

Notes

to the Individual Financial Statements of
"Sirma Group Holding" JSC
for the period 01.01.2019 – 31.12.2019

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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 BGN1.

The capital of the Company is amended as follows:

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

The company's capital is paid 100%.

Non-monetary contributions - description:

- Software representing 29 (twenty nine) software modules
Value: BGN 61 555 838
- 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: BGN 11 734 980
- 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: BGN 3 911 660

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



1.1 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%

Share capital allocation, including deduction of own shares:

Shareholders	Number of shares at 31.12.2019	Number of shares at 30.09.2019	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	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 Mellon	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 posses repurchased 474 724 own shares.

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%

1.2 Management authorities

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

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

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

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

The mandate of the present 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 31.12.2019	Number of shares at 30.09.2019	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 30.09.2019 - 31.12.2019 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.



Pursuant to Article 25, paragraph 5 of the Articles of Association of the Company, each member of the Board of Directors has received a permanent bruto remuneration:

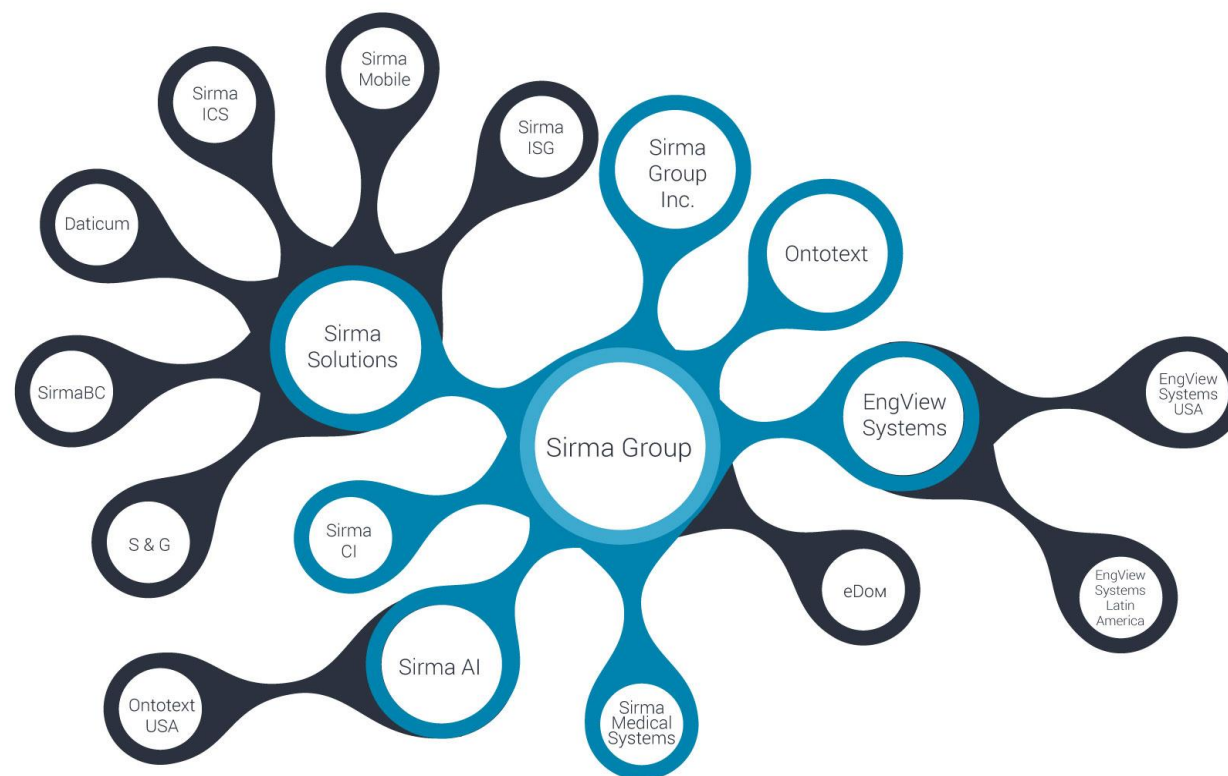
Name	Company	Period: 01.01.2019 - 31.12.2019 (BGN)
Tsvetan Borisov Alexiev	SIRMA GROUP HOLDING JSC	(139 000)
Chavdar Velizarov Dimitrov	SIRMA GROUP HOLDING JSC	(27 488)
Tsvetomir Angelov Doskov *	SIRMA GROUP HOLDING JSC	(9 196)
Atanas Kostadinov Kiryakov	SIRMA GROUP HOLDING JSC	(18 000)
Georgi Parvanov Marinov	SIRMA GROUP HOLDING JSC	(18 000)
Sasha Konstantinova Bezuhanova *	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		(309 974)

* 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 no longer members of the Board of Directors.



