

Consolidated financial statements  
Annual consolidated management report  
Consolidated corporate governance declaration  
Consolidated non-financial declaration  
Declaration by the responsible persons  
Independent Auditor's Report

Sirma Group Holding JSC

31 December 2023



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## Consolidated statement of financial position

<b>Assets</b>	<b>Note</b>	<b>31 December 2023 BGN'000</b>	<b>31 December 2022 BGN'000</b>
<b>Non-current assets</b>			
Goodwill	10	26 252	26 252
Property, plant and equipment	11	10 181	9 881
Intangible assets	12	20 387	20 706
Investments accounted for using the equity method	8	-	18 502
Long - term financial assets	6	-	336
Long - term related party receivables	37	295	-
Deferred tax assets	13	1 469	1 278
Non-current assets		<b>58 584</b>	<b>76 955</b>
<b>Current assets</b>			
Inventory	14	2 104	560
Trade and other financial receivables	15	15 661	16 573
Prepayments and other assets	16	1 059	6 705
Short-term related party receivables	37	99	418
Income tax receivables		27	-
Loans granted	18	-	150
Financial assets at fair value through profit or loss	19	3 292	-
Cash	17	14 694	21 146
Current assets		<b>36 936</b>	<b>45 552</b>
<b>Total assets</b>		<b>95 520</b>	<b>122 507</b>

Chief accountant: \_\_\_\_\_  
/Diana Petkova/

Executive Director: \_\_\_\_\_  
/Tsvetan Alexiev/

The consolidated financial report was prepared and approved for issuance by the Board of Directors on 18.04.2024 and signed on 26.04.2024.

With auditor's report from on 26.04.2024.

Grant Thornton OOD, Audit firm № 032

Mariy Apostolov, Managing Partner

Emilia Marinova, registered auditor responsible for the audit

## Consolidated statement of financial position (continued)

Equity and liabilities	Note	31 December 2023 BGN'000	31 December 2022 BGN'000
<b>Equity</b>			
Share capital	20.1	59 361	59 361
Purchased own shares	20.2	(1 799)	(85)
Reserves	20.3, 20.4	8 957	7 043
Retained earnings		8 981	19 237
Equity attributable to the owners of the parent		75 500	85 556
Non-controlling interest	5.1	4 126	4 995
<b>Total equity</b>		<b>79 626</b>	<b>90 551</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Pension obligations	22.2	596	400
Long-term borrowings	23.1	-	7 707
Long-term lease liabilities	24	1 283	1 287
Long-term related party payables	37	328	-
Deferred tax liabilities	13	280	327
<b>Non-current liabilities</b>		<b>2 487</b>	<b>9 721</b>
<b>Current liabilities</b>			
Provisions	21	77	77
Employee obligations	22.2	5 066	3 973
Short-term borrowings	23.1	578	5 251
Short-term lease liabilities	24	589	590
Trade and other payables	25	4 682	3 610
Contract liabilities	26	1 822	8 119
Short-term related party payables	37	532	497
Income tax liabilities		61	118
<b>Current liabilities</b>		<b>13 407</b>	<b>22 235</b>
<b>Total liabilities</b>		<b>15 894</b>	<b>31 956</b>
<b>Total equity and liabilities</b>		<b>95 520</b>	<b>122 507</b>

Chief accountant: \_\_\_\_\_  
/Diana Petkova/

Executive Director: \_\_\_\_\_  
/Tsvetan Alexiev/

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Mariy Apostolov, Managing Partner

Emilia Marinova, registered auditor responsible for the audit

## Consolidated statement of profit or loss and of comprehensive income

	Note	2023 BGN'000	2022 BGN'000
Revenue from contracts with customers	27	80 528	78 358
Gain on sale of non-current assets	29	19	10
Other income	28	768	1 724
Cost of materials	30	(1 565)	(1 841)
Hired services expenses	31	(12 221)	(12 049)
Employee benefits expense	22.1	(39 001)	(34 356)
Depreciation, amortisation of non-financial assets	11, 12	(3 794)	(8 318)
Cost of goods sold and other current assets		(23 237)	(20 083)
Changes in finished goods and work in progress		-	(141)
Other expenses	32	(2 071)	(1 462)
<b>Operating profit</b>		<b>(574)</b>	<b>1 842</b>
Finance costs	33	(946)	(1 846)
Finance income	33	80	738
Loss from equity accounting investments	8	-	(11 939)
<b>Loss before tax</b>		<b>(1 440)</b>	<b>(11 205)</b>
(Expenses) for/ income from income taxes	34	(22)	383
<b>Loss for the year</b>		<b>(1 462)</b>	<b>(10 822)</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Exchange rate differences from recalculation of foreign activities		140	(7)
Remeasurement of defined benefit liability, net of taxes	22.2	-	34
<b>Other comprehensive income for the year, net of taxes</b>		<b>140</b>	<b>27</b>
<b>Total comprehensive loss for the year</b>		<b>(1 322)</b>	<b>(10 795)</b>
Profit/ (loss) for the year attributable to:			
Non-controlling interest		383	705
Owners of the parent		(1 845)	(11 527)
<b>Total comprehensive income/ (loss) for the year:</b>			
Non-controlling interest	5.1	383	705
Owners of the parent		(1 705)	(11 500)
<b>Loss per share:</b>	35.1	<b>BGN (0.0319)</b>	<b>BGN (0.1985)</b>

Chief accountant: \_\_\_\_\_  
/Diana Petkova/

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Emilia Marinova, registered auditor responsible for the audit

## Consolidated statement of change in equity for the year

All amounts are presented in BGN '000

	Share capital	Purchased own shares	Reserves	Retained earnings	Total equity attributed to the owners of parent	Non-controlling interest	Total equity
<b>Balance at 1 January 2023</b>	<b>59 361</b>	<b>(85)</b>	<b>7 043</b>	<b>19 237</b>	<b>85 556</b>	<b>4 995</b>	<b>90 551</b>
Repurchased shares	-	(1 714)	1 138	(655)	(1 231)	-	(1 231)
Dividends	-	-	-	(3 193)	(3 193)	(404)	(3 597)
Business combinations	-	-	354	(4 281)	(3 927)	(848)	(4 775)
<b>Transactions with owners</b>	<b>-</b>	<b>(1 714)</b>	<b>1 492</b>	<b>(8 129)</b>	<b>(8 351)</b>	<b>(1 252)</b>	<b>(9 603)</b>
(Loss)/ profit for the year	-	-	-	(1 845)	(1 845)	383	(1 462)
Other comprehensive income	-	-	140	-	140	-	140
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>140</b>	<b>(1 845)</b>	<b>(1 705)</b>	<b>383</b>	<b>(1 322)</b>
Transfer of profit to reserves	-	-	282	(282)	-	-	-
<b>Balance at 31 December 2023</b>	<b>59 361</b>	<b>(1 799)</b>	<b>8 957</b>	<b>8 981</b>	<b>75 500</b>	<b>4 126</b>	<b>79 626</b>

All amounts are presented in BGN '000

	Share capital	Purchased own shares	Reserves	Retained earnings	Total equity attributed to the owners of parent	Non-controlling interest	Total equity
<b>Balance at 1 January 2022</b>	<b>59 361</b>	<b>(1 304)</b>	<b>6 821</b>	<b>29 733</b>	<b>94 611</b>	<b>18 287</b>	<b>112 898</b>
Repurchased shares	-	1 219	(125)	-	1 094	-	1 094
Dividends	-	-	-	(1 400)	(1 400)	(630)	(2 030)
Business combinations	-	-	39	2 712	2 751	(13 367)	(10 616)
<b>Transactions with owners</b>	<b>-</b>	<b>1 219</b>	<b>(93)</b>	<b>1 312</b>	<b>2 445</b>	<b>(13 997)</b>	<b>(11 552)</b>
(Loss)/ profit for the year	-	-	-	(11 527)	(11 527)	705	(10 822)
Other comprehensive loss for the year	-	-	(7)	34	27	-	27
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>(11 493)</b>	<b>(11 500)</b>	<b>705</b>	<b>(10 795)</b>
Transfer of profit to reserves	-	-	315	(315)	-	-	-
<b>Balance at 31 December 2022</b>	<b>59 361</b>	<b>(85)</b>	<b>7 043</b>	<b>19 237</b>	<b>85 556</b>	<b>4 995</b>	<b>90 551</b>

Chief accountant: \_\_\_\_\_

/Diana Petkova/

Executive Director: \_\_\_\_\_

/Tsvetan Alexiev/

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Mariy Apostolov, Managing Partner

Emilia Marinova, registered auditor responsible for the audit

The accompanying notes on pages from 6 to 72 form an integral part of the consolidated financial statements.

## Consolidated statement of cash flows for the year

	Note	2023 BGN'000	2022 BGN'000
<b>Operating activities</b>			
Cash receipts from customers		84 663	87 418
Cash paid to suppliers		(43 728)	(46 726)
Cash paid to employees and social security institutions		(36 959)	(31 651)
Income taxes paid		(352)	(417)
Other payments, net		(823)	41
<b>Net cash flow from operating activities</b>		<b>2 801</b>	<b>8 665</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(777)	(733)
Proceeds from disposals of property, plant and equipment		5	14
Sale of investments in subsidiaries, net of cash		18 537	29 432
Purchase of investments in subsidiaries, net of cash		(3 839)	-
Acquisition of subsidiaries, net of cash		-	(6 095)
Proceeds from disposals of other intangible assets		1 244	-
Purchase of other intangible assets		(3 173)	(3 727)
Loans and deposits given		-	(353)
Loan repayments received		164	764
Interest from loan given		6	-
Cash flows related to purchase of financial assets	19	(3 240)	-
<b>Net cash flow used in investing activities</b>		<b>8 927</b>	<b>19 302</b>
<b>Financing activities</b>			
Proceeds from borrowings	23, 38	50	5 758
Repayments of borrowings	23, 38	(12 433)	(16 788)
Payment of principal element of lease liabilities	24, 38	(731)	(837)
Proceeds from the issue and repurchase of shares	38	(1 206)	(936)
Acquisition of non-controlling interest	38	-	(2 721)
Cash flows related to interest, commissions, dividends and others	24, 38	(126)	(2 530)
Interest payments under lease contracts	37, 38	(36)	(35)
Dividend payments	38	(3 342)	-
Cash flows associated with the return of equity contributions to owners	38	(208)	-
<b>Net cash flow from financing activities</b>		<b>(18 032)</b>	<b>(18 089)</b>
<b>Net change in cash and cash equivalents</b>		<b>(6 304)</b>	<b>9 878</b>
Cash and cash equivalents, beginning of year		21 146	11 353
Exchange losses on cash and cash equivalents		(148)	(85)
<b>Cash and cash equivalents, end of year</b>	17	<b>14 694</b>	<b>21 146</b>

Chief accountant: \_\_\_\_\_

/Diana Petkova/

Executive Director: \_\_\_\_\_

/Tsvetan Alexiev/

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## Notes to the consolidated financial statements

### 1. Scope of business activity

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

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

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

Sirma Group Holding JSC is a public company whose shares are traded on a regulated market - the Bulgarian Stock Exchange AD and which is subject to disclosure requirements in accordance with EU law or equivalent international standards, ensuring an adequate degree of transparency regarding ownership and as such for him, respectively for his subsidiaries, which he controls directly and / or indirectly, an exception is provided for declaring the beneficial owner, according to paragraph 2, para. 1, item 1 of the Additional Provisions of the Anti-Money Laundering Measures Act. The distribution of the capital by all significant shareholders is presented in note 1.1. Distribution of the share capital to the present consolidated financial statements.

The share capital of the company as of 31.12.2023, as well as at the date of preparation of this financial report 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:

Date	Amount of capital
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 Sofia bul. "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 31.12.2023 the distribution of the share capital of Sirma Group Holding is as follows:

	31.12.2023	31.12.2022
Share capital (in thousand shares)	59 361	59 361
Number of shares (par value of BGN 1)	59 360 518	59 360 518
Total number of registered shareholders	1 039	1 033
Legal entities	39	40
Individuals	1 000	993
Number of shares held by legal entities	7 223 085	5 286 591
% Of participation of entities	12,17%	8,91%
Number of shares held by individuals	52 137 433	54 073 927
% Participation of individuals	87,83%	91,09%

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

Shareholders	Number of shares at 31.12.2023	Number of shares at 31.12.2022	Nominal VALUE (BGN)	Nominal value at 31.12.2023 (BGN)	% Share-holding	% of voting rights at 31.12.2023
Georgi Parvanov Marinov	5 455 748	5 269 748	1	5 455 748	9,19%	9,48%
Tsvetan Borisov Alexiev	5 035 153	4 965 753	1	5 035 153	8,48%	8,75%
Chavdar Velizarov Dimitrov	4 817 386	4 750 786	1	4 817 386	8,12%	8,37%
Veselin Antchev Kirov	4 767 386	4 700 786	1	4 767 386	8,03%	8,28%
Ognyan Plamenov Chemokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,50%
Ivo Petrov Petrov	3 400 000	4 013 920	1	3 400 000	5,73%	5,91%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,40%
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%	3,75%
Emiliana Ilieva Ilieva	1 990 209	1 965 209	1	1 990 209	3,35%	3,46%
Deyan Nikolov Nenov	1 814 748	1 790 748	1	1 814 748	3,06%	3,15%
Purchased own shares	1 813 355	84 846	1	1 813 355	3,05%	-
Atanas Kostadinov Kiryakov	1 542 787	2 887 524	1	1 542 787	2,60%	2,68%
Rosen Ivanov Marinov	1 282 900	1 265 795	1	1 282 900	2,16%	2,23%
Advance Invest	1 099 116	411 895	1	1 099 116	1,85%	1,91%
Yavor Liudmilov Djonev	1 092 746	1 292 746	1	1 092 746	1,84%	1,90%
Peter Nikolaev Konyarov	872 803	867 165	1	872 803	1,47%	1,52%
Mandjukov Ltd.	860 000	860 000	1	860 000	1,45%	1,49%
UPF Doverie JSC	802 126	802 126	1	802 126	1,35%	1,39%
UPF DSK Rodina	747 036	747 036	1	747 036	1,26%	1,30%
Asen Krumov Nelchinov	650 449	641 349	1	650 449	1,10%	1,13%
Others	10 706 519	11 433 035	1	10 706 519	18,04%	18,62%
<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:

<b>Shareholders</b>	<b>Number of shares at 31.12.2023</b>	<b>% Shareholding</b>	<b>% of voting rights</b>
Georgi Parvanov Marinov	5 455 748	9,19%	9,48%
Tsvetan Borisov Alexiev	5 035 153	8,48%	8,75%
Chavdar Velizarov Dimitrov	4 817 386	8,12%	8,37%
Veselin Antchev Kirov	4 767 386	8,03%	8,28%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,50%
Ivo Petrov Petrov*	3 400 000	5,73%	5,91%

<b>Shareholders</b>	<b>Number of shares at 31.12.2022</b>	<b>% Shareholding</b>	<b>% of voting rights</b>
Georgi Parvanov Marinov	5 269 748	8,88%	8,89%
Tsvetan Borisov Alexiev	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,01%
Veselin Antchev Kirov	4 700 786	7,92%	7,93%
Ivo Petrov Petrov	4 013 920	6,76%	6,77%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,31%

\*As of 26.01.2024, the shareholder Ivo Petrov Petrov no longer owns more than 5% of the shares of "Sirma Group Holding" JSC

## 1.2. Management authorities

**The Board of Directors as at 31.12.2023 includes the following members:**

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

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

The current mandate of the Board of Directors: 07.07.2024

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

The following Committees are established:

- 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 31.12.2023	Number of shares at 31.12.2022	Nominal VALUE (BGN)	Value at 31.12.2023 (BGN)	% Shareholding	% of voting rights at 31.12.2023
Georgi Parvanov Marinov	5 455 748	5 269 748	1	5 455 748	9,19%	9,48%
Tsvetan Borisov Alexiev	5 035 153	4 965 753	1	5 035 153	8,48%	8,75%
Chavdar Velizarov Dimitrov	4 817 386	4 750 786	1	4 817 386	8,12%	8,37%
Veselin Anchev Kirov	4 767 386	4 700 786	1	4 767 386	8,03%	8,28%
Atanas Kostadinov Kiryakov	1 542 787	2 887 524	1	1 542 787	2,60%	2,68%
Yavor Ludmilov Djonev	1 092 746	1 292 746	1	1 092 746	1,84%	1,90%
Martin Veselinov Paev	126 920	126 720	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>22 841 659</b>	<b>23 997 596</b>		<b>22 841 659</b>	<b>38,48%</b>	<b>39,69%</b>

During 2023 the member of the BD Georgi Parvanov Marinov acquired 186 000 shares, the member of the BD Tsvetan Borisov Alexiev acquired 69 400 shares, the member of the BD Chavdar Velizarov Dimitrov acquired 66 600 shares, the member of the BD Veselin Anchev Kirov acquired 66 600 shares, the member of the BD Martin Veselinov Paev acquired 200 shares, the member of the BD Yavor Ludmilov Djonev sold 200 000 shares and the member of the BD Atanas Kostadinov Kiryakov sold 1 344 737 shares of the capital of the company.

The number of employees as at 31 December 2023 was 539 under labour contracts.

The name of Sirma Group Holding JSC has not been changed during the period.

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 consolidated financial statements

### 2.1. Statement of compliance with IFRS adopted by the EU

The 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 for 2022) unless otherwise stated.

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

### 2.2. Application of the going concern principle

The consolidated financial statements have been prepared in accordance with the going concern principle and taking into account the possible effects of the anticipated challenges and uncertainties in short term plan.

In 2023 the Group realizes a loss of BGN 1 462 thousand which is mainly due to the investments the Group is making in marketing and its employees in order to be able to realize its plans for expected future customer growth.

At the date of preparation of these 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. The assessment was made based on the actions taken by management regarding maintaining stable supply chains, effective customer service, regular monitoring of liquidity and negotiation of appropriate financing parameters.

After making enquiries, the Board of directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the annual consolidated statements.

## 3. Changes in accounting policies

### 3.1. New standards adopted as at 1 January 2023

The Group has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board and endorsed by EU, which are relevant to and effective for the Group's

financial statements for the annual period beginning 1 January 2022 but do not have a significant impact on the Company's financial results or position:

- IFRS 17 "Insurance Contracts" effective from 1 January 2023, adopted by the EU
- Amendments to IFRS 17 "Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information" effective from 1 January 2023, adopted by the EU.
- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Disclosure of accounting policies", effective from 1 January 2023, adopted by the EU
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates", effective from 1 January 2023, adopted by the EU
- Amendments to IAS 12 "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction", effective from 1 January 2023, adopted by the EU
- Amendments to IAS 12 "Income taxes: International Tax Reform – Pillar Two Model Rules", effective from 1 January 2023, adopted by the EU

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2023 and have not been applied early by the Group. Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

A list of the changes in the standards is provided below:

- Amendments to IAS 1 "Presentation of financial statements: Classification of liabilities as current or non-current", effective from 1 January 2024, not yet adopted by the EU
- Amendments to IAS 1 "Presentation of financial statements: Non-current liabilities with covenants", effective from 1 January 2024, not yet adopted by the EU
- Amendments to IFRS 16 "Leases: Lease Liability in a Sale and Leaseback", effective not earlier than 1 January 2024, 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
- Amendments to IAS 21 "The effects of changes in foreign exchange rates: Lack of exchangeability", effective from 01 January 2025, 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 consolidated financial statements are summarized below.

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

Two comparative periods are presented for the 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.

The change concerns only the way of presentation of elements of the consolidated statement of financial position as of 31.12.2022 and the consolidated statement of profit or loss and other comprehensive income for the comparative period 2022 and does not refer to the way of their evaluation.

With regard to the consolidated statement of financial position as of 31.12.2022, an amount of BGN 6 167 thousand, which was presented at "Assets under contracts with customers", which was reclassified under the line "Prepayments and other assets". The amount refers to amounts paid in advance for the supply of goods and services in connection with contracts with customers.

With regard to the consolidated statement of profit or loss and other comprehensive income, capitalized expenses in the amount of BGN 3 497 thousand have been reclassified as follows:

- in reduction of employee benefits expense – BGN 3 223 thousand.
- in reduction of hired services expenses – BGN 274 thousand.

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

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2023. Subsidiaries are firms under the control of the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

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

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

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

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

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

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

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date and included as part of the consideration transferred in a business combination. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized in accordance with IFRS 9 "Financial Instruments" either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

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

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

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

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

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

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

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

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

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

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

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

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

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

Consistent with the prior year, as at 31 December 2023, the Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's financial statements. Management continuously assesses the impact of climate-related matters.



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.

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

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

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

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

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

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

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

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

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

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

- post-employment benefit expenses;
- R&D costs relating to new business activities; and

which are not included in arriving at the operating profit of the operating segments.

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

Information about the results of the separate segments that is regularly reviewed by the chief operating decision maker does not include isolated unrepeatable events. Financial income and costs are also not included in the results of operating segments which are regularly reviewed by persons, which are responsible for operating decision making.

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

#### **4.10. Revenue**

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

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

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

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

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

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

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

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

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

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

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

For sales of software that are neither customised by the Group nor subject to significant integration services, the licence period commences upon delivery. For sales of software subject to significant customisation or integration services, the licence period begins upon commencement of the related services. The Group has a customer loyalty incentive programme. 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.



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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### **4.10.6. Contract 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 consolidated 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.

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

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

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

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

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

#### 4.12. Interest expenses and borrowing costs

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

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

#### 4.13. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. See note 4.4 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Refer to note 4.17 for a description of impairment testing procedures.

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

#### 4.14. Intangible assets

Intangible assets include development products resulting from R&D, software products, software module rights, assets in progress 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 4.17.

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **4.16. Leases**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

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

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

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

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

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

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

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

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

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

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

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

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

The classification is determined by both:

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

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

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

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

Financial assets are measured at amortised cost if the assets meet the following conditions:

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

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

- **Trade receivables**

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

##### **Financial assets at fair value through profit or loss**

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

This category also contains investment in equity instruments. The Company accounts for this investment at fair value through profit or loss and has not made an irrevocable election to account for investments in subsidiaries at fair value through other comprehensive income.

Changes in the fair value of assets in this category are reflected in profit and loss. The fair value of financial assets in this category is determined by quoted prices in an active market or by using valuation techniques in the absence of an active market.

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

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the "expected credit loss" model.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments.

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.

#### **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.

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

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

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities, 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.

#### **4.19. Inventory**

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

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, than the new net realizable value is adopted. The reversal amount can only be up to the carrying amount of the inventories prior to their impairment. The reversal of the impairment is accounted for as decrease in inventory expenses for the period in which the reversal takes place.

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

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

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

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

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

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



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

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 4.25.2.

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

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

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

Cash and cash equivalents comprise cash in hand, 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.

#### **4.22. 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.

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

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

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

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

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

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

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

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may

still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

When an asset and liability arise as a result of a lease that results in recognition of a taxable temporary difference related to the right of use asset and equal deductible temporary difference on the lease liability, this results in a net temporary difference in the amount of zero. Therefore, the Group does not recognize deferred taxes in respect of



those leases, to the extent that, within the useful life of the asset and the maturity of the liability, the net tax effects will be zero. However, deferred tax will be recognized when temporary differences arise in subsequent periods, provided that the general conditions for recognizing tax assets and liabilities under IAS 12 are met.

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

When preparing the consolidated financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

In the preparation of the presented consolidated financial statements the significant judgments of the management in applying the accounting policies of the Group and the main sources of uncertainty of the accounting estimates do not differ from those disclosed in the annual financial statements of the Group as at 31 December 2022. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

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

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 4.17). 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.

Towards the end of the reporting period, the Group performed the annual test to determine whether the carrying amount of goodwill arising as a result of business combinations in previous periods does not exceed its fair value in connection with investments in subsidiaries, taking into account factors that affect the economic environment, in which the subsidiaries operate. They are related to the unstable economic situation that occurred globally as a result of the effects of the covid-pandemic, a slowdown in economic growth and the subsequent military conflicts on the territory of Ukraine and in the Middle East.

When forming its estimates, the management has taken into account the presence of existing and potential risks characterizing the economic situation in the country in 2023 (some of which are already happening). They are also confirmed by data from state institutions or regulatory bodies and are related to the escalation of military conflicts in Ukraine and the Middle East, postponement of the implementation of investment projects and preservation of the negligible investments in the economy from the last 3 years, return to political instability, high inflation and rising interest rates on loans, erosion of consumers' purchasing power and contraction of domestic consumption, recession in some of the major trading partners (Germany) and reduction of Bulgaria's exports to them, delayed implementation of the National Recovery Plan.

The results of the tests show that the book value of the non-financial assets and the goodwill formed by business combinations in connection with the acquisition of the Group's investments do not exceed their fair value and, therefore, no significant impairment losses were recognized during the reporting period. The management's conclusions are also supported by estimates of an independent external appraiser based on the method of estimated cash flows at a discount factor between 9-12%. In determining the applicable discount factor, an adjustment has been made in relation to market risk, the uncertain business environment and risk factors that are specific to individual enterprises - units generating cash flows. The wide differences in the expected economic development of the country in 2023 (as well as in the near future) are an indicator of the increased risks facing the Bulgarian economy, as well as the high uncertainty regarding the economic development of Bulgaria's economic partners – mainly the EU countries.

The Company has not incurred an impairment loss on non-current assets in 2023 (2022 – BGN 2 786 thousand) in order to reduce the carrying amount of non-current assets to its recoverable amount.

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

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

At 31 December 2023 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analyzed in note 11 and 12. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

#### 4.26.3. Inventory

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to technology changes which may cause selling prices to change rapidly. The future realization of the carrying amount of inventories BGN 2 104 thousand (2022: BGN 506 thousand) is affected by technological changes in the IT sector.

