



**Sirma**

# Notes

to the Interim Consolidated  
Financial Statements of  
"Sirma Group Holding" JSC  
for Q3 2024

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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 on 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, Sofia city, 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 30.09.2024 the distribution of the share capital of “Sirma Group Holding” JSC is as follows:

	30.09.2024	30.06.2024
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	1 151	1 109
Legal entities	43	38
Individuals	1 108	1 071
Number of shares held by legal entities	6 867 613	7 906 320
% Of participation of entities	11,57%	13,32%
Number of shares held by individuals	52 492 905	51 454 198
% Participation of individuals	88,43%	86,68%

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

Shareholders	Number of shares at 30.09.2024	Number of shares at 30.06.2024	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% of voting rights*
Georgi Parvanov Marinov	5 461 898	5 455 748	1	5 461 898	9,20%	9,47%
Tsvetan Borisov Alexiev	5 025 153	5 035 153	1	5 025 153	8,47%	8,71%
Chavdar Velizarov Dimitrov	4 817 386	4 817 386	1	4 817 386	8,12%	8,35%
Veselin Antchev Kirov	4 767 386	4 767 386	1	4 767 386	8,03%	8,27%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,49%
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%	3,78%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,74%
Emiliana Ilieva Ilieva	1 990 209	1 990 209	1	1 990 209	3,35%	3,45%
Rosen Ivanov Marinov	1 907 900	1 907 900	1	1 907 900	3,21%	3,31%
Deyan Nikolov Nenov	1 814 748	1 814 748	1	1 814 748	3,06%	3,15%
Purchased own shares	1 689 786	2 279 969	1	1 689 786	2,85%	-
Atanas Kostadinov Kiryakov	1 545 287	1 542 787	1	1 545 287	2,60%	2,68%
Yavor Liudmilov Djonev	1 092 746	1 092 746	1	1 092 746	1,84%	1,89%
Mandjukov Ltd.	860 000	860 000	1	860 000	1,45%	1,49%
Peter Nikolaev Konyarov	803 538	828 735	1	803 538	1,35%	1,39%
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%	1,30%
DF Advance Invest	718 335	1 141 110	1	718 335	1,21%	1,25%
Asen Krumov Nelchinov	650 449	650 449	1	650 449	1,10%	1,13%
Momchil Nikolov Zarev	618 153	618 153	1	618 153	1,04%	1,07%
Others	13 438 331	12 398 826	1	13 438 331	22,64%	23,30%
<b>Total</b>	<b>59 360 518</b>	<b>59 360 518</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.

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

Shareholders	Number of shares at 30.09.2024	% Shareholding	% of voting rights
Georgi Parvanov Marinov	5 461 898	9,20%	9,47%
Tsvetan Borisov Alexiev	5 025 153	8,47%	8,71%
Chavdar Velizarov Dimitrov	4 817 386	8,12%	8,35%
Veselin Antchev Kirov	4 767 386	8,03%	8,27%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,49%

Shareholders	Number of shares at 30.06.2024	% Shareholding	% of voting rights
Georgi Parvanov Marinov	5 455 748	9,19%	9,56%
Tsvetan Borisov Alexiev	5 035 153	8,48%	8,82%
Chavdar Velizarov Dimitrov	4 817 386	8,12%	8,44%
Veselin Antchev Kirov	4 767 386	8,03%	8,35%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,55%

## 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 30.09.2024 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: 05.07.2026

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

The following Committees are established within the Board of Directors:

- The Investment, Risk and Sustainability 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:

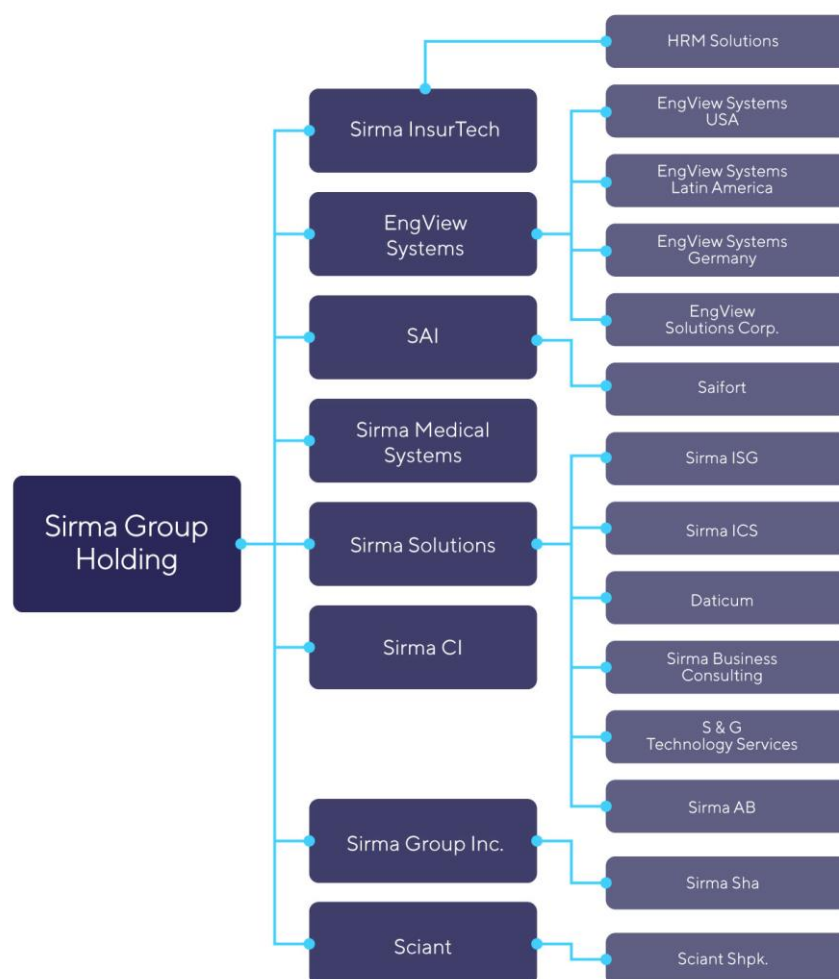
Shareholders	Number of shares at 30.09.2024	Number of shares at 30.06.2024	Nominal value (BGN)	Value (BGN)	% Shareholding	% of voting rights
Georgi Parvanov Marinov	5 461 898	5 455 748	1	5 461 898	9,20%	9,47%
Tsvetan Borisov Alexiev	5 025 153	5 035 153	1	5 025 153	8,47%	8,71%
Chavdar Velizarov Dimitrov	4 817 386	4 817 386	1	4 817 386	8,12%	8,35%
Veselin Anchev Kirov	4 767 386	4 767 386	1	4 767 386	8,03%	8,27%
Atanas Kostadinov Kiryakov	1 545 287	1 542 787	1	1 545 287	2,60%	2,68%
Yavor Ludmilov Djonev	1 092 746	1 092 746	1	1 092 746	1,84%	1,89%
Martin Veselinov Paev	126 920	126 920	1	126 920	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>22 840 309</b>	<b>22 841 659</b>		<b>22 840 309</b>	<b>38,48%</b>	<b>39,60%</b>

During the period the member of the BD Georgi Parvanov Marinov has acquired 6 150 shares, the member of the BD Atanas Kostadinov Kiryakov has acquired 2 500 shares and the member of the BD Tsvetan Borisov Alexiev has sold 10 000 shares of 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 2024 is 554 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 2024**

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 2024, but do not have a significant effect of their application on the financial result and financial condition of the Group:

- Amendments to IAS 1 “Presentation of financial statements: Classification of liabilities as current or non-current”, effective from 1 January 2024, adopted by the EU;
- Amendments to IAS 1 “Presentation of financial statements: Non-current liabilities with covenants”, effective from 1 January 2024, adopted by the EU;
- Amendments to IFRS 16 “Leases: Lease Liability in a Sale and Leaseback”, effective not earlier than 1 January 2024, adopted by the EU;
- 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.