1.3 Structure of the group and scope of activity

The structure of the Group includes "Sirma Group Holding" JSC as a parent company and the following companies:



Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.12.2019 (in BGN'000)	Percentage of capital at 31.12.2019	Percentage of capital with adjusted repurchased own shares at 31.12.2019	Value of the investment at 31.12.2018 (in BGN'000)	Percentage of capital at 31.12.2018	Percentage of capital with adjusted repurchased own shares at 31.12.2018	Changes (in BGN'000)
Sirma Solutions	39 311	77,71%	82,43%	39 311	77,71%	82,43%	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%	76,16%	3 471	76,16%	76,16%	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

Associated companies and joint ventures 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)	0	19,93%	150	19,93%	(150)
E-DOM MANAGEMENT	7	35,00%	7	35,00%	0
Total	7		157		(150)

1.4 Events and business news in Q4 2019

The following major events took place in Q4 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 individual 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 30.09.2019.

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 individual 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 Individual 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 Individual 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 European 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.

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.

02.01.2019

Disclosure of internal information for sale of rights of Sirma Group Holding by Chavdar Dimitrov – Member of the BD. The information is also available in English.



2/ SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

The separate financial statements of Sirma Group Holding JSC have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2019 and have been accepted by the Commission of the European Union

For the current financial year the Company has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which have been relevant to its activities.

The adoption of these standards and/or interpretations, effective for annual periods beginning on 1 January 2019, has not caused changes in the accounting policies, except for some new disclosures and the expansion of those already adopted, however, not resulting in other changes in the classification or valuation of individual reporting items and transactions.

For more information, please see – Appendix №2.



3/ REVENUES

The revenues of the Company are:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Sales revenue	4 847	5 558	(711)	-12,79%
Interest income	45	269	(224)	-83,27%
Revenue from participations	160	-	160	n/a
Income from financing	54	54	-	0,00%
Other revenues	31	3	28	933,33%
Total	5 137	5 884	(747)	-12,70%

In Q4 2019 the revenues of "Sirma Group Holding" JSC decreased by BGN 747 thousand or by 12,70% compared to Q4 2018.

Revenues in the period include interest and from participations, since the business of acquiring businesses and parts of them, as well as the provision of loans and the receipt of deposits is the main activity of the holding company.

Revenues from financing are in connection with the Grant Contract BI-02-16 / 02.02.2012 under Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007-2013. Funding is for buying fixed assets and incubating new startups.

Sales revenues by countries:

	31.12.2019 BGN '000	Relative share	31.12.2018 BGN '000	Relative share
USA	-	0,00%	4	0,07%
Germany	-	0,00%	255	4,59%
Great Britain	4	0,08%	-	0,00%
Bulgaria	4 843	99,92%	5 299	95,34%
Total	4 847		5 558	

Revenues generated by the biggest clients of the company:

	31.12.2019 BGN '000	Relative share	Relationship	31.12.2018 BGN '000	Relative share	Relationship
Client 1	2 132	41,50%	Related party	4 099	73,75%	Related party
Client 2	1 169	22,76%	Related party	255	4,59%	Unrelated party
Client 3	1 021	19,88%	Unrelated party	170	3,06%	Related party

Sales revenue includes:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Rents of investment properties	523	301	222	73,75%
Administrative service	894	872	22	2,52%
Sales of licenses	2 256	906	1 350	149,01%
Cloud Services	1 021	3 316	(2 295)	-69,21%
Others	153	163	(10)	-6,13%
Total	4 847	5 558	(711)	-12,79%



EXPENSES

In Q4 2019 the expenses of "Sirma Group Holding" JSC increased by BGN 152 thousand or by 5,46% as compared to Q4 2018. The main share in the expenses has the staff expenses, which also decreased by BGN 78 thousand compared to Q4 2018.