#### 4.26.4. Measurement of expected credit loss

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

#### 4.26.5. Defined benefit liabilities

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability BGN 596 thousand (2022: BGN 400 thousand) 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	31.12.2023	31.12.2023	31.12.2022	31.12.2022
			BGN'000	share	BGN'000	share
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%	10 237	80.00%
Sirma Group Inc.	USA	Software services	3 471	76.30%	3 471	76.30%
Sirma InsurTech AD	Bulgaria	Software services in insurance	914	55.00%	914	55.00%
Sirma CI	Bulgaria	Software services	106	80.00%	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	31.12.2023	31.12.2023share	31.12.2022	31.12.2022share
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			BGN'000	%	BGN'000	%
Sirma Business Consulting AD	Bulgaria	Software services in banking	1 374	54.08%	1 374	54.08%
Daticum AD	Bulgaria	Services colocation and hosting	468	59.00%	1 394	60.50%
Sirma ICS AD	Bulgaria	Software services in insurance	279	93.00%	270	90.00%
S&G Technology Services	UK	Software services	117	51.00%	117	51.00%
Sirma AB	Sweden	Software services	9	100%	-	-
Sirma ISG OOD	Bulgaria	Software services	4	71.00%	4	71.00%

**Investments of EngView Systems AD:**

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	31.12.2023 BGN'000	31.12.2023 share %	31.12.2022 BGN'000	31.12.2022 share %
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%	-	-

**Investments of Sirma Group Inc.:**

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	31.12.2023 BGN'000	31.12.2023 share %	31.12.2022 BGN'000	31.12.2022 share %
Sirma Sha	Albania	Software services	25	55%	25	55%

**Investments of Sirma InsurTech AD:**

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	31.12.2023 BGN'000	31.12.2023 share %	31.12.2022 BGN'000	31.12.2022 share %
HRM Solutions EAD	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	31.12.2023 BGN'000	31.12.2023 share %	31.12.2022 BGN'000	31.12.2022 share %
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Sciant Shpk. (ReSolutions)	Albania	Software services	256	100%	256	100%
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#### Investments of "SAI" EAD:

On 05.07.2023 the company has acquired an investment in "Saifort" Ltd., Israel. The investment is BGN 340, which represents 70% of the capital of newly established "Saifort" Ltd.

The group includes the following subsidiaries with significant non-controlling interest (NCI):

Name of the subsidiary	Share of participation and voting rights of NCI		Total comprehensive income allocated to NCI		Accumulated NCI	
	2023	2022	2023	2022	2023	2022
S&G Technology Services	49%	49%	100	87	339	212
Sirma Business Consulting AD	46%	46%	74	(90)	1 303	1 229
Sirma InsurTech AD	45%	45%	(33)	(117)	187	60
Sirma Sha	45%	45%	9	8	108	88
Daticum AD	40%	40%	313	285	718	1 286
Sirma Medical Systems AD	34%	34%	(100)	2	(68)	31
EngView Systems	27%	27%	20	185	1 356	1 418
EngView USA	27%	27%	(14)	3	5	20
EngView Systems GmbH	27%	27%	20	(7)	84	65
Sirma CI AD	20%	20%	3	26	33	30
Sciant Shpk (ReSolutions Shpk)	20%	20%	-	(7)	-	12
Dunav GIS AD	18%	18%	-	-	-	-
Sirma ICS AD	10%	10%	7	7	68	88
Sciant EAD	-	20%	-	323	-	456
<b>Total</b>			<b>399</b>	<b>705</b>	<b>4 133</b>	<b>4 995</b>

During 2023 dividends were distributed to the non-controlling interest in the amount of BGN 404 thousand (2022: BGN 630 thousand).

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

	<b>31.12.2023</b>	<b>31.12.2022</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Non-current assets	134 993	138 003
Current assets	42 035	48 093
<b>Total assets</b>	<b>177 028</b>	<b>186 096</b>
Non-current liabilities	21 954	16 430
Current liabilities	19 116	26 068
<b>Total liabilities</b>	<b>41 070</b>	<b>42 498</b>
<b>Equity attributable to owners of the parent</b>	<b>131 832</b>	<b>138 603</b>
<b>Non-controlling interests</b>	<b>4 126</b>	<b>4 995</b>
<b>Revenue</b>	<b>96 920</b>	<b>100 287</b>
(Loss) for the year attributable to owners of the parent	321	(10 231)
Profit for the year attributable to NCI	383	705
<b>(Loss) for the year</b>	<b>704</b>	<b>(9 526)</b>
<b>Other comprehensive profit for the year</b>	<b>-</b>	<b>34</b>
Total comprehensive profit for the year attributable to owners of the parent	-	34
<b>Total comprehensive (loss) for the year</b>	<b>704</b>	<b>(9 492)</b>
Net cash from operating activities	3 763	9 812
Net cash from investing activities	(3 455)	38 417
Net cash from financing activities	(6 613)	(29 631)
<b>Net cash inflow/ (outflow)</b>	<b>(6 305)</b>	<b>18 598</b>

## 6. Long - term financial assets

	31.12.2023 BGN'000	31.12.2022 BGN'000
Financial assets at fair value	841	841
Losses from change in fair value of equity investments at fair value through profit or loss recognized in other expenses	(841)	(505)
	<u>-</u>	<u>336</u>

The company from the Group "Sirma Business Consulting" has purchased 3 shares from Madara Invest Ltd. (Madara Invest Ltd.) under a contract dated 02.04.2020 Madara Invest Ltd. (Madara Invest Ltd.) is a limited liability company incorporated and operating under the laws of England and Wales, incorporated in the Company House of the United Kingdom under number 11260272, with registered office in England, London, E14 5AB, One Kenada Square, Canary Wharf, floor 39. The shares of Madara Invest Ltd. They are not listed on a stock exchange. The initial value of the financial asset purchased in 2021 is BGN 841 thousand. In 2023 and 2022 respectively, the management has analyzed the recoverable value of the investment. After the analysis, it was found that there was a depreciation of the investment in the amount of BGN 505 thousand for 2022 and an additional impairment of BGN 336 thousand for 2023 in relation with changed business plans and expected cash flows in the future activity of the Company.

## 7. Changes in controlling interest in subsidiaries

### 7.1. Acquisition of noncontrolling interest in "Sciant" EAD in 2023.

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

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

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

	2023 BGN'000
Purchase price, settled in cash	(3 839)
Additional acquired interest in the net assets of Sciant EAD	212
<b>Decrease in retained earnings</b>	<u><b>(3 627)</b></u>

### 7.2. Acquisition of non-controlling interest in "Sirma ICS" AD in 2023.

On 21.06.2023 The Group has acquired 3% consolidated and nominal in its subsidiary "Sirma ICS" AD for an amount of BGN 9 thousand, thereby increasing its controlling interest to 93% consolidated and nominal.

The balance sheet amount of the newly acquired net assets of the subsidiary "Sirma ICS" AD, recognized at the date of acquisition in the consolidated financial statements, amounts to BGN 936 thousand. The Group has recognized a reduction of the non-controlling interest in the amount of BGN 936 thousand and increase in retained earnings in the amount of BGN 927 thousand.

	2023 BGN'000
Purchase price, settled in cash	(9)
Additional acquired interest in the net assets of Sirma ICS AD	936
<b>Increase in retained earnings</b>	<u><b>927</b></u>

### 7.3. Disposal of ownership in "Daticum" AD in 2023.

In 2023 The Group has sold 1,5% consolidated and nominal in its subsidiary "Daticum" AD for an amount of BGN 35 thousand, thereby increasing its controlling interest to 59% consolidated and nominal.

The balance sheet amount of the newly acquired net assets of the subsidiary "Daticum" AD, recognized at the date of acquisition in the consolidated financial statements, amounts to BGN 481 thousand. The Group has recognized a reduction of the non-controlling interest in the amount of BGN 936 thousand and increase in retained earnings in the amount of BGN 446 thousand.

	<b>2023</b>
	<b>BGN'000</b>
Total consideration received	35
Interest in the net assets of "Daticum" AD disposed of	(481)
<b>Increase in retained earnings</b>	<b>446</b>

#### 7.4. Acquisition of non-controlling interest in "Sirma Solutions" EAD in 2023.

On 09.06.2022 in implementation of the Strategy of "Sirma Group Holding" JSC for concentration of ownership, the shareholders of the subsidiary company "Sirma Solutions" AD, who are also its employees, transformed their investments from shareholders of "Sirma Solutions" AD in shareholders of "Sirma Group Holding" JSC. As a result, "Sirma Group Holding" JSC became the sole owner of shares with voting rights from the capital of "Sirma Solutions" AD, thereby increasing its controlling share from 82.43% to 100%.

The increase in the controlling interest of "Sirma Group Holding" JSC in "Sirma Solutions" AD to 100% led to a reduction of the non-controlling interest of the Group in Sirma Group Inc., and to the acquisition of 100% of the company.

The carrying amount of the net assets of the subsidiary in the consolidated financial statements on the date of the acquisition was BGN 50 861. The Group recognised a decrease in non-controlling interest of BGN 8 936 and an increase in retained earnings of BGN 2 799.

	<b>BGN'000</b>
Total consideration transferred in own shares	(375)
Additional acquired interest in the net assets of "Sirma Solutions" AD	8 936
<b>Increase in retained earnings</b>	<b>8 561</b>

The changes in the Group's ownership interest in the subsidiary "Sirma Solutions" AD could be presented as follows:

	<b>BGN'000</b>
Group's ownership interest at 01.01.2022	41 925
Effect of increase in Group's ownership interest	8 936
<b>Group's ownership interest at 31.12.2022</b>	<b>50 861</b>

#### 7.5. Acquisition of non-controlling interest in "SAI" EAD in 2023.

In September and October 2022, "SAI" AD ("Ontotext" AD) purchased its own shares from individual shareholders of the company. As a result, "Sirma Group Holding" JSC became the sole owner of shares with voting rights from the capital of "SAI" AD ("Ontotext" AD), thereby increasing its controlling share from 90.44% to 100%.

The carrying amount of the net assets of the subsidiary in the consolidated financial statements on the date of the acquisition was BGN 8 081. The Group recognised a decrease in non-controlling interest of BGN 773 and an increase in retained earnings of BGN 773.

	<b>BGN'000</b>
Additional acquired interest in the net assets of "SAI" AD ("Ontotext" AD)	773
<b>Increase in retained earnings</b>	<b>773</b>

The changes in the Group's ownership interest in the subsidiary "SAI" AD ("Ontotext" AD) could be presented as follows:

	<b>BGN'000</b>
Group's ownership interest at 01.01.2022	7 308
Effect of increase in Group's ownership interest	773
<b>Group's ownership interest at 31.12.2022</b>	<b>8 081</b>

#### **7.6. Acquisition of 100% of the capital of "Sirma AB" in 2023**

On 26.04.2023 the Group registered a new subsidiary "Sirma AB" with 100% participation in Stockholm, Sweden. The contributed capital is BGN 17 thousand. The establishment of a subsidiary in Sweden was carried out in order to expand the business and enter new markets.

Since the date of acquisition, the company Sirma AB, Sweden has realized revenues in the amount of BGN 49 thousand and loss in the amount of BGN 130 thousand, which are included in the consolidated financial statement.

#### **7.7. Acquisition controlling interest in Saifort Ltd., Israel in 2023.**

In 2023 the Group has acquired an investment in "Saifort" Ltd., Israel. The investment is BGN 340, which represents 70% of the capital of "Saifort" Ltd. The establishment of a subsidiary in Israel; was carried out in order to expand the business and enter new markets.

For 2023, the newly established company in Israel has not generated any revenue.

#### **7.8. Acquisition of "Sirma Insurtech" AD and its subsidiary "HRM Solutions" EAD in 2022**

On 05.07.2022, the Group acquired control over "TBI Info" AD and its subsidiary "HRM Solutions" EAD, by purchasing 55% of its equity and voting rights in the company.

The acquisition of control over "TBI Info" AD was carried out with the aim of expanding the Group, markets and qualified personnel.

On 02.09.2022, "TBI Info" AD changed its name to "Sirma Insurtech" AD.

From the date of acquisition until 31.12.2022, the company "Sirma Insurtech" AD realized BGN 1 137 thousand in revenues and a loss in the amount of BGN 256 thousand, which are included in the consolidated financial statement.

The total acquisition price amounts to BGN 913 914.

The costs related to the acquisition amount to BGN 7 600 and include costs for assessments and administrative services. They are recognized in profit or loss in the period in which they occur and are included in the line "External service costs" in the consolidated statement of profit or loss and other comprehensive income of the Group.



The distribution of the purchase price to the acquired assets and liabilities of Sirma InsurTech AD was made in 2022. The value of each group of acquired assets, liabilities and contingent liabilities recognized at the acquisition date is presented as follows:

	<b>Recognized value at the date of acquisition BGN'000</b>
Property, plant and equipment	29
Assets with the right to use	85
Intangible assets	958
Deferred tax assets	26
<b>Total non-current assets</b>	<b>1 098</b>
Trade and other financial receivables	298
Prepayments and other assets	53
Cash and cash equivalents	11
<b>Total current assets</b>	<b>362</b>
Bank loans	288
<b>Total Non-current liabilities</b>	<b>288</b>
Trade and other payables	837
Bank loans	11
Employee obligations	157
<b>Total current liabilities</b>	<b>1 005</b>
<b>Net identifiable assets</b>	<b>167</b>
	<b>BGN'000</b>
Remuneration transferred	914
Amount of money acquired and cash equivalents	(11)
<b>Net cash outflow on acquisition</b>	<b>903</b>
Acquisition costs (included in cash flow from operating activities)	8
<b>Net cash paid on acquisition</b>	<b>911</b>

As a result of the business combination, there is no cessation of the main part of the activity. The goodwill arising from the business combination is defined as follows:

	<b>BGN'000</b>
Total remuneration	914
Fair value of identifiable net assets acquired	(167)
<b>Goodwill</b>	<b>747</b>

Goodwill is mainly related to the expectations for growth and future profitability, the significant skills and experience of the staff of the acquired company, as well as the expected reduction in costs. Goodwill is not expected to be deductible for tax purposes.

#### 7.9. Acquisition of Sciant Shpk. (ReSolutions Shpk.) in the Group in 2022

On 18.10.2022 the subsidiary of "Sirma Group Holding" JSC - "Sciant" AD acquired its foreign partner - the company "ReSolutions" Shpk, registered in Albania., by purchasing 100% of its equity and voting rights in the company.

The total acquisition price amounts to BGN 256 213.73.

The distribution of the purchase price to the acquired assets and liabilities of ReSolutions was made in 2022. The value of each group of acquired assets, liabilities and contingent liabilities recognized at the acquisition date is presented as follows:

	Recognized value at the date of acquisition BGN'000
Property, plant and equipment	107
<b>Total non-current assets</b>	<b>107</b>
Inventory	3
Cash and cash equivalents	137
<b>Total current assets</b>	<b>140</b>
Trade and other payables	113
<b>Total non-current liabilities</b>	<b>113</b>
<b>Net identifiable assets</b>	<b>134</b>
Remuneration transferred	256
Amount of money acquired and cash equivalents	(137)
<b>Net cash outflow on acquisition</b>	<b>119</b>
Acquisition costs (included in cash flow from operating activities)	15
<b>Net cash paid on acquisition</b>	<b>134</b>

As a result of the business combination, there is no cessation of the main part of the activity.

The goodwill arising from the business combination is defined as follows:

	BGN'000
Total remuneration	256
Fair value of identifiable net assets acquired	(134)
<b>Goodwill</b>	<b>122</b>

Goodwill is mainly related to the expectations for growth and future profitability, the significant skills and experience of the staff of the acquired company, as well as the expected reduction in costs. Goodwill is not expected to be deductible for tax purposes.

#### 7.10. Acquisition of the "Empiriu" EAD under Art. 15 of the Commercial Law in 2022.

On 30.09.2022, the subsidiary of "Sirma Group Holding" JSC - "Sirma Business Consulting" AD acquired the commercial enterprise "Empiriu" EAD within the meaning of art. 15 of the Commercial Law.

The total acquisition price amounts to BGN 150 000. The distribution of the purchase price to the acquired assets and liabilities of Empiriu was made in 2022. The value of each group of acquired assets, liabilities and contingent liabilities recognized at the acquisition date is presented as follows:

	Recognized value at the date of acquisition BGN'000
Property, plant and equipment	3
<b>Total non-current assets</b>	<b>3</b>
Inventory	141
Trade and other financial receivables	130
Prepayments	69
Cash and cash equivalents	118
<b>Total current assets</b>	<b>458</b>
Provisions	77
<b>Total non-current liabilities</b>	<b>77</b>
Contract liabilities	150
Trade and other payables	96
<b>Total non-current liabilities</b>	<b>246</b>
<b>Net identifiable assets</b>	<b>138</b>
Remuneration transferred	150
Amount of money acquired and cash equivalents	(118)
<b>Net cash outflow on acquisition</b>	<b>32</b>
Acquisition costs (included in cash flow from operating activities)	2
<b>Net cash paid on acquisition</b>	<b>34</b>

As a result of the business combination, there is no cessation of the main part of the activity. The goodwill arising from the business combination is defined as follows:

	<b>BGN'000</b>
Total remuneration	150
Fair value of identifiable net assets acquired	(138)
<b>Goodwill</b>	<b>12</b>
Impairment loss	(12)
Goodwill, net of impairment	-

## 8. Investments accounted for using the equity method

The Group's investments accounted for using the equity method include associates. The date of the financial statements of the associates is 31 December.

<b>Associates</b>	<b>Country of incorporation and principal place of business</b>	<b>Main activities</b>	<b>2023 share</b>	<b>2022 share</b>
Ontotext AD (Sirma AI AD)	Bulgaria	Software services	-	23.80%

On 01.09.2022 Sirma Group Holding JSC, Ontotext AD and Sirma Solutions AD sold their shares of the capital of Sirma AI AD to New Frontier Technology Invest SARL as follows:

- Ontotext AD sold 2 124 961 shares valued BGN 21 249 610.
- Sirma Group Holding JSC sold 517 971 shares valued BGN 5 179 010.
- Sirma Solutions AD sold 1 210 000 ordinary and 345 906 class A shares valued BGN 15 559 060

With Protocol on the extraordinary General meeting of shareholders of "Sirma AI" AD dated 04.08.2022 was voted an increase in the company's capital by issuing a total of 1 923 695 new shares with a nominal value of BGN 10 to New Frontier Technology Invest SARL, as follows:

- Number of new ordinary shares 1 799 760 with a nominal value of BGN 10 per share for a total nominal value of BGN 17 997 600.
- Number of new class A shares 123 935 with a nominal value of BGN 10 per share, a total nominal value of BGN 1 239 350 and a total issue value of BGN 3 027 572.50.

The difference between the nominal value and the issue value of the shares in the amount of BGN 1 788 222.50 is recognized as premium reserves from share issues in the subsidiary Sirma AI AD. The capital change was entered in the Registration Agency of the Commercial Register on 16.09.2022.

Sirma Solutions AD retains a share of 23.80% of the capital of Ontotext AD (Sirma AI AD), and the remaining 76.20% of the capital already belongs to "New Frontier Technology Invest" SARL.

The balance sheet value of the consolidated net assets of Ontotext AD (Sirma AI AD), recognized on the date of the sale, is presented as follows:

	<b>01.09.2022</b>
	<b>BGN'000</b>
Property, plant and equipment	936
Intangible fixed assets	67 713
Non-current receivables	6 179
<b>Total non-current assets</b>	<b>74 828</b>
Inventory	20
Non-current receivables	12 728
Cash and cash equivalents	8 775
<b>Total current assets</b>	<b>19 345</b>
Trade and other payables	489
<b>Total non-current liabilities</b>	<b>489</b>
<b>Investment of Sirma Solutions AD in Sirma AI AD, reported as an investment in an associated company</b>	<b>20 511</b>
Liabilities to financial institutions	5 776
Trade and other payables	25 749
<b>Total non-current liabilities</b>	<b>31 098</b>
<b>Total book value of net assets</b>	<b>41 648</b>

	<b>BGN'000</b>
Total payment received	38 207
Total net assets	(41 648)
Goodwill written off	(5 722)
(Loss) on sale	<u>(9 163)</u>
	<b>BGN'000</b>
Total payment received in cash	38 207
Amount of cash and cash equivalents in the divested entity	(8 775)
<b>Net cash received</b>	<u><b>29 432</b></u>

Reduction of retained earnings as a result of the non-controlling interest in the amount of BGN 9 163 thousand.

	<b>BGN'000</b>
Total transferred remuneration	38 207
Sold share in the net assets of a company in Ontotext AD (Sirma AI AD)	(41 648)
Goodwill written off	(5 722)
<b>Loss for the year from sale</b>	<u><b>(9 163)</b></u>

The loss of controlling interest of the Group in the subsidiary Ontotext AD (Sirma AI AD) and transforming it into significant influence can be presented as follows:

	<b>BGN'000</b>
Controlling interest at the beginning of the year	69 248
Loss for 2022	(935)
Sold share of net assets	(42 075)
Reputation written off	(5 722)
Others	(432)
<b>Non-controlling interest at year-end</b>	<u><b>20 511</b></u>
Impairment loss	(2 009)
<b>Significant influence at the end of the year in the consolidated statement of financial position</b>	<u><b>(18 502)</b></u>

On 23.12.2022 at a meeting of the Board of Directors of Sirma Group Holding JSC, the decision of the Board of Directors of Sirma Solutions AD was approved to dispose of the entire minority package of shares in the company Ontotext AD (Sirma AI AD) in the amount of 23.80% of the capital of Ontotext AD (Sirma AI AD) through sale. A preliminary contract for the sale of 1 913 000 shares was signed at an agreed purchase price of BGN 18 502 000 (EUR 9 460 000). The cost price of the investment in Sirma Solutions AD at the time of acquisition is BGN 20 511 thousand. The company has written down the investment in the amount of BGN 2 009 thousand as of 31.12.2022 to the amount of its recoverable amount (BGN 18 502 thousand BGN).

On 30.03.2023 all actions regarding the sale of shares from the capital of "Ontotext" AD, sold by "Sirma Solutions" AD to the European Bank for Reconstruction and Development, OTX-Partner Korlatolf Felelossegu Tarsasag and Atanas Kostadinov Kiryakov were finalized.

No dividends were received from material associates in 2023 and 2022.

All transfers of funds to the Group, i.e. distribution of cash dividends, are subject to the approval of at least 51% of all shareholders of the associates. The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

## 9. Segment reporting

Management currently identifies the following Group's operating segments as further described in note 4.8. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

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

	Intelligent Evolution of Enterprises	Solutions, products and consulting in Finance	System Integration	Total	Non- distributable	Consolidation	Intelligent Evolution of Enterprises	Solutions, products and consulting in Finance	System Integration	Total	Non- distributable
	2023 BGN'000	2023 BGN'000	2023 BGN'000	2023 BGN'000	2023 BGN'000	2023 BGN'000	2023 BGN'000	2023 BGN'000	2023 BGN'000	2023 BGN'000	2023 BGN'000
<b>Revenue:</b>											
- from external customers	52 700	16 379	27 841	96 920	-	(15 605)	38 371	15 740	27 204	81 315	-
<b>Segment revenues</b>	<b>52 700</b>	<b>16 379</b>	<b>27 841</b>	<b>96 920</b>	<b>-</b>	<b>(15 605)</b>	<b>38 371</b>	<b>15 740</b>	<b>27 204</b>	<b>81 315</b>	<b>-</b>
Cost of materials	(1 076)	(66)	(24 193)	(25 335)	-	533	(1 092)	(50)	(23 660)	(24 802)	-
Hired services expenses	(19 588)	(2 918)	(1 353)	(23 859)	(7)	11 645	(9 828)	(1 033)	(1 353)	(12 214)	(7)
Employee benefits expense	(25 537)	(12 039)	(1 425)	(39 001)	-	-	(25 537)	(12 039)	(1 425)	(39 001)	-
Depreciation and amortization of non-financial assets	(4 231)	(670)	(10)	(4 911)	-	1 117	(3 114)	(670)	(10)	(3 794)	-
Other expenses	(1 393)	(707)	(50)	(2 150)	-	79	(1 663)	(358)	(50)	(2 071)	-
<b>Segment operating profit</b>	<b>875</b>	<b>(21)</b>	<b>810</b>	<b>1 664</b>	<b>(7)</b>	<b>(2 231)</b>	<b>(2 863)</b>	<b>1 590</b>	<b>706</b>	<b>(567)</b>	<b>(7)</b>
<b>Total assets of the segment</b>	<b>14 615</b>	<b>3 900</b>	<b>3 262</b>	<b>21 777</b>	<b>155 251</b>	<b>(80 119)</b>	<b>13 859</b>	<b>3 665</b>	<b>2 863</b>	<b>20 387</b>	<b>75 132</b>
<b>Total liabilities of the segment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41 070</b>	<b>(25 176)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 894</b>

	Intelligent Evolution of Enterprises	Solutions, products and consulting in Finance	System Integration	Total	Non- distributable	Consolidation	Intelligent Evolution of Enterprises	Solutions, products and consulting in Finance	System Integration	Total	Non- distributable
	2022 BGN'000	2022 BGN'000	2022 BGN'000	2022 BGN'000	2022 BGN'000	2022 BGN'000	2022 BGN'000	2022 BGN'000	2022 BGN'000	2022 BGN'000	2022 BGN'000
<b>Revenue:</b>											
- from external customers	65 011	11 660	23 616	100 287	-	(20 195)	43 855	12 987	23 250	80 092	-
<b>Segment revenues</b>	<b>65 011</b>	<b>11 660</b>	<b>23 616</b>	<b>100 287</b>	<b>-</b>	<b>(20 195)</b>	<b>43 855</b>	<b>12 987</b>	<b>23 250</b>	<b>80 092</b>	<b>-</b>
Changes in finished goods and work in progress	-	(141)	-	(141)	-	-	-	(141)	-	(141)	-
Cost of materials	(2 167)	(464)	(19 893)	(22 524)	-	600	(1 597)	(434)	(19 893)	(21 924)	-
Hired services expenses	(16 518)	(3 226)	(1 630)	(21 374)	(36)	9 325	(9 594)	(789)	(1 630)	(12 013)	(36)
Employee benefits expense	(26 392)	(7 143)	(821)	(34 356)	-	-	(26 392)	(7 143)	(821)	(34 356)	-
Depreciation and amortization of non-financial assets	(6 679)	(2 557)	(53)	(9 289)	-	971	(5 788)	(2 477)	(53)	(8 318)	-
Other expenses	(982)	(531)	(4)	(1 517)	-	55	(982)	(476)	(4)	(1 462)	-
<b>Segment operating profit</b>	<b>12 273</b>	<b>(2 402)</b>	<b>1 215</b>	<b>11 086</b>	<b>(36)</b>	<b>(9 244)</b>	<b>(498)</b>	<b>1 527</b>	<b>849</b>	<b>1 878</b>	<b>(36)</b>
<b>Total assets of the segment</b>	<b>14 459</b>	<b>3 993</b>	<b>4 301</b>	<b>22 753</b>	<b>163 343</b>	<b>(61 711)</b>	<b>13 132</b>	<b>3 755</b>	<b>3 819</b>	<b>20 706</b>	<b>101 632</b>
<b>Total liabilities of the segment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42 498</b>	<b>(10 542)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31 956</b>

Assets are distributed on the basis of a percentage of revenues by individual segments. The Group's administrative buildings and machinery and equipment, as well as office equipment are considered corporate assets of the Group and are not allocated to separate segments.

