



**Sirma**

# Notes

to the Interim Consolidated  
Financial Statements  
of "Sirma Group Holding" JSC  
for Q3 2023

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## Notes to the interim consolidated financial statements

### 1. Scope of business activity

The parent company “Sirma Group Holding” JSC principal activities include acquisition, management, evaluation and sale of interest in Bulgaria and foreign entities; acquisition, evaluation and sale of patents, granting of licenses to use patents of the entities in which the company holds interests, financing the entities in which the company holds shares, organizing their accounting and compiling financial statements under the Law of Accounting. The Company may perform independent business activity that is not prohibited by law.

The company is registered as joint-stock company in 25.04.2008. It is registered in Bulgarian trade register under UIC 200101236.

The parent company’s registered office, which is also its principal place of business, is BULGARIA, Sofia (capital), Sofia municipality, city. Sofia, 1784, Mladost area, bul. Tsarigradsko Shosse, No 135.

The shares of the parent company are listed on the Bulgarian Stock Exchange.

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

The capital of the Company has changed as follows:

<b>Date</b>	<b>Amount of capital</b>
30.10.2015	BGN 59 360 518
23.10.2014	BGN 49 837 156
22.10.2010	BGN 73 340 818
15.10.2008	BGN 77 252 478
25.4.2008	BGN 50 000

The company's capital is fully paid.

the non-monetary contributions in the company's capital are presented below:

- Software representing 29 (twenty nine) software modules  
**Amount: 61 555 838 BGN**
- 81 960 ordinary registered shares of "Sirma Group" JSC registered in the Commercial Register under UIC 040529004.  
**Amount: 11 734 980 BGN**
- Real Estate - Floor 3 of an office building "IT - Center Office Express" in Sofia, bul. "Tsarigradsko Shosse" N 135 with an area of 796,50 square meters, pursuant to Deed of buying and selling real estate N 126, Volume I, reg. N 4551, case N 116 from 23.04.2003 and 5 floor of an office building "IT - center office Express" in Sofiabul. "Tsarigradsko Shosse" N 135 with area of 281.81 square meters, according to Deed of sale of real estate N 86, Volume 4, Reg. N 10237, Case N 592 of 23.12.2004  
**Amount: 3 911 660 BGN**

#### 1.1. Distribution of share capital

As of 30.09.2023 the distribution of the share capital of “Sirma Group Holding” JSC is as follows:

	30.09.2023	30.06.2023
Share capital	59 361	59 361
Number of shares (par value of 1.00 lev)	59 360 518	59 360 518
Total number of registered shareholders	1 043	1 057
Legal entities	39	40
Individuals	1 004	1 017
Number of shares held by legal entities	6 942 645	6 266 266
% Of participation of entities	11,70%	10,56%
Number of shares held by individuals	52 417 873	53 094 252
% Participation of individuals	88,30%	89,44%

Share capital allocation, including deduction of repurchased own shares is as follows:

Shareholders	Number of shares at 30.09.2023	Number of shares at 30.06.2023	Nominal VALUE (BGN)	Value (BGN)	% Share-holding	% of voting rights*
Georgi Parvanov Marinov	5 380 748	5 380 748	1	5 380 748	9,06%	9,32%
Tsvetan Borisov Alexiev	4 965 753	4 965 753	1	4 965 753	8,37%	8,60%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,23%
Veselin Antchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	8,14%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,48%
Ivo Petrov Petrov	3 531 992	4 013 920	1	3 531 992	5,95%	6,12%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,39%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,77%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,73%
Emiliana Ilieva Ilieva	1 985 209	1 985 209	1	1 985 209	3,34%	3,44%
Deyan Nikolov Nenov	1 790 748	1 790 748	1	1 790 748	3,02%	3,10%
Atanas Kostadinov Kiryakov	1 487 524	1 487 524	1	1 487 524	2,51%	2,58%
Yavor Liudmilov Djonev	1 292 746	1 292 746	1	1 292 746	2,18%	2,24%
Rosen Ivanov Marinov	1 265 795	1 265 795	1	1 265 795	2,13%	2,19%
Advance Invest	971 345	411 895		971 345	1,64%	1,68%
Peter Nikolaev Konyarov	872 803	872 803	1	872 803	1,47%	1,51%
Mandjukov Ltd.	860 000	860 000	1	860 000	1,45%	1,49%
UPF Doverie JSC	802 126	802 126	1	802 126	1,35%	1,39%
UPF DSK Rodina	747 036	747 036	1	747 036	1,26%	1,29%
Asen Krumov Nelchinov	641 349	641 349	1	641 349	1,08%	1,11%
Others	12 703 721	12 781 243	1	12 703 721	21,40%	19,22%
<b>Total</b>	<b>59 360 518</b>	<b>59 360 518</b>	<b>1</b>	<b>59 360 518</b>	<b>100%</b>	<b>100%</b>

\*Percentage of voting rights represents participation in the capital of the company net of the purchased own shares.

As of 30.09.2023 the total amount of repurchased own shares in the Group is 1 603 346 shares (2,70 % of share capital of “Sirma Group Holding” JSC) in the amount of BGN 1 589 295,50 distributed as follows:

- “Sirma Group Holding” JSC holds 1 570 407 (30.06.2022: 1 539 746) repurchased own shares at the total amount of BGN 1 570 407. On 25.01.2023 the company purchased 1 398 900 own shares at an average price of BGN 0,71 per share, for a total value of BGN 993 219. On 27.06.2023 “Sirma Group Holding” JSC bought back 50 000 of its shares at an average price of BGN 0,677638 per share at a total price of BGN 33 881,92. On 28.06.2023 “Sirma Group Holding” JSC bought back 6 000 of its shares at an average price of BGN 0,65 per share at a total price of BGN 3 900. On 03.08.2023 “Sirma Group Holding” JSC bought back 30 661 of its shares at an average price of BGN 0,70 per share at a total price of BGN 21 462,70.
- “SAI” AD (“Ontotext” AD) owns 550 shares of the parent company “Sirma Group Holding” JSC with total value of BGN 643,50. The company has no newly acquired shares during the reporting period.
- “Sirma Solutions” AD owns 32 389 shares of the parent company “Sirma Group Holding” JSC with total value of BGN 18 245. The company has no newly acquired shares during the reporting period.

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

<b>Shareholders</b>	<b>Number of shares at 30.09.2023</b>	<b>% Shareholding</b>	<b>% of voting rights</b>
Georgi Parvanov Marinov	5 380 748	9,06%	9,32%
Tsvetan Borisov Alexiev	4 965 753	8,37%	8,60%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,23%
Veselin Antchev Kirov	4 700 786	7,92%	8,14%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,48%
Ivo Petrov Petrov	3 531 992	5,95%	6,12%

<b>Shareholders</b>	<b>Number of shares at 30.06.2023</b>	<b>% Shareholding</b>	<b>% of voting rights</b>
Georgi Parvanov Marinov	5 380 748	9,06%	9,31%
Tsvetan Borisov Alexiev	4 965 753	8,37%	8,59%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,22%
Veselin Antchev Kirov	4 700 786	7,92%	8,13%
Ivo Petrov Petrov	4 013 920	6,76%	6,95%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,47%

## 1.2. Management authorities

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

The Board of Directors as of 30.09.2023 includes the following members:

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

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

The current mandate of the Board of Directors: 07.07.2024

The company is represented by the executive director - Tsvetan Borisov Alexiev.

The following Committees are established within the Board of Directors:

- Investment and Risk Committee;
- Remuneration Committee – an internal authority not selected by the GMS;
- Information Disclosure Committee;
- Audit Committee.



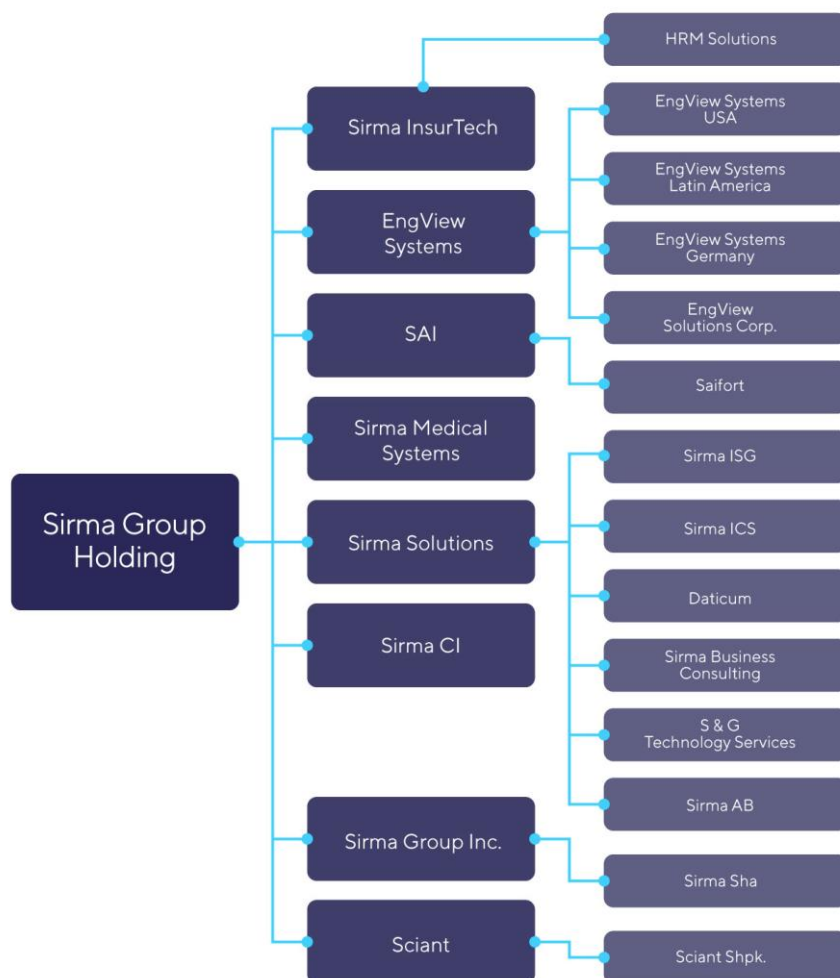
The participation of members of the Board of Directors in the capital of the Company is as follows:

Shareholders	Number of shares at 30.09.2023	Number of shares at 30.06.2023	Nominal value (BGN)	Value (BGN)	% Shareholding	% of voting rights
Georgi Parvanov Marinov	5 380 748	5 380 748	1	5 380 748	9,06%	9,32%
Tsvetan Borisov Alexiev	4 965 753	4 965 753	1	4 965 753	8,37%	8,60%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,23%
Veselin Anchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	8,14%
Atanas Kostadinov Kiryakov	1 487 524	1 487 524	1	1 487 524	2,51%	2,58%
Yavor Ludmilov Djonev	1 292 746	1 292 746	1	1 292 746	2,18%	2,24%
Martin Veselinov Paev	126 720	126 720	1	126 720	0,21%	0,22%
Yordan Stoyanov Nedev	3 433	3 433	1	3 433	0,01%	0,01%
Peyo Vasilev Popov	100	100	1	100	0,0002%	0,0002%
<b>Total</b>	<b>22 708 596</b>	<b>22 708 596</b>		<b>22 708 596</b>	<b>38,26%</b>	<b>39,32%</b>

During the period there were no changes in the participation of the members of the BD in the capital of the company.

**Organizational structure of Sirma Group:**

The structure of the Group includes “Sirma Group Holding” JSC as the parent company and the companies listed below, as follows:



The number of employees as at 30 September 2023 is 536 under labour contracts.

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

Information about the names, country of incorporation and percent of the shares and voting power of the subsidiaries, included in the consolidation, is provided in note 5.1.

## **2. Basis for the preparation of the interim consolidated financial statements**

The interim consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union (IFRS, as adopted by the EU). The term “IFRS, as adopted by the EU” has the meaning of paragraph 1, subparagraph 8 of the Additional provisions of Bulgarian Accountancy Act, which is International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council.

The consolidated financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the parent company. All amounts are presented in thousand Bulgarian leva (BGN'000) (including comparative information) unless otherwise stated.

Management is responsible for the preparation and fair presentation of the information in these interim consolidated financial statements.

The interim consolidated financial statements have been prepared in accordance with the going concern principle and taking into account the effects of the current macroeconomic situation and possible impacts in the short term.

The management has performed an analysis and assessment of the ability of the group to continue its activities as an operating enterprise based on the available information for the foreseeable future.

At the date of preparation of these interim consolidated financial statements, management has made an assessment of the Group's ability to continue as a going concern based on available information for the foreseeable future. After making enquiries, the management/ Board of directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim report and accounts.

## **3. Changes in accounting policies**

### **3.1. New standards, amendments and interpretations to existing standards that are effective for annual periods beginning on or after 1 January 2023**

The following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board, which are mandatory from the period beginning on 1 January 2023, but do not have a significant effect of their application on the financial result and financial condition of the Group:

- IFRS 17 “Insurance Contracts” effective from 1 January 2023, adopted by the EU
- Amendments IFRS 17 “Insurance Contracts” effective from 1 January 2023, adopted by the EU;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies effective from 1 January 2023, adopted by the EU
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates effective from 1 January 2023, adopted by the EU
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023, adopted by the EU
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information effective from 1 January 2023, adopted by the EU.

### **3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group**

As of the date of approval of these financial statements, new standards, amendments and interpretations to existing standards have been published, but have not entered into force or have not been adopted by the EU for the financial year beginning on 1 January 2023 and have not been

applied from an earlier date by the company. Management expects all standards and amendments to be adopted in the company's accounting policy in the first period beginning after the date of their entry into force.

Information about these standards and amendments that have an effect on the financial statements of the Group is presented below:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements effective from 1 January 2024, not yet adopted by the EU
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules effective from 1 January 2023, not yet adopted by the EU
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective from not earlier than 1 January 2024 not yet adopted by the EU;
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback effective not earlier than 1 January 2024 not yet adopted by the EU;
- IFRS 14 “Regulatory deferral accounts” effective from 1 January 2016, not adopted by the EU

#### **4. Summary of accounting policies**

##### **4.1. Overall considerations**

The significant accounting policies that have been used in the preparation of these interim consolidated financial statements are summarized below.

