

Interim Separate Management Report

of "Sirma Group Holding" JSC
according to Annex N10 of Ordinance 2 to Article 32,
Paragraph 1, Item 2, Article 35, Paragraph 1, Item 2,
Article 41, Paragraph 1, Item 2
for the period 01.01.2020 – 31.03.2020

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

The present interim separate report of the management of "Sirma Group Holding" JSC covers the period, 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 Law on the Public Offering of Securities (POSA), including also the established events, occurring after the balance sheet date. The structure of this report is in accordance with Annex 9, 10 and Appendix 11 to Article 32a (2) of Ordinance No. 2.

The board of directors of the holding confirms that:

- there were no irregularities in which managers or employees were involved, which may be material to the consolidated financial statements;
- all material transactions are duly accounted for and reflected in the annual financial statements as at 31 March 2020;
- there is no actual or potential breach of laws and (or) other regulatory provisions that would have a material impact on the individual 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 that are not historical facts are predictions. We have based these statements on the future of our current expectations, assumptions and predictions about future conditions and events. As a result, our predictions and information are exposed to uncertainties and risks, many of which are beyond our control. If one or more of these uncertainties or risks materialize or if the underlying management assumptions prove to be incorrect, our actual results may differ materially from those described in the report. We describe these risks and uncertainties in the Risk Section of the report.

The words "purpose", "predict", "accept", "believe", "in the future", "we could", "rely", "we are confident", "appreciate", "expect", "we intend", "we can", "can", "prospect", "plan", "project", "predict", "would" and other similar expressions are intended to identify these forward-looking statements. Such estimates are, for example, those made in the Business Results section of our quantitative and qualitative disclosures about market risk in accordance with International Financial Reporting Standards (IFRS), namely IFRS 7 and related statements in our Notes to the financial statements, our prospects for development, and other forecast information that appears in other parts of

this report. Unless required by law, we do not commit and we have no obligation to update or revise predictive statements as a result of new information we have received about the conditions that existed at the time of this report, future events, or otherwise unless we are obliged to do so under the law.

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

In our Individual 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" JSC and the expected development of possible risks.

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

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

The reporting period is the financial period ending on 31.03.2020. The report includes the activity of "Sirma Group Holding" JSC.



2/ ORGANIZATION AND WAY OF PRESENTATION

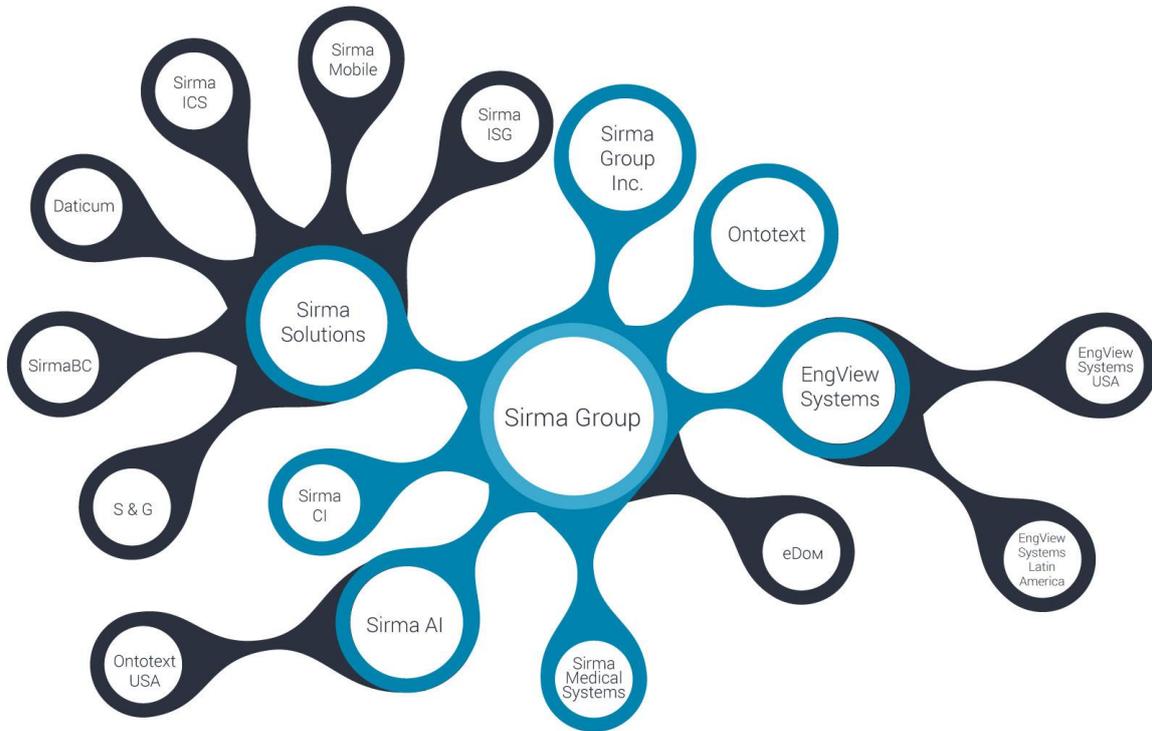
"Sirma Group Holding" JSC is a holding company which invests in technological businesses, manages them strategically and operationally, provides its subsidiaries with management, administrative, marketing and financial services.

