

Accounting Policy and Notes / Disclosures

to the Consolidated Financial Statements
for the period ending on 30.09.2019

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1/ GENERAL INFORMATION ABOUT SIRMA GROUP HOLDING JSC

Sirma Group Holding JSC is a holding company is registered on 25.04.2008 with the Registry Agency with UIC 200101236.

Seat and registered office: BULGARIA, Sofia (capital), Sofia municipality, city. Sofia, 1784,Mladost area, bul. Tsarigradsko Shosse, No 135.

The object of the company is:

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

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.

The capital of the Company is amended as follows:

Date	Size of capital
30.10.2015	59 360 518 BGN
23.10.2014	49 837 156 BGN
22.10.2010	73 340 818 BGN
15.10.2008	77 252 478 BGN
25.4.2008	50 000 BGN

The company's capital is paid 100%.

Non-monetary contributions - description:

1. Software representing 29 (twenty nine) software modules
Value: 61 555 838 BGN
2. 81 960 number of ordinary registered shares of "Sirma Group" JSC, the company registered in the Commercial Register to the Registry Agency with UIC 040529004.
Value: 11 734 980 BGN
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 23.04.200. 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
Value: 3 911 660 BGN

"Sirma Group Holding" JSC is a public company under the Public Offering of Securities Act.



1.1 Distribution of share capital

As of 30.09.2019 the distribution of the share capital of Sirma Group Holding is as follows:

	30.09.2019 BGN '000	31.03.2019 BGN '000
Share capital	59 361	59 361
Number of shares (par value of 1.00 lev)	59 360 518	59 360 518
Total number of registered shareholders	1072	1059
Including legal entities	57	56
individuals	1015	1003
Number of shares held by legal entities	11 674 892	11 580 692
% Of participation of entities	19,67%	19,51%
Number of shares held by individuals	47 685 626	47 779 826
% Participation of individuals	80,33%	80,49%

As of 30.09.2019 Sirma Group Holding JSC posses repurchased 474 724 own shares with total amount of BGN 474 724.

As of 30.09.2019 Ontotext owns 550 shares of the parent company Sirma Group Holding JSC, with total amount of BGN 643,50.

Share capital allocation, including deduction of own shares:

Shareholders	Number of shares at 30.09.2019	Number of shares at 30.06.2019	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%
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	1 749 161	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	1 184 745	1	1 187 480	2,00%	2,02%
Emiliana Ilieva Ilieva	1 792 168	2 132 233	1	1 792 168	3,02%	3,04%
Elena Yordanova Kozuharova	638 942	763 229	1	638 942	1,08%	1,09%
Ivo Petrov Petrov	1 450 000	1 400 000	1	1 450 000	2,44%	2,46%
Stanislav Ivanov Dimitrov	257 368	649 868	1	257 368	0,43%	0,44%
Expat Bulgaria SOFIX UCITS ETF	977 907	977 907	1	977 907	1,65%	1,66%
Foundation for Educational Transformation	554 479	916 327	1	554 479	0,93%	0,94%
"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	0	1	857 600	1,44%	1,46%
UPF "Doverie" JSC	802 126	802 126	1	802 126	1,35%	1,36%
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	885 249	1	1 094 249	1,84%	1,86%
Others	10 524 020	11 209 655	1	10 524 020	17,73%	17,87%
Total	59 360 518	59 360 518		59 360 518	100%	100%



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

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%

Shareholders	Number of shares at 30.06.2019	% 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%

1.2 Management authorities

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

The Board of Directors as of 30.09.2019 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

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

Current term of the Board of Directors is until: 19.09.2021

CEO of Sirma Group Holding is Tsvetan Borisov Alexiev.

The following committees have been established to the Board of Directors:

Committee on investments and risk
Remuneration Committee
Committee for disclosure of information

Audit Committee



The participation of members of the Board of Directors in the capital of the Company is as follows:

Shareholders	Number of shares at 30.09.2019	Number of shares at 30.06.2019	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 30.06.2019 - 30.09.2019 there was no change in the participation of the members of the BD in the capital of the company.

Investor's Relationship Director is Stanislav Borisov Tanushev.

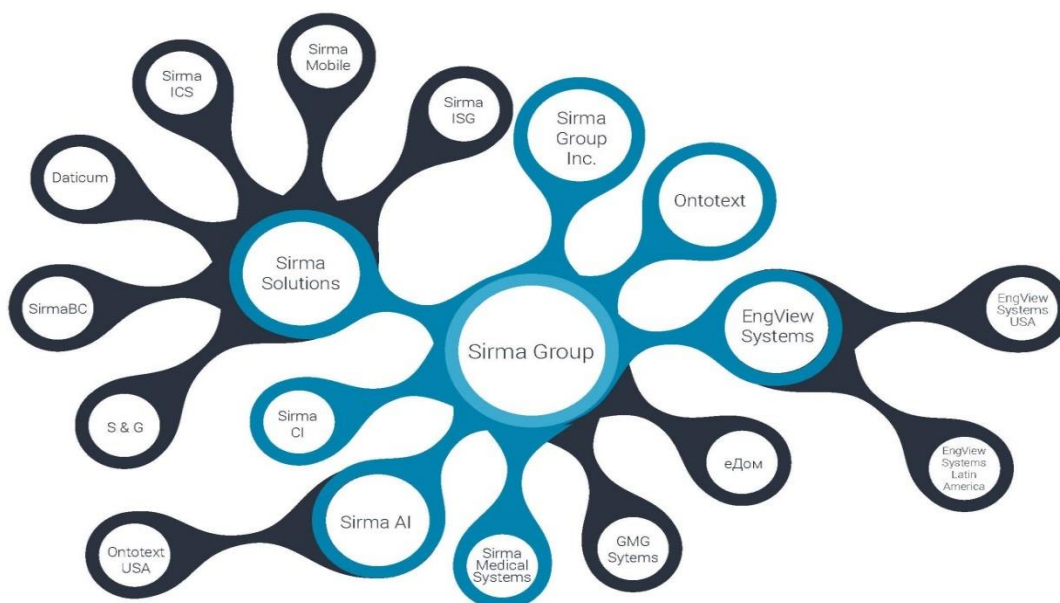
1.3 Structure of the Group and scope of activity

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

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

Generating robust growth, cost-effectiveness and consistent business results are among the top priorities for all companies in the group.

Due to lack of relevance in the consolidated statement of Sirma Group Holding JSC are not included the reports of Flash Media, Engview Systems Latin America, Eyeball Interactive, Excell Management, e-Dom and GMG Systems.



PORTFOLIO OF SIRMA GROUP HOLDING JSC

Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 30.09.2019 (in BGN'000)	Percentage of capital at 30.09.2019	Percentage of capital with adjusted repurchased own shares at 30.09.2019	Value of the investment at 31.12.2018 (in BGN'000)	Percentage of capital at 31.12.2018	Percentage of capital with adjusted repurchased own shares at 31.12.2018	Changes (in BGN'000)
Sirma Solutions	39 311	77,71%	82,43%	39 311	77,71%	82,43%	0
Sirma AI	7 035	100,00%	100,00%	7 035	100,00%	100,00%	0
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	0
Sirma Group Inc.	3 471	76,16%	76,29%	3 471	76,16%	76,29%	0
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%	0
Ontotext	17 865	87,65%	90,44%	17 865	87,65%	90,44%	0
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	0
Total	67 904			67 904			0

Subsidiaries of "Sirma Solutions"

Company	Value of the investment at 30.09.2019 BGN '000	Percentage of capital at 30.09.2019	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Changes BGN '000
Sirma Business Consulting	1 374	54,08%	1 374	54,08%	0
Daticum	1 394	60,50%	1 394	60,50%	0
Sirma Software Inc.	0	0%	0	0%	0
S&G Technology Services Ltd., UK	117	51,00%	117	51,00%	0
Sirma ISG	0	71%	0	71%	0
Sirma ICS	270	90,00%	270	90,00%	0
Total	3 155		3 155		0

Subsidiaries of "Sirma AI"

Company	Value of the investment at 30.09.2019 BGN '000	Percentage of capital at 30.09.2019	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Changes BGN '000
Ontotext USA	30	100,00%	0	0%	30

Subsidiaries of "EngView Systems Sofia"

Company	Value of the investment at 30.09.2019 BGN '000	Percentage of capital at 30.09.2019	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Changes BGN '000
EngView Systems Latin America	7	95%	7	95%	0
EngView USA	9	100%	9	100%	0
Total	16		16		0

Associated companies of "Sirma Group Holding" JSC

Company	Value of the investment at 30.09.2019 BGN '000	Percentage of capital at 30.09.2019	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Changes BGN '000
GMG Systems (IN LIQUIDATION)	150	19,93%	150	19,93%	0
E-DOM MANAGEMENT	7	35,00%	7	35,00%	0
Total	157		157		0



Associated companies of “Sirma Solutions”

Company	Value of the investment at 30.09.2019 BGN '000	Percentage of capital at 30.09.2019	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018
SEP Bulgaria	0	6,50%	0	6,50%
EYE BILL INTERACTIVE	0	34%	0	34%
EXCELL MANAGEMENT	0	34%	0	34%
Flash Media	0	50%	0	50%
Sirma Group Inc.	916	23,71%	916	23,71%
Sirma Mobile	15	40%	15	40%
Total	931		931	

For more information about the Group companies - Appendix 1.

1.4 Major events in Q3 2019

Information of major events and business news in Q3 2019 can be found in Appendix 3.

2/ SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for the preparation of the consolidated financial statements

The interim consolidated financial statements of Sirma Group Holding JSC have been prepared in accordance with all International Financial Reporting Standards (IFRSs), which are comprised of: Financial Reporting Standards and Interpretations Committee interpretations (IFRIC) the International Accounting Standards Board (IASB) and the International Accounting Standards and Interpretations Standing Interpretations Committee (SIC) interpretations endorsed by the International Accounting Standards Committee (IASB) effective in effect on 1 January 2019 and which have been adopted by the Commission of the European Union.

