



# Interim Consolidated Management Report

of "Sirma Group Holding" JSC  
for H1 2022

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

The present interim consolidated management of “Sirma Group Holding” JSC covers the period, ending on 30 June 2022 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 Article 12 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 30 June 2022;
- 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 30.06.2022. The report includes Sirma Group Holding JSC and all subsidiary companies of the group Engview Systems Latin America, Eye Bill Interactive and Excell Management, which are excluded from consolidation due to lack of relevance.

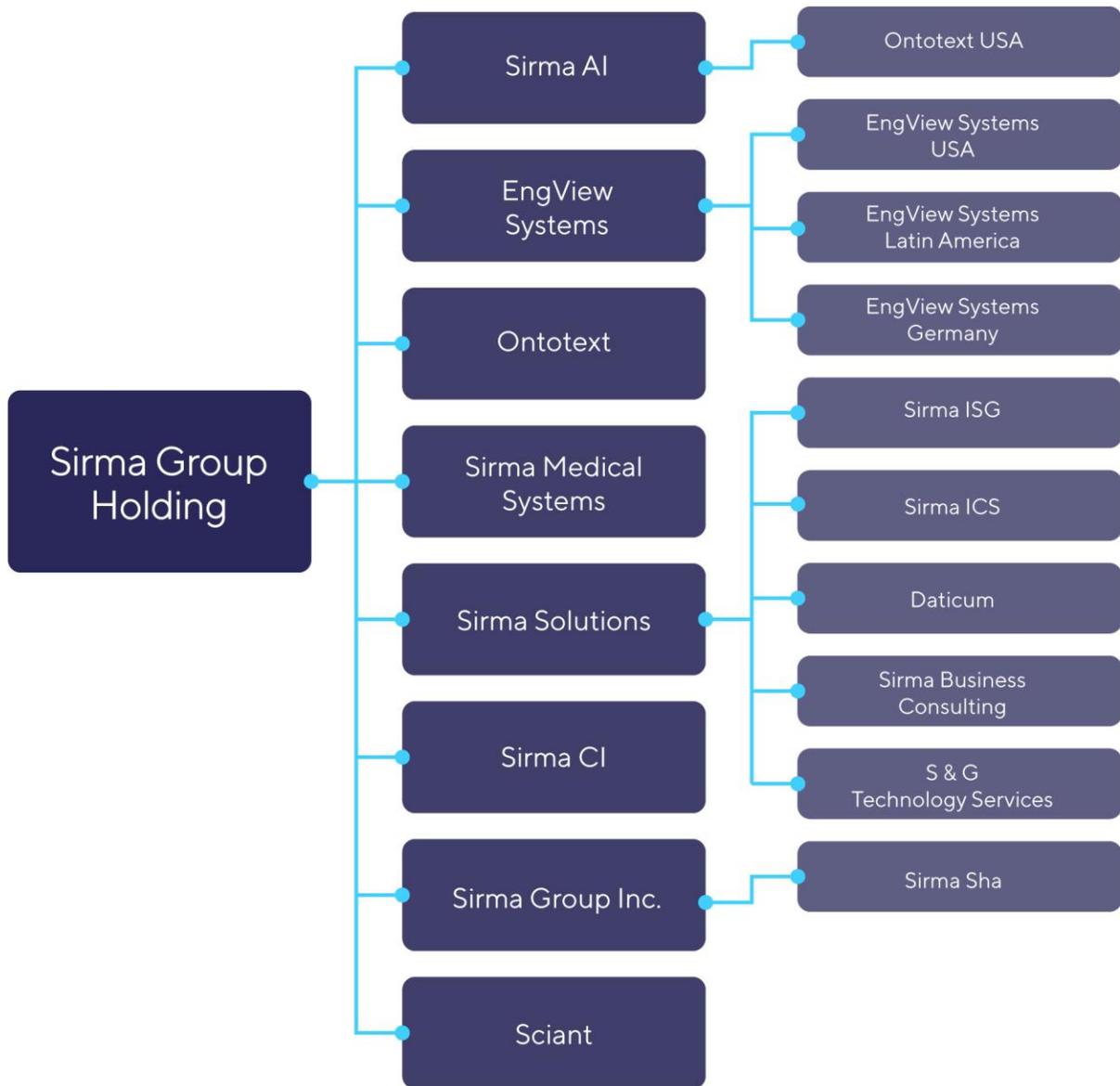


## 2 ORGANIZATION AND WAY OF PRESENTATION

"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

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

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 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 30.06.2022 the distribution of the share capital of Sirma Group Holding is as follows:

	30.06.2022 (BGN '000,%)	31.03.2022 (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	1 042	1 014
Including legal entities	41	41
Including Individuals	1 001	973
Number of shares held by legal entities	5 246 231	8 299 927
% of capital of legal entities	8,84%	13,98%
Number of shares held by individuals	54 114 287	51 060 591
% of capital held by individuals	91,16%	86,02%



Shareholders	Number of shares at 30.06.2022	Number of shares at 31.03.2022	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%	8,90%
Tsvetan Borisov Alexiev	4 965 753	4 965 753	1	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,02%
Veselin Antchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	7,93%
Ivo Petrov Petrov	3 955 000	4 200 000	1	3 955 000	6,66%	6,68%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,32%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,87%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,28%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,68%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,64%
Emiliana Ilieva Ilieva	1 965 209	1 925 820	1	1 965 209	3,31%	3,32%
Deyan Nikolov Nenov	1 790 748	518 757	1	1 790 748	3,02%	3,02%
Yavor Liudmilov Djonev	1 292 746	1 392 746	1	1 292 746	2,18%	2,18%
Rosen Ivanov Marinov	1 265 795	8 433	1	1 265 795	2,13%	2,14%
Peter Nikolaev Konyarov	867 165	870 665	1	867 165	1,46%	1,46%
Mandjukov Ltd.	860 000	860 000	1	860 000	1,45%	1,45%
UPF Doverie JSC	802 126	802 126	1	802 126	1,35%	1,35%
UPF DSK Rodina	747 036	747 036	1	747 036	1,26%	1,26%
Asen Krumov Nelchinov	641 349	422 348	1	641 349	1,08%	1,08%
First Financial Brokerage House	400 086	792 935	1	400 086	0,67%	0,68%
Purchased own shares	117 785	2 351 310	1	117 785	0,20%	0,20%
Others	11 470 825	11 283 694	1	11 470 825	19,32%	19,16%
<b>Total</b>	<b>59 360 518</b>	<b>59 360 518</b>		<b>59 360 518</b>	<b>100%</b>	<b>100%</b>

The normalized equity interest rate is the equity interest in the company's netting of repurchased treasury shares.

As of 30 June 2022 the total amount of repurchased own shares is 117 785 shares in the amount of BGN 103 735 (0,17% % of the share capital), distributed as follows:

- "Sirma Group Holding" JSC holds 84 846 repurchased own shares at the total amount of BGN 584 474 (0,98 % of share capital). On 9 June 2022 the company sold 499 628 purchased own shares at an average price of BGN 0.75 per share, for a total value of BGN 374 721.
- "Ontotext" AD owns 550 shares of the parent company "Sirma Group Holding" JSC with total value of BGN 643,50.
- "Sirma Solutions" EAD owns 32 389 shares of the parent company "Sirma Group Holding" JSC with total value of BGN 18 245. During the period the company has acquired additional 1 500 952 shares from the capital of "Sirma Group Holding" JSC for the amount of BGN 919 524 and sold 2 906 349 shares for the amount of BGN 2 179 762.



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

Shareholders	Number of shares at 30.06.2022	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	8,88%	8,89%
Tsvetan Borisov Alexiev	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,01%
Veselin Antchev Kirov	4 700 786	7,92%	7,93%
Ivo Petrov Petrov	3 955 000	6,66%	6,67%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,31%

Shareholders	Number of shares at 31.03.2022	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	8,88%	8,97%
Tsvetan Borisov Alexiev	4 965 753	8,37%	8,45%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,08%
Veselin Antchev Kirov	4 700 786	7,92%	8,00%
Ivo Petrov Petrov	4 200 000	7,08%	7,15%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,37%

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 30.06.2022\* includes the following members:**

Chavdar Velizarov Dimitrov  
Tsvetan Borisov Alexiev  
Atanas Kostadinov Kiryakov  
Georgi Parvanov Marinov  
Veselin Anchev Kirov  
Yavor Ludmilov Djonev - independent member  
Martin Veselinov Paev - independent member  
Peyo Vasilev Popov - independent member  
Yordan Stoyanov Nedev - independent member



\*On 24 June 2022, the Annual general meeting of shareholders of "Sirma Group Holding" JSC decided:

a. Removes Petar Borisov Statev as member of the Board of Directors.

b. Elect as members of the Board of Directors:

- Veselin Anchev Kirov

- Yavor Ludmilov Djonev - independent member of the Board of Directors

- Martin Veselinov Paev - independent member of the Board of Directors

- Peyo Vasilev Popov - independent member of the Board of Directors

with remuneration and tenure commensurate with the remuneration of the current non-executive members of the Board of Directors and the tenure of the current Board of Directors.

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

The current mandate of the Board of Directors: 07.07.2024

The company is represented by the executive director - 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*

*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*

*Stanislav Tanushev – member*

*Chavdar Dimitrov – member*

*Atanas Kiryakov - member*

**4. Audit Committee, composed of:**

*Angel Petrov Kraychev - chairman*

*Alexander Todorov Kolev - member*

*Veselin Anchev Kirov – 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 30.06.2022	Number of shares at 31.03.2022	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%	8,89%
Tsvetan Borisov Alexiev	4 965 753	4 965 753	1	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,01%
Veselin Anchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	7,93%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,87%
Yavor Ludmilov Djonev	1 292 746	1 392 746	1	1 292 746	2,18%	2,18%
Yordan Stoyanov Nedev	3 433	3 433	1	3 433	0,02%	0,01%
Peyo Vasilev Popov	100	100	1	100	0,0002%	0,0002%
<b>Total</b>	<b>23 870 876</b>	<b>23 970 876</b>		<b>23 870 876</b>	<b>40,23%</b>	<b>40,27%</b>

During the period 01.04.2022 – 30.06.2022 the members of the BD Yavor Ludmilov Djonev has sold 100 000 shares of the capital of the company.

**REMUNERATION UNDER CMC OF THE MEMBERS OF THE BOARD OF DIRECTORS OF "SIRMA GROUP HOLDING" JSC:**

Board Member	Company	Sums for the period 01.01.2022 - 30.06.2022 (BGN)
<b>Atanas Kostadinov Kiryakov</b>	EngView Systems Sofia	(300)
	Sirma AI	(2 500)
	Sirma Group Holding	(9 000)
	Sirma Solutions	(3 000)
<b>Georgi Parvanov Marinov</b>	EngView Systems Sofia	(60 000)
	Sirma Business Consulting	(3 000)
	Sirma Group Holding	(9 000)
<b>Yordan Stoyanov Nedev</b>	Sirma Group Holding	(43 170)
<b>Petar Borisov Statev</b>	Sirma Group Holding	(9 000)
<b>Tsvetan Borisov Alexiev</b>	EngView Systems Sofia	(300)
	Sirma AI	(2 500)
	Sirma Business Consulting	(6 000)
	Sirma Group Holding	(78 498)
<b>Chavdar Velizarov Dimitrov</b>	Sirma Solutions	(42 000)
	Sirma Group Holding	(9 000)
	Sirma Medical Systems	(600)
<b>Total</b>		<b>(277 868)</b>

**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 Annual General Meeting of the Shareholders of the Company held on 24.06.2022 was decided to relieve the member of the Audit Committee Emiliyat Ivanov Petrov from his position and elected Veselin Anchev Kirov as a member of the Audit Committee. 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*  
*Veselin Anchev Kirov – 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 30.06.2022 (in BGN'000)	Percentage of capital at 30.06.2022	Percentage of capital with adjusted repurchased own shares 30.06.2022	Value of the investment at 31.12.2021 (in BGN'000)	Percentage of capital at 31.12.2021	Percentage of capital with adjusted repurchased own shares at 31.12.2021	Changes (in BGN'000)
Sirma Solutions	39 686	100%	100%	39 311	77,71%	82,43%	375
Ontotext	17 865	87,65%	90,44%	17 865	87,65%	90,44%	-
Sirma AI	12 499	8,48%	-	7 035	100,00%	100,00%	5 464
Sciant	10 237	80,00%	80,00%	10 237	80,00%	80,00%	-
Sirma Group Inc, USA	3 471	76,30%	76,30%	3 471	76,30%	76,30%	-
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%	-
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	-
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	-



## Subsidiaries of "Sirma Solutions"

Company	Value of the investment at 30.06.2022	Percentage of capital at 30.06.2022	Value of the investment at 31.12.2021	Percentage of capital at 31.12.2021	Changes
	BGN '000		BGN '000		BGN '000
Sirma AI	37 627	56,75%	-	-	37 627
Daticum	1 394	60,50%	1 394	60,50%	-
Sirma Business Consulting	1 374	54,08%	1 374	54,08%	-
Sirma ICS	270	90,00%	270	90,00%	-
S&G Technology Services Ltd., UK	117	51,00%	117	51,00%	-
Sirma ISG	4	71,00%	4	71,00%	-

## Subsidiaries of "Sirma AI"

Company	Value of the investment at 30.06.2022	Percentage of capital at 30.06.2022	Value of the investment at 31.12.2021	Percentage of capital at 31.12.2021	Changes
	BGN '000		BGN '000		BGN '000
Ototext USA	30	100,00%	30	100,00%	-

## Subsidiaries of "EngView Systems Sofia"

Company	Value of the investment at 30.06.2022	Percentage of capital at 30.06.2022	Value of the investment at 31.12.2021	Percentage of capital at 31.12.2021	Changes
	BGN '000		BGN '000		BGN '000
EngView Systems USA	190	100%	190	100%	-
EngView Systems Germany	157	100%	157	100%	-
EngView Systems Latin America, Brazil	7	95%	7	95%	-

## Subsidiaries of Sirma Group Inc.

Company	Value of the investment at 30.06.2022	Percentage of capital at 30.06.2022	Value of the investment at 31.12.2021	Percentage of capital at 31.12.2021	Changes
	BGN '000		BGN '000		BGN '000
Sirma Sha Albania	25	55%	25	55%	-

## Subsidiaries of "Sciant"

Company	Value of the investment at 30.06.2022	Percentage of capital at 30.06.2022	Value of the investment at 31.12.2021	Percentage of capital at 31.12.2021	Changes
	BGN '000		BGN '000		BGN '000
Sciant Software s.r.o.	-	-	2	100%	(2)



## Associated companies of "Sirma Solutions"

Company	Value of the investment at 30.06.2022	Percentage of capital at 30.06.2022	Value of the investment at 31.12.2021	Percentage of capital at 31.12.2021
	BGN '000		BGN '000	
Sirma Group Inc.,USA	916	23,71%	916	23,71%
SEP Bulgaria	-	6,50%	-	6,50%
Eye Bill Interactive	-	34%	-	34%
Excell Management	-	34%	-	34%

## Associated companies of "Ontotext"

Company	Value of the investment at 30.06.2022	Percentage of capital at 30.06.2022	Value of the investment at 31.12.2021	Percentage of capital at 31.12.2021	Changes
	BGN '000		BGN '000		BGN '000
Sirma AI	21 250	34,77%	-	-	21 250

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 H1 2022

### 5.1 THE BUSINESS

Established in 1992, Sirma has become one of the largest IT companies in the region for 30 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 (GpahDB), Text Analysis, Data Detection, and Federation. 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 Assitant applications.