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

	2023 BGN'000	2022 BGN'000
Bulgaria (domicile)	44 711	34 755
USA	12 378	14 639
UK	10 585	10 221
Other countries	13 641	20 477
<b>Total</b>	<b>81 315</b>	<b>80 092</b>

The total amount of income, operating profit and assets of the individual segments are equal to the respective items in the consolidated financial statements of the Group, as follows:

	2023 BGN'000	2022 BGN'000
<b>Revenues</b>		
Total segment revenues	96 920	100 287
Elimination of intersegment revenues	(15 605)	(20 195)
Revenues of the Group	<b>81 315</b>	<b>80 092</b>
<b>Profit</b>		
Changes in inventories	-	(141)
Cost of materials	(25 335)	(22 524)
Hired services expenses	(23 866)	(21 374)
Employee benefits expense	(39 001)	(34 356)
Depreciation and amortization of non-financial assets	(4 911)	(9 289)
Other expenses	(2 150)	(1 517)
Elimination of intersegment costs	13 374	10 951
Operating (loss)/profit of the Group	<b>(574)</b>	<b>1 842</b>
Finance costs	(1 061)	(23 067)
Finance income	133	1 516
Elimination of unallocated costs	62	8 504
<b>(Loss)/ profit of the Group before tax</b>	<b>(1 440)</b>	<b>(11 205)</b>

## 10. Goodwill

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

	31.12.2023 BGN'000	31.12.2022 BGN'000
<b>Gross carrying amount</b>		
Balance at 1 January	26 252	31 104
Acquired goodwill as a result of a business combination	-	870
Written off goodwill as a result of a business combination	-	(5 722)
Balance at 31 December	<b>26 252</b>	<b>26 252</b>
<b>Carrying amount at 31 December</b>	<b>26 252</b>	<b>26 252</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:

	31.12.2023 BGN'000	31.12.2022 BGN'000
Sirma Solutions EAD	11 754	11 754
SciAnt EAD	8 622	8 622
SAI EAD	2 961	2 961
Sirma Group Inc.	1 863	1 863
Sirma InsurTech AD	747	747
S&G	164	164
SciAnt Shpk (ReSolutions Shpk)	123	123
EngView Brazil	14	14
Sirma Business Consulting AD	4	4
<b>Goodwill allocation at 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 as of 31.12.2023, covering a detailed 5-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.

	Growth rates		Discount rates	
	2023	2022	2023	2022
Minimum	6%	10%	9%	9%
Maximum	50%	60%	13%	11%

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. The conflict in the Middle East, however, has an impact on the expected development of one of the subsidiaries, which has contracts to provide services to counterparties in the conflict area. 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.

## 11. Property, plant and equipment

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

	Buildings	Vehicles	Office equipment	Machinery	Computer equipment	Assets under construction	Right-of-use assets	Others	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Gross carrying amount</b>									
Balance at 1 January 2023	7 407	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>



	Buildings	Vehicles	Office equipment	Machinery	Computer equipment	Assets under construction	Right-of-use assets	Others	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Gross carrying amount</b>									
Balance at 1 January 2022	7 610	232	724	2 332	6 003	-	4 476	831	22 208
Acquired from a business combination	-	99	16	-	158	-	254	95	622
Additions	216	79	69	49	581	20	745	48	1 807
Disposals	-	(43)	(4)	-	(785)	-	(881)	-	(1 713)
Transfers	(419)	104	8	102	(249)	-	272	(99)	(281)
Disposals from a business combination	-	(1)	(125)	(19)	(914)	-	(1 553)	(64)	(2 676)
Balance at 31 December 2022	<b>7 407</b>	<b>470</b>	<b>688</b>	<b>2 464</b>	<b>4 794</b>	<b>20</b>	<b>3 313</b>	<b>811</b>	<b>19 967</b>
<b>Depreciation</b>									
Balance at 1 January 2022	(1 235)	(165)	(351)	(2 098)	(5 100)	-	(1 440)	(739)	(11 128)
Acquired from a business combination	-	(76)	(10)	-	(144)	-	(169)	(10)	(409)
Depreciation	(170)	(67)	(85)	(140)	(423)	-	(757)	(27)	(1 669)
Disposals	-	42	6	-	784	-	266	-	1 098
Transfers	419	(31)	(6)	54	44	-	(217)	18	281
Disposals from a business combination	-	1	50	16	772	-	871	31	1 741
Balance at 31 December 2022	<b>(986)</b>	<b>(296)</b>	<b>(396)</b>	<b>(2 168)</b>	<b>(4 067)</b>	<b>-</b>	<b>(1 446)</b>	<b>(727)</b>	<b>(10 086)</b>
<b>Carrying amount at 31 December 2022</b>	<b>6 421</b>	<b>174</b>	<b>292</b>	<b>296</b>	<b>727</b>	<b>20</b>	<b>1 867</b>	<b>84</b>	<b>9 881</b>

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

The Group has not a contractual commitment to acquire assets as of 31.12.2023 or 31.12.2022.

The carrying amount of the Group's property, plant and equipment pledged as security for its liabilities is presented as follows:

	Buildings	Vehicles	Office equipment	Machinery	Computer equipment	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount at 31 December 2022	142	159	229	5	14	64	613

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Buildings	Vehicles	Total right-of-use assets
	BGN'000	BGN'000	BGN'000
<b>Gross carrying amount</b>			
Balance at 1 January 2023	3 121	192	3 313
Additions	1 210	85	1 295
Disposals	(1 697)	(164)	(1 861)
Balance at 31 December 2023	<b>2 634</b>	<b>113</b>	<b>2 747</b>
<b>Depreciation</b>			
Balance at 1 January 2023	(1 320)	(126)	(1 446)
Depreciation	(590)	(24)	(614)
Disposals	807	112	919
Balance at 31 December 2023	<b>(1 103)</b>	<b>(38)</b>	<b>(1 141)</b>
<b>Carrying amount at 31 December 2023</b>	<b>1 531</b>	<b>75</b>	<b>1 606</b>

	<b>Buildings</b>	<b>Vehicles</b>	<b>Total right-of-use assets</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
<b>Gross carrying amount</b>			
Balance at 1 January 2022	4 185	291	4 476
Acquired from a business combination	155	99	254
Additions	666	79	745
Disposals	(881)	-	(881)
Transfers	549	(277)	272
Disposals from a business combination	(1 553)	-	(1 553)
Balance at 31 December 2022	<b>3 121</b>	<b>192</b>	<b>3 313</b>
<b>Depreciation</b>			
Balance at 1 January 2022	(1 315)	(125)	(1 440)
Acquired from a business combination	(89)	(80)	(169)
Depreciation	(702)	(55)	(757)
Disposals	266	-	266
Transfers	(351)	134	(217)
Disposals from a business combination	871	-	871
Balance at 31 December 2022	<b>(1 320)</b>	<b>(126)</b>	<b>(1 446)</b>
<b>Carrying amount at 31 December 2022</b>	<b>1 801</b>	<b>66</b>	<b>1 867</b>

The decrease in the assets with the right of use is due to a process of reducing the remaining term of the leasing contracts.

## 12. Intangible assets

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

	<b>R&amp;D products</b>	<b>Software products</b>	<b>Rights to software modules</b>	<b>Intangible assets in progress</b>	<b>Others</b>	<b>Total</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
<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	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 2022	65 708	1 962	12 461	25 693	7 216	113 040
Additions	3 436	-	815	3 167	-	7 418
Acquired from a business combination	-	813	-	174	46	1 033
Transfers	2 715	-	2 534	(652)	(459)	4 138
Disposals from a business combination	(49 756)	(276)	(4 463)	(19 206)	(16)	(73 717)
Balance at 31 December 2022	<b>22 103</b>	<b>2 499</b>	<b>11 347</b>	<b>9 176</b>	<b>6 787</b>	<b>51 912</b>
<b>Amortization</b>						
Balance at 1 January 2022	(16 428)	(1 962)	(6 444)	-	(1 482)	(26 316)
Acquired from a business combination	-	(61)	-	-	(46)	(107)
Amortization	(2 314)	(27)	(1 097)	-	(425)	(3 863)
Impairment losses	-	-	-	(2 786)	-	(2 786)
Transfers	(1 792)	-	(2 363)	-	17	(4 138)
Disposals from a business combination	3 116	276	2 603	-	9	6 004
Balance at 31 December 2022	<b>(17 418)</b>	<b>(1 774)</b>	<b>(7 301)</b>	<b>(2 786)</b>	<b>(1 927)</b>	<b>(31 206)</b>
<b>Carrying amount at 31 December 2022</b>	<b>4 685</b>	<b>725</b>	<b>4 046</b>	<b>6 390</b>	<b>4 860</b>	<b>20 706</b>

R&D products include the following assets:

#### Customer Intelligence Platform (CIP)

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

Extracting additional value from the data - built-in intelligent algorithms, analytical tools, as well as the ability to customize solutions tailored to the individual needs of the retailer, provide valuable insights and information. The focus on data, a deep understanding of customer behavior and motivation, along with seamless delivery management to end customers, will help merchants personalize communication, improve the user experience and manage their customer loyalty;

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

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

The 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 3D 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.

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 been developed to allow 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.

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 storage and management of measurement information.

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

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

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

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

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

Key functionalities include:

#### FULLY PLATFORM INDEPENDENT

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

#### HIGH AVAILABILITY AND BUSINESS CONTINUITY

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

#### EDGE AND DISTRIBUTED CLOUD COMPUTING

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

#### ADAPTABLE, EXTENSIBLE AND INTEGRABLE

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

#### CAPACITY AND PERFORMANCE MANAGEMENT

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

#### VIRTUAL INFRASTRUCTURE MANAGEMENT AND ORCHESTRATION

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

#### ACCOUNTING AND SHOWBACK

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

### Cyber Security Management Platform

Cybersecurity platforms are designed to provide businesses with a way to integrate security visibility, analytics and control across all cybersecurity layers and data sources while improving protection, scale and performance. They are systems designed to provide a centralized and unified platform for security teams to manage the cyber security of the corporate network. By providing centralized visibility and policy management, unified security management systems maximize the utility of an organization's security team by minimizing wasted time and overlooked threats created by having to learn and monitor multiple disparate standalone systems.

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

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

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

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

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

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

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

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

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

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

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

**Diabetes:M** is a mobile application for tracking the condition of people suffering from all types of diabetes or pre-diabetes. By significantly developing the patient's self-monitoring and self-control, it reduces the risks of complications related to the disease and allows treating specialists to make quick and informed decisions about the patient's therapy.

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

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

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



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

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

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

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

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

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

Medrec: M for clinics

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

Medrec: M mobile app

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

Cardiac: M mobile app

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

### **Sirma ICS Platform**

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

"Motor Third Party Liability" - Integration with 9 companies

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

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

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

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

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

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

### **CEGATE solution**

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



in addition to working through a user interface, to implement communication and perform operations requests and transactions through APIs.

#### **DiGiBANK solution**

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

#### **REXPRESS solution**

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

#### **SCARDS solution**

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

#### **UBXPAYMENTS solution**

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

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 NVISSEDTDRS. This option will be available for all categories of documents under Art. 6 para. 1 of NVISSEDTDRS 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.

Internally-created assets under development as of 31.12.2023 include:

#### **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).

The costs capitalized in the value of software applications under development amount to BGN 1 834 thousand for 2023 (2022: BGN 3 497 thousand)

No material contractual commitments were entered into during 2023 or 2022.

Carried out from the position of the specific economic situation analysis of the recoverable values of long-term intangible assets hasn't showed the presence of indications of impairment of the same ( 2022: BGN 2 786 thousand). In confirming its assessment, the management used the expert assessment of an independent licensed appraiser. The methods used in the appraisal are the income approach and the replacement value method. The assumptions made in making the assessments consist of an assumed analysis period of ten years, a discount rate between 12% and 14%, estimates of residual (terminal) value, replacement costs, economic life of the asset, physical, moral, economic wear and tear and others. When preparing the estimates, the unstable macroeconomic environment and the expected changes in it were influenced.

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

No intangible assets have been pledged as security for liabilities.

### 13. 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 2023	Recognised in profit and loss	Recognized in equity	31 December 2022
	BGN'000	BGN'000	BGN'000	BGN'000
<b>Non-current assets</b>				
Fixed and intangible assets	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>

Deferred taxes for the comparative period 2022 can be summarized as follows:

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

In the last two accounting periods, the Group realized tax losses in the total amount of BGN 3 200 thousand, for which a deferred tax asset was recognized. The legally established term for the use of tax losses is as follows:

- until the end of 2027 – BGN 390 thousand.
- until the end of 2028 – BGN 2 810 thousand

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

#### 14. Inventory

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

	31.12.2023 BGN'000	31.12.2022 BGN'000
Computers, laptops	1 628	298
Computer components	308	133
Materials and consumables, spare parts	168	129
	<b>2 104</b>	<b>560</b>

None of the inventories at 31 December 2023 are pledged as securities for liabilities.

#### 15. Trade and other receivables

	31.12.2023 BGN'000	31.12.2022 BGN'000
Trade receivables, gross	15 621	16 583
Impairment of trade receivables	(332)	(178)
<b>Trade receivables, net</b>	<b>15 289</b>	<b>16 405</b>
Other financial receivables	544	340
Impairment losses on other financial receivables	(172)	(172)
<b>Other financial assets, net</b>	<b>372</b>	<b>168</b>
<b>Trade and other receivables</b>	<b>15 661</b>	<b>16 573</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.

Certain trade receivables were found to be impaired and an allowance for credit losses of BGN 186 thousand (2022: BGN 204 thousand) has been recognized within "Other expenses". The impaired trade receivables are mostly due from trade customers that are experiencing financial difficulties.

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

	2023 BGN'000	2022 BGN'000
Balance at 1 January	(350)	(286)
Impairment loss	(186)	(204)
Written off	32	140
<b>Balance at 31 December</b>	<b>(504)</b>	<b>(350)</b>

#### 16. Prepayments and other assets

	31.12.2023 BGN'000	31.12.2022 BGN'000
Prepayments	407	6 468
Tax receivables	390	90
Other receivables	262	147
<b>Non-financial assets</b>	<b>1 059</b>	<b>6 705</b>

#### 17. Cash

Cash comprise of the following:

	31.12.2023 BGN'000	31.12.2022 BGN'000
Cash at bank and in hand:		
- BGN	7 054	15 977
- EUR	5 990	3 184
- ALL	1 394	1 299
- USD	140	90
- GBP	41	384
Blocked cash	75	212
<b>Cash</b>	<b>14 694</b>	<b>21 146</b>

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

#### 18. Loans granted

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

On 09.11.2023 the loan was fully repaid.

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

	31.12.2023 BGN'000	31.12.2022 BGN'000
Investments in a mutual investment fund	3 085	-
Exchange-traded debt instruments - government securities (foreign)	207	-
<b>Current financial assets</b>	<b>3 292</b>	<b>-</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.

##### 19.1. 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.

### 31 december 2023

**Level 1**  
**BGN'000**

#### Financial assets

Mutual investment schemes	3 085
Exchange-traded debt instruments	207
<b>Total asset</b>	<b>3 292</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.

### 19.2. 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.

## 20. Equity

### 20.1. 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>2023</b>	<b>2022</b>
	<b>Number of shares</b>	<b>Number of shares</b>
Number of shares issued and fully paid, - beginning of the year	59 360 518	59 360 518
Number of shares issued and fully paid	59 360 518	59 360 518
<b>Total number of shares authorized as at 31 December</b>	<b>59 360 518</b>	<b>59 360 518</b>

A detailed list of shareholders is presented in Note 1.

### 20.2. Purchased own shares

As of 31 December 2023 the total amount of repurchased own shares is 1 780 407 shares with nominal value of BGN 1 780 407 (3% of the share capital). The other companies of the Group that own shares of Sirma Group Holding JSC are:

- a. As of 31.12.2023 SAI EAD owns 550 shares of the parent company Sirma Group Holding JSC with total value of BGN 643,50.
- b. As of 31.12.2023 Sirma Solutions EAD owns 32 389 shares of the parent company Sirma Group Holding JSC with total value of BGN 18 245.

As of 31 December 2022 the total amount of repurchased own shares is 84 846 shares with nominal value of BGN 84 846 (0.14 % of the share capital). The other companies of the Group that own shares of Sirma Group Holding JSC are:

- c. SAI EAD owns 550 shares of the parent company Sirma Group Holding JSC with total value of BGN 643,50.
- d. Sirma Solutions EAD owns 32 389 shares of the parent company Sirma Group Holding JSC with total value of BGN 18 245.

### 20.3. Share premium

	31.12.2023 BGN'000	31.12.2022 BGN'000
<b>Balance at January 1</b>	3 083	3 614
Write-off of premium reserve	-	(531)
Formation of premium reserve	936	-
Transfer to other reserves	1 518	-
<b>Balance at 31 December</b>	<b>2 501</b>	<b>3 083</b>

### 20.4. Other reserves

	Statutory reserves BGN'000	Foreign activity revaluation reserve BGN'000	Revaluation reserve under defined benefit plans BGN'000	Total BGN'000
<b>Balance at January 1</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</b>	<b>6 254</b>	<b>133</b>	<b>69</b>	<b>6 456</b>

	Statutory reserves BGN'000	Foreign activity revaluation reserve BGN'000	Revaluation reserve under defined benefit plans BGN'000	Total BGN'000
<b>Balance at January 1</b>	<b>3 266</b>	<b>-</b>	<b>-</b>	<b>3 266</b>
Formation of reserve	632	(7)	34	659
Reserves formed as a result of a business combination	-	-	35	35
<b>Balance at 31 December</b>	<b>3 898</b>	<b>(7)</b>	<b>69</b>	<b>3 960</b>

## 21. Provisions

Provisions are for contract warranty support in the amount of BGN 77 thousand (2022: BGN 77 thousand).

## 22. Employee remuneration

### 22.1. Employee benefit expense

Expenses recognized for employee benefits include:

	2023 BGN'000	2022 BGN'000
Wages, salaries	(36 851)	(34 079)
Social security costs	(3 642)	(3 500)
Employee benefit expenses, capitalized in development for internally developed intangible assets	1 492	3 223
<b>Employee benefits expense</b>	<b>(39 001)</b>	<b>(34 356)</b>

## 22.2. 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:

	31.12.2023 BGN'000	31.12.2022 BGN'000
<b>Non-current:</b>		
Compensations in compliance with Labour Code	596	400
Non-current pension and other employee obligations	<b>596</b>	<b>400</b>
<b>Current:</b>		
Provisional additional remuneration obligations	782	284
Payroll obligations	2 140	1 919
Social security obligations	609	572
Accrued holiday entitlement	1 535	1 198
Current pension and other employee obligations	<b>5 066</b>	<b>3 973</b>

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

The event that gives rise to the obligation of the employer is the release of the person when he / she has acquired the right to a pension for length of service and old age. This requires an accurate prediction of the time of departure of employees, according to the time of occurrence of this right. The amount of the benefit is directly dependent on the person's length of service and, after a period of 10 years or more, future length of service does not affect the further amount of the obligation. In order to determine the exact amount of the obligation, it is necessary to forecast the amount of compensation at the future time when it will be due to the employee and this compensation must be discounted at the time of the assessment of the obligation.

As a result of the current labour contracts in the Group as of 31.12.2023, the payments upon retirement due to illness and due to reaching age and seniority, follow the amounts specified in Article 222, paragraph 2 and paragraph 3 of the Labour Code.

The mortality table reflects the probability that individuals will reach the specified retirement age. It is calculated for each person individually based on his / her gender and age at the time of the assessment. A table for mortality and average life expectancy of the population of Bulgaria of the National Statistical Institute for the period 2018-2020 was used.

On the basis of the information provided by the Group on the number of people who left in the last year, the probability of leaving has been calculated. This probability is set in the projections for the future development of staff in relation to the group of voluntarily left and dismissed in this model as an arithmetic mean of 0.2477.

The likelihood of disability reflects the likelihood of a person falling into a state that prevents him from interacting with the environment, which in turn creates social, intellectual, physical or moral difficulties. The probability is calculated on the basis of statistical information received from the NCHI.



An effective annual interest rate of 3.0% was used to calculate the discount factor, which corresponds to a discount annual rate of 2.91%. The proposal made is based on the yield data of long-term government securities offered on the Bulgarian Stock Exchange and the forecast for a longer term, based on the recommendations of Article 78 of IAS 19 and Articles 80 and 81 of the IAS, since the discount rate should reflect the estimated time of payment of income.

According to the Group's development plans, the current model envisages 1.5% annual growth of the average gross salary compared to the previous year. The amount of the expected increase in the basic salary is in line with the levels of remuneration in the Group, remuneration in alternative companies on the same market, long-term expectations and projected inflation.

Acquisition of pension rights for length of service and age - according to the Social Insurance Code and the underlying plans for increasing the retirement age. If a person cannot qualify for a pension for length of service and old age from the social security services listed in the table, then he / she shall acquire a pension right upon reaching the age of 65 and having at least 15 years of service. From 31.12.2015 the age from the previous sentence is increased from the first day of each following year by 2 months until reaching 67 years.

According to the requirements of the Labour Code, the benefit is paid when the employee acquires the right to a pension for length of service and age, and its amount is directly dependent on the amount of his gross salary and his length of service with the employer so far. This necessitates a precise prediction of the moment at which the person will leave the employer, obtaining the right to compensation. For all persons, this moment is calculated individually, on the basis of their age and sex at the time of the assessment and the age required to qualify for a pension, as required by the Social Security Code for the acquisition of a retirement pension by the State Public insurance. When forecasting the moment of retirement of all persons employed under a contract of employment in the structures of the Group, it is assumed that they will retire upon reaching the age necessary for acquiring the right to retirement pension and age for persons working under the conditions of the third category of labour. In determining the time of retirement, the requirement of the Social Security Code for the minimum length of service required to qualify for retirement and old age pension was also taken into account. When a worker who has reached the required retirement age does not have the required length of service, the time of retirement is deferred until, he accumulates this length of service.

After determining the time of departure of employees who have acquired the right to a pension for length of service and age, the amount of the last salary can be predicted. The value of the gross salary at the time of the appraisal is multiplied by the projected percentage for growth of the salaries per year, for the period from the date of the appraisal to the foreseen moment of leaving the worker. The number of gross salaries due is directly dependent on the time served by the employer at the time of leaving. For employees who at the time of retirement will have ten or more years of service with the employer, compensation in the amount of six gross salaries is calculated, and for all others in the amount of two gross salaries.

The amount of the liability may also be presented in separate principal items as should be disclosed:

	<b>2023</b>	<b>2022</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Present value of the liability at the beginning of the period</b>	400	356
Interest expenses for the period	-	(11)
Current service costs for the period	196	89
Actuarial loss for the period		
incl. Actuarial profit/ (loss) for the period as a result of changes in financial assumptions	-	(34)
<b>Present value of the liability at the end of the period</b>	<b>596</b>	<b>400</b>

Expenses for current and past service are included in "Employee benefits expense". Net interest expense is included in the income statement and other comprehensive income under "Finance costs" (see Note 33).

## 23. Borrowings

Borrowings include the following financial liabilities:

	Current		Non-current	
	31.12.2023 BGN'000	31.12.2022 BGN'000	31.12.2023 BGN'000	31.12.2022 BGN'000
Financial liabilities measured at amortized cost:				
Bank loans	575	5 238	-	7 707
Interest on bank loans	3	13	-	-
<b>Total carrying amounts</b>	<b>578</b>	<b>5 251</b>	<b>-</b>	<b>7 707</b>

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

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

As of 31.12.2023 Sirma Group Inc. presents credit cards liabilities amounting to BGN 35 thousand.

Bank	Type of loan	Currency	Total amount of credit (in BGN)	Outstanding obligation at 31.12.2023 (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 commercial enterprises, p
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
KBC Bank Bulgaria	Overdraft	BGN	290 000	290 000	25.7.2022	3.10%	25.08.2024	-
UniCredit Bulbank	Overdraft	EUR	2 800 000	-	15.12.2022	The applicable variable interest rate for the relevant interest period +1.5 points, but not less than 1.5%	15.12.2025	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
UniCredit Bulbank	Bank revolving credit	BGN	250 000	250 000	15.12.2020	The applicable variable interest rate for the relevant interest period +2 points, but not less than 2.08%	14.12.2025	Pledge of receivables

## 24. Lease liabilities

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

	2023 BGN'000	2022 BGN'000
Lease liabilities – non-current portion	1 283	1 287
Lease liabilities – current portion	589	590
<b>Lease liabilities</b>	<b>1 872</b>	<b>1 877</b>

The Group leases building and vehicles. Except for short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group's sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 11).

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 has no right to sell or pledge 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.

Future minimum lease payments at 31 December 2023 were as follows:

	Minimum lease payments due						Total BGN'000
	Within 1 year BGN'000	1-2 years BGN'000	2-3 years BGN'000	3-4 years BGN'000	4-5 years BGN'000	After 5 years BGN'000	
<b>31 December 2023</b>							
Lease payments	610	613	244	229	218	12	1 926
Finance charges	(21)	(16)	(9)	(6)	(2)	-	(54)
<b>Net present values</b>	<b>589</b>	<b>597</b>	<b>235</b>	<b>223</b>	<b>216</b>	<b>12</b>	<b>1 872</b>
<b>31 December 2022</b>							
Lease payments	611	487	256	194	186	198	1 932
Finance charges	(21)	(14)	(10)	(6)	(3)	(1)	(55)
<b>Net present values</b>	<b>590</b>	<b>471</b>	<b>246</b>	<b>188</b>	<b>183</b>	<b>197</b>	<b>1 877</b>

### 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.

Expenses for 2023 related to payments not included in the valuation of lease obligations are as follows:

	2023 BGN'000	2022 BGN'000
Short term lease contracts	572	483
	<b>572</b>	<b>483</b>

Interest expenses under lease agreements included in financial expenses for the year ended 31 December 2023 are BGN 36 thousand (2022: BGN 35 thousand).