The interim consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used for the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

##### **4.2. Presentation of consolidated financial statements**

The interim consolidated financial statements are presented in accordance with IAS 1 “Presentation of Financial Statements”. The Group has elected to present the interim consolidated statement of profit or loss and other comprehensive income in one statement.

Two comparative periods are presented for the interim consolidated statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its consolidated financial statements, or reclassifies items in the consolidated financial statements and this has a material impact on the consolidated statement of financial position at the beginning of the preceding period.

In Q3 2023, one comparative period is presented because the Group do not reclassifies items in the interim consolidated financial statements.

##### **4.3. Basis of consolidation**

The Group's interim financial statements consolidate those of the parent company and all of its subsidiaries as of 30 September 2023. Subsidiaries are firms under the control of the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit and loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When the Group ceases to have control of a subsidiary, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value of any investment retained in the former subsidiary at the date of loss of control is considered to be the fair value on initial recognition of a financial asset in accordance with IFRS 9 “Financial Instruments” or, where appropriate, the cost of initial recognition of an investment in an associate or jointly controlled entity. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The profit or loss on disposal is calculated as the difference between i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and ii) the previous carrying amount of the assets including goodwill and liabilities of the subsidiary and any non-controlling interest.

#### **4.4. Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree that is present ownership interests and entitles their holders to a proportionate share of the entity's net assets in the event of liquidation either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair value of any identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if the interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period which cannot exceed one year from the acquisition date or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date and included as part of the consideration transferred in a business combination.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized in accordance with IFRS 9 “Financial Instruments” either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

#### **4.5. Transactions with non-controlling interest**

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are treated as transactions with equity owners of the Group. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the parent company.

#### **4.6. Investments in associates**

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method. The cost of the investment includes transaction costs.

Any goodwill or fair value adjustment attributable to the Group’s share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the Group’s share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within “Share of profit/ (loss) from equity accounted investments” in profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate’s equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a group perspective.

Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies of the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the sum of the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

#### **4.7. Climate-related matters**

Risks induced by climate changes may have future adverse effects on the Group’s business activities. These risks include physical risks (even if the risk of physical damage is low due to the company activities and geographical locations).

The Group is committed to reducing the carbon footprint of its employees by updating its business trip policies and minimising its use of air-freight travel. In addition, measures are taken to optimize fuel consumption for heating and transport, optimization of heating, ventilation, cooling systems, lighting, setting equipment (computers, air conditioners) to turn off automatically, stimulating the holding of meetings, discussions and distance learning, providing teleconferencing equipment to avoid frequent business trips and more.

Consistent with the prior year, as at 30 September 2023, the Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's financial statements. Management continuously assesses the impact of climate-related matters.

When determining the financial situation of the Group as of 30.09.2023, the climate related questions have been taken considered and taken into account when performing impairment tests and assessing the useful life of its non-current tangible and intangible assets and investment properties.

#### **4.8. Foreign currency translations**

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into BGN at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative currency differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into BGN at the closing rate.

Bulgarian lev is pegged to the euro at the exchange rate of 1 EUR = 1.95583 BGN.

#### **4.9. Segment reporting**

Management determines the operating segments based on the main products and services provided by the Group.

The operating segments in the group are the following: Intelligent Evolution of Enterprises, Financial segment and System Integration. Each of these operating segments is managed separately, as different technologies, resources and marketing approaches are used for each product line. All transactions between the segments are carried out at the prices of corresponding transactions between independent parties.

The measurement policies the Group uses for segment reporting under IFRS 8 “Operating Segments” are the same as those used in its consolidated financial statements, except that:

- post-employment benefit expenses;
  - R&D costs relating to new business activities; and
- which are not included in arriving at the operating profit of the operating segments.

In addition, Group assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Information about the results of the separate segments that is regularly reviewed by the chief operating decision maker does not include isolated unreported events. Financial income and costs

are also not included in the results of operating segments which are regularly reviewed by persons, which are responsible for operating decision making.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. No asymmetrical allocations have been applied between segments.

#### **4.10. Revenue**

The basic revenue generated by the Group is related to sale of products and services, interest revenue, revenue from participations, revenue from financing and other revenue.

To determine whether to recognise revenue, the Group follows a 5-step process:

- 1) Identifying the contract with a customer
- 2) Identifying the performance obligations
- 3) Determining the transaction price
- 4) Allocating the transaction price to the performance obligations
- 5) Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Group often enters into transactions involving a range of the Group's products and services, for example for the delivery of telecommunications hardware, software and related after-sales service.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

##### **4.10.1. Revenue recognized over time**

###### **Hardware and software**

Revenue from the sale of hardware and software for a fixed fee is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer.

For stand-alone sales of telecommunications hardware and/or software that are neither customised by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods. When such items are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognised over time as the customisation or integration work is performed, using the cost-to-cost method to estimate progress towards completion. As costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the entity's performance, the method, taking into account the invested resources, most accurately reflects the transfer of goods and services to the customer.

For sales of software that are neither customised by the Group nor subject to significant integration services, the licence period commences upon delivery. For sales of software subject to significant customisation or integration services, the licence period begins upon commencement of the related services. The Group's has a customer loyalty incentive programme. For each BGN XXX spent, customers obtain one loyalty point which they can redeem to receive discounts on future purchases. Loyalty points are considered to be a separate performance obligation as they provide customers with a material right, they would not have received otherwise. Unused points will expire if not used within two years. The Group allocates the transaction price between the material right and other

performance obligations identified in a contract on a relative stand-alone selling price basis. Revenue from the material right is recognised on the earlier of the date the points are redeemed by the customer and the date on which they expire. The Group provides a basic 1-year product warranty on its telecommunications hardware whether sold on a stand-alone basis or as part of an integrated telecommunications system. Under the terms of this warranty customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under IAS 37.

### **After-Sales Services**

The Group enters into fixed price maintenance and extended warranty contracts with its customers for terms between one and three years in length. Customers are required to pay in advance for each twelve-month service period and the relevant payment due dates are specified in each contract.

- Maintenance contracts – The Group enters into agreements with its customers to perform regularly scheduled maintenance services on telecommunications hardware purchased from the Group. Revenue is recognised over time based on the ratio between the number of hours of maintenance services provided in the current period and the total number of such hours expected to be provided under each contract. This method best depicts the transfer of services to the customer because: (a) details of the services to be provided are specified by management in advance as part of its published maintenance program, and (b) the Group has a long history of providing these services to its customers, allowing it to make reliable estimates of the total number of hours involved in providing the service.

### **Consulting and IT Services**

The Group provides consulting services relating to the design of telecommunications systems strategies and IT security. Revenue from these services is recognised on a time-and-materials basis as the services are provided. Customers are invoiced weekly as work progresses. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as accounts receivable as only the passage of time is required before payment of these amounts will be due.

The Group also provides IT outsourcing services including payroll and accounts payable transaction processing to customers in exchange for a fixed monthly fee. Revenue is recognised on a straight-line basis over the term of each contract. As the amount of work required to perform under these contracts does not vary significantly from month-to-month, the straight-line method provides a faithful depiction of the transfer of goods or services.

### **Building of telecommunication systems**

The Group enters into contracts for the design, development and installation of telecommunication systems in exchange for a fixed fee and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. When a contract also includes promises to perform after-sales services, the total transaction price is allocated to each of the distinct performance obligations identifiable under the contract on the basis of its relative stand-alone selling price.

To depict the progress by which the Group transfers control of the systems to the customer, and to establish when and to what extent revenue can be recognised, the Group measures its progress towards complete satisfaction of the performance obligation by comparing actual hours spent to date with the total estimated hours required to design, develop, and install each system. The hours-to-hours basis provides the most faithful depiction of the transfer of goods and services to each customer due to the Group's ability to make reliable estimates of the total number of hours required to perform, arising from its significant historical experience constructing similar systems.

In addition to the fixed fee, some contracts include bonus payments which the Group can earn by completing a project in advance of a targeted delivery date. At inception of each contract the Group begins by estimating the amount of the bonus to be received using the “most likely amount” approach. This amount is then included in the Group's estimate of the transaction price only if it is highly probable that a significant reversal of revenue will not occur once any uncertainty surrounding the bonus is resolved. In making this assessment the Group considers its historical record of performance on similar contracts, whether the Group has access to the labour and materials resources needed to



exceed the agreed-upon completion date, and the potential impact of other reasonably foreseen constraints.

Most such arrangements include detailed customer payment schedules. When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the consolidated statement of financial position under other liabilities.

The construction of telecommunication systems normally takes 10–12 months from commencement of design through to completion of installation. As the period of time between customer payment and performance will always be one year or less, the Group applies the practical expedient in IFRS 15.63 and does not adjust the promised amount of consideration for the effects of financing.

In obtaining these contracts, the Group incurs a number of incremental costs, such as commissions paid to sales staff. As the amortisation period of these costs, if capitalised, would be less than one year, the Group makes use of the practical expedient in IFRS 15.94 and expenses them as they incur.

#### **4.10.2. Revenue recognized at a point of time**

##### **Sale of goods**

The sale of goods includes the sale of goods in the field of computer equipment, office equipment and software. Revenue is recognized when the Company has transferred control of the goods to the buyer. Control is considered to be transferred to the buyer when the customer has accepted the goods without objection.

Revenue from the sale of goods in the field of computer equipment, office equipment and software, which are not bound by a contract for future service support, is recognized at the time of delivery. When the goods require adaptation to the customer's needs, modification or implementation, the Company applies a method for measuring the invested resources.

##### **Sale of services**

Revenue from software services is recognized when control of the benefits of the services provided is transferred to the user of the services. Revenue is recognized over time based on the execution of individual performance obligations.

In recognizing the revenue from the service provided, the company applies a method that takes into account the resources invested.

#### **4.10.3. Property rental income**

Rental income from operating leases is recognized as income using the straight-line method over the term of the lease, except in cases where the Group's management considers that another system basis more accurately reflects the time model, the use of which reduces the benefit derived from the leased asset.

#### **4.10.4. Interest and dividend revenue**

Interest revenue is related to rendering of deposits and loans. It is reported on an ongoing basis using the effective interest method.

Dividend revenue is recognized at the time the right to receive payment occurs.

#### **4.10.5. Revenue from financing**

Initially financing is recognized as deferred income when there is significant certainty as to whether the Group will receive financing and will fulfil any associated requirements. Financing received to cover current expenditure is recognized in the period when the respective expenses were incurred. Financing received to cover capital expenditure for non-current assets is recognized in line with the depreciation charges accrued for the period.

Grants provided by the state (funding, government grants) represent assistance received from the government, government agencies and other similar authorities in the form of transfers of resources to the Group in exchange for future compliance with certain conditions regarding its operational activities. Grants provided by the state can be related to assets and related to revenues.

Grants awarded by the government are recognized on reasonable assurance that the Group will meet the conditions attached to them and that the assistance will be received.

The Group has met the conditions and requirements for the payment of compensation under these measures to maintain employment. Revenue from government assistance is recognized in the consolidated statement of profit or loss and of comprehensive income under “Other income”.

#### **4.10.6. Contract assets and liabilities**

The Group recognises contract assets and/ or liabilities when one of the parties in the contract has fulfilled its obligations depending on the relationship between the business of the Group and the payment by the client. The Group presents separately any unconditional right to remuneration as a receivable. The receivable is the unconditional right of the Group to receive remuneration.

A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the entity performing by transferring the related good or service to the customer.

The Group recognises contract assets when performance obligations are satisfied, and payment is not due on behalf of the client. A contract asset is the right of a Group to receive remuneration in exchange for the goods or services that the Group has transferred to a customer.

Subsequent the Group measures a contract asset in accordance with IFRS 9 Financial Instruments.

#### **4.11. Operating expenses**

Operating expenses are recognised in profit or loss upon utilization of the service or as incurred.

The Group recognises two types of contract costs related to the execution of contracts for the supply of services/ goods/ with customer: incremental costs of obtaining a contract and costs to fulfil a contract. Where costs are not eligible for deferral under IFRS 15, they are recognised as current expenses at the time they arise, such as they are not expected to be recovered, or the deferral period is up to one year.

The following operating expenses are always recognised as current expenses at the time of their occurrence:

- General and administrative costs (unless those costs that are chargeable to the customer);
- Costs of wasted materials;
- Costs that relate to satisfied performance obligation;
- Costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligation or to satisfied performance obligation.

#### **4.12. Interest expenses and borrowing costs**

Interest expenses are reported on an accrual basis using the effective interest method.

Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in “Finance costs”.

#### **4.13. Goodwill**

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. See note 4.4 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Refer to note 4.18 for a description of impairment testing procedures.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### 4.14. Intangible assets

Intangible assets include development products resulting from R&D, software products, software module rights, acquisition costs of intangible assets and others. They are accounted for using the cost model. The cost comprises of its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use, whereby capitalized costs are amortized on a straight line basis over their estimated useful lives, as these assets are considered finite. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition.

After initial recognition, all finite-lived intangible assets are carried at their cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the consolidated statement of profit or loss/statement as profit or loss and other comprehensive income for the respective period.

Subsequent expenditure on an intangible asset after its purchase or its completion is expensed as incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

Residual values and useful lives are reviewed by the management at each reporting date.

Amortization is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Software 5-20 years
- Others 2-20 years

Amortization has been included within the consolidated report for profit and loss and other income in the line “Amortization of non-financial assets” .

Expenditure on research (or the research phase of an internal project) is recognized as an expense in the period in which it is incurred.

Costs that are directly attributable to the development phase of an intangible asset are capitalized provided they meet the following recognition requirements:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs for non-material assets not meeting these criteria for capitalization are recognized as expenses when incurred.

Directly attributable costs to the development phase include wage and social security costs, external service costs and depreciation costs. Internally generated intangible assets are subject to the same subsequent measurement method as externally acquired intangible assets. However, until completion of the development project, the assets are subject to impairment testing only as described below in note 4.16.

The profit or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in the consolidated report as profit or loss within “Profit/(Loss) on sale of non-current assets”.

The recognition threshold adopted by the Group for other intangible assets amounts to BGN 700.

