



Interim Consolidated Management Report

of "Sirma Group Holding" JSC
for Q1 2020

Content

1	STATEMENT BY THE BOARD OF DIRECTORS OF “SIRMA GROUP HOLDING” JSC	IV
2	ORGANIZATION AND WAY OF PRESENTATION	V
3	STRUCTURE OF SHARE CAPITAL AND MANAGEMENT AUTHORITIES.....	VII
4	FUNCTIONING OF THE GROUP	XII
5	SIRMA GROUP IN Q1 2020	XIV
	5.1 The business	XIV
	5.2 Economic Trends	XIV
	5.3. Additional information for Q1 2020	XVII
	5.4. Major news in Q1 2020	XVIII
	5.5. Main legal information in Q1 2020.....	XIX
	5.6 Information for contracted large transactions in Q1 2020.....	XIX
	5.7 Information of the used financial instruments in Q1 2020.....	XIX
	5.8 R&D activity of the company in Q1 2020.....	XIX
	5.9 Possible future development of the company.....	XIX
	5.10 Contracts under Art.240b of the Commercial Code in Q1 2020	XIX
6	RESULTS BY COMPANY.....	XX
	Daticum	XX
	Sirma Solutions	XXII
	Sirma AI and Ontotext USA.....	XXV
	EngView Systems Sofia	XXVII
	Sirma Business Consulting JSC.....	XXIX
	Sirma Group Inc./dba Panaton	XXXI
	Sirma ICS.....	XXXIII
	S&G Technology Services	XXXIV
	Sirma CI	XXXV
	Sirma Medical Systems.....	XXXVI
	Sirma Group Holding – individual financial results	XXXVII
7	RESULTS BY Segments.....	XXXVIII
8	MAIN MARKETS.....	XXXIX
9	CONSOLIDATED FINANCIAL RESULTS.....	XL
	CONSOLIDATED REVENUES	XL
	CONSOLIDATED EXPENSES.....	XLI
	CONSOLIDATED FINANCIAL INCOME / COSTS (NET)	XLI
	CONSOLIDATED ASSETS	XLII
	EQUITY	XLIII
	CONSOLIDATED LIABILITIES	XLIII
	CASH FLOWS.....	XLVI
	INDICATORS AND RATIOS	XLVII
	RELATED COMPANIES TRANSACTIONS	XLIX
10	EMPLOYEES AND ECOLOGY.....	L
11	RISK FACTORS	LI
	Market risk analysis.....	LI



Credit risk	LII
Liquidity risk	LII
12 OTHER INFORMATION AS PER APPENDIX 11 of ORDINANCE 2 OF THE FSC.....	LIII
13 CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY.....	LVI
14 EVENTS AFTER THE END OF THE REPORTING PERIOD	LVII



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

The present interim consolidated management of “Sirma Group Holding” JSC covers the year, ending on 31 March 2020 and was prepared in accordance with the provisions of Article 39 of the Accountancy Law and Art. 100o, para. 2 and 5 of the the Public Offering of Securities Act (POSA), including also the established events, occurring after the balance sheet date. The structure of this report is in accordance with Appendix 9, 10 and Appendix 11 to Article 32a (2) of Ordinance No. 2 of the Financial Supervision Commission (FSC).

The board of directors of the holding confirms that:

- there were no irregularities in which managers or employees were involved, which may be material to the consolidated financial statements;
- all material transactions are duly accounted for and reflected in the interim consolidated financial statements as at 31 March 2020;
- there is no actual or potential breach of laws and (or) other regulatory provisions which would have a material impact on the consolidated financial statements or could serve as a basis for reporting contingent loss;
- there are no legal or other restrictions on the flow of funds;
- there are no known trends, requests, commitments, events or occasional circumstances for which there is reason to expect that they may affect the company as a whole.

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

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

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

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

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

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

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

The reporting period is the financial year ending on 31.3.2020. The report includes Sirma Group Holding JSC and all subsidiary companies of the group without Flash Media, Engview Systems Latin America, Eyeball Interactive, Excell Management and e-Dom, which are excluded from consolidation due to lack of relevance.

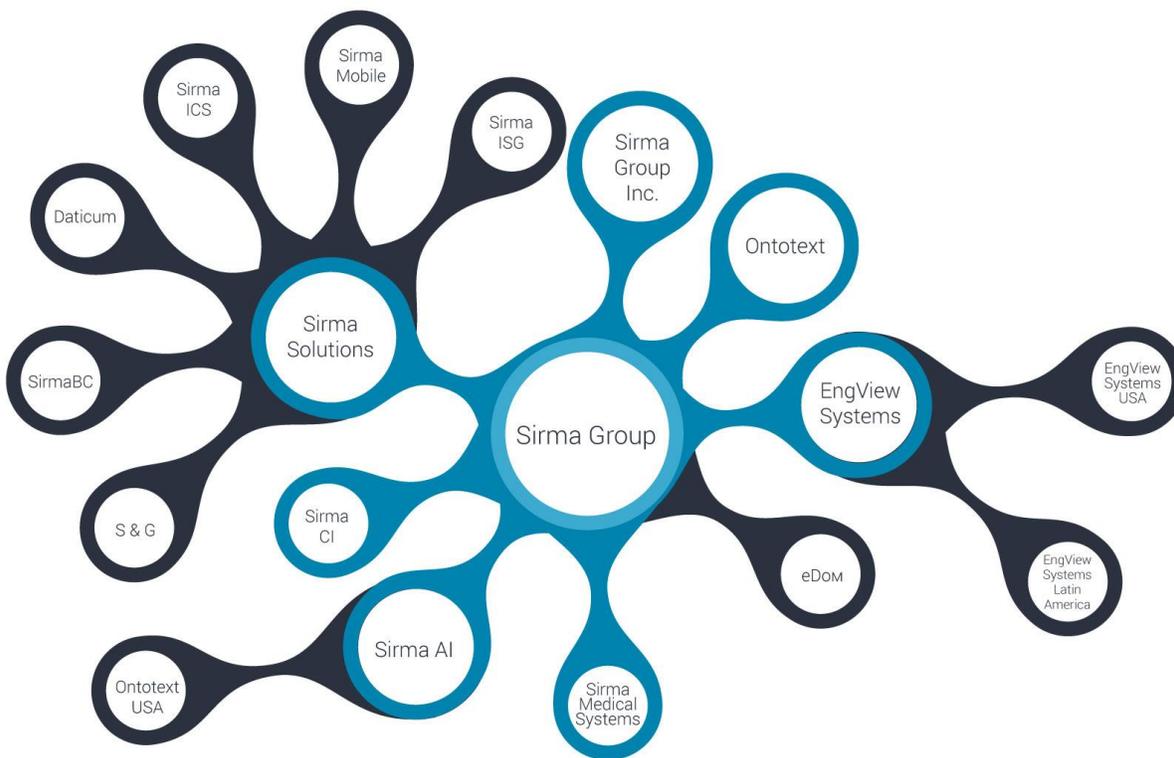


2 ORGANIZATION AND WAY OF PRESENTATION

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

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

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



Branches of the company

"Sirma Group Holding" JSC has no registered branches.

History and development of the company

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

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

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

Changes in the statement of activity

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

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

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

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

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

CAPITAL

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

History of Share Capital

History of changes in share capital

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

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

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

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

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

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

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

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



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

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

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

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

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

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

3 STRUCTURE OF SHARE CAPITAL AND MANAGEMENT AUTHORITIES

3.1. Capital structure

As of 31.3.2020 the distribution of the share capital of Sirma Group Holding is as follows:

	31.3.2020 BGN '000	31.12.2019 BGN '000
Share capital	59 361	59 361
Number of shares (par value of 1 BGN)	59 360 518	59 360 518
Total number of registered shareholders	1 056	1064
Including legal entities	54	57
Including Individuals	1 002	1007
Number of shares held by legal entities	11 004 873	11 614 752
% of capital of legal entities	18,54%	19,57%
Number of shares held by individuals	48 355 645	47 745 766
% of capital held by individuals	81,46%	80,43%



Shareholders	Number of shares at 31.3.2020	Number of shares at 31.12.2019	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,95%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	1	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,07%
Veselin Kirov Antchev	4 700 786	4 700 786	1	4 700 786	7,92%	7,98%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,35%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,90%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,30%
"NN Universal Pension Fund"	2 266 881	2 323 939	1	2 266 881	3,82%	3,85%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,70%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,66%
Emiliana Ilieva Ilieva	1 883 279	1 792 168	1	1 883 279	3,17%	3,20%
Ivo Petrov Petrov	1 808 092	1 572 828	1	1 808 092	3,05%	3,07%
Yavor Liudmilov Djonev	1 392 746	1 392 746	1	1 392 746	2,35%	2,37%
Bank of New York Melon	1 083 249	857 600	1	1 083 249	1,82%	1,84%
UPF "Doverie"	1 047 678	1 047 678	1	1 047 678	1,76%	1,78%
Peter Nikolaev Konyarov	1 014 248	1 187 480	1	1 014 248	1,71%	1,72%
"Mandjukov" Ltd.	960 000	960 000	1	960 000	1,62%	1,63%
Unicredit Bank Austria	868 600	1 094 249	1	868 600	1,46%	1,48%
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%
Expat Bulgaria SOFIX UCITS ETF	100 252	732 355	1	100 252	0,17%	0,17%
Others	12 387 999	10 624 246	1	12 387 999	20,87%	20,23%
Total	59 360 518	59 360 518		59 360 518	100%	100%

As of 31.3.2020 "Sirma Group Holding" JSC holds 474 724 repurchased own shares with total value of BGN 474 724 (0,80 % of share capital). The Company has no newly acquired own shares during 2019.

As of 31.3.2020, "Ontotext" owns 550 shares of the parent company „Sirma Group Holding“ JSC with total value of BGN 643,50.

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

Shareholders	Number of shares at 31.3.2020	% of capital	% of capital with deducted repurchased own shares
Veselin Antchev Kirov	4 700 786	7,92%	7,98%
Tsvetan Borisov Alexiev	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,07%
Georgi Parvanov Marinov	5 269 748	8,88%	8,95%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,35%



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

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

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

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

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

3.2 Management authorities

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

The Board of Directors as of 31.3.2020 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 of their election.