The total cash outflow for leasing contracts for the year ended 31 December 2023 is BGN 767 thousand (2022: BGN 873 thousand).

## 25. Trade and other payables

	31.12.2023 BGN'000	31.12.2022 BGN'000
<b>Current:</b>		
Trade payables	3 682	2 634
<b>Financial liabilities</b>	<b>3 682</b>	<b>2 634</b>
Tax payables	927	948
Other liabilities	73	28
Non-financial liabilities	<b>1 000</b>	<b>976</b>
<b>Current trade and other payables</b>	<b>4 682</b>	<b>3 610</b>

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

## 26. Contract liabilities

	31.12.2023 BGN'000	31.12.2022 BGN'000
Contract liabilities – advances received for delivery of IT services	1 822	8 119
<b>Total contract liabilities</b>	<b>1 822</b>	<b>8 119</b>

## 27. Revenue from contracts with customers

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:

	Bulgaria BGN'000	Sale of IT equipment Europe BGN'000	USA BGN'000	Others BGN'000	Bulgaria BGN'000	Rendering of services Europe BGN'000	USA BGN'000	Others BGN'000	Total BGN'000
<b>2023</b>									
Revenue from contracts with customers	23 273	2 647	57	677	21 260	18 110	12 301	2 203	80 528*
Revenue recognition									
As a point in time	23 273	2 647	57	677	-	-	-	-	26 654
Over time	-	-	-	-	21 260	18 110	12 301	2 203	53 874
<b>2022</b>									
Revenue from contracts with customers	17 327	3 599	51	1 508	16 703	20 591	14 408	4 171	78 358
Revenue recognition									
As a point in time	17 327	3 599	51	1 508	-	-	-	-	22 485
Over time	-	-	-	-	16 703	20 591	14 408	4 171	55 873

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

Product lines	2023 BGN'000	2022 BGN'000
---------------	-----------------	-----------------

Software services	36 593	38 790
Sale of IT equipment	26 654	22 485
Subscriptions	5 682	5 007
Licenses	2 845	3 534
Support	2 149	1 586
Consulting services	2 096	2 460
Cloud services	1 644	1 390
System integration	417	463
Others	2 448	2 643
	<b>80 528</b>	<b>78 358</b>

## 28. Other income

	<b>2023</b> <b>BGN'000</b>	<b>2022</b> <b>BGN'000</b>
Rental income	331	163
Income from financing	17	1 524
Other income	420	37
	<b>768</b>	<b>1 724</b>

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

	<b>2023</b> <b>BGN'000</b>	<b>2022</b> <b>BGN'000</b>
Proceeds from sale of non-current assets	1 262	11
Carrying amount of non-current assets sold	(1 243)	(1)
<b>Gain on sale of non-current assets</b>	<b>19</b>	<b>10</b>

## 30. Cost of materials

	<b>2023</b> <b>BGN'000</b>	<b>2022</b> <b>BGN'000</b>
Electricity	(795)	(1 081)
System integration	(397)	(410)
Inventory	(135)	(67)
Office supplies	(49)	(69)
Computer components	(46)	(72)
Car fuel	(37)	(31)
Hygienic materials	(26)	(22)
Advertising materials	(22)	(32)
Materials for office repair and maintenance	(11)	(12)
Heating	(11)	(9)
Water	(9)	(6)
Repair parts for cars	(7)	(7)
Paper	(1)	(2)
Toner	(1)	(1)
Others	(18)	(20)
	<b>(1 565)</b>	<b>(1 841)</b>

### 31. Hired services expenses

	2023 BGN'000	2022 BGN'000
Software services	(5 044)	(3 318)
Consultancy services	(1 884)	(2 364)
Sub - contracted operations as part of projects	(1 363)	(1 906)
Advertising and marketing	(884)	(1 269)
Subscriptions	(524)	(822)
Software license rental	(409)	(389)
Office maintenance and repair	(262)	(93)
Intermediary services	(236)	(136)
Commissions and fees	(234)	(262)
Audit	(214)	(179)
Seminars and training	(208)	(238)
Hosting	(205)	(512)
Rents on short-term contracts	(163)	(94)
Mobile phones	(141)	(105)
Insurances	(116)	(119)
Security	(98)	(79)
Connectivity	(73)	(70)
Internet	(70)	(69)
Courier, transport	(53)	(85)
Cleaning	(50)	(52)
Staff recruitment	(49)	(51)
Car maintenance and repair	(27)	(3)
Administrative service	(26)	(34)
Parking	(6)	(7)
Others	(224)	(67)
Hired services expenses, capitalized in development for internally developed intangible assets	342	274
	<b>(12 221)</b>	<b>(12 049)</b>

The remuneration for services provided by the registered auditors to the parent company and its subsidiaries for 2023 amounts to BGN 214 thousand. No tax consultancy or other services, not related to the audit, have been provided. This disclosure is made in compliance with the requirements of Article 30 of Bulgarian Accountancy Act.

### 32. Other expenses

	2023 BGN'000	2022 BGN'000
Social expenses	(657)	(383)
Business trips	(378)	(296)
Entertainment expenses	(287)	(186)
Impairment of receivables	(186)	(207)
Local taxes and fees	(97)	(111)
Receivables written off	(82)	(168)
Expenses without documents and unrelated to the activity	(67)	(62)
Taxes on expenses	(49)	(29)
Donations	(39)	(8)
Penalties under commercial contracts	(20)	(3)
Others	(209)	(9)
	<b>(2 071)</b>	<b>(1 462)</b>



### 33. Finance costs and finance income

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

	2023 BGN'000	2022 BGN'000
Expenses on foreign exchange operations	(293)	-
Interest expenses on loans	(115)	(277)
Interest expenses for finance lease agreements	(36)	(35)
NRA interest expenses	(7)	(9)
Other financial expenses	-	(180)
<b>Total interest expenses for financial liabilities not at fair value through profit or loss</b>	<b>(451)</b>	<b>(501)</b>
Bank fees and commissions	(153)	(1 334)
Costs of operations with financial assets	(342)	-
Interest expense on defined benefit obligation	-	(11)
<b>Finance costs</b>	<b>(946)</b>	<b>(1 846)</b>

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

	2023 BGN'000	2022 BGN'000
Income from operations with financial assets	53	542
Interest income on loans	27	32
Income from foreign exchange operations	-	164
<b>Financial income</b>	<b>80</b>	<b>738</b>

### 34. (Expenses) for/ income from income taxes

The relationship between the expected tax expense based on the applicable tax rate in Bulgaria of 10 % (2022: 10 %) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2023 BGN'000	2022 BGN'000
Profit before tax	(1 440)	(11 205)
Tax rate	10%	10%
Expected tax expense	-	-
Tax effect of:		
Adjustments for non-deductible expenses		
Increase of the financial result for tax purposes	(6 529)	(2 100)
Decrease of the financial result for tax purposes	6 188	1 746
Current tax expense	<b>(341)</b>	<b>(354)</b>
Deferred tax expense:		
Origination and reversal of temporary differences	319	737
<b>Income tax expense</b>	<b>(22)</b>	<b>383</b>
Deferred tax income recognized directly in other comprehensive income	81	-

Note 13 provides information on the deferred tax assets and liabilities, including the amounts recognized directly in other comprehensive income.

### 35. Loss per share

#### 35.1. Loss per share

Basic loss per share has been calculated using the net profit attributed to shareholders of the parent company as the numerator.

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

	2023	2022
Loss/ profit attributable to the shareholders (BGN'000)	(1 845)	(11 527)

Weighted average number of outstanding shares (in thousand)	57 884	58 057
<b>Basic (loss) / earnings per share (BGN per share)</b>	<b>(0.0319)</b>	<b>(0.1985)</b>

### 35.2. Dividends

In 2023, the Group distributed to its owners dividends in the amount of BGN 3 597 thousand (2022: BGN 2 030), incl. "Sirma Group Holding" JSC - BGN 2 849 thousand, "EngView Systems" AD - BGN 81 thousand, "Sciart" EAD - BGN 323 thousand, S&G technology Ltd. – 51 thousand and "Daticum" AD - BGN 293 thousand. This amount represents a payment in the amount of "Sirma Group Holding" JSC - BGN 0.0548 per share, "EngView Systems" AD - BGN 4.37 per share, "Sciart" EAD - BGN 6,27 and "Daticum" AD - BGN 9.08 per share.

### 36. Related party transactions

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

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

#### Transactions with associated parties

	2023 BGN'000	2022 BGN'000
Sale of services		
- Administrative, accounting services	64	279
- Software	-	2
- Rents	11	7
- Hosting and Internet	17	-
- Others	-	20
Sale of assets	-	428
Non-monetary contribution to the capital of Ontotext AD	-	37 627
Sale of shares from the capital of Ontotext AD	20 511	-

#### Transactions with other related parties

	2023 BGN'000	2022 BGN'000
Sale of services		
- Administrative, accounting services	4	4
- Rents	8	13
- Software services	103	65
Purchases of goods	56	-
Returned given loans	-	48
Given loans	-	295
Interest on given loans	6	5

#### 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:

	2023 BGN'000	2022 BGN'000
Short-term employee benefits:		
Salaries including bonuses	1 296	1 639
Social security costs	44	55
Total short-term employee benefits	<b>1 340</b>	<b>1 694</b>
Dividends	1 177	227
<b>Total remunerations</b>	<b>2 517</b>	<b>1 921</b>

### 37. Related party balances at year-end

	31.12.2023 BGN'000	31.12.2022 BGN'000
<b>Non-current receivables from:</b>		
- other related parties under common control	295	-
- loans	295	-
<b>Total non-current receivables from related parties</b>	<b>295</b>	<b>-</b>
<b>Current receivables from:</b>		
- other related parties under common control		
- loans	-	311
- trade receivables	147	64
- impairment	(54)	(57)
- interest on loans	6	-
- <b>associates</b>		
- trade and other receivables	-	53
- impairment	-	(39)
- loans	-	114
- impairment	-	(114)
- <b>key management personnel</b>		
- trade and other receivables	-	72
- loans	-	14
<b>Total current receivables from related parties</b>	<b>99</b>	<b>418</b>
<b>Total receivables from related parties</b>	<b>394</b>	<b>418</b>
<b>Non-Current payables to:</b>		
- other related parties under common control		
- payables related to capital reduction	328	-
<b>Total non-current payables to related parties</b>	<b>328</b>	<b>-</b>
<b>Non-Current payables to:</b>		
- other related parties under common control		
- trade and other receivables	29	4
- <b>key management personnel</b>		
- other payables	15	13
- dividends	244	403
- payables related to capital reduction	82	-
- loan	162	77
<b>Total current payables to related parties</b>	<b>532</b>	<b>497</b>
<b>Total payables to related parties</b>	<b>860</b>	<b>497</b>

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

	2023 BGN'000	2022 BGN'000
<b>Balance as of 1 January</b>	(210)	(1 391)
Impairment losses	-	(42)
Collected impaired receivables	156	1 223
<b>Balance as of 31 December</b>	<b>(54)</b>	<b>(210)</b>

### 38. Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings	Short-term borrowings	Lease liabilities	Purchased own shares, interest, acquisition of non-controlling interest	Obligations to owners for return of capital contributions	Dividends	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>1 January 2023</b>	<b>7 707</b>	<b>5 251</b>	<b>1 877</b>	<b>(85)</b>	<b>-</b>	<b>403</b>	<b>15 153</b>
<b>Cash flows:</b>							
Repayment	(7 707)	(4 852)	(767)	(1 206)	(208)	(3 342)	(18 082)
Proceeds	-	50	-	-	-	-	50
<b>Non-cash:</b>							
Interest	-	129	36	-	-	-	165
Share issue reserve	-	-	-	(508)	-	-	(508)
Registered capital reduction	-	-	-	-	618	-	618
Occurrence of lease obligations under IFRS 16	-	-	726	-	-	-	726
Accrual of dividends	-	-	-	-	-	3 596	3 596
Accrued dividend tax	-	-	-	-	-	(130)	(130)
Dividends written off	-	-	-	-	-	(283)	(283)
<b>31 December 2023</b>	<b>-</b>	<b>578</b>	<b>1 872</b>	<b>(1 799)</b>	<b>410</b>	<b>244</b>	<b>1 305</b>

	Long-term borrowings	Short-term borrowings	Lease liabilities	Purchased own shares, interest, acquisition of non-controlling interest	Dividends	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>1 January 2022</b>	<b>13 288</b>	<b>16 274</b>	<b>3 042</b>	<b>(1 304)</b>	<b>593</b>	<b>31 893</b>
<b>Cash flows:</b>						
Repayment	(10 982)	(5 806)	(837)	(3 877)	(2 220)	(23 722)
Proceeds	5 427	331	-	-	-	5 758
<b>Non-cash:</b>						
Interest	-	-	-	310	-	310
Effect of business combinations	-	(5 574)	-	-	-	(5 574)
Occurrence of lease obligations under IFRS 16	-	-	(328)	-	-	(328)
Exchange of shares	-	-	-	4 786	-	4 786
Dividends	-	-	-	-	2 030	2 030
Reclasification	(26)	26	-	-	-	-
<b>31 December 2022</b>	<b>7 707</b>	<b>5 251</b>	<b>1 877</b>	<b>(85)</b>	<b>403</b>	<b>15 153</b>

### **39. Non-cash transactions**

During the presented reporting periods, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- In 2023 The Group has concluded a car leasing contract in the amount of BGN 85 thousand (2022: BGN 79 thousand);
- During 2022 repurchased shares of Sirma Group Holding JSC were exchanged, totaling BGN 4 786 thousand against reducing the share of the non-controlling interest in some of the subsidiaries.

### **40. Contingent assets and contingent liabilities**

On 15.04.2024, "Sirma Group Holding" AD concluded contracts for the purchase of shares with three individuals and one legal entity, owners of the minority package of shares of "Sirma Inshurtech" AD. In one of in the share purchase agreements with one of the persons, there is a commitment by the Group to transfer to that person an additional number of shares from "Sirma Group Holding" AD as of 31.01.2026, if the price of the shares of "Sirma Group Holding" AD is below a certain value.

There is no possibility of potential future liability to the individual to occur and no liability has accrued as of the date of the consolidated financial statements. The event has been only disclosed.

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 31.12.2023 (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	-	15.12.2022	The applicable variable interest rate for the relevant interest period + 1.5%, but no less than 1.5% per year	15.12.2024	Pledge of receivables
Sciant 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
Sciant 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 Sistems 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
Sirma Medical Systems AD	United Bulgarian Bank AD	Revolving bank loan	BGN	250 000	250 000	15.12.2020	The applicable variable interest rate for the relevant interest period +2 points, but not less than 2.08%	14.12.2025	Pledge on receivables
Sirma InsurTech AD	KBC Bank Bulgaria	Overdraft	BGN	290 000	290 000	25.07.2022	3,10%	31.12.2023	-

## Litigations

No claims were brought against the Group.

## Tax obligations

The Group's management does not believe that there are significant risks as a result of the dynamic fiscal and regulatory environment in Bulgaria, which would require adjustments to the financial statements for the year ended 31 December 2023.

## 41. 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>2023 BGN'000</b>	<b>2022 BGN'000</b>
Financial assets at fair value through profit or loss:			
Non-current financial assets	6	-	336
Current financial assets	19	3 292	-
Long-term related party receivables	37	295	-
Trade and other receivables	15	15 661	16 573
Related party receivables	37	99	418
Loans given	18	-	150
Cash	17	14 694	21 146
		<b>34 041</b>	<b>38 623</b>

<b>Financial liabilities</b>	<b>Note</b>	<b>2023 BGN'000</b>	<b>2022 BGN'000</b>
Financial liabilities measured at amortized cost			
Borrowings:			
non-current	23.1	-	7 707
current	23.1	578	5 251
Finance lease liabilities:			
non-current	24	1 283	1 287
current	24	589	590
Trade and other payables	25	3 682	2 634
Related party payables			
non-current	37	328	-
current	37	532	497
		<b>6 992</b>	<b>17 966</b>

## 42. 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 41. 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.

### 42.1. Market risk analysis

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

As the economic consequences of the war unfolded in Ukraine, strong inflationary pressures arose, which was particularly high in 2022, when inflation reached 15.3 percent. Average annual inflation for the period January - December 2023 fell compared to the period January - December 2022 to 9.5 percent. By the second half of 2025, easing pressures from energy prices and other costs, together with the ECB's monetary policy measures, should return inflation to the target level.

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

#### 42.1.1. 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.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into Bulgarian leva at the closing rate:

	Short-term exposure	
	USD BGN'000	GBP BGN'000
<b>31 December 2023</b>		
Financial assets	7 276	1 045
Financial liabilities	(89)	(22)
<b>Total exposure</b>	<b>7 187</b>	<b>1 023</b>
<b>31 December 2022</b>		
Financial assets	9 851	773
Financial liabilities	(75)	(264)
<b>Total exposure</b>	<b>9 776</b>	<b>509</b>

The following tables illustrate the sensitivity of post-tax financial result for the year and equity in regards to exchange rate differences between the Bulgarian Lev (BGN) and the following currencies 'all other things being equal:

- US Dollars (USD) +/- 2.2 % (for 2022: +/- 8.6 %)
- Pound Sterling (GBP) (+/- 2.53 %) (for 2022: +/- 3.9 %)

All other parameters are assumed to be constant.

These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into.

	Increase of the exchange rate BGN/foreign currency		Decrease of the exchange rate BGN/foreign currency	
	Net financial result BGN'000	Equity BGN'000	Net financial result BGN'000	Equity BGN'000
<b>31 December 2023</b>				
US Dollars (USD) (+/- 2.2%)	(158)	(158)	158	158
Pound Sterling (GBP) (+/- 2.53%)	(26)	(26)	26	26
<b>31 December 2022</b>				
US Dollars (USD) (+/- 8.6%)	(582)	(582)	582	582
Pound Sterling (GBP) (+/- 3.9%)	(18)	(18)	18	18

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

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.

#### 42.1.2. Interest rate risk

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



In 2023, the Group was not exposed to the substantial risk of changes in market interest rates on its bank loans, which have a variable interest rate, because long-term investment loan was repaid. All other financial assets and liabilities of the Group have fixed interest rates.

In 2022, the Group is exposed to the risk of changes in market interest rates on its bank loans, which have a variable interest rate. All other financial assets and liabilities of the Group have fixed interest rates.

The tables presented below show the sensitivity of the annual net financial result after tax and equity to a likely change in interest rates on loans with a floating interest rate based on EURIBOR in the amount of +/- 94.23%. These changes are determined to be probable based on observations of current market conditions. The calculations are based on the change in the average market interest rate and on the financial instruments held by the Company at the end of the reporting period, which are sensitive to interest rate changes. All other parameters are assumed to be constant.

31 december 2022	Net financial result		Equity	
	increase in interest rate	decrease in interest rate	increase in interest rate	decrease in interest rate
	BGN'000	BGN'000	BGN'000	BGN'000
Loans (EURIBOR 94.23%)	(124)	(124)	124	124

In 2021, interest on loans is formed plus a premium, but due to the weak changes in the relevant reference values in previous years, the exposure of the Group to interest rate risk is insignificant.

#### 42.2. 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:

Financial assets	Note	31.12.2023 BGN'000	31.12.2022 BGN'000
Financial assets at fair value through profit or loss:			
Current financial assets	19	3 292	-
Non-current financial assets	6	-	336
Non-current related party receivables	37	295	-
Trade and other receivables	15	15 661	16 573
Related party receivables	37	99	418
Loans given	18	-	150
Cash	17	14 694	21 146
		<b>34 041</b>	<b>38 623</b>

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

The Group's management has performed an analysis of the settlements with its counterparties, as well as the potential effect on their credit quality, incl. in terms of forming a reasonable amount of expected credit losses, according to the adopted model for determining them in accordance with IFRS 9. Based on the analysis, and taking into account the collection of receivables in the period after the pandemic, until the date of preparation of the pandemic In this consolidated financial statement, the Management Board considers that in the short term there are no indications of deterioration in the credit quality of counterparties, and that there are currently no grounds to change the model for calculating expected credit losses, including due to lack of credit losses. sufficiently reliable data. The long-term perspectives and potential effects on the collection and credit quality of the estimates are subject to constant monitoring and updating by the Management. The process also takes into account the fact that the existence of temporary liquidity problems of counterparties caused directly by Covid-19 are not considered indications of deteriorating credit quality.

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

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

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

#### 42.3. 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 31 December 2023, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

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>

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

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

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

#### Financial assets used for managing liquidity risk

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

### 43. Fair value measurement

#### 43.1. 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.

<b>31 December 2023</b>	<b>Note</b>	<b>Level 1 BGN'000</b>
<b>Financial assets</b>		
Mutual investment schemes	19	3 085
Exchange-traded debt instruments		207
<b>Total asset</b>		<b>3 292</b>

<b>31 december 2022</b>	<b>Note</b>	<b>Level 3 BGN'000</b>
<b>Financial assets</b>		
OTC equity instruments	6	336
<b>Total assets</b>		<b>336</b>

### Determining fair value

**Level 1:** Valuation methods and techniques used in determining fair value are based on the price of publicly traded securities and units at the end of the reporting period.

Market traded capital instruments are presented in Bulgarian leva and are publicly traded on the Bulgarian Stock Exchange. The fair values were determined on the basis of their stock market prices at the reporting date.

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

The opening balance of the financial instruments included at this level can be equated with their closing balance at the reporting date as follows:

	<b>2023 BGN'000</b>	<b>2022 BGN'000</b>
Balance as of January 1	-	-
<b>Balance as of December 31</b>	<b>3 292</b>	<b>-</b>

**Level 3:** The valuation methods and techniques used in determining fair value have not changed compared to the previous reporting period.

#### a) Non-exchange capital instruments

Based on an analysis of the structure, type, specifics of the assessed assets, the business model of the group and the macro environment in which the group will operate, the following valuation methods have been identified as the most relevant and suitable for application: "Discounted cash flow method "(DCF Method) and" Net Asset Value Method ".

There were no transfers in or from level 1 and level 3 during the reporting periods presented.

### 44. 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 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:

	<b>2023 BGN'000</b>	<b>2022 BGN'000</b>
Equity	79 626	90 551
Total liabilities/Total borrowings/Total borrowings, trade and other payables	15 894	31 956
- Cash and cash equivalents	(14 694)	(21 146)
<b>Net debt</b>	<b>1 200</b>	<b>10 810</b>
<b>Adjusted capital to net debt</b>	<b>66.36:1</b>	<b>8.38:1</b>

The ratio-change during 2023 is primarily a result of the decrease of liabilities.

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.

#### **45. Post-reporting date events**

##### ***Reduction of the capital of a subsidiary company***

On 21.12.2023 the Board of Directors of the subsidiary "SAI" AD made a decision to buy the shares of the company from the individual shareholders. As a result of this decision, the sole owner of the company became "Sirma Group Holding" JSC. The decision was entered and announced in the Commercial Register on 12.01.2024. As of that date, SAI is a sole proprietorship and its capital is BGN 13 588 241, divided into 13 588 241 ordinary (only) shares with a nominal value of BGN 1, whose sole owner is Sirma Group Holding JSC.

##### ***Buyback of shares***

By decision of the General Meeting of Shareholders of "Sirma Group Holding" JSC, dated 09.01.2023, on 24.01.2024 "Sirma Group Holding" JSC bought back 1 000 000 of its shares at an average price of BGN 0.74 per share at a total price of BGN 740 000. The shares represent 1.68% of the company's capital. The purchase was made on the Bulgarian Stock Exchange - Sofia AD.

##### ***The business consolidation strategy***

On 21.03.2024 "Sirma Group Holding" JSC announced pending steps towards the implementation of the Strategy for the consolidation of activities and ownership within the Group. The main guidelines of the Consolidation Strategy are:

- Objective of the Strategy: By strengthening the vertical specialization of services, achieving organic and inorganic (through acquisitions) sales growth up to EUR one hundred million and listing on a major world stock exchange;
- Time frame: 2023 – 2026;
- Continuation of the process of consolidation of ownership in subsidiaries;
- Maximum consolidation of the number of companies in the Group (with the exception of foreign companies);
- Full transition to a vertical business organization with the following main verticals: - Financial Services; Transport and Logistics; Hospitality; Industrial; Insurance; Healthcare; Retail.
- Adequate restructuring and optimization of management in the Group and full use of all synergies.

##### ***Purchase of shares by subsidiary company***

On 24.01.2024 "Sirma Solutions" EAD – a subsidiary of "Sirma Group Holding" JSC, bought 700 000 shares from the capital of "Sirma Group Holding" JSC, through transactions, made on the Bulgarian Stock Exchange - Sofia AD, at an average price of BGN 0,729917 per share. The shares represent 1.18% of the company's capital.

##### ***Purchase of a minority block of shares from the capital of a subsidiary***

On 15.04.2024, "Sirma Group Holding" AD concluded contracts for the purchase of shares with three individuals and one legal entity, owners of the minority package of shares of "Sirma Inshurtech" AD. In one of the share purchase agreements with one of the persons, there is a commitment by the Group to transfer to that person an additional number of shares from "Sirma Group Holding" AD as of 31.01.2026, if the price of the shares of "Sirma Group Holding" AD is below a certain value.

There is no possibility of potential future liability to the individual to occur and no liability has accrued as of the date of the consolidated financial statements. The event has been only disclosed.

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

#### **46. Authorization of the consolidated financial statements**

The consolidated financial statements for the year ended 31 December 2023 (including comparatives) were approved for issue by the Board of directors on 18.04.2023.





**Sirma**

# **Annual Consolidated Management Report**

of "Sirma Group Holding" JSC  
for 2023

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

The present annual consolidated management report of “Sirma Group Holding” JSC covers the year, ending on 31 December 2023 and was prepared in accordance with the provisions of Article 39 of the Accountancy Law and Art. 100o, para. 2 and 5 of the the Public Offering of Securities Act (POSA), including also the established events, occurring after the balance sheet date. The structure of this report is in accordance with Appendix 9, 10 and Appendix 11 to Article 32a (2) of Ordinance No. 2 of the Financial Supervision Commission (FSC).

