGN '000		
Employee obligations	287	166	92	121	72,89%
Short-term borrowings	4 234	6 355	4 393	(2 121)	(33,38%)
Short-term Lease liabilities	-	46	42	(46)	(100,00%)
Trade and other payables	383	4 397	86	(4 014)	(91,29%)
Financing	27	55	55	(28)	(50,91%)
Short-term related party payables	860	567	3 168	293	51,68%
Income tax liabilities	102	285	218	(183)	(64,21%)
Total Current liabilities	5 893	11 871	8 054	(5 978)	(50,36%)



LONG-TERM AND SHORT-TERM BANK LOANS

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit	Outstanding obligation to 31.12.2019	Date of contract	Interest rate	Number of outstanding installments	The amount of monthly installment	Maturity date	Pledges
Loans for which the Issuer is a debtor											
"Sirma Group Holding" JSC	Eurobank Bulgaria AD	overdraft	BGN	2 200 000	2 129 628	21.7.2016	2,50%		-	31.08.2020	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	Expressbank AD	overdraft	BGN	2 000 000	6 349	8.8.2017	2,50%		-	31.10.2020	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 AD	Investment	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		overdraft	BGN	4 025 000	4 023 604	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	-	20.12.2020	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
Sirma AI	United Bulgarian Bank AD	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 AD	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.



6.7. CASH FLOW

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change 2019 - 2018 (BGN '000)	Change 2019/2018 %
Net cash flow from operating activities	1 197	3 788	(2 591)	(68,40%)
Net cash flow from investing activities	(3 471)	(12 205)	8 734	(71,56%)
Net cash flow from financing activities	1 980	9 029	(7 049)	(78,07%)
Net change in cash and cash equivalents	(294)	612	(907)	(148,69%)
Cash and cash equivalents at the beginning of the year	1 214	604	610	100,99%
Exchange gains/(losses) on cash and cash equivalents	(3)	(2)	(1)	50,00%
Cash and cash equivalents at the end of the year	917	1 214	(297)	(24,46%)

The Company has no liquidity problems and operates with the available resources.

6.8. FINANCIAL RATIOS AND INDICATORS

Over the past financial period, the company has realized the following financial results:

(The indices and the coefficients have been calculated according to the instructions of BSE)

No	Indicators	31.12.2019 BGN '000	31.12.2018 BGN '000	Change 2019/2018 (Abs.) (%)	
1	Revenue from operating activities	5 325	5 884	(559)	(9,50%)
2	Cost of sales	(2 711)	(2 621)	(90)	3,43%
3	Gross profit / loss	2 614	3 263	(649)	(19,89%)
4	Other operating costs	(203)	(198)	(5)	2,53%
5	Operating profit / loss	2 411	3 065	(654)	(21,34%)
6	Financial income	72	84	(12)	(14,29%)
7	Financial costs	(396)	(312)	(84)	26,92%
8	Profit / loss before tax expense	2 087	2 837	(750)	(26,44%)
9	Tax costs	(189)	(280)	91	(32,50%)
10	Net profit / loss	1 898	2 557	(659)	(25,77%)
11	Cash and cash equivalents	917	1 214	(297)	(24,46%)
12	Short-term assets	7 566	7 178	388	5,41%
13	Total amount of assets	93 147	92 019	1 128	1,23%
14	Average arithmetic total asset value for 5 quarters	89 188	84 405	4 783	5,67%
15	Current liabilities	5 893	11 871	(5 978)	(50,36%)
16	Debt	12 614	15 866	(3 252)	(20,50%)
17	Total Liabilities	20 620	21 389	(769)	(3,60%)
18	Equity	72 527	70 630	1 897	2,69%
19	Equity averaged 5 quarters	71 183	70 053	1 130	1,61%
20	Turnover capital	1 673	(4 693)	6 366	n/a
21	Number of shares at the end of the period (in thousands)	59 361	59 361	-	0,00%
22	Interest expenses	(283)	(217)	(66)	30,41%
23	Weighted average share price of last trading session	0,635	0,898	(0,263)	(29,29%)
24	Last share price of last trading session	0,625	0,91	(0,285)	(31,32%)