#### **4.15. Property, plant and equipment**

Items of property, plant and equipment are initially measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

After initial recognition, the property, plant and equipment is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Impairment losses are charged against revaluation reserve if no expenses have been incurred before that. Impairment losses are recognized in the consolidated statement of profit or loss/statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of the its originally assessed standard of performance. All other subsequent expenditure is recognized as incurred.

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

Property, plant and equipment acquired under finance lease agreement, are depreciated based on their expected useful life, determined by reference to comparable assets or based on the period of the lease contract, if shorter.

Depreciation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

• Buildings	50 years
• Machines	3-8 years
• Vehicles	4 years
• Fixtures & Fittings	7.5 years
• IT equipment	2-5 years
• Others	7.5 years

Depreciation has been included in the consolidated statement of profit or loss statement and other comprehensive income within “Amortization of non-financial assets”.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the consolidated statement of profit or loss and other comprehensive income within “Profit/(Loss) on sale of non-current assets”.

The recognition threshold adopted by the Group for property, plant and equipment amounts to BGN 700.

#### **4.16. Leases**

##### **The Group as a lessee**

For any new contracts the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

##### **Measurement and recognition of leases as a lessee**

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

To determine the incremental borrowing rate, the Company uses the applicable interest rate from the last financing from third parties, adjusted in order to reflect the changes in the financing conditions that occurred after the last financing.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has chosen to account for short-term leases and leases of low-value assets using the practical expedients provided by the Standard. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables / as a separate line item.

Extension and termination options are included in several property and equipment leases at the Group. They are used to increase operational flexibility regarding the management of assets used in the operations of the Group. Most owned extension and termination options are exercised only by the Group and not by the respective lessor.

### **The Group as a lessor**

The Group's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

#### **4.17. Impairment testing of goodwill, intangible assets and property, plant and equipment**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested

individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

#### **4.18. Financial instruments**

##### **4.18.1. Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### **4.18.2. Classification and initial measurement of financial assets**

Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not contain a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted with transaction costs that are reported as current expenses. The initial measurement of trade receivables that do not contain a significant financial component represents the transaction price in accordance with IFRS 15.

Depending on the method of subsequent measurement, financial assets are classified into the following categories:

- Debt instruments at amortised cost;
- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at fair value through other comprehensive income (FVOCI) with or without reclassification in profit or loss, depending on whether they are debt or equity instruments.

The classification is determined by both:

- the Group's business model for managing financial assets;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses in the consolidated statement of profit or loss and other comprehensive income.

##### **4.18.3. Subsequent measurement of financial assets**

The percentages of expected losses are based on the sales payment profiles as well as the corresponding historical credit losses incurred during this period. Historical loss values are adjusted to

reflect current and projected information about macroeconomic factors that affect customers' ability to settle receivables. The company has determined the GDP and the unemployment rate of the countries in which it sells its goods and services as the most important factors and accordingly adjusts the historical losses based on the expected changes in these factors.

#### **Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions and are not designated as FVTPL:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

- **Trade receivables**

Trade receivables are amounts due from customers for goods or services sold in the ordinary course of business. Typically, they are due to be settled within a short timeframe and are therefore classified as current. Trade receivables are initially recognized at amortized cost unless they contain significant financial components. The Group holds trade receivables for the purpose of collecting the contractual cash flows and therefore measures them at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

#### **Financial assets at fair value through profit or loss (FVTPL)**

Financial assets that are held within a different business model than “hold to collect” or “hold to collect and sell”, and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

This category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable choice to account for the investment in daughter companies using fair value through other comprehensive income.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

#### **4.18.4. Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the “expected credit loss” (ECL) model.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost/ FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1) and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2)
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

“12-month expected credit losses” are recognised for the first category while “lifetime expected credit losses” are recognised for the second category. Expected credit losses are determined as the difference between all contractual cash flows attributable to the Group and the cash flows it is actually expected to receive (“cash shortfall”). This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### **Trade and other receivables, contract assets and finance lease receivables**

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Group allows 50% for amounts that are 180 to 365 days overdue and 100% for amounts that are more than 365 overdue.

#### **4.18.5. Classification and measurement of financial liabilities**

The Group’s financial liabilities include borrowings, lease liabilities, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

The Group has designated some financial liabilities at FVTPL to reduce significant measurement inconsistencies between investment properties in the United States and related US-dollar bank loans with fixed interest rates. These investment properties are measured using the fair value model, with changes in the fair value recognised in profit or loss. The fair value of loans used to finance these assets correlates significantly with the valuation of the investment properties held by the Group, because both measures are highly reactive to the market interest rate for 30-year government bonds. The loans are managed and evaluated on a fair value basis through a quarterly management review in comparison with the investment property valuations. Therefore, the Group designates such fixed interest rate loans as at FVTPL if they are secured by specific investment property assets that are held by the Group. This accounting policy reduces significantly what would otherwise be an accounting mismatch.

All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within finance costs or finance income.

#### **4.19. Inventory**

Inventory includes raw materials, work in progress and goods. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not included in the cost of the inventories. At the end of every accounting period, inventories are carried at the lower of cost and net realizable value. The amount of impairment of inventories to their net realizable value is recognized as an expense for the period of impairment.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the



following period the impairment conditions are no longer present, than the new net realizable value is adopted. The reversal amount can only be up to the carrying amount of the inventories prior to their impairment. The reversal of the impairment is accounted for as decrease in inventory expenses for the period in which the reversal takes place.

The Group determines the cost of inventories by using the weighted average cost.

When inventories are sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognized.

#### **4.20. Income taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 4.24.2.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

#### **4.21. Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash in bank accounts and others.

#### **4.22. Equity and reserves**

Share capital represents the nominal value of shares that have been issued by the parent company.

The repurchased own shares include repurchased shares from individuals in the companies "Sirma Solutions" AD and "SAI AD" AD ("Ontotext" AD).

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other reserves include the legal reserves.

Retained earnings/ Accumulated losses include all current and prior period retained profits and uncovered losses.

Dividend payables to shareholders are included in “Related party payables” when the dividends have been approved at the general meeting of shareholders prior to the reporting date.

All transactions with owners of the parent company are recorded separately in the consolidated report within equity.

#### **4.23. Post-employment benefits and short-term employee benefits**

The Group reports short-term payables relating to unutilized paid leaves, which shall be compensated in case it is expected the leaves to occur within 12 months after the end of the accounting period during which the employees have performed the work related to those leaves. The short-term payables to personnel include wages, salaries and related social security payments.

In accordance with Labor Code requirements, in case of retirement, after the employee has gained the legal right of pension due to years of services and age, the Group is obliged to pay him/her compensation at the amount of up to six gross wages. The Group has reported a liability by law for the payment of retirement compensation in accordance with IAS 19 “Employee Benefits”. The amount is based on forecasts made for the next five years, discounted with the long-term income percentage of risk free securities.

The Group has not developed and implemented post-employment benefit plans.

Net interest expense related to pension obligations is included in “Finance costs” in profit or loss report. Service cost on the net defined benefit liability is included in “Employee benefits expense”.

Short-term employee benefits, including holiday entitlement, are current liabilities included in “Pension and other employee obligations”, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

#### **4.24. Provisions, contingent liabilities and contingent assets**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination (see note 4.4). In a business combination contingent liabilities are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

#### **4.25. Significant management judgement in applying accounting policies**

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements. Critical estimation uncertainties are described in note 4.26.

##### **4.25.1. Internally generated intangible assets and research and development costs**

Management monitors progress of internal research and development projects by using a project management system. Significant judgement is required in distinguishing research from the development phase. Development costs are recognized as an asset when all the criteria are met, whereas research costs are expensed as incurred.

To distinguish any research-type project phase from the development phase, it is the Group's accounting policy to also require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the Group's overall budget forecast as the capitalization of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally-generated intangible assets is based on the same data.

The Group's management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

##### **4.25.2. Deferred tax assets**

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

##### **4.25.3. Lease term**

In determining the lease term, management takes into account all the facts and circumstances that create an economic incentive to exercise the option of extension or not to exercise the option of termination. Extension options (or periods after termination options) are included in the lease term only if it is reasonably certain that the lease is extended (or not terminated).

##### **4.25.4. Recognition of deferred taxes on assets and liabilities arising from leases**

When an asset and liability arise as a result of a lease that results in recognition of a taxable temporary difference related to the right of use asset and equal deductible temporary difference on the lease liability, this results in a net temporary difference in the amount of zero. Therefore, the Group does not recognize deferred taxes in respect of those leases, to the extent that, within the useful life of the asset and the maturity of the liability, the net tax effects will be zero. However, deferred tax will be recognized when temporary differences arise in subsequent periods, provided that the general conditions for recognizing tax assets and liabilities under IAS 12 are met.

#### **4.26. Estimation uncertainty**

When preparing the consolidated financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

#### **4.26.1. Impairment of non-financial assets and goodwill**

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 4.16). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

#### **4.26.2. Useful lives of depreciable assets**

Management reviews the useful lives of depreciable assets at each reporting date.

At 30 September 2023 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analyzed in note 10 and 11. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

#### **4.26.3. Inventory**

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to technology changes which may cause selling prices to change rapidly.

#### **4.26.4. Measurement of expected credit loss**

Credit losses are the difference between all contractual cash flows due to the Group and all cash flows that the Group expects to receive. Expected credit losses are a probability-weighted estimate of credit losses that require the Group's judgment. Expected credit losses are discounted at the original effective interest rate (or the credit-adjusted effective interest rate for purchased or initially created financial assets with credit impairment).

#### **4.26.5. Defined benefit liabilities**

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability BGN 400 thousand for 2022 is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to actuarial assumptions, which may vary and significantly impact the defined benefit obligations and the annual defined benefit expenses.

## 5. Basis of consolidation

### 5.1. Investments in subsidiaries

The subsidiaries included in the consolidation are as follows:

Investments of “Sirma Group Holding” JSC:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.09.2023	30.09.2023 share*	31.12.2022	31.12.2022 share*
			BGN'000	%	BGN'000	%
Sirma Solutions	Bulgaria	Software services	39 686	100%	39 686	100%
SAI (Ontotext)	Bulgaria	Software services	17 865	100%	17 865	100%
Sciant	Bulgaria	Software services	14 076	100%	10 237	80,00%
Sirma Group Inc.	USA	Software services	3 471	76,30%	3 471	76,15%
Sirma InsurTech	Bulgaria	Software services	914	55,00%	914	55,00%
Sirma CI	Bulgaria	Software services	106	80,00%	106	80,00%
Sirma Medical Systems	Bulgaria	Software services	66	66,00%	66	66,00%
EngView Systems	Bulgaria	Software services	50	72,90%	50	72,90%

\*The percentage represents the participation in the capital of the company net of the repurchased own shares.

On 03.04.2023 a transaction for the purchase of the remaining shares in the subsidiary of "Sirma Group Holding" JSC - "Sciant" AD was concluded as follows:

- Subsidiary whose shares are subject to redemption: "Sciant" AD;
- Company that buys the shares: "Sirma Group Holding" JSC;
- Size of the minority package object of purchase: 22.20% of the capital of "Sciant" AD distributed in 57 000 shares;
- Sellers of shares: 26 individuals and 1 legal entity.

As a result of the above transaction, "Sirma Group Holding" JSC now owns 100% of the capital of the company "Sciant" AD.

Investments of “Sirma Solutions” EAD:

Name of the subsidiary	Country of incorporation and principal place of business	30.09.2023	30.09.2023 share	31.12.2022	31.12.2022 share
		BGN'000	%	BGN'000	%
Sirma Business Consulting	Bulgaria	1 374	54,08%	1 374	54,08%
Daticum	Bulgaria	1 359	59,09%	1 394	60,50%
Sirma ICS	Bulgaria	279	93,00%	270	90,00%
S&G Technology Services	UK	117	51,00%	117	51,00%
Sirma AB	Sweden	9	100%	-	-
Sirma ISG	Bulgaria	4	71,00%	4	71,00%

On 20.03.2023 "Sirma Solutions" AD sold 34 529 (thirty-four thousand five hundred and twenty-nine) registered ordinary shares, each with a nominal value of BGN 1 /one/, from the capital of its subsidiary "Daticum" AD, to individual for the amount of BGN 34 529 (thirty-four thousand five hundred and twenty-nine). As a result of the above transaction, “Sirma Solutions” AD now owns 59,09% of the capital of “Daticum” AD.

On 26.04.2023 “Sirma Solutions” AD received registration of its new subsidiary with 100% share participation in Stockholm, Sweden. The name of the new company is "Sirma AB".

On 21.06.2023, a transaction was concluded for the purchase from an individual of 9 000 registered class A shares in the subsidiary of "Sirma Solutions" AD - "Sirma ICS" AD. As a result, Sirma Solutions AD now owns 93% of the capital of Sirma ICS AD.

Investments of “EngView System” AD:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.09.2023	30.09.2023	31.12.2022	31.12.2022
			BGN'000	share	BGN'000	share
EngView Systems GmbH	Germany	Software services	235	100%	235	100%
EngView USA	USA	Software services	190	100%	190	100%
EngView Systems Latin America	Brazil	Software services	7	95%	7	95%
Engview Solutions Corp.	Canada	Software services	-	95%	-	-

On 03.04.2023 the subsidiary of "Sirma Group Holding" JSC - "EngView Systems Sofia" AD purchased 95% of registered in Canada company Engview Solutions Corp.

On 21.07.2023, "EngView Systems Sofia" AD - a subsidiary of "Sirma Group Holding" AD, changed its name to " EngView Systems" AD.

Investments of Sirma Group Inc.:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.09.2023	30.09.2023	31.12.2022	31.12.2022
			BGN'000	share	BGN'000	share
Sirma Sha	Albania	Software services	25	55	25	55

Investments of “Sciart” AD:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.09.2023	30.09.2023	31.12.2022	31.12.2022
			BGN'000	share	BGN'000	share
ReSolutions Shpk. (ReSolutions)	Albania	Software services	256	100%	256	100%

On 05.04.2023 "ReSolutions" - a subsidiary of "Sciart" AD in Albania, changed its name to "Sciart Shpk.".