Current term of the Board of Directors is until: 19.09.2021

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

Competencies of the management

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

Stock options of the company

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



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

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

Committees in The Company

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

1. **Investment and Risk Committee, composed of:**
Yordan Nedev – chairman
Tsvetan Alexiev – member
Radka Peneva – member
Georgi Marinov – member
2. **Remuneration Committee, composed of:**
Georgi Marinov – chairman
Petar Statev – member
Yordan Nedev – member
3. **Information Disclosure Committee, composed of:**
Tsvetan Alexiev – chairman
Radka Peneva – member
Stanislav Tanushev – member
Chavdar Dimitrov – member
Atanas Kiryakov – member
4. **Audit Committee, composed of:**
Angel Petrov Kraychev – chairman
Alexander Todorov Kolev – member
Emilian Ivanov Petrov – member

Accepted internal normative documents

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

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

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

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

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

Shareholders	Number of shares at 31.3.2020	Number of shares at 31.12.2019	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 01.01.2020 - 31.03.2020 there was no change in the participation of the members of the BD in the capital of the company.



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

Board Member	Company	Sums for the period 01.01.2020 -31.3.2020
		(BGN)
Atanas Kostadinov Kiryakov	EngView Systems Sofia	(150)
	Sirma AI	(1 500)
	Sirma Group Holding	(4 500)
	Sirma Solutions	(1 500)
Georgi Parvanov Marinov	EngView Systems Sofia	(24 007)
	Sirma Business Consulting	(6 500)
	Sirma Group Holding	(4 500)
Yordan Stoyanov Nedev	Sirma Group Holding	(18 915)
Petar Borisov Statev	Sirma Group Holding	(4 500)
Tsvetan Borisov Alexiev	Daticum	(60)
	EngView Systems Sofia	(150)
	Sirma AI	(1 500)
	Sirma Business Consulting	(13 000)
	Sirma Group Holding	(37 500)
	Sirma Solutions	(21 000)
Chavdar Velizarov Dimitrov	Daticum	(60)
	Sirma Group Holding	(4 500)
	Sirma Medical Systems	(300)
Total		(144 142)

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

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

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

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

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

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

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



4 FUNCTIONING OF THE GROUP

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

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

Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.3.2020 (in BGN'000)	Percentage of capital at 31.3.2020	Percentage of capital with adjusted repurchased own shares at 31.3.2020	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	Changes (in BGN'000)
Sirma Solutions	39 311	77,71%	82,43%	39 311	77,71%	82,43%	-
Sirma AI	7 035	100,00%	100,00%	7 035	100,00%	100,00%	-
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	-
Sirma Group Inc.	3 471	76,16%	76,29%	3 471	76,16%	76,29%	-
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%	-
Ontotext	17 865	87,65%	90,44%	17 865	87,65%	90,44%	-
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	-
Total	67 904			67 904			-

Subsidiaries of "Sirma Solutions"

Company	Value of the investment at 31.3.2020 BGN '000	Percentage of capital at 31.3.2020	Value of the investment at 31.12.2019 BGN '000	Percentage of capital at 31.12.2019	Changes BGN '000
Sirma Business Consulting	1 374	54,08%	1 374	54,08%	-
Daticum	1 394	60,50%	1 394	60,50%	-
S&G Technology Services Ltd., UK	117	51,00%	117	51,00%	-
Sirma ISG	0	71%	0	71%	-
Sirma ICS	270	90,00%	270	90,00%	-
Total	3 155		3 155		-

Subsidiaries of "Sirma AI"

Company	Value of the investment at 31.3.2020 BGN '000	Percentage of capital at 31.3.2020	Value of the investment at 31.12.2019 BGN '000	Percentage of capital at 31.12.2019	Changes BGN '000
Ontotext USA	30	100,00%	30	100,00%	-



Subsidiaries of "EngView Systems Sofia"

Company	Value of the investment at 31.3.2020	Percentage of capital at 31.3.2020	Value of the investment at 31.12.2019	Percentage of capital at 31.12.2019	Changes
	BGN '000		BGN '000		BGN '000
EngView Systems Latin America	7	95%	7	95%	-
Impairment	(7)		(7)		-
EngView USA	190	100%	190	100%	-
Total	199		199		-

Associated companies of "Sirma Group Holding"

Company	Value of the investment at 31.3.2020	Percentage of capital at 31.3.2020	Value of the investment at 31.12.2019	Percentage of capital at 31.12.2019	Changes
	BGN '000		BGN '000		BGN '000
GMG Systems (IN LIQUIDATION)	-	19,93%	-	19,93%	-
E-DOM MANAGEMENT	-	35,00%	-	35,00%	-
Total	-		-		-

Associated companies of "Sirma Solutions"

Company	Value of the investment at 31.3.2020	Percentage of capital at 31.3.2020	Value of the investment at 31.12.2019	Percentage of capital at 31.12.2019
	BGN '000		BGN '000	
SEP Bulgaria	-	6,50%	-	6,50%
EYE BILL INTERACTIVE	-	34%	-	34%
EXCELL MANAGEMENT	-	34%	-	34%
Flash Media	-	50%	-	50%
Sirma Group Inc.	916	23,85%	916	23,85%
Sirma Mobile	15	40%	15	40%
Total	931		931	

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

The company has no branches.



5 SIRMA GROUP IN Q1 2020

5.1 The business

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

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

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

Some of Sirma's unique advantages are:

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

5.2 Economic Trends

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

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

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

The main elements of the Strategy are:

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

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

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

By adopting the 2018-2022 Strategy, we began preparing for its implementation. We provided debt finance to eliminate minority holdings in Ontotext - a key company for the Strategy implementation. We have developed detailed development plans for the strategic verticals of the group. We have begun a process of organizational and technological restructuring, implement primary state aid. The Commission considers that "the crisis is in danger of hurting the most fragile and still in convergence Member States the most".

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

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



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

Development of the global economy in 2019 and expectations for 2020

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

Global recession

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

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

According to the International Monetary Fund ([World Economic Outlook, 24, June 2020](#)), the world is "in a crisis like no other and recovery is uncertain". This uncertainty is also evident in the continuous revision of the expected economic development by all the world's leading organizations. The IMF forecast (quite close to that of the World Bank) is for a 4.9% decline in the world economy in 2020, with the largest decline in GDP expected in the developed economies, especially the Eurozone (-10.2%) and the United States (-8%).

All forecasts from May and June 2020 are based on the assumption that pandemic-related restrictions are gradually lifted in the second quarter and the global economy recovers rapidly in the second half of the year. Subsequently, the IMF expects the so-called V-shaped recovery in 2021 and, moving to strong growth, although not at the pace projected at the end of 2019. At the same time, the chief economist of the IMF [Gita Gopinath said in an interview on 13.05.2020](#) said that the contraction in consumption is likely to lead to new revisions of forecasts in a negative direction, with a

possible decline in world GDP reaching 6% in 2020 and 0% growth in 2021. In an [interview on 09.05.2020, the Executive Director of the IMF Kristalina Georgieva](#) warned that the lack of a medical solution may lead to more serious economic consequences for some economies and a corresponding reduction in forecasts for 2020 and 2021

"Second wave" and recovery in 2021

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

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

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

[The World Bank \(June 8, 2020\)](#) is also considering two scenarios for overcoming the crisis. The main scenario envisages easing the constraints from the beginning of the second half of the year in developed countries, stopping the recession and moving to growth and recovery. In this baseline scenario, the World Bank expects a partial recovery from the decline in 2020 and global GDP growth of 4.2% in 2021. At the same time, the outlook is quite uncertain and the negative risks prevailing, including the development of a longer pandemic, a contraction in world trade, the financial crisis and disruptions in supply links. This negative scenario could lead to a contraction of the world economy by 8% this year, followed by a fragile recovery with 1% GDP growth in 2021.

The Industry of Sirma

The companies from Sirma Group Holding specialize in the information technology (IT) industry. Industry data is usually combined with data for the 'communication segment', as this segment is entirely dependent on information technology.



Respectively, the industry acquires the name "Information and Communication Technologies" or ICT for short. Of all the diversity of ICT segments, the companies in the group work mainly in the segment "IT services" (system integration, infrastructure as a service, software as a service, software support, consulting) and "Business software" (different software products aimed at different business verticals and custom software development).

Forecast for the Global ICT Sector in 2020

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

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

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

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

Global spending on ICT current prices

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



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

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

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

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

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

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

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

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

5.3. Additional information for Q1 2020

IMPACT OF EXCLUSIVE FACTORS

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

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

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

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

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

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



SIGNIFICANT CHANGES IN NET SALES OR REVENUES DISCLOSED IN THE ACCOUNTS

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

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

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

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

5.4. Major news in Q1 2020

The following events and business news took place in Q1 2020:

26.03.2020

EngView, part of Sirma Group Holding, provides free home-office licenses for home-office use for its product EngView Package and Display Designer Suite during the Coronavirus outbreak.

24.03.2020

Daticum, part of Sirma Group Holding, donates cloud servers for online class rooms.

24.03.2020

Sirma Medical, part of Sirma Group Holding, provides for free the full functionality of its Premium package of its product Diabetes:M during the Coronavirus restrictions.

18.03.2020

Disclosure of the impact of COVID 19 on the activity of the companies within "Sirma Group Holding" JSC.

04.03.2020

Sirma launches the first Bulgarian product, which is fully compliant with PSDII – The Open Banking Suite.

02.03.2020

Disclosure of interim consolidated financial reports of "Sirma Group Holding" JSC as at 30.12.2019.

26.02.2020

Sirma takes part in the Annual FinTech and InsureTech Summit.

20.02.2020

Sirma discloses strong annual results of its UK company S&G Technology Services.

30.01.2020

Disclosure of interim individual financial reports of "Sirma Group Holding" JSC as at 30.12.2019



5.5. Main legal information in Q1 2020

Transactions with shares for the period 01.01.2020 - 31.03.2020:

There are no new transactions with share for the period.