## 5.2 ECONOMIC TRENDS

### Summary

The post-Covid recovery of the global economy is slowing and inflation is rising. The accumulation of several different crises is driving the world economy towards stagflation – reduced growth and increased inflation. Against this background, the ICT industry retains its potential for significant growth, because a greater proportion of organizations consider technological solutions as a way to develop/survive in a turbulent market environment. Most existing risks to economic development do not have a direct impact on the ICT sector, while all have a significant indirect effect. This preserves the risks to the development of the ICT sector in general.

### The economy of Bulgaria in 2022 and forecast for the future years

The Bulgarian economy showed resilience during the crisis caused by the pandemic and a rapid recovery after it. Pre-pandemic GDP levels were reached in the middle of last year. For 2021, the country's economy recorded a growth of 4.2%. Unfortunately, the processes caused by the war in Ukraine, disrupted supply chains, energy uncertainty and rising inflation (which reached double digits in March) led (as in all other countries) to restrain in growth for 2022. The International Monetary Fund ([IMF Country Report, 24.07.2022](#)) expects the economy in Bulgaria to grow by 2.8% in 2022 (a decrease compared to the 3.5% expected at the beginning of the year).

The negative influences on the European economy are transferred entirely to the Bulgarian one. In addition, however, the increased domestic demand, the relatively weak fiscal measures led to the strengthening of the negative processes which are developing in Europe.

Inflation is expected to rise to 11.9% in 2022. Inflation is driven by the rise in prices of the main energy sources and electricity in late 2021 and subsequently strengthened by the war in Ukraine. It is also strengthened by the growth of consumer prices both in the Eurozone and in other trading partners of Bulgaria. Inflation is expected to ease to 5% at the end of 2023.

The risks to the development of the Bulgarian economy in 2022 and 2023 are:

- Postponement of the implementation of investment projects;
- Slow pace of utilization of funds under European programs;
- Delayed implementation of the National Recovery Plan;
- Higher than expected inflation due to prolonged retention of high energy prices;
- War between Russia and Ukraine.

### Development of global economy in 2022 and forecast for 2023

By mid-2022, the World Bank ([Global Economic Outlook, World Bank, June 7, 2022](#)) reports a growing threat of stagflation due to shrinking growth. As a result of the cumulative effects of the Covid crisis, Russia's invasion of Ukraine, lockdowns in China, disrupted logistics chains, the slowing down of the global economy and inflationary pressures are intensifying. This makes the threat of stagflation quite real.

Global inflation rose sharply from its lowest levels in mid-2020. This was due to the recovery of global demand, supply constraints (due to the logistics crisis) and rapid increases in food and fuel prices (especially after the start of the war in Ukraine). Current World Bank inflation forecasts for 2022 are 7.9% and 5% for 2023. Markets expect inflation to peak in mid-2022 and decline thereafter. At the same time, inflation will be at levels that significantly exceed the inflation target levels of most countries.

The development of the world economy is moving in the exact opposite direction of inflation. GDP growth has contracted sharply since the beginning of 2022 and is expected to remain at relatively low levels (lower than the average of the last 10 years).

In view of these two developments (inflation and contracted growth), expectations of **stagflation** are intensifying.

Global GDP growth is expected to contract from 5.7% in 2021 to **2.9% in 2022**. These expectations are significantly lower than expectations for growth of 4.1% at the start of the year. The expectations are that as a result of the disrupted trade, investment and economic activity from the war in Ukraine, the growth of the world GDP will remain at these levels in 2023 and 2024. The World Bank warns that the realization of some of the risks to economic development and their accumulation may further reduce economic growth to 2.1% in 2022 and 1.5% in 2023.

Growth in **advanced economies** is expected to decline from 5.1% in 2021 to 2.6% in 2022. As a result of the phasing out of various economic Covid measures, growth will further contract in 2023 to 2.1%.

Growth of GDP in **emerging economies** is also shrinking, from 6.6% in 2021 to 3.4% in 2022, well below the 4.8% average over the 2011-2019 period. The negative impact of the war in Ukraine will erode the increased revenues of some fuel exporting countries.

Despite depressed economic growth in 2022, **no** (standard in such cases) **recovery is expected** in 2023. This is due to the various factors that hinder economic development and which are expected to persist in 2023 – high prices of consumer goods, food and fuels, as well as strengthened monetary constraints (aimed at fighting inflation). What's



more, limited development comes with more than the normal risks:

- Increased geopolitical tension
- Growing stagflationary influence
- Growing financial instability
- Deteriorating food situation
- Continued supply difficulties
- Increasing all risks due to migration caused by the war in Ukraine and deepening food crisis in North Africa and the Middle East.

### The industry of Sirma

The companies from Sirma Group specialize in the information technology (IT) industry. Industrial data is usually combined with data for the "communication segment", as this segment depends entirely on information technology. Accordingly, the industry has acquired the name "Information and Communication Technologies" or ICT for short. Of all the variety of ICT segments, the companies in the Group work mainly in the segments "IT Services" (system integration, infrastructure as a service, software as a service, software support, consulting) and "Business Software" (various software products and services aimed at different business verticals and custom software development).

The two main segments ('IT Services' and 'Software') in which the Group operates have been the fastest growing in the past ([Gartner, April 6, 2022](#)). Historically, both segments have followed the same development trends. The two segments are seen as the solution to all problems arising from global economic uncertainty. The mass digitization that is unfolding relies precisely on "Software", for the various technological solutions and "IT services" through which these solutions can be implemented. This led to growth in both segments in 2021, as well as expectations for continued growth in 2022 and beyond.

Expectations for 2022 are that both segments will maintain their growth, albeit at slightly more moderate rates - 9.8% for "Software" and 6.8% for "IT Services". The growth of these two segments is expected to be sustainable in the coming years with CAGR 2020 – 2025 of 12.18% and 9.07% respectively.

Geographically, Sirma is focused on the world's leading markets (US, UK and Europe), which are also the leading geographic centers of demand for ICT products and services.

Sirma is a B2B IT provider. Sirma's client portfolio - Digital Business (Sirma's AI, Consulting and Integration, Chatbots, IT Security and Software Development), Financial Institutions (Sirma's AI, Consulting, Integration, IT Security, Chatbots and products of Sirma Business Consulting AD), Insurance (Sirma Insurance Broker Platform), Research (Sirma AI, GraphDB), Publishing (Sirma AI, GraphDB), Media (Sirma AI, GraphDB) and Healthcare (Sirma AI and Sirma Medical Systems products) show sustainable development and strong growth in 2022 and beyond.



### The global ICT market in 2022 and future forecast

For a short time, at the beginning of the pandemic, there was some slowdown in IT spending, the suspension of some projects or their rescheduling. This period was short, as very soon the IT sector was recognized as a way to fight the pandemic and overcoming all its consequences. As a result, we saw dramatic growth across all ICT segments in 2021 – an average of around 9.5% year-on-year growth.

Table 1. Worldwide IT Spending Forecast (Millions of U.S. Dollars)

	2021 Spending	2021 Growth (%)	2022 Spending	2022 Growth (%)	2023 Spending	2023 Growth (%)
Data Center Systems	207,306	6.7	218,634	5.5	230,385	5.4
Software	614,494	15.9	674,889	9.8	754,808	11.8
Devices	809,452	16.1	824,600	1.9	837,844	1.6
IT Services	1,185,103	10.6	1,265,127	6.8	1,372,892	8.5
Communications Services	1,443,419	3.4	1,448,396	0.3	1,477,798	2.0
<b>Overall IT</b>	<b>4,259,773</b>	<b>9.5</b>	<b>4,431,646</b>	<b>4.0</b>	<b>4,673,728</b>	<b>5.5</b>

Source: Gartner (April 2022)

Whether it is working from home, innovative delivery of goods and services, data analysis and quick response to changing economic conditions, ICT has been recognized by all as the way to thrive in the future and maintain competitiveness in an uncertain and volatile market environment.

2022 brought new challenges, new volatility and additional uncertainty:

- The war in Ukraine
- Geopolitical tension
- Rising fuel prices
- Continued difficulties with supply chains
- Shortage of specialists

Accordingly, it is no surprise that the world is once again turning to IT in search of ways to thrive in this uncertain conjuncture. At the same time Gartner ([Gartner, April 6, 2022](#)) does not expect these uncertainty factors to affect the ICT industry. Despite strong growth in the sector in 2021, in 2022 ICT spending is expected to grow again by 4% to reach USD 4.4 billion.

Leading the growth of the sector yet again are „Software“ and „IT Services“, which are expected to grow respectively by 9.8% and 6,8% in 2022.

### Engines of Growth in 2022

An analysis of the constituent parts of the different segments shows an extremely heterogeneous picture. The trend of a growing disconnect between the desire to own and use various products as a service (aaS) is becoming visible.

The growth of the "Software" segment in 2022 and the near future is mainly due to cloud technologies. Gartner expects the biggest growth in 2022 to be seen by Infrastructure as a Service (IaaS). This sub-segment of "Software" is expected to grow by as much as 32% in 2022 and reach USD 120 billion (excluded from the lower graph due to the extremely large gap compared to the other sub-segments).

Other sub-segments of the "Software" segment are also expected to see dramatic and sustained growth. "Infrastructure Software" and "Enterprise Application Software" are expected to grow at 11-12% in 2022 and maintain this growth in the coming years with a CAGR of around 11% by 2025.

Within the "IT Services" segment, there are also excellent performing sub-segments that are somewhat related and often offered together. "IT Consulting", "Implementation & Managed Services" and "Business Processes" are expected to grow between 7% and 10% in 2022, but this growth is also sustainable over time with a CAGR to 2025 also between 6 and 8%.

At the other end of the spectrum of the "IT Services" segment are the "Infrastructure Implementation" and "Hardware Support" sub-segments, which are either growing slightly or shrinking, clearly showing the steady shift of all businesses and consumers to the cloud environment. This statement is also reinforced by the shrinking of the "Fixed Services" market for both businesses and consumers.

### ICT Spending By Verticals

All vertical customer groups maintain their IT spending growth in 2022, with all recouping their IT spending from 2019, including even the "Transportation" sector. All industries with growth of more than 8% (from "Energy and Utilities", through "Education" to "Banking" and "Insurance") are directing their efforts towards digital transformation. Whether efforts are aimed at facilitating working from home, delivering goods and services in innovative ways, or analyzing data and quickly responding to unpredictable changes in the business environment, ICT is seen as the key enabler for organizations to be competitive. General economic uncertainty and volatility only reinforces this belief ([Forbes, "It is a Software Economy", April 2022](#)).

### Geographic Distribution of ICT Spending

ICT spending is unevenly distributed territorially. Gartner delineates four clusters of countries depending on their ICT spending per working employee and the corresponding added value he/she generates. This ranking also suggests the most developed markets for ICT services and products. The US leads the world ranking not only in absolute volume of ICT spending, but also in their spending per employee. Most of Western Europe falls into the second group of countries with relatively high ICT expenditures.

In deepening this analysis and looking at the leading growth of the ICT market cloud technology, the US stands alone in a group. Western Europe once again forms the second group, while lagging far behind US cloud spending.

## Risks

### The War in Ukraine

Gartner do not expect a direct impact of the war in Ukraine on the global ICT market. The reason for this forecast is the relatively small share of global ICT spending by Russia and Eastern Europe. Even their complete elimination will lead to a slight drop (1.8%) in total ICT spending.

Although a direct impact of the war in Ukraine on the ICT sector is not expected, it will reinforce other risks for the global economy – inflation, volatility of exchange rates, difficult supply chains, geopolitical uncertainty. This fact reveals the indirect influence of the war in Ukraine on the global ICT market.

### Inflation

2% per year is considered a normal inflation rate. At the same time, in 2022 and probably in 2023, most countries in the world are expected to experience higher than normal inflation, with levels in the United States alone expected to reach 6.56% in 2022.

According to Gartner ([Gartner, January 2022](#)), inflation, which is expected to sweep the world in 2022 and 2023, does not pose a threat to the ICT industry. The reason for this is the fact that the current inflation is driven by demand. This is an increased demand for goods that was diverted from the demand for services during the pandemic.

By the end of 2022, inflation levels in most regions of the world are expected to return to close-to-normal limits. The contraction of inflation in the EU will be somewhat slower, due to the countries' high dependence on oil and gas imports, the prices of which will remain high.

### Exchange Rate Volatility

Gartner forecasts the high exchange rate uncertainty, which started to be evident since the end of 2021, to persist through 2025.

Parity between EUR and USD was recorded on 12.07.2022 as a result of the strengthening of the dollar and a decreasing purchasing power of the European currency (heavily affected by the war in Ukraine). The volatility of exchange rates in the developed regions of the world leads to the risk of fluctuating revenues for the ICT industry depending on the markets where the different participants sell.

### Chip Shortage

A more serious risk for the ICT industry is the delay within logistics chains and the resulting shortage of chips. This shortage cost a number of problems in 2021. Gartner expects that as early as the end of the first half of 2022, supply and stock of microprocessors (MCUs), solid state drives (SSDs) and display drivers will return to normal. The



DRAM (dynamic RAM) and NAND market is expected to remain difficult through 2022, with supply expected to normalize towards the end of the year.

### The great resignation

Although the term "Great Resignation" is applicable to the United States and to some extent to the United Kingdom, it is beginning to appear in some other European countries. To some extent, the large resignation wave is also a result of the rising inflation. If the current employer cannot provide an increase in wages commensurate with inflation, employees change jobs for higher wages. This is not difficult to do because there is currently a shortage in the labor market. Accordingly, employees who have changed their employer actually find themselves in a better position than those who have not. Hence the risk for ICT companies of not being able to retain employees or the need to increase wages above the inflation rates.

The ability of ICT companies to provide and present the motivators they offer can mean filling the necessary numbers and joining the growth of the industry in 2022 or missing opportunities and stagnation.

The ability of companies to attract and retain talent in 2022 will be key to maintaining competitiveness. In addition to increasing salaries, employers will need to look at other motivations of their employees to keep their jobs.

Finding and retaining talented employees is a leading risk among ICT companies. The ability of ICT companies to provide and present the motivators they offer could mean filling the necessary numbers and joining the growth of the industry in 2022 or missing out on opportunities and stagnation.

### COVID-19 pandemic

According to IDC, the development of the ICT market in 2020 and 2021 experienced the greatest volatility in its history. The main reason for this was the COVID pandemic and related restrictions. Despite encouraging news of the lifting of restrictions in late 2021 and early 2022, the risks associated with COVID for the growth of the ICT industry remain. Some

of the client-industries of the ICT sector would be more resilient to recovering new COVID restrictions, while for others this would be detrimental.

The division among the different sub-segments in the ICT sector is similar. Sub-segments such as "Business Services", "IT Services" and "Periphery" are highly dependent on the development of the economy and enterprises. A corresponding return to COVID restrictions would severely limit their growth. At the other end of the spectrum is "Cloud Infrastructure" and "Cloud Software", which will not only be unaffected by the return of restrictions, but are likely to achieve additional growth.

### Consolidation of the Segment „IT Services“

Consolidation is generally regarded as a positive phenomenon. In this case, however, consolidation is not a positive factor for the development of the segment.

"IT Services" is the most dynamically growing segment in the ICT industry. In 2021, the segment grew by as much as USD 137 billion. The distribution of this growth is relatively even among all constituent sub-segments.

However, the top 10 IT Service Providers are responsible for as much as 40% of this growth. Apart from their share of growth, IT giants also hold a leading share of total "IT Services" spending. This consolidation outlines a strong concentration of businesses.