4/ STAFF EXPENSES

Staff expenses include:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Employment remuneration	1 141	1 220	(79)	-6,5%
Social security contributions	128	124	4	3,23%
Total	1 269	1 344	(75)	-5,58%

5/ MATERIAL EXPENSES

Material expenses includes:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN 000)	Change (%)
Electricity	13	6	7	116,67%
Heating	3	8	(5)	-62,50%
Office supplies	3	4	(1)	-25,00%
Materials for office repair and maintenance	6	15	(9)	-60,00%
Computer components	1	4	(3)	-75,00%
Inventory	13	17	(4)	-23,53%
Advertising materials	2	1	1	100,00%
Hygienic materials	9	9	-	0,00%
Others	13	27	(14)	-51,85%
Total	63	91	(28)	-30,77%



6/ EXPENSES FOR EXTERNAL SERVICES

Expenses for external services includes:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Mobile phones	12	9	3	33,33%
Internet	17	18	(1)	-5,56%
Civil contracts	4	5	(1)	-20,00%
Consulting services	525	290	235	81,03%
Security	4	11	(7)	-63,64%
Cleaning	4	10	(6)	-60,00%
Maintenance and repair of automobiles	17	8	9	112,50%
Maintenance and repair of the office	9	32	(23)	-71,88%
Parking	2	5	(3)	-60,00%
Insurance	9	10	(1)	-10,00%
Subscriptions	19	17	2	11,76%
Advertising	4	73	(69)	-94,52%
Seminars and training	41	20	21	105,00%
Software services	77	3 941	(3 864)	-98,05%
Fees and commissions	63	32	31	96,88%
Others	42	9	33	366,67%
Total	849	4 583	(3 734)	-81,48%

7/ DEPRECIATION AND AMORTIZATION EXPENSES

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Depreciation and amortization	655	242	413	170,66%

8/ CAPITALIZED EXPENSES

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Capitalized own expenses	133	3 761	(3 628)	-96,46%

9/ INTEREST EXPENSES

Interest expenses on deposits of related companies include:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Interest expenses	31	6	25	416,67%



10/ OTHER OPERATING EXPENSES

Other operating expenses include:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Entertainment expenses	15	13	2	15%
Social costs	13	13	-	0%
Local taxes and fees	68	69	(1)	-1%
Business trips	14	-	14	n/a
Donations	7	3	4	133%
Others	83	57	26	46%
Total	200	155	45	29,03%

FINANCIAL INCOME / COSTS (NET)

In Q4 2019, financial income / costs (net) of "Sirma Group Holding" JSC increased by BGN 71 thousand compared to Q4 2018.

11/ FINANCIAL COSTS

Financial expenses include:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Interest expense on borrowings from unrelated parties	252	211	41	19,43%
Expenses on foreign exchange operations	28	3	25	833,33%
Other financial costs	85	92	(7)	-7,61%
Total	365	306	59	19,28%

12/ FINANCIAL INCOME

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Interest income from unrelated parties	45	10	35	350,00%
Income from foreign exchange operations	27	74	(47)	-63,51%
Total	72	84	(12)	-14,29%



13/ PROPERTY, PLANT AND EQUIPMENT

31.12.2019	PROPERTY, PLANT AND EQUIPMENT	OTHER	WORK IN PROGRESS	TOTAL
Cost				
Cost at 1 st of January	961	46	406	1 413
Additions	22		189	211
In exploitaion			41	41
Cost at 31 of December	983	46	554	1 583
Depreciation				
Depreciation at 1 st of January	565	8	-	573
Depreciation charge for the period	84	6		90
Depreciation at 31 of December	649	14	-	663
Net Book Value at 31 of December	334	32	554	920
Net Book Value at 1 st of January	396	38	406	840

31.12.2018	PROPERTY, PLANT AND EQUIPMENT	OTHER	WORK IN PROGRESS	TOTAL
Cost				
Cost at 1 st of January	855	24	-	879
Additions	106	22	406	534
Cost at 31 st of December	961	46	406	1 413
Depreciation				
Depreciation at 1 st of January	449	3	-	452
Depreciation charge for the period	116	5	-	121
Depreciation at 31 st of December	565	8	-	573
Net Book Value at 31 st of December	396	38	406	840
Net Book Value at 1 st of January	406	21	-	427

14/ INTANGIBLE ASSETS

31.12.2019	Rights to the software modules	Software products	Other Intangible Assets	Work in progress(Intangible assets in development)	Total
Cost					
Cost at 1 st of January	540	57	4	8 864	9 465
Additions	1 083		4 265	133	5 481
In exploitaion	-	-	-	4 265	4 265
Cost at 31 of December	1 623	57	4 269	4 732	10 681
Amortization					
Amortization at 1 st of January	31	39	1	-	71
Amortization charge for the period	280	10	198	-	488
Amortization at 31 of December	311	49	199	-	559
Net Book Value at 31 of December	1 312	8	4 070	4 732	10 122
Net Book Value at 1 st of January	509	18	3	8 864	9 394