Litigation for the period 01.01.2020 - 31.03.2020:

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

5.6 Information for contracted large transactions in Q1 2020

In Q1 2020, the company made several large contracts with customer and subcontracts, in connection with the new strategy of the Group:

Purchases:

- Deal 1 for BGN 3 031 thousand
- Deal 2 for BGN 1 637 thousand
- Deal 3 for BGN 560 thousand

Sales:

- Deal 1 for BGN 2 746 thousand
- Deal 2 for BGN 1 510 thousand
- Deal 3 for BGN 285 thousand

5.7 Information of the used financial instruments in Q1 2020

In Q1 2020 the company has not used any financial instruments.

5.8 R&D activity of the company in Q1 2020

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

The total value of the investments made in research and development in Q1 2020 amounts to BGN 320 thousand.

5.9 Possible future development of the company

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

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

5.10 Contracts under Art.240b of the Commercial Code in Q1 2020

During Q1 2020 the company has not been notified for contracted transactions with the members of the Board of Directors or parties related to them, which fall outside the line of activity of the company or the terms of which differ substantially from the current market.



6 RESULTS BY COMPANY

DATICUM

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

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

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

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

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

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

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

MAIN MARKETS:

Bulgaria, North and South America, Europe

MAIN CLIENTS:

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

MAIN COMPETITORS:

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

BUSINESS MODEL OF THE COMPANY

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

RESOURCES OF THE COMPANY

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

NEW PRODUCTS, NEW BUSINESS OR BUSINESS MODELS FOR THE PERIOD

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

HR POLICY

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



DATICUM IN Q1 2020**BUSINESS DEVELOPMENT IN Q1 2020 AND REALIZATION OF THE INVESTMENT PLAN**

- In the first quarter (until the start of the emergency measures) there was a gradual increase in the resources and services used by the company's customers.
- A decision was made to modernize the infrastructure of the Data Center in order to further ensure and guarantee the reliability of the services provided by Daticum. A significant investment in a new diesel generator equipment was made.
- Significant increase in the capacity of the company's cloud platform. The investment is aimed at meeting the needs of customers for more resources and the ability to seamlessly provide even larger information systems, which in turn require huge amounts of computing resources.

NEWS

- At the beginning of the epidemiological situation, Daticum contributed to society as a socially responsible company and provided cloud services to a partner completely free of charge, in order to provide their educational platform providing remote learning for students during the state of emergency.

IMPORTANT EVENTS

- COVID - 19 and the events resulting from the state of emergency changed the plans of many of our current and potential customers, which in the last week of March began to affect the company's revenue

FORECAST FOR 2020

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

FINANCIAL RESULTS

	31.3.2020	31.3.2019/ 31.12.2019	Change BGN '000	Change %
Revenues	650	1 727	(1 077)	(62,36%)
EBITDA	314	296	18	6,08%
Depreciation	(103)	(66)	(37)	56,06%
Net Result	207	228	(21)	(9,21%)
EBITDA margin	48,31%	17,14%	31,17%	181,85%
Net Profit margin	31,85%	13,20%	18,64%	141,22%
Sales per share	0,2824	0,7502	(0,47)	(62,36%)
EPS	0,0899	0,0990	(0,01)	(9,21%)
ROE	0,0640	0,0753	(0,01)	(15,02%)
Total Assets	4 173	3 993	180	4,51%
Intangibles	-	-	-	n/a
Book value	3 234	3 027	207	6,84%
Equity	3 234	3 027	207	6,84%
Total Liabilities	939	966	(27)	(2,80%)
Interest bearing	487	663	(176)	(26,55%)
D/E	0,2904	0,3191	(0,03)	(9,02%)
ROA	0,0496	0,0571	(0,01)	(13,13%)



SIRMA SOLUTIONS

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

SIRMA SOLUTIONS Q1 IN 2020:

General information

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

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

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

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

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

Market in North America

Over the years, Sirma has managed to build an excellent name on the market for software services in the United States, as the teams in Bulgaria and the United States manage to deliver quality on time without a failed project. This leads to a high percentage of loyal sustainable business (over 80%). We believe that our existing contracts are low to medium risk for continuity or in other words, we do not expect existing customers to change our services with other competing companies.

At the end of the first quarter, based on our work with cloud platforms and real-time big data analysis - Kanin.io, in collaboration with the American company PureInfluencer, we managed to build and launch an application that monitors and classifies real-time Web visitors to car dealerships, which allows car dealers to sell cars and services in real time online. The software was shown at NadaShow 2020 in Las Vegas and has the first 100 customers already. The team continues its development work by updating the current PureInfluencer platform, with the goal of releasing the new version at the end of the year.

There is no change with the current customers and business of the company in the first quarter of 2020, as the revenues from existing business did not change in Q1 2020.

Business is expected to decline in the second quarter due to the Covid-19 epidemic. This can lead to delays in the implementation of some projects with existing customers, as well as difficulties in making new sales. The expectations are for a contraction of the business revenues by about 10% for 2020, compared to 2019.

European Market

The European part of the business of the professional services company in Q1 continued to work on active projects from 2019.

In the financial sector, two main projects are being implemented:



- Implementation of an open banking solution in a large European bank;

- migration of IRIS to UBB, part of the project for software unification of SiBank and UBB under the KBC brand;

In the retail sector, the company managed to implement and publish mobile applications for KFC Bulgaria, which allow consumers to order food online. The application turned out to be very timely, because in March, with the introduction of quarantine, more and more users began to look for opportunities to order food online and the use of this type of application is an additional sales channel.

During the same period, a new kiosk application for the Metro marketing department was developed and launched in the form of a game that allows users to win prizes, discounts and vouchers upon purchases in the store. For the period before the quarantine, over 6,000 users a day used the application in the 11 Metro stores across the country.

In the field of cultural heritage, in Q1 we continued to work actively with the museums that use our systems, including the National Gallery of Art (Washington DC), Van Gogh museum (Amsterdam), and others.

During the period, the marketing and sales departments traditionally focused on financial services and artificial intelligence, where Sirma considers itself as a regional leader. These efforts opened several opportunities for launching new projects in this field, which slowed down at the end of March, given the situation around the global pandemic.

Outside the current markets, the focus during this period was concentrated in Austria, Germany and Israel, where Sirma signed strategic partnerships for market participation and business development.

Public sector

In the public sector in Q1 2020 the active work on the big long-term projects won in 2018 and 2019 continued:

- the gradual establishment of the overall IS for management of the Financial Mechanism Office (EEA Grants, Brussels),

- the development of the Rating System of the higher schools of the Ministry of Education and Science

- the gradual construction of the IS MusIT for managing the activities of MusicAuthor

- the gradual construction of CAIS EOP of PPA

- development of two important IS of the State Enterprise ATC

The provision of warranty and out-of-warranty support for all key state-owned IT systems, developed by us, continued:

- the complete operating system eBDZCargo of BDZ-Freight (BDZ is the Bulgarian abbreviation of Bulgarian State Railroads)

- the overall IS of the NCRRP, which maintains the registers of health care and plays a key role in the field of e-health,

- IS of the Prosecutor's Office, etc.

During the period, intensive work continued to win new projects in the sector, but the situation Covid-19 led to a serious change in the circumstances and plans of almost all contracting authorities, and at present it is very difficult to make an accurate forecast for development by the end of the year.

Many of the prepared large and medium-sized projects were put on hold or completely discontinued and only some small urgent projects were continued. As a result, only a few smaller new projects were launched during the period, such as the project to automate the verification of the circumstances stated by the parents in the ISODZ and PGU of the Sofia Municipality, the results of which needed to be achieved as soon as possible

A serious risk is the possibility of stopping any of the currently developed projects, but at present, through intensive dialogue with the contracting authorities, this risk is minimized as far as influencing it is within our capabilities is possible.

No downsizing of the teams was allowed, but Covid-19 changed the way of working, which necessitated internal team reorganizations in order to maintain the quality of services provided to our customers - a task in which we believe to have succeeded.

Despite the difficult situation, the efforts to revive some of the frozen / suspended projects and to find new ones continue and will continue, with the focus on projects that are of great importance for the activities of the respective contracting authorities. But it is expected that these efforts, if successful, will yield results no earlier than the end of this or the beginning of next year, making growth plans in the sector almost impossible to achieve. At present, the aim is to maintain the current situation and prevent a decline.

System integration

Over the past quarter, the System Integration Department achieved and exceeded its revenue targets by implementing projects planned for Q2 and even Q3, which is inevitably a success for the company, as if they were postponed, there was a risk that they would be suspended, delayed or curbed due to the pandemic.



During the period we created new partnerships and were certified to represent our partners, sell their products and integrate their software into solutions for our customers, including companies such as:

- AppDynamics
- Veracode
- SolarWinds

We highlight some of the more interesting projects in the 0.5-2M BGN range, completed during the quarter:

- First project for Application Performance Monitoring with our partners AppDynamics recently acquired by the giant Cisco
- Project with our F5 partners in the field of information security
- Project with our Veracode partners in the field of information security
- Delivery of large storage systems in several data centers in Europe with our partners from HPE

- Delivery of personal devices for one of the leading banks in Bulgaria

- Contract for maintenance of all Cisco devices in the data centers in several countries on 3 continents for a large international company

- We have successfully completed the migration of all NHIF systems to Oracle Cloud delivered by us and located in Bulgaria to meet all security requirements

Given the pandemic by the end of the year, we expect a sharp increase in sales of personal mobile devices (laptops and mobile workstations), an increase in sales of corporate security solutions given the change of work to the home-office regime of many of our customers, but this increase will not offset the expected decline in sales of network solutions for offices, servers and storage for data centers. Many of our clients are directly affected by the measures introduced in different countries, which will lead to a huge drop in their revenues and revision of investment and development plans, which will affect the business in the remaining quarters.

Despite the pandemic and the difficulties it created, the goal of the business unit for system integration is to achieve the set goals for the year set prior to the pandemic and currently, given the anticipated projects, this goal seems achievable.