This concentration can be observed in each of the constituent sub-segments. For example, in the "Consulting Services" sub-segment, the leading 7 huge firms received 57% of the revenue.

This concentration of business in a small number of large companies does not mean that the other organizations (as well as Sirma) do not have room for development and growth. At the same time, concentration leads to market consolidation and increasing difficulties in the competitiveness of smaller companies. This represents a significant risk for their business as competitiveness will require large investments in R&D, which may be outside the reach of standard small and mid-sized ICT companies.

## 5.3. ADDITIONAL INFORMATION FOR H1 2022

### 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 H1 2022

The following events and business news took place in H1 2022:

**28.06.2022**

Publication of the decision of the GMS of Sirma Group Holding JSC to distribute dividends for 2021.

**27.06.2022**

Publication of the Protocol from the GMS of Sirma Group Holding JSC.

**24.06.2022**

Interview of the CCO of Sirma Solutions Momchil Zarev by the financial vlogger Georgi Mitev.

**14.06.2022**

Disclosure of additional item to the proposed Agenda of the GMS of Sirma Group Holding JSC.

**14.06.2022**

An interview article in Investor.bg of the CEO of Sirma Group Holding JSC Tsvetan Alexiev.

**10.06.2022**

Disclosure of sale of 2 906 349 shares of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

**10.06.2022**

Disclosure of the transformation of the shares of the daughter company Sirma Solutions JSC into shares of Sirma Group Holding JSC.

**10.06.2022**

Disclosure of the sale of 499 628 own shares by Sirma Group Holding JSC.

**09.06.2022**

Sirma Group takes part in the fintech expo Money 20/20 in Amsterdam.

**08.06.2022**

Disclosure of additional item to the proposed Agenda of the GMS of Sirma Group Holding JSC.



**03.06.2022**

Disclosure of approved project by the Board of Directors of Sirma Group Holding JSC for the acquisition of the majority shares of the IT company TBI Info AD.

**01.06.2022**

Disclosure of purchase of 517 452 shares of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

**30.05.2022**

Disclosure of the interim consolidated financial statements of Sirma Group Holding JSC for the period ending on **31.03.2022**.

**17.05.2022**

Disclosure of accepted offer by the BD of Sirma Group Holding JSC for the sale of the majority shares in Sirma AI JSC.

**17.05.2022**

Disclosure of the increase of capital of the daughter company of Sirma Group Holding JSC – Sirma AI JSC.

**17.05.2022**

Publication of the Invitation for the Annual General Meeting of Shareholders of Sirma Group Holding JSC.

**12.05.2022**

Disclosure of purchase of 150 000 shares of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

**09.05.2022**

Disclosure of purchase of 150 000 shares of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

**03.05.2022**

Disclosure of the interim individual financial statements of Sirma Group Holding JSC for the period ending on 31.03.2022

**28.04.2022**

Sirma celebrates its 30-th anniversary.

**21.04.2022**

Interview of the CCO of Sirma Solutions Momchil Zarev by Forbes magazine on the topic of the digital transformation of the financial industry.

**19.04.2022**

Sirma Group Holding JSC took part in “Accelerate Green” forum organized by the Green Energy and Finance Center.

**07.04.2022**

Disclosure of purchase of 250 000 shares of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

**31.03.2022**

Disclosure of purchase of 105 000 shares of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

**30.03.2022**

Disclosure of audited annual individual reports of Sirma Group Holding JSC for 2021.

**29.03.2022**

Angelica Kabaivanova - Director of Business Development and Marketing at Sirma Solutions represented Sirma Group at [AxisTlv22](#) in Tel Aviv, Israel.

**07.03.2022**

Disclosure of share purchase of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

**04.03.2022**

Georgi Tsekov is the new Executive director of the daughter company of Sirma Group Holding JSC Daticum JSC.

**01.03.2022**

Disclosure of share purchase of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

**01.03.2022**

Disclosure of interim quarterly consolidated reports of Sirma Group Holding JSC for the period ending on 31.12.2021.

**28.02.2022**

Momchil Zarev, Chief Commercial Officer and Mark Belane, Director of Strategic Partnerships at Sirma Solutions took part in Connectivity Unleashed – the Mobile World Congress in Barcelona.

**31.01.2022**

Disclosure of interim quarterly individual reports of Sirma Group Holding JSC for the period ending on 31.12.2021.



## 5.5. MAIN LEGAL INFORMATION IN H1 2022

### Transactions with shares for the period 01.01.2022 - 30.06.2022:

#### - **Sale of an investment in a subsidiary**

On 18 January 2022, "Scaint" AD sold its investment in the subsidiary Sciant Software s.r.o in the Czech Republic for the amount of CZK 142,73.

#### - **Purchase and sell of shares from a subsidiary**

In H1 2022 the subsidiary "Sirma Solutions" has acquired additional 1 500 952 shares from the capital of "Sirma Group Holding" JSC for the amount of BGN 919 524 and sold 2 906 349 shares for the amount of BGN 2 179 762.

#### - **Sell of purchased own share of the Company**

On 9 June 2022 „Sirma Group Holding“ JSC sold 499 628 purchased own shares at an average price of BGN 0.75 per share, for a total value of BGN 374 721.

#### - **Concentration of ownership of a subsidiary**

On 09.06.2022, pursuant to the Strategy of „Sirma Group Holding“ JSC for ownership concentration, the shareholders of the subsidiary „Sirma Solutions“, who are also its employees, transformed their investments from shareholders of „Sirma Solutions“, into shareholders of „Sirma Group Holding“ JSC. At the same time, „Sirma Group Holding“ JSC became the sole owner of „Sirma Solutions“. The transactions for sale/purchase of shares of „Sirma Solutions“ and „Sirma Group Holding“ JSC were executed on the over-the-counter market at current market prices. The following two positive effects are achieved through these transactions:

- a. Synchronization of the interests of the key employees of the largest company in Sirma Group - „Sirma Solutions“, with those of the parent company, through their transformation from shareholders in „Sirma Solutions“ to shareholders in „Sirma Group Holding“ JSC;
- b. „Sirma Group Holding“ JSC becomes the sole owner of its largest company „Sirma Solutions“, which will remain the only member of the Sirma Group to hold shares in the capital of „Sirma AI“ after the possible sale later this year of a majority stake in „Sirma AI“ of an investment company.

### Litigation for the period 01.01.2022 – 30.06.2022:

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

### Other legal information for the period 01.01.2022 – 30.06.2022:

#### - **Contracts for transfer of receivables**

On 2 March 2022, contracts for transfer of receivables (Assignment) were signed as follows:

- "Daticum" AD transfers its receivable from "Sirma AI" EAD at the amount of BGN 1 241 786,93 to "Sirma Group Holding" JSC (Assignee), the transferred receivable passes to the assignee's patrimony together with its accessories.
- Sirma Group Inc. USA transfers its receivable from "Sirma AI" EAD at the amount of BGN 416 009,45 to "Sirma Group Holding" JSC (Assignee), the transferred receivable passes to the assignee's patrimony together with its accessories

#### - **Change of the legal form and increase of the capital of a subsidiary of „Sirma Group Holding“ JSC**

On 16 May 2022, an increase in the capital of "Sirma AI" EAD with non-monetary contributions was entered in the Commercial Register, on the grounds of Art. 195 of the CA, by the issuance of new 4 938 720 ordinary shares and 1 172 315 Class A shares.



The capital is increased to BGN 61 110 350 under the condition that the shares are subscribed by certain persons and against the non-monetary contributions. Ordinary shares are subscribed at an issue value of BGN 10, and class A shares at an issue value of BGN 14,50.

The non-monetary contributors subscribe for shares in an amount corresponding to the value of nonmonetary contributions as follows:

1. “Sirma Solutions” AD, UIC 040529004 subscribes 2 813 759 ordinary registered shares and 654 414 Class A shares.
2. “Ontotext” AD, UIC 200356710 subscribes 2 124 961 ordinary registered shares.
3. “Sirma Group Holding” JSC, UIC 200101236 subscribes 376 855 Class A shares.

The Articles of Association of the Sirma AI JSC were amended accordingly. The new Articles of Association were also entered in the Commercial Register.

On 16 May 2022, a change in the legal form of Sirma AI from EAD (Sole Joint Stock Company) to AD (Joint Stock Company) was entered in the Commercial Register.

- **Information about a proposal for purchase of shares from a subsidiary of “Sirma Group Holding” JSC**

On 16 May 2022, at a meeting of the Board of Directors of Sirma Group Holding JSC, an offer received from the investment company Integral Venture Partners, London was approved in principle. In its role as leading investor Integral Venture Partners offer to purchase a majority stake in the subsidiary “Sirma AI” AD, as follows:

- Subsidiary: “Sirma AI” AD;
- Valuation of the whole company “Sirma AI” AD: EUR 28 500 000;
- Potential buyer of shares: New Frontier Technology Invest SARL (Société à responsabilité limitée, address: 15, Boulevard F.W. Raiffeisen, L-2411 Luxembourg, Incorporator: EEPI1 Portco A SARL (a Luxembourg domiciled entity, part of the Integral Venture Partners group of entities);
- Potential sellers of shares: “Sirma Group Holding” JSC, “Sirma Solutions” AD and “Ontotext” AD;
- Expected proceeds from the sale: The total sale price for the shares to be sold by “Sirma Group Holding” JSC, “Sirma Solutions” AD and “Ontotext” is expected to be EUR 19 535 004, and the share of “Sirma Group Holding” JSC would be EUR 6 600 714;
- Additional conditions: the buyer would undertake to increase the capital of “Sirma AI” AD with a cash contribution of EUR 10 750 000.
- Distribution of the shares after the capital increase: 76,2% of the company's capital would belong to New Frontier Technology Invest SARL, while “Sirma Solutions” AD will retain a share of 23,80% of the capital.

Further development of the proposed transaction is subject to approval by the financing banks and the General Meeting of Shareholders of “Sirma Group Holding” JSC.

Additional information about Integral Venture Partners SARL:

Integral Investment Company is based in London. Institutions such as the EBRD, EIB, IFC, etc. participate in the investment base managed by the company. The main focus of the investment policy of the funds, managed by Integral, are Central and Southeastern Europe. The industries where the company invests are TMT (technology, media, and telecom), B2B services, healthcare, consumer goods and services.



## 5.6 INFORMATION FOR CONTRACTED LARGE TRANSACTIONS IN H1 2022

In H1 2022, the company made several large contracts with customer and subcontracts, in connection with the new strategy of the Group:

Purchases:

- Deal 1 for BGN 2 673 thousand
- Deal 2 for BGN 1 596 thousand
- Deal 3 for BGN 1 088 thousand

Sales:

- Deal 1 for BGN 3 508 thousand
- Deal 2 for BGN 3 020 thousand
- Deal 3 for BGN 1 789 thousand

## 5.7 INFORMATION OF THE USED FINANCIAL INSTRUMENTS IN H1 2022

In H1 2022 the company has not used any financial instruments.

## 5.8 R&D ACTIVITY OF THE COMPANY IN H1 2022

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

The total value of the investments made in research and development in H1 2022 amounts to BGN 1 351 thousand.

## 5.9 POSSIBLE FUTURE DEVELOPMENT OF THE COMPANY

The forecasts for the development of the Information and Communication Technologies sector in 2022 and the following years are a function of the expected development of the health crisis, as well as of the effects caused by the ongoing military actions in Ukraine and the resulting economic crisis.

As of the date of this report, management continues to apply measures leading to a productive and continuous work process, in strict compliance with the regulations of the state authorities. The annual budget has been prepared taking into account the current situation and detailed analysis in order to minimize the effects of the coronavirus and military action in Ukraine and to maintain stable financial performance.

At present, the medical crisis is calming down and the introduction of new highly restrictive measures for a long period of time is not expected, which will significantly suppress the financial indicators of the Group. However, there are still a number of risks that could stop or slow down the development of both the ICT industry and the global economy - geopolitical tensions, inflation, logistical difficulties, rising interest rates, the "big exit" are just some of the looming risks.

In preparing its forecasts for the future development of the Group, management has made a number of assessments and assumptions that are associated with a high degree of uncertainty arising from factors and risks beyond the influence of management, such as the global health problem Covid-19, the military conflict between Russia and Ukraine, rising inflation and others. Their development in a direction different from that expected by the management may cause the need to reconsider some of the assumptions and judgments made regarding the expected future development of the Group, cash flows and results of operations. Despite the efforts of the management to identify the expected direct and indirect effects of their manifestation on the activity and their respective addressing, their specificity complicates their reliable assessment and accordingly they could cause significant adjustments in the carrying amount of assets determined in the consolidated financial statements. In making a number of judgments and assumptions by management and reporting the most reliable information available at the date of the estimates.

The Group reports liabilities on loans received. The Group does not expect its revenue to shrink to such an extent that it will affect its ability to repay its current borrowings.

## 5.10 CONTRACTS UNDER ART.240B OF THE COMMERCIAL CODE IN H1 2022

During H1 2022 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/>
- **Daticum 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.

#### 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. Staff costs are rising in line with an increase in business volumes by up to 10-15% per year.

#### DATICUM IN H1 2022

##### BUSINESS DEVELOPMENT IN H1 2022 AND REALIZATION OF THE INVESTMENT PLAN

- Daticum integrates the PaaS software platform, which allows end users to manage leased virtual resources as well as provide new ones using a user-friendly interface. In addition to the main functionalities, the platform offers the possibility of integration with various public cloud infrastructures as well as the provision of edge technologies in the form of Docker hosts, KVM and Kubernetes clusters.

- Daticum began to recover the level of revenues from before the announcement of the epidemiological situation and the subsequent negative results for the economy.

- Despite the crisis, Daticum continued to invest in upgrading and improving the cloud infrastructure, as well as the data center in general, in order to provide even better services to its customers.

- We have continued our policy of supporting our clients whose businesses have been hit by the crisis and are in urgent need of cost cuts. Thanks to this, many of our clients had the necessary free resources to direct to the implementation of projects stopped at the beginning of the epidemic, which will also use the services of Daticum.

##### IMPORTANT EVENTS

- Negotiations have begun with a global service provider to provide protection against malicious network traffic. Daticum can become an official reseller in the region.

- The war in Ukraine has led to adverse economic consequences for the prices of fuel, electricity and hardware. There is also a significant delay in deliveries.

- Daticum successfully completed two system integration projects in two large Bulgarian companies.

- A small but permanent decline in the demand for rental hardware is observed. This can be explained by the rising cost of electricity and the growing demand for cloud services as an alternative solution.

##### PERSPECTIVES AND FORECASTS FOR 2022

- Given the global economic situation created by the COVID-19 pandemic and the fact that we are a service industry of other industries where there were shrinking in sectors such as automotive, transport, retail and tourism, our business were affected in a negative direction in 2021. Economic growth in EU is expected to increase next year.

- The war in Ukraine and its unfavorable economic consequences for the prices of fuel, equipment and hardware further aggravate the global economic crisis.