From the adoption of these standards and / or interpretations, effective for annual periods beginning on 1 January 2019, there have been no changes in the accounting policy of the Company except some new ones and the extension of already established disclosures without any other change - in the classification or evaluation of individual reporting objects and operations.

For more information - Appendix 2 - Summary of the significant consolidated accounting policies of Sirma Group Holding JSC.



IFRS 15 recalculations

IFRS 15 introduces a single model for entities to use when accounting for revenue from customer contracts. IFRS 15 supersedes the previously applied revenue recognition principles, respectively IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The basic principle of IFRS 15 regulates the recognition of revenue when transferring the promised goods or services to customers, to the extent that it reflects the consideration to which the entity expects to be entitled in return. In particular, the standard introduces a 5-step approach for revenue recognition:

Step 1: Identify the contract (s) with the client;

Step 2: Identify the performance obligations in the contract;

Step 3: Determining the Price of the Deal;

Step 4: Determine the transaction price and the amounts allocated to the performance obligations in the contract;

Step 5: Recognition of revenue when (or as) the entity satisfies

the obligation to fulfill.

In accordance with IFRS 15, an entity recognizes revenue when (or as) a satisfied obligation to fulfill, ie. when control of the goods or services covered by the specific performance obligation is transferred to the customer.

IFRS 15 provides detailed guidance for the treatment of specific scenarios, and detailed disclosure requirements.

The Company has made a preliminary analysis of the recognition of revenue from goods under contracts with customers, which includes determining the obligations to perform under the contract and their periodicity. In this regard, only the difference between the purchase price and the sale (margin) is presented in the Q3 report. An adjustment was also made to the prior period presentation for comparability purposes. The value of the performance obligations under these contracts is fixed and can also be determined accurately.



3/ CONSOLIDATED REVENUES

Consolidated revenues in Q3 2019 includes:

	30.9.2019 BGN '000	30.9.2018 BGN '000 (recalculated)	30.9.2018 BGN '000	Change BGN '000	Change %
Operating revenues from the sale of materials	2	-	-	2	n/a
Operating revenues from the sale of goods	1 789	2 049	18 583	(260)	-12,69%
Operating revenues from sales of services	25 807	25 589	25 589	218	0,85%
Operating revenues from sales of FA	5	13	13	(8)	-61,54%
Revenues from financing	891	253	253	638	252,23%
Operating revenue from others	337	270	270	67	24,97%
Total	28 832	28 174	44 708	658	2,34%

Consolidated revenues grow with 2,34 % or BGN 665 thousand during the period considered, which is in line with the upward trend in the business sector of the Group. The increase in consolidated revenues is due both to the attraction of new customers and to the increase in the volumes of existing ones.

Revenues from sales of services by type:

Type of service	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Backup services	89	72	17	23,61%
MAN connectivity	30	23	7	30,43%
Subscriptions	2 255	2698	(443)	-16,42%
Administrative, accounting services	29	20	9	45,00%
Outsourcing services	36	47	(11)	-23,40%
Internet	118	81	37	45,68%
Co-location	72	65	7	10,77%
Consulting services	4 146	4 278	(132)	-3,09%
Consumables	114	118	(4)	-3,39%
Rental of software license	204	166	38	22,89%
Rental of hardware and licenses	92	62	30	48,39%
Cabinet rental	133	138	(5)	-3,62%
Cloud Services	749	597	152	25,46%
Training	69	39	30	76,92%
License revenues	2 065	773	1 292	167,14%
Revenue from European Projects - IAS 20	34	429	(395)	-92,07%
System integration	1 550	3 639	(2 089)	-57,41%
Software services	13 532	12 130	1 402	11,56%
Technical Support	182	102	80	78,43%
Hosting	308	108	200	185,19%
Total	25 807	25 589	218	0,85%



Consolidated revenues by region:

Region	30.9.2019 BGN '000	30.9.2018 BGN '000 (recalculated)	30.9.2018 BGN '000	Change BGN '000	Change %
Australia	15	3	3	12	400,00%
Asia	257	166	166	91	54,82%
Africa	28	29	29	(1)	-3,45%
Europe	14 326	13 911	30 445	415	2,98%
United Kingdom	6 496	6 497	6 497	(1)	-0,02%
South America	60	32	32	28	87,50%
North America	7 650	7 536	7 536	114	1,51%
Total	28 832	28 174	44 708	658	2,34%

"Sirma Group Holding" JSC and the companies from the Group realize their production and services without geographical restrictions. However, traditionally the highest sales Group generates in Europe and North America. These, together with United Kingdom revenues, occupy traditionally 98,75% of the total amount of consolidated revenue. Nevertheless, due to the exceptional diversification of its products and services, which are applied in many different sectors and customers, we can not talk about any dependence of the Group on individual clients or on particular services.

In Q3 2019 the Group sold products and services in 51 countries. The largest share of the consolidated revenues were from Bulgaria and amounted to BGN 7 942 thousand or 27,55% of total sales revenue, followed by USA with BGN 7 151 thousand or 24,80% and UK with BGN 6 496 thousand or 22,53%.

4/ CONSOLIDATED EXPENSES

4.1/ CONSOLIDATED STAFF EXPENSES

	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Sick Leave	42	42	-	0,00%
Bonuses	-	19	(19)	-100,00%
Paid leave	937	906	31	3,42%
Expenses for wages under civil contracts	46	93	(47)	-50,54%
Payroll costs for contracts for management and control	984	951	33	3,47%
Social securities costs for civil contract	4	2	2	100,00%
Social securities costs for contracts for management and control	36	28	8	28,57%
Social securities costs for labour contracts	1 649	1 447	202	13,96%
Wage costs	11 558	11 458	100	0,87%
Total	15 256	14 946	310	2,07%

In Q3 2019 the staff on Labour Contracts in the Group increased by 4,35 % and the consolidated staff expenses increased by 2,07%.

Count of staff in the Group:
30.09.2019



Company	LC	CMC	Total
SIRMA CI	5	1	6
SIRMA ICS	10	1	11
DATICUM	9	6	15
ENGVIEW SYSTEMS SOFIA	37	4	41
SIRMA AI	72	6	78
SIRMA BUSINESS CONSULTING	60	5	65
SIRMA GROUP HOLDING	21	6	27
SIRMA SOLUTIONS	128	7	135
SIRMA MEDICAL SYSTEMS	4	3	7
SIRMA GROUP INC.	5	1	6
S&G UK	1	1	2
SIRMA SHA	7	3	10
ONTOTEXT	1	3	4
Total	360	47	407

30.09.2018

Company	LC	CMC	Total
SIRMA ICS	9	1	10
DATICUM	9	6	15
ENGVIEW SYSTEMS SOFIA	41	5	46
SIRMA AI	2	2	4
SIRMA BUSINESS CONSULTING	56	5	61
SIRMA GROUP HOLDING	23	8	31
SIRMA SOLUTIONS	138	7	145
SIRMA MEDICAL SYSTEMS	4	3	7
SIRMA GROUP INC.	0	0	0
SIRMA USA	5	1	6
S&G UK	0	1	1
SIRMA SHA	4	3	7
ONTOTEXT	54	3	57
Total	345	45	390

4.2/ CONSOLIDATED OPERATING EXPENSES

	30.9.2019 BGN '000	30.9.2018 BGN '000 (recalculated)	30.9.2018 BGN '000	Change BGN '000
Material expenses	(1 122)	(1 353)	(1 353)	231
<i>Change in %</i>				-17,07%
Expenses for external services	(5 964)	(7 281)	(7 281)	1 317
<i>Change in %</i>				-18,09%
Depreciation and amortization expenses	(2 367)	(2 963)	(2 963)	596
<i>Change in %</i>				-20,11%
Cost of goods sold	(392)	(22)	(16 556)	(370)
<i>Change in %</i>				1679,80%
Changes in stocks of finished products and incomplete production	1 612	764	764	848
<i>Change in %</i>				110,99%
Capitalized own expenses	1 736	4 222	4 222	(2 486)
<i>Change in %</i>				-58,88%
Other expenses	(1 272)	(1 085)	(1 085)	(187)
<i>Change in %</i>				17,24%
Total expenses	(7 769)	(7 718)	(24 252)	(51)
<i>Change in %</i>				0,66%



4.2.1/ CONSOLIDATED MATERIAL EXPENSES

Consolidated costs for materials include:

	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Water	2	2	-	0,00%
Fuel for cars	27	37	(10)	-27,03%
Others	3	5	(2)	-40,00%
Electricity	165	154	11	7,14%
Inventory	44	81	(37)	-45,68%
Software protection	21	19	2	10,53%
Computer Components	19	12	7	58,33%
Consumables for cars	-	3	(3)	-100,00%
Office maintenance and repair materials	6	22	(16)	-72,73%
Heating	10	10	-	0,00%
Office supplies	16	12	4	33,33%
Promotional materials	24	13	11	84,62%
System integration	747	954	(207)	-21,70%
Toner	1	2	(1)	-50,00%
Hygienic materials	14	15	(1)	-6,67%
Vehicle repair parts	23	11	12	109,09%
Total	1 122	1 353	(231)	-17,07%

During the period under review, consolidated material expenses decreased by BGN 231 thousand or by 17,07 %. The decrease is mainly attributable to the decrease in material expenses for system integration, which decreased by BGN 207 thousand or by 21,70 %.