#### **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 2024 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 21 “The effects of changes in foreign exchange rates: Lack of exchangeability”, effective from 1 January 2025, not yet adopted by the EU
- Annual Improvements Volume 11, effective from 1 January 2026, not yet adopted by the EU
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), effective from 1 January 2026, not yet adopted by the EU
- IFRS 18 Presentation and Disclosure in Financial Statements effective from 1 January 2027, not yet adopted by the EU
- IFRS 19 Subsidiaries without Public Accountability: Disclosures, effective from 1 January 2027, not yet 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 2024, 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 2024. 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. 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).

Consistent with the prior year, as at 30 September 2024, 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.

The Group has successfully implemented and regulated a hybrid working environment (remote and in-person) for its offices. In addition to all the other benefits, telecommuting reduces the carbon footprint of transportation to/from each employee's workplace. The Group is committed to further reducing the carbon footprint of its employees' operations, by updating its business travel policies and minimizing the use of air travel. In addition, measures are taken to optimize fuel consumption for heating and transport, optimization of heating, ventilation, cooling, lighting systems, setting equipment (computers, air conditioners) to turn off automatically, stimulating the holding of meetings, discussions, and trainings remotely, providing teleconferencing equipment to avoid frequent business travel, and more. In relation with maintaining and improving the energy efficiency of the rented premises, the Group has taken measures to increase the awareness of employees regarding the use of energy, as well as the implementation of energy-saving technological solutions.

In the third quarter of 2023, Sirma Group Holding JSC successfully put into operation its own photovoltaic system without batteries, located in its central building. This measure aims to increase the share of renewable energy used. During the first 3 months (autumn-winter) of operation, it produced 17.34 MWh of electricity. This represents 23.51% of all electricity consumption during these first months of operation. Sirma's photovoltaic system is planned to produce up to 30% of the building's consumption. This is expected to be achieved in 2024 with one full year of PV system operation (and the elimination of seasonal fluctuations).

Some of the used computer equipment reaches the end of its productive capacity and is replaced accordingly. The hardware that is still possible to use is donated to one of the many charity campaigns organized by the Group. Equipment that can no longer be used is provided to specialized partner companies that recycle computer equipment.

#### **4.7. 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.

#### **4.8. 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 unrepeated 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.

#### **4.9. 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.

##### **4.9.1. 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.

### **Hosting services**

The Group’s hosting services are related to the maintenance of a software system for managing lotteries, cloud services, as well as related accompanying services, including and technical support. Hosting services are provided by a data and colocation center located in the city of Sofia, which The Group enters into hosting service contracts with its customers to perform regularly scheduled services at a fixed monthly price. Revenue is recognized over time in accordance with the pattern and method of transferring benefits to the customer. Revenue is recognized on a straight-line basis over the term of each contract. Because the amount of work required to perform these contracts does not vary significantly from month to month, the straight-line method accurately reflects the transfer of goods or services.

#### **4.9.2. 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.

#### **4.9.3. 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.

#### **4.9.4. 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.

#### **4.9.5. 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”.

#### **4.9.6. Contract liabilities**

The Group recognises contract 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.

### **4.10. 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.

### **4.11. 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”.

#### **4.12. 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.

#### **4.13. 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.

#### **4.14. 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.

#### **4.15. 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.

#### **4.16. 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.

#### **4.17. Financial instruments**

##### **4.17.1. 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.

##### **4.17.2. 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.

#### **4.17.3. 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.

#### **4.17.4. 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 uses age annals and a matrix for overdue receivables. For receivables with an expired payment term of 180 to 365 days, an impairment loss is recognized in the amount of 50% of the value of the gross receivable, and for those with an expired term of more than 1 year, the receivable is fully depreciated.

#### **4.17.5. 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, 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).

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

#### **4.18. 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.

#### **4.19. 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.

#### **4.20. Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, current bank accounts and deposits, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **4.21. Equity and reserves**

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

The repurchased own shares of the Group represent the value of the repurchased shares of Sirma Group Holding JSC from the company itself. The Group has adopted the value of repurchased shares to be presented on a separate line in the consolidated statement of financial position.

Reserves include:

- Premium reserves, formed as a difference between issue and nominal value in the issue of shares, received during the initial issuance of share capital. All transaction costs related to the issuance of shares are deducted from paid-up capital, net of tax benefits.
- Legal reserves, that are deducted from accumulated profits in accordance with the current commercial legislation,
- Revaluation reserve under defined benefit plans and
- Foreign activities revaluation reserve.

Retained earnings 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.

#### **4.22. 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.

#### **4.23. 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.

#### **4.24. 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 4.25.

##### **4.24.1. 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.

##### **4.24.2. 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.

##### **4.24.3. 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).

##### **4.24.4. 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.

#### **4.25. 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.

#### **4.25.1. 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.

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

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

At 30 September 2024 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analyzed in note 8 and 8. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

#### **4.25.3. 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.

#### **4.25.4. 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).

#### **4.25.5. 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 596 thousand for 2023 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	30.09.2024	30.09.2024 share	31.12.2023	31.12.2023 share
			BGN'000	%	BGN'000	%
Sirma Solutions EAD	Bulgaria	Software services	39 686	100%	39 686	100%
SAI EAD	Bulgaria	Software services in cyber security	17 865	100%	17 865	100%
Sciant EAD	Bulgaria	Software services	14 076	100%	14 076	100%
Sirma Group Inc.	USA	Software services	3 471	76.30%	3 471	76.30%
Sirma InsurTech EAD	Bulgaria	Software services in insurance	1 476	100%	914	55.00%
Sirma CI	Bulgaria	Software services	248	100%	106	80.00%
Sirma Medical Systems	Bulgaria	Software services in medicine	66	66.00%	66	66.00%
Engview Systems	Bulgaria	Software services in packing	50	72.90%	50	72.90%

Investments of “Sirma Solutions” EAD:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.09.2024	30.09.2024 share	31.12.2023	31.12.2023 share
			BGN'000	%	BGN'000	%
Sirma Business Consulting EAD	Bulgaria	Software services in banking	4 222	100%	1 374	54.08%
Daticum AD	Bulgaria	Services colocation and hosting	468	59.00%	468	59.00%
Sirma ICS AD	Bulgaria	Software services in insurance	279	93.00%	279	93.00%
Sirma AB	Sweden	Software services	169	100%	9	100%
S&G Technology Services	UK	Software services	117	100%	117	51.00%
Sirma ISG OOD	Bulgaria	Software services	4	71.00%	4	71.00%

Investments of “EngView System” AD:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.09.2024	30.09.2024 share	31.12.2023	31.12.2023 share
			BGN'000	%	BGN'000	%
EngView Systems GmbH	Germany	Software services in packaging	235	100%	235	100%
EngView USA	USA	Software services in packing	190	100%	190	100%
EngView Systems Latin America	Brazil	Software services in packing	7	95%	7	95%
Engview Solutions Corp.	Canada	Software services in packing	-	95%	-	95%