- The crisis with rising electricity prices will continue to negatively affect our services, especially in the area of colocation

- A smooth growth of the passes for 2022 is set, in accordance with the unfavorable conditions  
- We expect greater growth in the use of our cloud platform at the expense of services such as colocation

## FINANCIAL RESULTS

	30.06.2022	30.06.2021/ 31.12.2021	Change BGN '000	Change %
Revenues	1 698	2 061	(363)	(17,61%)
EBITDA	583	878	(295)	(33,60%)
Depreciation	(148)	(273)	125	(45,79%)
Net Result	428	461	(33)	(7,16%)
EBITDA margin	34,33%	42,60%	(8,27%)	(19,40%)
Net Profit margin	25,21%	22,37%	2,84%	12,69%
Sales per share	0,7376	0,8953	(0,16)	(17,61%)
EPS	0,1859	0,2003	(0,014)	(7,16%)
ROE	0,1444	0,1468	(0,002)	(1,58%)
Total Assets	3 709	4 146	(437)	(10,54%)
Intangibles	297	313	(16)	(5,11%)
Book value	2 666	2 828	(162)	(5,73%)
Equity	2 963	3 141	(178)	(5,67%)
Total Liabilities	746	1 005	(259)	(25,77%)
Interest bearing	498	498	-	-
D/E	0,2518	0,3200	(0,07)	(21,31%)
ROA	0,1154	0,1112	0,004	3,78%

## SIRMA SOLUTIONS

- <http://www.sirmasolutions.com>
- **Sirma Solutions is a subsidiary of Sirma Group Holding JSC**
- **Capital: BGN 35 370 800**

### SIRMA SOLUTIONS IN H1 2022:

#### 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.

## BUSINESS ACTIVITY OF SIRMA SOLUTIONS IN H1 2022

### Market in North America

Over the years, Sirma Solutions 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 them efficiently and 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.

As a result of the pandemic and the logistical problems that have arisen, some of our customers (especially in the automotive sector) are experiencing supply difficulties. However, orders for IT services and software development are increasing due to the general desire of enterprises to digitize. We believe that this market will remain strong in the coming years.

Sirma maintains and develops its position on the American market. In the first half of 2022 we managed to negotiate a 20% increase in prices for the projects we are working on.

In the first half-year, work continued on projects launched last year - the PureInfluencer platform (powered by Kanin.io technology), the 1Healt.io platform (a platform to connect their customers / suppliers / partners), automotive projects for the development of software for monitoring the process of car service and for the development of a universal multi-channel communicator customer-dealer).

In the first half of 2022, we began work on a start-up project for Kayzor, Florida. The project envisages the full development of an online platform for car sales.

### European Market

The European part of the business of the professional services company in 2022 continued work on active projects from 2021, like..

- contract for development of a document and workflow management platform for a big client in Albania
- contract for the upgrade of the cloud infrastructure of a large mining company
- Implementation of an innovative chat bot solution in a large bank in Bulgaria;

- Implementation of a solution for regulatory reports;
- Delivered Oracle Financials module and Oracle Infrastructure for a major international payment services operator;
- renewal of a contract for maintenance of the IT equipment for the data center of one of the top 5 banks in Bulgaria
- development of the module for internet banking of one of the leading banks in Bulgaria;
- development of omni-channel solution for one of the leading banks in Bulgaria.
- Online portal for SaaS services of Temenos
- Virtual wallet

In the first half of 2022, a contract was signed with a large bank in Spain for the complete development of its online payment system. Another large contract has been signed with a client in the field of cryptocurrencies, for which we need to provide system integration and cyber security systems for their new office in Bulgaria.

During the period, marketing and sales departments have traditionally focused on financial services and artificial intelligence, where Sirma feels like a regional leader, and efforts have opened up several opportunities to launch new projects in these areas.

### Public sector

In the public sector during the first half-year of 2022 continued the active work on the long-term projects contracted in 2020 and 2021:

- building the overall IS for managing the activities of the Financial Mechanism Office (EEA Grants, Brussels),
- the gradual construction of the MusIT IS for managing the activities of MusicAuthor
- the gradual construction of CAIS EOP of PPA
- development of the system for electronic protocols at the National Health Insurance Fund
- the development of a disaster-recovery data center of the NHIF
- development of software for allocating flight schedules for an air traffic controller
- development of software for monitoring and control of the qualification of technical personnel for an air traffic controller



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

- the complete operating system eBDZCargo of BDZ-Freight and a module for data exchange with the Lukoil refinery

- the overall IS of the NSCLC, maintaining the registers of health care and playing a key role in the field of e-health,

- IS of the Prosecutor's Office

- Renovation of the application system in kindergartens and upgrading the system to manage the application process in first grade;

- Migration to Oracle Cloud on Premise of a large company in the aviation industry.

The rise of the IT industry has also affected many of the projects that were suspended or postponed due to the pandemic, with a focus on projects that are of great importance for the activities of the respective contracting authorities.

#### System integration

For 2022, the system integration team renewed its partnership status with suppliers such as:

- Cisco Systems

- PaloAlto Networks

- Acquisition of new competencies and expertise with Oracle

Given the outbreak logistic crisis, we see a global shortage of components needed (chips) to build computers, server and communication equipment. This leads to a large delay in deliveries and difficulties in the implementation of already concluded contracts.

Despite its difficulties, the business unit for system integration achieved its goals for the first half of 2022.

In the first half of the year, some of the more significant projects include:

- Expansion of the cloud infrastructure of "Daticum" AD

- A renewed contract to maintain the core infrastructure of an international payment services company

- Contract for hardware and system integration with the Bulgarian branch of a German financial company

- Contract for maintenance of the data center of one of the top 5 banks in Bulgaria

## FINANCIAL RESULTS

	30.6.2022	30.6.2021/ 31.12.2021	Change BGN '000	Change %
Revenues	19 300	16 948	2 352	13,88%
EBITDA	1 824	1 695	129	7,61%
Depreciation	(871)	(1 105)	234	(21,18%)
Net Result	1 862	906	956	105,52%
EBITDA margin	9,45%	10,00%	(0,55%)	(5,50%)
Net Profit margin	9,65%	5,35%	4,30%	80,47%
Sales per share	0,5456	0,4791	0,07	13,88%
EPS	0,0526	0,0256	0,027	105,52%
ROE	0,0376	0,0181	0,019	107,17%
Total Assets	63 089	67 603	(4 514)	(6,68%)
Intangibles	6 133	6 459	(326)	(5,05%)
Book value	43 413	43 486	(73)	(0,17%)
Equity	49 546	49 945	(399)	(0,80%)
Total Liabilities	13 543	17 658	(4 115)	(23,30%)
Interest bearing	5 134	8 540	(3 406)	(39,88%)
D/E	0,1036	0,1710	(0,067)	(39,40%)
ROA	0,0295	0,0134	0,0161	120,22%



## SIRMA AI AND ONTOTEXT USA

- **Sirma AI is a Daughter company of Sirma Group Holding JSC**
- **Share Capital: BGN 61 110 350**
- Shares:
  - **Ordinary Shares**, Number: 4 938 720, Nominal: BGN 10, available, with voting rights, dividend and liquidation share.

### Conditions for the business development in H1 2022

The main technology market on which Sirma AI's sales depend to a large extent is that of graph databases (DBMS) and technologies based on graph representation of data for the purpose of integration and analysis. The search for both databases and complete solutions based on the so-called knowledge networks (MZ, knowledge graphs) remained at high levels in the first half of 2022.

During the period, no problems were observed among the main users of the company, namely large organizations in the sectors: financial services, mechanical engineering and automation, publishers of business information, pharmaceuticals, medical and public sector.

Ontotext's flagship product GraphDB maintains its position as one of the global leaders in the graph database market.

A survey of representatives of 150 leading organizations in the field of KG (Knowledge Graph Industry Benchmarking Survey, June 2022, EKGF, KGC) ranked the company's GraphDB in the second most popular position after Neo4J.

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

The company's largest regional market during the period was the United States (nearly half of trade revenues), followed by the EU. There is a tendency for over 90% of the company's revenues to come from large multinational companies, which are weakly influenced by regional factors.

During the period there were no significant effects of regional factors on business. The war in Ukraine did not affect the demand for the company's products and services during the period. The company has no business relations with contractors in Russia. Possibilities for hiring developers and experts from Ukraine and Russia who wish to move to Bulgaria are being explored.

Given the rising inflation in the US and the EU, the company updated the price lists in early 2022. The new license prices were accepted by customers without upheaval.

### Business development in H1 2022 and realization of the investment plan

Revenues, after the consolidation of Ontotext USA, are about 45% of the target for the year - completely within the expectations for the first half of the year, and increased by 19% compared to the same period of 2021.

Recurring license revenue have been 48% of the plan for the year, increased by 36% over the same period in 2021.

The expenses during the period are within the business plan of the company for 2022.

- **Class A**, Number: 1 172 315, Nominal: BGN 10

Sirma Group Holding owns 87,65% of the capital of the company.

### New clients, projects, products and services in 2022

Clients:

- As a result of the development of the OEM partnership WIPRO (top 10 system integrator in the world), the company received its first order from him
- Large Asian service provider in the fields of IT, telecommunications and business process outsourcing
- Semaphore – Canadian company, OEM partner, which offers specialized software solutions for pharmaceutical and biotechnology companies
- German supplier of compressor systems
- Large Dutch pension investment company

Products:

- GraphDB 10, with significant improvements in the cluster architecture.

Services:

No new services were introduced until the end of the first quarter of 2022.

### New contracts in H1 2022

- During the period there were no lost customers with a significant share in the company's revenues.

### Important events in the first half of 2022

- Signed a transaction agreement between the owner Sirma Group and a group of investors led by Integral Venture Partners, whereby the capital of the company will be increased by just over 10 million euros, and the new investors will acquire majority control.

### Perspectives and forecasts for 2022

The organic plans for 2022 envisage revenue growth of over 15%, within which to strengthen the transition to a larger share of product and recurring revenues. Lower operating profit is planned in connection with plans for higher marketing and business development costs.

The strategic goals build on those for 2021 as follows:

- Development of the network of partners and achieving revenues through partners of at least BGN 6 million;
- Increasing the share of product revenues to 80% of the total trade revenues and keeping them above this level;



- Increase in recurring revenues over 70% of total trade revenues.

- Increasing the percentage of new contacts (so-called leads), which are transformed into commercial opportunities;

- Shortening the sales cycle.

In 2022, the focus in sales and business development in the verticals of healthcare, financial services and industry will be strengthened.

In addition to the organic business plan adopted by the board of directors, management is developing a sample business plan for accelerated development by attracting investment. This plan includes developing a sales team in the United States, increased marketing costs, and increased investment in product development.

## FINANCIAL RESULTS

### SIRMA AI

	30.6.2022	30.6..2021/ 31.12.2021	Change BGN '000	Change %
Revenues	6 067	5 089	978	19,22%
EBITDA	1 797	2 188	(391)	(17,87%)
Depreciation	(1 566)	(1 176)	(390)	33,16%
Net Result	289	1 036	(747)	(72,10%)
EBITDA margin	29,62%	42,99%	(13,38%)	(31,11%)
Net Profit margin	4,76%	20,36%	(15,59%)	(76,60%)
Sales per share	43	36	6,94	19,22%
EPS	2,0496	7,3475	(5,30)	(72,10%)
ROE	0,0041	0,0149	(0,011)	(72,21%)
Total Assets	80 184	80 661	(477)	(0,59%)
Intangibles	67 709	67 744	(35)	(0,05%)
Book value	2 235	1 931	304	15,74%
Equity	69 944	69 675	269	0,39%
Total Liabilities	10 240	10 986	(746)	(6,79%)
Interest bearing	5 705	6 629	(924)	(13,94%)
D/E	0,146	0,158	(0,01)	(7,15%)
ROA	0,0036	0,0128	(0,009)	(71,94%)

### ONTOTEXT USA

	30.6.2022	30.6..2021/ 31.12.2021	Change BGN '000	Change %
Revenues	2 867	3 098	(231)	(7,46%)
EBITDA	(48)	68	(116)	n/a
Net Result	(50)	67	(117)	n/a
EBITDA margin	(1,67%)	2,19%	(3,87%)	n/a
Net Profit margin	(1,74%)	2,16%	(3,91%)	n/a
Sales per share	96	103	(7,70)	(7,46%)
EPS	(1,6667)	2,2333	(3,90)	n/a
ROE	0,9615	1,8611	(0,90)	(48,34%)
Total Assets	1 946	2 400	(454)	(18,92%)
Book value	(52)	36	(88)	n/a
Equity	(52)	36	(88)	n/a
Total Liabilities	1 998	2 364	(366)	(15,48%)
ROA	n/a	0,0279	n/a	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 H1 2022

#### CONDITIONS FOR BUSINESS DEVELOPMENT IN H1 2022

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, as well as our own offices in Germany and USA.

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 and quality management of mass production, there are growing trends towards digitalization of processes. This is determined by the mass penetration of new modern technologies for

measurement and communication, as well as the growing availability of instruments based on such technologies.

Confidence in cloud-based technologies and SaaS solutions is also increasing. The advantages of this type of solutions such as quality of service, accessibility for a wide range of users, accelerated exchange and fast access to information, replacement of many analog processes with digital ones, the ability to quickly make accurate informed decisions based on real data and analysis, determines the future trends and market demand for such solutions and related to their work measuring equipment.

Another driving factor is the growing competition among metal manufacturers and their desire to expand their markets. This is possible only if the highest quality criteria are set and the ISO 9000 standards are met. More and more small and medium-sized companies strive to achieve this standard and this causes the demand for products that digitize processes and provide opportunities for successful management of quality.

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 sales through optimization and maintenance of additional processes. Since many of the exhibitions are still not active, the company has invested in the pandemic years in online marketing by holding webinars, online meetings, online technology enabling online software protection, etc. The first half of 2022 showed a growth in demand for new online products, technologies and services.

The company continues to develop its main product for the Packaging Suite packaging market, the most important development being the development and launch of a subscription purchase option. Our teams are working on the release of a new major version in which customers can count on advanced technologies, augmented reality, realistic 3D visualization and file exchange through a cloud-based base.

The purchase of services on a subscription basis is a very important trend in the global market in the last few years. This is due to the advent of cloud technology and the ability to sell even very complex software products as services rather than



licenses. This makes them more affordable both in terms of price and in terms of time to master and start in real business. For this reason, SaaS sales are growing rapidly, and the pressure on suppliers to offer this type of service is growing.

After launching the policy of offering the software on a subscription basis in 2021, the first half of 2022 saw a movement in this direction as well. More and more customers are starting to use the software without the need to make a large investment or bear a large risk. Since this model relies on a large number of subscribers to reach the turnover of selling the software, the company still maintains its old sales model. However, a decrease in the revenue part is felt, but in the long term this trend should reverse.

The company's expectations are that an increasing number of customers will prefer this type of software usage due to the small investment and the possibility to install the latest versions of the products within the lease. The first half of the year showed that customers who previously could not afford the investment to purchase the software are now subscribing and spending minimal funds on a monthly or annual basis for professional software. In the first half of 2022, there are already 40 new subscribers.

In 2021, the company released a beta version of the online product Dieboard Calculator, which is aimed at consumers and manufacturers of punch molds. Based on the product, end customers have the opportunity to choose a package, distribute it on a sheet size and calculate the price of the punch. The product is promoted to selected customers, which contribute to the development and help in the translation and accumulation of different interface languages. In several issues of Cutting Edge Magazine, an advertisement was launched, as well as an online demonstration in front of a selected audience - part of the participants in the Association of Daimers IADD, of which EngView is a member. A contract was signed in January 2022 for year-round advertising of this product in Cutting Edge Magazine.

The definition of other online products based on CAD technology has started / The company hopes to find this product that is useful for the mass consumer by implementing online products aimed at different types of consumers in the packaging industry.