FINANCIAL RESULTS

	31.3.2020	31.3.2019/ 31.12.2019	Change BGN '000	Change %
Revenues	8 281	10 825	(2 544)	(23,50%)
EBITDA	622	233	389	166,95%
Depreciation	(348)	(207)	(141)	68,12%
Net Result	284	60	224	373,33%
EBITDA margin	7,51%	2,15%	5,36%	248,96%
Net Profit margin	3,43%	0,55%	2,88%	518,75%
Sales per share	0,2341	0,3060	(0,07)	(23,50%)
EPS	0,0080	0,0017	0,006	373,33%
ROE	0,0059	0,0013	0,005	370,55%
Total Assets	59 579	59 573	6	0,01%
Intangibles	7 364	7 578	(214)	(2,82%)
Book value	40 770	36 580	4 190	11,45%
Equity	48 134	47 851	283	0,59%
Total Liabilities	11 445	15 415	(3 970)	(25,75%)
Interest bearing	7 136	5 542	1 594	28,76%
D/E	0,1483	0,1158	0,032	28,01%
ROA	0,0048	0,0010	0,004	373,29%



SIRMA AI AND ONTOTEXT USA

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

Conditions for the business development in Q1 2020

The main technology market on which Sirma AI's sales depend is that of graph databases (DBMS) and in general technologies based on graph data representation for integration and analysis. The trend from 2019 of a gradual increase in demand is maintained.

The industrial sectors, which are the largest users of such DBMS, technologies and related services, remain the same: financial services, mechanical engineering (aviation and automotive) and automation, publishers of business information, pharmaceuticals and the public sector.

The leading product of Ontotext GraphDB maintains and further develops its position as one of the global leaders based on graph databases.

An analysis of Forrester's "Now Tech: Graph Data Platforms, Q1 2020" was published in February, where Ontotext was included as one of the leading providers along with ORACLE and Amazon.

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

Sirma AI's main markets are the EU, the US and the UK. Over 90% of the company's revenues come from large multinational companies, which are weakly influenced by regional factors. No Brexit shocks are expected.

During this period, the COVID-19 crisis had virtually no impact on business.

Business development in Q1 2020 and realization of the investment plan

Revenues, following the consolidation of Ontotext USA, are below 20% of the target for the year - a result that is lower than expected for the first half. Despite the lag in revenues, a profit was realized - about 15% of the target for the year.

The lag is due to the reduced volume of revenues in the business line for the operation of complete solutions, including integration and development services. The goal for doubling (compared to Q1 2019) the revenues from licenses is achieved. There is also a big growth in the revenues from the business line "hosting & monitoring" - part of the goal to increase the share of recurring revenues.

During the period, about 20% of the planned funds for product development were invested.

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

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

New clients, projects, products and services in Q1 2020

New:

- **Clients:** a large American children's hospital, a Chinese developer of specialized software in the field of healthcare.
- **Products:** Sirma AI has announced a new version of GraphDB (9.1). The most important new features are related to data quality assurance in Knowledge Graphs. Including new mechanisms for data validation when loading or updating, as well as the ability to track changes made to the data.
- **Services:** No new services were introduced during this quarter.

Important events in Q1 2020

- The beginning of the COVID-19 crisis at the end of the period.

New contracts in Q1 2020

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

- New contract for sale of licenses to an existing client – a US top 5 bank;
- Contract for the development of a system for the analysis of medical scientific publications for a hospital in the United States.



Perspectives and forecast for 2020

Good market conditions are expected in 2020, ie. growing demand for graph databases and related technologies. On the other hand, after March, the COVID-19 crisis led to a serious delay in the implementation of projects by clients and partners. Given the unclear prospects for overcoming the crisis, the company's expected revenues for the year will be lower than the ones set in the business plan. Thanks to the cost control measures taken, the company's profit is expected to be realized in volumes close to the planned ones.

There is no change in the strategic goals set in the Business Plan for 2020:

- Development of the network of partners and achieving revenues through partners of at least BGN 2 million. The partner network continues to develop very successfully during the period and has the potential within 2020 to generate product revenues to compensate for the lag in revenues from the delivery of solutions;
- Increasing revenues from licenses and maintenance up to 50% of total revenues;
- Increase in recurring revenues over 35% of total revenues.

FINANCIAL RESULTS**SIRMA AI**

	31.3.2020	31.3.2019/ 31.12.2019	Change BGN '000	Change %
Revenues	3 018	1 822	1 196	65,64%
EBITDA	2 005	812	1 193	146,92%
Depreciation	(607)	(192)	(415)	216,15%
Net Result	1 387	616	771	125,16%
EBITDA margin	66,43%	44,57%	21,87%	49,07%
Net Profit margin	45,96%	33,81%	12,15%	35,93%
Sales per share	21	13	8,48	65,64%
EPS	9,8369	4,3688	5,47	125,16%
ROE	0,0214	0,0097	0,01	120,45%
Total Assets	79 705	79 771	(66)	(0,08%)
Intangibles	66 840	67 081	(241)	(0,36%)
Book value	(2 054)	(3 652)	1 598	(43,76%)
Equity	64 786	63 429	1 357	2,14%
Total Liabilities	14 919	16 342	(1 423)	(8,71%)
Interest bearing	7 606	8 544	(938)	(10,98%)
D/E	0,230	0,258	(0,03)	(10,62%)
ROA	0,0174	0,0077	0,01	125,35%



ONTOTEXT USA

	31.3.2020	31.3.2019/ 31.12.2019	Change BGN '000	Change %
Revenues	798	301	497	165,12%
EBITDA	255	(18)	273	n/a
Depreciation	-	-	-	n/a
Net Result	254	(18)	272	n/a
EBITDA margin	31,95%	(5,98%)	37,93%	n/a
Net Profit margin	31,83%	(5,98%)	37,81%	n/a
Sales per share	27	10	16,57	165,12%
EPS	8,4667	(0,6000)	9,07	n/a
ROE	1,1759	0,1607	1,02	631,69%
Total Assets	952	516	436	84,50%
Book value	-	-	-	n/a
Equity	216	(112)	328	n/a
Total Liabilities	216	(112)	328	n/a
D/E	736	628	108	17,20%
ROA	-	-	-	n/a

ENGVIEW SYSTEMS SOFIA

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

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

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

EngView Systems Sofia JSC is a joint-stock company, member of Sirma Group, with main activity - development of software products .

ENGVIEW SYSTEMS IN Q1 2020**CONDITIONS FOR BUSINESS DEVELOPMENT Q1 2020**

EngView Systems operates in two main markets - the software for video measuring machines and the packaging industry. The company works with manufacturers of packaging and displays around the world, served by a developed and expanding network of distributors and partners.

A large share of packaging production remains in the established offset printing segment. The spread of digital technologies is happening at an ever-increasing pace and more and more companies are investing in digital printing and production machines. New niche markets are being formed, related to personalization, small circulations of cardboard and corrugated packaging, products for advertising purposes and

better visualization of selected brands (shelves) or entire structures, exhibition stands, shows, printed and cut from thick materials. (rigid Board). In Europe and the United States, there is a trend for the entry and production of materials and products from them, which are directly related to nature conservation and are environmentally friendly and easily recycled.

This determines the direction of the predominant investments in the packaging industry - along with those in machines. Companies from different niches are looking for solutions to further save time and resources, modernize their production to improve their competitiveness, and follow modern technologies that improve the relationship with the customer and optimize the order channels. Such solutions are Internet and cloud-based solutions for communication with customers and



shortening the Order-Delivery cycle (web-to-print, web-to-pack), which become possible precisely in combination with new digital technologies.

In the market of technologies for monitoring the quality of serial production, the technological dynamics are smaller, but there can also be tendencies towards more intensive integration between the classical measuring technologies and communication, mobile, information, internet / cloud based technologies, allowing accelerated transfer, storage and processing of information received from measuring machines and as a result - increasing the efficiency and reliability of the quality monitoring systems.

EngView Systems successfully develops its products in its two main areas for the packaging and video measuring industries. In recent years, the company has invested in the development of new products based on its already implemented solutions and the accumulated knowledge and expertise in individual niches. They meet the latest trends, as well as customer requirements for high-quality software capable of accelerating production, increase of sales through optimization and maintenance of additional processes. The main products of the company, work on which is ongoing in the first quarter of 2020 are Packaging Suite, ScanFit & Measure, m-caliper, packGATE, TurnCheck, as well as new developments of the Diemaking portal, Shared Space, which are expected to be released in late 2020. The development of a new project for one of the main corporate clients of the Prinzhorn Austria CAD system has started, which through integration of certain modules and functionalities in their existing CPMS system will lead to an increase in the efficiency of production and service of their end customers. The release of this product is expected in the last quarter of 2020.

REGIONAL AND INTERNATIONAL FACTORS INFLUENCING THE BUSINESS OF THE COMPANY

The company develops all of its products in Bulgaria, but has a network of distributors around the world, as well as its own offices in the United States and Brazil. The factors influencing the business are mainly related to the saturation of the market with competing products or the degree of development of the given market. A major share of software sales for the packaging industry is still generated in Europe, with the first 3 months of 2020 showing growth compared to 2019 with over 40% of sales of licenses and products of the company. As one of the leading names in the packaging industry, EngView works with strategic partners from Germany Heidelberg, for which new versions of their products are developed every year for the printing industry and from the USA - QVI for their video measuring machines. EngView has been working with both companies for years, strengthening its position by providing quality and modern software for their customers. The company is investing in a new QVI solution - Turn Check, which led to first sales at the end of 2019. The software manages a new type of QVI machine for measuring rotating parts and components. New sales are expected at the end of 2020.

BUSINESS DEVELOPMENT AND INVESTMENTS IN Q1 2020

The first quarter of 2020 is related to the preparation and launch of new functionalities in all products, developed by the company. This are expected to happen at the end of 2020. Online functionalities are being developed for the CAD system, the development of programs for the US partner – QVI continues. A new scanner is being developed, which is intermediate in size and with more modern technology for transferring the scanned image to the software.

The distribution of m-caliper is also being prepared, looking for new partnerships, pilot clients and participation in various exhibitions. The necessary connections and visits of customers have already been established and the sales are expected to take place in the second half of the year. There are no new sales in the first quarter of 2020. Efforts were focused mainly on developing the mobile application and completing it to the level of a mass-market finished product that can be independently downloaded, installed, configured and put into operation by users. As a result, the mCaliper mobile application has become a complete mobile application that can be installed and launched for real work by any user of mobile devices without the need for assistance or additional training. This makes it completely ready for the mass market.