Investments of Sirma Group Inc.:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.09.2024	30.09.2024 share	31.12.2023	31.12.2023 share
			BGN'000	%	BGN'000	%
Sirma Sha	Albania	Software services	25	55	25	55

Investments of “Sirma InsurTech” EAD:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.09.2024	30.09.2024 share	31.12.2023	31.12.2023 share
			BGN'000	%	BGN'000	%
HRM Solutions	Bulgaria	Software services	150	100%	150	100%

Investments of “Sciant” EAD:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.09.2024	30.09.2024 share	31.12.2023	31.12.2023 share
			BGN'000	%	BGN'000	%
Sciant Shpk.	Albania	Software services	256	100%	256	100%

Investments of “SAI” EAD:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.09.2024	30.09.2024 share	31.12.2023	31.12.2023 share
			BGN'000	%	BGN'000	%
Saifort	Israel	Software services in cyber security	-	70%	-	70%

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

In Q3 2024 BGN 337 thousand dividends were paid to the NCI (2023 – BGN 404 thousand).

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

	<b>30.09.2024</b>	<b>30.09.2023/ 31.12.2023</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Non-current assets	136 585	134 993
Current assets	40 644	42 035
<b>Total assets</b>	<b>177 229</b>	<b>177 028</b>
Non-current liabilities	21 167	21 954
Current liabilities	23 935	19 116
<b>Total liabilities</b>	<b>45 102</b>	<b>41 070</b>
<b>Equity attributable to owners of the parent</b>	<b>129 711</b>	<b>131 832</b>
<b>Non-controlling interests</b>	<b>2 416</b>	<b>4 126</b>
<b>Revenue</b>	<b>73 336</b>	<b>69 741</b>
Profit for the period attributable to owners of the parent	(1 773)	1 211
Profit for the period attributable to NCI	218	714
<b>Profit for the period</b>	<b>(1 555)</b>	<b>1 925</b>
Net cash flows from operating activities	311	1 757
Net cash flows from investment activity	(4 771)	9 462
Net cash flows from financing activities	(2 245)	(17 506)
<b>Net cash flow</b>	<b>(6 705)</b>	<b>(6 287)</b>

## 6. 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:

	<b>Intelligent Evolution of Enterprises</b>	<b>Solutions, products and consulting in Finance</b>	<b>System Integration</b>	<b>Total</b>
	<b>30.09.2024 BGN'000</b>	<b>30.09.2024 BGN'000</b>	<b>30.09.2024 BGN'000</b>	<b>30.09.2024 BGN'000</b>
<b>Revenue:</b>				
- from external customers	29 065	13 574	20 589	63 228
<b>Segment revenues</b>	<b>29 065</b>	<b>13 574</b>	<b>20 589</b>	<b>63 228</b>
Cost of materials	(731)	(42)	(16 950)	(17 723)
Hired services expenses	(6 106)	(1 879)	(1 631)	(9 616)
Employee benefits expense	(22 995)	(8 438)	(1 287)	(32 720)
Depreciation and amortization of non-financial assets	(2 536)	(523)	(38)	(3 097)
Other expenses	(1 183)	(229)	(2)	(1 414)
<b>Segment operating profit</b>	<b>(4 486)</b>	<b>2 463</b>	<b>681</b>	<b>(1 342)</b>

	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>

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

	30.09.2024 BGN'000	30.09.2023 BGN'000
Bulgaria (domicile)	32 747	33 753
USA	8 389	7 942
UK	8 037	9 484
Other countries	14 055	8 644
<b>Total</b>	<b>63 228</b>	<b>59 823</b>

## 7. Goodwill

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

	30.09.2024 BGN'000	31.12.2023 BGN'000
<b>Gross carrying amount</b>		
Balance at 1 January	26 252	26 252
Balance at 30 September/31 December	26 252	26 083
<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:

	30.09.2024 BGN'000	31.12.2023 BGN'000
Sirma Solutions	11 754	11 754
Sciant	8 622	8 622
SAI	2 961	2 961
Sirma Group Inc.	1 863	1 863
Sirma InsurTech	747	747
S&G	164	164
Sciant Shpk.	123	123
EngView Brazil	14	14
Sirma Bussiness Consulting	4	4
<b>Goodwill allocation at 30 September/31 December</b>	<b>26 252</b>	<b>26 252</b>

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, 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 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.

## 8. 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 2024	7 451	621	766	2 490	5 247	244	2 747	1 019	20 585
Additions	258	-	28	44	567	-	882	102	1 881
Disposals	-	-	-	-	-	(77)	(2 804)	-	(2 881)
Balance at 30 September 2024	<b>7 709</b>	<b>621</b>	<b>794</b>	<b>2 534</b>	<b>5 814</b>	<b>167</b>	<b>825</b>	<b>1 121</b>	<b>19 585</b>
<b>Depreciation</b>									
Balance at 1 January 2024	(1 086)	(378)	(477)	(2 233)	(4 328)	-	(1 141)	(761)	(10 404)
Depreciation	(103)	(69)	(64)	(43)	(446)	-	(428)	(25)	(1 178)
Disposals	-	-	-	-	-	-	1 124	-	1 124
Balance at 30 September 2024	<b>(1 189)</b>	<b>(447)</b>	<b>(541)</b>	<b>(2 276)</b>	<b>(4 774)</b>	<b>-</b>	<b>(445)</b>	<b>(786)</b>	<b>(10 458)</b>
<b>Carrying amount at 30 September 2024</b>	<b>6 520</b>	<b>174</b>	<b>253</b>	<b>258</b>	<b>1 040</b>	<b>167</b>	<b>380</b>	<b>335</b>	<b>9 127</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 2023	7 407	470	688	2 464	4 794	20	3 313	811	19 967
Additions	44	151	78	26	648	373	1 295	208	2 823
Disposals	-	-	-	-	(195)	(149)	(1 861)	-	(2 205)
Balance at 31 December 2023	<b>7 451</b>	<b>621</b>	<b>766</b>	<b>2 490</b>	<b>5 247</b>	<b>244</b>	<b>2 747</b>	<b>1 019</b>	<b>20 585</b>
<b>Depreciation</b>									
Balance at 1 January 2023	(986)	(296)	(396)	(2 168)	(4 067)	-	(1 446)	(727)	(10 086)
Depreciation	(100)	(82)	(81)	(65)	(454)	-	(614)	(34)	(1 430)
Disposals	-	-	-	-	193	-	919	-	1 112
Balance at 31 December 2023	<b>(1 086)</b>	<b>(378)</b>	<b>(477)</b>	<b>(2 233)</b>	<b>(4 328)</b>	<b>-</b>	<b>(1 141)</b>	<b>(761)</b>	<b>(10 404)</b>
<b>Carrying amount at 31 December 2023</b>	<b>6 365</b>	<b>243</b>	<b>289</b>	<b>257</b>	<b>919</b>	<b>244</b>	<b>1 606</b>	<b>258</b>	<b>10 181</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 2024 or 2023.