4.2.2/ CONSOLIDATED EXPENSES FOR EXTERNAL SERVICES

Consolidated expenses for external services include:

	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Subscriptions	411	403	8	1,99%
Civil contracts	5	-	5	n/a
Administrative service	10	29	(19)	-65,52%
Others	22	147	(125)	-85,03%
Insurance	59	59	-	0,00%
Internet	63	63	-	0,00%
Fees and commissions	116	73	43	58,90%
Consulting services	1 111	1 123	(12)	-1,07%
Courier, transport	44	37	7	18,92%
Mobile phones	63	51	12	23,53%
Staff recruitment	22	13	9	69,23%
Rental software license	157	175	(18)	-10,29%
Rentals	535	524	11	2,10%
Audit	17	16	1	6,25%
Security	39	41	(2)	-4,88%
Parking	10	4	6	150,00%
Maintenance and repair of vehicles	20	19	1	5,26%
Maintenance and repair of the office	14	47	(33)	-70,21%
Cleaning	11	14	(3)	-21,43%
Translation services	3	3	-	0,00%
Marketing and Advertising	216	384	(168)	-43,75%
Repair of Comp. and office equipment	4	4	-	0,00%
Connectivity	45	28	17	60,71%
Seminars and training	240	95	145	152,63%
Software services	2 424	3 623	(1 199)	-33,09%
Project subcontracting services	5	150	(145)	-96,67%
Hosting	296	154	142	92,21%
Fixed phones	2	2	-	0,00%
Total	5 964	7 281	(1 317)	-18,09%

In Q3 2019 consolidated expenses for external services decreased by BGN 1 317 thousand or by 18,09%. Decrease was due mostly to the change in software service expenses, which decreased by BGN 1 199 thousand or by 33,09%.



4.2.3/ CONSOLIDATED OTHER EXPENSES

Consolidated other expenses include:

	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Local taxes and fees	59	64	(5)	-7,81%
Tax representative expenses	-	1	(1)	-100,00%
Donations	25	32	(7)	-21,88%
Others	73	34	39	114,71%
Business trips in the country	67	44	23	52,27%
Business trips abroad	660	511	149	29,16%
Penalties on commercial contracts	1	1	-	0,00%
Entertainment expenses	64	59	5	8,47%
Differences in partial tax credit	1	4	(3)	-75,00%
Expenses without documents	26	39	(13)	-33,33%
Social expenses	296	296	-	0,00%
Total	1 272	1 085	187	17,24%

In Q3 2019, consolidated other expenses increased by BGN 187 thousand or by 17,24 %.

4.2.4/ CONSOLIDATED EXPENSES FOR DEPRECIATION AND AMORTIZATION

Consolidated depreciation and amortization expenses include:

	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Tangible assets	565	625	(60)	-9,60%
Intangible assets	1 802	2 338	(536)	-22,93%
Total	2 367	2 963	(596)	-20,11%

Amortization and depreciation expenses during the period decreased by 20,11% or by BGN 596 thousand.

Depreciation and amortization expenses	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Other intangible long term assets	98	100	(2)	-2,00%
Other tangible long term assets	9	7	2	28,57%
Intellectual Property Rights and Software Modules	646	871	(225)	-25,83%
Software Software Products - Acquired	34	65	(31)	-47,69%
Development products	981	840	141	16,79%
Products for commercial applications	43	462	(419)	-90,69%
Depreciation expenses of own buildings	53	76	(23)	-30,26%
Expenses for depreciation of computer equipment	398	383	15	3,92%
Depreciation expenses of machinery and equipment	25	78	(53)	-67,95%
Expenses of depreciation on mobile phones	7	7	-	0,00%
Expenses for amortization of repairs of leased assets	11	10	1	10,00%
Fixtures and fittings	32	24	8	33,33%
Vehicles	30	40	(10)	-25,00%
Total	2 367	2 963	(596)	-20,11%



4.2.5/ CONSOLIDATED CAPITALIZED OWN EXPENSES

Capitalized own expenses	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
ONTOTEXT	8	726	(676)	-93,11%
SIRMA ICS	-	203	(203)	-100,00%
SIRMA SOLUTIONS	-	1 272	(1 272)	-100,00%
SIRMA BUSINESS CONSULTING	64	-	64	n/a
SIRMA AI	585	-	585	n/a
ENGVIEW SYSTEMS SOFIA	870	879	(9)	-1,02%
SIRMA GROUP HOLDING	109	1 063	(954)	-89,75%
SIRMA MEDICAL SYSTEMS	58	79	(21)	-26,58%
Total	1 736	4 222	(2 486)	-58,88%

Capitalized expenses during the period decreased by 58,88 % or BGN 2 486 thousand.

4.2.6/ CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Changes in inventories of finished goods and work in progress	1 612	764	848	110,99%

4.2.7/ COST OF GOODS SOLD AND OTHER CURRENT ASSETS

	30.9.2019 BGN '000	30.9.2018 BGN '000 (recalculated)	30.9.2018 BGN '000	Change BGN '000	Change %
Cost of goods sold and other current assets	392	22	16 556	-16 164	-97,63%



4.2.8/ CONSOLIDATED RESULTS BY SEGMENTS

The segment reporting in the Group is organized on the basis of the main business activities, performed by the Group companies:

Segment INTELLIGENT EVOLUTION OF ENTERPRISES

	Q3 2019 BGN '000	Q3 2018 BGN '000
Revenue	10 737	10 626
<i>BG</i>	2 532	3 448
<i>EU</i>	3 084	2 703
<i>UK</i>	672	311
<i>USA</i>	4 093	3 929
<i>Other</i>	358	234
Expenses without depreciation and amortization, capitalization, etc.	-7 854	-8 823
EBITDA	2 884	1 803

Segment SOLUTIONS, PRODUCTS AND CONSULTING IN FINANCE

	Q3 2019 BGN '000	Q3 2018 BGN '000
Revenue	8 601	8 344
<i>BG</i>	1 814	2 291
<i>EU</i>	672	362
<i>UK</i>	2 914	2 710
<i>USA</i>	2 973	2 777
<i>Other</i>	227	202
Expenses without depreciation and amortization	-4 884	-3 165
EBITDA	3 717	5 179

Segment SYSTEM INTEGRATION

	Q3 2019 BGN '000	Q3 2018 BGN '000
Revenue	9 494	9 204
<i>BG</i>	3 596	3 120
<i>EU</i>	2 628	1 987
<i>UK</i>	2 911	3 475
<i>USA</i>	85	75
<i>Other</i>	275	547
Expenses without depreciation and amortization	-7 673	-7 475
EBITDA	1 821	1 729



5/ CONSOLIDATED FINANCIAL INCOME / COSTS NET

	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Financial expenses	(488)	(721)	233	-32,32%
Financial income	184	532	(348)	-65,41%
Financial income / expenses net	(304)	(189)	(115)	60,85%

Consolidated financial expenses decreased by BGN 233 thousand or by 32,32 % in Q3 2019, mainly due to the exchange rate differences on currency transactions. Financial income decreased by BGN 348 thousand or by 65,41%, mainly due to the increase in revenues from currency operations.

5.1/ CONSOLIDATED FINANCIAL INCOME

Consolidated financial income includes:

	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Interest income on deposits	1	2	(1)	-50,00%
Interest income on loans	36	61	(25)	-40,98%
Revenues from currency operations	147	469	(322)	-68,66%
Total	184	532	(348)	-65,41%

5.2/ CONSOLIDATED FINANCIAL COSTS

Consolidated financial costs include:

	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Interest costs NRA	6	30	(24)	-80,00%
Interest costs	4	1	3	300,00%
Interest costs on loans	233	199	34	17,09%
Interest costs on lease contracts	5	7	(2)	-28,57%
Costs on currency operations	111	383	(272)	-71,02%
Other financial costs	129	101	28	27,72%
Total	488	721	(233)	-32,32%

6/ CONSOLIDATED OTHER COMPREHENSIVE INCOME

	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Other comprehensive income	34	1 272	(1 238)	-97,33%
including other comprehensive income of non-controlling interest	5	413	(408)	-98,79%
including other comprehensive income of equity holders of the parent company	29	859	(830)	-96,62%
Total comprehensive income	5 537	6 593	(1 056)	-16,02%
including total comprehensive income of the non-controlling interest	603	2 458	(1 855)	-75,47%
including total comprehensive income of equity holders of the parent company	4 934	4 135	799	19,32%



7/ CONSOLIDATED ASSETS

Consolidated assets posted a decrease of BGN 909 thousand or 0,62% in Q3 2019. Traditionally, most of them are occupied by intangible assets, which is dictated by the activity of the Group and its ownership over a significant amount of software modules.

7.1. NON-CURRENT ASSETS

Assets	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Non-current assets				
Intangible assets	11 987	49 968	(37 981)	-76,01%
Property, plant and equipment	5 371	5 041	330	6,55%
Investments in subsidiaries	7	7	-	0,00%
Investments in Associates	157	157	-	0,00%
Deferred tax assets	307	307	-	0,00%
Expenses for acquisition of fixed assets	79 764	40 020	39 744	99,31%
Goodwill	22 482	22 482	-	0,00%
Total	120 075	117 982	2 093	1,77%

Non-current assets increased by BGN 2 093 thousand or by 1,77% during Q3 2019.