31.12.2018	Rights to the software modules	Software products	Other Intangible Assets	Work in progress(Intangible assets in development)	Total
Cost					
Cost at 1st of January	-	57	4	5 103	5 164
Additions	540	-	-	3 761	4 301
Cost at 31st of December	540	57	4	8 864	9 465
Amortization					
Amortization at 1st of January	-	27	1	-	28
Amortization charge for the year	31	12	-	-	43
Amortization at 31st of December	31	39	1	-	71
Net Book Value at 31st of December	509	18	3	8 864	9 394
Net Book Value at 1st of January	-	30	3	5 103	5 136

15/ INVESTMENT PROPERTY

	31.12.2019 BGN '000	31.12.2018 BGN '000
Cost at 1st of January	7 750	7 750
Additions	-	-
Cost at 31 of December /31 of December	7 750	7 750
Depreciation		
Depreciation at 1st of January	1 146	1 068
Depreciation charge for the period	58	78
Depreciation at 31 of December	1 204	1 146
Net Book Value at 31 of December	6 546	6 604
Net Book Value at 1st of January	6 604	6 682

Investment properties are specially distinct parts of self-contained buildings intended for long-term letting of subsidiaries and third parties.

16/ INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

The carrying amount of investments in subsidiaries is as follows:

Company	Value of the investment at 31.12.2019 (BGN'000)	Value of the investment at 31.12.2018 (BGN'000)	Changes In BGN'000
Sirma Solutions	39 311	39 311	0
Sirma AI	50	50	0
Sirma Medical Systems	66	66	0
Sirma Group Inc.	3 471	3 471	0
Sirma CI	17 865	17 865	0
Ontotext	106	106	0
Engview Systems	7 035	7 035	0
Total	67 904	67 904	0



The carrying amount of investments in associates (associates and joint ventures) is as follows:

Company	Value of the investment at 31.12.2019 (BGN'000)	Value of the investment at 31.12.2018 (BGN'000)	Changes In BGN'000
GMG Systems (IN LIQUIDATION)	0	150	(150)
E-DOM MANAGEMENT	7	7	0
Total	7	157	(150)

"Sirma Group Holding" JSC has direct or indirect control over the aforementioned companies.

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

The parent company and the subsidiaries operate on the territory of Bulgaria and the United States.

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

Changes in the investment in subsidiaries are presented below:

	31.12.2019 BGN '000	31.12.2018 BGN '000
Cost of acquisition		
Cost at 1st of January	67 904	56 392
Acquired through increase of the share capital	0	11 512
Cost at 31 of December	67 904	67 904
Net Book Value at 31 of December	67 904	67 904
Net Book Value at 1st of January	67 904	56 392

A procedure for raising the capital of "Sirma AI" EAD with required liquid borrowings has been initiated, and an evaluation of three experts appointed by a registrar of the Registry Agency has been carried out. The procedure is expected to be completed with the entry of the capital increase of "Sirma AI" EAD.

17/ OPERATING LEASE

The Company has provided for rent fixed assets to related parties with carrying amount as at 31.12.2019 amounting to BGN 5 109 thousand (31.12.2018 - BGN 5 172 thousand).

18/ FINANCE LEASE

As at 31.12.2019, the company has repaid with its own funds its obligations under a financial leasing contract (31.12.2018: BGN 208 thousand).

19/ INVENTORIES AND OTHER DATA

As at 31.12.2019, there are established burdens on the tangible fixed assets of the company in relation to borrowings as follows:

- Mortgages - BGN 7 590 thousand (31.12.2018: BGN 7 664 thousand)



20/ RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Receivables from subsidiaries	1 375	5 064	(3 689)	-72,85%
Receivables from entities under indirect common control	226	1 440	(1 214)	-84,31%
Total	1 601	6 504	(4 903)	-75,38%

Trade receivables from related parties by types are as follow:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Receivables on sales of products, goods, materials and services	652	895	(243)	-27,2%

Typically, the company negotiates with its subsidiaries a payment period for receivables from sales of services up to 180 days.

The Company has set a 180-day credit period for which it does not charge interest rates on the related parties. The delay after this period was accepted by the company as an indicator of impairment.

The management estimates expected future losses..

The ageing of trade receivables from related parties is as follows:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
up to 30 days	2 952	370	2 582	697,84%
from 31 to 90 days	194	10	184	1840,00%
from 91 to 180 days	8	515	(507)	-98,45%
Total	3 154	895	2 259	252,40%

IFRS 9 requires the Company to account for the expected credit losses on all its trade and other receivables.

Impairment expenses in the amount of BGN 54 thousand were reported for the reporting period.