## 9. 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 2024	23 307	2 763	12 597	5 358	7 128	51 153
Additions, purchased	-	-	-	990	84	1 074
Balance at 30 September 2024	<b>23 307</b>	<b>2 763</b>	<b>12 597</b>	<b>6 348</b>	<b>7 212</b>	<b>52 227</b>
<b>Amortization</b>						
Balance at 1 January 2023	(18 164)	(1 849)	(8 376)	-	(2 377)	(30 766)
Amortization	(584)	(58)	(937)	-	(340)	(1 919)
Balance at 30 September 2024	<b>(18 748)</b>	<b>(1 907)</b>	<b>(9 313)</b>	<b>-</b>	<b>(2 717)</b>	<b>(32 685)</b>
<b>Carrying amount at 30 September 2024</b>	<b>4 559</b>	<b>856</b>	<b>3 284</b>	<b>6 348</b>	<b>4 495</b>	<b>19 542</b>

	R&D products	Software products	Rights to software modules	Intangible assets in progress	Others	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Gross carrying amount</b>						
Balance at 1 January 2023	22 103	2 499	11 347	9 176	6 787	51 912
Additions, internally developed	1 204	264	-	513	436	2 417
Additions, purchased	-	-	1 250	833	-	2 083
Transfers	-	-	-	77	-	77
Disposals	-	-	-	(4 783)	(95)	(4 878)
In exploitation	-	-	-	(458)	-	(458)
Balance at 31 December 2023	<b>23 307</b>	<b>2 763</b>	<b>12 597</b>	<b>5 358</b>	<b>7 128</b>	<b>51 153</b>
<b>Amortization</b>						
Balance at 1 January 2023	(17 418)	(1 774)	(7 301)	(2 786)	(1 927)	(31 206)
Amortization	(746)	(75)	(1 075)	-	(468)	(2 364)
Impairment losses	-	-	-	2 786	-	2 786
Disposals	-	-	-	-	18	18
Balance at 31 December 2023	<b>(18 164)</b>	<b>(1 849)</b>	<b>(8 376)</b>	<b>-</b>	<b>(2 377)</b>	<b>(30 766)</b>
<b>Carrying amount at 31 December 2023</b>	<b>5 143</b>	<b>914</b>	<b>4 221</b>	<b>5 358</b>	<b>4 751</b>	<b>20 387</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.

- CAM - 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 API 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.

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, LXI.

#### 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.

**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: MTMXXML ISO20022. In addition, it provides REST communication capabilities and implementation of all messages.

#### **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.

#### **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.

#### **Software platform CIM - Customer Intelligence and Monetization (B2B and B2C)**

CIM's core functionalities are based on a cognitive software platform that includes B2B and B2C sales; possibility to create online stores, mobile applications for online commerce (Mobile commerce); an intelligent chatbot trained both for customer service and for increasing sales (Chatbot commerce); real-time monitoring of unregistered site visitors and marketing tools to attract current customers Sales Force Speed (SFS); as well as self-service solutions (Kiosk commerce).

No material contractual commitments were entered into 30.09.2024 or 31.12.2023.

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

No intangible assets have been pledged as security for liabilities.

## 10. Deferred tax assets and liabilities

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

Deferred tax liabilities/ (assets)	1 January 2024 BGN'000	Recognised in profit and loss BGN'000	Recognized in equity BGN'000	30 September 2024 BGN'000
<b>Non-current assets</b>				
Fixed and intangible assets	280	-	-	280
Impairment of investments	(133)	-	-	(133)
<b>Current assets</b>				
Inventories	(4)	-	-	(4)
Trade and other receivables	(54)	-	-	(54)
<b>Non-current liabilities</b>				
Employee obligations	(60)	-	-	(60)
<b>Current liabilities</b>				
Employee obligations	(256)	-	-	(256)
Lease liabilities	(7)	-	-	(7)
Interest rates from weak capitalization	(935)	-	-	(935)
Unused tax losses	(20)	-	-	(20)
	<b>(1 189)</b>	<b>-</b>	<b>-</b>	<b>(1 189)</b>
Deferred tax assets	<b>(1 469)</b>			<b>(1 469)</b>
Deferred tax liabilities	<b>280</b>			<b>280</b>

Deferred taxes for the comparative period 31.12.2023 can be summarized as follows:

Deferred tax liabilities/ (assets)	1 January 2023 BGN'000	Recognised in profit and loss BGN'000	Recognized in equity BGN'000	31 December 2023 BGN'000
<b>Non-current assets</b>				
Fixed and intangible assets	327	(47)	-	280
Impairment of intangible assets	(279)	279	-	-
Impairment of investments	(300)	167	-	(133)
<b>Current assets</b>				
Inventories	(4)	-	-	(4)
Trade and other receivables	(128)	(7)	81	(54)
<b>Non-current liabilities</b>				
Employee obligations	(58)	(2)	-	(60)
<b>Current liabilities</b>				
Employee obligations	(162)	(94)	-	(256)
Lease liabilities	(7)	-	-	(7)
Interest rates from weak capitalization	(320)	(615)	-	(935)
Unused tax losses	(20)	-	-	(20)
	<b>(951)</b>	<b>(319)</b>	<b>81</b>	<b>(1 189)</b>
Deferred tax assets	<b>(1 278)</b>			<b>(1 469)</b>
Deferred tax liabilities	<b>327</b>			<b>280</b>

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

## 11. Inventory

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

	<b>30.09.2024</b> <b>BGN'000</b>	<b>31.12.2023</b> <b>BGN'000</b>
Computers, laptops	986	1 628
Computer components	142	308
Materials and consumables, spare parts	13	168
	<b>1 141</b>	<b>2 104</b>

None of the inventories at 30 September 2024 are pledged as securities for liabilities.

## 12. Trade and other financial receivables

	<b>30.09.2024</b> <b>BGN'000</b>	<b>31.12.2023</b> <b>BGN'000</b>
Trade receivables, gross	18 320	15 621
Impairment of trade receivables	(545)	(332)
<b>Trade receivables, net</b>	<b>17 775</b>	<b>15 289</b>
Other financial receivables	609	544
Impairment losses on other financial receivables	(172)	(172)
<b>Other financial assets, net</b>	<b>437</b>	<b>372</b>
<b>Trade and other receivables</b>	<b>18 212</b>	<b>15 661</b>

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>30.09.2024</b> <b>BGN'000</b>	<b>31.12.2023</b> <b>BGN'000</b>
Balance at 1 January	(504)	(350)
Impairment loss	(213)	(186)
Written off	-	32
<b>Balance at 30 September/31 December</b>	<b>(717)</b>	<b>(504)</b>

## 13. Prepayments and other assets

	<b>30.09.2024</b> <b>BGN'000</b>	<b>31.12.2023</b> <b>BGN'000</b>
Prepayments	274	407
Tax receivables	320	390
Other receivables	349	262
<b>Non-financial assets</b>	<b>943</b>	<b>1 059</b>

## 14. Cash

Cash comprise of the following:

	<b>30.09.2024</b> <b>BGN'000</b>	<b>31.12.2023</b> <b>BGN'000</b>
Cash at bank and in hand	7 938	14 619
Blocked cash	1	75
<b>Cash</b>	<b>7 939</b>	<b>14 694</b>

The Group has evaluated the expected credit losses on cash and cash. 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.