Investments of “Sirma InsurTech” AD:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.06.2023	30.06.2023	31.12.2022	31.12.2022
			BGN'000	% share	BGN'000	% share
HRM Solutions	Bulgaria	Software services	150	100%	150	100%

Investments of “SAI” AD:

On 05.07.2023 "SAI" AD registered a new subsidiary in Israel. The name of the new company is "SAIFORT". The capital of the new subsidiary is 1 000 Israeli shekels (BGN 340), divided into 10 000 shares (BGN 340), divided in 10 000 shares. “SAI” AD owns 70% of the capital.

The entities not included in the consolidation for their insignificance are a subsidiaries EngView Systems Latin America and Sirma ISG.

In Q3 2023 BGN 404 thousand dividends were paid to the NCI (2022 – BGN 630 thousand).

Summarized financial information for “Sirma Group Holding” JSC, before intragroup eliminations, is set out below:

	30.09.2023	30.09.2022/ 31.12.2022
	BGN'000	BGN'000
Non-current assets	135 956	138 003
Current assets	47 060	48 093
<b>Total assets</b>	<b>183 016</b>	<b>186 096</b>
Non-current liabilities	21 499	16 430
Current liabilities	21 289	26 068
<b>Total liabilities</b>	<b>42 788</b>	<b>42 498</b>
<b>Equity attributable to owners of the parent</b>	<b>135 144</b>	<b>138 603</b>
<b>Non-controlling interests</b>	<b>5 084</b>	<b>4 995</b>
<b>Revenue</b>	<b>69 741</b>	<b>79 482</b>
Profit/ (loss) for the period attributable to owners of the parent	1 211	(6 833)
Profit/ (loss) for the period attributable to NCI	714	(919)
<b>Profit/ (loss) for the period</b>	<b>1 925</b>	<b>(7 752)</b>
Net cash flows from operating activities	1 757	7 319
Net cash flows from investment activity	9 462	14 406
Net cash flows from financing activities	(17 506)	(7 893)
<b>Net cash flow</b>	<b>(6 287)</b>	<b>13 832</b>

## 6. Investments accounted for using the equity method

The Group's investments accounted for using the equity method include associates.

Associates	Country of incorporation and principal place of business	Main activities	30.09.2023 share	31.12.2022 share
Sirma AI AD	Bulgaria	Software services	-	23,80 %

On 30.03.2023 all actions regarding the sale of shares from the capital of "Sirma AI" AD, which were owned by the subsidiary company "Sirma Solutions" AD, were finalized, according to the decision of the General Meeting of Shareholders of the majority owner "Sirma Group Holding" JSC, held on 15.02.2023, as follows:

- Subsidiary whose shares are subject to disposal: "Sirma AI" AD;
- Subsidiary company owner of the minority share package: „Sirma Solutions“ AD;
- Size of the minority package subject to disposal: 23.80% of the capital of “Sirma AI” AD;
- Transaction value: EUR 9 460 000;
- Buyers of shares:

Purchaser	Type of Shares	Number of Shares	Purchase Price Distribution (EUR)
<b>European Bank for Reconstruction and Development</b> , an international financial institution having its headquarters at Five Bank Street, London E14 4BG, United Kingdom (“EBRD”)	Common	1 179 908	6 960 000
	Class A	226 974	
<b>OTX-Partner Korlatolf Felelossegu Tarsasag</b> , a Hungarian limited liability company with registration number 01-09-410198 and having its registered address at 53 Alkotas utca, MOM Park C epelet V. emelet, 1123 Budapest, Hungary (“PortfoLion”)	Common	338 946	2 000 000
	Class A	65 201	
<b>Atanas Kostadinov Kiryakov</b> , Member of the Board of Sirma Group Holding JSC, Bulgaria;	Common	84 905	500 000
	Class A	16 333	
<b>Total:</b>		1 912 267	<b>9 460 000</b>

As a result of the received cash and the transferred shares, the commitments of all parties to the transaction have been completed.

In Q3 2023 and 2022, no dividends were received from associates.

All transfers of funds to the Group, i.e. distribution of cash dividends, are subject to the approval of at least 51% of all shareholders of the associates.

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.



## 7. Long - term financial assets

	30.09.2023 BGN'000	31.12.2022 BGN'000
Financial assets at fair value	336	336
	<b>336</b>	<b>336</b>

The company from the Group “Sirma Business Consulting” has purchased 3 shares from Madara Invest Ltd. (Madara Invest Ltd.) under a contract dated 02.04.2020 Madara Invest Ltd. (Madara Invest Ltd.) is a limited liability company incorporated and operating under the laws of England and Wales, incorporated in the Company House of the United Kingdom under number 11260272, with registered office in England, London, E14 5AB, One Kenada Square, Canary Wharf, floor 39. The shares of Madara Invest Ltd. They are not listed on a stock exchange.

The essence of the business model of Madara Invest Ltd. is built on the idea of developing an integrated FinTech group to create a bridge between traditional finance (including banking and other financial services) and the revolutionary FinTech ecosystem. At the core of the company's business model is the development of an innovative FinTech solution targeting retail and business customers, with a focus on financially excluded or insufficiently covered by financial services segments.

## 8. Segment reporting

Management currently identifies the following Group's operating segments as further described in note 4.9. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

Segment information can be analyzed as follows for the reporting periods under review:

	Intelligent Evolution of Enterprises	Solutions, products and consulting in Finance	System Integration	Total
	30.09.2023 BGN'000	30.09.2023 BGN'000	30.09.2023 BGN'000	30.09.2023 BGN'000
<b>Revenue:</b>				
- from external customers	29 049	10 159	20 615	59 823
<b>Segment revenues</b>	<b>29 049</b>	<b>10 159</b>	<b>20 615</b>	<b>59 823</b>
Cost of materials	(656)	(34)	(17 473)	(18 163)
Hired services expenses	(6 814)	(1 085)	(1 296)	(9 195)
Employee benefits expense	(20 100)	(6 387)	(624)	(27 111)
Depreciation and amortization of non-financial assets	(2 240)	(498)	(9)	(2 747)
Other expenses	(1 042)	(193)	(3)	(1 238)
<b>Segment operating profit</b>	<b>(1 803)</b>	<b>1 962</b>	<b>1 210</b>	<b>1 369</b>

	Intelligent Evolution of Enterprises	Solutions, products and consulting in Finance	System Integration	Total
	30.09.2022 BGN'000	30.09.2022 BGN'000	30.09.2022 BGN'000	30.09.2022 BGN'000
<b>Revenue:</b>				
- from external customers	31 685	9 178	17 254	40 259
<b>Segment revenues</b>	<b>31 685</b>	<b>9 178</b>	<b>17 254</b>	<b>40 259</b>
Changes in inventories	20	-	-	20
Cost of materials	(1 002)	(52)	(14 787)	(15 841)
Hired services expenses	(7 428)	(616)	(1 430)	(9 474)
Employee benefits expense	(20 009)	(4 252)	(638)	(24 899)
Depreciation and amortization of non-financial assets	(4 608)	(292)	(79)	(4 979)
Other expenses	(2 493)	(563)	(6)	(3 062)
<b>Segment operating profit</b>	<b>(3 835)</b>	<b>3 403</b>	<b>314</b>	<b>(118)</b>

The Group's revenues from external customers are divided into the following geographical areas:

	<b>30.09.2023</b> <b>BGN'000</b>	<b>30.09.2022</b> <b>BGN'000</b>
Bulgaria (domicile)	33 753	23 678
USA	9 484	11 465
UK	7 942	9 292
Other countries	8 644	13 682
<b>Total</b>	<b>59 823</b>	<b>58 117</b>

## 9. Goodwill

The movements in the net carrying amount of goodwill are as follows:

	<b>30.09.2023</b> <b>BGN'000</b>	<b>31.12.2022</b> <b>BGN'000</b>
<b>Gross carrying amount</b>		
Balance at 1 January	<b>26 083</b>	<b>31 104</b>
Follow-up goodwill assessment	169	-
Acquired goodwill as a result of a business combination	-	701
Goodwill written off as a result of a business combination	-	(5 722)
Balance at 30 September/December	<b>26 252</b>	<b>26 083</b>
<b>Carrying amount at 30 September/31 December</b>	<b>26 252</b>	<b>26 083</b>

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises, as follows:

	<b>30.09.2023</b> <b>BGN'000</b>	<b>31.12.2022</b> <b>BGN'000</b>
Sirma Solutions	11 754	11 754
Sciant	8 622	8 622
SAI (Ontotext)	2 961	2 961
Sirma Group Inc.	1 863	1 863
Sirma InsurTech (TBI Info)	747	611
S&G	164	164
ReSolutions	123	90
EngView Brazil	14	14
Sirma Bussiness Consulting	4	4
<b>Goodwill allocation at 30 September/31 December</b>	<b>26 252</b>	<b>26 083</b>

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations at 31.12.2022, covering a detailed 3-year forecast, followed by an extrapolation of expected cash flows for the units' remaining useful lives using the growth rates determined by the management.

The growth rates reflect the long-term average growth rates for the product lines and industries of the cash-generating units. The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each segment.

Key assumptions of the management in preparing the impairment test reflect its forecasts and intentions regarding the future economic benefits that the Group expects to obtain through the use of trade experience, in-house brands, positions in Bulgarian and foreign markets and ultimately based on them. expectations for future sales of cash-generating units.

Apart from the considerations described in determining the value in use of the cash-generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the estimate of recoverable amount for cash-generating units is particularly sensitive to the discount rate, but the simulations show that it remains above the carrying amount of goodwill with a reasonable change in key assumptions.

Management has analyzed the recoverable amounts of cash-generating units, taking into account the impact of the war between Russia and Ukraine on the activities of the units / companies and the expected impact on them in the future. All investments are in companies operating in the field of

information and communication technologies, which is one of the industries partially affected by the Covid crisis and the war between Russia and Ukraine. During the assessment, for the preparation of which an independent licensed appraiser was involved, no indications were established for the presence of the need to report impairment costs.

## 10. Property, plant and equipment

Group's property, plant and equipment of the Group comprise of buildings, vehicles, office equipment, machinery, computer equipment, assets under construction, right- of-use assets and others. The carrying amount can be analyzed as follows:

	Buildings	Vehicles	Office equipment	Machinery	Computer equipment	Assets under construction	Right-of-use assets	Others	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Gross carrying amount</b>									
Balance at 1 January 2023	7 826	366	680	2 362	5 043	20	3 041	910	20 248
Additions	44	224	77	164	385	543	1 131	15	2 583
Disposals	-	-	-	-	(325)	(231)	(1 022)	-	(1 578)
Balance at 30 September 2023	<b>7 870</b>	<b>590</b>	<b>757</b>	<b>2 526</b>	<b>5 103</b>	<b>332</b>	<b>3 150</b>	<b>925</b>	<b>21 253</b>
<b>Depreciation</b>									
Balance at 1 January 2023	(1 405)	(265)	(390)	(2 222)	(4 111)	-	(1 229)	(745)	(10 367)
Depreciation	(76)	(55)	(61)	(47)	(326)	-	(486)	(22)	(1 073)
Disposals	-	-	-	-	136	-	336	-	472
Balance at 30 September 2023	<b>(1 481)</b>	<b>(320)</b>	<b>(451)</b>	<b>(2 269)</b>	<b>(4 301)</b>	<b>-</b>	<b>(1 379)</b>	<b>(767)</b>	<b>(10 968)</b>
<b>Carrying amount at 30 September 2023</b>	<b>6 389</b>	<b>270</b>	<b>306</b>	<b>257</b>	<b>802</b>	<b>332</b>	<b>1 771</b>	<b>158</b>	<b>10 285</b>

	Buildings	Vehicles	Office equipment	Machinery	Computer equipment	Assets under construction	Right-of-use assets	Others	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Gross carrying amount</b>									
Balance at 1 January 2022	7 610	232	724	2 332	6 003	-	4 476	831	22 208
Acquired from a business combination	-	99	16	-	158	-	254	95	622
Additions	216	79	69	49	581	20	745	48	1 807
Disposals	-	(43)	(4)	-	(785)	-	(881)	-	(1 713)
Disposals from a business combination	-	(1)	(125)	(19)	(914)	-	(1 553)	(64)	(2 676)
Balance at 31 December 2022	<b>7 826</b>	<b>366</b>	<b>680</b>	<b>2 362</b>	<b>5 043</b>	<b>20</b>	<b>3 041</b>	<b>910</b>	<b>20 248</b>
<b>Depreciation</b>									
Balance at 1 January 2022	(1 235)	(165)	(351)	(2 098)	(5 100)	-	(1 440)	(739)	(11 128)
Acquired from a business combination	-	(76)	(10)	-	(144)	-	(169)	(10)	(409)
Depreciation	(170)	(67)	(85)	(140)	(423)	-	(757)	(27)	(1 669)
Disposals	-	42	6	-	784	-	266	-	1 098
Disposals from a business combination	-	1	50	16	772	-	871	31	1 741
Balance at 31 December 2022	<b>(1 405)</b>	<b>(265)</b>	<b>(390)</b>	<b>(2 222)</b>	<b>(4 111)</b>	<b>-</b>	<b>(1 229)</b>	<b>(745)</b>	<b>(10 367)</b>
<b>Carrying amount at 31 December 2022</b>	<b>6 421</b>	<b>101</b>	<b>290</b>	<b>140</b>	<b>932</b>	<b>20</b>	<b>1 812</b>	<b>165</b>	<b>9 881</b>

All depreciation charges are included within “Depreciation, amortization of non-financial assets”.

The Group has not a contractual commitment to acquire assets in Q3 2023 or 2022.