7.1.1. PROPERTY, PLANT AND EQUIPMENT

Name of group of tangible assets	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Expenses for the acquisition of FTA	532	-	532	n/a
Buildings and constructions	3 770	3 830	(60)	-1,57%
Machinery and equipment	42	76	(34)	-44,87%
Vehicles	56	82	(26)	-32,27%
Office furniture	192	172	20	11,46%
Computer equipment and mobile phones	668	785	(117)	-14,89%
Renovations of rented premises	112	96	16	16,57%
Total	5 371	5 041	330	6,54%

Pledge on fixed assets and other assets

As of September 30, 2019 there are established pledge on fixed tangible assets of the Group in relation to borrowings as follows:

- OFFICE № 8 / eight /, located in Sofia, Sofia District Mladost, on the 3rd (third) floor - II (second) office floor, in the building of "Tsarigradsko shose - 7 km" Blvd. (one hundred and thirty-five), elevation +7.45 (plus seven forty-five hundredths) meters, with a built-up area of 176.74 (one hundred and seventy-six whole and seventy four hundredths) sq.m, consisting of OFFICE ROOM, : northeast - office №7 (seven), southeast - corridor and staircase, southwest - yard, northwest - street, along with 4.631% (four hundred and sixty thirty one thousandth per hundred) IDEAL PARTS of the common parts of the building, which, according to a copy of a cadastral map with data from CRNI, is a building with identifier 68134.4081.392.1 / sixty-eight thousand one hundred and thirty-four point, four thousand eighty-one point, three hundred and ninety two, one, one, along the cadastral map and the cadastral registers of Sofia, Sofia, Reg. Sofia-city, approved by Order RD - 18 - 35 / 09.06.2011 of the Executive Director of AGKK, with address of the building - Sofia, st. 1000, 13 Tsarigradsko shosse Blvd., with an area of Sketch 999.00 sq.m. / ninety ninety-nine square meters /, with number of floors: 5, with purpose: Administrative, business building,



with previous plan number: none, old identifier: none, which building is located in a land plot with identifier № 68134.4081.392, and so ideal shares of the right to build on the yard in which the building was built, the whole of

which has an area of 3 150 (three thousand one hundred and fifty) square meters, constituting a Regulated Land II-392 (second assigned for a plot of land number ninety-two) in the 11th (eleven) on the plan of the city of Sofia, (the first, assigned for a property number three hundred and ninety-two), street and UPI III-392 (third, assigned for property number three hundred and ninety-two), which, according to a copy of a cadastral map with data from CRNI, represents a land property with identifier 68134.4081.392 / sixty-eight thousand one hundred and thirty-four point four thousand eighty one point three hundred ninety-two / , on the cadastral map and cadastral registers of Sofia, Sofia, Reg. Sofia-city, approved by Order RD - 18 - 35 / 09.06.2011 of the Executive Director of AGKK, with address of the property - Sofia, Mladost district, 135 Tsarigradsko shose Blvd. sketch 3161.00 sq.m. / three thousand one hundred and sixty one square meters /, with a permanent purpose on the territory: Urbanized, with a permanent use: for another type of development, with a number according to the previous plan: 392, district: 11, plot: II, neighbors on the land property on sketch: property with identifier № 68134.4081.10, property with identifier № 68134.4081.48, property with identifier № 68134.4081.55.

Property Act - Decree on the assignment of immovable property dated 23.09.2013, on private enforcement agent Nedelcho Mitev, 43840, filed on 18.10.2013, volume CXXII, number 124

Contractual mortgage of 20.12.2013, Notary Deed 119, Volume X, Reg. No 26272, Case 1690 of 2013 for provision of credit from Allianz Bank Bulgaria AD at the amount of 123 000 Euro.

- OFFICE 19 / nineteen /, with identifier 68134.4081.392.1.19 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. nineteen / with a built-up area of the office 99.21 / ninety nine and twenty one hundredths / sq.m, consisting of: office premises, neighbors, corridor, office №20 and neighbors with identified identifiers: the same floor: 68134.4081.392.1.20, under the object: none, above the building: none, together with 2.597% / two five hundred and ninety seven thousand per cent / ideal parts of the common parts of the building and so many ideal parts of the building right on the yard a place described below;

Contractual mortgage of 10.10.2013, Notary Act 80, Volume 20, number 38867, for securing an investment loan from Unicredit Bulbank AD at the amount of EUR 300000.

- OFFICE №20 / twenty /, with identifier 68134.4081.392.1.20 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. twenty / with an area of 144.39 / one hundred and forty-four and thirty-nine hundredths / sq.m., consisting of: office space, together with a terrace, with an area of 3.41 / three whole forty one hundredths / sq. in neighboring areas, according to architectural design: office №19, corridor, office №21 and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.19, 68134.4081.392.1.21, under the object: none, above the object : no, together with 3.784% / three hundred seven hundred and eighty four thousand per cent / ideal parts of the common parts of the building and so many ideal parts of the right to build on the yard described below;

Contractual mortgage of 10.10.2013, Notary Act 80, Volume 20 reg. Number 38867, . for securing an investment loan from Unicredit Bulbank AD amounting to EUR 100000.

- OFFICE N ° 21 / twenty-one /, with identifier 68134.4081.392.1.21 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. twenty-one), with an office area of 81.35 / eighty one and thirty-five hundredths / sq.m, consisting of: office premises, neighbors according to architectural project: office №20, corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.20, under the object: none, above the object: none, together with 2.132% / two whole thirty-two thousand per cent / common parts of the common parts of the building and so many common parts from the right to build on the yard, landed property with identifier 68134.4081.392 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two /, the whole of which is 3 150 / three thousand one hundred and fifty / square meters, constituting a regulated landed property II-392 / second for a property number three hundred and ninety-two /, from the 11th district / eleven / Sofia, Mladost area, Tsarigradsko Shosse Blvd. - 7 / seventh / kilometer, with neighbors: North - plot I-392, east and west - streets, south - plot III-392, 115, Volume 2, Case 247/2002

Act of Property under Items 1.2, 1.3, and 1.4 - Notary Deed of 10.10.2013, Number 181, Volume VII, Reg. No. 20818, Case 1214 of 2013

Contractual mortgage of 10.10.2013, Notary Act 80, Volume 20 reg. Number 38867, . for securing an investment loan from Unicredit Bulbank AD amounting to EUR 300,000.

- Floor 3 of the office building "IT-Center Office Express" in Sofia, 135 Tsarigradsko shosse Blvd. with a total area of 796,50 sq.m. Notary deed for the purchase and sale of immovable property № 126, Volume I, reg. № 4551, case № 116 of 23.04.2003.

Contractual mortgage from 13.06.2014, Deed of Deed 84, Volume I-1, Reg. No 2002, Case 63 of 2014 for provision of overdraft loan from Unicredit Bulbank AD at the amount of EUR 100000.



- Floor 5 of the office building "IT-Center Office Express" in Sofia, 135 Tsarigradsko shose Blvd., with an area of 281.81 square meters, according to the Notary deed for sale and purchase of real estate № 86, vol. 4, Reg. No. 10237, Case No 592 of 23.12.2004.

Contractual mortgage of 23/09/2014, Notary Act 37, Volume 18, Reg. No 36189, for the provision of an overdraft loan from ALIANZ BANK BULGARIA amounting to EUR 100000.

- OFFICE № 10 (ten), located in the high office building, built on 135 Tsarigradsko shosse Boulevard (one hundred thirty-five), located in the middle of the eastern part of the third (second office) floor of the building (elevation + 7.45 / plus seven whole forty-five hundredths /), with built-up area of 144.39 / one hundred and forty-four thirty-nine hundredths / sq.m., at boundaries: northeast - first office in number, counted from north to south, southeast - yard, northwest - corridor, as well as the deduction of the property 3.93% / three ninety and three hundredth per cent / common parts of the common parts of the building, corresponding to 44.32 / forty four and thirty-two hundredths / sq.m. built area and 3.93% / three hundred and ninety-three hundredth per cent / ideal parts of the right to build on the yard on which the building, which constitutes a regulated plot of land / plot № II-392 / second, allocated for a plot with a plot number three hundred and ninety-two (from the 11th district), according to the regulation of the territory of Tsarigradsko shose - 7 / seventh / kilometer, Sofia, approved by Order No. RD-09-50-631 of 20.11.1998, which property has an area of 3150 / three thousand one hundred and fifty / sq. meters and is at boundaries: northeast - UPI purpose number I-392 / first, assigned for a property with a numbering number three hundred and ninety-two /, southeast - street, southwest - plot / plot № III- 392 / third, assigned to property number three hundred and ninety-two / street, according to a Notary deed for the purchase and sale of real estate, entered in the Registry Office - Sofia with int. Reg. No 94655 / 17.12.2008, Act No 43, Volume CCXLL, Case No 66314/08;

Contract for financial leasing 05912-001 / 2014 dated 23.04.2014, concluded with "PIRAEUS LEASING BULGARIA" AD.

A Contractual Mortgage and a Contract for Special Pledge on Receivables to secure Contract № 100-1622 dated July 21, 2015 for overdraft loan from Eurobank Bulgaria AD at the amount of BGN 1 200 000.

- OFFICE with meeting room, cafeteria and service rooms (converted from restaurant), with identifier 68134.4081.392.1.22 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. twenty-two), located in the city of Sofia, district "Mladost", 136 Tsarigradsko Shose Blvd./155 / thirty-five /, in 5 / five / storey administrative, business building with identifier 68134.4081.392.1 / eight thousand one hundred thirty-four. four thousand eighty-one. three hundred and ninety-two. one / on the 5th floor / floor, in the attic of the building, elevation + 16.90 m., with a built-up area of the office 281.81 / two hundred eighty one one and eighty one hundredths / sq.m., to neighbors according to document for property: northeast - staircase and terrace, southwest - staircase and terrace, southeast - terrace and northwest - terrace, and neighbors with identified identifiers: on the same floor: none, under the object: 68134.4081.392.1.18, 68134.4081.392.1.19 , 68134.4081.392.1.20, 68134.4081.392.1.21, 68134.4081.392.1.17, over the object: none, together with 7.384% / seven whole three hundred eighty four thousand per cent / ideal parts of bshtite areas and the right to build on the land, land with ID 68134.4081.392 / sixty-eight thousand one hundred thirty-four. four thousand eighty-one. three hundred and ninety-two), the whole with an area of 3 150 (three thousand one hundred and fifty) square meters, constituting a regulated landed property II-392 (second, assigned for cadastre number three hundred ninety-two) in the 11th district), according to the plan of Sofia, Tsarigradsko Shosse - 7th kilometer, with neighbors, according to a document of ownership: north - UPI I-392, south - UPI III-392, east and west - street.