The board of directors of the holding confirms that:

- there were no irregularities in which managers or employees were involved, which may be material to the consolidated financial statements;
- all material transactions are duly accounted for and reflected in the annual consolidated financial statements as at 31 December 2023;
- there is no actual or potential breach of laws and (or) other regulatory provisions which would have a material impact on the consolidated financial statements or could serve as a basis for reporting contingent loss;
- there are no legal or other restrictions on the flow of funds;
- there are no known trends, requests, commitments, events or occasional circumstances for which there is reason to expect that they may affect the company as a whole.

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

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

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

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

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

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

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

The reporting period is the financial year ending on 31.12.2023. The report includes Sirma Group Holding JSC and all subsidiary companies of the group without EngView Systems Latin America and Sirma ISG, which are excluded from consolidation due to lack of relevance.



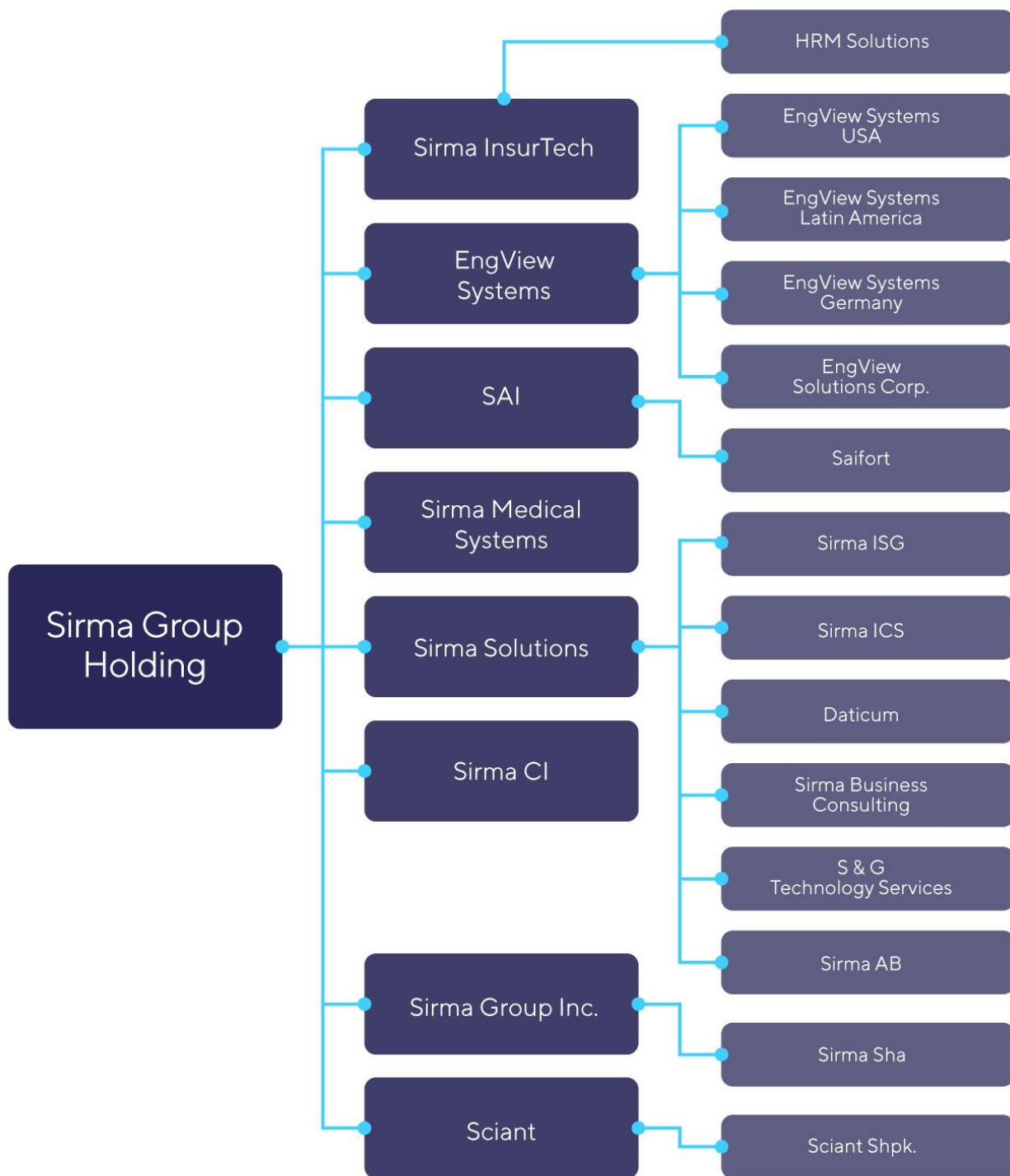
## 2 ORGANIZATION AND WAY OF PRESENTATION

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

Over the years, Sirma has created over 20 companies, investing in them a tremendous financial and human capital.

Our strategy is to create businesses, incubate them and develop them.

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



## History and development of the parent company

"Sirma Group Holding" JSC is a holding company registered on 25.04.2008 at the Registry Agency with UIC 200101236, LEI: 8945007AD80FTJTEGH37, with head office: BULGARIA, Sofia (capital), Sofia municipality, City Sofia 1784, Mladost area, bul. Tsarigradsko Shose, No 135. The name of the company changed on 23.03.2009 from "SGH" JSC to "Sirma Group Holding" JSC. The company is not limited by the term of existence.

## Changes in the statement of activity

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

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

The object of the company is: acquisitions, management, evaluation and sale of participation in Bulgarian and foreign companies, acquisition, evaluation and sale of patents, cession of licenses to use patents of companies which the company owns, financing of companies in which the company participates, organization of accounting and compiling financial statements under the law of accounting. The company may also carry out its own commercial activity, which is not prohibited by law.

Law for Accounting. The company may also carry out its own commercial activity, which is not prohibited by law.

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

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

## CAPITAL

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

### History of Share Capital

History of changes in share capital

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

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

- 1) 29 software modules worth 61,555,838 BGN;
- 2) Non-monetary contribution representing real estate amounting to 3 911 660 BGN:

□ Office building - offices, floor 3th and floor 5th of an office building, located in Sofia, 135 Tsarigradsko shose

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

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

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

On 22.10.2010. as a result of the decision of the regular annual general meeting of the Company's shareholders, a reduction of the capital of "Sirma Group Holding" JSC from 77 252 478 BGN to 73 340 818 BGN was recorded through the cancellation of 3 911 660 shares with a par value of 1 BGN each. The Company's capital was reduced on the basis of Art. 200, para. 2, in conjunction with Art. 187f, par. 1, item 2n of the Bulgarian Commercial Law.

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

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

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

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

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

### 3 STRUCTURE OF SHARE CAPITAL AND MANAGEMENT AUTHORITIES

#### 3.1. Capital structure

As of 31.12.2023 the distribution of the share capital of Sirma Group Holding is as follows:

	31.12.2023	31.12.2022
Share capital (in thousand shares)	59 361	59 361
Number of shares (par value of 1 BGN)	59 360 518	59 360 518
Total number of registered shareholders	1 039	1 033
Including legal entities	39	40
Including Individuals	1 000	993
Number of shares held by legal entities	7 223 085	5 286 591
% of capital of legal entities	12,17%	8,91%
Number of shares held by individuals	52 137 433	54 073 927
% of capital held by individuals	87,83%	91,09%

Shareholders	Number of shares at 31.12.2023	Number of shares at 31.12.2022	Nominal value (BGN)	Nominal value (BGN)	% Shareholding	% of voting rights*
Georgi Parvanov Marinov	5 455 748	5 269 748	1	5 455 748	9,19%	9,48%
Tsvetan Borisov Alexiev	5 035 153	4 965 753	1	5 035 153	8,48%	8,75%
Chavdar Velizarov Dimitrov	4 817 386	4 750 786	1	4 817 386	8,12%	8,37%
Veselin Antchev Kirov	4 767 386	4 700 786	1	4 767 386	8,03%	8,28%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,50%
Ivo Petrov Petrov	3 400 000	4 013 920	1	3 400 000	5,73%	5,91%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,40%
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%	3,75%
Emiliana Ilieva Ilieva	1 990 209	1 965 209	1	1 990 209	3,35%	3,46%
Deyan Nikolov Nenov	1 814 748	1 790 748	1	1 814 748	3,06%	3,15%
Purchased own shares	1 813 355	84 846	1	1 813 355	3,05%	-
Atanas Kostadinov Kiryakov	1 542 787	2 887 524	1	1 542 787	2,60%	2,68%
Rosen Ivanov Marinov	1 282 900	1 265 795	1	1 282 900	2,16%	2,23%
Advance Invest	1 099 116	411 895	1	1 099 116	1,85%	1,91%
Yavor Liudmilov Djonev	1 092 746	1 292 746	1	1 092 746	1,84%	1,90%
Peter Nikolaev Konyarov	872 803	867 165	1	872 803	1,47%	1,52%
Mandjukov Ltd.	860 000	860 000	1	860 000	1,45%	1,49%
UPF Doverie JSC	802 126	802 126	1	802 126	1,35%	1,39%
UPF DSK Rodina	747 036	747 036	1	747 036	1,26%	1,30%
Asen Krumov Nelchinov	650 449	641 349	1	650 449	1,10%	1,13%
Others	10 706 519	11 433 035	1	10 706 519	18,04%	18,62%
<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.

As of 31 December 2023 the total amount of repurchased own shares by Sirma Group Holding JSC is 1 780 407 shares with nominal value amount of BGN 1 780 407 (3% of the share capital). The other companies of the Group that own shares of Sirma Group Holding JSC are:

- As of 31.12.2023 SAI EAD owns 550 shares of the parent company Sirma Group Holding JSC with total value of BGN 643,50. The company has no newly acquired shares during the reporting period.
- As of 31.12.2023 Sirma Solutions EAD owns 32 389 shares of the parent company Sirma Group Holding JSC with total value of BGN 18 245. The company has no newly acquired shares during the reporting period.

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

Shareholders	Number of shares at 31.12.2023	% Shareholding	% of voting rights
Georgi Parvanov Marinov	5 455 748	9,19%	9,48%
Tsvetan Borisov Alexiev	5 035 153	8,48%	8,75%
Chavdar Velizarov Dimitrov	4 817 386	8,12%	8,37%
Veselin Antchev Kirov	4 767 386	8,03%	8,28%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,50%
Ivo Petrov Petrov*	3 400 000	5,73%	5,91%

Shareholders	Number of shares at 31.12.2022	% Shareholding	% of voting rights
Georgi Parvanov Marinov	5 269 748	8,88%	8,89%
Tsvetan Borisov Alexiev	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,01%
Veselin Antchev Kirov	4 700 786	7,92%	7,93%
Ivo Petrov Petrov	4 013 920	6,76%	6,77%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,31%

*\*As of 26.01.2024, the shareholder Ivo Petrov Petrov no longer owns more than 5% of the shares of "Sirma Group Holding" JSC*

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

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

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

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

### 3.2 Management authorities

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

**The Board of Directors as at 31.12.2023 includes the following members:**

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

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

The current mandate of the Board of Directors: 07.07.2024

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

### Competencies of the management

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

### Stock options of the company

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

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

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

### Participation of the members of the BD of "Sirma Group Holding" JSC in other companies

The members of the BD of "Sirma Group Holding" JSC have the following other participations in companies, as per the provisions of Art. 247, Par.2, p.4 of the Commercial Code:

**Georgi Parvanov Marinov – Chairman of the BD**

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2023.
2. Does not own more than 25% of the capital of other companies in 2023.
3. Procurator/manager/member of a managing/supervisory body in 2023:
  - Executive director and Chairman of the BD of "Engview Systems Sofia" JSC;
  - Member of the BD of "Sirma Business Consulting" JSC;
  - Member of the BD of "SAI" EAD;
  - Executive director and Member of the BD of "Pirina Technologies" JSC;

**Chavdar Velizarov Dimitrov – Deputy Chairman of the BD**

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2023.

2. Does not own more than 25% of the capital of other companies in 2023.
3. Procurator/manager/member of a managing/supervisory body in 2023:
  - Member of the BD of „Sirma Medical Systems“ JSC;

**Tsvetan Borisov Aleksiev** – Executive director and member of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in the last 5 years..
2. Does not own more than 25% of the capital of other companies in 2023.
3. Procurator/manager/member of a managing/supervisory body in 2023:
  - Executive director and Chairman of the BD of "Sirma Solutions" EAD;
  - Chairman of the BD of „Sirma Business Consulting“ JSC;
  - Member of the BD of „Daticum“ JSC;
  - Member of the BD of "Engview Systems" JSC;
  - Member of the BD of „Sirma“ Sha., Albania.
  - Member of the BD of „Sciart“ EAD.
  - Member of the BD of Sirma Group Inc.;

**Atanas Kostadinov Kiryakov** - Member of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies.
2. Does not own more than 25% of the capital of other companies in 2023.
3. Procurator/manager/member of a managing/supervisory body in 2023:
  - Executive director and Member of the BD of "Ontotext" JSC;
  - Member of the BD of "Sirma Solutions" EAD;
  - Member of the BD of "Engview Systems Sofia" JSC;

**Yordan Stoyanov Nedev** – Member of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2023.
2. Owns more than 25% of the capital of:
  - "Susana and Vesko – SV" OOD – 75 %.
3. Procurator/manager/member of a managing/supervisory body in 2023:
  - Member of the BD of MAC „Bushido“;
  - Trustee of the foundation „Alexander“;
  - Member of the BD of „Sirma AB“;
  - Member of the BD of „Sirma InsurTech“;
  - Member of the BD of SC Hanshi Association;

**Veselin Anchev Kirov** – Member of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in the last 5 years.
2. Does not own more than 25% of the capital of other companies in 2023.
3. Does not participate in managing other legal entities in 2023.

**Yavor Ludmilov Djonev** – independent Member of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in the last 5 years.
2. Owns more than 25% of the capital of other company in 2023:
  - "Djonev Consulting" EOOD – 100%.
3. Representing "Educational Transformation Foundation"

**Martin Veselinov Paev – independent Member of the BD**

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in the last 5 years.
2. Owns more than 25% of the capital of the following companies:
  - "Sortis Invest" EOOD – 100%.
  - "Sortis Group" EOOD – 100%.
3. Procurator/manager/member of a managing/supervisory body in 2023:
  - SORTIS INVEST EOOD – Manager
  - SORTIS GROUP EOOD – Manager
  - SORTIS VENTURES EOOD – Manager
  - SORTIS REAL ESTATE EOOD – Manager
  - SORTIS.BG EOOD – Manager
  - SORTIS Hospitality OOD – Manager
  - BP Bulgaria 2 EOOD – Manager
  - BP Bulgaria 3 EOOD – Manager

**Peyo Vasilev Popov – independent Member of the BD**

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in the last 5 years.
2. Does not own more than 25% of the capital of other companies in 2023.
3. Does not participate in managing other legal entities.

## Committees in The Company

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

- |  |   |
|--|---|
| <p>1. <b>The Investment, Risk and Sustainability Committee , composed of:</b><br/> <i>Yordan Nedev – chairman</i><br/> <i>Tsvetan Alexiev – member (until 20.03.2024)</i><br/> <i>Stanislav Tanushev - member (after 20.03.2024)</i><br/> <i>Georgi Marinov – member</i></p> | <p>3. <b>Information Disclosure Committee, composed of:</b><br/> <i>Tsvetan Alexiev – chairman</i><br/> <i>Stanislav Tanushev – member</i><br/> <i>Chavdar Dimitrov – member</i><br/> <i>Atanas Kiryakov - member</i></p> |
| <p>2. <b>Remuneration Committee, composed of:</b><br/> <i>Georgi Marinov – chairman</i><br/> <i>Petar Statev – member (until 02.03.2023)</i><br/> <i>Martin Paev – member (after 02.03.2023)</i><br/> <i>Yordan Nedev – member</i></p>                                       | <p>4. <b>Audit Committee, composed of:</b><br/> <i>Angel Petrov Kraychev - chairman</i><br/> <i>Alexander Todorov Kolev - member</i><br/> <i>Veselin Anchev Kirov – member</i></p>  |

## Accepted internal normative documents

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

System of Corporate Governance	Description	Adoption	Latest review	Application
Dividend Policy	Policy for the distribution of dividends of the public company		29.09.2022	SGH
Rules for the operation of the Board of Directors	Instructions and clarifications on the duties and responsibilities of the members of the Board of Directors		2015	All subsidiaries
Remuneration Policy	Remuneration policy for the members of the Board of Directors	2015	03.08.2021	SGH
Instruction for the obligations and responsibilities of insiders	Instructions and clarifications on duties and responsibilities when accessing and working with inside information.	2015	2021	All subsidiaries
Program for good corporate governance	A system of rules that protects the interests of shareholders and other stakeholders	2015	2021	All subsidiaries
Accounting Policy	Policy which governs the accounting and control in the companies	2015	30.06.2023	All subsidiaries
Code of conduct for the financial and accounting positions	A code that guarantees the transparent and reliable preparation of financial accounting documents		2015	All subsidiaries
Anti-corruption Policy	Policy against all corruption practices and related phenomena		2015	All subsidiaries
Rules for the protection of whistleblowers	Internal Rules for Submitting Signals and Protection of Persons Submitting Signals or Publicly Disclosing Information for Violations – "Whistleblowers"		04.05.2023	All subsidiaries
Ethical code of conduct for employees	The Code establishes the norms for ethical behavior of employees at Sirma Group Holding		2020	All subsidiaries
Data protection Policy	Privacy and data protection policy for the clients of Sirma		2021	All subsidiaries
Sustainability Policy	Policy for the sustainable function and development of the companies in Sirma	2021	30.09.2023	All subsidiaries
Human rights policy	Policy, which determines attitude to human rights in Sirma	2023	25.03.2024	All subsidiaries
CSR in procurement policy	A policy that integrates CSR into Sirma's procurement practice	2023	25.03.2024	All subsidiaries

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

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

The participation of members of the board of directors in the capital of the company is as follows:

Shareholders	Number of shares at 31.12.2023	Number of shares at 31.12.2022	Nominal value (BGN)	Value (BGN)	% Shareholding	% of voting rights
Georgi Parvanov Marinov	5 455 748	5 269 748	1	5 455 748	9,19%	9,48%
Tsvetan Borisov Alexiev	5 035 153	4 965 753	1	5 035 153	8,48%	8,75%
Chavdar Velizarov Dimitrov	4 817 386	4 750 786	1	4 817 386	8,12%	8,37%
Veselin Anchev Kirov	4 767 386	4 700 786	1	4 767 386	8,03%	8,28%
Atanas Kostadinov Kiryakov	1 542 787	2 887 524	1	1 542 787	2,60%	2,68%
Yavor Ludmilov Djonev	1 092 746	1 292 746	1	1 092 746	1,84%	1,90%
Martin Veselinov Paev	126 920	126 720	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>22 841 659</b>	<b>23 997 596</b>		<b>22 841 659</b>	<b>38,48%</b>	<b>39,69%</b>

During 2023 the member of the BD Georgi Parvanov Marinov acquired 186 000 shares, the member of the BD Tsvetan Borisov Alexiev acquired 69 400 shares, the member of the BD Chavdar Velizarov Dimitrov acquired 66 600 shares, the member of the BD Veselin Anchev Kirov acquired 66 600 shares, the member of the BD Martin Veselinov Paev acquired 200 shares, the member of the BD Yavor Ludmilov Djonev sold 200 000 shares and the member of the BD Atanas Kostadinov Kiryakov sold 1 344 737 shares of the capital of the company.



**Remuneration of the key management personnel of the Group**

	2023 BGN'000	2022 BGN'000
Short-term employee benefits:		
Salaries including bonuses	1 296	1 639
Social security costs	44	55
Total short-term employee benefits	<b>1 340</b>	<b>1 694</b>
Dividends	1 177	227
<b>Total remunerations</b>	<b>2 517</b>	<b>1 921</b>

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

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

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

At the Annual General Meeting of the Shareholders of the Company held on 24.06.2022 was decided to relieve the member of the Audit Committee Emiliyat Ivanov Petrov from his position and elected Veselin Anchev Kirov as a member of the Audit Committee. The mandate of the Audit Committee was continued with 3 (three) years at the current remuneration. The Audit Committee consisting of:

*Angel Petrov Kraychev - chairman*  
*Alexander Todorov Kolev - member*  
*Veselin Anchev Kirov – member*

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

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

**4 FUNCTIONING OF THE GROUP**

The economic group of "Sirma Group Holding" JSC includes the parent company and its subsidiaries and associates - all of them operating in the IT sector. The Group functions as a typical holding structure with the organization, coordination and subordination of the companies characteristic of a similar structure. Group companies have a common strategic framework, corporate values, financial and accounting policies, a vision of good corporate governance and staff policy.

**Subsidiaries of "Sirma Group Holding" JSC**

Company	Value of the investment at 31.12.2023 (in BGN'000)	Percentage of capital at 31.12.2023	Percentage of voting rights* at 31.12.2023	Value of the investment at 31.12.2022 (in BGN'000)	Percentage of capital at 31.12.2022	Percentage of voting rights* at 31.12.2022	Changes (in BGN'000)
Sirma Solutions EAD	39 686	100%	100%	39 686	80,11%	100,00%	-
SAI EAD	17 865	84,56%	100%	17 865	84,56%	100,00%	-
Sciant EAD	14 076	100%	100%	10 237	80,00%	80,00%	3 839
Sirma Group Inc.	3 471	76,30%	76,30%	3 471	76,30%	76,30%	-
Sirma InsurTech AD	914	55,00%	55,00%	914	55,00%	55,00%	-
Sirma CI AD	106	80,00%	80,00%	106	80,00%	80,00%	-
Sirma Medical Systems AD	66	66,00%	66,00%	66	66,00%	66,00%	-
Engview Systems AD	50	72,90%	72,90%	50	72,90%	72,90%	-

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

## Subsidiaries of "Sirma Solutions" EAD

Company	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
Sirma Business Consulting AD	1 374	54,08%	1 374	54,08%	-
Daticum AD	468	59,00%	1 394	60,50%	(926)
Sirma ICS AD	279	93,00%	270	90,00%	9
S&G Technology Services	117	51,00%	117	51,00%	-
Sirma AB	4	71,00%	4	71,00%	-
Sirma ISG OOD	1 374	54,08%	1 374	54,08%	-

## Subsidiaries of "EngView Systems" AD

Company	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
EngView Systems Germany	235	100%	235	100%	-
EngView USA	190	100%	190	100%	-
EngView Systems Latin America	-	95%	-	-	-
Engview Solutions Corp.	235	100%	235	100%	-

## Subsidiary of "Sirma Group Inc."

Company	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
Sirma Sha, Albania	25	55%	25	55%	-

## Subsidiary of "Sirma InsurTech"

Company	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
HRM Solutions EAD	150	100%	150	100%	-

## Subsidiary of "Sciانت" EAD

Предприятие	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
Sciانت Shpk (ReSolutions Shpk), Albania	256	100%	256	100%	-

## Subsidiary of "SAI" EAD:

On 05.07.2023 the company has acquired an investment in "Saifort" Ltd., Israel. The investment is BGN 340, which represents 70% of the capital of "Saifort" Ltd.

## Associated companies of "Sirma Solutions"

	Value of the investment at 31.12.2023	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022	Percentage of capital at 31.12.2022
Company	BGN '000		BGN '000	
Ontotext AD	-	-	20 511	23,80%

## Information about participations

Apart from the Company's stated participations in item 4 above, there are no other participations of the Company that are likely to have a significant effect on the valuation of its own assets and liabilities, financial position or profits or losses.

The Company has no branches.

# 5 SIRMA GROUP IN 2023

## 5.1 THE BUSINESS

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

Sirma owns software solutions for a wide range of businesses with a focus on the development of cognitive technologies (AI). The Group has diversified market exposure exclusively to the private sector with a stable customer portfolio. Sirma's services and solutions are concentrated in the most promising and high-tech areas - financial technologies, transport and logistics, hospitality and retail, industrial software, healthcare technologies. The group has a large sales and marketing capacity, actively uses cross-selling strategies and modern marketing mechanisms. Sirma has offices in Bulgaria, USA, UK, Canada, Germany, Sweden, Albania, Brazil and regional representatives and/or distributors in over 50 countries.

Sirma is a globally recognized company in areas such as financial technology, transportation and logistics, hospitality, healthcare technology and some classes of industrial technology. One of Sirma's products - EngView Package Designer Suite CAD is part of the packaging design and production solutions of world leaders in the printing industry. The Group is among the regional leaders of the IT market, with 60% of operators in the financial sector as clients. The Group's clients are among the world's largest logistics companies, the largest hotel chains, international banking and European institutions. One of the Group's products in the field of health care - Diabetes:M is in the Top3 global products for the fight against diabetes. Sirma has a strong presence in the US market, executing a huge number of IT consulting projects. One of the companies in the group - Daticum is a first-class regional provider of cloud services with a Class 4 Data Center, licensed for data storage by the BNB and other organizations requiring increased data security. Through one of its companies, the Group is a leader in the delivery of SaaS for insurance intermediaries. Our philosophy for our strategic technologies and solutions is that we embed a sense of human thought – perception, interpretation, prediction and decision

making. AI-based technologies have been in Sirma's DNA since its inception. In 2022, Sirma sold a majority stake in one of its subsidiaries, Sirma AI, and in early 2023, its remaining stake in it. Sirma AI (now Ontotext AD) is a company founded by Sirma and working in the field of semantic technologies. The flagship product of Sirma AI is GraphDB – one of the best graph databases in the world. An undeniably successful company, Sirma AI has reached the level where in order to continue to develop successfully and compete with its strong American competitors (companies such as Neo4J, Microsoft, Amazon, Oracle, IBM) it needs very large investments, such as Sirma can not afford. The company was valued at nearly 30M euros, which is an excellent reference for Sirma's abilities to create and develop successful businesses. In the last 2 years, Sirma's strategy has changed dramatically. The realities of business are such that it is almost impossible to develop a product business without significant investments. That's why Sirma started positioning itself as a service company with deep expertise in several strategic verticals and powerful solutions, often supported by AI technologies. The main revenue, focus, marketing and growth are concentrated in the service-related activity - software development, IT consulting, system integration, cloud services, etc. This activity generates over 90% of the group's business. Sirma also retains an investment part - its product companies such as EngView and Sirma Medical Systems. R&D and product development is done in these companies. The companies and businesses in the investment part of the Group can be subject to investments - internal and external, they can be sold to a strategic buyer, as we have already proven that we can successfully do (the sale of Sirma AI). Growth in the main - service part of the company takes place organically and through acquisitions. Here, the model is clear, understandable for investors, with a fairly clearly established dependence "investment size - growth". The investment part is more risky, but the chances of a "breakout" or a "very successful deal" are also much greater.