Indicators	31.12.2019	31.12.2018	Change 2019/2018	
			(Abs.)	(%)
EBITDA	3 025	3 296	(271)	(8,22%)
DEPRECIATION	(655)	(242)	413	170,66%
EBIT	2 370	3 054	(684)	(22,40%)
FIN/INVEST NET	(324)	(228)	(96)	42,11%
EBT	2 087	2 837	(750)	(26,44%)
ROA	0,0204	0,0278	(0,0074)	(26,67%)
ROA(BSE)	0,0213	0,0303	(0,0090)	(29,75%)
Debt/EBITDA Ratio	4,1699	4,8137	(0,6438)	(13,37%)
Quick Ratio	1,2839	0,6047	0,6792	112,33%
ROE (BSE)	0,0267	0,0365	(0,0098)	(26,95%)
ROE	0,0267	0,0365	(0,0098)	(26,95%)
EBITDA	0,2843	0,3028	(0,0185)	(6,12%)
Profitability ratios				
Gross profit margin	0,4909	0,5546	(0,0637)	(11,48%)
Operating profit margin	0,4528	0,5209	(0,0681)	(13,08%)
Net profit margin	0,3564	0,4346	(0,0781)	(17,98%)
Coefficients for assets and liquidity				
Assets turnover ratio	0,0605	0,0707	(0,0102)	(14,42%)
Assets turnover ratio (BSE)	0,0597	0,0697	(0,0100)	(14,35%)
Operating cycle	3,1829	(1,2538)	4,4367	n/a
Current ratio	1,2839	0,6047	0,6792	112,33%
Quick ratio	1,2839	0,6047	0,6792	112,33%
Cash ratio	0,1556	0,1023	0,0533	52,16%
Odds per share				
P/S ratio	7,0787	9,0595	(1,9808)	(21,86%)
P/E ratio	19,8600	20,8472	(0,9872)	(4,74%)
P/B ratio	0,5197	0,7547	(0,2350)	(31,14%)
Revenue per share	0,0897	0,0991	(0,0094)	(9,50%)
Earnings per share	0,0320	0,0431	(0,0111)	(25,77%)
Book value of equity per share	1,1991	1,1801	0,0190	1,61%
Development Ratios				
Revenue growth	(0,0950)	0,0260	(0,1210)	n/a
Gross profit growth	(0,1989)	(0,0260)	(0,1729)	665,87%
Assets growth	0,0123	0,1742	(0,1620)	(92,96%)
Leverage Ratios				
Debt/total assets	0,1414	0,1880	(0,0465)	(24,76%)
Debt/capital	0,1505	0,1847	(0,0341)	(18,48%)
Debt/equity	0,1772	0,2265	(0,0493)	(21,76%)
Total assets/equity	1,2529	1,2049	0,0481	3,99%
Market value of the company	37 101	54 019	(16 917)	(31,32%)



6.9 RELATED PARTY TRANSACTIONS

The types of connectivity are: 1 Subsidiary
2 Entities under common control with key management personnel
3 Other related parties

Purchases

Type	Type of Related Party	Description	31.12.2019	31.12.2018
			BGN '000	BGN '000
Materials	1	Inventory	(1)	(1)
Materials	1	Computer components	(1)	(4)
Materials	1	Office supplies	(2)	(3)
External services	2	Internet	(16)	(17)
External services	2	Consulting services	(18)	(4)
External services	1	Subscriptions	(1)	-
External services	2	Subscriptions	(5)	-
External services	1	Software services	(38)	(592)
External services	2	Software services	-	(200)
External services	1	Software License Rental	-	(3)
External services	2	Software License Rental	-	(79)
Interest on deposits	1	Interest expense on deposits	(32)	(6)
Deposits received	1	Deposits received	9 660	-
Deposits received	2	Deposits received	670	-
Refund of received deposits	1	Refund of received deposits	(4 844)	-