- All current and future receivables arising from the Grant Agreement with BG161PO003-2.2.01-0012-C0001 under the Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007-1203 "under Priority Axis 2" Increasing the efficiency of businesses and the development of a favorable business environment ", Impact area 2.2. "Establishment of Business Support Infrastructure", Operation 2.2.2 "Establishment of Regional Business Incubators", which was signed between SIRMA GROUP HOLDING JSC and the Ministry of Economy, Energy and Tourism, Executive Agency for Promotion of Small and Medium Enterprises enterprises with contract

number BI-02-16 / 02.02.2012 and concluded with it Additional Agreement № BI-02-16-A-3 dated 27.01.2015 between SIRMA GROUP HOLDING JSC and the Ministry of Economy , through the Directorate-General for European Funds for Competitiveness, vein by the Contracting Authority grants under Component 1 and Component 2 of 500 293.50 BGN.

Contractual Mortgage E from 10.04.2017, Notary Act 127, Volume 3, Reg. No 6930, for securing an investment loan from Unicredit Bulbank AD at the amount of BGN 1 781 507.



- OFFICE № 1 / one /, with identifier 68134.4081.392.1.1 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. one / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 152.48 / one hundred and fifty-two forty and forty eight hundredths / sq.m, consisting of: one office space, , according to the ownership document: office №2, street, yard and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.2, under the facility: 68134.4081.392.1.50, above the site: 68134.4081.392.1.7 , together with 3.996% / three nine hundred and ninety-six thousandth per cent / ideal parts of the common parts of the building and the right to build on the site described below;
- OFFICE 2 (two), with identifier 68134.4081.392.1.2 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. two / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 176.56 / one hundred and seventy-six fifty-six hundredths / sq.m, consisting of: one office space, , according to the ownership document: office №1, street, Reg. III-392 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.1, under the object: 68134.4081.392.1.50, above the site: 68134.4081. 392.1.8, together with 4.627% / four six hundred twenty seven thousand per cent / ideal parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 3 / three /, with identifier 68134.4081.392.1.3 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. three / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 95.50 / ninety five fifty fifty hundredths / sqm, consisting of: one office space, with neighbors, for property: UPI III-392, yard with low body, office №4 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.4, under the project: 68134.4081.392.1.50, above the building: 68134.4081 .392.1.9, together with 2.502% / two whole five hundred and two thousandth per cent / common parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 4 / four /, with identifier 68134.4081.392.1.4 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. four / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 79.30 / seventy-nine thirty and thirty cent / sq.m, consisting of: one office space, for property: office №3, yard built with low body, office №5 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.3, 68134.4081.392.1.5, under the project: 68134.4081.392.1.50 , above the site: 68134.4081.392.1.10, together with 2.078% / two hundred and seventy-eight thousandth per cent / common parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 5 / five /, with identifier 68134.4081.392.1.5 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. five / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 79.40 / seventy-nine whole and forty hundredths / sq.m, consisting of: one office space, for property: office №4, yard built with low body, office №6 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.4, 68134.4081.392.1.6, under the facility: 68134.4081.392.1.50 , above the site: 68134.4081.392.1.10, together with 2.081% / two hundred and eighty one thousand per cent / common parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 6 / six /, with identifier 68134.4081.392.1.6 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. six / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 81.30 / eighty one and thirty hundredths / sq.m, consisting of: one office space, with neighbors, according to document for property: office №5, yard built with low body, sanitary premises and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.5, under the project: 68134.4081.392.1.50, above the building: 68134.4081.392.1.10,68134.4081.392.1.11, together with 2.130% / two hundred and thirty thousand per cent / ideal parts of the common parts of the building and the right to build on the site described above;
- OFFICE № 7 (seven), with identifier 68134.4081.392.1.7 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. seven / according to the scheme of the site on 2 / second / floor, elevation 7.45 m, built-up area 153.04 / one hundred and fifty three and four hundredths / sq.m, consisting of: one office space, ownership document: street, office number 8, corridor, sanitary premises and yard, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.8, under the facility: 68134.4081.392.1.1, over the site: 68134.4081.392.1. 12, together with 4.010% / four ten thousandths per cent / ideal parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 9 (nine), with identifier 68134.4081.392.1.9 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. nine / according to the scheme of the site on 2 / second / floor, elevation 7.45 m, with built-up area 99.15 / ninety nine and fifteen hundredths / sq.m, consisting of: one office space, with neighbors, for property: UPI III-392, yard built with low body, office №10



and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.10, under the project: 68134.4081.392.1.3, above the site: 68134.4081 .392.1.12, together with 2.598% / two five hundred

and ninety-eight thousandth per cent / ideal parts of the common parts of the building and the right to build on the site described below and

- OFFICE № 11 / eleven /, with identifier 68134.4081.392.1.11 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. eleven), according to the scheme of the site on the 2nd (second) floor, elevation 7.45 m, with built-up area 81.35 / eighty one and thirty-five hundredths / sq.m, consisting of one office space, according to a document of ownership: office №10, yard built with a low body, yard and sanitary premises, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.10, under the object: 68134.4081.392.1.6, above the site: 68134.4081 .392.1.12, together with 2.132% / two hundred thirty-two thousandth per cent / ideal parts of the common parts of the building and the right to build on the yard, all the lot with an area of 3 150 / three thousand one hundred and fifty / square meters, constituting a regulated landed property II-392 / second for property cadastre number three hundred ninety-two /, from the 11th district / eleven /, according to the plan of the city of Sofia, "Tzarigradsko Shose" - 7 / seventh / kilometer, with neighbors: Regulated plot I-392, UPI III-392 and two streets.

As the only significant non-current tangible assets can be determined: the office-building owned by the Company - offices, floor 1, floor 2, floor 3, floor 5 and part of floor 4 of an office building, located in 135 Tzarigradsko Shosse Blvd., and servers and infrastructure equipment owned by Daticum JSC.

As of the date of this document, the Company does not plan the purchase of significant tangible fixed assets.

7.1.2. INTANGIBLE ASSETS

Name of the group of intangible assets and goodwill	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Goodwill	22 482	22 482	-	0,00%
Development products	5 126	5 861	(735)	-12,54%
Software products	98	38	60	157,47%
Rights on Software Modules and Industrial Property	5 963	22 743	(16 780)	-73,78%
Reclassified from held for sale to SENPAI embedded assets	-	12 413	(12 413)	-100,00%
Other intangible fixed assets	800	8 913	(8 113)	-91,03%
Total	34 469	72 450	(37 981)	-52,42%

7.1.2.1. GOODWILL

The management of the Group has made the necessary procedures to perform the statutory impairment test for goodwill recognized in the consolidated financial statements for the acquisition of subsidiaries. For this purpose, it is accepted that each individual company appears as a "cash-generating unit". The calculations were made by the management taking into account the estimates of independent licensed valuers as of December 31, 2015 and a detailed review was made as to whether events and facts appeared to indicate changes in the assumptions and judgments made by the end of 2015 at 30.09.2019. As a basis for cash flow projections (before tax), the financial budgets developed by the management of the respective companies and the Group as a whole, covering a three to five year period, as well as other medium- and long-term plans intentions for the development and restructuring of the activities within the Group. The recoverable amount of each cash-generating unit is determined on a "value in use" basis. The key assumptions used to calculate the recoverable value of each object are in the following ranges:

- Growth rate in the three (or five) year period - from minus 1% to 50%;
- EBITDA growth rate - basically in the range of 1% to 67%;
- post-forecast growth in terminal value calculation - 0%;
- Discount rate (based on WACC) - from 3% to 30%.

The key assumptions used in the calculations are specifically determined for each reputable company treated as a separate cash-generating unit and according to its specific business, business environment and risks. The tests and judgments of the Group's management for the impairment of recognized goodwill are made in the light of its projections and intentions regarding future economic benefits that the Group expects to obtain from its subsidiaries,



through the use of their internally-created trademarks, commercial experience and revenues generated and expected in future by them, securing positions on Bulgarian and foreign markets (development and preservation), expectations for future sales and restructuring of the activity, etc. For these reputations the analysis of reasonably possible changes in the key assumptions used to calculate the value in use shows that the carrying amount of the goodwill would be higher than the recoverable amount.

Acquired company	30.9.2019 BGN '000
Sirma Solutions	11 754
EngView Systems Latin America	14
Panaton Soft. Ink. USA	1 863
Sirma AI	5 722
Ontotext	2 961
S&G Technology Services Ltd.	164
Sirma Business Consulting	4
Total Goodwill	22 482

7.1.3. EXPENDITURE ON THE ACQUISITION OF LONG-TERM INTANGIBLE ASSETS

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Expenditure on acquisition fixed assets	79 764	40 020	39 744	99,31%

7.1.4. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

During the reporting period, investments were recorded in the accounting records in EngView USA and EngView Latin America. These companies do not participate in the consolidated statement of Sirma Group Holding JSC, because they are not material.

The core business of Group companies is concentrated in the IT sector.

The parent company and its subsidiaries operate on the territories of the Republic of Bulgaria and the USA.

The shares of the subsidiaries are not traded on a regulated market.

7.1.5. DEFERRED TAX ASSETS

Deferred tax assets	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Unused leave	69	69	-	0,00%
Depreciation	9	9	-	0,00%
Loss	25	25	-	0,00%
Impaired receivables	74	74	-	0,00%
Impairment of inventories	5	5	-	0,00%
Impairment of investments	59	59	-	0,00%
Unpaid amounts to individuals	30	30	-	0,00%
Taxed temporary difference - others	17	17	-	0,00%
Taxed temporary difference on expense	19	19	-	0,00%
Total	307	307	-	0,00%



7.2. CURRENT ASSETS

Assets	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Current assets				
Inventories	5 113	3 151	1 962	62,27%
Trade receivables	8 239	10 232	(1 993)	-19,48%
Receivables from related parties	1 367	1 387	(20)	-1,47%
Tax receivables	635	392	243	61,99%
Other receivables	1 217	1 055	162	15,36%
Prepaid expenses	251	460	(209)	-45,43%
Money and cash equivalents	7 921	11 068	(3 147)	-28,43%
Total	24 743	27 745	(3 002)	-10,82%

Current assets decreased by BGN 3 002 thousand or by 10,82 % in Q3 2019.