Sirma's mid-term goal is to reach \$100+ million in revenue and list on a major global exchange (most likely NASDAQ). Sirma's positioning at the time of listing will be:

- One of the largest Eastern European groups specializing in providing IT services
- R&D companies in several countries in South-Eastern and Eastern Europe, providing access to one of the world's most attractive IT specialist markets
- Companies, representative offices and distributors in over 50 countries around the world
- Specialization, know-how and solutions in several strategic industries

- Regional leader in a number of industries, very good global recognition, significant reference customers
- Revenues of more than 100 million dollars and attractive EBITDA
- Excellent working marketing and sales machine
- Promising investment part – product companies and businesses and companies in incubation

## 5.2 ECONOMIC TRENDS

### Summary

Slow economic growth, mainly driven by Asia, a "soft landing" in the US and a little harder for Europe. However, inflation is falling faster than expected, but increased risks to global economic development in 2024/2025 remain. Accordingly, expectations for 2024 have worsened compared to 2023. The ICT market once again proves its resilience to critical situations and continues to grow in 2023 and even accelerate into 2024.

### Development of the economy in Bulgaria in 2023 and forecast for the future years

In spite of the more modest expectations, the Bulgarian economy marked a 2% growth ([Economic Forecast Bulgaria, EC, February 15, 2024](#)) in 2023.

In 2023, the Bulgarian economy experienced:

- limited external demand;
- strong decline in exports and hence production;
- reduced investments;
- higher interest rates in the euro zone;
- and continued price pressure.

What held back a more significant reduction in economic growth in 2023 was:

- expansion of domestic consumption;
- supported by a strong labor market;
- increased consumer confidence;
- decline in inflation and
- expansion of credit activity.

Despite an expected recovery in exports in 2024, some of the slowdown from 2023 is expected to carry over into 2024. Strong domestic consumption will remain, although not growing at the pace of 2023. After mid-2024 a gradual strengthening of demand from other European countries is expected, and hence an increase in Bulgaria's exports. A recovery of investments is also expected, and they will mainly come along the lines of absorption of European funds,

including the Fund for the Recovery and Sustainability of Bulgaria. Annual inflation (National Institute of Statistics) fell from 14.3% in December 2022 to 4.7% in December 2023. The annual inflation for 2023 was 8.6%. This decrease in inflation is expected to continue in the coming years. It can be argued that inflation in Bulgaria is under control, as in 2024 it is expected to be 3.4%, falling to 2.9% in 2025.

### Development of the global economy in 2023 and forecast for the future years

Global economic growth turned out to be more sustainable than expected ([OECD Economic Outlook, February 2024](#)). At the beginning of 2023, a sharper contraction of the world's economies was forecast as real incomes fell and massive monetary tightening loomed. Inflation fell more quickly than expected, and the various support schemes in a number of countries helped to soften household spending and compensate certain industries. Steady growth has been maintained throughout the year in the US, where domestic consumption has been strong, led by a liquidation of excess savings from the time of COVID (not happening in other countries) and strong government spending. The results were significantly weaker in many other advanced economies, particularly in Europe, reflecting the relative importance of bank funding (which has become more expensive over the year) and the continued adverse effect of the energy shock.

After stronger-than-expected growth in the global economy in early 2023, according to the OECD, economic development has slowed, and this slowdown is expected to continue in 2024. The expected global growth in 2023 has been adjusted to 3.1% and 2.9% for 2024. Despite China's slower recovery in 2023, global economic growth for the year was still led by disproportionate (compared to other economies) growth in Asia. The tight monetary policy and the associated rising interest rates are giving increasingly visible results, which, in addition to falling inflation, are bringing with them a contraction in both business and consumer spending. Accordingly, growth in the US is expected to slow from 2.2% in 2023 to 2.1% in 2024 and 1.7% in 2025. In the Eurozone, where demand has already contracted (2023), economic growth is expected to be 0.6% in 2023 and recover slightly to 1.1% in 2024.

Falling energy prices and overcoming supply chain bottlenecks contributed to a faster-than-expected decline in inflation in 2023. In the absence of further supply shocks, a

gradual cooling of domestic demand and a further decline in inflation to its target levels by end of 2025.

The forecast for global economic development in 2024 and 2025 of the OECD ([OECD Economic Outlook, February 2024](#)) remains the same as that of mid-2023. Global economic growth has proven to be relatively sustainable. Moderate global economic growth, estimated at 3.1% in 2023, is expected to continue in the coming years, with a slight decline to 2.9% in 2024 and a recovery to 3% in 2025.

Although the OECD forecasts from February 2024 are more optimistic than those at the end of 2023, risks to the world's economic development still remain. Such risks are:

- Risk of a greater than expected effect from monetary restrictions: low probability / medium impact;
- global recession: average probability / average impact ;
- escalation of Russia's war in Ukraine: low probability / high impact;
- increasing debt difficulties due to high interest rates and slow growth: average probability / high impact;
- potential sustainability of inflation and the related need to maintain high interest rates for a longer period: average probability / high impact ;
- stronger-than-expected contraction of the Chinese economy, deepening deflation and contraction of domestic consumption and sales problems in the Chinese property market that generate liquidity and/or risk of debt defaults: low probability / high impact ;
- deepening of the geopolitical fragmentation that began in 2022: average probability / high impact ;
- escalation of the war between Israel and Hamas to a regional conflict and/or limitation of traffic of fuel and foods through the Middle East: low probability / high impact ;
- a possible return of energy and/or food shortages and the resulting rise in prices: high probability / high impact ;
- extreme climatic events: high probability / average impact.

The European Commission ([Winter 2024 Economic Forecast, European Commission, February 15, 2024](#)) again revised downward its forecasts for the development of the European economy (compared to expectations at the end of 2023) in the conditions of a faster than expected contraction of inflation. The EU economy continues to grow, albeit with reduced momentum. The forecast revised EU GDP growth down to 0.5% in 2023 from 0.8% forecast in the autumn and 0.9% in 2024, down from 1.4% forecast in 2023. The EC also cut expectations for euro area growth to 0.5% in 2023 (from 1.1%), 0.8% in 2024 (from 1.6%), and 1.5% in 2025.

Inflation is expected to continue to decline over the forecast horizon. The Harmonized Index of Consumer Prices (HICP) is expected to reach 6.5% in 2023 (compared to expectations of 6.5% in the autumn), 3.0% in 2024, and 2.5% in 2025 in the EU. Eurozone inflation is expected to be slightly lower than overall inflation for the Union.

The modest growth in Europe in 2023 is mainly due to waning momentum from the COVID recovery. Since the end of 2022, the economic expansion has stopped abruptly, and the economy has stagnated since then. Expectations for the first quarter of 2024 remain modest. The main reasons for this are:

- contraction of internal consumption;
- poor external demand;
- forced monetary contraction (fighting inflation);
- and the partial suspension of fiscal stimulus in 2023.

Still, it's not all bad in 2023:

- inflation fell under control and steadily decreased;
- fuel prices fell faster than expected;
- real growth of wages;
- increased internal consumption;
- regardless of logistical constraints surrounding the Red Sea conflict, inflation is expected to continue its decline in 2024 and 2025.

Although all the conditions for the recovery of economic growth are in place, risks remain. Continued logistics difficulties in the Middle East and further disruptions to trade chains could lead to production difficulties and pressure on price levels again. Risks related to climate change and extreme weather events will continue to be a threat to the continent again in 2024.

### The Industry of Sirma

Sirma Group companies specialize in the information technology (IT) industry, predominantly focused on businesses (B2B). Industrial data is usually combined with data on the "communications segment" because this segment is completely dependent on information technology. Accordingly, the industry acquired the name "Information and Communication Technologies" or ICT for short. Out of all the variety of ICT segments, the companies in the group mainly work in the segments "IT services" (system integration, infrastructure as a service, software as a service, software support, consulting) and "Business software" (various software products and services aimed at different business verticals and custom software development).

The two main segments ("IT Services" and "Software") in which the Group operates were the fastest and most sustainably growing in the past ([Gartner, July 19, 2023](#)). Both segments are seen as the solution to all problems arising from global economic uncertainty and accordingly as "immunized from crises". The mass digitization that is unfolding relies precisely on "Software", for the various technological solutions and "IT services" through which these solutions are implemented. This has led to the growth of both segments even in the turbulent year 2022. Expectations of continued growth of them are in place for 2023 and the following years.



Expectations for 2023 are that the two segments will not only maintain their growth - 13.5% for "Software" and 8.8% for "IT Services", but that this growth will be sustainable and will accelerate in the coming years - with growth in 2024 of 14.0% and 11.6% respectively.

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

Sirma is a B2B IT provider. Sirma's client portfolio - Digital Business (Consulting and Integration, Chatbots, IT Security and Software Development), Financial Institutions (Consulting, Integration, IT Security, Chatbots, and the products of Sirma Business Consulting AD), Insurance (The platform for insurance broker of Sirma), hospitality (SciAnt), and healthcare (Sirma Medical Systems) show sustainable development and strong growth in 2023 and the following years.

#### The global ICT market in 2023 and forecast for the future years

After a better-than-expected 2022, at the end 2023, Gartner also revised its forecasts for the development of the ICT market in 2023 ([Gartner, December, 2023](#)) and its expectations for 2024. 2023 is expected to bring growth of 3.5% (down from the 4.4% forecast mid-year) at current prices and 4.4% in constant currency. The ICT market is expected to reach USD 4.7 billion in 2023.

Similar to 2022, 2023 is also expected to be highly divergent. In current prices, while the "Software" segment is expected to record a double-digit growth of 12.9% (down from the forecast of 13.5% in the middle of the year), the "Devices" segment is shrinking by 10%. In 2023, the ICT sector is expected to return to "normalcy" as well as resume its sustained strong growth outlook of 8.0% (down from the mid-year forecast of 8.8%) in 2024 and corresponding growth in all segments.

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

	2022 Spending	2022 Growth (%)	2023 Spending	2023 Growth (%)	2024 Spending	2024 Growth (%)
Data Center Systems	227,021	19.7	237,703	4.7	260,221	9.5
Devices	766,279	-6.3	689,288	-10.0	722,472	4.8
Software	811,314	10.7	916,240	12.9	1,042,386	13.8
IT Services	1,305,699	7.5	1,401,038	7.3	1,547,349	10.4
Communications Services	1,423,128	-1.9	1,449,286	1.8	1,497,345	3.3
<b>Overall IT</b>	<b>4,533,441</b>	<b>2.94</b>	<b>4,693,556</b>	<b>3.5</b>	<b>5,069,773</b>	<b>8.0</b>

Source: Gartner (October 2023)

The ICT markets of consumers and corporate customers will experience different dynamics during the two years under review. While inflation erodes the purchasing power of individual consumers, businesses continue to spend for their digitization, process optimization, and pursuit of increased

margins. Precisely because of some of the challenges in the world, the leading segment in 2023 is "Software" with a growth of 12.9% on an annual basis in current prices in USD. The "IT services" segment remains in second place with a growth of 7.3%. Both segments are expected to maintain their leading position in 2024 with growth of 13.8% and 10.4%, respectively. The big loser in 2023 is shaping up to be the "Devices" segment, with a drop of as much as 10.0%. The negative impact of inflation on the purchasing power of clients for "Devices" around the world is one of the reasons for postponing much of the planned purchases and refraining from technological renewal, and consequently for the dramatic decline in the segment.

In 2024, Gartner expects growth to accelerate (6.8% in current prices or 7.9% in constant prices), with total global ICT spending reaching USD 5 trillion for the first time. The expectations are that the growth of the ICT industry will return to its normal levels, and this time the growth will cover all segments of the sector.

#### Sources of growth

The growth expected in 2023 and the following years is global and is anticipated in all regions. While leading by volume, ICT spending growth in North America, the UK and Europe will also outpace the average ICT spending growth of all other countries - for 2023 of 6.1%, 6.4% and 5.9 % growth is forecast respectively.

Even countries experiencing increased economic difficulties (Turkey, Greece, Argentina) are expected to increase their ICT spending in the coming years. Forecast growth varies significantly between countries, but no country is expected to shrink its ICT spending.

Spending growth in IT will be maintained for all countries in 2024. India is expected to break away from the rest of the countries, in its IT spending, with growth which is approaching 12%. The largest IT market in the US is expected to record strong growth again, exceeding 8% in 2024. European countries and China are oriented towards the world average of 7%. Japan and Latin American countries recorded the most modest growth, around 5%. However, it should be noted that even this weaker growth of 5% per year would have looked impressive just 10 years ago. The growth of IT spending is related to the IT saturation of the respective economy and the related IT spending per capita. The countries that lead the ranking in terms of IT spending growth are those that have realized that their economic development is tightly related to IT. Things are similar when considering verticals. Again, absolutely every industry is expected to increase its ICT spending. Banking, Financial Services, Telecommunications, Healthcare and various forms of government are expected to lead the growth of ICT spending in 2023 and beyond. These sectors are witnessing near-double-digit growth in 2023 at constant prices, and are expected to remain around and above 10% CAGR 2022-2027 levels.

The apparent resilience of the ICT sector to crises does not apply to all its segments. Despite the ubiquitous growth, it is uneven across different technology segments. The expected growth of ICT spending in current prices in 2023 is 4.4% and CAGR 2022-2027 of 6.4%. At the same time, these are only the average values, and there is almost no segment that has a similar growth. "Devices" have a negative growth, which in some cases (laptops and tablets) exceeds 15%. "IT Services" as a whole lead the segments in terms of growth. "Infrastructure as a Service" (IaaS) is outpacing all segments with an impressive growth of 22.5% in 2023 and a CAGR 2022 – 2027 of 23.2%. "Software" (Infrastructure Software,

Application Software and Vertical-Specific Software) and "IT Services" (Consulting, System Integration, Management Services) are the segments expected to lead the growth in 2023 and the following years, with double-digit annual growth, which starts from 2023.

If individuals' ICT spending is excluded from these figures, the sector's growth is even more impressive. Business spending on ICT grew by 6.7% in 2023 and is expected to grow at a CAGR of 8.0% 2022-2027. This lends credence to the claim that business ICT spending is recession-proof. Again, this growth is not evenly distributed across segments. The "Software" and "IT services" segments are leading again, but their growth is even higher, compensating for the expected decline or weaker growth in the other segments - "Hardware", "Printers", "PCs and tablets", and others.

Despite the expected growth in all segments and in 2024, the traditional leaders in terms of growth remain: the "Software" and "IT services" segments. The expected average growth for 2024 is expected to be 7%, with approximately the same CAGR for 2022-2027. Something striking is the huge difference in growth between the fastest growing and the slowest growing (sometimes shrinking) sub-segments: "Infrastructure as a Service" (IaaS) continues to be unable to fit into the graph, due to its impressive growth of 24.5% in 2024, while "Printers" and "Fixed voice" devices are expected to mark a 5% decline.

It is also noteworthy that sub-segments that are related to the ownership of devices are massively declining - desktop, laptop, printers. This trend in hardware is even dragging with it some "IT services" such as "Hardware Support". And again, similar to 2023, excluding the consumer segment increases annual growth to 8%. This shows that the driver of growth in 2024 is not consumers, but business organizations and their digitalization.

When looking at the components of growth in the leading segment "Software", huge differences can again be observed between the development of the various sub-segments - from -7% to +27%. In this segment, a growth of 10% is considered "a lager". Gartner believes the world is still in the "digital construction" stage, building the digital infrastructure needed to drive sales growth, increase efficiency and, since more recently, increase margins. The leading segments we can expect in the near future to be strengthened by the addition of artificial intelligence (which is currently not yet a major market factor). It is also interesting to note the massive dominance of cloud software relative to non-cloud solutions. Although the

latter have their place in the future as well, cloud-based software is experiencing a much greater growth, which reveals the full direction of the market towards cloud-based solutions. Almost all leading sub-segments are already predominantly in the cloud, and this share is only expected to increase in the coming years.

The different components of the second most dynamic segment - "IT services" also have very different growth, relative to each other. "Infrastructure as a service" is expected to grow, but its growth is difficult to mark on the graph. All IT services related to access to the cloud and edge software are expected to enjoy hefty growth. IT services in "Design" and "Building" in all their varieties are expected to have significant growth in 2023, as well as in the coming years. These are also the markets where the problem of the shortage of qualified labour is most acute. The lack of talent in enterprises is much more acute than in large IT companies. Accordingly, when enterprises move their operations to the cloud, or implement a new software platform that needs to be managed, the only way forward for them is to hire "Managed services". Hence the dramatic growth of "Managed services for the cloud and edge" - about 13% per year, "Corporate Strategy" - growth of about 12%, "Marketing and customer management" - growth of about 11%, "Risk Management", "Human Resource Management", "Financial Management", "Business Operations", etc. with a growth of about 10%.

In 2023, the "slowdown in the development of cloud technologies" was publicly commented on. Although the growth of cloud services falls from 25.8% to 17.8% in 2023, the growth continues to be faster by a factor, than almost all other sub-segments. Spending in the Cloud Services sub-segment has increased by USD 81 million in 2023 compared to 2022. This impressive growth is expected to continue in the coming years. It is characteristic of "Cloud" that there is no single component that is the driver of the growth slowdown in 2023 or its acceleration in 2024 and 2025. For a long time, the "Communication Services" segment was the largest in the ICT sector. From 2024 onwards, this will no longer be the case. "IT services" displaces "TELCO" in the first place, and further, it is expected to maintain its significant growth in the coming years. The "Software" sub-segment market is also expected to eclipse TELCO, but only in 2028.

### 5.3. ADDITIONAL INFORMATION FOR 2023

#### IMPACT OF EXCLUSIVE FACTORS

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

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

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

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

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

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

## **SIGNIFICANT CHANGES IN NET SALES OR REVENUES DISCLOSED IN THE ACCOUNTS**

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

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

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

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

### **5.4. MAJOR NEWS IN 2023**

The following events and business news took place in 2023:

#### **18-19.12.2023**

Atanas Kiryakov – member of the MB of SGH took part in the discussion organized by the Science and Technology Policy Committee of OECD on public support for business, R&D and innovation.

#### **15.12.2023**

Disclosure of sale of 200 000 shares from Sirma Group Holding by member of BD – Yavor Djonev.

#### **28.11.2023**

Disclosure of the interim consolidated financial results of Sirma Group Holding JSC for the period ending on 30.09.2023.

#### **14.11.2023**

The daughter company Sirma Solutions took part in the event JS Talks 2023.

#### **07.11.2023**

Sirma Group Holding JSC взе участие в Investor Finance Forum.

#### **27.10.2023**

Disclosure of the interim individual financial results of Sirma Group Holding JSC for the period ending on 30.09.2023.

#### **04.10.2023**

The daughter company Sirma Solutions JSC took part in the event Career Show 2023.

#### **02.10.2023**

Disclosure of purchase of 66 600 shares from Sirma Group Holding by member of BD – Veselin Kirov.

#### **02.10.2023**

Disclosure of purchase of 55 263 shares from Sirma Group Holding by member of BD – Atanas Kiryakov.

#### **02.10.2023**

Disclosure of purchase of 66 600 shares from Sirma Group Holding by member of BD – Chavdar Dimitrov.

#### **02.10.2023**

Disclosure of purchase of 69 600 shares from Sirma Group Holding by CEO – Tsvetan Alexiev.

#### **02.10.2023**

Disclosure of purchase of 75 000 shares from Sirma Group Holding by Chairman of BD – Georgi Marinov.



**02.10.2023**

Disclosure of a buy-back of 159 600 shares by Sirma Group Holding JSC.

**29.09.2023**

The daughter company Sirma Business Consulting joined the Bulgarian Business Leaders Forum=

**07.09.2023**

The second season of the Sirma Venture Lab to support startups in the field of robotics, artificial intelligence and drone technology begins.

**30.08.2023**

Sirma Group Holding JSC was ranked eighth by size of revenue among the Bulgarian IT companies by the annual ranking of Capital K100.

**29.08.2023**

Disclosure of the interim consolidated financial results of Sirma Group Holding JSC for the period ending on 30.06.2023.

**04.08.2023**

Disclosure of a buy-back of 30 661 shares by Sirma Group Holding JSC.

**26.07.2023**

Disclosure of the interim individual financial results of Sirma Group Holding JSC for the period ending on 30.06.2023.

**30.06.2023**

Disclosure of purchase of 30 000 shares from Sirma Group Holding by Chairman of BD – Georgi Marinov.

**28.06.2023**

Disclosure of a buy-back of 50 000 shares by Sirma Group Holding JSC.

**28.06.2023**

Publication of Protocol for changes in the voting lists under item 4 of the Minutes from the GMS from 15.06.2023.

**16.06.2023**

Publication of Terms and conditions for dividend payment for 2022.

**15.06.2023**

Annual General meeting of shareholders of Sirma Group Holding JSC.

**14.06.2023**

The champion product of Sirma Medical Systems JSC – Diabetes:M was selected by Google for inclusion in their campaign WeArePlay.

**13.06.2023**

The first Demo Day of Sirma Venture Lab in support of innovative start-up companies.

**06-08.06.2023**

A team from Sirma Solutions JSC took part in the fintech event Money 2020 in Amsterdam.

**07.06.2023**

Sirma Group Holding JSC was awarded by the Technical University, Sofia in connection with the finalization of the education hall in the Education center for digital technologies at the university.

**30.05.2023**

Disclosure of the interim consolidated financial results of Sirma Group Holding JSC for the period ending on 31.03.2023.

**05.05.2023**

Publication of the Invitation for convening of a General Meeting of Shareholders of Sirma Group Holding JSC on the 15.06.2023.

**02.05.2023**

Disclosure of the interim individual financial results of Sirma Group Holding JSC for the period ending on 31.03.2023.

**02.05.2023**

Disclosure of the audited consolidated financial results of Sirma Group Holding JSC for the period ending on 31.12.2022.

**26.04.2023**

Disclosure of the registration of a daughter company Sirma AB in Stockholm, Sweden.

**12.04.2023**

Disclosure of the full repayment of all investment loans by Sirma Group Holding JSC.

**04.04.2023**

Disclosure of the acquisition of the minority share of the daughter company Sciant JSC by Sirma Group Holding JSC.

**30.03.2023**

Disclosure of information about the finalization of the sale of the minority stake in Sirma AI.

**28.03.2023**

The Executive Director of Sirma Solutions JSC was a speaker at the „Fintech and Insurtech Summit“

**24.03.2023**

Sirma Medical Systems has joined the Bulgarian cluster for digital solutions and innovation in healthcare

**14.03.2023**

Sirma Solutions took part in the forum Finovate London

**07.03.2023**

Disclosure of information about the appointment of a financial controller.

**01.03.2023**

Disclosure of interim consolidated financial reports by Sirma Group Holding JSC for the period ending on 31.12.2022.

**24.02.2023**

The executive director of Sirma Solutions – Momchil Zarev and the director for strategic partnerships Mark Belane took part in the forum MWC Barcelona.

**21.02.2023**

EngView Systems Sofia joins The European Diemaker Association

**20.02.2023**

Sirma Group Holding started the disbursement of the interim six-month dividend for 2022.

**16.02.2023**

Publication of the Minutes of the GSM of Sirma Group Holding and notification for dividend payment.

**15.02.2023**

An extraordinary General Meeting of the Shareholders of Sirma Group Holding JSC was held

**03.02.2023**

The daughter company of Sirma Group Holding JSC – Sirma Solutions JSC disclosed that it plans to hire 100 new employees in 2023

**30.01.2023**

Disclosure of information about the purchase of 66 000 shares of Sirma Group Holding by the Chairman of the BD of Sirma Group Holding JSC Georgi Marinov.

**26.01.2023**

Disclosure of information about the sale of 1 400 000 shares of Sirma Group Holding JSC by the member of the BD of Sirma Group Holding JSC Atanas Kiryakov.

**26.01.2023**

Disclosure of information of a buy-back of 1 398 900 shares of Sirma Group Holding JSC.

**23.01.2023**

Disclosure of the interim individual financial reports of Sirma Group Holding for the period ending on 31.12.2023.

**13.01.2023**

Disclosure of the Invitation and corresponding documents for the GMS of Sirma Group Holding JSC

**09.01.2023**

Publication of the Minutes of the GSM of Sirma Group Holding and notification for dividend payment.

**06.01.2023**

Disclosure of the Invitation to a GMS of Sirma Group Holding JSC

## 5.5. MAIN LEGAL INFORMATION IN 2023

### Transactions with shares for the period 01.01.2023 – 31.12.2023:

#### - Buyback of shares

By decision of the General Meeting of Shareholders of "Sirma Group Holding" JSC from 09.01.2023, on 25.01.2023 "Sirma Group Holding" JSC bought back 1 398 900 of its shares at an average price of BGN 0.71 per share at a total price of BGN 993 219. The shares represent 2.37% of the company's capital. The purchase was made on the Bulgarian Stock Exchange - Sofia AD.

By decision of the General Meeting of Shareholders of "Sirma Group Holding" JSC, dated 09.01.2023, on 27.06.2023 "Sirma Group Holding" JSC bought back 50 000 of its shares at an average price of BGN 0.677638 per share at a total price of BGN 33 881.92. The shares represent 0.0842% of the company's capital. The purchase was made on the Bulgarian Stock Exchange - Sofia AD.

By decision of the General Meeting of Shareholders of "Sirma Group Holding" JSC, dated 09.01.2023, on 28.06.2023 "Sirma Group Holding" JSC bought back 6 000 of its shares at an average price of BGN 0.65 per share at a total price of BGN 3 900. The shares represent 0.01% of the company's capital. The purchase was made on the Bulgarian Stock Exchange - Sofia AD.

By decision of the General Meeting of Shareholders of "Sirma Group Holding" JSC, dated 09.01.2023, on 03.08.2023 "Sirma Group Holding" JSC bought back 30 661 of its shares at an average price of BGN 0.70 per share, for a total price of BGN 21 462.70. The shares represent 0.05% of the company's capital. The purchase was made on the Bulgarian Stock Exchange - Sofia AD.