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.

2.1. Group structure



HISTORY AND DEVELOPMENT OF THE COMPANY

"Sirma Group Holding" JSC is a holding company is registered on 25.04.2008 with the Registry Agency with UIC 200101236, with Seat and registered 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 IN COMPANIES WHICH THE COMPANY HOLDS, FINANCE COMPANIES IN WHICH THE COMPANY PARTICIPATES, ORGANIZE ACCOUNTING AND COMPILING FINANCIAL STATEMENTS UNDER THE LAW OF ACCOUNTING. COMPANY MAY PERFORM OTHER BUSINESS ACTIVITIES WHICH IS NOT PROHIBITED BY LAW.

Changes in the subject of activity:

On 23.03.2009 "Sirma Group Holding" JSC 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 to 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 as per the Law for Accounting. The company may also carry out its own

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

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

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

- does not have a transfer or pledge to the enterprise;
- does not have claims, which have been filed for the opening of insolvency proceedings of the company;
- does not have pending tenders from third parties to the Company or from the Company to other companies;

CAPITAL

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

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

Non-monetary contributions - description:

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

Value: BGN 61 555 838

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

Value: BGN 11 734 980

3. Real Estate - Floor 3 of an office building "IT - Center Office Express" in Sofia, bul. "Tsarigradsko Shosse " N 135 with an area 796, 50 square meters, pursuant to Deed of buying and selling real estate N 126, Volume I, reg. N 4551, case N 116 from 23.04.200. and 5 floor of an office building "IT - center office Express" in Sofia bul. " Tsarigradsko Shosse " N 135 with area 281.81 square meters, according to Deed of sale of real estate N 86, Volume 4, Reg. N 10237, Case N 592 of 23.12.2004

Value: BGN 3 911 660

Total Value: BGN 77 202 478

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



HISTORY OF SHAREHOLDER CAPITAL

- Through an initial public offering, according to a resolution of the GMS dated 04.12.2014, an increase of the capital of "Sirma Group Holding" JSC was registered on 30.10.2015, increasing the capital to BGN 59 360 518 BGN.
- During the transformation entered in the Commercial Register on 23.10.2014, the Company's capital is reduced to 49 837 156 through the cancellation of 23 503 662 shares. This decrease is a result of the estimated fair value of the shares of "Sirma Group Holding" JSC by three independent valuers. The shareholding structure of the Company does not change as a result of the separation until the shareholding structures in the transforming and newly established companies are mirrored.
- On 22.10.2010, as a result of the decision of the regular annual general meeting of the Company's shareholders, a reduction of the capital of "Sirma Group Holding" JSC from 77,252,478 BGN to 73,340,818 BGN was recorded through the cancellation of 3,911,660 shares with a par value of one each. The Company's capital was reduced on the basis of Art. 200, para. 2, in conjunction with Art. 187f, par. 1, item 2n in Bulgarian commercial law.

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

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

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

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

3/ PORTFOLIO OF "SIRMA GROUP HOLDING" JSC

Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.03.2020 (in BGN'000)	Percentage of capital at 31.03.2020	Percentage of capital with adjusted repurchased own shares 31.12.2019	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%	76,16%	3 471	76,16%	76,16%	-
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%	-
Ontotext	17 865	87,65%	90,44%	17 865	87,65%	90,44%	-
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	-
Total	67 904			67 904			-

INFORMATION ON PARTICIPATION

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

The company has no branches.



4/ STRUCTURE OF SHAREHOLDERS CAPITAL AND MANAGEMENT AUTHORITIES

4.1. Distribution of share capital

As of 31.03.2020 the distribution of the share capital of "Sirma Group Holding" JSC is as follows:

	31.03.2020 BGN '000	31.12.2019 BGN '000
Share capital	59 361	59 361
Number of shares (par value of BGN 1.00)	59 360 518	59 360 518
Total number of registered shareholders	1 056	1064
Including legal entities	54	57
individuals	1 002	1007
Number of shares held by legal entities	11 004 873	11 614 752
% Of participation of entities	18,54%	19,57%
Number of shares held by individuals	48 355 645	47 745 766
% Participation of individuals	81,46%	80,43%

Shareholders	Number of shares at 31.03.2020	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 Antchev Kirov	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%
Peter Nikolaev Konyarov	1 187 480	1 187 480	1	1 187 480	2,00%	2,02%
Bank of New York Mellon	1 083 249	857 600	1	1 083 249	1,82%	1,84%
UPF "Doverie" JSC	1 047 678	1 047 678	1	1 047 678	1,76%	1,78%
"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%
Elena Yordanova Kozuharova	447 314	607 040	1	447 314	0,75%	0,76%
Foundation for Educational Transformation	363 327	363 327	1	363 327	0,61%	0,62%
Stanislav Dimitrov Ivanov	257 368	257 368	1	257 368	0,43%	0,44%
Expat Bulgaria SOFIX UCITS ETF	100 252	732 355	1	100 252	0,17%	0,17%
Others	11 146 758	10 624 246	1	11 146 758	18,78%	18,12%
Total	59 360 518	59 360 518		59 360 518	100%	100%

As of 31.03.2020 "Sirma Group Holding" JSC possesses repurchased 474 724 own shares (0,80% from share capital). The Company has no newly acquired own shares during the period.