## 15. Financial assets at fair value through profit or loss

	<b>30.09.2024</b>	<b>31.12.2023</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Investments in a mutual investment fund	1 970	3 085
Exchange-traded debt instruments - government securities (foreign)	212	207
<b>Current financial assets</b>	<b>2 182</b>	<b>3 292</b>

Short-term financial assets are valued at fair value, determined on the basis of stock market quotations at the date of the financial statement.

### 15.1. Fair value measurement of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped in three levels in accordance with the fair value hierarchy, which is based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

#### 30 September 2024

	<b>Level 1</b>
	<b>BGN'000</b>
<b>Financial assets</b>	
Mutual investment schemes	1 970
Exchange-traded debt instruments	212
<b>Total asset</b>	<b>2 182</b>

There were no transfers between levels in the fair value hierarchy during the reporting periods.

### Determination of the fair value of financial assets level 1

The valuation methods and techniques used in determining the fair value are based on the stock exchange price of the tradable securities and shares with an active market at the end of the reporting period.

Marketable collective investment schemes are presented in Bulgarian leva and are publicly traded on foreign exchanges. The fair values were determined on the basis of their stock market prices at the reporting date.

### 15.2. Amounts, recognized in profit or loss

Gains and losses related to changes in the fair value of financial assets are included in the statement of profit or loss and other comprehensive income in the line Financial income and financial expenses, respectively.

There are no significant interrelationships between the significant inputs (management's assessment of the probability of achieving the contractual target level) and the other unobservable inputs.

## 16. Equity

### 16.1. 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>30.09.2024</b>	<b>31.12.2023</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</b>	<b>59 360 518</b>	<b>59 360 518</b>

A detailed list of shareholders is presented in Note 1.

### 16.2. Purchased own shares

As of 30.09.2024 the total amount of repurchased own shares in the Group is 1 689 786 shares (2,85 % of share capital of “Sirma Group Holding” JSC), distributed as follows:

- “Sirma Group Holding” JSC owns 1 689 236 (30.06.2024: 2 279 419) repurchased own shares or 2,85 % of share capital. On 24.01.2024 the company purchased 1 000 000 own shares at an average price of BGN 0,74 per share, for a total value of BGN 740 000. The shares represent 1,68 % of share capital. On 28.05.2024 the company sold 500 988 own shares at an average price of BGN 0,85 per share, for a total value of BGN 425 839,80. The shares represent 0,84 % of share capital. On 02.07.2024 „Sirma Group Holding“ JSC sold 590 183 of its shares at an average price of BGN 0,96 per share, for a total price of BGN 566 575,68. The shares represent 0,99% of the company's capital.
- “SAI” EAD owns 550 shares of the parent company “Sirma Group Holding” JSC. The company has no newly acquired shares during the reporting period.
- “Sirma Solutions” EAD doesn’t own shares of the parent company “Sirma Group Holding” JSC. On 26.03.2024 “Sirma Solutions” EAD purchased 700 000 shares of the parent company “Sirma Group Holding” JSC, through transactions carried out on the Bulgarian Stock Exchange - Sofia, at an average price of BGN 0,729917 per share. The shares represent 1,18 % of share capital of the parent company. On 16.05.2024 “Sirma Solutions” EAD sold 732 389 shares from the capital of "Sirma Group Holding" JSC through transactions carried out on the unregulated over-the-counter market (Bulgaria) at an average price per share of BGN 0,80. The purchase represents 1,23% of the capital of "Sirma Group Holding" JSC.

### 16.3. Share premium

	<b>30.09.2024</b>	<b>31.12.2023</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Balance at January 1</b>	<b>2 501</b>	<b>3 083</b>
Write-off of premium reserve	(689)	-
Formation of premium reserve	1 797	936
Transfer to other reserves	-	(1 518)
<b>Balance at 30 September/ 31 December</b>	<b>3 609</b>	<b>2 501</b>

### 16.4. Other reserves

	<b>Statutory reserves</b>	<b>Foreign activity revaluation reserve</b>	<b>Revaluation reserve under defined benefit plans</b>	<b>Total</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
<b>Balance at 1 January 2024</b>	<b>6 254</b>	<b>133</b>	<b>69</b>	<b>6 456</b>
Formation of reserve	161	(372)	-	(211)
Transfer from premium reserves	(999)	-	-	(999)
<b>Balance at 30 September 2024</b>	<b>5 416</b>	<b>(239)</b>	<b>69</b>	<b>5 246</b>

	Statutory reserves	Foreign activity revaluation reserve	Revaluation reserve under defined benefit plans	Total
	BGN'000	BGN'000	BGN'000	BGN'000
<b>Balance at 1 January 2023</b>	<b>3 898</b>	<b>(7)</b>	<b>69</b>	<b>3 960</b>
Formation of reserve	838	140	-	978
Transfer from premium reserves	1 518	-	-	1 518
<b>Balance at 31 December 2023</b>	<b>6 254</b>	<b>133</b>	<b>69</b>	<b>6 456</b>

## 17. Provisions

Provisions are for contract warranty support in the amount of BGN 77 thousand in Q3 2024 (31.12.2023: provisions for guaranteed dividends in the amount of BGN 77 thousand).

## 18. Employee remuneration

### 18.1. Employee benefit expense

Expenses recognized for employee benefits include:

	30.09.2024 BGN'000	30.09.2023 BGN'000
Wages, salaries	(30 969)	(25 794)
Social security costs	(3 563)	(2 919)
Employee benefit expenses, capitalized in development for internally developed intangible assets	1 059	1 602
<b>Employee benefits expense</b>	<b>(33 473)</b>	<b>(27 111)</b>

### 18.2. 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:

	30.09.2024 BGN'000	31.12.2023 BGN'000
<b>Non-current:</b>		
Compensations in compliance with Labour Code	596	596
<b>Non-current pension and other employee obligations</b>	<b>596</b>	<b>596</b>
<b>Current:</b>		
Provisional additional remuneration obligations	968	782
Payroll obligations	2 644	2 140
Social security obligations	642	609
Accrued holiday entitlement	1 533	1 535
<b>Current pension and other employee obligations</b>	<b>5 787</b>	<b>5 066</b>

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled during 2024. 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.

## 19. Borrowings

Borrowings include the following financial liabilities:

	<b>Current</b>	
	<b>30.09.2024</b>	<b>31.12.2023</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Financial liabilities measured at amortized cost:		
Bank loans	93	575
Interest on bank loans	-	3
<b>Total carrying amounts</b>	<b>93</b>	<b>578</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 30.09.2024 (in BGN)	Date of contract	Interest rate	Maturity date	Pledges
United Bulgarian Bank	Overdraft	BGN	4 025 000	-	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	20.09.2024	Pledge of receivables, pledge of real estate
United Bulgarian Bank	Revolving Credit Line	BGN	4 000 000	-	28.10.2020	RIR + 1.4%, but no less than 1.5% per year	20.09.2024	Pledge of receivables
UniCredit Bulbank	Overdraft	EUR	2 800 000	47 776	15.12.2022	The applicable variable interest rate for the relevant interest period +1.5 points, but not less than 1.5%	15.12.2025	Pledge of receivables
UniCredit Bulbank	Overdraft	BGN	2 080 000	-	15.12.2022	The applicable variable interest rate for the relevant interest period +1.5 points, but not less than 1.5%	15.12.2025	Pledge of receivables
UniCredit Bulbank	Overdraft	BGN	500 000	-	18.5.2020	The applicable variable interest rate for the relevant interest period +2 points, but not less than 2.08%	8.8.2025	Pledge of receivables
UniCredit Bulbank	Overdraft	BGN	500 000	-	7.4.2022	The applicable variable interest rate for the relevant interest period +2 points, but not less than 2.08%	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 +2 points, but not less than 2.08%	15.12.2024	Pledge of receivables

As of 30.09.2024 Sirma Group Inc. presents credit card liabilities amounting to BGN 38 thousand and “EngView Systems” presents credit card liabilities amounting to BGN 3 thousand.