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

#### - Sale of shares by a member of the Board of Directors

On 25.01.2023 Atanas Kiryakov - a member of the Board of Directors of "Sirma Group Holding" JSC, has sold 1 400 000 shares from the capital of "Sirma Group Holding" JSC, through transactions made on the Bulgarian Stock Exchange - Sofia at an average price of BGN 0.71 per share.

On 15.12.2023 Yavor Djonev - a member of the Board of Directors of "Sirma Group Holding" JSC, has sold 200 000 shares from the capital of "Sirma Group Holding" JSC, through transactions made on the Bulgarian Stock Exchange - Sofia at an average price of BGN 0.71 per share.

#### - Purchase of shares by member of the Board

On 27.01.2023 Georgi Marinov – Chairman of the Board of Directors of "Sirma Group Holding" JSC, has bought 66 000 shares from the capital of "Sirma Group Holding" JSC, through transactions made on the Bulgarian Stock Exchange - Sofia at an average price of 0.7779 BGN per share.

On 29.06.2023 Georgi Marinov – Chairman of the Board of Directors of "Sirma Group Holding" JSC, has bought 30 000 shares from the capital of "Sirma Group Holding" JSC, through transactions made on the Bulgarian Stock Exchange - Sofia at an average price of 0.679 BGN per share.

On 30.06.2023 Georgi Marinov – Chairman of the Board of Directors of "Sirma Group Holding" JSC, has bought 15 000 shares from the capital of "Sirma Group Holding" JSC, through transactions made on the Bulgarian Stock Exchange - Sofia at an average price of 0.67 BGN per share.

On 02.10.2023 Georgi Marinov – Chairman of the Board of Directors of "Sirma Group Holding" JSC, has bought 75 400 shares from the capital of "Sirma Group Holding" JSC, through transactions made on the Bulgarian Stock Exchange - Sofia at an average price of 0.74202 BGN per share.

On 02.10.2023 Tsvetan Alexiev – a member of the Board of Directors of "Sirma Group Holding" JSC, has bought 69 400 shares from the capital of "Sirma Group Holding" JSC, through transactions made on the Bulgarian Stock Exchange - Sofia at an average price of 0,752807 BGN per share.

On 02.10.2023 Chavdar Dimitrov – a member of the Board of Directors of "Sirma Group Holding" JSC, has bought 66 600 shares from the capital of "Sirma Group Holding" JSC, through transactions made on the Bulgarian Stock Exchange - Sofia at an average price of 0,76 BGN per share.

On 02.10.2023 Veselin Kirov – a member of the Board of Directors of "Sirma Group Holding" JSC, has bought 66 600 shares from the capital of "Sirma Group Holding" JSC, through transactions made on the Bulgarian Stock Exchange - Sofia at an average price of 0,76 BGN per share.

On 02.10.2023 Atanas Kiryakov – a member of the Board of Directors of "Sirma Group Holding" JSC, has bought 55 263 shares from the capital of "Sirma Group Holding" JSC, through transactions made on the Bulgarian Stock Exchange - Sofia at an average price of 0,76 BGN per share.

- **Sale of shares of "Daticum" AD**

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

- **Finalization of a transaction on the sale of a majority stake in the subsidiary "Sirma AI" AD**

On 30.03.2023 all actions regarding the sale of the entire minority package of 23.80% of the shares of the capital of "Ontotext" AD, owned by "Sirma Solutions" EAD, were finalized for a price of BGN 18 502 thousand (EUR 9 460 thousand).

- **Complete purchase of the company "Sciart AD" by "Sirma Group Holding" JSC**

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

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

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

- **Purchase of a company in Canada**

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

- **Purchase of shares of the company "Sirma ICS" AD by "Sirma Solutions" AD**

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

**Litigation for the period 01.01.2023 - 31.12.2023:**

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

**Other legal information for the period 01.01.2023 - 31.12.2023:**

- **Payment of six-monthly dividend**

At the General Meeting of Shareholders of "Sirma Group Holding" JSC, held on 09.01.2023, a decision was made regarding the distribution of a six-month dividend in the amount of BGN 889 thousand from the profit for the period 01.01.2022 – 30.06.2022 in amount of BGN 998 thousand.

- **Change of name and Board of Directors of subsidiaries of "Sirma Group Holding" JSC**

On 10.02.2023 "Ontotext" AD - a subsidiary of "Sirma Group Holding" JSC, changed its name to "SAI" AD and a new Board of Directors of the company was registered in the CR, composed of:

Tsvetan Georgiev Trenchev

Georgi Parvanov Marinov

Yordan Stoyanov Nedev

- **Held General Meeting of "Sciant" AD - a subsidiary of "Sirma Group Holding" JSC**

On 28.02.2023 "Sciant" AD - a subsidiary of "Sirma Group Holding" JSC, held a General Meeting of Shareholders, at which the following more important decisions were made:

- increase of the Company's capital from BGN 250 000 (two hundred and fifty thousand) to BGN 257 000 (two hundred and fifty seven thousand) by issuing 7 000 (seven thousand) ordinary registered voting shares with a nominal value of BGN 1 (one) each;
- part of the Company's net profit for 2022 in the amount of BGN 1 612 500 /one million six hundred and twelve thousand and five hundred/ to be distributed as a dividend to the shareholders, and the rest of the net profit for 2022 in the amount of of BGN 1 079,5 /one thousand seventy-nine leva and fifty-five cents/ not to be distributed and to be reflected as retained earnings.

- **Change of name of a subsidiary of "Sciant" AD**

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

- **Full repayment of loans**

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

- **Registration of a new company in Sweden**

On 26.04.2023 "Sirma Solutions" AD received registration of its new subsidiary with 100% share participation in Stockholm, Sweden. The name of the new company is "Sirma AB". "Sirma AB" will be commercially focused on the markets in the Scandinavian countries, BENELUX and German-speaking Europe. The company will offer the full range of products and services of companies the Group. The head of the company is a local manager, and initially it is expected to have three associates for business development.

- **Reduction of capital**

On 15.05.2023, the General Meeting of Shareholders decided to reduce the capital of "Sirma Solutions" EAD on the basis of Art. 200, item 2, in connection with Art. 187d, of the Commercial Code by canceling a total of 703,589 shares with a nominal value of BGN 10 (ten) each, of which: 15 000 are class A, 62 172 are class B and 626 417 are ordinary, owned by "Sirma Solutions" AD. The shares were acquired by the company through a buy-back from shareholders. The purpose of reducing the capital through the cancellation of the above-mentioned treasury shares is to fulfill the requirements of Art. 187, in connection with Art. 187b of the Criminal Code. The decision was announced in TR on 29.05.2023, and after the expiration of a 3-month period, the capital reduction will be applied for registration.

- **Change in capital structure**

On 23.05.2023, the General Meeting of Shareholders adopted the following change in the capital structure of "Daticum" AD:

1. increases the nominal value of shares from the capital of "Daticum" AD from BGN 1 to BGN 29 per share;
  2. reduces the number of shares of the Company's capital from 2,302,049 shares to 79,381 shares while preserving the percentage participation in the capital of each of the shareholders. The number of shares owned by each shareholder decreases in a way that keeps his percentage participation in the capital equal to his percentage participation in the capital before the increase in the nominal value of the shares from BGN 1 to BGN 29;
  3. retains the amount of capital of BGN 2 302 049, with the company's capital being divided into 79 381 ordinary registered voting shares with a nominal value of BGN 29 per share.
- The decision was entered in the CR on 30.05.2023

- **Dividend payment**

According to the decision of the General Shareholders' Meeting of Sirma Group Holding JSC dated 15 September 2023, the company proceeds with the distribution of a cash dividend in the gross amount of BGN 0.0339 for 2022.

ISIN: BG1100032140

Total amount of the dividend: BGN 1 960 317.90

Right to receive dividend: According to the decision of the General Meeting of Shareholders, all shareholders of "Sirma Group Holding" JSC as at 29 September 2023 have the right to receive a dividend (14 days after holding the meeting, according to Art. 115c, Para. 3 of the POSA), as they are entered in the Book of Shareholders at the Central Depository AD.

Shares with a right to dividend: 57 843 833 (deducted 1 516 685 bought back shares).

Dividend amount for one share: gross BGN 0.0339 and net for individual shareholders BGN 0.032.

The bank through which the dividend will be paid is Unicredit Bulbank AD:

Start date for dividend payment: 24 July 2023.

End date for dividend payment: 24 January 2024 (six months after the start date).

Taxes: taxes payable for dividends to individual persons will be withheld and remitted by Sirma Group Holding JSC in advance;

Bank commissions: Sirma Group Holding JSC will cover all bank fees for the payment of dividends;

Payment method:

- Shareholders who have open accounts with investment intermediaries will receive their dividend through them, complying with their requirements.
- Shareholders who are not served by an investment intermediary and whose shares are stored in personal accounts in "Register A" at the Central Depository AD, will receive their dividends through the branch network of the commercial bank Unicredit Bulbank AD.

#### - **Reduction of capital**

On 29.06.2023, the General Meeting of Shareholders decided to reduce the capital of "SAI" AD on the basis of Art. 200, item 2, in connection with Art. 187d, of the Commercial Code by canceling 2 480 560 shares ordinary shares with a nominal value of BGN 1 (one) each, owned by "SAI" AD. The shares were acquired by the company through a buy-back from shareholders. The purpose of reducing the capital through the cancellation of the above-mentioned treasury shares is to fulfill the requirements of Art. 187, in connection with Art. 187b of the Criminal Code. The decision was announced in TR on 03.07.2023, and after the expiration of a 3-month period, the capital reduction will be applied for entry.

#### - **Reduction of capital**

On 03.07.2023, the General Meeting of Shareholders decided to reduce the capital of "Daticum" AD, on the basis of Article 200, item 1, by reducing the nominal value of the shares from BGN 29 to BGN 10 for each share of the capital. The purpose of the capital reduction is to free up property (cash) due to no longer needing it, to be paid out to shareholders. After the reduction, the capital of "Daticum" AD will amount to BGN 793 810, divided into 79 381 shares, each with a nominal value of BGN 10 (ten).

The decision was announced in TR on 10.07.2023, and after the expiration of a 3-month period, the capital reduction will be applied for registration.

#### - **Registration of a new company in Israel**

On 05.07.2023 "SAI" AD registered a new subsidiary in Israel. The name of the new company is "SAIFORT". The capital of the new subsidiary is 1 000 Israeli shekels, divided into 10 000 shares. "SAI" AD owns 70% of the capital. "SAIFORT" will be commercially focused on the markets in Israel and the Middle East. The company will offer comprehensive "holistic" services in the field of cyber security, corporate security, auditing according to modern cyber security standards and drafting of policies and procedures in this area.

#### - **Change of name of a subsidiary of "Sirma Group Holding" JSC**

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

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

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

On 21.12.2023, the Board of Directors of "Sirma Solutions" EAD decided to reduce the capital of the company by reducing the nominal value of the shares from BGN 10 to BGN 5 for each share of the capital. After the reduction, the capital of the company will amount to BGN 14 167 455. The change has been requested to be announced in the Commercial Register, but has not yet been officially entered.

## 5.6 INFORMATION FOR CONTRACTED LARGE TRANSACTIONS IN 2023

In 2023, the company made several large contracts with customer and subcontracts, in connection with the new strategy of the Group:

Purchases:

- Deal 1 for BGN 8 456 thousand
- Deal 2 for BGN 2 495 thousand
- Deal 3 for BGN 2 375 thousand

Sales:

- Deal 1 for BGN 9 613 thousand
- Deal 2 for BGN 4 860 thousand
- Deal 3 for BGN 2 784 thousand

## 5.7 INFORMATION OF THE USED FINANCIAL INSTRUMENTS IN 2023

In 2023 the Group has not used any financial instruments.

## 5.8 R&D ACTIVITY OF THE GROUP IN 2023

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

## 5.9 POSSIBLE FUTURE DEVELOPMENT OF THE GROUP

The forecasts for the development of the Information and Communication Technologies sector in 2023 and the following years are a function of the expected development of the health crisis, as well as of the effects caused by the ongoing military actions in Ukraine and the resulting economic crisis.

Although a direct impact of the war in Ukraine on the ICT sector is not expected, it will strengthen other risks for the global economy – inflation, volatility of exchange rates, difficult supply chains, geopolitical uncertainty. In addition, the BNB expects the postponement of the implementation of investment projects, the slow rate of absorption of funds under European programs and the delayed implementation of the National Recovery Plan to be associated risks in 2023.

The annual budget has been prepared taking into account the current situation in order to maintain stable financial performance.

In 2024 Sirma Group Holding plans to integrate the companies into the holding structure. Through the integration, the holding's management aims for better competitiveness and market positioning, which will lead to access to new business opportunities, providing customers with a wider and more diverse range of services, professional growth and development of the company's employees, optimization of administrative processes, which will lead to better productivity, communication and collaboration between employees.

The Group is in a continuous process of searching for companies in which to invest in order to improve the profitability of the company's shares.

## 5.10 CONTRACTS UNDER ART.240B OF THE COMMERICAL LAW IN 2023

During 2023 the Group has not been notified for contracted transactions with the members of the Board of Directors or parties related to them, which fall outside the line of activity of the company or the terms of which differ substantially from the current market.

## 5.11 AUDIT RENUMERATION IN 2023

„Grant Thornton“ OOD, registered under number 032 in the public register of audit companies at the Institute of Certified Public Accountants in Bulgaria, was selected as the auditor of the consolidated annual financial statements of „Sirma Group Holding“ JSC. The remuneration for the independent financial audit of the consolidated annual financial statements of the parent company and the annual financial statements of its subsidiaries for 2023 amounts to BGN 214 thousand.



## 6 RESULTS BY COMPANY

### DATICUM

- <https://www.daticum.com/>
- **Daticum JSC is a subsidiary of Sirma Solutions EAD**
- **Capital:** BGN 793 810 divided into 79 381 shares with a nominal value of BGN 10. Sirma Solutions EAD holds 46 834 shares or 59% of the capital.

#### Main markets:

Bulgaria, North and South America, Europe

#### Main clients:

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

#### Main competitors:

International companies providing cloud services such as Amazon, Google (Alphabet), Microsoft, IBM and others. At the local level, competitors can be considered "Netera" OOD, "Evolink" AD, "Telepoint" OOD, "3DC" EAD, SuperHosting.BG EOOD.

#### Business model of the company

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

#### Resources of the company

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

#### New products, new business or business models for the period

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

#### HR policy

Preserve current staff. Maintaining and increasing its qualification through training, courses and participation in affiliate programs. Staff costs are rising in line with an increase in business volumes by up to 10-15% per year.

#### Daticum in 2023

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

- The ongoing war in Ukraine has an impact on the business risks of local companies and is reflected in the

retention of demand for Daticum's services. At this time, customers from Ukraine increased, but this did not sufficiently compensate for the retained costs of local customers.

- Military actions in the Middle East are also expected to adversely affect the economic environment.

- Fears of an impending recession in the global and Bulgarian economy make companies cautious and restrained in seeking and hiring the services provided by Daticum.

#### Business development in 2023 and realization of the investment plan

- Daticum continued to raise the level of revenues above the levels before the announcement of the epidemiological situation and the subsequent negative results for the economy. The demand for cloud services has exceeded our expectations, and thus we are able to compensate for the decline in demand for colocation and hardware rental services.

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

- Daticum invested in the purchase of additional NVMe data arrays as Daticum's cloud platform customers fully switched to them. NVMe is the most advanced storage technology, which enables the fastest possible data processing during the operation of the servers. In Daticum, it completely replaces outdated technologies such as SATA, SAS and SSD data arrays.

#### Important events

- Daticum is actively developing its partnership with RIPE (<https://www.ripe.net/>), the regional internet registry for Europe, the Middle East and parts of Central Asia, successfully conducting training and certification of its employees.

- Daticum strengthened its marketing initiatives, with the aim of greater recognition of the company's brand. Site modifications were made in this regard, as well as Daticum's participation in various media. We have additionally strengthened our presence in the Internet space.

- Daticum has also successfully certified to the ISO 27017 standard in addition to the existing ISO 9001, ISO 27001 and ISO 27018. ISO 27017 focuses exclusively on cloud security, providing a comprehensive set of controls tailored to the unique challenges of cloud computing. It ensures that cloud service providers adhere to best practices by creating a secure ecosystem for user data based on the principles of confidentiality, integrity and availability. On the other hand, ISO 27018 focuses on protecting user data in the cloud. This certificate emphasizes the importance of data protection and prescribes guidelines for the responsible handling of personal data by cloud service providers. ISO 27018 introduces a nuanced approach to personal data protection that emphasizes transparency and control. It outlines measures for their responsible processing, providing users with confidence that their information is stored and



accessed based on strict storage protocols in the cloud environment.

#### New clients:

- Daticum concluded a contract with one of the largest forwarders in Romania, which successfully uses the company's services for the needs of its business.
- One of the largest grocery chains in Northeastern Bulgaria - Bulmag, became a client of Daticum.
- Startup „Data Lab“ chose Daticum as cloud service provider.

#### Business development in 2023 and realization of the plan

- The company's revenues from services in 2023 exceed those in 2022 by almost 15%.
- The company's profit in 2023 is by almost 10% higher than in 2022.

- The goods sold for the period was less than for this period the previous year, but this is due to the fact that this is not the main business of the company, but a complementary service that is carried out when necessary.

- Revenues from Daticum's cloud services exceed those set in the plan by 2,67% and those in 2022 by 19%.

#### Perspectives and forecasts for 2024

The wars in Ukraine and Middle East and their adverse economic consequences concerning the prices of fuels, electricity and hardware equipment further aggravate the global economic crisis.

At the moment, electricity prices are decreasing and are expected to reach normal levels in 2024.

Greater growth in usage of our cloud platform is expected at the expense of services such as colocation and hardware rental.

A 10% growth of the main revenues for 2024 is set.

## FINANCIAL RESULTS

	31.12.2023	31.12.2022	Change	Change %
Revenues	3 336	3 529	(193)	(5,478%)
EBITDA	1 265	1 103	162	14,69%
Depreciation	(380)	(296)	(84)	28,38%
Net Result	792	721	71	9,85%
EBITDA margin	38,22%	31,26%	6,96%	22,27%
Net Profit margin	23,72%	20,43%	3,29%	16,10%
Sales per share	1,4505	1,5330	(0,08)	(5,38%)
EPS	0,3440	0,3132	0,031	9,85%
ROE	0,4356	0,2215	0,214	96,67%
Total Assets	3 531	4 090	(559)	(13,67%)
Intangibles	1 422	281	1 141	406,05%
Book value	396	2 974	(2 578)	(86,68%)
Equity	1 818	3 255	(1 437)	(44,15%)
Total Liabilities	1 713	835	878	105,15%
Interest bearing	360	429	(69)	(16,08%)
D/E	0,9422	0,2565	0,69	267,31%
ROA	0,2492	0,1958	0,0534	27,27%



## SIRMA SOLUTIONS

- <http://www.sirmasolutions.com>
  - Sirma Solutions is a subsidiary of Sirma Group Holding JSC
- Capital: BGN 28 334 910

### SIRMA SOLUTIONS IN 2023:

#### General information

##### General information

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

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

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

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

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

#### Business activity of Sirma Solutions in 2023

##### General

Despite the forecasts for the growth of the ICT market in 2023, a large number of clients are frustrated due to the numerous risks to the development of the economy and the greatly slower growth. This brought about a delay, postponement or complete termination of orders in the sector. In this stagnant

conjunction, "Sirma Solutions" EAD still managed to increase sales revenue by 15.15% in 2023.

From the beginning of 2023, the administrative fees that "Sirma Solutions" EAD pays monthly to "Sirma Group Holding" JSC were greatly increased. They are now a function of sales revenue. In parallel with this, the remuneration of the company's employees was also increased, as a compensation for the high inflation in the past year. These factors led to a loss for the company in 2023, despite increased revenues. The increase in the prices of the products and services of "Sirma Solutions" EAD and sustainability of the increased sales should compensate for this lag in 2024.

#### Market in North America

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

The slow economic growth (and fears of a recession) in the USA also affected the contraction of orders to "Sirma Solutions" EAD. Increased competition for the shrinking customer pool is a challenge for new business in 2023. Accordingly, the achievement of the annual targets was not realized by the American unit.

During 2023, work continued on projects which started last year: the PureInfluencer platform (which is powered by Kanin.io technology), the 1Health.io platform (a platform for connecting their customers / suppliers / partners), projects in the automotive industry (for the development of software to track the car service process and to develop a universal multi-channel customer-dealer communicator).

North American sales revenue for "Sirma Solutions" EAD in the first half of the year amounted to 13,42% of the company's total sales, which are entirely the result of "sales of services".

#### European Market

The ICT market in Europe was relatively frustrated in 2023. The reasons behind this are: several bank failures in the USA and Switzerland, rapidly rising interest rates, the recession in Germany, raging war on the continent, disruptions in energy supply and fears of a more massive crisis to come. Because of this some orders to the IT sector were postponed or completely canceled in 2023.

Despite the difficult market as described above, the unit responsible for the business in Europe almost managed to achieve its annual sales targets.

In 2023, a few new projects were started and work continued on the active projects from 2022, such as:

- Implementation of an innovative chatbot solution in a large bank in Bulgaria and implementation of a solution for regulatory reports;
- Support of the IT equipment for the data center of one of the leading 5 banks in Bulgaria;
- Temenos online portal for SaaS services;
- Development of an administrative platform for working with large travel agencies;
- Development of an online payment system for a bank in Spain;
- Launch of work for support of a large bank based in Germany, as well as another fin tech German company
- Launch of work with Coca Cola,
- Launch of work for the biggest European bank.

The Bulgarian market remains predominant for the company, accounting for 74.96% of the realized sales during 2023. The remaining share is split almost evenly between the UK (4.92%) and the rest of Europe (6.70%).

#### Public sector

The number of new projects in the Public Sector during 2023 was small. The main reason can be the political instability in the country and, accordingly, the lack of development in the Bulgarian public and municipal sectors.

Never the less, in the public sector, during 2023, a few new contracts were struck. Work also continued on the long-term projects won in 2021 and 2022:

- construction of the overall IS for managing the activity of the Financial Mechanism Office (EEA Grants, Brussels),
- the step-by-step construction of the MusIT IS for managing Music Author's activities;
- the development of the system for electronic protocols at the NHIF
- Migration to Oracle Cloud On-Premises of a large company in the aviation industry and the development of a Learning Management System (LMS);

- On September 18, 2023, Sirma Solutions in consortium with the Open Society Institute - Sofia Foundation concluded a contract for the creation of an electronic National Map of Higher Education in the Republic of Bulgaria (NKVORB), by upgrading and developing the rating system of higher schools with the contracting authority the Ministry of Education and Science. The amount of the contract is BGN 1,999,000, and the deadline for implementation is until August 2027. Within the framework of the project, methodological development will be made by updating the criteria and indicators for comparing and evaluating individual professional fields and higher schools for the needs of the rating system and NKVORB;
- Additional functionality was ordered by the Registry Agency for their system.

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

- out-of-warranty maintenance of the Bulgarian State Railways' (BDZ) operating system
- the overall IS of the NSCRLP, supporting the LP registers and playing a key role in the field of electronic health care,
- Updating the system for applying in kindergartens and upgrading the system to also manage the application process in first grade.

#### System integration

In 2023, the system integration team renewed partner status with vendors such as:

- Cisco Systems
- Palo Alto Networks
- Oracle

During 2023:

- We concluded a contract for system integration and supply of equipment to a large fintech company with operations in Great Britain and Bulgaria;
- We delivered more than 1,000 mobile and desktop computers, mainly to our clients in the fintech industry, and for the first time, we delivered 120 computers in a Latin American country;
- We concluded a 3-year contract for our client worth over BGN 3.5 million for the sale and integration of the new add-on to the Cisco portfolio, namely Cisco AppDynamics;
- In strong competition from local and European companies, we have renewed several annual support contracts for VMWare, Cisco, F5, Paloalto, RedHat, HPE, IBM, Immersive Labs, Lenovo, Imperva, Veeam, and others for several of our main customers, for a total value of more than BGN 2.5 million;

- We replaced servers for BGN 500 thousand in the data center of one of our client banks;
- We supplied an Oracle database for the Financial Supervision Commission;
- We delivered complete computer re-equipment and secured the data center of a bank for microcredits in Bulgaria worth over BGN 400 thousand;
- Closed a contract for the maintenance of the digital security equipment of a large fintech company;
- Extended the contract for maintenance of the data centers of a large Bulgarian bank;
- Hardware equipment of a medium-sized Bulgarian bank;
- Deal for cyber security and protection of the server environment of a large international fintech company;
- Construction of the support network of a large Bulgarian logistics company
- The public cloud of "Daticum" JSC was upgraded;
- A contract was concluded with a large bank for the supply of mobile computers;
- A contract was concluded for the provision of the system and equipment for automatic billing in a large Bulgarian city;
- A contract was concluded for the delivery of Oracle Cloud to Bulgarian Post;

- A contract was concluded for a new 4-year service period with the National Health Service, as well as provision of storage upgrade and Oracle cloud at customer;
- An enterprise backup system was integrated in a large fin tech company.

In the nine months of 2023, Sirma Solutions EAD greatly shortened the supply chain when sourcing hardware equipment for its customers. This approach paid off almost immediately, lowering the cost to the end users and thus greatly increasing the sales volume. While the sales of services in 2023 grew slightly compared to 2022, the sale of hardware marked a growth of almost 21% for the year.

#### Plan for 2024

In 2024, "Sirma Solutions" EAD plans to:

- Stabilizes the new business generated in North America and profit realization from this region;
- Increase revenue by another 10-12% by increasing the customer base and employees;
- Strong increase in revenues from the public sector, which are currently still too small (about 15%);
- Realization of the company's profit as a result of the activation of the work on the contracts concluded in the second half of 2023, as well as the attraction of new large customers in 2024.