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

Shareholders	Number of shares at 31.03.2020	% Shareholding	% shareholding with deducted repurchased own shares
Veselin Antchev Kirov	4 700 786	7,92%	7,98%
Tsvetan Borisov Alexiev	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,07%
Georgi Parvanov Marinov	5 269 748	8,88%	8,95%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,35%

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

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

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

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

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

4.2. Management authorities

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

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

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

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

The current mandate of the Board of Directors: 19.09.2021

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



Competencies of the management

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

Stock options of the company

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

Committees in The Company

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

1. Investment and Risk Committee, composed of:

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

2. Remuneration Committee, composed of:

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

3. Information Disclosure Committee, composed of:

Tsvetan Alexiev – chairman
Radka Peneva – member
Stanislav Tanushev – member
Chavdar Dimitrov – member
Atanas Kiryakov – member

4. Audit Committee, composed of:

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

Adopted internal documents

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

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

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

<https://www.sirma.bg/investors/корпоративно-управление/корпоративни-документи/>

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

Shareholders	Number of shares at 31.03.2020	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

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

Name	Company	Period: 01.01.2020 - 31.03.2020 (BGN)
Tsvetan Borisov Alexiev	"SIRMA GROUP HOLDING" JSC	(37 500)
Yordan Stoyanov Nedev	"SIRMA GROUP HOLDING" JSC	(18 915)
Atanas Kostadinov Kiryakov	"SIRMA GROUP HOLDING" JSC	(4 500)
Georgi Parvanov Marinov	"SIRMA GROUP HOLDING" JSC	(4 500)
Chavdar Velizarov Dimitrov	"SIRMA GROUP HOLDING" JSC	(4 500)
Petar Borisov Statev	"SIRMA GROUP HOLDING" JSC	(4 500)
Total		(74 415)

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

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, INCLUDING THE NAME OF THE MEMBERS OF THE COMMITTEE AND A MANDATE SUMMARY ON WHICH THE COMMITTEE FUNCTIONS

At the Extraordinary General Meeting of the Shareholders of the Company held on 26.08.2019, the mandate of the Audit Committee was 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

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



5/ "SIRMA GROUP HOLDING" JSC IN Q1 2020

Economic development of Bulgaria in 2020 and expectations for 2021

The main risk to the economy in 2020 is the global Coronavirus pandemic COVID-19. The restrictions and the state of emergency imposed as a measure in the fight against the pandemic will lead to a decline in Bulgaria's GDP in 2020. On [06.05.2020 in its Spring Report the European Commission](#) published its forecast for Bulgaria, expecting "a sharp decline in 2020, followed by a partial recovery in 2021", namely a 7.2% drop of GDP in 2020 and a 6% recovery in 2021. The main reasons behind the economic downturn in 2020 according to the EC are the 18% decrease of investments, the 6% decrease in consumption (regardless of the measures taken) and the 13% drop of exports.

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 the Bulgarian industry.

Development of the global economy in 2020 and expectations for 2021

According to the International Monetary Fund ([14 April 2020](#)), "there is great uncertainty in the forecast for global economic development". This uncertainty is also evident in the continuous revision of the expected economic development of all leading world organizations.

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

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

This forecast is based on the assumption that pandemic-related restrictions are gradually being lifted in the second quarter of the year and the global economy is recovering rapidly in the second half of the year. Subsequently, the IMF expects the so-called V-shaped recovery in 2021 and, the transition to strong growth. At the same time, the chief economist of the IMF Gita Gopinath said in an [interview on 13.05.2020](#) 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 growth in 2021 of 0%**. In an [interview on 09.05.2020, the Executive Director of the IMF Kristalina Georgieva](#) clarified that the lack of a medical solution may lead to more serious economic consequences for some economies and the corresponding reduction of the forecasts for 2020 and 2021

At the same time, some of the world's top agencies are less optimistic in their forecasts. The credit agency [Fitch reports \(April 22, 2020\)](#) an "unprecedented global recession" with a decline in GDP in the US and Europe of 7-8% and a global contraction of 3.9%. The negative effects of the health crisis on the economy are exacerbated by the indirect impact in various other systems - social and unemployment, logistics and transport barriers, investment and falling stock market prices, resource and shrinking prices of various raw materials.

In a speech on [06.05.2020, EU Commissioner for Economic Affairs Paolo Gentiloni](#) said that Europe was experiencing an economic shock that was unprecedented since the Great Depression of 1929. The European Commission expects a GDP contraction for the Union 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 contagion, but also on the structure of their economies and their ability to respond with stabilization policies

The industry of Sirma

The companies from Sirma Group specialize in the industry of information technologies (IT). Industry data is usually combined with data for the "communication segment", as the segment depends entirely on 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 development of the 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. Apart from the fact that they differ greatly from each other, the date of publication of the relevant forecast is also of particular importance, thus reflecting more concomitantly the developments of the pandemic-related constraints.

As 2020 progresses, more and more forecasts for the development of the ICT sector undergo 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 spending for purchases of its products and services.