The retained earnings under IAS 8 and IFRS 9 were reduced to BGN 1603 thousand.

Granted loans to related companies by type of ownership:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Receivables from entities under indirect common control	202	1 292	(1 090)	-84,37%
Subsidiaries	660	4 159	424	-84,13%
Total	862	5 451	(666)	-84,19%

Dividends receivables from related companies by type of ownership:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Subsidiaries	86	66	20	30,30%



The conditions under which loans to related parties are granted are as follows:

Currency BGN	Amount agreed BGN '000	Maturity	Interest rate %	31.12.2019 BGN '000	31.12.2018 BGN '000
Receivables from entities under indirect common control					
Sirma ISG	257	31.12.2019	5,00%	-	257
Sirma Media	18	31.12.2019	6,50%	-	18
Pirina Technologies	767	31.12.2019	6,50%	-	767
Sirma ICS	250	31.12.2019	3,00%	202	250
Subsidiaries					
Sirma AI	3 807	31.12.2019	5%, 3,5%	-	3 583
Sirma Medical Systems	543	31.12.2019	5,00%	553	516
EngView Systems Sofia	60	31.12.2019	2,50%	-	60
Sirma CI	38	31.12.2019	5,00%	107	-

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

21/ TRADE RECEIVABLE

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Receivables from customers	253	353	(100)	-28,33%
Advances provided	141	131	10	7,63%
Total	394	484	(90)	-18,60%

The age structure of non-performing (regular) trade receivables is as follows:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
up to 30 days	247	467	(220)	-47,11%
from 31 to 90 days	2	3	(1)	-33,33%
from 91 to 180 days	4	14	(10)	-71%
Total	253	484	(231)	-47,73%



22/ TAX RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Tax receivables includes:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
VAT	-	69	(69)	-100,00%

Other receivables and prepaid expenses includes:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Prepaid expenses	228	7	221	3157,14%
Other receivables	432	353	79	22,38%
Total	660	360	300	83,33%

Prepaid expenses includes:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Insurance	2	2	-	0%
Subscriptions	5	5	-	0%
Others	221	-	221	n/a
Total	228	7	221	3157%

23/ CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Cash at bank	908	1 179	(271)	-22,99%
Cash in case	12	35	(23)	-65,71%
Total	920	1 214	(294)	-24,22%

Cash in case is in BGN.



24/ EQUITY

In Q4 2019, Equity increased by BGN 123 thousand compared to the previous reporting period.

MAIN SHARE CAPITAL

As of 31.12.2019, the share capital of "Sirma Group Holding" JSC amounted to BGN 59 361 thousand, divided into 59 360 518 dematerialized registered shares with nominal value of BGN 1.

Shares are ordinary, dematerialized, with the right to receive dividends and liquidation share.

Issued and fully paid ordinary at	Number of shares	Share capital, net of treasury shares BGN '000
Balance at January 1, 2018	59 360 518	59099
Balance at December 31, 2018	59 360 518	58886
Balance at January 1, 2019	59 360 518	58886
Balance at December 31, 2019	59 360 518	58886

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.

The company's reserves are summarized in the table below:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Statutory reserves	852	592	260	43,92%
Revaluation reserve of property, plant and equipment	5 462	5 462	-	0,00%
Total	6 314	6 054	260	4,29%

The movement of statutory reserves is as follows:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Balance on January 1	592	311	281	90%
Profit distribution	260	281	(21)	-7%
Balance on 31 of December	852	592	260	44%

The movement of the revaluation reserve from property, plant and equipment is as follows:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Balance on January 1	5 462	5 462	-	0,00%
Reserves from issue of shares	-	-	-	n/a
Balance on 31 of December	5 462	5 462	-	0,00%



The movement of retained earnings is as follows:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Balance on January 1	7 140	4 847	2 293	47,31%
Balance on 31 of December	7 140	4 847	2 293	47,31%
Distribution of profit for reserves	(260)	(281)	21	-7,47%
Others	(1 604)	(22)	(1 582)	7190,91%
Current result for the period	1 727	2 596	(869)	-33,47%
Balance on 31 of December	7 003	7 140	(137)	-1,92%

The retained earnings under IAS 8 and IFRS 9 were reduced to BGN 1603 thousand.