## 20. Lease liabilities

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

	30.09.2024 BGN'000	31.12.2023 BGN'000
Lease liabilities – non-current portion	400	1 283
Lease liabilities – current portion	188	589
<b>Lease liabilities</b>	<b>588</b>	<b>1 872</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 8).

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.

## 21. Trade and other payables

	30.09.2024 BGN'000	31.12.2023 BGN'000
Trade payables	3 695	3 682
<b>Financial liabilities</b>	<b>3 695</b>	<b>3 682</b>
Tax payables	708	927
Other liabilities – non-current	218	73
<b>Non-financial liabilities</b>	<b>926</b>	<b>1 000</b>
<b>Non-current and current trade and other payables</b>	<b>4 621</b>	<b>4 682</b>

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

## 22. Contract liabilities

	30.09.2024 BGN'000	31.12.2023 BGN'000
Contract liabilities – advances received for delivery of IT services	1 802	1 822
<b>Total contract liabilities</b>	<b>1 802</b>	<b>1 822</b>

### 23. 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:

30.09.2024	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	15 825	1 427	67	2 188	16 921	15 559	8 316	2 402	62 705
Revenue from contracts with customers	<b>15 825</b>	<b>1 427</b>	<b>67</b>	<b>2 188</b>	<b>16 921</b>	<b>15 559</b>	<b>8 316</b>	<b>2 402</b>	<b>62 705</b>
Revenue recognition									
As a point in time	15 825	1 427	67	2 188	-	-	-	-	19 507
Over time	-	-	-	-	16 921	15 559	8 316	2 402	43 198

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

Product lines	30.09.2024 BGN'000	30.09.2023 BGN'000
Software services	28 993	27 867
Sale of IT equipment	19 507	19 638
Subscriptions	4 464	3 816
Support	2 115	2 065
Licenses	2 100	1 900
Cloud services	1 382	1 210
Consulting services	2 452	1 180
System integration	370	316
Others	1 322	1 467
	<b>62 705</b>	<b>59 459</b>

### 24. Other income

Other income includes:

	30.09.2024 BGN'000	30.09.2023 BGN'000
Revenue from financing	10	17
Other income	511	334
	<b>521</b>	<b>351</b>

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

	30.09.2024 BGN'000	30.09.2023 BGN'000
Proceeds from sale of non-current assets	2	1 256
Carrying amount of non-current assets sold	-	(1 243)
<b>Gain on sale of non-current assets</b>	<b>2</b>	<b>13</b>

## 26. Cost of materials

	30.09.2024 BGN'000	30.09.2023 BGN'000
Electricity	(529)	(450)
Inventory	(74)	(93)
System integration	(45)	(298)
Computer components	(36)	(36)
Advertising materials	(29)	(17)
Car fuel	(28)	(25)
Office supplies	(24)	(37)
Hygienic materials	(22)	(19)
Materials for office repair and maintenance	(16)	(7)
Water	(6)	(5)
Heating	(5)	(8)
Repair parts for cars	(3)	(4)
Computer supplies	(2)	(2)
Materials embedded in systems	(1)	(2)
Others	(12)	(8)
	<b>(832)</b>	<b>(1 011)</b>

## 27. Hired services expenses

	30.09.2024 BGN'000	30.09.2023 BGN'000
Software services	(2 919)	(3 935)
Sub - contracted operations as part of projects	(1 450)	(1 025)
Consultancy services	(1 258)	(1 644)
Advertising and marketing	(1 008)	(608)
Subscriptions	(625)	(385)
Seminars and training	(311)	(129)
Software license rental	(282)	(313)
Commissions and fees	(236)	(115)
Rents on short-term contracts	(211)	(112)
Hosting	(179)	(155)
Intermediary services	(164)	(195)
Mobile phones	(107)	(106)
Office maintenance and repair	(104)	(146)
Insurances	(95)	(74)
Security	(88)	(73)
Courier, transport	(83)	(37)
Administrative service	(82)	(9)
Audit	(59)	(49)
Connectivity	(55)	(55)
Internet	(46)	(54)
Cleaning	(45)	(36)
Staff recruitment	(35)	(37)
Car maintenance and repair	(15)	(4)
Notary fees	(8)	(2)
Parking	(5)	(4)
Others	(204)	(123)
Hired services expenses, capitalized in development for internally developed intangible assets	58	230
	<b>(9 616)</b>	<b>(9 195)</b>

## 28. Other expenses

	30.09.2024 BGN'000	30.09.2023 BGN'000
Social expenses	(531)	(459)
Business trips	(311)	(282)
Impairment of receivables	(213)	(37)
Entertainment expenses	(126)	(155)
Local taxes and fees	(72)	(71)
Expenses without documents under Accountancy Act	(44)	(24)
Donations	-	(38)
Others	(117)	(172)
	<b>(1 414)</b>	<b>(1 238)</b>

## 29. Finance costs and finance income

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

	30.09.2024 BGN'000	30.09.2023 BGN'000
Expenses on foreign exchange operations	(286)	(168)
Interest expenses on loans	(19)	(107)
Interest expenses IFRS 16	(17)	(20)
Interest expenses for finance lease agreements	(5)	(3)
Interest expenses NRA	-	(6)
Other financial expenses	(102)	(99)
<b>Total interest expenses for financial liabilities not at fair value through profit or loss</b>	<b>(429)</b>	<b>(403)</b>
<b>Finance costs</b>	<b>(429)</b>	<b>(403)</b>

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

	30.09.2024 BGN'000	30.09.2023 BGN'000
Income from foreign exchange operations	113	50
Income from operations with financial assets	21	94
Interest income	3	8
Other financial income	79	1
<b>Financial income</b>	<b>216</b>	<b>153</b>

## 30. Loss per share

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

	30.09.2024	30.09.2023
Loss attributable to the shareholders (BGN'000)	(1 773)	(110)
Weighted average number of outstanding shares (in thousand)	57 090	57 984
<b>Basic loss per share (BGN per share)</b>	<b>(0,0311)</b>	<b>(0,0019)</b>

## 31. 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

	30.09.2024 BGN'000	30.09.2023 BGN'000
Sales of:		
- goods	261	140
- services	67	98
Purchases of:		
- goods	-	22

### 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:

	30.09.2024 BGN'000	30.09.2023 BGN'000
Short-term employee benefits:		
Salaries	449	586
Social security costs	11	9
<b>Total remunerations</b>	<b>460</b>	<b>595</b>