The optimistic forecasts for a 5.1% increase in IT 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 during the second quarter of 2020 and a rapid recovery during the third and fourth quarters of the year - **assumptions which 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 providers and consumers of ICT products and services. All segments are expected to decline in 2020, with the "Data Centers" and "Devices" shrinking the most.

Global ICT Spending in Current Prices				
	2017	2018	2019	2020
Data Center Systems				
Spending (B\$)	182	210	212	191
Growth y/y	6.40%	15.70%	0.70%	-9.70%
Software				
Spending (B\$)	370	420	458	426
Growth y/y	10.40%	13.50%	8.80%	-6.90%
Devices				
Spending (B\$)	673	713	698	590
Growth y/y	5.70%	5.90%	-2.20%	15.50%
IT Services				
Spending (B\$)	931	994	1 032	952
Growth y/y	4.40%	6.70%	3.80%	-7.70%
TELCO				
Spending (B\$)	1 381	1 380	1 357	1 297
Growth y/y	1.00%	-0.10%	-1.60%	-4.50%
All ICT				
Spending (B\$)	3 537	3 717	3 756	3 456
Growth y/y	3.90%	5.10%	1.00%	-8.00%
IT w/o TELCO				
Spending (B\$)	2 156	2 337	2 399	2 159
Growth y/y	5.80%	8.40%	2.65%	-7.70%

Source: Gartner Market Outlook, 13 May 2020

At the same time, as remote work continues to gain momentum in relation to maintaining social distancing, 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% y/y respectively. The total spending on "Cloud Services" which Gartner expected to reach in 2023-2024 will now be reached in 2022.

According to David Lovelock of Gartner ([April 2020](#)), recovery will be slow and incomplete in 2020. The worst affected 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.

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

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

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 spending 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 for "Devices". Although enterprise infrastructure spending 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 limited in times of crisis.

The 2.6% reduction in the spending for "IT services" is due to the suspension of IT projects by various organizations affected by the crisis. Spending for "Software" are expected to shrink by 1.9%. Software niches for development are expected to emerge in the next 6 months, which are related to the needs of organizations to strengthen their capacity for remote work. The spending for TELCO services 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%, with a rapid recovery in spending and a shift to growth in 2021.

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

PARTICIPATION IN MANAGEMENT AND IMPLEMENTATION OF CONTROL ON THE SUBSIDIAR COMPANIES

In Q1 2020, as in previous periods, Sirma Group Holding's senior management was actively involved in the management of its subsidiaries. The high expertise and accumulated experience of Sirma Group Holding's managers helped companies to formulate their development goals and strategies as well as their business and financial plans. As a

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

MARKETING

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

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

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

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

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

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



FINANCIAL ACTIVITY AND MANAGEMENT OF FINANCIAL RESOURCES OF THE GROUP

ASPECTS OF THE FINANCIAL ACTIVITY OF HOLDING AND GROUP

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

I. Goals

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

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

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

II. Execution of functions

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

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

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

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

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

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

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

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

III. Completed tasks

1. Ensure sufficient financial resources in accordance with the strategy and tasks for the development of "Sirma Group Holding" JSC and the subsidiaries during the respective period.

2. Ensuring the most efficient allocation and utilization of the volume of financial resources formed in the main directions of the Group's activity.

3. Optimization of the monetary turnover - synchronization by size and time of the receipts and payments for the normal service of the undisputed payments.

4. Ensure maximum profit at a given level of risk.

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

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

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

- ACCOUNTING SERVICES

In Q1 2020 "Sirma Group Holding" JSC performed the accounting services of 17 subsidiaries and associated companies and related companies. In addition to regular accounting services, management is presented with various BI reports built as know-how of the Group. The FAD of "Sirma Group Holding" JSC achieved monthly reporting of results at individual and group level. The department also managed to manage the companies' relationships with the

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

- LEGAL SERVICES

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

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



- MANAGEMENT OF RISKS

The management of the risks of "Sirma Group Holding" JSC is the responsibility of the Board of Directors. In his activities, he is assisted by the Investment and Risk Committee. The holding also supports its subsidiaries for risk management.

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

In "Sirma Group Holding" JSC a sophisticated risk management system has been set up.

Risk management in the "Sirma Group Holding" JSC includes:

- Risk identification - This is a lengthy process that detects potential threats. In order to identify the expected and predictable risks, different methods are used: questionnaires (interview questionnaires), interviews, brainstorming, document analysis, a list of expected and predictable risks (checklist analysis), based on a previous experience

- Qualitative and quantitative risk analysis - Once the potential risks have been identified, a qualitative and quantitative analysis of each of them is required. The likelihood of occurrence and impact through predefined scales is estimated, for example Probability: very small, small, medium, large or very large; Impact: catastrophic, critical, permissible, insignificant.

A risk table is prepared with the data. Risks are grouped into categories, their likelihood of occurrence and their impact, as well as case scenarios that are implemented in case the risk occurs. The resulting list is sorted by impact and probability. A threshold is set, the risks over which it will be managed.

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" JSC is not dependent on patents or licenses, industrial, commercial or financial contracts, as well as new production processes.

The risk table is reviewed and reassessed on a regular basis, as there is a chance that risks may be dropped, new ones added or ratings changed.