Another major development activity concerning mCaliper as a complete product is to achieve compatibility with every measuring instrument - especially those equipped with a Bluetooth data transmission device. mCaliper has long supported the most popular and well-known Bluetooth measuring instruments such as Sylvac and TESA, as well as mass-entering Chinese brands. However, they still cover a small share of the market for hand-held measuring instruments with data transmission technologies. In the first quarter of 2020, the world leader in this industry - Mitutoyo, announced the launch of its own Bluetooth adapter, which opened wide prospects for mCaliper, because Mitutoyo is the company with the largest market share among high-end hand-held measuring instruments. This could radically change the pace of penetration of Bluetooth and mobile technologies among measurement tools, because it may displace the standard imposed by Mitutoyo for data transmission with wireless technologies.

mCaliper was able to develop in a short time a stand-alone connection and support for the Mitutoyo adapter. In terms of marketing and sales activities - during this period they focused mainly on finding suitable partners for local distribution and some marketing activities to establish and promote the mCaliper brand.

Potential partners and distributors are sought among local representatives of major instrument manufacturers, local measuring equipment distribution chains, consultants. In February 2020, contacts were established with a company from Australia (www.metoptix.com), which is a distributor of many types of measuring equipment, as well as a consultant. They are also TESA's representative for the Australia and the



New Zealand region. It already publishes information about mCaliper on its website.

PERSPECTIVES AND FORECAST FOR 2020

Revenues are expected to decline on an annual basis compared to 2019 due to the complicated economic situation due to the Coronavirus. There is a reduced investment interest in all niches and industries in which the company operates. However, EngView is working on the first sales of new

products, in which it has invested in recent years to happen by the end of the year, albeit in smaller quantities. The company is using the pandemic time to focus on developing online functionalities to support its customers and their businesses. A platform for online webinars and demonstrations was also purchased to promote the EngView brand and products around the world. By the end of the year, local webinars are planned for Mexico, the United States, Brazil and some European countries.

FINANCIAL RESULTS

	31.3.2020	31.3.2019/ 31.12.2019	Change BGN '000	Change %
Revenues	1 105	739	366	49,53%
EBITDA	430	302	128	42,38%
Depreciation	(191)	(116)	(75)	64,66%
Net Result	234	181	53	29,28%
EBITDA margin	38,91%	40,87%	(1,95%)	(4,78%)
Net Profit margin	21,18%	24,49%	(3,32%)	(13,54%)
Sales per share	16,0145	10,7101	5,30	49,53%
EPS	3,3913	2,6232	0,77	29,28%
ROE	0,0612	0,0504	0,01	21,37%
Total Assets	5 632	5 295	337	6,36%
Intangibles	3 857	2 951	906	30,70%
Book value	(33)	639	(672)	n/a
Equity	3 824	3 590	234	6,52%
Total Liabilities	1 808	1 705	103	6,04%
Interest bearing	8	-	8	n/a
D/E	0,002	-	-	n/a
ROA	0,0415	0,0342	0,01	21,55%

SIRMA BUSINESS CONSULTING JSC

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

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

Classes of shares:

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

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

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



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

The range of services provided by the company covers mainly banking, retail and wholesale banking, regulatory compliance and risk management as well as the whole range of implementation and advisory services. SirmaBC is the third largest holding company and accounts for about 20% of revenue.

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

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

CONDITIONS FOR BUSINESS DEVELOPMENT OF SIRMA BC IN Q1 2020

The financial services market and the trends in its development in the world and in Bulgaria continued to be strongly influenced by regulations and the drive for digitalization. The focus and the search for new solutions was dominated by the desire and opportunities that develop into innovative forms of payment and payment instruments, as well as fast and convenient methods for "onboarding" customers. In addition, all financial players worldwide were looking for "self-learning solutions" in order to:

- manage customer information and knowledge of their behavior,
- combat the resources generated by the informal sector of the economy, including the requirements for monitoring and preventing money laundering,
- ensure measures for the protection of personal data and their protection,
- make the planned changes and meet the increased requirements for reporting of the financial players

There is more and more talk of "tokenization" and offering services that can be trusted by the clients of the financial players. Extensive use of hybrid services, as well as customer expectations for the free provision of easily accessible products and forms of payment, continue to

determine the technological solutions. In addition, everyone clearly understands that a new generation of rationalization and optimization in the sector is coming, which will be based on "robots", machine learning, analysis of large data sets and automation of business processes.

SirmaBC continues to provide its own services and products, which are focused only on the financial sector. During the first 3 months of the year, several pilot installations in the Open Banking division were completed, which were presented at the Fintech Financial Forum in Sofia. All the presented novelties and innovations in "UBX Suite" aroused great interest.

REGIONAL AND INTERNATIONAL FACTORS, INFLUENCING THE BUSINESS OF THE COMPANY

There are no exceptional financially significant regional (Balkan) factors that differ or are totally individual from what is happening in Europe. In particular, everything in Bulgaria is influenced by economic trends in Europe and the entire policy for regulation of the financial sector and other sectors of the economy. At the end of March 2020, the spontaneous developments and early measures of the Bulgarian government to combat the global pandemic of COVID 19 will drastically affect the development and market situation until the end of the year.

MAIN EVENTS IN Q1 2020

SirmaBC took an active part in the Annual Fintech Summit 2020 and the Noise of Money 2020. The company is also applying for membership in AMCHAM Bulgaria.

NEW CLIENTS, PROJECTS, PRODUCTS AND SERVICES IN Q1 2020

- Clients

In the beginning of 2020 the company acquired 1 new client who has applied for a banking license.

- Projects

The main projects that are being executed are two parallel implementations of major banking systems and several projects for the implementation of payment and other satellite solutions, which cover: "RepXpress", "ceGate" and "UBX Suite", DIGI Bank.

- Products

The development of the first versions were finalized of:

- Open banking API hub, which implements the BISTRA standard for all services in the scope of PSD2;
- Up2Pay - a payment software terminal that resides with a mobile application provider or as a Plug-in for a web site;

Up2Seal - a portfolio for generating one-time passwords and codes, which also serves as an advanced electronic signature and provides SCA, which is within the meaning of the Payments Regulation.



- Services

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

PERSPECTIVES AND FORECASTS FOR THE NEXT PERIODS OF 2020

Stagnation and a sharp change in the entire business climate in the region and around the world are expected due to COVID 19. The company's management held an extraordinary council to determine measures to deal with the consequences of work processes and changes in daily communication due to the global viral pandemic. Certificate under ISO/IEC 9001:2015;

FINANCIAL RESULTS

	31.3.2020	31.3.2019/ 31.12.2019	Change BGN '000	Change %
Revenues	1 178	1 062	116	10,92%
EBITDA	97	95	2	2,11%
Depreciation	(61)	(56)	(5)	8,93%
Net Result	45	55	(10)	(18,18%)
EBITDA margin	8,23%	8,95%	(0,71%)	(7,95%)
Net Profit margin	3,82%	5,18%	(1,36%)	(26,24%)
Sales per share	0,4638	0,4181	0,05	10,92%
EPS	0,0177	0,0217	0,00	(18,18%)
ROE	0,0129	0,0160	0,00	(19,26%)
Total Assets	5 051	4 874	177	3,63%
Intangibles	95	88	7	7,95%
Book value	3 395	3 356	39	1,16%
Equity	3 490	3 444	46	1,34%
Total Liabilities	1 561	1 430	131	9,16%
Interest bearing	-	88	(88)	(100%)
D/E	0,0000	0,0256	(0,03)	(100%)
ROA	0,0089	0,0113	0,00	(21,05%)

SIRMA GROUP INC./DBA PANATON

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

General Business Conditions in 2020

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

We are observing a maturing and commoditization of the software outsourcing services business. Our clients and prospects are aligning in two clear groups. The cost-first group is driven exclusively by the cost per hour of the

services offered and is generally less well informed and competent in terms of IT technology. These clients are hard to win as we are competing with lowest-cost providers from India, China and the former soviet republics. The second group of clients are ones that have a specific and/or immediate technology need, or who understand the TCO of building and operating software systems. This is our sweet spot, as we offer highly sophisticated small teams with specific in-depth technology capabilities.

In 2020 we intend to market our services in a more focused manner with an emphasis of specific business processes and types of clients.



Forecast for 2020

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

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

FINANCIAL RESULTS

	31.3.2020	31.3.2019/ 31.12.2019	Change BGN '000	Change %
Revenues	1 560	1 622	(62)	(3,82%)
EBITDA	348	210	138	65,71%
Depreciation	(5)	(5)	-	0,00%
Net Result	336	179	157	87,71%
EBITDA margin	22,31%	12,95%	9,36%	72,30%
Net Profit margin	21,54%	11,04%	10,50%	95,17%
Sales per share	0,0723	0,0752	0,00	(3,82%)
EPS	0,0156	0,0083	0,01	87,71%
ROE	0,2892	0,1316	0,16	119,69%
Total Assets	5 993	6 120	(127)	(2,08%)
Intangibles	1 692	1 650	42	2,55%
Book value	(530)	(290)	(240)	82,76%
Equity	1 162	1 360	(198)	(14,56%)
Total Liabilities	4 831	4 760	71	1,49%
Interest bearing	7	51	(44)	(86,27%)
D/E	0,0060	0,0375	(0,03)	(83,94%)
ROA	0,0561	0,0292	0,027	91,69%



SIRMA ICS

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

Sirma ICS in Q1 2020

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

monthly license fee, instead of relying on large one-off transactions which are more difficult to predict.

Conditions for Business Development in Q1 2020

The company operates in the insurance sector with target clients insurance brokers and insurance companies. Both segments marked a decline in revenue. The reason for this is the economic and health crisis in 2020, respectively the declining revenues from non-compulsory insurance, which in turn causes a reduction in the spending for software and services.

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

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

The company offers a product covering all of the processes in the structure of an insurance broker - Sirma Insurance Enterprise Platform. There is also a developed opportunity for clients to integrate through the Sirma Insurance Enterprise MTPL API and to integrate the policy issuing a policy payment in any system and application. Regarding the online presence of brokers, we offer Sirma Insurance Enterprise Web Calculator. With this product, end visitors to websites can calculate their price and place an order. The company also creates individual solutions and developments on assignment such as websites, web portals for end customers, administrative portals and mobile applications.

New:

- customers

The Company entered into new contracts with insurance brokers.

- projects

- Customization of the Sirma Insurance Enterprise Platform,
- New products in the portal of an insurance company

Regional and global factors influencing the business of the company

The company has business only in Bulgaria at the moment.