## 11. Intangible assets

The Group's intangible assets comprise of R&D products, software products, rights to software modules, costs for acquisition of intangible assets and others. The carrying amounts for the reporting periods under review can be analyzed as follows:

	R&D products	Software products	Rights to software modules	Costs for acquisition of intangible assets	Others	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Gross carrying amount</b>						
Balance at 1 January 2023	19 388	2 499	8 813	9 828	7 246	47 774
Additions, purchased	-	-	231	1 625	-	1 856
Disposals	-	-	-	-	(88)	(88)
Transfers	2 203	(725)	(448)	(632)	(398)	-
Introduced in exploitation	2 341	-	-	(2 799)	458	-
Balance at 30 September 2023	<b>23 932</b>	<b>1 774</b>	<b>8 596</b>	<b>8 022</b>	<b>7 218</b>	<b>49 542</b>
<b>Amortization</b>						
Balance at 1 January 2023	(15 626)	(1 774)	(4 938)	(2 786)	(1 944)	(27 068)
Amortization	(960)	-	(388)	-	(326)	(1 674)
Disposals	-	-	-	190	18	208
Balance at 30 September 2023	<b>(16 586)</b>	<b>(1 774)</b>	<b>(5 326)</b>	<b>(2 596)</b>	<b>(2 252)</b>	<b>(28 534)</b>
<b>Carrying amount at 30 September 2023</b>	<b>7 346</b>	<b>-</b>	<b>3 270</b>	<b>5 426</b>	<b>4 966</b>	<b>21 008</b>

	R&D products	Software products	Rights to software modules	Costs for acquisition of intangible assets	Others	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Gross carrying amount</b>						
Balance at 1 January 2022	65 708	1 962	12 461	25 693	7 216	113 040
Additions, purchased	3 436	-	815	3 167	-	7 418
Acquired from a business combination	-	813	-	174	46	1 033
Disposals from a business combination	(49 756)	(276)	(4 463)	(19 206)	(16)	(73 717)
Balance at 31 December 2022	<b>19 388</b>	<b>2 499</b>	<b>8 813</b>	<b>9 828</b>	<b>7 246</b>	<b>47 774</b>
<b>Amortization</b>						
Balance at 1 January 2022	(16 428)	(1 962)	(6 444)	-	(1 482)	(26 316)
Acquired from a business combination	-	(61)	-	-	(46)	(107)
Amortization	(2 314)	(27)	(1 097)	-	(425)	(3 863)
Impairment losses	-	-	-	(2 786)	-	(2 786)
Disposals from a business combination	3 116	276	2 603	-	9	6 004
Balance at 31 December 2022	<b>(15 626)</b>	<b>(1 774)</b>	<b>(4 938)</b>	<b>(2 786)</b>	<b>(1 944)</b>	<b>(27 068)</b>
<b>Carrying amount at 31 December 2022</b>	<b>3 762</b>	<b>725</b>	<b>3 875</b>	<b>7 042</b>	<b>5 302</b>	<b>20 706</b>

R&D products include the following assets:

### Customer Intelligence Platform (CIP)

The centralization of CIP transaction processes in a database, as well as the use of semantic technologies in the retrieval, analysis and interpretation of data from all sources, allows 360 ° view and various analyzes that facilitate individual behavioral targeting;

Extracting additional value from the data - built-in intelligent algorithms, analytical tools, as well as the ability to customize solutions tailored to the individual needs of the retailer, provide valuable insights and information. The focus on data, a deep understanding of customer behavior and motivation, along

with seamless delivery management to end customers, will help merchants personalize communication, improve the user experience and manage their customer loyalty;

**Packaging Suite** is a complex product. It is based on functionalities that are part of a multifunctional software CAD system for the packaging industry. Some of these functionalities are also provided as online services through a specially developed API (application programming interface), which allows various online systems to visualize, calculate and model data or drawings. Different integrations or design of new products through such functionalities already provided in a component, provide new opportunities for development of various online products, platforms or portals. Such is the example with built-in basic functionalities of the CAD system, its libraries and models in a specialized platform for services in the field of packaging and printing in China.

The long-developed CAD system, which covers several main stages of preparation for serial production of packaging from sheet materials (cardboard, corrugated cardboard, etc.) is offered as a main tool in the production departments of packaging companies. The stages are the following:

- 1 / Design of the single unfolding of the structure of the package;
- 2 / Graphic layout based on integration with the graphics system Adobe Illustrator
- 3 / Verification and approval by three-dimensional modeling;
- 4 / Design of specialized tools for optimized serial production and management of specialized machines for their production.

The product, which can be installed directly in the production departments of both Windows and MAC OS, is organized on a modular basis to be more flexibly oriented to different types of end customers. It consists of the following main modules:

- Library with ready-made packaging designs. Includes internationally standardized packaging structures from the main materials used (cardboard and corrugated cardboard), as well as further developed non-standard packaging.
- Library with ready-made display structures.
- Drafting with Parametric Components. Module for structural design of the unfolding of the package. This module defines the structure of the desired package. This can be done either by selecting a suitable ready-made structure from a library on which the desired dimensions are set; or using the rich set of CAD tools and ready-made parametric components, with the help of which the user creates an entirely new structure.
- Parametric Drafting (Synergy) - this is a module aimed at designers of original packaging structures. With the help of unique proprietary technology for variational and parametric CAD, a new parameterized standard can be created quickly and easily - a unique structure on which different values of basic parameters can be easily set, changing its dimensions while maintaining its integrity.
- Integration with Adobe Illustrator - module for integration with a graphic design product. Allows the integration of the developed new packaging structure with the corresponding graphic design created in the most common graphic design product Adobe Illustrator.
- 3D Presenter - module for three-dimensional visualization of the design. This is a design verification module before moving on to actual production. In this module, a TA image of the selected structure can be generated, together with a further developed graphic design. The user can see completely realistically what the final product would look like, as well as detect possible design errors before series production.
- Layout Optimizer. Module for optimal placement of the structure on a sheet. The user can choose between the available materials of different sizes and substrates, as well as according to the available machines for serial punching, and make the optimal placement of the structure in order to maximize the number of packages and minimum waste.
- Display Nesting - optimal placement of components of the display structure in order to minimize waste.
- Master Canvas new module for creating individual parts of the display in one place and for optimizing the creation of an otherwise complex and time-consuming process.

- One sheet nesting - new functionality for optimizing the sheet according to the given graphs (articles), and not only by structure.
- SAM - module for control of CNC machines. This module generates a specific file, based on which various machines related to the production process are managed - modeling plotters, machines for bending knives, machines for cutting trenches, etc.
- Dieboard Design. Module for generating punch shapes. The die-form is a tool used by machines for mass production of packaging. Each punch must comply with the requirements of the available punching machine. In this module, the user has a wealth of tools to create a suitable die shape and prepare it for production.
- The process of serial production of packaging includes several specialized modules for specific activities related to high-performance and high-quality punching - Stripping Die Design, Counterplate Design, Vamish Blanket Design
- Project Organizer, Cost Estimator. These are modules serving the organization of business processes related to the production of packaging. With their help, companies engaged in the production of packaging and / or punch forms, organize work with their customers, orders and related files, as well as generate automated calculation of the expected value of the product, based on information from the graphic file.

Packaging Suite is software targeted at the global niche of packaging and display manufacturers. Potential customers for various configurations of product modules are advertising agencies, printers, packaging companies, punch companies. The product supports a user interface in all major world languages and has virtually unlimited market reach. With its developed AP1 provides opportunities for all these groups of users to embed in their sites or platforms for communication with their end customers elements of production functionality, through which to improve both customer-manufacturer relationship and increase the efficiency of service and overall production .

For 2021, the sales generated by licenses from the CAD system, subscriptions and API-based online developments total over BGN 3 000 000.

The largest share in the total generated revenue was realized by the strategic partner Heidelberg and the largest client Prinzhorn. Among the main customers of Packaging Suite are manufacturers of cardboard packaging, corrugated cardboard, punch manufacturers and companies that have fully digital production of displays. The software is also rebranded for several manufacturers of digital cutting machines, which offer one machine and software solution to their customers.

A new version 8 of the CAD system is expected to be released in 2022, as well as to develop new online products based on its functionality, but providing services for Internet users of cloud and online solutions in the packaging industry.

With the help of the developed API and the developed component for online services, several major business problems of packaging manufacturers are solved:

- Have access to parametric standards, which eliminates errors in the design of the structure;
- The offered TA visualization helps the end customers to orientate well what they will order and what the order will look like after the production;
- Production is also optimized based on what the customer has ordered.

The target market for this component is global. Customers can be arbitrary packaging companies around the world, and the trends towards digitalization of production and use of digital printing machines, as well as combined machines for digital printing and serial production of packaging, suggest future expansion of the market niche for it.

**Measurement Suite** is software that has invested many years of development and experience in this industry, generating several applications with common technology and code.

The technology allows the software to work with various devices for measuring, quality control, processing of scanned image, which can be a profile, shaft or other element important for the quality of the entire production.

Specialized functionality has been developed for collaborating Internet and mobile-based applications, as well as PCs. Based on automation and optimization of some specific activities for quality control of serial production, in measurements with hand tools such as calipers, micrometers, altimeters and more. covers the process of measurement, transmission of measurement data and their storage and subsequent processing. It covers both the traditional ways of data transmission in hand-held measuring instruments (manual data entry, cable transmission) and the most modern technologies - Bluetooth connection between the meter and a mobile device. The technology can be offered as a cloud-based service on a subscription basis, or as a solution installed on the client's servers.

The following steps are included when measuring with a hand-held instrument and transferring data to the cloud:

- Operator measurements. The operator has a mobile device on which the application is installed. After login to the application, it gets access to a library of measurement plans allocated to it. The measurement plans are visualized as drawings of the details to be measured. The operator selects a plan and sees the drawing with all the dimensions to be measured and their nominal values. At the start of the measurement plan, a process begins in which all the planned dimensions must be measured step by step tool must be used. The operator follows the specified order of measurement and enters the relevant current measured values before moving forward. If the measuring instrument has bluetooth data transmission, the measured values are automatically displayed on the screen of the mobile device, respectively in red or green, depending on whether they are within or outside the tolerance to the nominal value.
- At the end of the process of steps according to the plan, the measurement data is sent to the Internet / cloud application, where it can be accessed according to the set rights, they can generate reports and other types of documentation, check and track results of the work of operators, serviceability of tools, to generate graphs and other ways to monitor the quality of production. The web / cloud application can create libraries of measurement plans, tool inventory, administer users and access rights.
- The desktop application, in turn, is designed to create new measurement plans to be added to the library in the Internet application. This is a standard PC application in which graphic files of the most common formats in mechanical engineering can be imported and based on them to create a process of sequential measurement of specific dimensions, their nominal values and tolerances, brief descriptions and specific instructions to the operator. each of the steps.

The application of the technology is a bit more complicated with regard to the measurements of shaft elements, in which already specialized machines are used. A machine shaft is mounted on a special stand, which is rotated and examined by a number of optical and sensor sensors. The received information is sent to the software to be analyzed and the dimensions and their compliance with the set tolerances are determined.

For specialized machines that are located in industrial conditions such as optical measuring systems based on a standard scanner, use PC and touch monitor, as well as specialized software Measurement Suite for scanned image analysis, report generation and documentation, as well as and storage and management of measurement information.

The main consumers are the companies that produce by extrusion products from aluminum, plastics and others. materials. The main stage in the production cycle of these productions is the ongoing monitoring of product quality. For this purpose, sections from any places of the extruded products (profiles) are taken and measured precisely, according to certain criteria.

The scanned image of the profile section is processed by the software and within seconds gives a complete report on the compliance of the part with the requirements and tolerances defined in the system. The product also allows manual comparison of the image against an ideal drawing and detection of deviations.

All information from all measurements is stored in the module MDC - Measurement Data Center - where at any time you can check the results, operators, measuring machines, etc. Integration with other popular specialized software products for processing information from measurements used in industry (SPC), or with standard ERP systems, etc. is also possible.

**SIRMA CLOUD PLATFORM** is a platform for managing cloud environments:

- Manage virtualization in the data center
- Storage virtualization management
- Resource performance management
- Resource cost management
- Management of cloud distributed in different geographical locations.

Key functionalities include:

#### FULLY PLATFORM INDEPENDENT

- ✓ Supports standard and high-end hypervisors, storage, network and monitoring tools.
- ✓ Cloud build based on KVM, VMWare, LXD.

#### HIGH AVAILABILITY AND BUSINESS CONTINUITY

- ✓ High availability architecture.
- ✓ The database is deployed in an HA configuration
- ✓ Redefined behavior in case of host or virtual machine failure in order to achieve a cost-effective failover solution.

#### EDGE AND DISTRIBUTED CLOUD COMPUTING

- ✓ Dynamically increase cloud resources by adding remote hardware or virtual capacities.
- ✓ Automatic provisioning of remote resources.

#### ADAPTABLE, EXTENSIBLE AND INTEGRABLE

- ✓ Modular and extensible architecture.
- ✓ Configurable plug-ins for integration with third-party data center services.
- ✓ API for integration with higher-level tools such as billing and self-service portals.

#### CAPACITY AND PERFORMANCE MANAGEMENT

- ✓ Resource management to track and limit the use of compute, storage and network resources.
- ✓ Dynamically create clusters as pools of hosts that share datastores and virtual networks for load balancing, high availability, and high-performance computing.
- ✓ Dynamic creation of virtual data centers as fully isolated virtual infrastructure environments where a group of users, under the control of a VDC administrator, can create and manage compute, storage and network capacity.

#### VIRTUAL INFRASTRUCTURE MANAGEMENT AND ORCHESTRATION

- ✓ Management of virtual infrastructure to corporate data centers. End-to-end lifecycle management of virtual resources.
- ✓ Full control, monitoring and reporting of virtual infrastructure resources.

#### ACCOUNTING AND SHOWBACK

- ✓ Allocation of resource costs to individual units, groups and projects in the organization.
- ✓ Monitoring and control of costs according to the business plan of the project.
- ✓ Easy integration with any billing system.

### **Cyber Security Management Platform**

Cybersecurity platforms are designed to provide businesses with a way to integrate security visibility, analytics and control across all cybersecurity layers and data sources while improving protection, scale and performance. They are systems designed to provide a centralized and unified platform for security teams to manage the cyber security of the corporate network. By providing centralized



visibility and policy management, unified security management systems maximize the utility of an organization's security team by minimizing wasted time and overlooked threats created by having to learn and monitor multiple disparate standalone systems.

As a result, cybersecurity teams are able to eliminate inefficiencies and protect their networks and infrastructure more effectively.