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Weighted average number of shares	58 886	58 886	-	0,00%
Net profit for the period (BGN '000)	1 727	2 596	(869)	-33,47%
Basic earnings per share (BGN)	0,0293	0,0441	-0,01	-33,47%



25/ LONG-TERM AND SHORT-TERM BANK LOANS

Long-term bank loans

Bank and currency	Agreed amount BGN '000	Maturity	Interest %	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
United Bulgarian Bank AD (BGN)	10 475	20.12.2024	RIP 0.1 + 1.2%, but not less than 1.3%	8 380	-	8 380	n/a

Short-term bank loans

Bank and currency	Agreed amount BGN '000	Maturity	Interest %	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Eurobank Bulgaria AD – overdraft (BGN)	2000	31.8.2020	2,50%	2 132	2 110	22	1%
Societe Generale Exppressbank - overdraft (BGN)	2000	31.10.2020	2,50%	7	1 994	(1 987)	-100%
United Bulgarian Bank AD (BGN)	10 475	20.12.2024	RIP 0.1 + 1.2%, but not less than 1.3%	2 095	-	2 095	n/a

26/ DEFERRED TAX ASSETS AND LIABILITIES

Deferred income taxes as at 31 December relate to the following items in the statement of financial position:

	Temporary difference as at 31.12.2019 (BGN '000)	Deferred tax as at 31.12.2019	Temporary difference as at 31.12.2018 (BGN '000)	Deferred tax 31.12.2018
Property, plant and equipment, incl. Revaluation reserve	816	82	816	82
Unpaid amounts to individuals	-	-	-	-
Total deferred tax liabilities	816	82	816	82
Payables to staff	53	5	53	5
Unpaid amounts to individuals	45	5	45	5
Loss	-	-	-	-
Impaired receivables	21	2	21	2
Estimated costs	64	6	64	6
Total deferred tax assets	27	3	27	3
Net deferred income tax liabilities	210	21	210	21



27/ FINANCIAL LEASING

Finance lease liabilities

As of 31.12.2019, the Company has repaid with its own funds its obligations under a financial leasing contract.

28/ LONG-TERM PROVISIONS

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Accrued retirement benefits Under IAS 19	32	27	5	18,52%

29/ CURRENT TRADE AND OTHER PAYABLES

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Obligations to suppliers	279	37	242	654,05%
Payables on purchased shares	-	4 303	(4 303)	-100,00%
Total	279	4 340	(4 061)	-93,57%

The usual average credit period for which interest on commercial debts is not charged is 180 days. The Company has no arrears of trade payables.

30/ CURRENT LIABILITIES TO RELATED PARTIES

Current liabilities to related parties include:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Liabilities to subsidiaries	6 478	540	5 938	1099,63%
Liabilities to companies under common control through key management personnel	696	27	669	2477,78%
Total	7 174	567	6 607	1165,26%

Current liabilities to related entities by type are as follows:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Service delivery	172	174	(2)	-1,15%
Deposits payable	6 999	170	6829	4017,06%
Capital liabilities	-	220	(220)	-100,00%
Dividend obligations	3	3	-	0,00%
Total	7 174	567	6 607	1165,26%



31/ TAX OBLIGATIONS

Tax liabilities include:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Taxes on Income of Individuals	17	30	(13)	-43,33%
VAT	58	-	58	n/a
Taxes under CITA	97	300	(43)	-100,00%
Total	172	330	(158)	-47,88%

32/ PENSION OBLIGATIONS TO THE STAFF

Payables to staff and social security are as follows:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Payables to personnel, including:	194	113	81	72%
Remuneration obligations	175	96	79	82%
Social security obligations	19	17	2	12%
Provisions for unused compensated leave, including:	93	53	40	75%
Accruals for unused compensated leave	55	46	9	20%
Contributions for unused compensated leave	8	7	1	14%
Provisions for bonuses	30	-	30	n/a

33/ OTHER CURRENT LIABILITIES

Other current liabilities include:

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Other liabilities	12	12	0	0%

34/ CONDITIONAL OBLIGATIONS AND COMMITMENTS, FINANCING

There are no legal proceedings against the company.

Guarantees provided

The Company is a co-borrower of bank loans and leases and a guarantor of banks of the following companies:

	Maturity	Type of currency	Amount	Debt status
Sirma Solutions - overdraft UBB	20.12.2020	BGN	4 025 000	regular
Sirma AI - overdraft UBB	21.8.2020	EUR	741 000	regular
Sirma AI - overdraft UBB	20.9.2020	EUR	3 000 000	regular



Financing

As of 31.12.2019 the long-term financing of Sirma Group Holding JSC amounted to BGN 0 (31.12.2018 : BGN 26 thousand) and the short-term loans amounted to BGN 27 thousand (31.12.2018 : BGN 55 thousand).

35/ CASH FLOWS

Money and cash equivalents at the end of Q4 2019 decreased by BGN 294 thousand or by 24,22% compared to the end of Q4 2018.