For mCaliper, a massive marketing campaign was conducted in 2021 - mainly in the markets of Europe and North America, in order to establish the brand and position the product as a quality management system aimed at small and medium customers. Unfortunately, sales are still minimal, but the company continues its marketing activities to find suitable customers.

Online demonstrations of ScanFit&Measure are taking place, and for 2022 the company is developing more functionalities, making new sales and planning participation in a specialized exhibition in the second half of the year in Germany.

## **REGIONAL AND INTERNATIONAL FACTORS INFLUENCING THE BUSINESS OF THE COMPANY**

After the pandemic and the crisis because of it, in the first half of 2022 the market at all levels began to be affected by the energy crisis. Inflation, which is growing in the main markets in which the company operates, has an impact on financial parameters. After strong sales growth in 2021 and the introduction of the subscription sales principle, there was a slight decline for the first half of 2022, but the company hopes to overcome it and show growth again at the end of the year.

However, it is positive that the introduction of our products continues all over the world, modern, efficient and sought-after functionalities in all products are intensively developed, new subscribers are accumulated and new contracts with our main contractors are prepared.

Since last year, specialized sales campaigns have been conducted for different regions of the world and for different products in the EngView portfolio. An external specialized company is used, which conducts both targeted branding and sales activities.

The company develops all 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 2021 showing growth compared to 2020 in sales of the company's licenses and products. 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 solution for QVI in 2019 and 2020 - Turn Check. In 2022, at the request of QVI, the team developing this product increased. Additional revenues are expected by the end of the year after his participation in specialized exhibitions and specialized marketing. The software controls a new type of QVI machine for measuring rotating parts and components.

## **BUSINESS DEVELOPMENT AND INVESTMENTS IN H1 2022**

In the first quarter of 2022, the company continues to develop its products and prepare for more online services and developments. Work on the online product for diameters, as well as new online products began in the first days of the new year, and preparations are underway for the next major version of the CAD product.

The company is gradually increasing its capacity and resources for innovation in the two areas in which it operates. In 2022, the company is again striving to increase its teams and hire new employees, key personnel retention activities are planned.

mCaliper is positioned as a product for digitalization of quality control processes in small and medium enterprises and as such is registered on two platforms for b2b matchmaking with funding from the EC ([www.ramp.eu](http://www.ramp.eu), [www.smm2021b2match.io](http://www.smm2021b2match.io)), where there are already several



launched partnerships with both end customers and potential distributors. EngView Systems has been selected as a Technology Provider in FundingBox.eu's Better Factory initiative to create consortia to transfer technology to end users in the industry. The mCaliper product was chosen as a quality management system for metalworking SMEs. Potential end users are over 25 companies from Europe registered in the platform [www.ramp.eu](http://www.ramp.eu).

## PERSPECTIVES AND FORECAST FOR 2022

Revenues are expected to increase on an annual basis compared to 2021 due to the gradual opening of economies. There is a moderate investment interest in all niches and industries in which the company operates, but nevertheless, EngView is working to successfully position and increase sales of its products in which it has invested in recent years.

## FINANCIAL RESULTS

	30.6.2022	30.6.2021/ 31.12.2021	Change BGN '000	Change %
Revenues	1 640	2 247	(607)	(27,01%)
EBITDA	389	1 173	(784)	(66,84%)
Depreciation	(397)	(380)	(17)	4,47%
Net Result	(13)	787	(800)	n/a
EBITDA margin	23,72%	52,20%	(28,48%)	(54,56%)
Net Profit margin	(0,79%)	35,02%	(35,82%)	n/a
Sales per share	23,7681	32,5652	(8,80)	(27,01%)
EPS	(0,1884)	11,4058	(11,59)	n/a
ROE	(0,0026)	0,1557	(0,16)	n/a
Total Assets	5 752	6 178	(426)	(6,90%)
Intangibles	3 218	3 216	2	0,06%
Book value	1 822	1 837	(15)	(0,82%)
Equity	5 040	5 053	(13)	(0,26%)
Total Liabilities	712	1 125	(413)	(36,71%)
Interest bearing	4	7	(3)	(42,86%)
D/E	0,0008	0,001	(0,001)	(42,71%)
ROA	(0,0023)	0,1274	(0,130)	n/a

## SIRMA BUSINESS CONSULTING JSC

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

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.

### **CONDITIONS FOR BUSINESS DEVELOPMENT OF SIRMA BC IN H1 2022**

The financial and banking sectors in the world and Bulgaria began to shake off the restrictive measures during the pandemic. This conclusion within the SBC is required by the double number of inquiries and small orders, which were generated. The trend of implementing multiple restrictive measures to minimize the effects of the military conflict between Russia and Ukraine continues. The unclear situation and the deepening of the conflict may again lead to the postponement of "major" IT projects until the end of 2022. On the other hand, rising inflation, which mainly comes from the prices of fuels and basic necessities, leads to higher labor costs, which makes the pace of recovery from the pandemic pessimistic and delayed.

All players in the sector still have excess liquidity and a lack of sufficient funding and investment projects. On the other hand, all economic entities continue to have advanced or increased requirements for the use of digital instruments in their relations with financial institutions. These preconditions are a catalyst for potential growth and generation of projects and orders in the sector, but potential "real" war leads to restrictions on "long" and "significant" commitments.

In any case, all companies that provide solutions and services to financial players face several serious challenges:

- Adjustment in the prices of the offered services and products.
- Finding and retaining highly qualified staff within the Bulgarian market.

Adaptation of existing solutions to meet new trends in the direction of robotics of digital operations and processes and the introduction of artificial intelligence and machine knowledge to optimize delivery times for end customers.

SBC continues to provide its own services and products, which are focused only on the financial sector. In addition to active actions for research and planning for the transition to FlexCube 14, as the main version that will be offered to new customers, will be subject to upgrade existing ones. All the presented novelties and innovations for the 2FA / MFA solution Up2Seal continue to generate great interest, as well as all solutions that enable financial players to provide conditions for API-based services and develop their strategies in the direction of "Open Digital Business".

### **REGIONAL AND INTERNATIONAL FACTORS, INFLUENCING THE BUSINESS OF THE COMPANY**

The biggest factor for all is already the military action and the trade war over energy prices, which blocked travel opportunities and easy communication with customers and completely stopped the possibilities of tension and preparation for inflation in the global economy. This can lead

to an increase in interest rates and depreciation of some of the major currencies in which the company's revenues are. In Bulgaria, the appetites, intentions and real actions for consolidation of the Banking and Financial Market continue, which on the one hand determines the competition between the many relatively small players and on the other hand provokes an active dialogue for consolidation of companies in the market.

The lack of stable government management, global conflicts, inflation and the decline in the development of the economy in Bulgaria in the first quarter of 2022 in addition puts pressure on all companies in the IT industry. One part of which is directly affected and dependent on government procurement and projects and the other part due to the tension of the public climate and ambiguity about the tax and fiscal policy of the regular government.

On the other hand, the trend continues to create new companies and support centers with investments and employers from the United States, Canada, Germany and England, which significantly raise the average salary in the industry and further pump resources into projects focused on other markets. The problems with this out-of-focus workforce are invisible at the national level, but they significantly exhaust mostly nationally oriented players in which category SirmaBC falls. In the long run, we will have to completely change the final price for customers or seek entry into foreign markets by providing outsourcing or rental services.

### **RISKS AND THREATS IN 2022**

All risks and threats to the company are related to the cost of labor, respectively the average salary in the IT sector and the growing shortage of manpower with programming skills. On the other hand, the uncertain economic situation without long-term planning and short contract terms allows for renegotiation of some of the company's commitments, but also the loss of some of the projects or prepaid support.

Despite the difficulties caused by the pandemic, the company maintains a focus on staff training and training of SBC employees as a means of retaining staff. In the plans for 2022, all the company's reserves will be addressed to increase salaries and attract new employees.

### **MAIN EVENTS IN H1 2022**

The company actively participates in the regular events of BASSCOM, BFA (Bulgarian Fintech Association), as well as new initiatives organized by AMCHAM Bulgaria and various working groups on European and national initiatives in the sector.

### **NEW CLIENTS, PROJECTS, PRODUCTS AND SERVICES IN H1 2022**

#### **- Clients**

All customers of the company show and declare that they are partially or severely affected by the pandemic, military activities and lack of energy resources, as well as delays or lack of financial measures to overcome them. In practice,



there are very few new projects and revenues for the company.

#### - Projects

The implementation of started projects continues, including the 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 company is actively trying to advertise and distribute the first versions 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 2022

Despite some positive signals for the improvement of the economic climate and the easing of the strict panemic measures, the stagnation and inertia of the financial players does not presuppose a rapid recovery and revival of the market. The uncertain environment in the country, as well as the main demand of clients for resources to work for rent, makes it difficult to predict the financial framework and business development for 2022. The expected revenue growth in 2022 will rather be catching up with one of the company's goals in a medium-term horizon of 2-3 years.

Retaining all employees and customers will be key to the successful implementation of all plans of the company, which must go with a clear policy and communication to raise the prices of solutions and services for all areas in the company's portfolio.

#### FINANCIAL RESULTS

	30.6.2022	30.6.2021/ 31.12.2021	Change BGN '000	Change %
Revenues	2 013	1 449	564	38,92%
EBITDA	(244)	118	(362)	n/a
Depreciation	(150)	(179)	29	(16,20%)
Net Result	(393)	(52)	(341)	655,77%
EBITDA margin	(12,12%)	8,14%	(20,26%)	n/a
Net Profit margin	(19,52%)	(3,59%)	(15,93%)	444,02%
Sales per share	0,7925	0,5705	0,22	38,92%
EPS	(0,1547)	(0,0205)	(0,13)	655,77%
ROE	(0,1585)	(0,0181)	(0,14)	775,89%
Total Assets	4 098	4 513	(415)	(9,20%)
Intangibles	567	628	(61)	(9,71%)
Book value	1 912	2 245	(333)	(14,83%)
Equity	2 479	2 873	(394)	(13,71%)
Total Liabilities	1 619	1 640	(21)	(1,28%)
Interest bearing	46	180	(134)	(74,44%)
D/E	0,0186	0,0627	(0,044)	(70,38%)
ROA	(0,0959)	(0,0115)	(0,08)	732,31%



## SIRMA GROUP INC./DBA PANATON

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

**General Business Conditions in 2022** For the last two years of the COVID-19 pandemic, remote work has become a widely accepted practice, which benefits our ability to offer remote outsourcing services and to expand our staff by recruiting not only from Eastern Europe but world-wide. In H1 2022 our team included engineers from Albania, Macedonia, Egypt, India, Pakistan, the UK and Ethiopia. Our ability to deliver turn-key systems much faster than most of our competitors allowed us to win and deliver some small but profitable government and commercial projects.

### Forecast for 2022

In 2022 we will be expanding our penetration in the medical clinical laboratory vertical, with a particular focus on medical information and healthcare records integration. We expect to continue to expand our business, however the uncertain and developing political and economic situation in Europe which has an impact on the public markets in the United States may present both unanticipated opportunities as well as challenges for us and our clients..

### FINANCIAL RESULTS

	30.6.2022	30.6.2021/ 31.12.2021	Change BGN '000	Change %
Revenues	3 545	6 089	(2 544)	(41,78%)
EBITDA	429	2 371	(1 942)	(81,91%)
Depreciation	(4)	(4)	-	-
Net Result	416	2 362	(1 946)	(82,39%)
EBITDA margin	12,10%	38,94%	(26,84%)	(68,92%)
Net Profit margin	11,73%	38,79%	(27,06%)	(69,75%)
Sales per share	0,1643	0,2822	(0,12)	(41,78%)
EPS	0,0193	0,1095	(0,09)	(82,39%)
ROE	0,0479	0,3126	(0,26)	(84,66%)
Total Assets	10 866	9 768	1 098	11,24%
Intangibles	1 782	1 634	148	9,06%
Book value	6 896	5 923	973	16,43%
Equity	8 678	7 557	1 121	14,83%
Total Liabilities	2 188	2 211	(23)	(1,04%)
Interest bearing	9	19	(10)	(52,63%)
D/E	0,0010	0,0025	(0,001)	(58,75%)
ROA	0,0383	0,2418	(0,204)	(84,17%)



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

### Conditions for Business Development in H1 2022

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, respectively the declining revenues from non-compulsory insurance, which in turn causes a reduction in the spending for software and services. However, the company was able to enter into contracts with insurance brokers and insurance companies for product development and sales.

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.

### Regional and global factors influencing the business of the company

The company has business only in Bulgaria at the moment.

### Business Development in H1 2022 and Investment plan

In H1 2022 Sirma ICS continued with the execution of its strategic objectives:

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

### New:

- Customers

There are new customers of the online calculator during the period.

- Projects

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

- New Contracts

Inclusion of Casco insurance product in 1 more insurance companies and separate integration under the Civil Code with another for Sirma Insurance Enterprise. Concluding a contract with a new insurance company. The company also signed new contracts with insurance brokers.

### Customer service information

The customers are served professionally and the product they receive is constantly evolving, as the customers receive new modifications and at the same time all the necessary regulatory changes are implemented.

### Perspectives and forecasts for 2022

We anticipate retention or decline in Sirma Insurance Enterprise's monthly fee income as individual brokers may terminate contracts due to going out of business or being attracted by a competing software company. There has been a significant increase in the number of competing software vendors with similar features selling at significantly lower prices. We anticipate the inclusion of a Casco insurance product from two more insurance companies and a separate renewal of the Civil Liability integration with two others.



**FINANCIAL RESULTS**

	<b>30.6.2022</b>	<b>30.6.2021/ 31.12.2021</b>	<b>Change BGN '000</b>	<b>Change %</b>
Revenues	477	529	(52)	(9,83%)
EBITDA	79	85	(6)	(7,06%)
Depreciation	(39)	(42)	3	(7,14%)
Net Result	38	40	(2)	(5,00%)
EBITDA margin	16,56%	16,07%	0,49%	3,07%
Net Profit margin	7,97%	7,56%	0,41%	5,36%
Sales per share	1,5900	1,7633	(0,17)	(9,83%)
EPS	0,1267	0,1333	(0,01)	(5,00%)
ROE	0,0447	0,0491	(0,00)	(9,13%)
Total Assets	1 282	1 294	(12)	(0,93%)
Intangibles	939	963	(24)	(2,49%)
Book value	(88)	(149)	61	(40,94%)
Equity	851	814	37	4,55%
Total Liabilities	431	480	(49)	(10,21%)
Interest bearing	194	194	-	-
D/E	0,2280	0,2383	(0,01)	(4,35%)
ROA	0,0296	0,0309	(0,001)	(4,11%)

**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.

continues in the direction of income diversification from additional IT activities.

**Conditions for Business Development in H1 2022**

The situation with Covid - 19 is under control and the pandemic is no longer a significant factor. Early elections, as well as the upcoming winter in view of the gas and oil crisis would have an impact, but the adaptation of the business

The political and economic crisis is not having a significant impact on business at this stage, but we are prepared and in this regard we have taken steps towards diversification.



We continue to adapt the business to the new rules (digital transformation is everyday), for which we believe we are prepared and will take adequate measures based on short-term and long-term goals.

War in Ukraine continues, which does not change the global stagnation of industrial business, slowdown of economic development, but with applied partial measures at this stage, inflation slows down its growth.

The recovery and development plan with European funds for 2022 is not clear when it will start, because elections are coming up again at the beginning of October, and after the elections the guarantees for forming a stable government are not high.

The IT sector continues to be in second place in terms of revenue growth in the country. We expect this trend to continue until the end of 2022.