- Planning actions to overcome the risk

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

a) risk avoidance - a strategy that reduces the likelihood of risk occurring;

b) minimizing the risk-taking effect - a strategy that reduces the consequences of the risk;

c) Emergency action plans - a strategy where the organization accepts the risk and is ready to deal with it if it comes to fruition;

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

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

- confirm the occurrence of a risk

- ensure that activities to prevent or deal with risks are implemented

- Identify what risk has caused the relevant problems

- document information to be used in a subsequent risk analysis;

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.

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.



SIGNIFICANT CHANGES IN NET SALES OR REVENUES DISCLOSED IN THE ACCOUNTS

Significant changes in net sales or earnings reported in the Company's accounts detailed in Section 6 of this Report are observed during the period considered.

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

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

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

EVENTS AND BUSINESS NEWS IN 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.

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.



6/ INDIVIDUAL FINANCIAL RESULTS

6.1. REVENUES

The company's revenues includes:

	31.3.2020 BGN '000	31.3.2019 BGN '000	Change (BGN '000)	Change (%)
Revenues from sales	480	380	100	26,32%
Interest income	57	67	(10)	(14,93%)
Revenues from financing	14	14	-	-
Total	551	461	90	19,52%

In Q1 2020 the revenues of "Sirma Group Holding" JSC increased by BGN 90 thousand or by 19,52% compared to Q1 2019.

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

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

Revenues by product line includes:

	31.3.2020 BGN '000	31.3.2019 BGN '000	Change (BGN '000)	Change (%)
Rents of investment properties	131	131	-	-
Administrative and accounting services	225	214	11	5,14%
Technical Support	9	9	-	-
Others	115	26	89	342,31%
Total	480	380	100	26,32%



6.2. EXPENSES

	31.3.2020 BGN '000	31.3.2019 BGN '000	Change
Cost of materials	(22)	(11)	(11)
Change in %			100%
Hired services expenses	(159)	(156)	(3)
Change in %			1,92%
Employee benefits expense	(311)	(311)	-
Change in %			-
Depreciation and amortisation of non-financial assets	(193)	(114)	(79)
Change in %			69,30%
Capitalized own expenses	25	24	1
Change in %			4,17%
Other expenses	(20)	(10)	(10)
Change in %			100,00%
Total expenses	(680)	(578)	(102)
Change in %			17,65%

In Q1 2020 the expenses of "Sirma Group Holding" JSC increased by BGN 102 thousand or by 17,65% as compared to Q1 2019.

6.3. FINANCIAL INCOME / COSTS (NET)

	31.3.2020 BGN '000	31.3.2019 BGN '000	Change (BGN '000)	Change (%)
Financial costs	(77)	(92)	15	(16,30%)
Financial income	9	8	1	12,50%
Financial income / costs (net)	(68)	(84)	16	(19,05%)

In Q1 2020, financial income / costs (net) of "Sirma Group Holding" JSC decreased by BGN 16 thousand as compared to Q1 2020.

6.4. ASSETS

The total assets of „Sirma Group Holding“ JSC at the end of the Q1 of 2020 are with BGN 140 thousand (0,15%) less than their value at the end of 2019.

	31.3.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change %
Property, plant and equipment	995	916	79	8,62%
Intangible assets	9 996	10 122	(126)	(1,24%)
Investments in subsidiaries	67 904	67 904	-	-
Investment property	6 507	6 527	(20)	(0,31%)
Deferred tax assets	112	112	-	-
Total non-current assets	85 514	85 581	(67)	(0,08%)

	31.3.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change (%)
Trade receivables	224	155	69	44,52%
Prepayments and other assets	795	809	(14)	(1,73%)
Related party receivables	5 526	5 685	(159)	(2,80%)
Cash and cash equivalents	948	917	31	3,38%
Current assets	7 493	7 566	(73)	(0,96%)



6.5. EQUITY

	31.3.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change %
Equity				
Main / Share Capital	59 361	59 361	-	-
Purchased own shares	(475)	(475)	-	-
Share premium reserve	5 462	5 462	-	-
Other reserves	852	592	260	43,92%
Retained earnings	7 327	3 094	4 233	136,81%
Current financial result	(197)	2 596	(2 793)	(107,59%)
Total equity	72 330	70 630	1 700	2,41%

In Q1 2020, Equity increased by BGN 123 thousand compared to the previous reporting period.

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

6.6. LIABILITIES

The amount of the liabilities of “Sirma Group Holding” JSC at the end of Q1 2020 is with BGN 57 thousand (0,28%) higher than their value at the end of 2019.