The platform provides a high-performance, scalable virtual environment with many additional options such as software and services and thus provides its customers with complete solutions for their cybersecurity needs.

**Sirma management reporting** includes processes, tools and technologies necessary to transform data into information, and information into knowledge and plans that imply quick and effective business actions and support the decision-making process.

It is through the developed reporting system that companies receive secure, consistent, comprehensible, easy to process and timely information, which creates prerequisites for an informed decision. Or:

- Supports making effective and informed decisions;
- Turns huge volumes of data into valuable business conclusions;
- Allows access, sharing, processing and analysis of data by the right people, at the right time and in the way they prefer;
- Provides a unified version of the truth;
- Preserves knowledge in the company;
- Saves time and effort of key figures in companies.

Sirma management reporting allows organizations to collect data from internal and external sources, prepare it for analysis, create and send requests to this data, and create reports, information boards (dashboards) and data visualization.

**PSD2 / 2FA - 2FA** is a software solution created as a result of a European regulatory requirement under REGULATION (EC) No 910/2014 on electronic identification and authentication services in electronic transactions to reduce fraud, increase the security of online payments and protect identity .

Authentication software solution in which a user of an electronic device or program is granted access only after successful presentation of two or more evidences by which he is certified as:

- Knowledge - something the client knows (Password, PIN, secret answers);
- Possession - something that the client owns (dongle, telephone, hardware);
- Personality - something that the client is (Imprint, face, eyes, voice, DNA).

PSD2 is a software solution created as a result of the enlarged European Union Directive on payment services PSD2 Directive (EU) 2015/2366 and the Law on Payment Services and Payment Systems. Provides:

- PSD2 listener back end server - the connection with the outside world for the bank and implements the requirements of BISTRA (Banking Interfaces for Standardized Payments). Server services are available 24x7.
- PSD2 module for consent management - a module for registration of client accounts for work with the services under PSD2 and respectively BISTRA, which is integrated with OBS (Main Banking System).
- PSD2 module for transactions processing - a module for processing transactions on PSD2 and BISTRA, respectively, which is integrated with OBS (Basic Banking System).

**Diabetes:M** is a mobile application for tracking the condition of people suffering from all types of diabetes or pre-diabetes. By significantly developing the patient's self-monitoring and self-control, it

reduces the risks of complications related to the disease and allows treating specialists to make quick and informed decisions about the patient's therapy.

Diabetes:M has versions in Bulgarian for mobile devices with iOS Android as well as for web browsers.

The app enables users to track every aspect of their illness. This allows them to make better decisions in their daily lives, which leads to better control of blood sugar levels and significantly reduces the risk of critical situations.

Diabetes:M is a detailed electronic diary in which users enter all data important for tracking their current condition – blood sugar checks, medications taken, insulin doses, food, physical exercise, weight, blood pressure and laboratory test results. With long-term use, the collected data is analyzed and shows in detail the condition and possible problem periods in the patient's daily life.

Additional functions such as the use of artificial intelligence to track the user's daily routine and the powerful reminder system significantly help to avoid problematic situations caused by distraction and/or forgetting to take insulin or medication. These agents have an extremely beneficial effect in improving discipline in compliance with prescribed therapy.

The app supports multiple Bluetooth connected devices like blood glucose meters sensors etc. offering complete or partial automation of data recording.

The relationship with the treating specialists is of vital importance for the successful management of the condition of the diabetic patients. Diabetes:M is designed to give treating professionals the best possible summary of data collected in a report over a selected period.

In addition, a web-based module (Diabetes:M Monitor) has been developed that allows doctors, nurses and other expert staff to monitor the condition of multiple patients in full detail in real time without the need for specialized hardware.

**Medrec:M** is an integrated health management platform designed to meet the urgent need for next-generation healthcare providers in today's world.

Medrec:M offers a unique combination of user-oriented mobile self-monitoring applications for both basic health tracking and chronic condition management (diabetes and heart disease) connected to the Medrec:M medical platform. Thus, the application helps patients and clinics to remotely monitoring and communication in a single unified way.

Medrec: M for clinics

Medrec:M is a cloud-based health management platform that helps clinics and doctors connect with new patients and communicate with existing ones through one integrated system using comprehensive telemedicine functionalities such as chat and video as well as the ability to access shared data from patients.

Medrec: M mobile app

Medrec:M is a free mobile application where users record health data, create medication plans, store documents, track their symptoms and can use a range of doctors and clinics to book an appointment for remote consultations and receive health tips and news.

Cardiac: M mobile app

The app helps people with heart disease or other cardiovascular problems track their blood pressure, medication and other vital information.

### **Sirma ICS Platform**

The platform has an open architecture and a modular structure that allows flexible and adaptive product management. The platform uses SSL-certified security to protect the privacy of customer data. Calculation and issuance of policies in real time (through integration) with discounts / increases confirmed by the insurance company.

"Motor Third Party Liability" - Integration with 9 companies

"Casco" - Integration with 1 company (Grupama),

"Property" - Integration with 3 companies (Allianz, ZAD Bulgaria, Grupama).

"Travel Assistance" - Integration with 4 companies (Unique Life, Grupama, DZI and ZAD Bulgaria).

- Registration of all other types of policies and all types of annexes
- Automatic renewal of policies, both through integration and for manually registered policies

### **RISK SCORE TOOLBOX (RSTBOX)**

"Sirma Business Consulting" AD creates its innovative solution to support the risk units in the Banks by providing them with a tool with which they can manage and monitor: KPM (credit portfolio model) Expected Default (PD) LGD (loss in case of default) EAD (Exposure at Default) counterparty identifier for each transaction.

### **CEGATE solution**

CEGATE is an integrated software solution with a web-based interface for managing and delivering customer information from various publicly and regulated government sources that provide specialized information to individuals or companies. The sources of data are not limited to: NOI BNB NAP TR RegiX and others. The system is developed on the basis of a three-layer architecture and provides end users with the possibility of fully functional data management for customers of the financial institution. The solution implements all good practices in the management and processing of personal data and their protection. In addition, it provides REST communication capabilities and implementation of all messages. CEGATE is a module-based solution and provides an opportunity, in addition to working through a user interface, to implement communication and perform operations requests and transactions through APIs.

### **DiGiBANK solution**

DiGiBANK is an integrated software solution with a web-based interface for managing various banking services and operations remotely and on the basis of the global Internet environment (www). The system is developed on the basis of a three-layer architecture and provides end customers with a (single page) interface. The solution implements all the best practices in the implementation of remote end-user work processes, ensuring the full level of security and authentication of end-users. creating and reporting reporting forms. DiGiBANK is a modular based solution and provides an opportunity, in addition to working through a user interface, to implement communication and perform request and transaction operations through APIs.

### **REXPRESS solution**

REXPRESS is an integrated software solution with a web-based interface for managing Bank Statutory Reports to the BNB and the ECB. The system was developed on the basis of a three-layer architecture and implements all good practices in the implementation of the processes for creating and reporting reporting forms. When exchanging reports, all guidelines and current regulations valid for financial institutions in the European Union and the Republic of Belarus are used. REXPRESS is modular based and provides complete information and reporting forms by codes and inherent requisites or attributes established by the regulator in the established formats and periodicity.

### **SCARDS solution**

SCARDS is an integrated software solution with a web-based interface for managing Bank cards. The system is implemented on the basis of a three-layer architecture and implements all good practices in the implementation of the processes in the life of the bank card as a payment instrument and related financial transfers (transactions). When exchanging transactions, ISO 8583 is used.

### **UBXPAYMENTS solution**

UBXPAYMENTS is an integrated software solution with a web-based interface for managing bank payment services and operations. The system is developed on the basis of a three-layer architecture and provides end users with the possibility of fully functional management of the payment process. The solution implements all good practices in managing and processing payment instructions based on file exchange of messages in different formats: MTMXML ISO20022. In addition, it provides REST communication capabilities and implementation of all messages.

### **Sirma InSuite**

Sirma InSuite is a complete solution for business management in the insurance sector based on the "no-code" platform of the global technology company for low-code/no-code CRM systems and business process management Creatio. It uses Creatio's standard directly integrated CRM functionalities related to customer service, marketing and sales, upgrading them with additional developed ones related to the administration and management of basic insurance processes.

This is the first independently developed product of the company that integrates the professional expertise of the Sirma Insurtech team regarding the creation and implementation of modern technological corporate solutions and the long-term experience in the financial non-banking sphere, especially the insurance sector.

The product aims to help insurance companies easily integrate a CRM solution with existing insurance systems, which will lead to the automation of part of the business processes and increase efficiency, while at the same time improving the customer experience and increasing their satisfaction.

### **sHRedy**

sHRedy is an information system for the creation and storage of electronic documents in the worker's or employee's work file that meets the requirements of the NVISSSEDTDRS. After its completion, the information system will be offered as a subscription software product to insurers who wish to keep the employment records of their employees in the form of electronic employment records.

Through the information system, it will be possible to create, sign with an electronic signature, exchange between the parties to the employment relationship and store all types of electronic documents under Art. 6 para. 1 of NVISSSEDTDRS.

The information system will make it possible to upload and store documents submitted on paper by taking an electronic image of them with a scanning device in a form and in a way that allows their reading and storage according to Art. 11 para. 2 of NVISSSEDTDRS. This option will be available for all categories of documents under Art. 6 para. 1 of NVISSSEDTDRS existing on paper and not only for those "submitted" by the worker/employee.

The information system now makes it possible to use it through the developed mobile application; allows the use of the developed built-in ChatBot when there is ambiguity in the actions to be taken by the worker/prospective employee/employer.

No material contractual commitments were entered into 30.09.2023 or 31.12.2022.

All amortization charges are included within “Depreciation, amortization of non-financial assets”.

No intangible assets have been pledged as security for liabilities.

## 12. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses can be summarized as follows:

Deferred tax liabilities/ (assets)	31 December 2022	Recognised in profit and loss	30 September 2023
	BGN'000	BGN'000	BGN'000
<b>Non-current assets</b>			
Fixed and intangible assets	327	13	340
Impairment of intangible assets	(279)	279	-
Impairment of investments	(300)	201	(99)
<b>Current assets</b>			
Inventories	(4)	-	(4)
Trade and other receivables	(128)	(20)	(148)
<b>Non-current liabilities</b>			
Pension and other employee obligations	(58)	-	(58)
<b>Current liabilities</b>			
Pension and other employee obligations	(162)	-	(162)
Interest rates from weak capitalization	(20)	-	(20)
Lease liabilities	(7)	-	(7)
Unused tax losses	(320)	-	(320)
	<b>(951)</b>	<b>473</b>	<b>(478)</b>
Deferred tax assets	<b>(1 278)</b>		<b>(818)</b>
Deferred tax liabilities	<b>327</b>		<b>340</b>

Deferred taxes for the comparative period 31.12.2022 can be summarized as follows:

Deferred tax liabilities/ (assets)	31 December 2021	Recognised in profit and loss	Recognized in equity	31 December 2022
	BGN'000	BGN'000	BGN'000	BGN'000
<b>Non-current assets</b>				
Fixed and intangible assets	45	282	-	327
Impairment of intangible assets	-	(279)	-	(279)
Impairment of investments	(56)	(244)	-	(300)
<b>Current assets</b>				
Inventories	(3)	(1)	-	(4)
Trade and other receivables	(29)	(99)	-	(128)
<b>Non-current liabilities</b>				
Pension and other employee obligations	(23)	(35)	(5)	(58)
<b>Current liabilities</b>				
Pension and other employee obligations	(82)	(80)	-	(162)
Interest rates from weak capitalization	(20)	-	-	(20)
Lease liabilities	(7)	-	-	(7)
Unused tax losses	(39)	(281)	-	(320)
	<b>(214)</b>	<b>(737)</b>	<b>(5)</b>	<b>(951)</b>
Deferred tax assets	<b>(259)</b>			<b>(1 278)</b>
Deferred tax liabilities	<b>45</b>			<b>327</b>

All deferred tax assets have been recognized in the consolidated statement of financial position.

### 13. Inventory

Inventory recognized in the consolidated statement of financial position consist of the following:

	<b>30.9.2023</b> <b>BGN'000</b>	<b>31.12.2022</b> <b>BGN'000</b>
Goods	1 555	437
Raw materials and consumables	82	123
	<u><b>1 637</b></u>	<u><b>560</b></u>

None of the inventories at 30 September 2023 are pledged as securities for liabilities.

### 14. Trade and other financial receivables

	<b>30.9.2023</b> <b>BGN'000</b>	<b>31.12.2022</b> <b>BGN'000</b>
Trade receivables, gross	17 817	16 592
Prepayments	2 507	6 167
Impairment of trade receivables	(187)	(187)
<b>Trade receivables</b>	<u><b>20 137</b></u>	<u><b>22 572</b></u>

All trade receivables are short term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value.

All trade and other financial receivables of the Group have been reviewed in respect of events of default and for all trade receivables a simplified approach has been applied to determine the expected credit losses at the end of the period.

The movement in the allowance for credit losses can be reconciled as follows:

	<b>30.9.2023</b> <b>BGN'000</b>	<b>31.12.2022</b> <b>BGN'000</b>
Balance at 1 January	(187)	(213)
Impairment loss	-	(114)
Written off	-	140
<b>Balance at 30 September/31 December</b>	<u><b>(187)</b></u>	<u><b>(187)</b></u>

### 15. Prepayments and other assets

	<b>30.9.2023</b> <b>BGN'000</b>	<b>31.12.2022</b> <b>BGN'000</b>
Prepayments	427	301
Tax receivables	460	90
Other receivables	-	315
<b>Non-financial assets</b>	<u><b>887</b></u>	<u><b>706</b></u>

### 16. Cash and cash equivalents

Cash and cash equivalents comprise of the following:

	<b>30.9.2023</b> <b>BGN'000</b>	<b>31.12.2022</b> <b>BGN'000</b>
Cash at bank and in hand	14 747	20 934
Blocked cash	71	212
<b>Cash and cash equivalents</b>	<u><b>14 818</b></u>	<u><b>21 146</b></u>

The Group has evaluated the expected credit losses on cash and cash equivalents. The estimated amount is less than 0.1% of the gross amount of cash deposited in financial institutions, which is therefore considered to be immaterial and has not been accounted for in the consolidated financial statements of the Group.