Sales

Type	Type of Related Party	Description	31.12.2019	31.12.2018
			BGN '000	BGN '000
Services	1	Subscriptions	-	95
Services	1	Administrative, accounting services	715	661
Services	2	Administrative, accounting services	141	179
Services	3	Administrative, accounting services	8	5
Services	1	Consumables	77	23
Services	2	Consumables	6	-
Services	1	Rentals	476	262
Services	2	Rentals	47	37
Services	1	Cloud services	-	3 316
Services	1	Revenue from the sale of licenses	2 256	575
Services	2	Revenue from the sale of licenses	-	76
Services	1	Technical Support	22	29
Services	2	Technical Support	15	14
Services	1	Marketing and Advertising	27	-
Interest on loans	1	Interest income on loans	28	221
Interest on loans	2	Interest income on loans	17	18
Interest on loans	3	Interest income on loans	39	41
Given loans	1	Given loans	(375)	(574)
Loans granted	1	Loans granted	67	801
Given loans	2	Given loans	-	184
Loans granted	2	Loans granted	43	-
Interest on loans granted	2	Interest on loans granted	56	59

None of these transactions incorporate special terms and conditions that deviate from the market for such transactions.



7/ ECOLOGY AND PERSONNEL

7.1 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 separate 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 cups.

7.2 PERSONNEL

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.

The structure of the personnel of "Sirma Group Holding" has the following dynamics:

	31.12.2019	31.12.2018	Relative share in 2019 %
Number of Employees	27	29	100,00%
Higher education	25	26	92,59%
Secondary education	2	3	7,41%
Employees 31 - 40 years	8	10	29,63%
Employees 41 - 50 years	15	15	55,56%
Employees 51 - 60	3	3	11,11%
Employees over 60	1	1	3,70%
Women	13	13	48,15%
Men	14	16	51,85%

DESCRIPTION OF ALL AGREEMENTS FOR THE PARTICIPATION OF THE EMPLOYEES IN THE CAPITAL OF THE COMPANY.

There are no arrangements for the participation of employees in the capital of the Company.



8/ RISK FACTORS

8.1 System Risks

The general risks stem from possible changes in the overall economic system and, in particular, a change in the conditions of the financial markets. They can not be diversified, as all economic entities in the country are exposed to them.

Twenty-five years after the end of the planned economy in Bulgaria, a policy of economic reforms and stabilization aimed at the imposition and functioning of the principles of a free market economy is being pursued. As a result, business entities in Bulgaria have a limited history of activity in free market conditions. In this regard, Bulgarian companies, compared to Western companies, are characterized by a lack of experience in the market economy and limited capital resources, with which to develop their business. Bulgaria also has limited infrastructure to maintain the market system.

In Bulgaria, as in most transition countries, there is a trade deficit and a current account deficit. Our country is an importer of crude oil and energy resources. In this regard, increases in oil prices and energy resources reduce the competitiveness of the Bulgarian economy and, in addition, its dependence on oil and energy imports further exposes the economy to currency risks from unfavorable changes in the USD exchange rate against the Bulgarian Lev. The capital gains from privatization are expected to gradually decrease as the privatization program is completed.

8.1.1. Economic Growth

The interaction between economic growth and external indebtedness of the country has a direct impact on the formation and change of market conditions and the investment climate. Official statistics show real GDP and GDP growth per capita in recent years, which are in line with the government's development agenda.

According to published information from NSI, after the introduction of the currency board system in 1997, Bulgaria achieved macroeconomic stability and good indicators for economic development.

Delayed economic growth, not only in Bulgaria but also in other countries where the Company realizes its output, means reduced activity on the part of economic operators, where there is also a reduced level of investment in general and in particular in software solutions. In this respect, lower economic growth adversely affects the Company's activity and would prevent the future plans from being realized according to predefined parameters.