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Operation activity				
Cash receipts from customers	4 843	11 471	(6 628)	-57,78%
Payments to suppliers	(2 035)	(7 798)	5 763	-73,90%
Payments to employees and social security institutions	(1 091)	(1 192)	101	-8,47%
Cash flows related to interest, commissions, dividends and the like	-	1 336	(1 336)	-100,00%
Cash flows from positive and negative exchange rate differences	(3)	(2)	(1)	50,00%
Payments for income tax	(385)	(227)	(158)	69,60%
Other receipts / (payments), net	(137)	126	(263)	-208,73%
Net cash flow from operating activities	1 192	3 714	(2 522)	-67,91%

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Investment activity				
Payments for acquisition of property, plant and equipment	(252)	(386)	134	-34,72%
Payments for acquisition of subsidiaries	-	(8 340)	8 340	-100,00%
Payments for acquisition of intangible assets	(1 141)	(3 699)	2 558	-69,15%
Cash flows associated with the purchase and sale of investments / shares	(2 036)	-	(2 036)	n/a
Loans, deposits	(151)	(581)	430	-74,01%
Payments on loans	109	801	(692)	-86,39%
Cash flows related to investment deposits	5 486	-	5 486	n/a
Net cash flow from investing activities	2 015	(12 205)	14 220	-116,51%

	31.12.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Financial activity				
Received loans	10 497	9 780	717	7,33%
Loans payables	(13 637)	(429)	(13 208)	3078,79%
Payments under finance leases	(117)	(51)	(66)	129,41%
Interest payments	(244)	(199)	(45)	22,61%
Net cash flow from financing activities	(3 501)	9 101	(12 602)	-138,47%



36/ FINANCIAL RISK MANAGEMENT

In the normal course of business the Company 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 Company. 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 Company 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 Company under policies adopted by the Board of Directors of the Company. 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.

Currency risk

Currency risk is linked to adverse movements in the exchange rate of the foreign currency against the Bulgarian lev in future business operations, recognized foreign currency assets and liabilities and the net investments in foreign companies.

Most of the company's operations are usually denominated in Bulgarian levs and / or in euro.

In order to control the foreign currency risk in the company, a system of planning of import deliveries, for foreign currency sales as well as procedures for daily monitoring of movements in the dollar exchange rate and control of forthcoming payments is introduced.

Price risk

The Company is exposed to price risk on three main factors:

- A) rising labor costs;
- B) competition from smaller companies - collectives;
- C) competition from the Asian segment;

To minimize this impact, the company applies a company strategy to optimize costs, validate alternative suppliers and subcontractors. Price policy is a function of three main factors - cost structure, competitor prices and purchasing power to customers.

Credit risk

Credit risk is the risk that the customers of The Company will not be able to pay in full and in time with the amounts due under trade receivables. The latter are presented in the consolidated statement of financial position at net value after deducting the impairment allowance for doubtful and bad debts.

Such impairment is made where and when events have existed identifying losses from uncollectible according to previous experience. Company deals with counterparties with a history of relationships of its main markets by partnering with a number of Bulgarian and foreign companies and institutions.

Credit risk is minimized by procedures in the selection and ongoing monitoring of liquidity and financial stability of trading partners. In default of receivables from these counterparties Company has set a deadline of 30 days after starting up collection of receivables. Deferred payments (credit sales) for contractors are available only to customers who have a long history and trade cooperation with The Company's sound financial position and lack of violations in compliance with the agreed credit terms.

The credit policy of The Company provides that each new customer is analyzed for creditworthiness before offering standard terms of delivery and payment. Analysis, performing by The Company includes but is not limited to visiting customers, gathering information on monthly turnovers.

Collection of receivables is controlled directly by the Executive Director of company and respectively by the management of the subsidiaries. Their responsibility is operative to control and regulate receivables in conformity with the market and the needs of The Company.



The Company has developed policies and procedures to assess the creditworthiness of their counterparties and credit rating and credit limits by customer group.

The Company's management currently monitors and adjusts the forming concentration of receivables from customers and counterparties.

Cash in The Company and settlement operations are concentrated in different first-class banks. In the distribution of cash the management take into consideration a number of factors, including the size of the capital, security, liquidity, credit potential and rating of the bank and others.

Liquidity risk

Liquidity risk is the adverse situation, that the Company will not be able to meet unconditionally all its obligations within their maturity.