	31.3.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change %
Pension employee obligations	32	32	-	-
Long-term borrowings	7 856	8 380	(524)	(6,25%)
Long-term related party payables	6 315	6 315	-	0,00%
Total Non-current liabilities	14 203	14 727	(524)	(3,56%)

	31.3.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change %
Employee obligations	187	287	(100)	(34,84%)
Short-term borrowings	5 067	4 234	833	19,67%
Trade and other payables	81	383	(302)	(78,85%)
Financing	13	27	(14)	(51,85%)
Short-term related party payables	1 024	860	164	19,07%
Income tax liabilities	102	102	-	-
Total Current liabilities	6 474	5 893	581	9,86%



6.7. CASH FLOW

	31.3.2020 BGN '000	31.3.2019 BGN '000	Change (BGN '000)	Change %
Net cash flow from operating activities	(197)	(60)	(137)	228,33%
Net cash flow from investing activities	(163)	669	(832)	(124,36%)
Net cash flow from financing activities	391	(320)	711	(222,19%)
Net change in cash and cash equivalents	31	289	(258)	(89,27%)
Cash and cash equivalents at the beginning of the year	-	(1)	1	(100,00%)
Exchange gains/(losses) on cash and cash equivalents	917	1 214	(297)	(24,46%)
Cash and cash equivalents at the end of the year	948	1 502	(554)	(36,88%)

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

6.8. INDICATORS AND COEFFICIENTS

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

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

№	Indicators	31.3.2020 BGN '000	31.3.2019/31.12.2019 BGN '000	Change	
				(Abs.)	(%)
1	Revenue from operating activities	551	461	90	19,52%
2	Cost of sales	(660)	(568)	(92)	16,20%
3	Gross profit / loss	(109)	(107)	(2)	1,87%
4	Other operating costs	(20)	(10)	(10)	100,00%
5	Operating profit / loss	(129)	(117)	(12)	10,26%
6	Financial income	9	8	1	12,50%
7	Financial costs	(77)	(92)	15	(16,30%)
8	Profit / loss before tax expense	(197)	(201)	4	(1,99%)
9	Tax costs	-	-	-	n/a
10	Net profit / loss	(197)	(201)	4	(1,99%)
11	Dividend	-	-	-	n/a
12	Cash and cash equivalents	948	917	31	3,38%
13	Inventories	-	-	-	n/a
14	Short-term assets	7 493	7 566	(73)	(0,96%)
15	Total amount of assets	93 007	93 147	(140)	(0,15%)
16	Average arithmetic total asset value for 5 quarters	89 160	89 188	(28)	(0,03%)
17	Current liabilities	6 474	5 893	581	9,86%
18	Debt	12 923	12 614	309	2,45%
19	Liabilities (borrowed funds)	20 677	20 620	57	0,28%
20	Equity	72 330	72 527	(197)	(0,27%)
21	Equity averaged 5 quarters	71 143	71 183	(39)	(0,06%)
22	Turnover capital	1 019	1 673	(654)	(39,09%)
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	0,00%
24	Gain / loss minority interest	-	-	-	n/a
25	Interest expenses	(67)	(66)	(1)	1,52%
26	Weighted average share price of last trading session	0,383	0,802	(0,419)	(52,24%)
27	Last share price of last trading session	0,38	0,802	(0,422)	(52,62%)



*Interim separate management report of “Sirma Group Holding” JSC
for the period 01.01.2020 – 31.03.2020*

Indicators	31.3.2020	31.3.2019/31.12.2019	Change	
			(Abs.)	(%)
EBITDA	63	(21)	84	n/a
DEPRECIATION	(193)	(114)	(79)	69,30%
EBIT	(130)	(135)	5	(3,70%)
FIN/INVEST NET	(68)	(84)	16	(19,05%)
EBT	(197)	(201)	4	(1,99%)
ROA	(0,0021)	(0,0022)	0,00004	(1,84%)
ROA(BSE)	(0,0022)	(0,0023)	0,00004	(1,96%)
Debt/EBITDA Ratio	205,1270	n/a	n/a	n/a
Quick Ratio	1,1574	1,2839	(0,1265)	(9,85%)
ROE (BSE)	(0,0028)	(0,0028)	0,0001	(1,94%)
ROE	(0,0028)	(0,0028)	0,0001	(1,94%)
EBITDA	0,2859	0,2843	0,0016	0,55%
Profitability ratios				
Gross profit margin	(0,1978)	(0,2321)	0,0343	(14,77%)
Operating profit margin	(0,2341)	(0,2538)	0,0197	(7,75%)
Net profit margin	(0,3575)	(0,4360)	0,0785	(18,00%)
Coefficients for assets and liquidity				
Assets turnover ratio	0,0063	0,0053	0,0010	19,44%
Assets turnover ratio (BSE)	0,0062	0,0052	0,0010	19,56%
Operating cycle	0,5407	0,2756	0,2652	96,23%
Current ratio	1,1574	1,2839	(0,1265)	(9,85%)
Quick ratio	1,1574	1,2839	(0,1265)	(9,85%)
Cash ratio	0,1464	0,1556	(0,0092)	(5,90%)
Odds per share				
P/S ratio	41,2618	103,2701	(62,0083)	(60,04%)
P/E ratio	(115,4074)	(236,8533)	121,4459	(51,27%)
P/B ratio	0,3143	0,6564	(0,3421)	(52,11%)
Revenue per share	0,0093	0,0078	0,0015	19,52%
Earnings per share	(0,0033)	(0,0034)	0,0001	(1,99%)
Book value of equity per share	1,1985	1,1991	(0,0007)	(0,06%)
Development Ratios				
Revenue growth	0,1952	(0,9196)	1,1148	n/a
Gross profit growth	0,0187	(1,0319)	1,0506	n/a
Assets growth	(0,0015)	0,1886	(0,1901)	n/a
Leverage Ratios				
Debt/taotal assets	0,1449	0,1414	0,0035	2,48%
Debt/capital	0,1537	0,1505	0,0032	2,12%
Debt/equity	0,1816	0,1772	0,0044	2,51%
Total assets/equity	1,2532	1,2529	0,0003	0,02%
Market value of the company	22 557	47 608	(25 050)	(52,62%)