New Contracts

More contracts with clients of Sirma Insurance Enterprise Web Calculator have been concluded, API for the TPL insurance, new additions to the portals of insurance companies.

Business Development in Q1 2020 and Investment plan

In Q1 2020 Sirma ICS continued with the execution of its strategic objectives:

Information on Client Retention

- Development of new portals and mobile applications, including portals for clients of insurance companies and insurance brokers.
- Increasing the product range of the software for insurance brokers and optimizing the product and its functionalities
- Attraction of new insurance broker-clients.
- The company continues to rely on a stable and sustainable model of selling products with a

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



Perspectives and forecasts for 2020

We anticipate a decrease in the monthly fees of Sirma Insurance Enterprise Platform, due to dismissed employees of brokers (respectively licenses for the platform), a decrease in clients due to bankruptcies, retention or a small decrease in clients for Sirma Insurance Enterprise Web Calculator. Inclusion of Casco insurance product from 1 more insurance company and 1 new mobile application.

Extraordinary Information

The aggravated epidemic situation suggests a contraction of the market and a decline in revenues, and further increase of regulatory requirements. Aggravation of the requirements to the main clients of the company - the insurance brokers, leading to merger and acquisition processes and respectively – a smaller market.

FINANCIAL RESULTS

	31.3.2020	31.3.2019/ 31.12.2019	Change BGN '000	Change %
Revenues	251	207	44	21,26%
EBITDA	58	131	(73)	(55,73%)
Depreciation	(33)	(13)	(20)	153,85%
Net Result	24	117	(93)	(79,49%)
EBITDA margin	23,11%	63,29%	(40,18%)	(63,49%)
Net Profit margin	9,56%	56,52%	(46,96%)	(83,08%)
Sales per share	0,8367	0,6900	0,15	21,26%
EPS	0,0800	0,3900	(0,31)	(79,49%)
ROE	0,0315	0,1583	(0,13)	(80,11%)
Total Assets	1 312	1 313	(1)	(0,08%)
Intangibles	937	959	(22)	(2,29%)
Book value	(175)	(220)	45	(20,45%)
Equity	762	739	23	3,11%
Total Liabilities	550	574	(24)	(4,18%)
Interest bearing	21	269	(248)	(92,19%)
D/E	0,0276	0,3640	(0,34)	(92,43%)
ROA	0,0183	0,0891	(0,07)	(79,47%)

S&G TECHNOLOGY SERVICES

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

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

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



SIRMA CI

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

Conditions for Business Development in Q1 2020

Despite the COVID 19 pandemic at the end of Q1, our expectations for business development are positive, because many retailers and current customers invest in digitalization and automation of processes in order to remotely serve current customers and attract new ones. On the other hand, there is an increased demand for software solutions that automate processes in order to optimize costs.

According to Gartner the top 3 services for Digital Retail, which are at their peak of demand for them:

- Software solutions for user engagement
- Conversational commerce, ie. technological solutions that recognize speech, speech, language processing via AI. These are applied in chatbots
- Algorithmic sales, ie. AI-based software solutions

According to Gartner the top 3 services of Digital Retail, which will be in demand in the next 2-5 years:

- Unified Commerce Ecosystem
- Real-Time Pricing
- Smart Check-Out

Of the top 3 services that Gartner defines at their peak, we offer two. The other products and expertise that we have and are described in the Technology stack (item 5) are very up to date. Regarding the services that will be in demand in the next 2-3 years, we are already working on one of them.

Update of an entirely new eCommerce solution, ie. our platform is rewritten in order to more quickly adapt to different businesses and integrate with different external systems. Fully focused on unified commerce trends, which will unite our implementation solutions for large retailers: e-shop, mobile applications, chatbots, real-time behavior analysis system (RTS) and more.

Technology stack and Microservices - Sirma Customer Intelligence expertise and products:

- Consultations for digital transformation and innovation
- Business analysis and planning
- Individual web and mobile design (responsive)

- Personalized e-commerce (back-end and front-end development)
- Integration of loyalty program (back-end and front-end development)
- ERP integration / optimization
- Implementation of logistics integrations / optimizations
- Integrations for online payments
- Billing integrations
- Mobile applications - native Android and iOS
- RTS - real-time user behavior analysis system
- Chatbots - based on Melinda

New contracts during Q1 2020:

- A new contract with a large cosmetic retailer for long-term development for digital transformation including online sales, loyalty program and others.
- We are in advanced negotiations to win a new international client on digital transformation for a loyalty program and online sales of goods. We expect to sign the contract at the end of Q2 or the beginning of Q3.
- With the height of the Covid 19 pandemic, our current customers became more active with orders for new features to their current solutions in order to sell more to end customers.

Business Development in Q1 2020 and Investment plan

Establishing partnerships with German companies to enter the DACH market. At this stage we have advanced negotiations with partners from Austria and Germany. The plan is in Q3 and Q4 to launch joint initiatives to attract customers.

Perspectives and forecasts for 2020

Positive business development is expected for Q 2,3 and 4, because COVID 19 forced large companies to digitalize their processes, which increased the interest in online sales, ie. the search for B2B and B2C solutions to generate direct sales with integrations with ERPs, virtual POSs, logistics solutions and others.



- We expect revenue growth in the range of 35-50% compared to 2019.

- eCommerce sales services and loyalty modules will continue to grow.

- It is expected that the interest in additional sales channels (digital transformation) such as mobile applications, chatbots, real-time analysis, etc. will increase.

FINANCIAL RESULTS

	31.3.2020	31.3.2019/ 31.12.2019	Change BGN '000	Change %
Revenues	59	171	(112)	(65,50%)
EBITDA	2	(37)	39	n/a
Depreciation	-	-	-	n/a
Net Result	1	(37)	38	n/a
EBITDA margin	3,39%	(21,64%)	25,03%	n/a
Net Profit margin	1,69%	(21,64%)	23,33%	n/a
Sales per share	0,1967	0,5700	(0,37)	(65,50%)
EPS	0,0033	(0,1233)	0,13	n/a
ROE	(0,0094)	0,3458	(0,36)	n/a
Total Assets	141	85	56	65,88%
Book value	(106)	(107)	1	(0,93%)
Equity	(106)	(107)	1	(0,93%)
Total Liabilities	247	192	55	28,65%
ROA	0,0071	(0,4353)	0,44	n/a

SIRMA MEDICAL SYSTEMS

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

Key trends in Q1 2020

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

Product development in Q1 2020:

Diabetes: M

For Diabetes: M during the first quarter there is no development in the product itself. The product was released as a donation to pediatric endocrinology, and training of the medical team to the ward was conducted. Due to the epidemiological situation, the number of doctors and patients from Nipro who use the system for remote monitoring of diabetics has also increased.

MPI-2

The Android version of the main therapy application as well as the session video recording application has been released.

Cardiac:M

The implementation of a specialized application for monitoring heart disease has started. It was frozen due to the epidemiological situation, which necessitated the development of a completely new Medrec: M system, which is based on the server part created for Caradiac: M.

Medrec:M

Due to the epidemiological situation and the cessation of almost all activities in the country, it was necessary to develop an application which can track people's symptoms, as well as monitoring of the epidemiological situation in the country using a survey. The first version of Medrec: M was released at the end of March. Gradually, the product developed as a complete medical record for end users. Now the goal is to create a powerful telemedicine system that is fully completed by the end of the year.

2020 targets

The main goals for 2020 are certification of Sirma Medical Systems according to ISO 13485. Analysis and planning for the development of the MPI-2 system to work without the need for specialist assistance. The entry into new hospitals and clinics of Diabetes: M, and possibly Cardiac: M and Medicine: M, in the field of remote patient follow-up.



FINANCIAL RESULTS

	31.3.2020	31.3.2019/ 31.12.2019	Change BGN '000	Change %
Revenues	45	136	(91)	(66,91%)
EBITDA	(64)	57	(121)	n/a
Depreciation	(13)	-	(13)	n/a
Net Result	(78)	50	(128)	n/a
EBITDA margin	(142,22%)	41,91%	(184,13%)	n/a
Net Profit margin	(173,33%)	36,76%	(210,10%)	n/a
Sales per share	0,1500	0,4533	(0,30)	(66,91%)
EPS	(0,2600)	0,1667	(0,43)	n/a
ROE	(26)	0,6098	(26,61)	n/a
Total Assets	899	926	(27)	(2,92%)
Intangibles	680	689	(9)	(1,31%)
Book value	(677)	(607)	(70)	11,53%
Equity	3	82	(79)	(96,34%)
Total Liabilities	896	844	52	6,16%
ROA	(0,0868)	0,0540	(0,14)	n/a

SIRMA GROUP HOLDING – INDIVIDUAL FINANCIAL RESULTS

	31.3.2020	31.3.2019/ 31.12.2019	Change BGN '000	Change %
Revenues*	551	461	90	19,52%
EBITDA	63	(21)	84	n/a
Depreciation	(193)	(114)	(79)	69,30%
Net Result	(197)	(201)	4	(1,99%)
EBITDA margin	11,43%	(4,56%)	15,99%	n/a
Net Profit margin	(35,75%)	(43,60%)	7,85%	(18%)
Sales per share	0,0093	0,0078	0,00152	19,52%
EPS	(0,0033)	(0,0034)	0,00007	(1,99%)
ROE	(0,0027)	(0,0028)	0,00005	(1,72%)
Total Assets	93 007	93 147	(140)	(0,15%)
Intangibles	9 996	10 122	(126)	(1,24%)
Book value	62 334	62 405	(71)	(0,11%)
Equity	72 330	72 527	(197)	(0,27%)
Total Liabilities	20 677	20 620	57	0,28%
Interest bearing	12 923	12 614	309	2,45%
D/E	0,1787	0,1739	0,00475	2,73%
ROA	(0,0021)	(0,0022)	0,00004	(1,84%)

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



7 RESULTS BY SEGMENTS

THE GROUP DEFINED OPERATION IN SEVERAL SEGMENTS:

Segment INTELLIGENT EVOLUTION OF ENTERPRISES

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

FINANCIAL RESULTS OF THE SEGMENT

	31.3.2020 BGN'000	31.3.2019 BGN'000
Revenue from:		
- external customers	6 286	2 985
Segment revenues	6 286	2 985
Changes in finished goods and work in progress	303	255
Cost of materials	(129)	(33)
Hired services expenses	(402)	(552)
Employee benefits expense	(3 428)	(1 287)
Depreciation and amortisation of non-financial assets	(1 252)	(366)
Other expenses	(199)	(84)
Segment operating profit	1 179	918

In Q1 2020 the revenues of the segment increased by 110,59%, and operating profit increased by 28,43% compared to Q1 2019.