## 32. Related party balances at period-end

	30.09.2024 BGN'000	31.12.2023 BGN'000
<b>Non-current receivables from:</b>		
- <b>other related parties under common control</b>		
- loans	295	295
<b>Total non-current receivables from related parties</b>	<b>295</b>	<b>295</b>
<b>Current receivables from:</b>		
- <b>other related parties under common control</b>		
- trade receivables	394	147
- impairment	(48)	(54)
- interest on loans	5	6
<b>Total current receivables from related parties</b>	<b>351</b>	<b>99</b>
<b>Total receivables from related parties</b>	<b>646</b>	<b>394</b>
<b>Non-Current payables to:</b>		
- <b>other related parties under common control</b>		
- payables related to capital reduction	328	328
<b>Total non-current payables to related parties</b>	<b>328</b>	<b>328</b>
<b>Non-Current payables to:</b>		
- <b>other related parties under common control</b>		
- trade and other receivables	17	29
- <b>key management personnel</b>		
- other payables	15	15
- dividends	327	244
- payables related to capital reduction	82	82
- loan	135	162
<b>Total current payables to related parties</b>	<b>576</b>	<b>532</b>
<b>Total payables to related parties</b>	<b>904</b>	<b>860</b>

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

	30.09.2024 BGN'000	31.12.2023 BGN'000
<b>Balance as of 1 January</b>	<b>(54)</b>	<b>(210)</b>
Impairment losses	-	(42)
Collected impaired receivables	-	156
<b>Balance as of 30 September/31 December</b>	<b>(54)</b>	<b>(54)</b>

### 33. Non-cash transactions

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

### 34. 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 30.09.2024 (in BGN)	Date of contract	Interest rate	Maturity date	Pledges
Sirma Solutions EAD	United Bulgarian Bank AD	Overdraft	BGN	4 025 000	-	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	20.09.2024	Pledge of receivables, pledge of real estate
Sirma Solutions EAD	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	20.09.2024	Pledge of receivables
Sirma Solutions EAD	United Bulgarian Bank AD	Overdraft	BGN	2 080 000	47 776	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
Sciانت EAD	Unicredit BulBank AD	Overdraft	BGN	500 000	-	18.5.2020	The applicable variable interest rate for the relevant interest period +2 points, but not less than 2.08%	8.8.2024	Pledge of receivables
Sciانت EAD	Unicredit BulBank AD	Overdraft	BGN	500 000	-	7.4.2022	The applicable variable interest rate for the relevant interest period +2 points, but not less than 2.08%	7.4.2025	Pledge of receivables
EngView Systems AD	Unicredit BulBank AD	Overdraft	BGN	1 000 000	-	15.12.2020	The applicable variable interest rate for the relevant interest period +2 points, but not less than 2.08%	15.12.2024	Pledge of receivables

## Litigations

No claims were brought against the Group.

## 35. 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>30.09.2024 BGN'000</b>	<b>31.12.2023 BGN'000</b>
Financial assets at fair value through profit or loss:			
Current financial assets	15	2 182	3 292
Long-term related party receivables	32	295	295
Trade and other receivables	12	18 212	15 661
Related party receivables	32	351	99
Cash	14	7 939	14 694
		<b>28 979</b>	<b>34 041</b>
<b>Financial liabilities</b>	<b>Note</b>	<b>30.09.2024 BGN'000</b>	<b>31.12.2023 BGN'000</b>
Financial liabilities measured at amortized cost			
Borrowings:			
current	19	93	578
Finance lease liabilities:			
non-current	20	400	1 283
current	20	188	589
Trade and other payables	21	4 621	3 682
Related party payables			
non-current	32	328	328
current	32	576	532
		<b>6 206</b>	<b>6 992</b>

See note 4.17 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 36.

## 36. 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 35. 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.

#### 36.1. 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 in Ukraine unfolded, strong inflationary pressures arose, but they weaken and annual inflation for the period September 2024 compared to September 2023,

as measured by National Statistical Institute with the Harmonized Index of Consumer Prices (HICP) fell to 1,5%.

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.

### 36.1.1. 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.

### 36.1.2. Interest rate risk

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

In Q3 2024, the Group was not exposed to a significant risk of changes in market interest rates on its bank loans, which are at variable interest rates, as it has repaid its long-term investment loan. All other financial assets and liabilities of the Group have fixed interest rates.

## 36.2. 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>30.09.2024</b>	<b>31.12.2023</b>
		<b>BGN'000</b>	<b>BGN'000</b>
Financial assets at fair value through profit or loss:			
Current financial assets	15	2 182	3 292
Long-term related party receivables	32	295	295
Trade and other receivables	12	18 212	15 661
Related party receivables	32	351	99
Cash	14	7 939	14 694
		<b>28 979</b>	<b>34 041</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.



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

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

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

### 36.3. 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 2024, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

30 September 2024	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	47	47	-	-
Finance lease obligations	94	94	395	-
Trade and other payables	4 621	-	-	-
Related party payables	576	-	328	-
<b>Total</b>	<b>5 338</b>	<b>141</b>	<b>723</b>	<b>-</b>

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

31 December 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	289	289	-	-
Finance lease obligations	295	294	1 325	12
Trade and other payables	3 682	-	-	-
Related party payables	530	-	328	-
<b>Total</b>	<b>4 796</b>	<b>583</b>	<b>1 653</b>	<b>12</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.

### 37. 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:

	30.09.2024 BGN'000	31.12.2023 BGN'000
<b>Equity</b>	<b>72 750</b>	<b>79 626</b>
Total liabilities/Total borrowings/Total borrowings, trade and other payables	14 748	15 894
- Cash and cash equivalents	(7 939)	(14 694)
<b>Net debt</b>	<b>6 809</b>	<b>1 200</b>
<b>Adjusted capital to net debt</b>	<b>10.68:1</b>	<b>66.36:1</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.

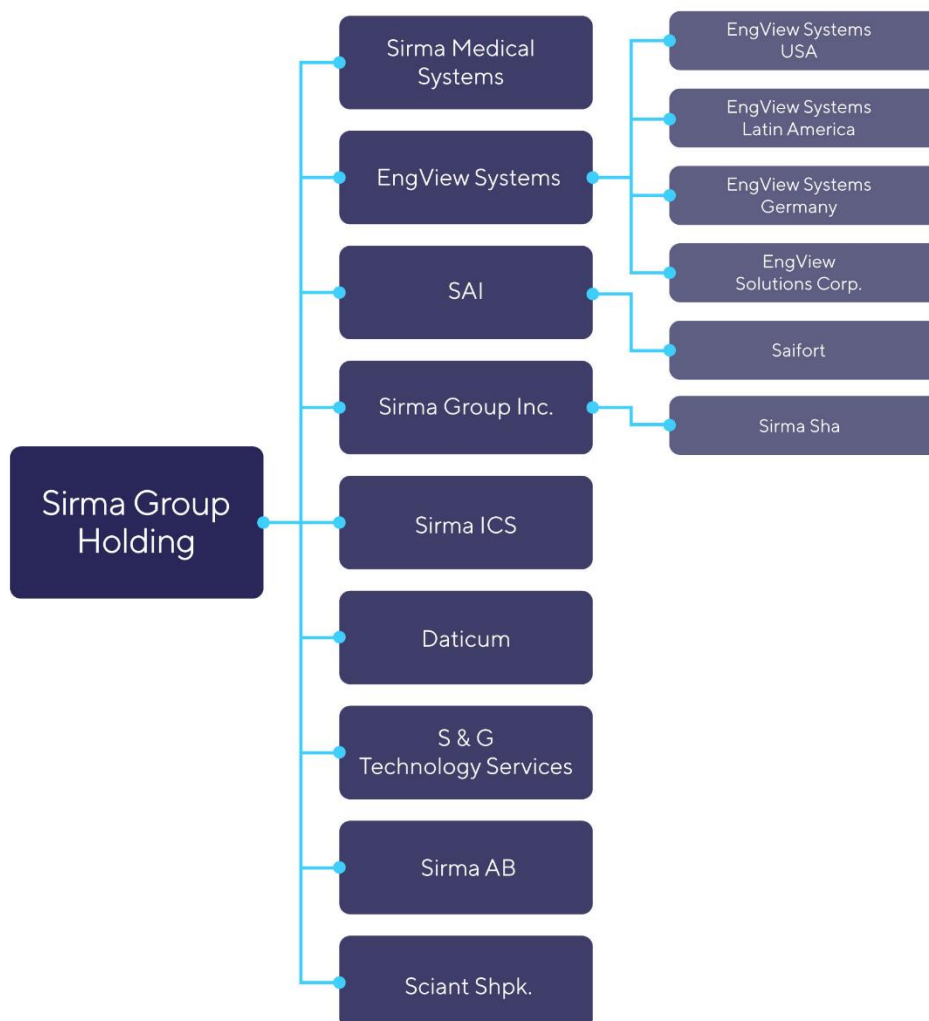
No changes were made in the objectives, policies or processes for managing capital during the presented periods and in the description of what the Group manages as capital.