7.2.1. INVENTORIES

Inventories are:

Assets	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Materials	65	68	(3)	-5,06%
Goods	844	534	310	58,14%
Other tangible assets	4	6	(2)	-29,48%
Work in progress- projects	4 200	2 543	1 657	65,15%
Total	5 113	3 151	1 962	62,27%

7.2.2. RECEIVABLES FROM RELATED PARTIES

Consolidated receivables from related parties:

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Receivables on sale of goods and services	513	533	(20)	-3,75%
Commercial loans	854	854	-	0,00%
Total	1 367	1 387	(20)	-1,44%

The balance of receivables is formed from receivables from companies not participating in the consolidation but related parties within the meaning of the law.

Sales receivables are interest-free and are in BGN, EUR or USD.

Typically, companies in the Group negotiate a payment term for sales receivables between 10 and 30 days, and for sales receivables of materials up to 90 days.

The Group has set a maximum credit period of up to 360 days for which it does not charge interest to the related party-related counterparties. The delay after this period was accepted by the Group as an indicator of impairment.

The management of the Group companies assesses the collection by analyzing the specific receivables and the condition of the debtor company as well as the circumstances of the delay and the repayment options and then decides whether to recognize and accrue impairment on an individual basis and to what extent.

Loans are provided for working capital to the respective counterparties. As of 30.09.2019 the loans are not further secured by a special pledge or guarantee.



The conditions under which loans to affiliated companies are granted are as follows:

Currency BGN	Amount agreed BGN '000	Maturity	Interest rate %	30.9.2019 BGN '000	31.12.2018 BGN '000
Receivables from entities under indirect common control					
Sirma ISG	257	31.12.2019	5,00%	364	257
Sirma Media	18	31.12.2019	6,50%	83	18
Pirina Technologies	766	31.12.2019	6,50%	766	767
Sirma ICS	250	31.12.2019	3,00%	238	250
Subsidiaries					
Sirma AI	3 807	31.12.2019	5%, 3,5%	3 807	3 583
Sirma Medical Systems	516	31.12.2019	5,00%	543	516
EngView Systems Sofia	60	31.12.2019	2,50%	0	60
Sirma CI	7	31.12.2019	5,00%	7	-

All related party transactions are under market conditions and receivables are not secured.

7.2.3. TRADE RECEIVABLES

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Receivables from customers	8 259	9 632	(1 373)	-14,25%
Impairment of uncollectible receivables	(278)	(278)	-	0,00%
Provider advances made	258	878	(620)	-70,62%
Total	8 239	10 232	(1 993)	-19,48%

Maturity analysis of trade receivables

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
up to 90 days	5 591	7 677	(2 086)	-27,17%
from 91 to 180 days	1 309	495	814	164,44%
from 180 to 360 days	1 339	868	471	54,26%
Regular receivables up to 1 year	8 239	9 040	(801)	-8,86%
from 1 to 2 years	-	544	(544)	-100,00%
over 2 years	-	648	(648)	-100,00%
Regular receivables over 1 year	-	1 192	(1 192)	-100,00%
Total	8 239	10 232	(1 993)	-19,48%



Receivables from customers are interest-free and are mainly in: Bulgarian BGN, EUR, CAD and US \$.

Typically, the Group companies negotiate with customers the payment term for sales receivables of 30 to 180 days, unless there are certain specific maturity conditions for certain customers.

The group has defined a usual 360-day credit period for which it does not charge interest to customers. The delay after this period was accepted by the Group as an indicator of impairment. The management of the Group companies assesses the collection by analyzing the exposure of the particular client, the repayment options (to the client and through the collateral) and decides on the recognition and accrual of the respective impairment.

7.2.4. TAX RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses include:

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Prepaid expenses	251	460	(209)	-45,43%
Other receivables	1 217	1 055	162	15,36%
Total	1 468	1 515	(47)	-3,10%

Tax receivables include:

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Profit tax receivables	11	11	-	0,00%
VAT receivables	624	381	243	63,78%
Total	635	392	243	61,99%

7.2.5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Current accounts	7 814	6 930	884	12,76%
Cash in case	107	79	28	35,44%
Blocked cash	-	4 059	(4 059)	-100,00%
Total	7 921	11 068	(3 147)	-28,43%



8/ EQUITY

Equity during the period increased by BGN 6 424 thousand or by 6,17 %.

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000
Main / Share Capital	59 361	59 361	0
<i>Change</i>			0%
Reserves	7 049	5 622	1 427
<i>Change</i>			25,38%
Retained earnings / (Accumulated loss) from previous years	28 498	23 792	4706
<i>Change</i>			19,78%
Non-controlling interest	16 038	15 747	291
<i>Change</i>			1,85%
Changes resulting from purchased own shares	(475)	(475)	0
<i>Change</i>			0%
Total	110 471	104 047	6 424
<i>Change</i>			6,17%

8.1 MAIN SHARE CAPITAL

As at 30.09.2019 the registered share capital of SIRMA GROUP HOLDING JSC amounted to BGN 59 361 thousand, divided into 59 360 518 dematerialized registered shares with a nominal value of BGN 1.

Shares are ordinary, dematerialized with the right to vote, the right to receive a dividend and a liquidation share.

8.2 RESERVES

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Emissions premiums	136	2 326	(2 190)	-94,15%
Reserves	6 903	3 461	3 442	99,45%
Reserves from restated reports	10	(165)	175	-106,06%
Total	7 049	5 622	1 427	25,38%

8.3 RETAINED EARNINGS

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000
Retained earnings / (Accumulated loss) from previous years		22 995	18 139
<i>Change</i>			4 856
including profit per equity holders of the parent company		5 503	5 653
<i>Change</i>			(150)
Total		28 498	23 792
<i>Change</i>			4706
			19,78%

8.4 NON-CONTROLLING INTEREST

	30.9.2019 BGN '000	31.12.2018 BGN '000	Изменение BGN '000	Изменение %
Non-controlling interest	16 038	15 747	291	1,85%



9/ CONSOLIDATED LIABILITIES

Consolidated liabilities decreased by 7 333 BGN thousand or 17,59% in Q3 2019, which can be traced back to the following tables.

9.1. NON-CURRENT LIABILITIES

Non-current liabilities	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Provisions	203	203	-	0,00%
Long-term loans	6 897	9 359	(2 462)	-26,31%
Finance lease liabilities	93	127	(34)	-26,77%
Financing (Grants)	-	8	(8)	100,00%
Liabilities to suppliers	58	58	-	0,00%
Deferred tax liabilities	1 084	1 084	-	0,00%
Total	8 335	10 839	(2 504)	-23,10%

Non-current liabilities decreased by BGN 2 504 thousand or by 23,10% in Q3 2019.

9.1.1. LONG-TERM LOANS AND FINANCIAL LEASING

Long-term finance lease liabilities

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Finance lease liabilities	93	127	(34)	-26,77%

The lease for the purchase of real estate has the following parameters:

Company	Creditor	Currency	Credit amount in currency	Type	Value at 30.09.2019	Interest rate	Contract end date
Sirma Group Holding	Pireos Leasing	Euro	154 081	Leasing	39 480	3M Euribor + 4,75%	30.4.2021

Long-term loans

Bank and currency	Agreed amount BGN '000	Maturity	Interest %	30.9.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Unicredit Bulbank AD (euro)	587	8.12.2023	BIP 4.45%; LI 3M EURIBOR	208	196	12	6%
Unicredit Bulbank AD (BGN)	1782	7.4.2027	3M SOFIBOR; premium 2.5%	1 159	1 268	(109)	-9%
Alianz Bank AD (euro)	241	25.11.2023	6M LIBOR premium 4.75%	77	95	(18)	-19%
Unicredit Bulbank AD (BGN)	9 780	26.7.2022	3M SOFIBOR premium 1.35%	5 532	7 800	(2 383)	-25%



9.1.2. DEFERRED TAX LIABILITIES

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Taxable temporary differences due - from Tax balance and Acc.balance value	1 084	1 084	-	0,00%

9.1.3. LONG-TERM FINANCING

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Financing	58	58	0	0%

9.1.5. LONG-TERM PROVISIONS

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Long-term provisions	203	203	0	0%

9.2. CURRENT LIABILITIES

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Current liabilities				
Provisions	737	794	(57)	-7,18%
Pension obligations to the staff	1 446	1 539	(93)	-6,04%
Short-term loans	14 463	9 065	5 398	59,55%
Finance lease liabilities	42	42	-	0,00%
Trade and other payables	3 002	8 781	(5 779)	-65,81%
Short-term obligations affiliates	372	292	80	27,40%
Tax obligations	792	1 272	(480)	-37,74%
Advances received	4 341	8 054	(3 713)	-46,10%
Deferred income and financing	316	71	245	345,07%
Other liabilities	501	931	(430)	-46,19%
Total Current liabilities	26 012	30 841	(4 829)	-15,66%

Current liabilities decreased by 15,66 % in Q3 2019.