The Company generated and maintained a significant amount of cash. Internal source of liquidity is the Company's main business, generating sufficient operational flows. External sources of funding are banks and other permanent partners. A significant impact on the company's liquidity may be the change in the dollar's exchange rate in relation to US dollar positions and the market dynamics if it deviates from projected expectations. In order to isolate potential liquidity risk, the company operates a system of alternative mechanisms of action and forecasts, the ultimate effect of which is the maintenance of good liquidity, respectively the ability to finance its business activity. This is complemented by ongoing monitoring of the maturity of assets and liabilities and control of outgoing cash.

Risk of interest-bearing cash flows

In the structure of the Company's assets, earning assets are represented by cash, bank deposits and loans that have a fixed interest rate. On the other hand, the Company's borrowings in the form of long-term and short-term loans are usually with variable rate. This fact partly puts cash flows of the Company depending on the interest rate risk. Covering this risk is achieved in two ways:

- a) optimize the sources and structure of credit resources for achieving relatively lower cost of borrowings; and
- b) combined structure of interest rates on loans comprising two components - a fixed and a variable ratio between them, as well as their absolute value can be achieved and maintained in a favorable rate for the Company. The fixed component is relatively low absolute value and a large enough share of the total rate. This fact eliminates the possibility of a significant change in interest rates at a possible update of the variable component. This minimizes the likelihood of an unfavorable change in cash flows.

The management of the company is currently monitoring and analyzing its exposure to changes in interest rates. Different scenarios of refinancing, renewal of existing positions and alternative financing are simulated. Based on these scenarios, the effect on financial result and equity is measured when changing with certain points or percentages. For each simulation, the same assumption of interest rate change applies to all major currencies. Calculations are made for significant interest-bearing items.

Capital risk management

With the management of the capital, the company aims to create and maintain opportunities to continue to operate as a going concern and to ensure the appropriate return of the invested funds to shareholders, the economic benefits of other stakeholders and participants in its business, and to maintain an optimal capital structure, to reduce the cost of capital.

The Company 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 as stated in the statement of financial position and cash and cash equivalents. The total amount of committed capital is equal to equity and net debt capital.

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 policy of the company is to disclose in its financial statements the fair value of financial assets and liabilities.



The fair value of financial instruments that are not traded on active markets is determined using valuation techniques based on different valuation techniques and management assumptions made on the basis of market conditions at the date of the statement of financial position.

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 deposits, the Company expects to realize these financial assets through their full back pay or, respectively, repayment over time. Therefore, they are presented at amortized cost.

Also, the bulk of 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, securities investments) fair value is approximately equal to their carrying amount.

Investments in subsidiaries and, exceptionally, part of investments in other minority interests, which are stated at cost (cost).

As long as there is still insufficient market experience, stability and liquidity for purchases and sales of certain financial assets and liabilities, there is no sufficient and reliable quote at market prices, which is further complicated at the current stage of the ongoing financial crisis in the country.

The management of the 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.

37/ RELATED COMPANIES TRANSACTIONS

Affiliates	Type of connectivity	Connectivity period
Sirma Solutions	subsidiary	25.4.2008 until now
Ontotext	subsidiary	31.3.2014 until now
Ontotext USA	entity under indirect common control	31.3.2014 until now
EnfView Systems Sofia	subsidiary	4.11.2009 until now
Sirma AI	subsidiary	25.4.2008 until now
Daticum	entity under indirect common control	19.1.2009 until now
Sirma Business Consulting	entity under indirect common control	25.4.2008 until now
Sirma ISG	entity under indirect common control	30.5.2011 until now
Panaton Soft Inc.	entity under indirect common control	1.1.2013 untill 15.01.2015
Sirma ICS	entity under indirect common control	24.02.2016 until now
Sirma Medical Systems	subsidiary	28.04.2016 until now
Sirma Group Inc.	subsidiary	15.03.2016 until now
Pirina Technologies	subsidiary	01.09.2008 untill 31.07.2014
Pirina Technologies	other related parties	31.07.2014 until now
Sirma Media	subsidiary	01.01.2009 untill 31.07.2014
Sirma Media	other related parties	31.07.2014 until now
Sirma Sha	entity under indirect common control	17.02.2017 until now
Sirma CI	subsidiary	26.10.2018 until now



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

Purchases

Type	Type of Connectivity	Description	31.12.2019 BGN '000	31.12.2018 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)
Other financial expenses	1	Other financial expenses	(15)	-

Sales

Type	Type of Connectivity	Description	31.12.2019 BGN '000	31.12.2018 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

The conditions under which the transactions are executed do not deviate from the market for such transactions.

38/ 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

30.01.2020

CEO:



Tsvetan Alexiev