Segment SOLUTIONS, PRODUCTS AND CONSULTING IN FINANCE

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

FINANCIAL RESULTS OF THE SEGMENT

	31.3.2020 BGN'000	31.3.2019 BGN'000
Revenue from:		
- external customers	2 998	5 169
Segment revenues	2 998	5 169
Changes in finished goods and work in progress	-	(182)
Cost of materials	(23)	(77)
Hired services expenses	(235)	(681)
Employee benefits expense	(1 491)	(3 056)
Depreciation and amortisation of non-financial assets	(167)	(339)
Other expenses	(68)	(592)
Segment operating profit	1 014	242

In Q1 2020 the operating profit of the segment increased by 319,01% compared to Q1 2019.



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

	31.3.2020	31.3.2019
	BGN'000	BGN'000
Revenue from:		
- external customers	6 398	8 347
Segment revenues	6 398	8 347
Changes in finished goods and work in progress	-	-
Cost of materials	(53)	(752)
Hired services expenses	(185)	(537)
Employee benefits expense	(150)	(179)
Depreciation and amortisation of non-financial assets	(17)	(114)
Other expenses	(5 451)	(5 693)
Segment operating profit	542	1 072

In Q1 2020 operating profit of the segment decreased by 49,44% compared to Q1 2019.

8 MAIN MARKETS

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

REVENUE BY REGIONS AND COUNTRIES:

Region	31.03.2020	31.03.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Australia	2	5	(3)	(60,00%)
Asia	215	44	171	388,64%
Africa	6	5	1	20,00%
Europe	8 515	9 586	(1 071)	(11,17%)
United Kingdom	4 096	4 051	45	1,11%
South America	30	20	10	50,00%
North America	2 818	2 790	28	1,00%
Total	15 682	16 501	(819)	(4,96%)



9 CONSOLIDATED FINANCIAL RESULTS

CONSOLIDATED REVENUES

Consolidated revenues in 2019 includes:

	31.3.2020	31.3.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Revenue from contracts with customers	15 282	16 125	(843)	(5,23%)
Gain on sale of non-current assets	1	-	1	n/a
Revenue from financing	353	243	110	45,27%
Other income	46	133	(87)	(65,41%)
Total	15 682	16 501	(819)	(4,96%)

Consolidated revenues in Q1 2020 decreased by 4,96 % or BGN 818 thousand compared to Q1 2019 .

Consolidated revenue by product line includes:

	31.3.2020	31.3.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Sale of IT equipment	6 181	6 663	(482)	(7,23%)
Software services	4 851	4 294	557	12,97%
Consulting services	1 476	1 731	(255)	(14,73%)
Subscriptions	1 176	780	396	50,77%
Licenses	425	386	39	10,10%
Cloud services	308	243	65	26,75%
System integration	217	1 538	(1 321)	(85,89%)
Others	648	490	158	32,24%
Total	15 282	16 125	(843)	(5,23%)



CONSOLIDATED EXPENSES

	31.3.2020	31.3.2019	Change
	BGN '000	BGN '000	(BGN '000,%)
Cost of materials	(205)	(862)	657
<i>Change in %</i>			<i>(76,22%)</i>
Hired services expenses	(853)	(1 920)	1 067
<i>Change in %</i>			<i>(55,57%)</i>
Employee benefits expense	(5 358)	(5 059)	(299)
<i>Change in %</i>			<i>5,91%</i>
Depreciation and amortisation of non-financial assets	(1 436)	(827)	(609)
<i>Change in %</i>			<i>73,64%</i>
Capitalized own expenses	320	697	(377)
<i>Change in %</i>			<i>(54,09%)</i>
Cost of goods sold and other current assets	(5 450)	(6 030)	580
<i>Change in %</i>			<i>(9,62%)</i>
Changes in finished goods and work in progress	303	73	230
<i>Change in %</i>			<i>315,07%</i>
Other expenses	(268)	(341)	73
<i>Change in %</i>			<i>(21,41%)</i>
Total expenses	(12 947)	(14 269)	1 322
<i>Change in %</i>			<i>(9,26%)</i>

In Q1 2020 consolidated operating expenses decreased by BGN 1 322 thousand or by 9,26% compared to Q1 2019 .

CONSOLIDATED FINANCIAL INCOME / COSTS (NET)

	31.3.2020	31.3.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Financial costs	(162)	(160)	(2)	1,25%
Financial income	65	64	1	1,56%
Financial income / costs (net)	(97)	(96)	(1)	1,04%

Consolidated financial costs increased by BGN 2 thousand or by 1,25% in Q1 2020, mainly due to the exchange rate differences on currency transactions. Financial income increased by BGN1 thousand or by 1,56%, mainly due to the increase in interest income on loans.



CONSOLIDATED ASSETS

Consolidated assets posted an decrease of BGN1 103 thousand or 0,76 % in Q1 2020. Traditionally, most of them are occupied by intangible assets, which is dictated by the activity of the Group and its ownership over a significant amount of software modules.

NON-CURRENT ASSETS

	31.3.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Goodwill	22 482	22 482	-	-
Property, plant and equipment	9 155	9 064	91	1%
Intangible assets	58 191	58 665	(474)	(0,81%)
Deferred tax assets	864	419	445	106,21%
Total non-current assets	90 692	90 630	62	0,07%

Non-current assets increased by BGN 62 thousand or by 0,07% in Q1 2020.

CURRENT ASSETS

	31.3.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Inventory	740	1 255	(515)	(41,04%)
Trade and other financial receivables	12 631	10 806	1 825	16,89%
Prepayments and other assets	3 477	2 116	1 361	64,32%
Related party receivables	51	-	51	н/п
Tax receivables	337	103	234	227,18%
Cash and cash equivalents	6 429	10 550	(4 121)	(39,06%)
Total current assets	23 665	24 830	(1 165)	(4,69%)

Current assets decreased by BGN 1 165 thousand or by 4,69 % in Q1 2020.

ASSETS INCLUDED IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	31.3.2020	31.12.2019
	BGN '000	BGN '000
SEPlatform	16 752	16 752
SENPAI FIN-P	10 328	10 328
CYBER SECURITY-P	1 722	1 722
Automotive Retail Dynamic Pricing Platform	559	559
Total	29 361	29 361



EQUITY

	31.3.2020	31.12.2019	Change
	BGN '000	BGN '000	(BGN '000,%)
Share Capital	59 361	59 361	-
<i>Change</i>			-
Purchased own shares	(475)	(475)	-
<i>Change</i>			-
Reserves	6 408	6 408	-
<i>Change</i>			-
Retained earnings	25 209	22 813	2 396
<i>Change</i>			10,50%
Equity attributable to the owners of the parent	90 503	88 107	2 396
<i>Change</i>			2,72%
Non-controlling interest	16 348	15 908	440
<i>Change</i>			2,77%
Total	106 851	104 015	2 836
<i>Change</i>			2,73%

Equity in Q1 2020 increased by BGN 2 836 thousand or by 2,73 %.

CONSOLIDATED LIABILITIES

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

NON-CURRENT LIABILITIES

	31.3.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Pension and other employee obligations	276	276	-	-
Long-term borrowings	7 856	8 380	(524)	(6,25%)
Long-term lease liabilities	2 499	2 908	(409)	(14,06%)
Long-term related party payables	-	19	(19)	(100%)
Deferred tax liabilities	480	33	447	1354,55%
Total non-current liabilities	11 111	11 616	(505)	(4,35%)

Non-current liabilities decreased by BGN 505 thousand or by 4,35% in Q1 2020.



LONG-TERM AND SHORT-TERM BANK LOANS

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit	Remaining obligation to 31.3.2020	Date of making the loan	Interest rate	Number of remaining installments	The amount of monthly installment	End date of the contract	Collateral
Loans in which the Issuer is a debtor											
Sirma Group Holding JSC	Eurobank Bulgaria	overdraft	BGN	2 200 000	2 147 941	21.7.2016	2,50%			31.7.2019	Pledge on shares – 1 373 548 of the share of Sirma Business Consulting AD, owned by Sirma Solutions, Pledge of Future and Current Cash Receivables and Stocks on the Open Account in Eurobank, Receivables Pledge of the Receivables under the Business Incubator Contract №BG161PO003-2.2.0012-C0001 / 02.02.2012; Contractual mortgage of a real estate located in Sofia, Mladost district, Tsarigradsko Shose Blvd 135, namely the 5th floor of the building
Sirma Group Holding JSC	Societe Generale Expressbank	overdraft	BGN	2 000 000	824 366	8.8.2017	1 m. SOFIBOR +1,8%			31.8.2019	Pledge of 1 392 740 registered shares of the capital of Datium AD, owned by Sirma Solutions AD
Sirma Group Holding JSC	United Bulgarian Bank	overdraft	BGN	10 475 000	9 951 260	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	60	174 580	20.12.2024	Pledge of receivables, pledge of commercial enterprises, pledge of real estate



Loans for which the Issuer is a guarantor

Sirma Solutions	overdraft	BGN	4 025 000	3 337 062	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	20.12.2020	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
								Second in a row pledge on Sirma AI; Second pledge of his shares; A second pledge of current and future receivables totaling EUR 741 thousand; Pledge on receivables on all accounts of the borrower in UBB in the amount of EUR 741 thousand.
Sirma AI	overdraft	EUR	741 000	371 511	15.08.2019	1 m. EURIBOR + 1,4% (but not less than 1,4%)	21.08.2020	
								The first in a row pledge of Sirma AI; The first pledge of the shares he holds; First in a row pledge of current and future receivables totaling EUR 3 million; Pledge on receivables on all accounts of the borrower in UBB in the amount of EUR 3 million.
Sirma AI	overdraft	EUR	3 000 000	2 820 797	15.08.2019	1 m. EURIBOR + 1,4% (but not less than 1,4%)	20.09.2020	



CURRENT LIABILITIES

	31.3.2020	31.3.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Provisions	758	22	736	3345,45%
Pension and other employee obligations	1 658	3 370	(1 712)	(50,80%)
Short-term borrowings	14 657	15 761	(1 104)	(7%)
Short-term lease liabilities	582	588	(6)	(1,02%)
Trade and other payables	3 918	6 592	(2 674)	(40,56%)
Contract liabilities	3 469	2 205	1 264	57,32%
Tax liabilities	638	156	482	308,97%
Financing (Grants)	76	496	(420)	(84,68%)
Total current liabilities	25 756	29 190	(3 434)	(11,76%)

Current liabilities decreased by BGN 3 434 thousand or 11,76 % in Q1 2020.