9.2.1. SHORT-TERM LOANS AND FINANCIAL LEASING

Short-term loans

Company	Bank	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
EngView Systems Sofia	Bulbank	3	2	1	50,00%
Sirma AI	EUR/ Bulbank	-	179	(179)	-100,00%
Sirma AI	Bulbank	-	541	(541)	-100,00%
Sirma AI	UBB	117	-	117	100,00%
Sirma AI	UBB	5 865	-	5 865	100,00%
Sirma Group Holding	Societe Generale Expressbank	-	1 994	(1 994)	-100,00%
Sirma Group Holding	Eurobank	2 130	2 110	20	0,95%
Sirma Group Holding	Allianz Bank Bulgaria	102	120	(18)	-15,00%
Sirma Group Holding	Bulbank	3 176	2 164	1 012	46,77%
Sirma Group Inc.	Bank	21	21	-	0,00%
Sirma Solutions	EUR/Bulbank	1 355	931	424	45,54%
Sirma Solutions	Bulbank	394	3	391	13033,33%
Sirma Solutions	EUR/Bulbank	1 300	1 000	300	30,00%
Total		14 463	9 065	5 398	59,55%

Short-term finance lease liabilities

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Short-term finance lease liabilities	42	42	0	0,00%

9.2.2. TRADE AND OTHER PAYABLES

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Obligations to suppliers	2 549	8 331	(5 782)	-69,40%
Other estimates with suppliers	453	450	3	0,67%
Total	3 002	8 781	(5 779)	-65,81%

9.2.3. DUTIES ON ADVANCES

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Clients on advances in BGN	746	3 419	(2 673)	-78,18%
Clients on advances in foreign currency	3 595	4 635	(1 040)	-22,44%
Total	4 341	8 054	(3 713)	-46,10%



9.2.4. SHORT-TERM PAYABLES TO RELATED PARTIES

Short-term obligations to affiliates by type are as follows:

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Delivery of services	371	291	80	27,49%
Liabilities on borrowings received	1	1	-	0,00%
Total	372	292	80	27,40%

9.2.5. TAX OBLIGATIONS

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
VAT receipts	520	41	479	1168,29%
Profit tax receipts	-	744	(744)	-100,00%
Other budget receipts	12	104	(92)	-88,46%
TTA receipts	260	383	(123)	-32,11%
Total	792	1 272	(480)	-37,74%

9.2.6. PENSION AND OTHER OBLIGATIONS TO THE STAFF AND SOCIAL SECURITY

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Staff recruited under a civil contract	9	2	7	350,00%
Staff hired under contract for management and control	195	140	55	39,29%
Staff recruited under a labor contract	893	1 009	(116)	-11,50%
Payables to insurance enterprises	334	374	(40)	-10,70%
Staff recruited under a labor contract abroad	15	14	1	7,14%
Total	1 446	1 539	(93)	-6,04%

9.2.7. OTHER CURRENT LIABILITIES

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Other liabilities	501	931	(430)	-46,19%



9.2.8. CURRENT PROVISIONS

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Accruals on unused leaves	655	646	9	1,39%
Contributions for unused leaves	82	81	1	1,23%
Bonus provisions	-	67	(67)	-100,00%
Total	737	794	(57)	-7,18%

9.2.9. SHORT-TERM FINANCING

	30.9.2019 BGN '000	31.12.2018 BGN '000	Change BGN '000	Change %
Financing	316	71	245	345,1%

10/ PROFIT / LOSS

	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Current financial result	5 503	5 321	182,00	3,42%
including profit non-controlling interest	808	2 113	(1 305,00)	-61,76%
including non-controlling interest loss	(210)	(68)	(142,00)	208,82%
including profit per equity holders of the parent company	4 905	3 276	1 629,00	49,73%

	30.9.2019 BGN	30.9.2018 BGN	Change BGN '000	Change %
Basic earnings per share	0,0920	0,0556	0,0363	65,31%
Basic earnings per share, incl. other comprehensive income	0,0825	0,0697	0,0128	18,38%



11/ INDICATORS AND COEFFICIENTS

№	Indicators	30.9.2019	30.9.2019/ 31.12.2018	Change	Change
		BGN '000	BGN '000	BGN '000	%
1	Revenue from operating activities	28 832	28 174	658	2,34%
2	Cost of sales	(21 753)	(21 579)	(174)	0,81%
3	Gross profit / loss	7 079	6 595	484	7,34%
4	Other operating costs	(1 272)	(1 085)	(187)	17,24%
5	Operating profit / loss	5 807	5 510	297	5,39%
6	Financial income	184	532	-348	-65,41%
7	Financial costs	(488)	(721)	233	-32,32%
8	Profit / loss before tax expense	5 503	5 321	182	3,42%
9	Tax costs	-	-	-	n/a
10	Net profit / loss	5 503	5 321	182	3,42%
11	Dividend	-	-	-	n/a
12	Cash and cash equivalents	7 921	11 068	-3147	-28,43%
13	Inventories	5 113	3 151	1962	62,27%
14	Short-term assets	24 743	27 745	-3002	-10,82%
15	Total amount of assets	144 818	145 727	-909	-0,62%
16	Average arithmetic total asset value for 5 quarters	141 878	139 421	2457	1,76%
17	Current liabilities	26 012	30 841	-4829	-15,66%
18	Debt	21 495	18 593	2 902	15,61%
19	Liabilities (borrowed funds)	34 347	41 680	-7333	-17,59%
20	Equity	110 471	104 047	6424	6,17%
21	Equity averaged 5 quarters	108 687	107 882	805	0,75%
22	Turnover capital	(1 269)	(3 096)	1827	-59,01%
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	0,00%
24	Gain / loss minority interest	598	2045	(1 447)	-70,76%
25	Interest expenses	(248)	(237)	(11)	4,64%
26	Weighted average price of last trading session	0,71	0,90	-0,19	-21,23%
27	Last price per share of last trading session	0,71	0,85	-0,14	-16,47%



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED ON 30.09.2019

Indicators	30.9.2019	30.9.2018/ 31.12.2018	Change	Change %
EBITDA	8 422	8 710	(288)	-3,31%
DEPRTIATION	(2 367)	(2 963)	596	-20,11%
EBIT	6 055	5 747	308	5,36%
FIN/INVEST NET	(304)	(189)	(115)	60,85%
EBT	5 503	5 321	182	3,42%
ROA	0,0339	0,0225	0,0114	50,67%
ROA(BSE)	0,0346	0,0235	0,0111	47,13%
Debt/EBITDA Ratio	2,5522	2,1347	0,4176	19,56%
Quick Ratio	0,7547	0,7974	-0,0428	-5,37%
ROE (BSE)	0,0578	0,0396	0,0182	45,91%
ROE	0,0506	0,0493	0,0013	2,65%
Debt/Equity Ratio (BSE)	0,3109	0,4006	-0,0897	-22,39%
Profitability ratios				
Gross profit margin	0,2455	0,2341	0,0114	4,89%
Operating profit margin	0,2014	0,1956	0,0058	2,98%
Net profit margin	0,1909	0,1889	0,0020	1,06%
Coefficients for assets and liquidity				
Assets turnover ratio	0,2045	0,2059	-0,0014	-0,67%
Assets turnover ratio (BSE)	0,2032	0,2021	0,0011	0,56%
Operating cycle	-22,7203	-9,1001	-13,6201	149,67%
Current ratio	0,9512	0,8996	0,0516	5,74%
Quick ratio	0,7547	0,7974	-0,0428	-5,37%
Cash ratio	0,3045	0,3589	-0,0544	-15,15%
Odds per share				
P/S ratio	1,4515	1,8857	-0,4342	-23,03%
P/E ratio	7,6049	9,9846	-2,3798	-23,83%
P/B ratio	0,4961	0,6584	-0,1623	-24,65%
Revenue per share	0,4857	0,4746	0,0111	2,34%
Earnings per share	0,0927	0,0896	0,0031	3,42%
Book value of equity per share	1,8309	1,8174	0,0136	0,75%
Dividends ratio				
Divident payout ratio	0,0000	0,0000	0,0000	n/a
Earnings retention ratio	1,0000	1,0000	0,0000	0,00%
Divident per share	0,0000	0,0000	0,0000	n/a
Development Ratios				
Revenue growth	0,0234	0,7470	-0,7237	-96,87%
Gross profit growth	0,0734	6,1452	-6,0718	-98,81%
Assets growth	-0,0062	0,2145	-0,2207	n/a
Leverage Ratios				
Debt/taotal assets	0,1515	0,1334	0,0181	13,61%
Debt/capital	0,1651	0,1470	0,0181	12,32%
Debt/equity	0,1978	0,1723	0,0254	14,75%
Total assets/equity	1,3054	1,2924	0,0130	1,01%
Market value of the company	42146	50457	-8311	-16,47%



12/ CASH FLOW

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

	30.9.2019 BGN '000	30.9.2018 BGN '000	Change BGN '000	Change %
Operation activity				
Cash receipts from customers	41 985	46 717	(4 732)	-10,13%
Payments to suppliers	(19 608)	(31 236)	11 628	-37,23%
Payments to employees and social security institutions	(14 287)	(12 396)	(1 891)	15,25%
Cash flows related to interest, dividends and similar	(67)	(168)	101	-60,12%
Paid and refunded income tax	(744)	(651)	(93)	14,34%
Positive / negative differences from foreign exchange operations	11	3	8	273,72%
Other receipts / (payments), net	(5 055)	(129)	(4 926)	3818,60%
Net cash flow from operating activities	2 235	2 140	95	4,43%
Investment activity				
Payments for acquisition of property, plant and equipment	(286)	(291)	5	-1,72%
Acquisition of subsidiaries	-	(45)	45	-100,00%
Acquisition / Sale of intangible assets	(1 659)	(2 662)	1 003	-37,68%
Interest payments on loans	-	(113)	113	-100,00%
Interests, commissions, dividends ect.	(413)	(11)	(402)	3651,76%
Other	(2 024)	-	(2 024)	n/a
Net cash flow from investing activities	(4 382)	(3 122)	(1 260)	40,35%
Financing activity				
Received loans	6 582	9 348	(2 766)	-29,59%
Loans payables	(4 191)	(5 918)	1 727	-29,18%
Cash flows from issuance and reacquisition of securities	(206)	-	(206)	n/a
Proceeds from interest, dividends and similar	(44)	(1)	(43)	4300,00%
Payments under finance leases	(78)	(71)	(7)	9,86%
Cash flows from positive and negative foreign exchange differences	38	(17)	55	-323,53%
Other	(3 101)	(311)	(2 790)	897,11%
Net cash flow from financing activities	(1 000)	3 030	(4 030)	-133,00%



13/ FINANCIAL RISK MANAGEMENT

13.1. Financial risk management

In the normal course of business the Group may be exposed to various financial risks, the most important of which are market risk (including currency risk, changes in the fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows. The general risk management is focused on the difficulty of forecasting the financial markets and to achieve minimizing the potential negative effects that could affect the financial results and position of the Group. The financial risks are identified, measured and monitored through various control mechanisms in order to establish adequate prices for the products and services of the Group and attracted their loan capital, as well as to assess adequately the market circumstances of these investments and the forms for maintenance of free liquid funds through preventing undue concentration of a particular risk.