6.9 RELATED PARTY TRANSACTIONS

The types of connectivity are:

- 1 Subsidiary
- 2 A company under common control with key management personnel
- 3 Other related parties

Purchases

Type	Type of Related Party	Description	31.3.2020 BGN '000	31.3.2019 BGN '000
Materials	1	Computer components	(1)	-
Materials	1	Office supplies	(1)	(1)
External services	2	Internet	(3)	(3)
External services	2	Subscriptions	(2)	-
External services	1	Software services	(4)	-
Interest on deposits	1	Interest expense on deposits	(19)	(1)
Deposits received	1	Deposits received	60	620
Deposits received	2	Deposits received	70	-
Refund of received deposits	1	Refund of received deposits	-	(250)

Sales

Type	Type of Related Party	Description	31.3.2020 BGN '000	31.3.2019 BGN '000
Services	1	Administrative, accounting services	173	168
Services	2	Administrative, accounting services	43	35
Services	3	Administrative, accounting services	2	2
Services	1	Consulting services	39	-
Services	2	Consulting services	7	-
Services	1	Consumables	19	24
Services	2	Consumables	1	-
Services	1	Rentals	119	119
Services	2	Rentals	12	13
Services	1	Technical Support	6	6
Services	2	Technical Support	4	4
Services	1	Marketing and Advertising	22	-
Interest on loans	1	Interest income on loans	45	53
Interest on loans	2	Interest income on loans	4	4
Interest on loans	3	Interest income on loans	8	9
Given loans	1	Given loans	(53)	(223)
Loans granted	1	Loans granted	-	40
Loans granted	2	Loans granted	7	5

7/ PERSONNEL AND ECOLOGY

7.1 ECOLOGY

Sirma Group Holding maintains and observes its commitments in compliance with the national legislation in the field of environmental protection. The company applies measures for separate collection of waste, minimization, recovery and recycling of municipal waste. In 2017, the

use of plastic cups stopped, and they were replaced with porcelain and glass cups.



7.2 PERSONNEL

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

strategy and policies. Sirma Group Holding's policies in this regard are aimed at stimulating the responsibility and

motivation of the staff to fulfill the assigned tasks and objectives.

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

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

“Sirma Group Holding” JSC	31.03.2020 Number of employees	31.12.2019 Number of employees
Employment contract	21	21
Contract for management and control	6	6
Total	27	27

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

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

8/ RISK FACTORS

8.1 System Risks

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

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

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

8.1.1. Economic Growth

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

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

Delayed economic growth, not only in Bulgaria but also in other countries where the Company realizes its output, means reduced activity on the part of economic operators, where there is also a reduced level of investment in general and in particular in software solutions. In this respect, lower economic growth adversely affects the

Company's activity and would prevent the future plans from being realized according to predefined parameters.

8.1.2. Political Risk

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



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

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

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

8.1.3. Credit Risk

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

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

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

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

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

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

8.1.4. Currency Risk

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

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

8.1.5. Interest Rate Risk

The interest rate risk is related to possible negative changes in the interest rates established by the financial institutions in the Republic of Bulgaria.

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 March 2019, the Company was not exposed to changes in market interest rates. The Company's investments in bonds all pay fixed interest rates.

8.1.6. Inflation Risk

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

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

8.1.7. Inflation Risk

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

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

8.1.8. Risk from unfavorable changes in tax and other legislation

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

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

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



8.1.9. Force Majeure Risks

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

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

8.2. Non-system Risks

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

8.2.1. Industry Risks

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

8.2.2. Specific Company Risk

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

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

8.2.3. Operation Risk

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

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

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

- sound investment policy;

- optimizing the structure, quality and return on assets of the Company;

- protection against unfavorable and undesirable external factors and attacks, etc.

8.2.4. Intellectual Property Protection

The protection of the intellectual property of the Group is crucial to its success. It uses a variety of tools to identify and control potential risks and to protect its intellectual property. These measures include application for patents, trademarks, and other brands and copyrights to prevent infringement of copyright and trademarks. Despite these efforts, the Group may not be able to prevent third parties from using or selling without permission what it regards as its own technology. All these measures provide only limited protection and its rights could be challenged or otherwise affected. Any intellectual property may be vulnerable to disclosure or misuse by employees, partners or third parties. Third countries can independently develop technologies that are substantially equivalent to or better than the technology of the Company. In addition, a third party may reengineer or otherwise obtain and use technology and information that the Group considers to be its own. In this regard, the Company may not be able to protect its proprietary rights against unauthorized copying or third party use, which could have an adverse effect on the competitive and financial situation and lead to a decline in sales. In addition, the laws and courts of some countries may not offer effective protection of intellectual property rights.

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

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

8.2.6. Risk of asset depreciation

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

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

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

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

Sirma Group Holding JSC informs potential investors that investing in shares is associated with certain risks. Investors should carefully read and understand the risks



associated with investing in shares of the current issue before making an investment decision.