Despite the stagnation on a global scale, Sirma CI will continue its development with the aim of positive balance and diversification in the sector and revenues. For 2022, our focus remains on the trends defined by Gartner and internal analysis of market demand and our customers.

We maintain a focus on the need to provide services by our experts and work in collaboration with partners to develop and integrate our products, which leads to diversification and increased revenue. 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.

We continue our active activities regarding partnerships with american companies, while maintaining our focus on current markets and customers.

We have provided a marketing budget for PR materials to advertise our new concept in the "retail" vertical, with the aim of redirecting advertising to Sirma.com.

Update of a completely new solution for eCommerce (B2B and B2C), ie. the rewriting of our platform continues to develop according to a plan on a market basis. Fully focused on unified commerce trends, which will unite our implementation solutions for large retailers: e-shop, loyal mobile application program, chatbots, real-time behavior analysis system (SFS) and more.

We have planned to hold a seminar in the fall in Serbia for our client, where we have integrated and maintained a loyal program.

We expect to be invited to a large marketplace competition for four countries by the end of September.

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

For 2022, Covid-19 changed the habits of business and end customers, leading to an emphasis on digitalization in the Retail industry.

The war in Ukraine is a significant factor that makes us accelerate our development in markets outside Bulgaria in order to diversify.

**New contracts during H1 2022:**

- The contracts we signed in the last quarter of 2021 are already being implemented. They are long-term and include maintenance and development.



- Our current customers continue to be active with orders for new features to their current solutions, in order to sell more to end customers.

- In the first quarter of 2022 we signed a new contract with a large company to which we provide IT expertise

#### Perspectives and forecasts for 2022

- We expect to attract several new clients, currently negotiating with them, as well as to develop our current partnerships with additional features, integrations and expert advice.

Positive business development is expected to continue in 2022, because Covid-19 continues to force large companies to digitize their processes, which preserves the interest in online sales, ie. the search for B2B and B2C solutions to generate direct sales with integrations to ERPs, virtual POSs,

logistics solutions and others. The forced (Covid-19) digitalization of companies changed their habits and processes in their organizations, requiring constant development and support of their new activities. All this has a positive effect on both the sector and us as a company.

In 2022, we expect revenue growth to remain in the range of 20-35% compared to the previous year. The forecast for positive development in 2022. is based on long-term - current contracts that are in progress and development.

- eCommerce digitalization services: unification of sales, analysis, loyalty modules and implementation of marketing automation will continue to grow in 2022.

Increased interest in the development of additional sales channels (digital transformation), such as mobile applications, chatbots, real-time analysis, updates and migrations of sales platforms

## FINANCIAL RESULTS

	30.6.2022	30.6.2021/ 31.12.2021	Change BGN '000	Change %
Revenues	956	416	540	129,81%
EBITDA	135	61	74	121,31%
Depreciation	(1)	(1)	-	-
Net Result	133	58	75	129,31%
EBITDA margin	14,12%	14,66%	(0,54%)	(3,70%)
Net Profit margin	13,91%	13,94%	(0,03%)	(0,22%)
Sales per share	3,1867	1,3867	1,80	129,81%
EPS	0,4433	0,1933	0,25	129,31%
ROE	0,8750	3,0526	(2,18)	(71,34%)
Total Assets	504	388	116	29,90%
Book value	30	30	-	-
Equity	122	(11)	133	n/a
Total Liabilities	152	19	133	700%
ROA	352	369	(17)	(4,61%)

## 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 2022

In 2022, the demand for remote patient monitoring services and the use of mobile applications across the healthcare sector is expected to increase sharply as a result of the new requirements created during the COVID-19 pandemic. Both physicians and patients are already openly accepting the use of mobile and software solutions as a reliable substitute for outdated physical practice practices.

In this rapidly changing environment, the two main products of Sirma Medical Systems are well positioned in the market and have the capacity for medium and long-term development through precise targeting of marketing efforts. The target markets in which the company will seek realization in 2022 have been defined. For Diabetes: M, the

priority is the activities in the United Kingdom and Bulgaria, with an additional main focus Germany, with a favorable development of the application for DIGA. For Medrec: M, the implementation efforts in Bulgaria are a priority, with an additional focus on the United Kingdom.

Sirma Medical Systems continues to develop its products in its two main areas - for self-monitoring and remote monitoring of diabetes and telemedicine.

In April, Sirma Medical Systems took part in the 15th scientific conference "Advanced Technologies & Treatments for Diabetes" in Barcelona, Spain. During the forum, the latest treatment methods were discussed of diabetic conditions and ways to improve the quality of life of people suffering from the disease. The exhibition and panel



discussions brought together more than 4,000 researchers, scientists, technology companies, patients and physicians from around the world to exchange ideas and plans for improved diabetes care.

During this reporting period the first official meeting was organized on the board of the medical consultants of the company - Assoc. Prof. Dr. Radka Savova, Dr. Ivan-Asen Shishmanov and Dr. Tanya Andreeva. The planned activities for the upcoming year were specified at the meeting. Regular quarterly meetings are planned to discuss in detail the functionalities of the products, the feedback from patients with whom specialists work, as well as the need for new functionalities to provide services to patients of the highest class and leading international health standards.

During the first quarter, various online activities were implemented in order to promote the products. The realization of live videos and webinars with the participation of popular medical specialists from various fields continues, as well as the publication of information articles in the blogs of the products, as well as partnerships with popular Bulgarian media for publishing materials.

Following the plan for automation of the company's marketing activities, the foundations were laid for a new system for e-mail communication with the existing over 200 000 users of Diabetes: M. The channels for application support were also optimized by centralizing all communication sources at one point. In January, a full SEO analysis of the company's websites was made and optimization of the available technological solutions was realized.

#### **Business development in H1 2022 and realization of investment intentions**

In March, a contract was signed with Dr. Kalchev Medical Center for the use of Medrec: M - the platform for telemedicine and digital clinic for medical professionals, with the help of which medical professionals from Dr. Kalchev Medical Center to perform online examinations of their patients at home and abroad. The first examinations are expected to start on 1 May 2022.

Negotiations are under way to integrate the Diabetes: M platform with the large online pharmacy network in England.

In June, a contract was signed with Heinrich-Heine-Universität Düsseldorf (Heinrich-Heine-Universität Düsseldorf) to use Diabetes:M – a diabetes management platform for patients and healthcare professionals. The project includes monitoring of the diabetic condition of over 100 children by medical specialists from several large hospitals in Bosnia and Herzegovina and has a duration of 6 months.

Throughout the period, planning and clarification of the issues for the inclusion of the Diabetes: M platform in the list of DiGA digital healthcare applications approved by the German government continued.

#### **Perspectives and forecasts for 2022**

Revenues are expected to increase on an annual basis compared to 2021. There is an increased investment interest in all products of the company. Sirma Medical Systems is working to successfully position and increase sales of its products, in which it has invested in recent years.

It is expected that 3 more contracts will be signed with medical specialists in the field of pulmonology and allergology, which are completely new directions in the development of the product.

Sirma Medical Systems is expected to be ISO 27001 certified.

The application and approval procedure for the Diabetes: M platform is expected to be completed by the end of the year in the list of digital healthcare applications approved by the German government - DiGA.

The application and certification procedure for the Diabetes: M platform as one of the applications for digital healthcare in England - ORCHA is expected to be completed by the end of the year.

A clinical trial of the Diabetes: M platform on the medical effect and improvement of patients' quality of life through the application is expected by the end of the year.



**FINANCIAL RESULTS**

	<b>30.6.2022</b>	<b>30.6.2021/ 31.12.2021</b>	<b>Change BGN '000</b>	<b>Change %</b>
Revenues	120	171	(51)	(29,82%)
EBITDA	7	66	(59)	n/a
Depreciation	(24)	(27)	3	(11,11%)
Net Result	(34)	24	(58)	n/a
EBITDA margin	5,83%	38,60%	(32,76%)	(84,89%)
Net Profit margin	(28,33%)	14,04%	(42,37%)	n/a
Sales per share	0,4000	0,5700	(0,17)	(29,82%)
EPS	(0,1133)	0,0800	(0,19)	n/a
ROE	(0,6538)	0,2759	(0,93)	n/a
Total Assets	1 389	1 408	(19)	(1,35%)
Intangibles	1 252	1 131	121	10,70%
Book value	(1 200)	(1 044)	(156)	14,94%
Equity	52	87	(35)	(40,23%)
Total Liabilities	1 337	1 321	16	1,21%
Interest bearing	250	250	-	-
D/E	4,81	2,87	2	67,31%
ROA	(0,0245)	0,0170	(0,042)	n/a



## SCIANT

- **Sciانت is a subsidiary of Sirma Group Holding JSC**
- **Capital: BGN 250 000. Sirma Group Holding owns 80% of the capital.**

Sciانت has been part of Sirma Group since November 2021, with the main goal to concentrate in itself the technological and business knowledge of Sirma Group, related to the development and export of software products and services specialized in the following industries: Hospitality, Logistics and Transport, Finance and Banking.

### Conditions for business development in 2022

Sciانت provides software services in the following industries: Hospitality, Logistics and Transport, Finance and Banking. In 2021 there was a strong post-Covid return of customers from the Hospitality. The other two industries continued to stand firm in the market, with Logistics and Transport growing significantly, driven by global trends.

The company works with clients from the United States, Singapore, Australia, China and the European Union.

The company provides software services to customers in the industries in which it specializes. The services have added value with the fact that the company's software engineers also have knowledge of the respective industry. Combined with the presence of consultants and business analysts, this leads to attracting customers from a higher segment of the market. The rights to the developed software are owned entirely by the Company's customers.

Sciانت also provides services for maintenance of integration adapters through a developed system for semi-automated maintenance. The support is with monthly subscription contracts.

Although smaller, the company also works with Bulgarian companies. For them he performs development, maintenance, optimization of web sites; development of internal platforms for management of various processes; project management.

### Regional and international factors affecting the company's business

The company is export oriented and has no business in Bulgaria. The regional factor that influences is the labor market.

The main international factor is the war in Ukraine. There is no influence of this factor on the company's business. Customers from Hospitality, Logistics and Transport, Finance and Banking continue to increase their orders. The company manages to add new customers and new business.

In 2022, Sciانت continued to fulfill its strategic goals:

- Attracting new customers in Western Europe, North America and Bulgaria.
- New clients from the existing verticals have been attracted: Hospitality, Logistics and Transport, Finance and Banking.
- Increase in the number of staff by 8% in H1 2022. The increase is within the planned 30% increase in staff for 2022.
- Building new integrations into systems and products of external companies, established in the respective industry.
- Continue to build its own system for support of Integrated Adapters Managed Integration Services (MIS).
- The company continues to rely on a stable and sustainable sales model of software development services and services for maintenance of integration adapters.

### New clients:

In 2022 the company signed new contracts with Walle AG, Atomize AB, Centelli Ltd, Impala Travel Technology Ltd, BRUIT Radisson Hospitality Belgium BV/SRL, Quincus, Red 61, Advantage Route Systems, Shift4 Payments, LLC, Northwind, Inc., Right Revenue Ltd, Sysdat Turismo Srl, Neuhouse, Firstclassset Inc., Warner Leisure Hotels, Control Rooms, Cypher Hospitality, Duetto, InHovate Solutions.

### Important events:

- Successfully continues the process of BOT (Build-Operate-Transfer) with Re Solutions Shpk, based in Tirana, Albania. It is planned to merge Re Solutions Shpk with the Company and structure it as a new office in Albania.

### Solved and unresolved issues in the implementation of the business plan for 2022

The company exceeded the plan for H1 2022 by 20%. A major factor in business growth is the recovery in the global economy. The main limiting factor for growth at the moment is the situation on the labor market. The company manages to hire and train new employees more successfully than competing companies, but nevertheless the speed of hiring new employees is lower than the speed of sales. To address this issue, the Company plans to open a new office in Tirana, Albania and other non-EU countries.

### Perspectives and forecasts for 2022

The company plans to increase the number of employees by 30%. The company plans to increase revenues in 2022 by over 10%. Revenues may increase more, and this additional impact could be due to the continuing post-Covid economic recovery and rising inflation.



**FINANCIAL RESULTS**

	<b>30.6.2022</b>	<b>30.6.2021/ 31.12.2021</b>	<b>Изменение BGN '000</b>	<b>Изменение %</b>
Revenues*	6 658	4 217	2 441	57,88%
EBITDA	1 665	707	958	135,50%
Depreciation	(159)	(87)	(72)	82,76%
Net Result	1 506	620	886	142,90%
EBITDA margin	25,01%	16,77%	8,24%	49,16%
Net Profit margin	22,62%	14,70%	7,92%	53,85%
Sales per share	0,1882	0,1192	0,07	57,88%
EPS	0,0426	0,0175	0,025	142,90%
ROE	0,6814	0,3212	0,360	112,13%
Total Assets	3 994	2 360	1 634	69,24%
Book value*	2 210	1 930	280	14,51%
Equity	2 210	1 930	280	14,51%
Total Liabilities	1 784	430	1 354	314,88%
Interest bearing	59	-	59	n/a
D/E	0,0267	0	0,027	n/a
ROA	0,3771	0,2627	0,1144	43,53%

**SIRMA GROUP HOLDING – INDIVIDUAL FINANCIAL RESULTS**

	<b>30.6.2022</b>	<b>30.6.2021/ 31.12.2021</b>	<b>Change BGN '000</b>	<b>Change %</b>
Revenues*	2 859	2 061	798	38,72%
EBITDA	1 499	878	621	70,73%
Depreciation	(300)	(273)	(27)	9,89%
Net Result	998	461	537	116,49%
EBITDA margin	52,43%	42,60%	9,83%	23,08%
Net Profit margin	34,91%	22,37%	12,54%	56,06%
Sales per share	0,0482	0,0347	0,01	38,72%
EPS	0,0168	0,0078	0,01	116,49%
ROE	0,0134	0,0062	0,01	116,56%
Total Assets	106 880	106 561	319	0,30%
Intangibles	9 503	9 664	(161)	(1,67%)
Book value	64 947	64 812	135	0,21%
Equity	74 450	74 476	(26)	(0,03%)
Total Liabilities	32 430	32 085	345	1,08%
Interest bearing	18 056	15 990	2 066	12,92%
D/E	0,2425	0,2147	0,03	12,96%
ROA	0,0093	0,0043	0,005	115,84%

\* 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, Sirma Group Inc. and Sciant

#### FINANCIAL RESULTS OF THE SEGMENT

	30.6.2022 BGN'000	30.6.2021 BGN'000
Revenue from:		
- external customers	23 436	16 114
<b>Segment revenues</b>	<b>23 436</b>	<b>16 114</b>
Changes in finished goods and work in progress	97	129
Cost of materials	(577)	(1 669)
Hired services expenses	(4 601)	(2 446)
Employee benefits expense	(12 655)	(7 199)
Depreciation and amortisation of non-financial assets	(3 123)	(1 997)
Other expenses	(457)	(212)
<b>Segment operating profit</b>	<b>2 120</b>	<b>2 720</b>

In H1 2022 the revenues of the segment increased by 45,44%, and operating profit decreased by 22,06% or BGN 600 thousand compared to H1 2021.

#### 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., Sirma Group Inc. and Sciant

#### FINANCIAL RESULTS OF THE SEGMENT

	30.6.2022 BGN'000	30.6.2021 BGN'000
Revenue from:		
- external customers	4 825	4 834
<b>Segment revenues</b>	<b>4 825</b>	<b>4 834</b>
Cost of materials	(28)	(16)
Hired services expenses	(340)	(1 103)
Employee benefits expense	(3 379)	(2 354)
Depreciation and amortisation of non-financial assets	(189)	(221)
Other expenses	(25)	(37)
<b>Segment operating profit</b>	<b>864</b>	<b>1 103</b>

In H1 2022 the operating profit of the segment decreased by 21,67% or BGN 239 thousand compared to H1 2021.