### 38. Post-reporting date events

#### ***Merger of subsidiary companies into "Sirma Group Holding" JSC***

Following the decision of the Board of Directors of "Sirma Group Holding" JSC, approval by the Financial Supervisory Commission on 18 July 2024 and the decision of the General Meeting of Shareholders of "Sirma Group Holding" JSC from 17 September 2024, the subsidiaries "Sirma CI JSC, "Sirma Insurtech" JSC, "Sirma Solutions" JSC, "Sirma Business Consulting" JSC, "Scient" JSC and "HRM Solutions" JSC were transformed through merger into the parent company "Sirma Group Holding" JSC. The circumstance was entered in the Registration Agency on 8 October 2024.

After the successful consolidation, the organization chart of Sirma Group looks like this:



The intended effect of these mergers includes (but is not limited to):

- Reduction of administration and related costs;
- Vertical specialization and full focus on the relevant sector or segment;
- Overcoming internal competition between different subsidiaries;
- Greater transparency of activity, revenue, and profit.

As a result of the consolidation, the holding activity of "Sirma Group Holding" JSC is also enriched with operational activity of providing IT products and services to its customers.

#### Administrative organization and management

The administrative organization and management are carried out by the Board of Directors of "Sirma Group Holding" JSC, which has a two-year mandate and is elected by the General Assembly of the company. The current composition of the Board of Directors was elected at the General Meeting of Shareholders on 27 June 2024:



## Business organization and management

In addition to the administrative organization and management, a business organization and management is also introduced, where the directors are responsible for various aspects of the company's business:



The position of CEO (administrative-management position) is performed together with the position of President (business-management position). This facilitates full synchronization between the two management structures. The position is currently held by Mr. Tsvetan Alexiev.

The specialization of the individual directors is as follows:

- CFO (Chief Financial Officer) Mr. Yordan Nedev
- COO (Chief Operating Officer), Mr. Tsvetan Trenchev
- CGO (Chief Growth Officer), Mr. Momchil Zarev
- CCO (Chief Commercial Officer), Mrs. Rumyana Stoykova
- CTO (Chief Technology Officer), Mr. Tihomir Totev
- CPaO (Chief Partner Officer), Mr. Rosen Marinov
- CTaO (Chief Talent Officer), Mr. Chavdar Dimitrov

To support the activities of the business directors, senior vice president positions (SVP) are distinguished according to the main verticals of specialization, as follows:

- Business vertical system integration

The system integration business vertical is led by Senior Vice President Rosen Marinov. The vertical has two vice presidents who are respectively responsible for Sirma Group's cloud services and cyber security. The vertical team offers its customers system integration, cloud services, and cyber security services. The target market is mainly Bulgarian financial institutions, insurance companies, healthcare related organizations, multinational companies with operations in Bulgaria and state and municipal administrations.

- Business vertical financial industry

The financial industry business vertical is led by senior vice president Tsvetomir Doskov. The business vertical is the second most profitable in Sirma Group. The mission of this business vertical is to guide financial institutions on their path to digitization and implementation of artificial intelligence in their operations. The vertical's target customers are small and medium-sized banks and fintech companies. The activity of the "Financial Industry" vertical is divided into 5 segments - Financial Services, Financial Consulting, Oracle, Temenos, and IT Solutions.

- Business vertical hospitality

The hospitality business vertical is led by Senior Vice President Rumyana Stoykova. The team from this vertical offers IT solutions, consulting, system integration, and data analysis to its hospitality industry clients. The vertical's target customers are hotel groups, tour operators, travel agencies, and technology providers for the hospitality industry. The vertical has one vice president.

- Business vertical IT services

The business vertical IT services is led by senior vice president Momchil Zarev. The efforts of the team and its two vice presidents are focused on cross-industry services, cross-selling, and services to the public sector.

- Business vertical production

The business vertical production is led by Senior Vice President Georgi Marinov. The main segments in this vertical are two – packaging manufacturing software and industrial measurement software. This vertical has one vice president.

- Business vertical transport and logistics

The transport and logistics business vertical is led by Senior Vice President Angel Mitev. The target customers of this vertical are freight forwarders, couriers, transport companies, and terminal operators. The team from this vertical offers IT solutions and consulting to its clients and has two vice presidents.

- Business vertical insurance

The insurance business vertical is led by Senior Vice President Galina Koleva. The vertical has three vice presidents and two lines of business, servicing respectively insurance companies and insurance brokers. The vertical team offers its clients IT business solutions, IT security products, and compliance related services.

- Business vertical healthcare

The healthcare business vertical is led by Senior Vice President Deyan Nenov. This vertical serves one of the most promising industry segments.

In addition to the eight business verticals, two additional units are also distinguished:

- Incubator and laboratories

The Incubator and Laboratories Unit is headed by Senior Vice President Nikolay Kondikov. The unit's mission is to develop new products and services, explore new potential markets, and create new technologies for use in Sirma Group's business solutions.

- International services

The International Services Unit is led by Senior Vice President Fabrice Gouttebroze. The unit's mission is to increase sales revenue in international markets across all verticals.

### **Acquisition of a majority stake in Roweb Development SA, Romania**

On 23.10.2024, the procedure for acquiring a majority stake in the IT company Roweb Development SA, Romania, was completed. The transaction has the following parameters:

- Name of the acquired company: Roweb Development SA, Romania;
- Size of acquired share of the company: 51% of the capital of the company Roweb Development SA;
- Year of foundation of the company: 2004;
- Number of employees: over 140;
- Revenue: RON 31 117 thousand (EUR 6 198 thousand) for 2023 (15% growth compared to 2022);
- EBITDA: RON 6 415 thousand (EUR 1 277 thousand) for 2023 (16% growth compared to 2022);
- Specialization: IT services mainly focused on web applications for the financial sector, real estate agents, human resources and tourism.

As of today, Roweb Development SA officially becomes part of Sirma Group. This acquisition will increase Sirma Group's revenue from sales in Romania and other target markets, while complementing the Group's IT services portfolio.

Additional information about Roweb Development SA can be found on the company's website: <https://www.roweb.ro/>

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