8.1.2. Political Risk

The political risk is the likelihood of a change in government, or a sudden change in its policy, the emergence of internal political turmoil and unfavorable changes in European and / or national legislation, resulting in a negative change in the environment in which local businesses operate, and investors to suffer losses.

The political risks for Bulgaria at international level are related to the commitments made to implement serious structural reforms in the country as an equal member of the EU, increasing the social stability of the inefficient spending on the one hand, as well as the severe destabilization of the countries The Middle East, the increasing threats of terrorist attacks in Europe, refugee waves, and the volatility of key countries in the immediate vicinity of Bulgaria.

Bulgaria, as well as the other EU member states in the region, continues to be seriously affected by the common European problem of the intensive Middle East refugee flow.

Other factors that also affect this risk are possible legislative changes, particularly those that concern the economic and investment climate in the country.

8.1.3. Credit Risk

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

	2019	2018
	BGN'000	BGN'000
Financial assets		
Trade and other receivables	736	784
Related parties receivables	5 685	5 104
Cash and cash equivalents	917	1 214
	7 338	7 102

The Company 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 Company's policy is to deal only with creditworthy counterparties. The Company'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.

The Company has not provided its financial assets as collateral for transactions other than collateral for received bank loans.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a small number of customers in single industry and geographical area. 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.

The carrying amounts disclosed above are the Company's maximum possible credit risk exposure in relation to these instruments.



8.1.4. Currency Risk

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

To mitigate the Company's exposure to foreign currency risk, non-BGN cash flows are monitored. Generally, Company'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 Company to currency risk are disclosed below. The amounts shown are translated into Bulgarian leva at the closing rate:

	Short-term exposure
	BGN'000
31 December 2019	
Financial assets	8
Total exposure	8
31 December 2018	
Financial assets	3
Total exposure	3

The following tables illustrate the sensitivity of post-tax financial result for the year and equity for 2018 in regard 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%)

All other parameters are assumed to be constant.

For 2019, due to the low value of financial assets denominated in foreign currency and the weak change in the exchange rate of the US dollar, there are no changes in the annual net financial result after taxes and equity of the Company as a result of probable changes in exchange rates of the Bulgarian lev against the US dollar.

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 Company's foreign currency financial instruments held at each reporting date.

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 Company's exposure to currency risk.

8.1.5. Interest Rate Risk

The Company'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 Company was not exposed to changes in market interest rates. The Company's investments in bonds all pay fixed interest rates.

8.1.6. Inflation Risk

Inflationary risk is a general price increase whereby money is depreciated and there is a likelihood of loss from households and firms.

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8.1.7. Liquidity risk

Liquidity risk is the risk arising from the Company not being able to meet its obligations. The Company 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 Company's objective is to maintain cash to meet its liquidity requirements for 30-day periods. 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 Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
	BGN'000	BGN'000	BGN'000
31 December 2019			
Other bank borrowings	3 270	964	8 380
Trade and other payables	282	-	-
Related party payables	437	423	6 315
Total	3 989	1 387	14 695

This compares to the maturity of the Company'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
	BGN'000	BGN'000	BGN'000
	0	0	
Other bank borrowings	4 812	1 543	9 399
Finance lease obligations	25	26	68
Trade and other payables	4 340	-	-
Related party payables	567	-	-
Total	9 744	1 569	9 467

8.1.8. Risk from unfavorable changes in tax and other legislation

The taxes paid by Bulgarian legal persons include withholding tax, local taxes and fees, corporate income tax, value added tax, excise duties, export and import duties and property taxes. The tax system in Bulgaria is still developing. This may result in contradictory tax practices, both at state and local level.