## Segment SYSTEM INTEGRATION

COMPANIES OF SIRMA GROUP OPERATING IN THE SEGMENT ARE: SIRMA SOLUTIONS

### FINANCIAL RESULTS OF THE SEGMENT

	30.6.2022 BGN'000	30.6.2021 BGN'000
Revenue from:		
- external customers	11 998	9 792
<b>Segment revenues</b>	<b>11 998</b>	<b>9 792</b>
Cost of materials	(10 378)	(7 569)
Hired services expenses	(946)	(617)
Employee benefits expense	(376)	(286)
Depreciation and amortisation of non-financial assets	(26)	(27)
Other expenses	(6)	(1)
<b>Segment operating profit</b>	<b>266</b>	<b>1 292</b>

In H1 2022 operating profit of the segment decreased by 79,41% or BGN 1 026 thousand compared to H1 2021.

## 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	30.6.2022 BGN '000	30.6.2021 BGN '000	Change BGN '000	Change %
Australia	121	58	63	108,62%
Asia	844	264	580	219,70%
Africa	-	11	(11)	(100%)
Europe	24 227	16 298	7 929	48,65%
United Kingdom	6 065	3 275	2 790	85,19%
South America	112	72	40	55,56%
North America	8 890	10 762	(1 872)	(17,39%)
<b>Total</b>	<b>40 259</b>	<b>30 740</b>	<b>9 519</b>	<b>30,97%</b>



## 9 CONSOLIDATED FINANCIAL RESULTS

### CONSOLIDATED REVENUES

Consolidated revenues in H1 2022 includes:

	30.06.2022	30.06.2021	Change	Change
	BGN '000	BGN '000	BGN '000	%
Revenue from contracts with customers	39 221	29 876	9 345	31,28%
Revenue from financing	718	629	89	14,15%
Gain on sale of non-current assets	4	14	(10)	(71,43%)
Income from sale of investments	-	7	(7)	(100%)
Other income	316	214	102	47,66%
<b>Total</b>	<b>40 259</b>	<b>30 740</b>	<b>9 519</b>	<b>30,97%</b>

Consolidated revenues in H1 2022 increased by 31,38% or BGN 4 799 thousand compared to H1 2021 .

Consolidated revenue by product line includes:

	30.06.2022	30.06.2021	Change	Change
	BGN '000	BGN '000	BGN '000	%
Software services	17 991	12 182	5 809	47,69%
Sale of IT equipment	11 097	8 912	2 185	24,52%
Licenses	3 228	2 725	503	18,46%
Subscriptions	2 370	2 270	100	4,41%
Consulting services	1 579	739	840	113,67%
System integration	642	646	(4)	(0,62%)
Cloud services	400	501	(101)	(20,16%)
Others	1 914	1 901	13	0,68%
<b>Total</b>	<b>39 221</b>	<b>29 876</b>	<b>9 345</b>	<b>31,28%</b>

### CONSOLIDATED EXPENSES

	30.06.2022	30.06.2021	Change
	BGN '000	BGN '000	(BGN '000,%)
Cost of materials	(1 019)	(1 687)	668
<i>Change in %</i>			(39,60%)
Hired services expenses	(5 903)	(4 252)	(1 651)
<i>Change in %</i>			38,83%
Employee benefits expense	(17 745)	(11 272)	(6 473)
<i>Change in %</i>			57,43%
Depreciation and amortisation of non-financial assets	(3 338)	(2 262)	(1 076)
<i>Change in %</i>			47,57%
Capitalized own expenses	1 351	1 536	(185)
<i>Change in %</i>			(12,04%)
Cost of goods sold and other current assets	(9 964)	(7 567)	(2 397)
<i>Change in %</i>			31,68%
Changes in finished goods and work in progress	97	129	(32)
<i>Change in %</i>			(24,81%)
Other expenses	(488)	(250)	(238)
<i>Change in %</i>			95,20%
<b>Total expenses</b>	<b>(37 009)</b>	<b>(25 625)</b>	<b>(11 384)</b>
<b><i>Change in %</i></b>			<b>44,43%</b>

In H1 2022 consolidated operating expenses increased by BGN 11 384 thousand or by 44,43 % compared to H1 2021.



## CONSOLIDATED FINANCIAL INCOME / COSTS (NET)

	30.6.2022	30.6.2021	Change	Change
	BGN '000	BGN '000	BGN '000	%
Financial costs	(307)	(206)	(101)	49,03%
Financial income	646	128	518	404,69%
<b>Financial income / costs (net)</b>	<b>339</b>	<b>(78)</b>	<b>417</b>	<b>n/a</b>

Consolidated financial costs increased by BGN 84 thousand or by 89,36% in H1 2022, mainly due to the increase in Interest expenses on foreign exchange operations. Consolidated financial income decreased by BGN 1 thousand or by 3,85%, mainly due to the decrease in Income from foreign exchange operations.

## CONSOLIDATED ASSETS

Consolidated assets posted an decrease of BGN 1 544 thousand or 0,94% in H1 2022. 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

	30.6.2022	31.12.2021	Change	Change
	BGN '000	BGN '000	BGN '000	%
Goodwill	31 104	31 104	-	-
Property, plant and equipment	10 531	11 080	(549)	(4,95%)
Intangible assets	89 278	86 724	2 554	2,94%
Long - term financial assets	841	841	-	-
Long - term receivables	-	426	(426)	(100%)
Deferred tax assets	311	259	52	20,08%
<b>Total non-current assets</b>	<b>132 065</b>	<b>130 434</b>	<b>1 631</b>	<b>1,25%</b>

Non-current assets increased by BGN 1 631 thousand or by 1,25% in H1 2022.

### CURRENT ASSETS

	30.6.2022	31.12.2021	Change	Change
	BGN '000	BGN '000	BGN '000	%
Inventory	638	2 808	(2 170)	(77,28%)
Trade and other financial receivables	17 543	17 161	382	2,23%
Prepayments and other assets	3 309	1 959	1 350	68,91%
Related party receivables	449	622	(173)	(27,81%)
Income tax receivables	-	103	(103)	(100%)
Loans given	59	59	-	-
Cash and cash equivalents	8 892	11 353	(2 461)	(21,68%)
<b>Total current assets</b>	<b>30 890</b>	<b>34 065</b>	<b>(3 175)</b>	<b>(9,32%)</b>

Current assets decreased by BGN 3 175 thousand or by 9,32 % in H1 2022.



## EQUITY

	<b>30.6.2022</b>	<b>31.12.2021</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>(BGN '000,%)</b>
Share Capital	59 361	59 361	-
<i>Change</i>			-
Purchased own shares	(104)	(1 304)	1 200
<i>Change</i>			(92,02%)
Reserves	7 090	6 821	269
<i>Change</i>			3,94%
Retained earnings	31 077	29 733	1 344
<i>Change</i>			4,52%
Equity attributable to the owners of the parent	97 424	94 661	2 763
<i>Change</i>			2,92%
Non-controlling interest	19 573	18 287	1 286
<i>Change</i>			7,03%
<b>Total</b>	<b>116 997</b>	<b>112 898</b>	<b>4 099</b>
<b><i>Change</i></b>			<b>3,63%</b>

Equity in H1 2022 increased by BGN 4 099 thousand or by 3,63 %.

## CONSOLIDATED LIABILITIES

Consolidated liabilities decreased by 5 643 BGN thousand or 10,94% in H1 2021.

### NON-CURRENT LIABILITIES

	<b>30.6.2022</b>	<b>31.12.2021</b>	<b>Change</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>
Pension and other employee obligations	432	356	76	21,35%
Long-term borrowings	14 670	13 288	1 382	10,40%
Long-term lease liabilities	1 998	2 213	(215)	(9,72%)
Deferred tax liabilities	-	45	(45)	(100%)
Other non-current liabilities	404	-	404	n/a
<b>Total non-current liabilities</b>	<b>17 504</b>	<b>15 902</b>	<b>1 602</b>	<b>10,07%</b>

Non-current liabilities increased by BGN 1 602 thousand or by 10,07% in H1 2022.



## LONG-TERM AND SHORT-TERM BANK LOANS

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit (BGN)	Remaining obligation to 30.06.2022 (BGN)	Date of making the loan	Interest rate	The amount of monthly installment (BGN)	End date of the contract	Collateral
<b>Loans in which the Issuer is a debtor</b>										
Sirma Group Holding JSC	Eurobank Bulgaria	Overdraft	BGN	4 200 000	3 964 744	21.7.2016	Base + 0.7 points, but not less than 1.7% per year		31.12.2022	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	United Bulgarian Bank	Investment	BGN	10 475 000	5 237 600	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	174 580	20.12.2024	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
Sirma Group Holding JSC	United Bulgarian Bank	Investment	EUR	2 933 745	2 762 610	12.11.2021	3M EURIBOR + 1.3%, but no less than 1.3% per year	24 448	11.12.2031	Pledge of receivables, pledge of real estate
Sirma Group Holding JSC	United Bulgarian Bank	Investment	EUR	6 391 652	5 926 165	12.11.2021	3M EURIBOR + 1.2%, but no less than 1.3% per year	66 498	11.12.2029	Pledge of receivables, pledge of commercial enterprises, pledge of real estate



## Loans for which the Issuer is a guarantor

Sirma Solutions	United Bulgarian Bank	Overdraft	BGN	4 000 000	4 000 000	28.10.2020	RIR + 1.4%, but no less than 1.34% per year	20.09.2025	Pledge of receivables
Sirma Solutions	United Bulgarian Bank	Overdraft	BGN	4 025 000	332 281	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	20.12.2025	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
Sirma AI	United Bulgarian Bank	Overdraft	EUR	1 449 270	-	15.08.2019	1 m. EURIBOR + 1.4% (but not less than 1.4%)	20.09.2022	Second in a row pledge on Sirma AI; Second pledge of his shares; A second pledge of current and future receivables totaling EUR 741 thousand; Pledge on receivables on all accounts of the borrower in UBB in the amount of EUR 741 thousand.
Sirma AI	United Bulgarian Bank	Overdraft	EUR	5 867 490	5 705 287	15.08.2019	1 m. EURIBOR + 1.4% (but not less than 1.4%)	20.09.2022	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 Medical Systems	Unicredit Bulbank	Bank revolving credit	BGN	250 000	250 000	15.12.2020	ODI+1.3%, but no less than 1.3% annually	15.12.2023	Pledge of receivables



## Other loans and deposits provided by "Sirma Group Holding" JSC and its subsidiaries:

Lender	Recipient	United identification code	Relationships	Type	Currency	Liability as of 30.06.2022 (BGN '000)	Date of contract/ last annex	Interest rate %	Term of contract	Pledges
Sirma Group Holding	Sirma Medical Systems	204054855	Subsidiary	Loan	BGN	858	31.01.2017 31.01.2021	1.30	31.12.2022	No pledges
Sirma Group Holding	Sirma CI	205364846	Subsidiary	Loan	BGN	63	02.01.2019, 31.01.2021	1.3	31.12.2022	No pledges
Sirma Group Holding	Sirma ISG	201580558	Company under common control	Loan	BGN	188	26.04.2017	1.3, 2.8, 6.5	31.12.2022	No pledges
Sirma Group Holding	Sirma ICS	203940550	Company under common control	Loan	BGN	118	23.01.2017, 31.01.2021	1.3	31.12.2022	No pledges
Sirma Group Holding	Pirina Technologies	175149906	Company under common control	Loan	BGN	295	10.01.2022	2	31.12.2022	No pledges
Sirma Group Holding	*Individual SS		Non related party	Loan	BGN	546	19.09.2017 20.10.2017	3	31.12.2023	No pledges
Sirma Solutions	Sirma ISG	201580558	Subsidiary	Loan	BGN	107	12.12.2016	5	31.12.2022	No pledges
Sirma Solutions	Sirma Group Holding	200101236	Parent company	Deposit	BGN	3 501	29.10.2020	Bank charges incurred	31.12.2022	No pledges
Sirma Solutions	Sirma Group Holding	200101236	Parent company	Loan	BGN	84	30.03.2022	1.3	30.03.2023	No pledges
Sirma Solutions	*Individual T.A.		Related party	Loan	BGN	31	10.12.2021	2.5	12.04.2023	No pledges
Sirma Solutions	*Individual S.S.		Non related party	Loan	BGN	150	27.06.2017 20.09.2017	3	31.12.2023	No pledges
Sirma Solutions	*Individual S.S.		Non related party	Loan	BGN	133	31.05.2022	2	31.12.2022	No pledges
Sirma Solutions	*Individual B.I.		Related party	Loan	BGN	15	13.05.2021	2.5	31.12.2022	No pledges
Sirma AI	Sirma Group Holding	200101236	Parent company	Deposit	BGN	5 867	01.02.2020	Bank charges incurred	31.12.2023	No pledges
Sirma AI	Sirma Group Holding	200101236	Parent company	Deposit	BGN	312	01.02.2020	0.1	31.12.2023	No pledges
Sirma AI	Ontotext	200356710	Subsidiary	Loan	BGN	8	04.01.2019	1.75	31.12.2022	No pledges
EngView Systems Sofia	Sirma Group Holding	200101236	Parent company	Loan	BGN	750	30.03.2022	1.3	30.03.2023	No pledges
Sciant	Re Solutions Sh.p.k.		Foreign company Non related company	Loan	EUR	59	10.05.2021	3	15.12.2022	No pledges
Daticum	Sirma Group Holding	200101236	Company under common control	Deposit	BGN	514	04.01.2009	0.1	31.12.2022	No pledges
Worklogic Canada	Sirma Group Inc		Foreign company Non related company	Loan	USD	82	31.07.2017	0.01	31.12.2022	No pledges



**Other loans and deposits received from Sirma Group Holding and its subsidiaries:**

Recipient	Lender	United identification code	Relationships	Type	Currency	Liability as of 30.06.2022 (BGN '000)	Date of contract/ last annex	Interest rate %	Term of contract	Pledges
Sirma Medical Systems	Sirma Group Holding	200101236	Parent company	Loan	BGN	944	31.01.2017 31.01.2021	1.30	31.12.2022	No pledges
Sirma CI	Sirma Group Holding	200101236	Parent company	Loan	BGN	44	02.01.2019 31.01.2021	1.3	31.12.2022	No pledges
Sirma Group Holding	Sirma Solutions	040529004	Subsidiary	Loan	BGN	84	30.03.2022	1.3	30.03.2023	No pledges
Sirma Group Holding	EngView Systems Sofia	201277917	Subsidiary	Loan	BGN	750	30.03.2022	1.3	30.03.2023	No pledges
Sirma Group Holding	Sirma Solutions	040529004	Subsidiary	Deposit	BGN	3 501	29.10.2020	Bank charges incurred	31.12.2022	No pledges
Sirma Group Holding	Sirma AI	200421236	Subsidiary	Deposit	BGN	5 867	01.02.2020	Bank charges incurred	31.12.2023	No pledges
Sirma Group Holding	Sirma AI	200421236	Subsidiary	Deposit	BGN	312	01.02.2020	0,001	31.12.2023	No pledges
Ototext	Sirma AI	200421236	Company under common control	Loan	BGN	8	04.01.2019	0,0175	31.12.2022	No pledges
Sirma Group Holding	Daticum	200558943	Company under common control	Deposit	BGN	514	04.01.2009	0,001	31.12.2022	No pledges
Sirma Group Inc	Worklogic Canada	Foreign company	Non related company	Loan	USD	82	31.07.2017	0,0001	31.12.2022	No pledges

\*The Issuer has disclosed only the initials of the individuals to whom it has granted loans, in compliance with the provisions of the Personal Data Protection Act and the General Regulation on Data Protection (Regulation (EU) 2016/679, GDPR).