CASH FLOWS

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

SUMMARY OF CASH FLOW

	31.3.2020	31.3.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Net cash flow from operating activities	(2 430)	1 837	(4 267)	n/a
Net cash flow from investing activities	(742)	82	(824)	n/a
Net cash flow from financing activities	(948)	(654)	(294)	44,95%
Net change in cash and cash equivalents	(4 120)	1 265	(5 385)	n/a
Cash and cash equivalents at the beginning of the year	10 550	11 068	(518)	(4,68%)
Exchange gains/(losses) on cash and cash equivalents	(1)	23	(24)	n/a
Cash and cash equivalents at the end of the year	6 429	12 356	(5 927)	(47,97%)



INDICATORS AND RATIOS

№	Indicators (in BGN '000)	31.3.2020	31.12.2019/ 31.3.2019	Change	Change
				(value)	%
1	Revenue from operating activities	15 682	16 501	(819)	(4,96%)
2	Cost of sales	(12 679)	(13 928)	1 249	(8,97%)
3	Gross profit / loss	3 003	2 573	430	16,71%
4	Other operating costs	(268)	(341)	73	(21,41%)
5	Operating profit / loss	2 735	2 232	503	22,54%
6	Financial income	65	64	1	1,56%
7	Financial costs	(162)	(160)	(2)	1,25%
8	Profit / loss before tax expense	2 638	2 136	502	23,50%
9	Tax costs	-	-	-	n/a
10	Net profit / loss	2 638	2 136	502	23,50%
11	Dividend	-	-	-	n/a
12	Cash and cash equivalents	6 429	10 550	(4 121)	(39,06%)
13	Inventories	740	1 255	(515)	(41,04%)
14	Short-term assets	23 665	24 830	(1 165)	(4,69%)
15	Total amount of assets	143 718	144 821	(1 103)	(0,76%)
16	Average arithmetic total asset value for 5 quarters	143 598	143 361	237	0,17%
17	Current liabilities	25 756	29 190	(3 434)	(11,76%)
18	Debt	25 593	27 637	(2 044)	(7,40%)
19	Liabilities (borrowed funds)	36 867	40 806	(3 939)	(9,65%)
20	Equity	106 851	104 015	2 836	2,73%
21	Equity averaged 5 quarters	107 923	106 146	1 777	1,67%
22	Turnover capital	(2 091)	(4 360)	2 269	(52,04%)
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	-
24	Gain / loss minority interest	241	291	(50)	(17,18%)
25	Interest expenses	(60)	(85)	25	(29,41%)
26	Weighted average price of last trading session	0,38	0,80	(0,419)	(52,24%)
27	Last price per share of last trading session	0,38	0,80	(0,422)	(52,62%)



Indicators	31.3.2020	31.12.2019/ 31.3.2019	Change	Change
			(value)	%
EBITDA	4 231	3 144	1 087	34,57%
DEPRTIATION	(1 436)	(827)	(609)	73,64%
EBIT	2 795	2 317	478	20,63%
FIN/INVEST NET	(97)	(96)	(1)	1,04%
EBT	2 638	2 136	502	23,50%
ROA	0,0167	0,0127	0,0039	30,92%
ROA(BSE)	0,0167	0,0129	0,0038	29,70%
Debt/EBITDA Ratio	6,0489	8,7904	(2,7415)	(31,19%)
Quick Ratio	0,8901	0,8076	0,0824	10,21%
ROE	0,0244	0,0201	0,0043	21,47%
Debt/Equity Ratio (BSE)	0,3450	0,3923	(0,0473)	(12,05%)
Profitability ratios				
Gross profit margin	0,1915	0,1559	0,0356	22,81%
Operating profit margin	0,1744	0,1353	0,0391	28,94%
Net profit margin	0,1682	0,1294	0,0388	29,95%
Return on Assets	0,0184	0,0149	0,0035	23,30%
Return on Equity	0,0244	0,0201	0,0043	21,47%
Coefficients for assets and liquidity				
Assets turnover ratio	0,1097	0,1155	(0,0059)	(5,10%)
Assets turnover ratio (BSE)	0,1092	0,1151	(0,0059)	(5,12%)
Operating cycle	(7,4998)	(3,7846)	(3,7151)	98,16%
Current ratio	0,9188	0,8506	0,0682	8,02%
Quick ratio	0,8901	0,8076	0,0824	10,21%
Cash ratio	0,2496	0,3614	(0,1118)	(30,94%)
Odds per share				
P/S ratio	1,4498	2,8851	(1,4354)	(49,75%)
P/E ratio	8,6184	22,2882	(13,6698)	(61,33%)
Revenue per share	0,2642	0,2780	(0,0138)	(4,96%)
Earnings per share	0,0444	0,0360	0,0085	23,50%
Book value of equity per share	1,8181	1,7881	0,0299	1,67%
Development Ratios				
Revenue growth	(0,0496)	0,0232	(0,0728)	n/a
Gross profit growth	0,1671	1,7876	(1,6205)	(90,65%)
Assets growth	(0,0076)	0,2070	(0,2146)	n/a
Leverage Ratios				
Debt/taotal assets	0,1782	0,1928	(0,0146)	(7,55%)
Debt/capital	0,1917	0,2066	(0,0149)	(7,21%)
Debt/equity	0,2371	0,2604	(0,0232)	(8,92%)
Total assets/equity	1,3306	1,3506	(0,0200)	(1,48%)
Market value of the company	22 557	47 608	(25 050)	(52,62%)



RELATED COMPANIES TRANSACTIONS

The Group's related parties include its owners, associates and key management

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with subsidiaries and other related parties

	31.3.2020	31.3.2019
	BGN'000	BGN'000
Sales of:		
- goods	209	1 152
- services	1 871	1 528
- others	135	254
Purchases of:		
- materials	37	904
- services	1 898	1 735
- others	234	1 237

Transactions with key management personnel

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

	31.3.2020	31.3.2019
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries	144	173
Social security costs	3	5
Total remunerations	147	178



10 EMPLOYEES AND ECOLOGY

ECOLOGY

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

EMPLOYEES

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

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

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

Count of employees in the Group:

31.03.2020

Company	LC	CMC	Total
SIRMA CI	2	1	3
SIRMA ICS	10	1	11
DATICUM	9	6	15
ENGVIEW SYSTEMS SOFIA	38	4	42
SIRMA AI	75	6	81
SIRMA BUSINESS CONSULTING	60	5	65
SIRMA GROUP HOLDING	21	6	27
SIRMA SOLUTIONS	128	7	135
SIRMA MEDICAL SYSTEMS	3	4	7
SIRMA GROUP INC.	2	1	3
S&G UK	4	1	5
SIRMA SHA	6	3	9
ONTOTEXT	-	1	1
Total	358	46	404



31.03.2019

Company	LC	CMC	Total
SIRMA ICS	10	1	11
DATICUM	10	6	16
ENGVIEW SYSTEMS SOFIA	39	4	43
SIRMA AI	69	2	71
SIRMA BUSINESS CONSULTING	57	5	62
SIRMA GROUP HOLDING	22	8	30
SIRMA SOLUTIONS	133	7	140
SIRMA MEDICAL SYSTEMS	4	3	7
SIRMA GROUP INC.	5	1	6
S&G UK	-	1	1
SIRMA SHA	7	3	10
ONTOTEXT	1	3	4
Total	362	45	407

11 RISK FACTORS

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

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

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

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

MARKET RISK ANALYSIS

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

Foreign currency risk

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

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

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions.

Interest rate risk

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



CREDIT RISK

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

	31.3.2020	31.12.2019
	BGN'000	BGN'000
Classes of financial assets – carrying amounts:		
Trade receivables	12 631	10 806
Related party receivables	51	-
Cash and cash equivalents	6 429	10 550
Carrying amount	19 111	21 356

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

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

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

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

LIQUIDITY RISK

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

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

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

31 March 2020	<u>Current</u>		<u>Non-current</u>	
	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1 to 5 years</u>	<u>Later than 5 years</u>
	BGN'000	BGN'000	BGN'000	BGN'000
Borrowings	-	14 657	7 856	-
Finance lease obligations	241	241	2 169	330
Trade and other payables	4 559	-	-	-
Total	4 800	14 898	10 025	330



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

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

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

Financial assets used for managing liquidity risk

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

management observes the following basic principles in its activities:

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



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

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

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

12.9 INFORMATION ON CHANGES IN MANAGEMENT AND SUPERVISORY BODIES IN THE PERIOD.

No changes during the current period.

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

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

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

Stanislav Tanushev

Bul. 135 Tsarigradsko shose, fl. 3

Sofia 1784

ir@sirma.com

Contact phone: +359 2 976 8310



13 CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY



14 EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

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

As the situation and the measures taken by the state authorities are extremely dynamic, the management of the Company is not able to assess the exact quantitative parameters of the impact of the coronavirus pandemic on the future financial condition and results of its activities. Management has analyzed the potential effects of the crisis and assessed the risks associated with it. In the analysis of the financial risks related to the change of the business environment, different scenarios with different degree of probability for their manifestation have been developed and considered. The worst case scenario, assessed as unlikely by management, could lead to a potential reduction in business volume and revenues from sales of products and services. This, in turn, could lead to a change in the carrying amounts of the company's assets, which in the separate financial statements are determined by a number of judgments and assumptions made by management and reporting the most reliable information available at the date of estimates.

Sofia
17.08.2020

CEO: 
Tsvetan Alexiev