Investors should also take into account that the value of the investment in shares may be adversely affected by changes in the current tax legislation, including its interpretation and application. In addition, tax legislation is not the only one that can undergo changes, and these changes adversely affect the Company's business. Although the bulk of Bulgarian legislation is already harmonized with EU law, the application of the law is subject to criticism by the European partners in Bulgaria. Judicial and administrative practice remains problematic: the Bulgarian courts are not able to effectively resolve disputes over property rights, breaches of legal and contractual obligations, etc., resulting in a systemic regulatory risk being relatively high.

Unfavorable changes to tax and other laws would lead to a worsening of the general conditions in which the Company operates, from wherever its future results may deteriorate. In particular, the increase in the corporate income tax and other taxes would reduce the ultimate disposable profit for new investments and / or the distribution of dividends to its shareholders.

8.1.9. Force Majeure Risks

Force majeure events such as natural disasters, sabotage, war and terrorist acts, and others may lead to unpredictable changes in investor and interest in the market for all shares, as well as, in particular, the shares of Sirma Group Holding. Some force majeure events do not provide for the possibility of insurance.

Force majeure events could seriously affect the Company's performance by reducing its ability to conduct normal business activities and cause an increase in some cost items.

8.2. Non-system Risks

Non-system risks are associated with the overall investment risk specific to the firm and the industry itself. Non-system risks can be divided into two types: sectoral risk related to the uncertainty in the development of the sector as a whole and general business risk - arising from the specifics of the particular company.

8.2.1. Industry Risks

The activity of the Company and of the companies within Sirma Group are exposed to various risks, including: 1) risks typical of the Information and Communication Technology (ICT) industry and 2) risks specific to the Company itself. Revenue and profit of the Company may be adversely affected by a number of factors: the financial market situation and the information and communication technology market; the ability of the Company to ensure effective management, assessment of the different risks and economic feasibility of individual transactions, the economic climate in the country and others.

8.2.2. Specific Company Risk

The company risk is related to the nature of the Company's business, as for every firm it is important that the return on the invested funds and resources is consistent with the risk associated with the investment.

The main company risk for "Sirma Group Holding" JSC is related to the possibility of reduction of the solvent demand for the products and services offered by the Group, as well as changes in the terms of sale of those products and services. The company risk may have an impact on the growth of service and software solutions development contracts. Uncertainty can be measured by the variability of revenue earned over time. This means that the more volatile the revenues of a company, the greater the uncertainty of the company to realize a positive financial result, ie. the risk for the investors, respectively the creditors, will be higher.

8.2.3. Operation Risk

Operational risks are related to the management of the company and can be expressed in the following:

- Making erroneous decisions for the ongoing management of the investment and liquidity of the company by the management staff;
- the inability of the management team to start the implementation of planned projects or lack of suitable personnel for this;
- key employees leaving and impossibility to recruit new ones;
- the risk of excessive spending on management and administration, leading to a reduction in the overall profitability of the company.

Various mechanisms will be used to optimize and manage this risk, including the following:

- sound investment policy;
- optimizing the structure, quality and return on assets of the Company;
- protection against unfavorable and undesirable external factors and attacks, etc.

8.2.4. Intellectual Property Protection

The protection of the intellectual property of the Group is crucial to its success. It uses a variety of tools to identify and control potential risks and to protect its intellectual property. These measures include application for patents, trademarks, and other brands and copyrights to prevent infringement of copyright and trademarks. Despite these efforts, the Group may not be able to prevent third parties from using or selling without permission what it regards as its own technology. All these measures provide only limited protection and its rights could be challenged or otherwise affected. Any intellectual property may be vulnerable to disclosure or misuse by employees, partners or third parties. Third countries can independently develop technologies that are substantially equivalent to or better



than the technology of the Company. In addition, a third party may reengineer or otherwise obtain and use technology and information that the Group considers to be its own. In this regard, the Company may not be able to protect its proprietary rights against unauthorized copying or third party use, which could have an adverse effect on the competitive and financial situation and lead to a decline in sales. In addition, the laws and courts of some countries may not offer effective protection of intellectual property rights.