**CURRENT LIABILITIES**

	<b>30.6.2022</b>	<b>31.12.2021</b>	<b>Change</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>
Provisions	22	22	-	-
Pension and other employee obligations	4 291	3 783	508	13,43%
Short-term borrowings	12 835	16 274	(3 439)	(21,13%)
Short-term lease liabilities	704	829	(125)	(15,08%)
Trade and other payables	5 691	5 124	567	11,07%
Short-term related party payables	2 860	5 199	(2 339)	(44,99%)
Contract liabilities	1 919	4 303	(2 384)	(55,40%)
Tax liabilities	132	165	(33)	(20%)
<b>Total current liabilities</b>	<b>28 454</b>	<b>35 699</b>	<b>(7 245)</b>	<b>(20,29%)</b>

Current liabilities increased by BGN 7 245 thousand or 20,29% in H1 2022.

**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**

	<b>30.6.2022</b>	<b>30.6.2021</b>	<b>Change</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>
Net cash flow from operating activities	7 597	1 607	5 990	372,74%
Net cash flow from investing activities	(7 455)	(2 158)	(5 297)	245,46%
Net cash flow from financing activities	(2 647)	(2 814)	167	(5,93%)
Net change in cash and cash equivalents	(2 505)	(3 365)	860	(25,56%)
Cash and cash equivalents at the beginning of the year	11 353	12 549	(1 196)	(9,53%)
Exchange gains/(losses) on cash and cash equivalents	44	(6)	50	n/a
Cash and cash equivalents at the end of the year	8 892	9 178	(286)	(3,12%)



## INDICATORS AND RATIOS

№	Indicators (in BGN '000)	30.6.2022	30.6.2021/ 31.12.2021	Change	Change
				(value)	%
1	Revenue from operating activities	40 259	30 740	9 519	30,97%
2	Cost of sales	(36 521)	(25 375)	(11 146)	43,93%
3	Gross profit / loss	3 738	5 365	(1 627)	(30,33%)
4	Other operating costs	( 488)	( 250)	( 238)	95,20%
5	Operating profit / loss	3 250	5 115	(1 865)	(36,46%)
6	Financial income	646	128	518	404,69%
7	Financial costs	( 307)	( 206)	( 101)	49,03%
8	Profit / loss before tax expense	3 589	5 037	(1 448)	(28,75%)
9	Tax costs	-	-	-	n/a
10	Net profit / loss	3 589	5 037	(1 448)	(28,75%)
11	Dividend	-	-	-	n/a
12	Cash and cash equivalents	8 892	11 353	(2 461)	(21,68%)
13	Inventories	638	2 808	(2 170)	(77,28%)
14	Short-term assets	30 890	34 065	(3 175)	(9,32%)
15	Total amount of assets	162 955	164 499	(1 544)	(0,94%)
16	Average arithmetic total asset value for 5 quarters	153 660	154 432	( 772)	(0,50%)
17	Current liabilities	28 454	35 699	(7 245)	(20,29%)
18	Debt	30 207	32 604	(2 397)	(7,35%)
19	Liabilities (borrowed funds)	45 958	51 601	(5 643)	(10,94%)
20	Equity	116 997	112 898	4 099	3,63%
21	Equity averaged 5 quarters	113 547	111 498	2 050	1,84%
22	Turnover capital	2 436	(1 634)	4 070	(249,08%)
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	-
24	Gain / loss minority interest	742	1 457	( 715)	(49,07%)
25	Interest expenses	( 159)	( 111)	( 48)	43,24%
26	Weighted average price of last trading session	0,84	0,52	0,3200	61,54%
27	Last price per share of last trading session	0,84	0,52	0,3200	61,54%



Indicators	30.6.2022	30.6.2021/ 31.12.2021	Change	Change
			(value)	%
EBITDA	7 086	7 410	(324)	(4,37%)
DEPRECIATION	(3 338)	(2 262)	(1 076)	47,57%
EBIT	3 748	5 148	(1 400)	(27,20%)
FIN/INVEST NET	339	( 78)	417	(534,62%)
EBT	3 589	5 037	(1 448)	(28,75%)
ROA	0,0175	0,0218	(0,0043)	(19,72%)
ROA(BSE)	0,0185	0,0232	(0,0047)	(20,08%)
Debt/EBITDA Ratio	4,2629	4,4000	(0,1371)	(3,12%)
Quick Ratio	1,0632	0,8756	0,1876	21,43%
ROE	0,0316	0,0452	(0,01357)	(30,03%)
Debt/Equity Ratio (BSE)	0,3928	0,4571	(0,0642)	(14,06%)
<b>Profitability ratios</b>				
Gross profit margin	0,0928	0,1745	(0,0817)	(46,80%)
Operating profit margin	0,0807	0,1664	(0,0857)	(51,48%)
Net profit margin	0,0891	0,1639	(0,0747)	(45,59%)
Return on Assets	0,0234	0,0326	(0,0093)	(28,39%)
Return on Equity	0,0316	0,0452	(0,0136)	(30,03%)
<b>Coefficients for assets and liquidity</b>				
Assets turnover ratio	0,2662	0,1999	0,0663	33,18%
Assets turnover ratio (BSE)	0,2620	0,1991	0,0629	31,62%
Operating cycle	16,5267	(18,8127)	35,3394	(187,85%)
Current ratio	1,0856	0,9542	0,1314	13,77%
Quick ratio	1,0632	0,8756	0,1876	21,43%
Cash ratio	0,3125	0,3180	(0,0055)	(1,73%)
<b>Odds per share</b>				
P/S ratio	1,2386	1,0042	0,2344	23,34%
P/E ratio	13,8934	6,1282	7,7652	126,71%
Revenue per share	0,6782	0,5178	0,1604	30,97%
Earnings per share	0,0605	0,0849	(0,0244)	(28,75%)
Book value of equity per share	1,9128	1,8783	0,0345	1,84%
<b>Development Ratios</b>				
Revenue growth	0,3097	0,9061	(0,5965)	(65,83%)
Gross profit growth	(0,3033)	4,8126	(5,1158)	n/a
Assets growth	(0,0094)	0,3710	(0,3803)	n/a
<b>Leverage Ratios</b>				
Debt/total assets	0,1966	0,2111	(0,0145)	(6,89%)
Debt/capital	0,2101	0,2263	(0,0161)	(7,13%)
Debt/equity	0,2660	0,2924	(0,0264)	(9,02%)
Total assets/equity	1,3533	1,3851	(0,0318)	(2,30%)
Market value of the company	49 863	30 868	18 996	61,54%



## 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

	<b>30.06.2022</b>	<b>30.06.2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Sales of:		
- goods	174	318
- services	7 881	6 439
- others	16	1 087
Purchases of:		
- materials	103	591
- services	7 162	4 930
- others	47	3 864

### 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:

	<b>30.06.2022</b>	<b>30.06.2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Short-term employee benefits:		
Salaries	138	135
Social security costs	3	3
<b>Total remunerations</b>	<b>141</b>	<b>138</b>



## 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:

**30.06.2022**

Company	LC	CMC	Total
SIRMA SOLUTIONS	152	7	159
SCIANT	106	2	108
SIRMA AI	87	6	93
SIRMA BUSINESS CONSULTING	55	5	60
ENGVIEW SYSTEMS SOFIA	33	4	37
SIRMA GROUP HOLDING	20	6	26
SIRMA SHA, ALBANIA	14	3	17
S&G, UK	10	1	11
SIRMA ICS	9	1	10
DATICUM	8	5	13
SIRMA MEDICAL SYSTEMS	5	3	8
SIRMA CI	2	3	5
SIRMA GROUP INC., USA	1	1	2
ENGVIEW SYSTEMS GERMANY	-	1	1
ONTOTEXT	-	1	1
<b>Total</b>	<b>502</b>	<b>49</b>	<b>551</b>



**30.06.2021**

<b>Company</b>	<b>LC</b>	<b>CMC</b>	<b>Total</b>
SIRMA SOLUTIONS	121	7	128
SIRMA AI	75	6	81
SIRMA BUSINESS CONSULTING	60	5	65
ENGVIEW SYSTEMS SOFIA	36	4	40
SIRMA GROUP HOLDING	21	6	27
DATICUM	9	6	15
SIRMA ICS	8	1	9
SIRMA SHA, ALBANIA	6	3	9
SIRMA MEDICAL SYSTEMS	3	3	6
S&G, UK	5	1	6
SIRMA CI	2	1	3
SIRMA GROUP INC., USA	2	1	3
ONTOTEXT	-	1	1
<b>Total</b>	<b>348</b>	<b>45</b>	<b>393</b>

## 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 30 June 2022, 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:

<b>Financial assets</b>	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Financial assets at fair value through profit or loss:		
Long - term financial assets	841	841
Debt instruments measured at amortized cost		
Long-term receivables	-	426
Trade and other receivables	17 543	17 161
Related party receivables	449	622
Loand given	59	59
Cash and cash equivalents	8 892	11 353
	<b>26 943</b>	<b>29 621</b>
	<b>27 784</b>	<b>30 462</b>

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 30 June 2022, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

30 June 2022	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
	BGN'000	BGN'000	BGN'000
Borrowings	6 418	6 418	14 670
Finance lease obligations	352	352	1 997
Trade and other payables	5 691	-	-
Related party payables	1 919	-	-
<b>Total</b>	<b>14 380</b>	<b>6 770</b>	<b>16 667</b>

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

31 December 2021	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
	BGN'000	BGN'000	BGN'000
Borrowings	8 137	8 137	13 288
Finance lease obligations	429	428	2 269
Trade and other payables	4 367	-	-
Related party payables	5 199	-	-
<b>Total</b>	<b>18 138</b>	<b>8 565</b>	<b>15 557</b>

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 Group that have a significant impact on its operations and its realized revenues and expenses.



**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 GROUP.**

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

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

The Group 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  
REPORTING PERIOD AND EARLIER PUBLISHED PROJECTIONS FOR THESE  
RESULTS.**

The financial results of the Group 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 GROUP 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 FOR THE REPORTING PERIOD IN THE MAIN PRINCIPLES FOR THE MANAGEMENT OF THE GROUP.**

There were no changes during the reporting period in the Group 's main management principles.

## **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.

The interim consolidated financial statements have been prepared in accordance with the going concern principle, taking into account the possible effects of the continuing impact of the Covid-19 pandemic and the full-scale military invasion of Russia in Ukraine.

**During the reporting period, there have been no changes in the basic principles of management of Group.**

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

There were no changes during the current period.



**12.10 INFORMATION ABOUT THE KNOWN TO THE GROUP AGREEMENTS  
(INCLUDING ALSO AFTER THE CLOSING OF THE PERIOD) 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 Group has no information of agreements which may alter the owned percent of shares by current shareholders. The Group has not issued bonds.

**12.11 DETAILS OF THE DIRECTOR FOR RELATIONS 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

HISTORICAL DATA AND FINANCIAL RATIOS ▼

Weighted-Average Price  Closing Price

[1 month](#) [6 months](#) [1 year](#) 01.01.2022 « » 30.06.2022



Market Capitalisation: **48 485 671** BGN as of 06/30/2022

Start Price	0.4395	BGN	-	01.01.2022
Last Price	0.8168	BGN	-	30.06.2022
Max Price	0.8168	BGN	-	30.06.2022
Min Price	0.4006	BGN	-	25.01.2022
Percent Change	-	%	+85.8476	
Value Change	-	BGN	+0.3773	

ROA	0.01	ROA cons	0.03
ROE	0.02	ROE cons	0.05
ROA/EBIT	0.02	ROA/EBIT cons	0.05
ROE/EBIT	0.02	ROE/EBIT cons	0.06
Asset turnover	0.05	Asset turnover cons	0.45
Current ratio	0.24	Current ratio cons	0.93
D/A	0.31	D/A cons	0.29



## 14 EVENTS AFTER THE END OF THE REPORTING PERIOD

### *Dividend payment for 2021*

According to the decision of the General Shareholders' Meeting of „Sirma Group Holding“ JSC dated June 24, 2022, the company proceeds with the distribution of a cash dividend in the gross amount of BGN 0.0236 per share for 2021.

**ISIN:** BG1100032140

**Total amount of the dividend:** BGN 1 400 000

**Right to receive dividend:** According to the decision of the General Meeting of Shareholders, all shareholders of „Sirma Group Holding“ JSC as at 8 July 2022 have the right to receive a dividend (14 days after holding the meeting, according to Art. 115c, Para. 3 of the POSA), as they are entered in the Book of Shareholders at the Central Depository AD. Shares with a right to dividend: 59 275 672 (deducted 84 84 bought back shares).

**Dividend amount for one share:** gross BGN 0.0236 and net for individual shareholders BGN 0.0224.

**The bank through which the dividend will be paid** is the Sevlievo branch and the Central branches of United Bulgarian Bank AD (UBB AD), as indicated at any time in the List of central branches of UBB AD on the website of UBB AD [www.ubb.bg](http://www.ubb.bg), which can also be accessed at the following link: <https://www.ubb.bg/offices/central-offices>

**Start date for dividend payment:** August 08, 2022.

**End date for dividend payment:** February 2, 2023 (six months after the start date).

### *Acquisition of a majority stake in "TBI Info" AD*

On 05.07./2022, pursuant to a decision of the Board of Directors of "Sirma Group Holding" JSC, a majority stake in the shares of the IT company "TBI Info" AD and its subsidiary "HRM Solutions" AD was acquired. A transaction has the following parameters:

- Number of employees: "TBI Info" AD has over 40 employees;
- Revenues: over BGN 3 million for 2021;
- Specialization: IT in the insurance sector and human resources management;
- Size of the acquired share of the company: 55% (fifty-five out of one hundred) of the shares of the company "TBI Info" AD.

With this deal, "TBI Info" AD officially becomes a member of Sirma Group.

### **Complicated international situation**

The full-scale military invasion of Russia in Ukraine, which began on 24 February 2022, caused a wide international response and affected the countries of Europe in various aspects. The expectation is that the military conflict will have a negative impact and affect all businesses to one degree or another.

The escalation of hostilities between Russia and Ukraine, the imposition of sanctions and restrictions by the European Union, USA, Canada, Britain and other countries on Russia, the Russian Central Bank, credit institutions, companies, individuals and the closure of Russian stock exchanges, cause significant shocks, ubiquitous on financial markets. The Group has no direct exposure to Ukraine or Russia. However, the impact on the general economic situation may necessitate a revision of some assumptions and judgments. At the same time, inflationary pressures continue to increase, with military action and rising quotations on all commodities expected to increase further.

Systematic risks operate outside the Group, but have a key impact on its activities. These risks are specific to the whole market and cannot be avoided by diversifying the risk, as they are related to the macroeconomic situation, the political situation, regional development and others.



The economic sanctions imposed on Russia by USA and the European Union in connection with the military conflict are likely to have a direct impact on the Group's activities, in relation with the indirect effects of the effect on business and consumer confidence and commodity markets.

**Sofia**  
**29.08.2022**

  
**CEO:**  
**Tsvetan Alexiev**