## 17. Loans granted

On 17.05.2022 the company from the Group "Sirma Business Consulting" AD gave a loan to an individual in the amount of BGN 150 000 at an interest rate of Basic interest rate+3%. There is no collateral for the loan.

## 18. Equity

### 18.1. Share capital

The share capital of the “Sirma Group Holding” JSC consists of 59 360 518 fully paid ordinary shares with a nominal value of BGN 1. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders meeting of “Sirma Group Holding” JSC.

	<b>30.9.2023</b>	<b>31.12.2022</b>
	<b>Number of shares</b>	<b>Number of shares</b>
Number of shares issued and fully paid, - beginning of the year	59 360 518	59 360 518
Number of shares issued and fully paid	59 360 518	59 360 518
<b>Total number of shares authorized as at 30 September /December</b>	<b>59 360 518</b>	<b>59 360 518</b>

The list of the principal shareholders of the “Sirma Group Holding” JSC is as follows:

Shareholders	Number of shares at 30.09.2023	Number of shares at 30.06.2023	Nominal VALUE (BGN)	Value (BGN)	% Share- holding	% of voting rights*
Georgi Parvanov Marinov	5 380 748	5 380 748	1	5 380 748	9,06%	9,32%
Tsvetan Borisov Alexiev	4 965 753	4 965 753	1	4 965 753	8,37%	8,60%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,23%
Veselin Antchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	8,14%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,48%
Ivo Petrov Petrov	3 531 992	4 013 920	1	3 531 992	5,95%	6,12%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,39%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,77%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,73%
Emiliana Ilieva Ilieva	1 985 209	1 985 209	1	1 985 209	3,34%	3,44%
Deyan Nikolov Nenov	1 790 748	1 790 748	1	1 790 748	3,02%	3,10%
Atanas Kostadinov Kiryakov	1 487 524	1 487 524	1	1 487 524	2,51%	2,58%
Yavor Liudmilov Djonev	1 292 746	1 292 746	1	1 292 746	2,18%	2,24%
Rosen Ivanov Marinov	1 265 795	1 265 795	1	1 265 795	2,13%	2,19%
Advance Invest	971 345	411 895		971 345	1,64%	1,68%
Peter Nikolaev Konyarov	872 803	872 803	1	872 803	1,47%	1,51%
Mandjukov Ltd.	860 000	860 000	1	860 000	1,45%	1,49%
UPF Doverie JSC	802 126	802 126	1	802 126	1,35%	1,39%
UPF DSK Rodina	747 036	747 036	1	747 036	1,26%	1,29%
Asen Krumov Nelchinov	641 349	641 349	1	641 349	1,08%	1,11%
Others	12 703 721	12 781 243	1	12 703 721	21,40%	19,22%
<b>Total</b>	<b>59 360 518</b>	<b>59 360 518</b>	<b>1</b>	<b>59 360 518</b>	<b>100%</b>	<b>100%</b>

\*Percentage of voting rights represents participation in the capital of the company net of the purchased own shares.

As of 30.09.2023 the total amount of repurchased own shares in the Group is 1 603 346 shares (2,70 % of share capital of “Sirma Group Holding” JSC) in the amount of BGN 1 589 295,50 distributed as follows:

- “Sirma Group Holding” JSC holds 1 570 407 (30.06.2022: 1 539 746) repurchased own shares at the total amount of BGN 1 570 407. On 25.01.2023 the company purchased 1 398 900 own shares at an average price of BGN 0,71 per share, for a total value of BGN 993 219. On 27.06.2023 “Sirma Group Holding” JSC bought back 50 000 of its shares at an average price of BGN 0,677638 per share at a total price of BGN 33 881,92. On 28.06.2023 “Sirma Group Holding” JSC bought back 6 000 of its shares at an average price of BGN 0,65 per share at a total price of BGN 3 900. On 03.08.2023 “Sirma Group Holding” JSC bought back 30 661 of its shares at an average price of BGN 0,70 per share at a total price of BGN 21 462,70.
- “SAI” AD (“Ontotext” AD) owns 550 shares of the parent company “Sirma Group Holding” JSC with total value of BGN 643,50. The company has no newly acquired shares during the reporting period.
- “Sirma Solutions” AD owns 32 389 shares of the parent company “Sirma Group Holding” JSC with total value of BGN 18 245. The company has no newly acquired shares during the reporting period.

## 18.2. Share premium

The share premium reserve in the amount of BGN 3 165 thousand is formed by the issuance and repurchase of shares, as well as the initial valuation of amortized fixed assets.

## 18.3. Other reserves

	<b>Legal reserves BGN'000</b>
<b>Balance at 1 January 2023</b>	<b>5 282</b>
Formation of reserves	282
Other changes	(679)
<b>Balance at 30 September 2023</b>	<b>4 885</b>
	<b>Legal reserves BGN'000</b>
<b>Balance at 1 January 2022</b>	<b>2 759</b>
Formation of reserves	2 523
<b>Balance at 31 December 2022</b>	<b>5 282</b>

## 19. Provisions

Provisions are for contract warranty support in the amount of BGN 77 thousand in Q3 2023 (31.12.2022: provisions for guaranteed dividends in the amount of BGN 77 thousand).



## 20. Employee remuneration

### 20.1. Employee benefit expense

Expenses recognized for employee benefits include:

	30.09.2023 BGN'000	30.09.2023 BGN'000
Wages, salaries	(25 794)	(24 161)
Social security costs	(2 919)	(2 751)
<b>Employee benefits expense</b>	<b>(28 713)</b>	<b>(26 912)</b>

### 20.2. Pension and other employee obligations

The liabilities for pension and other employee obligations recognized in the consolidated statement of financial position consist of the following amounts:

	30.09.2023 BGN'000	31.12.2022 BGN'000
<b>Non-current:</b>		
Compensations in compliance with Labour Code	400	400
Non-current pension and other employee obligations	<b>400</b>	<b>400</b>
<b>Current:</b>		
Provisional additional remuneration obligations	402	284
Payroll obligations	1 811	1 919
Social security obligations	577	572
Accrued holiday entitlement	1 623	1 198
Current pension and other employee obligations	<b>4 413</b>	<b>3 973</b>

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled during 2023. Other short-term employee obligations arise mainly from accrued holiday entitlement at the reporting date and various pension payments. As none of the employees has the right for early settlement of pension arrangements, the remaining part of pension obligations for defined benefit plans is considered non-current.

In accordance with the requirements upon termination of the employment relationship under Article 222, paragraph 2 and paragraph 3 of the Labour Code, the employee shall have the right to:

\* sickness benefit in the amount of his gross wage for a period of 2 months, if he has at least five years of service and has not received compensation on the same grounds in the last 5 years.

\* compensation, after acquiring the right to a pension for length of service and old age, irrespective of the reason for termination - in the amount of his gross salary for a period of 2 months, and if he worked with the same employer during the last 10 years of his work experience - compensation in the amount of his gross salary for a period of 6 months.

## 21. Borrowings

Borrowings include the following financial liabilities:

	Current		Non-current	
	30.9.2023 BGN'000	31.12.2022 BGN'000	30.9.2023 BGN'000	31.12.2022 BGN'000
Financial liabilities measured at amortized cost:				
Bank loans	623	5 238	-	7 707
Interest on bank loans	-	13	-	-
<b>Total carrying amounts</b>	<b>623</b>	<b>5 251</b>	<b>-</b>	<b>7 707</b>

All loans are denominated in Bulgarian leva (BGN). The carrying amount of bank loans is considered a reasonable estimate of their fair value.

Bank	Type of loan	Currency	Total amount of credit (in BGN)	Outstanding obligation at 30.09.2023 (in BGN)	Date of contract	Interest rate	Maturity date	Pledges
United Bulgarian Bank	Overdraft	BGN	4 025 000	315	12.12.2019	RIR + 1.2%, but no less that 1.3% per year	20.12.2025	Office № 1 ,2, 3 ,4, 5 ,6, 7, 8, 9, 10, 11, 19, 20, 21 in office building located in Sofia, Mladost district, Tsarigradsko Shosse Blvd 135 + Pledge of the receivables
United Bulgarian Bank	Revolving Credit Line	BGN	4 000 000	-	28.10.2020	RIR + 1.4%, but no less that 1.5% per year	20.9.2025	Pledge of receivables
KBC Bank Bulgaria	Overdraft	BGN	290 000	290 000	25.7.2022	3.10%	30.9.2023	-
UniCredit Bulbank	Overdraft	EUR	2 800 000	-	15.12.2022	The applicable variable interest rate for the relevant interest period +1.5 points, but not less than 1.5%	15.12.2024	Pledge of receivables
UniCredit Bulbank	Overdraft	BGN	2 080 000	-	15.12.2022	RIR + 1.4%, but no less that 1.4% per year	15.12.2024	Pledge of receivables
UniCredit Bulbank	Overdraft	BGN	500 000	-	18.5.2020	The applicable variable interest rate for the relevant interest period +3.5 points, but not less than 3.5%	8.8.2024	Pledge of receivables
UniCredit Bulbank	Overdraft	BGN	500 000	-	7.4.2022	The applicable variable interest rate for the relevant interest period +1.3 points, but not less than 1.3%	7.4.2025	Pledge of receivables
UniCredit Bulbank	Overdraft	BGN	1 000 000	-	15.12.2020	The applicable variable interest rate for the relevant interest period +1.3 points, but not less than 1.3%	15.12.2024	Pledge of receivables
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

On 12.04.2023 "Sirma Group Holding" JSC made a full early repayment of three of its investment bank loans, including principal amounts of 4 356 154 (four million three hundred and fifty-six thousand one hundred and fifty-four) euros. As a result of the above, the company currently has no credit indebtedness under investment loans.

As of 30.09.2023 Sirma Group Inc. presents credit card liabilities amounting to BGN 83 thousand.

## 22. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	<b>30.9.2023</b>	<b>31.12.2022</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Lease liabilities – non-current portion	1 426	1 287
Lease liabilities – current portion	621	590
<b>Lease liabilities</b>	<b>2 047</b>	<b>1 877</b>

The Group leases building and vehicles. Except for short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group’s sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 10).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

### Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

## 23. Trade and other payables

	<b>30.9.2023</b>	<b>31.12.2022</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Trade payables	7 513	2 634
Financial liabilities	<b>7 513</b>	<b>2 634</b>
Tax payables	945	948
Other liabilities – non-current	113	28
Non-financial liabilities	<b>1 058</b>	<b>976</b>
<b>Non-current and current trade and other payables</b>	<b>8 571</b>	<b>3 610</b>

The carrying values of current trade and other payables are considered to be a reasonable approximation of fair value.

## 24. Revenue from contracts with customers

The Group presents revenues from the sale of goods and services at a point in time and over time in the following product lines and geographical regions:

30.09.2023	Sale of IT equipmen				Rendering of services				Total BGN'000
	Bulgaria BGN'000	Europe BGN'000	USA BGN'000	Others BGN'000	Bulgaria BGN'000	Europe BGN'000	USA BGN'000	Others BGN'000	
Gross revenue	17 072	2 203	57	313	15 477	13 358	9 426	1 553	59 459
Revenue from contracts with customers	<b>17 072</b>	<b>2 203</b>	<b>57</b>	<b>313</b>	<b>15 477</b>	<b>13 358</b>	<b>9 426</b>	<b>1 553</b>	<b>59 459*</b>
Revenue recognition									
As a point in time	17 072	2 203	57	313	-	-	-	-	19 645
Over time	-	-	-	-	15 477	13 358	9 426	1 553	39 814
30.09.2022									
Gross revenue	12 057	3 347	1	778	11 226	15 392	11 381	2 509	56 691
Revenue from contracts with customers	<b>12 057</b>	<b>3 347</b>	<b>1</b>	<b>778</b>	<b>11 226</b>	<b>15 392</b>	<b>11 381</b>	<b>2 509</b>	<b>56 691</b>
Revenue recognition									
As a point in time	12 057	3 347	1	778	-	-	-	-	16 183
Over time	-	-	-	-	11 226	15 392	11 381	2 509	40 508

*\*Due to the sale of a controlling stake, the consolidated revenues during the reporting period do not include the revenues of "Sirma AI" AD, unlike the same period of 2022.*

Product lines	30.9.2023 BGN'000	30.9.2022 BGN'000
Software services	27 867	26 481
Sale of IT equipment	19 638	16 183
Subscriptions	3 816	3 258
Support	2 065	1 270
Licenses	1 900	3 775
Cloud services	1 210	1 015
Consulting services	1 180	2 160
System integration	316	465
Others	1 467	2 084
	<b>59 459</b>	<b>56 691</b>

## 25. Other income

Other income includes:

	<b>30.9.2023</b> <b>BGN'000</b>	<b>30.9.2022</b> <b>BGN'000</b>
Revenue from financing	17	975
Other income	334	440
	<b>351</b>	<b>1 415</b>

## 26. Gain on sale of non-current assets

	<b>30.9.2023</b> <b>BGN'000</b>	<b>30.9.2022</b> <b>BGN'000</b>
Proceeds from sale of non-current assets	1 256	12
Carrying amount of non-current assets sold	(1 243)	(1)
<b>Gain on sale of non-current assets</b>	<b>13</b>	<b>11</b>

## 27. Cost of materials

Cost of materials includes:

	<b>30.9.2023</b> <b>BGN'000</b>	<b>30.9.2022</b> <b>BGN'000</b>
Electricity	(450)	(849)
System integration	(298)	(410)
Computer components	(36)	(47)
Office supplies	(37)	(40)
Inventory	(93)	(37)
Advertising materials	(17)	(24)
Car fuel	(25)	(23)
Hygienic materials	(19)	(16)
Repair parts for cars	(4)	(6)
Heating	(8)	(6)
Water	(5)	(5)
Materials for office repair and maintenance	(7)	(3)
Computer supplies	(2)	(3)
Materials embedded in systems	(2)	(1)
Others	(8)	(1)
	<b>(1 011)</b>	<b>(1 471)</b>

## 28. Hired services expenses

Hired services expenses include:

	<b>30.9.2023</b> <b>BGN'000</b>	<b>30.9.2023</b> <b>BGN'000</b>
Software services	(3 935)	(1 929)
Consultancy services	(1 644)	(2 035)
Sub - contracted operations as part of projects	(1 025)	(1 386)
Advertising and marketing	(608)	(1 134)
Subscriptions	(385)	(458)
Software license rental	(313)	(253)
Intermediary services	(195)	(93)
Hosting	(155)	(500)
Office maintenance and repair	(146)	(59)
Seminars and training	(129)	(170)
Commissions and fees	(115)	(766)
Rents on short-term contracts	(112)	(70)
Mobile phones	(106)	(79)
Insurances	(74)	(98)
Security	(73)	(59)
Connectivity	(55)	(54)
Internet	(54)	(50)
Audit	(49)	(38)
Courier, transport	(37)	(56)
Staff recruitment	(37)	(44)
Cleaning	(36)	(43)
Administrative service	(9)	(17)
Parking	(4)	(5)
Car maintenance and repair	(4)	(1)
Notary fees	(2)	(6)
Civil contracts	-	(5)
Others	(123)	(113)
	<b>(9 425)</b>	<b>(9 521)</b>

## 29. Other expenses

The Group's other expenses include:

	<b>30.9.2023</b> <b>BGN'000</b>	<b>30.9.2023</b> <b>BGN'000</b>
Social expenses	(459)	(299)
Business trips	(282)	(216)
Entertainment expenses	(155)	(118)
Local taxes and fees	(71)	(62)
Donations	(38)	(8)
Impairment of receivables	(37)	(87)
Expenses without documents under Accountancy Act	(24)	(19)
Impairment of investment	-	(2 229)
Others	(172)	(24)
	<b>(1 238)</b>	<b>(3 062)</b>

## 30. Capitalized own expenses

	<b>30.9.2023</b> <b>BGN'000</b>	<b>30.9.2022</b> <b>BGN'000</b>
Employee benefits expense	1 602	2 013
Hired services expenses	230	47
	<b>1 832</b>	<b>2 060</b>

### 31. Finance costs and finance income

Finance costs for the presented reporting periods can be analyzed as follows:

	<b>30.9.2023</b> <b>BGN'000</b>	<b>30.9.2022</b> <b>BGN'000</b>
Expenses on foreign exchange operations	(168)	(132)
Interest expenses on loans	(127)	(222)
Interest expenses NRA	(6)	(9)
Interest expenses for finance lease agreements	(3)	(3)
Other financial expenses	(99)	(120)
<b>Total interest expenses for financial liabilities</b>	<b>(403)</b>	<b>(486)</b>
<b>not at fair value through profit or loss</b>		
<b>Finance costs</b>	<b>(403)</b>	<b>(486)</b>

Finance income may be analyzed as follows for the presented reporting periods:

	<b>30.9.2023</b> <b>BGN'000</b>	<b>30.9.2022</b> <b>BGN'000</b>
Income from foreign exchange operations	94	543
Interest income	50	203
Income from operations with financial assets and instruments	8	-
Other financial income	1	-
<b>Financial income</b>	<b>153</b>	<b>746</b>

### 32. Loss per share

The weighted average number of outstanding shares used for basic loss per share as well as profit attributable to shareholders are as follows:

	<b>30.9.2023</b>	<b>30.9.2022</b>
Earnings/loss attributable to the shareholders (BGN'000)	(110)	(5 109)
Weighted average number of outstanding shares (in thousand)	57 984	59 257
<b>Basic earnings per share (BGN per share)</b>	<b>(0,0019)</b>	<b>(0,0862)</b>

### 33. Related party transactions

The Group's related parties include its owners, associates, other parties under common control 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 other related parties

	<b>30.9.2023</b> <b>BGN'000</b>	<b>30.9.2022</b> <b>BGN'000</b>
Sales of:		
- goods	178	230
- services	101	187
Purchases of:		
- goods	31	-

### 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:

	30.9.2023 BGN'000	30.9.2022 BGN'000
Short-term employee benefits:		
Salaries	586	579
Social security costs	9	12
<b>Total remunerations</b>	<b>595</b>	<b>591</b>

### 34. Related party balances at period-end

	30.9.2023 BGN'000	31.12.2022 BGN'000
<b>Current</b>		
<b>Receivables from:</b>		
- <b>other related parties under common control</b>		
- loans	437	311
- trade receivables	3	10
- impairment	-	(3)
- <b>associates</b>		
- trade and other receivables	-	53
- impairment	-	(39)
- loans	-	114
- impairment	-	(114)
- <b>key management personnel</b>		
- trade and other receivables	43	72
- loans	-	14
Total current receivables from related parties	<b>483</b>	<b>418</b>
<b>Total receivables from related parties</b>	<b>483</b>	<b>418</b>
<b>Non-Current</b>		
<b>Payables to:</b>		
- <b>associates</b>		
- trade and other receivables	106	4
- <b>key management personnel</b>		
- other payables	14	13
- dividends	694	403
- loan	77	77
Total current payables to related parties	<b>891</b>	<b>497</b>
<b>Total payables to related parties</b>	<b>891</b>	<b>497</b>

The change in the amount of the adjustment for expected credit losses on receivables from related parties can be presented as follows:

	30.9.2023 BGN'000	30.9.2022 BGN'000
<b>Balance as of 1 January</b>	<b>(156)</b>	(1 391)
Impairment losses	-	(42)
Collected impaired receivables	-	1 277
<b>Balance as of 30 September/31 December</b>	<b>(156)</b>	<b>(156)</b>



### 35. Non-cash transactions

There were no non-cash transactions during the presented reporting period.

### 36. Contingent assets and contingent liabilities

Various warranty and legal claims were not brought against the Group during the period.

There are no contingent liabilities relating to subsidiaries and associates of the Group.

The parent company is a guarantor for loans granted to related parties as follows:

Recipient of loan	Bank	Type of loan	Currency	Total amount of credit (in BGN)	Outstanding obligation to 30.09.2023 (in BGN)	Date of contract	Interest rate	Maturity date	Pledges
Sirma Solutions	United Bulgarian Bank AD	Overdraft	BGN	4 025 000	315	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 Solutions	United Bulgarian Bank AD	Revolving credit line	BGN	4 000 000	-	28.10.2020	RIR + 1.4%, but no less than 1.5% per year	28.10.2025	Pledge of receivables
Sirma Solutions	United Bulgarian Bank AD	Overdraft	BGN	2 080 000	-	15.12.2022	The applicable variable interest rate for the relevant interest period + 1.5%, but no less than 1.5% per year	15.12.2024	Pledge of receivables
Sciant	Unicredit BulBank AD	Overdraft	BGN	500 000	-	18.5.2020	The applicable variable interest rate for the relevant interest period +3.5 points, but not less than 3.5%	8.8.2024	Pledge of receivables
Sciant	Unicredit BulBank AD	Overdraft	BGN	500 000	-	7.4.2022	The applicable variable interest rate for the relevant interest period +1.3 points, but not less than 1.3%	7.4.2025	Pledge of receivables
EngView Systems Sofia	Unicredit BulBank AD	Overdraft	BGN	1 000 000	-	15.12.2020	The applicable variable interest rate for the relevant interest period +1.3 points, but not less than 1.3%	15.12.2024	Pledge of receivables
Sirma Medical Systems	United Bulgarian Bank AD	Revolving bank loan	BGN	250 000	250 000	15.12.2020	ADI + 1,3% (but not less than 1,3%)	15.12.2023	Pledge on receivables
Sirma InshurTech	KBC Bank Bulgaria AD	Bank revolving credit	BGN	290 000	290 000	25.07.2022	3,10%	30.09.2023	-

## Litigations

No claims were brought against the Group.

## 37. Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of assets and liabilities:

<b>Financial assets</b>	<b>Note</b>	<b>30.09.2023 BGN'000</b>	<b>31.12.2022 BGN'000</b>
Financial assets at fair value through profit or loss:			
Long - term financial assets	7	<b>336</b>	<b>336</b>
Debt instruments measured at amortized cost			
Trade receivables	14	17 630	16 405
Related party receivables	34	483	418
Loand given	17	150	150
Cash and cash equivalents	16	14 818	21 146
		<b>33 081</b>	<b>38 119</b>
		<b>33 417</b>	<b>38 455</b>
<b>Financial liabilities</b>	<b>Note</b>	<b>30.09.2023 BGN'000</b>	<b>31.12.2022 BGN'000</b>
Financial liabilities measured at amortized cost			
Borrowings:			
non-current	21	-	7 707
current	21	632	5 251
Finance lease liabilities:			
non-current	22	1 426	1 287
current	22	621	590
Trade and other payables	23	7 513	2 634
Related party payables			
current	34	891	497
		<b>11 083</b>	<b>17 966</b>

See note 4.18 about information related to the accounting policy for each category financial instruments. Description of the risk management objectives and policies of the Group related to the financial instruments is presented in note 38.

## 38. Financial instrument risk

### Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in note 37. 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.

### 38.1. 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.

As the economic consequences of the war unfolded in Ukraine, strong inflationary pressures arose. The average annual inflation for the period January - December 2022 compared to the period January - December 2021 is 15.3 percent. Inflation is expected to remain high in the short term. In the medium term, as the energy market rebalances, uncertainty is expected to ease and inflation to fall towards the end of 2023. By the second half of 2025, easing pressures from energy prices and other costs, together with the ECB's monetary policy measures, should return inflation to the target level.

The expected retention of the level of inflation will continue to affect the maintenance of high levels of purchase prices of the goods and services used by the Group, which could lead to an unexpected contraction in consumer demand and, consequently, future revenues.

### 38.1.1. 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.

Despite the small amount of financial instruments in foreign currency, the impact of the general economic situation and the dynamics of the international markets could have an impact that would lead to unexpected changes in the exchange rate of the US dollar and this would affect the financial results of the Group in the future.

### 38.1.2. Interest rate risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing.

In 2023, the Group is exposed to the risk of changes in market interest rates on its bank loans, which have a variable interest rate. All other financial assets and liabilities of the Group have fixed interest rates.

## 38.2. 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>Note</b>	<b>30.09.2023</b>	<b>31.12.2022</b>
		<b>BGN'000</b>	<b>BGN'000</b>
Financial assets at fair value through profit or loss:			
Long - term financial assets	7	<b>336</b>	<b>336</b>
Debt instruments measured at amortized cost			
Trade receivables	14	17 630	16 405
Related party receivables	34	483	418
Loand given	17	150	150
Cash and cash equivalents	16	14 818	21 146
		<b>33 081</b>	<b>38 119</b>
		<b>33 417</b>	<b>38 455</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.

The Group's management has performed an analysis of the settlements with its counterparties, as well as the potential effect on their credit quality, incl. in terms of forming a reasonable amount of expected credit losses, according to the adopted model for determining them in accordance with IFRS 9. Based on the analysis, and taking into account the collection of receivables in the period after the pandemic, until the date of preparation of the pandemic In this consolidated financial statement, the

Management Board considers that in the short term there are no indications of deterioration in the credit quality of counterparties, and that there are currently no grounds to change the model for calculating expected credit losses, including due to lack of credit losses. sufficiently reliable data. The long-term perspectives and potential effects on the collection and credit quality of the estimates are subject to constant monitoring and updating by the Management. The process also takes into account the fact that the existence of temporary liquidity problems of counterparties caused directly by Covid-19 are not considered indications of deteriorating 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

### 38.3. 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 September 2023, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

30 September 2023	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years
	BGN'000	BGN'000	BGN'000	BGN'000
Borrowings	109	523	-	-
Finance lease obligations	459	162	1 369	57
Trade and other payables	3 682	-	-	-
Related party payables	891	-	-	-
<b>Total</b>	<b>5 141</b>	<b>685</b>	<b>1 369</b>	<b>57</b>

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

31 December 2022	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years
	BGN'000	BGN'000	BGN'000	BGN'000
Borrowings	2 626	2 625	7 707	-
Finance lease obligations	306	305	1 123	198
Trade and other payables	2 634	-	-	-
Related party payables	497	-	-	-
<b>Total</b>	<b>6 063</b>	<b>2 930</b>	<b>8 830</b>	<b>198</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.

### 39. Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to the shareholder by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the correlation between adjusted capital and net debt.

Net debt comprises of total liabilities/ total borrowings/total borrowings, trade and other payables less the carrying amount of cash and cash equivalents.

The amount of the correlation for the presented accounting periods is summarized as follows:

	30.09.2023 BGN'000	31.12.2022 BGN'000
<b>Equity</b>	<b>82 702</b>	<b>90 382</b>
Total liabilities/Total borrowings/Total borrowings, trade and other payables	17 394	31 956
- Cash and cash equivalents	(14 818)	(21 146)
<b>Net debt</b>	<b>2 576</b>	<b>10 810</b>
<b>Adjusted capital to net debt</b>	<b>32.1:1</b>	<b>8.36:1</b>

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

No changes were made in the objectives, policies or processes for managing capital during the presented periods and in the description of what the Group manages as capital.

### 40. Post-reporting date events

#### **Buyback of shares**

By decision of the General Meeting of Shareholders of “Sirma Group Holding” JSC, dated 09.01.2023, “Sirma Group Holding” JSC bought back 210 000 of its shares at an average price of BGN 0.76 per share at a total price of BGN 159 600. The shares represent 0.35% of the company's capital. The purchase was made on the Bulgarian Stock Exchange - Sofia AD and entered in the company's Share register book on 02.10.2023.

#### **Reduction of capital of subsidiary**

On 23.10.2023, in accordance with the decision of the General Meeting of Shareholders, the capital of "Sirma Solutions" was reduced on the basis of Art. 200, item 2, in connection with Art. 187d, of the Commercial Code by canceling 703 589 shares a total of shares with a nominal value of BGN 10 (ten) each, of which: 15 000 are class A, 62 172 are class B and 626 417 are ordinary, owned by "Sirma Solutions" AD. The shares were acquired by the company through a buy-back from shareholders. The capital of the company decreased from 35 370 800 to 28 334 910 BGN. The company became 100% owned by "Sirma Group Holding" JSC.

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.