8.2.5. Risk of concluding insider deals at prices differing from the market ones

The company is part of an economic group. The risk of engaging in transactions with Group entities, whose conditions differ from market at the date of the transaction is eliminated to the extent that the Company seeks to maintain a transparent policy regarding its relations and the treatment of related companies. As far as there are transactions in the economic group, they are concluded under standard market conditions at the moment of transaction and do not favor any of the parties.

8.2.6. Risk of asset depreciation

The impairment risk of assets is related to the possibility of reducing the carrying amount of the Company's assets. Possible impairment of tangible and / or intangible fixed assets would result in the need to account for an impairment loss. This, in turn, may worsen the Company's future financial performance as well as lead to a final negative financial result for an annual period. This in turn leads to the risk of not being able to distribute dividends to existing shareholders at this future moment, as well as a possible decrease in the market price of a shares of the Company due to the deteriorated financial indicators.

8.3. Risk factors, characteristic of share traded on the Stock Exchange

The risk of investing in securities is linked to the uncertainty and the inability to accurately predict future effects and the impact on the expected return on the investment made.

The main risk and uncertainty for the shareholders of "Sirma Group Holding" JSC is the probability that the investments in the company's shares will not retain its value, nor generate the expected return on them, due to a decrease in the price of the shares or a lack of other income (dividends) from them.

"Sirma Group Holding" JSC informs potential investors that investing in shares is associated with certain risks. Investors should carefully read and understand the risks associated with investing in shares of the current issue before making an investment decision.

"Sirma Group Holding" JSC seeks to maintain a low risk profile by maintaining low levels of financial and operational leverage, a high level of operational efficiency, the introduction of strict rules and procedures in the management of the activity and strict control over their compliance, diversification of the client base and suppliers.

The above makes the company resistant to external negative shocks, but nevertheless has significant risks for its business that could negatively affect the company's results.

8.3.1. Price Risk

The changes in the price of the shares of "Sirma Group Holding" JSC can be created both from the fundamental state of the Company - current and expected results from the activity and financial results as well as from the

economic and market conditions in Bulgaria and from the market and economic conditions in the world economy.

Shareholders should keep in mind that events that may cause sudden fluctuations in market prices of shares that have previously occurred on the Bulgarian capital market and in international financial markets may occur and that such fluctuations are likely to affect unfavorable price movements of the shares of "Sirma Group Holding" JSC.

The market value of the shares will be determined on the basis of supply and demand, and the share price may increase or decrease. These "price fluctuations" can cause a security to cost at a certain point much less than the value at which it is purchased. This price dynamic is particularly typical for the ordinary stock market, whose stock prices may be subject to sharp fluctuations as a result of publicly disclosed information about the Company's financial performance, changes in legislation and other material events.

A significant number of sales of the shares of "Sirma Group Holding" JSC for a certain period of time may have an adverse effect on the maintenance of their achieved price level. Such an event would result from a significant excess of the sellers of those shares over buyers in that period. At this point in time, the Issuer or a third party does not commit to maintaining a particular price level and a significant number of sales may lead to a decrease in that level.

The Company does not guarantee to investors that the price of its shares will remain stable and / or increase its value in the future. At the moment of preparation of this document, "Sirma Group Holding" JSC or, to the best of its knowledge, other persons, do not intend to purchase shares of the Company in order to preserve and / or increase the market price of the Company's shares after the increase of capital.

8.3.2. Liquidity Risk

Liquidity risk is directly related to the liquidity of the securities market itself and expresses the potential for short-term purchase or sale of the securities on the secondary market. The liquidity of the issue depends on the number of investors who will be interested in investing in the issue. The liquidity risk of the shares will also depend on the development of the equity market in terms of the volume and variety of instruments offered, the issuer's financial position, the ability of the local capital market to attract new investors,

Investors should keep in mind that the BSE is significantly smaller and less liquid than the securities markets in most developed market economies. Thus, for the shareholders of "Sirma Group Holding" JSC there is no guarantee that the listing of the shares of the Company on the BSE will guarantee their active trading and sufficient liquidity.