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

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

8.3.1. Price Risk

The changes in the price of the shares of Sirma Group Holding JSC can be created both from the fundamental state of the Company - current and expected results from the activity and financial results as well as from the economic and market conditions in Bulgaria and from the market and economic conditions in the world economy.

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

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

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

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

8.3.2. Liquidity Risk

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

Investors should keep in mind that the BSE is significantly smaller and less liquid than the securities markets in most

developed market economies. Thus, for the shareholders of Sirma Group Holding JSC there is no guarantee that the listing of the shares of the Company on the BSE will guarantee their active trading and sufficient liquidity.

8.3.3. Inflation Risk

The manifestation of the inflationary risk for the shareholders of Sirma Group Holding JSC would arise in cases when the income from the shares (increase in the price and / or received dividends) were lower than the inflation for the investment period.

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

8.3.4. Dillution Risk

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

8.3.5. Currency Risk

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

Stability and high confidence in the credibility of the Currency Board in the country, as well as the relatively stable positions of the euro on international currency markets, reduce the existence of the currency risk to minimum levels.

8.3.6. Lack of an annual dividend payment guaranty

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

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

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

8.3.8. Risk factors included in the Registration document

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



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

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

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

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

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

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

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

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

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

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

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

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



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

No changes during the period considered.

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

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

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

Stanislav Tanushev

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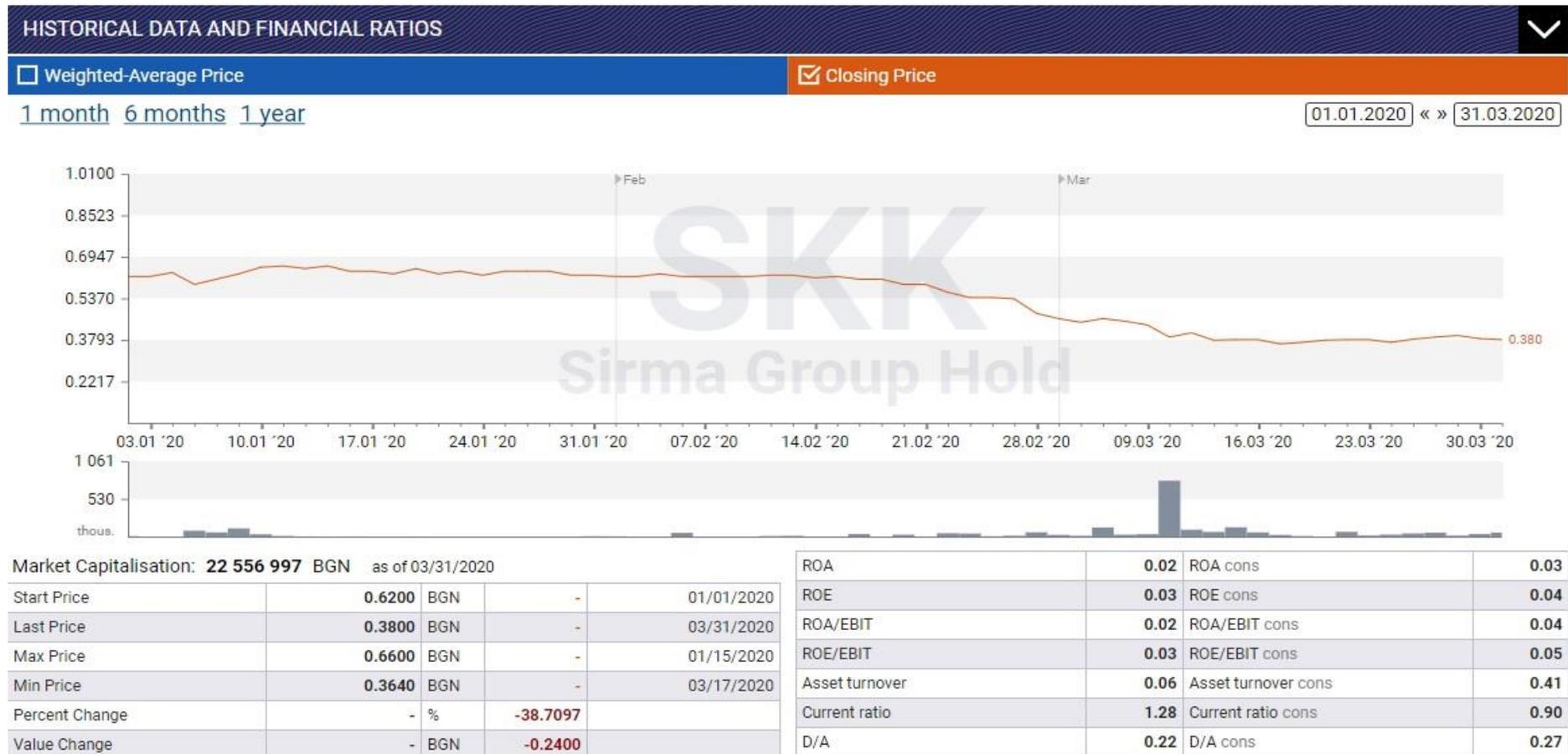
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18/ CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY



19/ EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

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

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

Sofia
28.05.2020

CEO:



Tsvetan Alexiev