Risk management is carried out by the management of the Group under policies adopted by the Board of Directors of the Group. The Board of Directors has approved the basic principles of general financial risk management, based on which have developed specific procedures for the management of individual specific risks such as currency, interest rate, credit and liquidity risk and the use of non-derivative instruments.

13.2. Foreign exchange rate risk

The companies of the Group carry out their activities in active exchange with foreign suppliers and customers and are therefore exposed to currency risk.

A significant amount of the Group's revenue is generated by exports of services contracted for payment in US dollars. The currency risk is related to the negative movement of the US dollar exchange rate against the Bulgarian lev in the future business operations, the recognized foreign currency assets and liabilities and the net investments in foreign companies.

Companies abroad sell their services and products mainly on local markets.

To control currency risk, there is a system in place throughout the Group for import supply planning, sales in foreign currency Sales, as well as procedures for day-to-day monitoring of movements in the US dollar exchange rate and control of forthcoming payments.

Borrowings, when denominated in foreign currency, are mainly denominated in euro.

13.3. Price risk

The companies of the Group are exposed to price risk by two main factors:

- (a) increasing competition from countries such as India and China with significantly lower labor costs;
- (b) increasing competition on the Bulgarian market for attracting skilled labor and rising labor costs;

To minimize this impact, the Group's management applies a company strategy to optimize costs.

Pricing policy is a function of three main factors - cost structure, competitor prices and consumer purchasing power.



13.4. Credit risk

Credit is the risk that the clients of the Group will not be able to repay fully and within the usual time limits the amounts due from them under the trade receivables. The latter are presented in the consolidated statement of financial position in net amount after deduction of accrued impairment on doubtful and bad debts.

Such impairments are made where and when there are events identifying loss of uncollectability under previous experience.

The Group works with contractors with a history of relationships in its core markets, partnering with a large number of Bulgarian and foreign companies and institutions.

Credit risk is minimized through established selection procedures and ongoing monitoring of liquidity and financial stability of trading partners. If the receivables of these counterparties are overdue, the Group has set a 30-day period after which the collection of receivables starts.

Deferred payments (sales on credit) to counterparties are only available to customers who have a long history and commercial cooperation with the Group, good financial standing and no breaches of compliance with the agreed credit terms.

The Group's credit policy provides for each new client to be considered for creditworthiness before offering standard delivery and payment terms. The analysis performed by the Group includes, but is not limited to, customer visits, collection of monthly turnover data.

The collection of receivables is controlled directly by the executive director of the parent company and respectively the subsidiaries' management. It is their responsibility to control and regulate receivables in accordance with the objective market circumstances and needs of the Group.

The Group has developed policies and procedures for assessing the creditworthiness of its counterparties and setting credit rating and credit limits by group of clients.

The management of the Group is currently monitoring and regulating the resulting concentration of receivables by customers and counterparties.

13.5. Liquidity risk

The liquidity risk is expressed in the negative situation that the Group will not be able to meet unconditionally all its obligations according to their maturity.

The Group generates and maintains a significant volume of liquidity. An internal source of liquidity for the Group is the main business of its companies generating sufficient operating flows. External sources of funding are banks and other permanent partners. Substantial effect on the Group's liquidity may be the change in the USD exchange rate in relation to dollar positions.

13.6. Risk of interest-bearing cash flows

In the structure of the Group's assets, interest-bearing assets are represented by cash, bank deposits and loans granted at a fixed interest rate. On the other hand, the borrowed funds of the Group in the form of long-term and short-term loans are usually with variable interest rates. This circumstance partially puts the cash flows of the Group in line with interest rate risk. The coverage of this risk is achieved in two ways:



- (a) optimizing sources and the structure of credit resources to achieve a relatively lower cost of borrowed funds; and
- (b) a combined structure of interest rates on loans, which contains two components - constant and variable, the ratio between which and their absolute value can be achieved and maintained at a favorable rate for the companies of the Group. The permanent component has a relatively low absolute value and a large enough relative share in the total interest rate. This circumstance eliminates the likelihood of a significant change in interest rates with a possible update of the variable component. This also minimizes the likelihood of a change in the unfavorable direction of cash flows.

The management of the Group's companies, together with that of the parent, are currently monitoring and analyzing the exposure of the respective company to changes in interest rates.

13.7. Capital management risk

With the management of the capital, the Group aims to create and maintain opportunities for it to continue to operate as a going concern and to ensure the appropriate return of the invested funds to the shareholders, the economic benefits of other stakeholders and participants in its business as well as to maintain an optimal capital structure, to reduce the cost of capital. An analogous approach is also applied at the individual company level of the Group in terms of its capital structure and financing.

The Group is currently monitoring the capital adequacy and structure on the basis of the debt ratio. This ratio is calculated between the net debt capital and the total amount of the committed capital. Net debt capital is defined as the difference between all borrowed funds (short and long term) as stated in the balance sheet and cash and cash equivalents.

13.8. Fair Values

Fair value is generally the amount for which an asset may be exchanged or an obligation to be paid under normal terms of trade between independent, willing and informed counterparties. The Group's policy is to disclose in its financial statements the fair value of financial assets and liabilities.

The concept of fair value implies the realization of financial instruments through sale. In most cases, however, especially with respect to trade receivables and payables, loans and bank deposits, the Group expects to realize these financial assets through their full repayment or repayment over time. Therefore, they are presented at amortized cost.

Also, the bulk of the financial assets and liabilities are either short-term in nature (trade receivables and payables, short-term loans) or are reflected in the statement of financial position at market value (bank deposits, investments in securities) fair value is approximately equal to their carrying amount. An exception to this rule is part of the investments in other companies as a non-controlling interest, for which there is no market and objective conditions for the estimation of their fair value in an honest manner, which is why they are presented at cost. As long as there is not yet a sufficiently developed market, with stability and liquidity for purchases and sales of some financial assets and liabilities, there are not enough and reliable quotes available at market prices.

The management of the parent company considers that, under the circumstances, the estimates of financial assets and liabilities presented in the statement of financial position are as reliable, adequate and reliable as possible for the purposes of financial reporting.



14/ RELATED PARTIES TRANSACTIONS

Purchases:

Company	Type	Type of Connectivity	30.09.2019 (BGN '000)
EngView Systems Sofia	Service expenses	Other related parties	(3)
Total			(3)

Sales:

Company	Type	Type of Connectivity	30.09.2019 (BGN '000)
EngView Systems Sofia	Sale of service	Other related parties	1
Sirma Group Holding	Sale of service	Other related parties	4
Sirma Solutions	Sale of service	Companies under common indirect control	5
Sirma Business Consulting	Interest income	Other related parties	19
Total			29

Company	Type	Type of Connectivity	30.09.2018 (BGN '000)
EngView Systems Sofia	Sale of goods	Other related parties	1
Sirma Group Holding	Sale of service	Other related parties	5
Sirma Group Holding	Sale of service	Companies under common indirect control	5
Sirma AI	Sale of service	Companies under common indirect control	1
Sirma Group Holding	Interest income	Other related parties	17
Total			29

Loans (balances):

30.09.2019

Company	Type	Type of Connectivity	(BGN '000)
Sirma Group Holding	loan	Other related parties	785
Sirma AI	loan	Other related parties	18
Sirma Business Consulting	loan	Other related parties	46
Sirma Solutions	loan	Other related parties	5

31.12.2018

Company	Type	Type of Connectivity	(BGN '000)
Sirma Group Holding	loan	Other related parties	785
Sirma AI	loan	Other related parties	18
Sirma Business Consulting	loan	Other related parties	46
Sirma Solutions	loan	Other related parties	5



15/ REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Board Member	Company	Sums for the period 01.01.2019 - 30.09.2019 (BGN)
Atanas Kostadinov Kiryakov	EngView Systems Sofia	(450)
	Ontotext	(5 673)
	Sirma AI	(123 914)
	Sirma Group Holding	(13 500)
	Sirma Solutions	(4 500)
Georgi Parvanov Marinov	EngView Systems Sofia	(77 166)
	Sirma Business Consulting	(9 124)
	Sirma Group Holding	(13 500)
Yordan Stoyanov Nedev	Sirma Group Holding	(53 010)
	Sirma Medical Systems	(661)
Petar Borisov Statev	Sirma Group Holding	(13 500)
Sasha Konstantinova Bezuhanova	Sirma Group Holding	(9 196)
Tsvetan Borisov Alexiev	Daticum	(180)
	EngView Systems Sofia	(450)
	Ontotext	(273)
	Sirma AI	(4 227)
	Sirma Business Consulting	(18 249)
	Sirma Group Holding	(103 500)
	Sirma Solutions	(94 104)
	Sirma Business Consulting	(134 688)
Tsvetomir Angelov Doskov	Sirma Group Holding	(9 196)
	Sirma Group Holding	(9 196)
Chavdar Velizarov Dimitrov	Daticum	(180)
	EngView Systems Sofia	(54 327)
	Sirma Group Holding	(22 988)
	Sirma Medical Systems	(900)
Total		(767 454)



16/ EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no events after the end of the reporting period that would require disclosure.

Sofia
29.11.2019

CEO: 
Tsvetan Alexiev