8.3.3. Inflation Risk

The manifestation of the inflationary risk for the shareholders of "Sirma Group Holding" JSC would arise in cases when the income from the shares (increase in the price and / or received dividends) were lower than the inflation for the investment period. The inflation processes leads to a decrease in the real yield that investors receive.

Although in the long run equity yields usually outweigh the inflationary processes in Bulgaria and other countries with a developed market economy, there is no guarantee for the investors in the shares of "Sirma Group Holding" JSC that their investment in shares of the Company will represent a real protection against inflation.



8.3.4. Dillution Risk

Pursuant to the Articles of Association of the Company no limitations on the maximum amount of future issues of shares are envisaged. For this reason, shareholder participation may be reduced as a result of a public offering if they do not exercise their rights and do not subscribe a proportionate share of the new shares. In the event that, as a result of a future public offering, the number of issued shares of the Company increases at a faster rate than the amount of the assets of the Company, it is possible to decrease the value of the assets per share of the Company.

8.3.5. Currency Risk

This current issue is denominated in BGN. Currency risk of the investment exists for investors whose funds are denominated in US dollars or currencies other than Lev and Euro, due to the constant exchange rate movements. Investors who take a currency risk in the purchase of the current issue would increase or reduce the effective return on their investment as a consequence of strengthening or weakening the BGN and EUR exchange rate against the currency in which the investor's funds are denominated.

Stability and high confidence in the credibility of the Currency Board in the country, as well as the relatively stable positions of the euro on international currency

markets, reduce the existence of the currency risk to minimum levels.

8.3.6. Lack of an annual dividend payment guaranty

The financial results of the company depend on many factors, including the skills and professionalism of the management team, the development of the market in which the company operates, the economic development of the country and the region, etc. There is a risk for investors due to the lack of a guarantee for annual dividends payment.

8.3.7. Risk of change in the tax treatment of investments in shares

The risk of changing in the taxation of investments in securities is linked to the change in the current taxation regime for such instruments. The latter may be considered favorable, as capital gains are tax-exempt. Changes in capital gains tax, as well as other potential changes in the taxation of securities' investments, may have a negative impact on the final realized net result by an investor.

8.3.8. Risk factors included in the Registration document

The specific risks associated with the core activity of "Sirma Group Holding" JSC, as well as the general risks that may have an impact on its activities, are detailed on pages of the Registration document, Section "Risk Factors".

9/ 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 YEAR.

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.

10/ 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.



11/ ANALYSIS AND EVALUATION OF THE POLICY FOR FINANCIAL RESOURCES MANAGEMENT AS WELL AS INDICATING THE OPPORTUNITIES FOR SERVICING OBLIGATIONS, ANY THREATS AND MEASURES WHICH THE COMPANY HAS TAKEN TO PREVENT 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/ 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.

13/ 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.



14/ INFORMATION ABOUT THE MAIN CHARACTERISTICS OF THE FINANCIAL REPORTING PROCESSING, INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM IN THE COMPANY.

Under Bulgarian law, the management should prepare an interim 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.

15/ INFORMATION ON CHANGES IN MANAGEMENT AND SUPERVISORY BODIES DURING THE PERIOD.

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.

16/ INFORMATION ABOUT THE USE OF THE FUNDS FROM A NEW ISSUED SHARES AND SECURITIES IN THE REPORTING PERIOD.

No funds from a new issued shares and securities were used during the reporting period.



17/ DETAILS OF THE DIRECTOR FOR INVESTOR RELATIONS, INCLUDING TELEPHONE NUMBER AND ADDRESS FOR CORRESPONDENCE.

Stanislav Tanushev

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18/ CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY



19/ 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
30.04.2020

CEO:

Tsvetan Alexiev