## FINANCIAL RESULTS

	31.12.2023	31.12.2022	Change	Change %
Revenues	44 246	38 426	5 820	15,15%
EBITDA	(244)	(2 008)	1 764	(87,85%)
Depreciation	(1 866)	(1 799)	(67)	3,72%
Net Result	(1 908)	(3 431)	1 523	(44,39%)
EBITDA margin	(0,55%)	(5,23%)	4,67%	(89,45%)
Net Profit margin	(4,31%)	(8,93%)	4,62%	(51,70%)
Sales per share	1,2509	1,0864	0,16	15,15%
EPS	(0,0539)	(0,0970)	0,043	(44,39%)
ROE	(0,7593)	(0,1090)	(0,6503)	596.83%
Total Assets	41 740	52 717	(10 977)	(20,82%)
Intangibles	4 530	5 867	(1 337)	(22,79%)
Book value	29 167	29 819	(652)	(2,187%)
Equity	33 697	35 686	(1 989)	(5,57%)
Total Liabilities	8 043	17 031	(8 988)	(52,77%)
Interest bearing	2 169	6 149	(3 980)	(64,73%)
D/E	0,064	0,1031	(0,039)	(37,55%)
ROA	(0,0457)	(0,0651)	0,0194	(29,76%)

## SIRMA INSURTECH AND HRM SOLUTIONS

“Sirma InsurTech” AD is a subsidiary of “Sirma Group Holding” JSC

- **Share Capital: BGN 396 000**

**Shares:**

- **Ordinary Shares, Number: 396 000, Nominal: BGN 1.**
- **“Sirma Group Holding” JSC owns 55% of the capital of the company.**

The company has been part of Sirma Group since the beginning of July 2022, with the main goal of concentrating within itself and developing the technological and business knowledge of the Group in the field of insurance.

### Conditions for the business development in 2023

Sirma InsurTech operates in the financial non-banking sector, with the main focus on insurance. Insurance companies, as well as Brokers, are in their early stage of digital business transformation, which in recent years was catalyzed as a process mainly by the pandemic Covid situation, but also by the change in the profile and requirements of users of insurance services. In order to continue to exist and to meet the needs of their increasingly demanding customer, otherwise rather clumsy and resistant to change, insurance companies are forced to turn to consulting services and new technological solutions that the IT sector offers, building long term partnership and business.

The company has its almost 20-year rich history in consulting services in the IT sphere, as well as in the implementation and development of software solutions for business management. The main expertise and experience is in the field of insurance as a specific area of non-banking financial services. On the one hand, the company continues to be a trusted partner of its current customers on the way to the digitization of their business processes, and on the other hand, the specific know-how in the field became the basis for creating the first own product (Sirma InSuite), developed on the basis of the Creatio platform. 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. The solution can be implemented in any existing ecosystem at an extremely competitive price, taking into account all the specifics of the business process and relationships between the entities of the particular insurer. A potential customer is any insurance company, regardless of its location, product portfolio or size. The solution can also be used by Brokers or other types of insurance intermediaries. The model of use of the solution is on a subscription, license basis. The initial implementation will be done by the Company's team, and the one-time price for implementation and configuration will be estimated according to the specific client and the scope of the project.

The creation of Sirma InSuite was made possible thanks to the company's partnership with CREATIO. The team includes certified consultants, architects and developers who have the necessary knowledge and skills to implement standard CREATIO solutions for any business other than insurance.

Another business line is the development of custom solutions in the field of insurance. The company has a team that has developed legacy systems for life insurance and pension insurance. Bespoke solutions continue to occupy an extremely large share in insurance companies, due to the specifics of each individual company.

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

The company has business in Bulgaria and potential for development in Europe, as the solutions it offers for insurance are applicable in any type of company, regardless of the location and the specifics of the environment. The processes that catalyze the digital transformation of insurers are the same in Bulgaria and around the world, and the solution we offer can become part of any existing ecosystem.

At the European level, Sirma InsurTech is the only representative of CREATIO that has specific expertise related to insurance.

### Business development in 2023 and realization of the investment plan

In 2023, Sirma InsurTech continued to fulfill its strategic objectives:

- Continued work on pushing the product into the Creatio ecosystem. We participated in an internal Marketplace circle event aimed at promoting partner solutions on the platform
- We successfully completed an implementation project in Global Services Bulgaria.
- Bulstrad Life system was migrated onto their infrastructure in connection with specific requirements for insurers in terms of risk management.
- Signed a contract to participate as a sponsor in No Code Days in Fort Lauderdale Florida. The package includes a stand and presentations. The main target is finding partners to offer Sirma InSuite to insurance companies.
- Participation in Creatio's biggest event – No Code Days Florida, with own stand and presented the Sirma InSuite product
- Participation in DIA Barcelona
- Participation in one of the largest insurance conferences in Central and Eastern Europe in Prague, with own stand and presentation of the Sirma InSuite product
- Contracted participation at <https://www.inscee.eu/>
- The Sirma InSuite system was successfully launched in real operation in Bulstrad Life.
- We won a new client in the person of ELMark Group for the implementation of SRM
- We did a first demo through the partner in Singapore
- We generated opportunities with Millennium Insurance Serbia. A contract is expected to be signed in 2024.

- We reached an agreement to partner with Eurotrust and integrate their services into an application in Creatio.

- We signed partnership contracts with companies in Singapore and the Czech Republic

- Generated new potential leads with companies in Serbia, Lithuania and Switzerland.

Currently, we have open negotiations with Generali Slovakia, Uniqa Romania, Levlins Bulgaria, Wiener Serbia, NetRisk Group Hungary, Groupama Bulgaria, Unicredit Bulbank.

**"HRM Solutions" EAD is a subsidiary of "Sirma InsurTech" AD**

- **Share Capital: BGN 150 000**

**Shares:**

HRM Solutions has been part of Sirma Group since July 2022, and is a subsidiary of "Sirma InsurTech" AD, with the main goal of concentrating and developing Sirma Group's technological and business knowledge in the field of human resources management. resources and personnel administration.

#### **Conditions for the business development in 2023**

The company provides an electronic employment file solution. In the market, especially after the pandemic in 2021, there is an increased desire to digitize employer-employee communication. There is a clear legal framework that regulates the order in which this can happen.

The company has been offering the sHRedy product since September 2020. For these 2 years, there has been a very serious interest in the product and it is the most recognizable on the market, mainly because of the very serious work on building the brand.

The solution is aimed at companies with more than 80 employees. The usage model is subscription-based, with a one-time cost for configuration and deployment.

sHRedy is the first product that integrates all the necessary qualified authentication services required by the Ordinance for electronic employment records within itself.

The product is also positioned well with the existing customers to date – Telus, KPMG IT, Soitron, Nexo, Software Group, Tavex.

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

The company has business in Bulgaria and this is the main location we are targeting at the moment. There is potential to upgrade with additional functionalities available in other group companies (HRistina) and potential for development in Europe, but there are a number of differences in the

legislation and treatment of signing and service in the other EU countries.

#### **Business development in Q4 2023 and realization of the investment plan**

In 2023, HRM Solutions continued to fulfill its strategic goals:

The company continues to rely on a stable and sustainable model of selling products with a monthly license fee, rather than relying on large one-off deals that are more difficult to predict.

The company continues to develop the team and its specific expertise in the field of CREATIO solutions. We have held talks and expect the finalization of negotiations with transform.bg and service design network for the implementation of a CRM system. Both projects are not large, but will generate references for Creatio.

- **Ordinary Shares, Number: 150 000, Nominal: BGN 1.**
- **"Sirma InsurTech" AD owns 100% of the capital of the company**

• 2 new clients were attracted

• More than 100 demonstrations were conducted with customers, and in the mass case the active party was the customer.

• Participation in the annual BAUH conference with a discussion panel on the subject of electronic employment records.

• Conducting a campaign together with Eurotrust AD regarding the need for the Electronic registered mail service when implementing an electronic employment file.

• We have developed new package plans to target smaller companies between 15 and 50 employees

At the moment, we have open negotiations with a number of large companies: Experian, Lidl and Schwartz IT, Talia, Neway, Würth.

It is being implemented in several clients in parallel, and in order to speed up the implementation processes, we have changed the terms of the contract, and the entire value is paid in advance. Our expectation is that this will engage the client's team to a greater extent, resulting in a faster completion of the implementation.

The company continues to rely on a stable and sustainable model of selling products with a monthly license fee.

Partnered with Survey Sparrow to integrate 360-degree staff assessment at Shreddy. So far, interest has been expressed in signing a contract with two more clients in 2023 – Soitron and Tavex. An annex was signed with Eurotrust, completely renegotiating the licensing model. With the new model, we will significantly reduce the fee paid for authentication services for our largest clients – Telus, Nexo and KPMG.

Contracts were re-signed with all customers intensively using Eurotrust's services to reduce the impact of price increases.

As of December 1st, AWS accounts have been migrated, and a one-year contract is about to be signed, which will reduce the cost of the infrastructure by 40%.



**FINANCIAL RESULTS****SIRMA INSURTECH**

	31.12.2023	31.12.2022	Change BGN '000	Change %
Revenues	3 110	2 308	802	34,75%
EBITDA	38	(308)	346	n/a
Depreciation	(105)	(102)	(3)	2,94%
Net Result	(82)	(379)	297	(78,36%)
EBITDA margin	1,22%	(13,34%)	14,57%	n/a
Net Profit margin	(2,64%)	(16,42%)	13,82%	(83,94%)
Sales per share	7,8535	5,8283	2,03	34,75%
EPS	(0,2071)	(0,9571)	0,75	(78,36%)
ROE	(1,5569)	(2,8284)	1,251	(44,25%)
Total Assets	2 250	1 653	597	36,17%
Intangibles	962	456	506	110,96%
Book value	(911)	(322)	(589)	182,92%
Equity	52	134	(82)	(61,19%)
Total Liabilities	2 198	1 519	679	44,70%
Interest bearing	440	277	163	58,84%
D/E	8,4615	2,0672	6,3944	309,33%
ROA	(0,0400)	(0,2565)	0,2165	(84,41%)

**HRM SOLUTIONS**

	31.12.2023	31.12.2022	Change BGN '000	Change %
Revenues	446	313	133	42,49%
EBITDA	72	71	1	1,41%
Depreciation	(58)	(54)	(4)	7,41%
Net Result	8	10	(2)	(20,00%)
EBITDA margin	16,14%	22,68%	(6,54%)	(26,83%)
Net Profit/ (loss) margin	1,79%	3,19%	(1,40%)	(43,86%)
Sales per share	2,97	2,09	0,89	42,49%
EPS	0,0533	0,0667	(0,01)	(20,00%)
ROE	0,0600	0,0733	(0,0133)	(18,18%)
Total Assets	1 120	910	210	23,08%
Intangibles	791	810	(19)	(2,35%)
Book value	(684)	(712)	28	(3,93%)
Equity	107	99	8	8,08%
Total Liabilities	1 013	811	202	24,91%
ROA	0,0080	0,0121	(0,0041)	(33,52%)



## ENGVIEW SYSTEMS

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

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

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

EngView Systems AD is a member of Sirma Group, with main activity - development of software products and services in the field of two main vertical markets:

- **Packaging industry.** The products developed by the company are based on proprietary innovative technology for variation and parametric CAD / CAM and are designed for automation and optimization of the production processes, mainly connected with packages and displays of different sheet materials.

- **Quality control of serial production in various industries,** mainly related to machine building, mechanics, aluminum and plastic parts, etc. In this field, the company develops entirely proprietary market solutions as well as technological solutions designed for specific measurement machines for the main strategic partner - QVI.

### **EngView Systems in 2023**

#### **Conditions for business development in 2023**

EngView Systems operates in two main markets that of software and hardware solutions in the field of Metrology and Quality Management in the production of metal products, as well as software for video measuring machines in partnership with manufacturers, and complete solutions for automation and management of the production process of the packaging industry. The company works with manufacturers of packaging and displays around the world, served by a developed and expanding network of distributors and partners, as well as our own offices in Brazil, Germany and USA.

A large share of packaging production remains in the established offset printing segment. The spread of digital technologies is happening at an ever-increasing pace and more and more companies are investing in digital printing and production machines. New niche markets are being formed, related to personalization, small circulations of cardboard and corrugated packaging, products for advertising purposes and better visualization of selected brands (shelves) or entire structures, exhibition stands, shows, printed and cut from thick materials (Rigid Board). In Europe and the United States, there is a trend for the entry and production of materials and products from them, which are directly related to nature conservation and are environmentally friendly and easily recycled.

This determines the direction of the predominant investments in the packaging industry - along with those in machines, companies from different niches are looking for solutions to further save time and resources, modernize their production to

improve their competitiveness, and follow modern technologies that improve the relationship with the customer and optimize the order channels. Such solutions are Internet and cloud-based solutions for communication with customers and shortening the Order-Delivery cycle (web-to-print, web-to pack), which become possible precisely in combination with new digital technologies.

In the market of technologies for monitoring and quality management of mass production, there are growing trends towards digitalization of processes. This is determined by the mass penetration of new modern technologies for measurement and communication, as well as the growing availability of instruments based on such technologies.

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

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

EngView Systems successfully develops its products in its two main areas for the packaging and video measuring industries. In recent years, the company has invested in the development of new products based on its already implemented solutions and the accumulated knowledge and expertise in individual niches. They meet the latest trends, as well as customer requirements for high-quality software capable of accelerating production, increase sales through optimization and maintenance of additional processes. The company's marketing efforts combine both the traditional way of branding, advertising and product positioning, as well as new trends in digital marketing, online demonstrations, multimedia, participation in panels, etc.

The company continues to develop its core product for the packaging industry - the Packaging Suite. In the first half of the year, the main version 2023 of the product was implemented, which marked the beginning of a new Continuous Delivery policy. At the end of the period, a meeting was held with all partners from around the world, where the new functionalities

and improvements in the version were shown, and the new sales and support policies were explained to the end customers.

The purchase of services on a subscription basis is a very important trend in the global market in the last few years. This is due to the advent of cloud technology and the ability to sell even very complex software products as services rather than licenses. This makes them more affordable both in terms of price and in terms of time to master and start in real business. For this reason, SaaS sales are growing rapidly, and the pressure on suppliers to offer this type of service is growing.

After launching the policy of offering the software on a subscription basis in 2021, during 2022 and in early 2023 customers benefit from this model with smaller but ongoing payments for EngView Suite licenses. More and more customers are starting to use the software without the need to make a large investment or bear a large risk. Since this model relies on a large number of subscribers to reach the turnover of selling the software, the company still maintains its old sales model. However, in the revenue part, purchases of permanent licenses have a larger share, but in the long term this trend should reverse. From the beginning of 2023, the contract to replace the payment of royalties by Heidelberg with the payment of rent for the use of the software by their end customers came into force.

The company's expectations are that an increasing number of customers will prefer this type of software usage due to the small investment and the possibility to install the latest versions of the products within the lease. 2023 is the year EngView will invest in online products based on CAD technology. The company hopes that through the realization of online products aimed at different types of users from the packaging industry, this product will also be found to be useful for the mass consumer.

Development of the core CAD API-based technology to offer developments integrated with other products or platforms continues. The first pilot client in Bulgaria has already integrated parts of the main system into its own online store, with the use and payment model being pay per use.

In the third quarter of 2023, a new integration partnership began with the English company Infigo, known for its innovative web to print platform. A demo version will be presented at the Printing United US show in October, where EngView will also have its own booth. The official presentation of the complete integration is expected in early 2024.

In September, EngView Systems USA participated in the prestigious packaging exhibition PackExpo Las Vegas, where American customers were introduced to version 2023 of the CAD system and the latest trends in EngView's technology development.

The number of customers subscribing to the system in the US is increasing. A lot of marketing efforts are being made to establish the brand, to strengthen partnerships in the region. The company participated in several Open Houses with significant names in the industry, associations and representations in the region. The largest show in the USA,

Printing United, Atlanta, is also being prepared, where the company will be presented as a major software supplier for packaging and display manufacturers. Key contacts have been made with big names in the industry, with whom new integration projects and automations for printers and packaging manufacturers are being discussed.

A new contract was signed with a vocational school in Ghent, which will train 50 new users of the software per semester.

New mechanisms, partnerships and representations around the world are also being sought to increase brand recognition, increase sales and search for new niche markets. In the first quarter of 2023, a new VP Sales and Marketing at EngView USA started working, whose goal is to increase sales and better organize the marketing of the main products in North America. Attending several major shows, as well as signing new contracts with partners in the region, video recording of major functionalities, booking a booth at two shows in the fall, are the main highlights of the company's first 3 months in the US. Materials are being prepared for 2 specialized shows in Atlanta and Las Vegas, which will take place in the second half of the year.

At the German company EngView Systems GmbH, the after-sales service team for German-speaking customers was increased. It continues the integration project with Germany's most famous display manufacturing company, which will count on covering the entire production process through EngView functionalities. The project is expected to be completed by the end of 2023. At the end of the first half of 2023, a meeting was held in Sofia where the representatives of all EngView companies gathered. Colleagues were trained in the new policies and exchanged good practices from different parts of the world.

Products oriented to Metrology and Quality Control such as ScanFit&Measure and mCaliper, TurnCheck are also being developed.

During this quarter, first meetings were held with one of the largest manufacturers of calipers and micrometers in the world, and a new partnership with them is expected, based on technologies already developed by EngView and the mCaliper product.

Online demos of ScanFit&Measure are being held and for 2023 the company is developing more functionalities and conducting marketing more aggressively to reach more distributors and customers. Sales of this product are increasing, campaigns continue worldwide. In July, the company participates in a large exhibition in China with its own stand, and our participation in Nashville in a specialized exhibition for the industry is also being prepared. The team was increased because the customers are increasing, there is a growth in demand and the company is trying to maintain and strengthen its good policy for after-sales service as well. The growth in the proceeds from the sale of the machines is remarkable, which also contributes to the overall growth in this quarter of the revenues of the entire company.

### **Regional and international factors influencing the business of the company**

2023 was successful and the sales made marked growth for all products. This is due both to the efforts and investments in marketing and sales, as well as to the opening of new market niches, new partnerships and new functionalities.

From last year until now, specialized sales campaigns have been carried out for different regions of the world and for different products from EngView's portfolio. An external specialized company is used, which carries out both targeted branding and sales activities.

The company develops all its products in Bulgaria, but has a network of distributors all over the world, as well as its own offices in the USA, Germany and Brazil. The factors influencing the business are mainly related to the saturation of the market with competitive products or the degree of development of the given market. Still a major share of software sales for the packaging industry is generated in Europe. The new partnership with an English plotter manufacturer was successful, for which EngView rebranded its CAD software, which will be sold to everyone who purchased the plotter.

EngView as one of the leading names in the packaging industry works with strategic partners from Germany Heidelberg for which new versions of their products are developed every year for the printing industry and from the USA - QVI for their video measuring machines. EngView has been working with both companies for years, consolidating its positions by providing quality and modern software for their customers. The company is investing in a new QVI solution in 2019 and 2020 - Turn Check. New licenses were ordered in 2023, and it is expected that they will increase by the end of the year.

### **Business development and investments in 2023**

In 2023, the company continues to develop its products and prepare for more online services and developments. Work on the online product for daymakers, as well as new online products, began already in the first days of the new year, and a new basic version of the CAD product was implemented. In 2023, the product management will change the policy for the implementation of new versions, as a Continuous development model will be followed, through which all customers with a

contract or leased software will receive a new version at least once a year.

The company is gradually increasing its capacity and resources for innovation developments in the two areas in which it operates. In 2023, the company seeks to increase its teams and hire new employees, activities are planned to retain key personnel.

In the US, the company is very actively working for brand recognition, to win new partnerships and customers, and to enforce the subscription model that will bring stability and growth from sales in the coming years.

The German company EngView Systems GmbH hired and trained a new person to handle customer support. The company is still young, but it is already successfully establishing its name and making sales. There is already a website in German, we are working with an external company for searching for new customers, processing leads and conducting specialized campaigns. In the last working days of 2022, a contract was signed with a German company for the development of an integrated solution in the field of design and production of displays, which will be implemented in the first quarter of 2023 and will continue until the end of 2023.

In Brazil, it is established as the main sales model through the subscription principle. Sales from there have increased compared to last year, and we hope that this trend will continue in the coming periods.

A new entity was acquired in Canada in 2023 by purchasing an existing business there. It is expected until the end of 2023 it will start generating new sales in both of the company's main directions.

### **Perspectives and forecast for 2024**

Revenues are expected to increase on an annual basis in 2024. The biggest show in the packaging and printing industry Drupa will take place in June 2024 in Düsseldorf, for which the company is hard at work preparing. Campaigns are developed, new distributors are sought, and presence is strengthened in both niche markets.

**FINANCIAL RESULTS**

	31.12.2023	31.12.2022	Change	Change %
Revenues	3 957	4 221	(264)	(6,25%)
EBITDA	934	1 558	(624)	(40,05%)
Depreciation	(837)	(797)	(40)	5,02%
Net Result	83	681	(598)	(87,81%)
EBITDA margin	23,66%	36,91%	(13,25%)	(35,89%)
Net Profit margin	2,10%	16,13%	(14,03%)	(86,97%)
Sales per share	57,2029	61,1739	(3,97)	(6,49%)
EPS	1,2029	9,8696	(8,67)	(87,81%)
ROE	1,3188	10,9420	(9,6232)	(87,95%)
Total Assets	5 708	5 954	(246)	(4,13%)
Intangibles	4 085	3 440	645	18,75%
Book value	930	1 794	(864)	(48,16%)
Equity	5 015	5 234	(219)	(4,18%)
Total Liabilities	693	720	(28)	(3,75%)
Interest bearing	176	287	(111)	(38,68%)
D/E	0,0351	0,0548	(0,020)	(36,00%)
ROA	0,0159	0,1268	(0,1109)	(87,43%)

**SIRMA BUSINESS CONSULTING**

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

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

Classes of shares:

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

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

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

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

The range of services provided by the company covers mainly banking, retail and wholesale banking, regulatory compliance and risk management as well as the whole range of

implementation and advisory services. SirmaBC is the third largest holding company and accounts for about 20% of revenue.

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



and evolving industry trends tailored to the banking and financial industry specification both locally and globally.

### **Conditions for business development in 2023**

Several serious challenges are emerging for the company that delivers solutions and services to financial players:

- Price adjustment of the offered services and products.
- Finding and retaining highly qualified personnel within the Bulgarian market.
- Adaptation of the business model and approaches in project implementation.
- Adaptation of existing solutions in the company's portfolio to meet new regulatory requirements and trends in the direction of robotization of digital operations and processes. The advent of artificial intelligence and machine learning technologies to optimize service delivery times for end customers will lead to new demand, but also lead time for new projects.

SirmaBC will continue to be focused on providing IT and consulting services and products, and the first half of the year, in addition to active actions to stabilize several ongoing projects, will focus on offering versions of the FlexCube banking system and opening all systems to solutions that give possibility of implementation of "Open banking" API based services with which the plans in the direction of "Open digital business" are realized.

Realized revenue for 2023 was with almost 30% better than 2022 and the company reported a 12% increase over the plan. Although revenue realization is in an improving gradation, there is still uncertainty and delay in generating "new" projects and income. There is a positive trend in catching up with the plans for the implementation and realization of the company's current projects and unfulfilled joint commitments with customers for delivery, and at the end of 2023, 90% of the advanced projects have been handed over and successfully completed.

### **Regional and international factors, influencing the business of the company**

#### **Macro environment**

The development of the financial market in Bulgaria at the end of 2023 and for 2024 continues to be influenced by numerous factors, both internal and external to the country. Among them are the economic stagnation in Europe, political instability in the region and the country, energy security and unclear deadlines for the country's accession to the Eurozone. Despite the EC's optimism about the results and GDP growth in the country, Bulgaria is hesitating and foresees a reduction to levels of 1.8% for 2024. The main problems are the increased inflation and the reduction in the consumption and production of electricity, as well as the export of electricity.

Military actions on the territory of Ukraine and the accompanying trade war affect the prices of energy resources, metals and commodities.

An increase in interest rates and a devaluation of any of the major currencies creates additional uncertainty in the financial market and opens many questions for companies that provide services and in addition to market risks, interest rate and currency risk will have to be managed.

In the country, appetites, intentions and real actions to consolidate the banking and financial market continue, which conditions on the one hand the competition between the many relatively small players and on the other hand provokes an active dialogue for the consolidation of the companies in the market.

The last elected regular government in Bulgaria quickly resumed actions to join the Eurozone (but unfortunately the fulfillment of convergence criteria is unclear). Despite the adopted changes in the legislation, there is a lack of clear communication about the dates of the replacement of the main currency in the country. In conclusion, the financial market in Bulgaria continues to be challenging and requires adaptation and reforms, which slows down investments in innovation and new projects. The main reserves and budgets have been set aside for adaptation to the euro, which has not been confirmed with implementation deadlines.

The trend continues to expand the business volume of companies and support centers with investments and employers from the USA, Canada, Germany and England, which significantly raise the average salary in the industry and additionally pump resources into projects that are focused in other markets.

#### **Industrial vertical**

The development of the IT business in Bulgaria until the end of 2023 is connected with a number of challenges and opportunities. On the one hand, the sector needs a skilled workforce, modern infrastructure and an appropriate regulatory environment, which continues to lag behind. The lack of reforms is directly dependent on the lack of a regular government, which, in addition to making the environment unstable, leads to a loss of focus and a lack of fresh foreign investment. On the other hand, the IT business can take advantage of various funding programs, such as European funds, but this too will be inert in the absence of political trust and stability. The delay of the negative effects in the European economy and the ongoing military conflict will be a prerequisite for increasing inflation and reducing projects. The IT sector will continue to grow until the end of 2023, albeit at a slower pace, and although it will reach a turnover of over BGN 10 billion by the end of the year, it will face a huge challenge of an impending recession.

The lack of stable government management, global conflicts, inflation puts pressure on all companies in the IT industry. One part of which is directly affected and dependent on government contracts and projects and another part, because of the tension of the public climate and uncertainty about the tax and fiscal policy of a future regular government. The problems with this defocusing of working resources are invisible at the national level, but they significantly exhaust the mainly nationally oriented players, in which category SirmaBC also falls.

In the long term, we will have to completely change the final price for customers or seek to enter foreign markets by providing services on an isleme basis or renting out resources.



**New clients, projects, products and services in 2023:****- Clients**

All the company's clients show and declare that they are partially or strongly affected by the uncertain financial framework, inflationary processes, military activities and the shortage of energy resources, as well as the late or lack of financial measures to overcome them. In practice, there are very few new projects and new revenues for the company. The only sources of fresh and new revenue are resources that are submitted for expert work on client projects on a time worked basis.

**- Projects**

At the end of 2023 and for the first quarter of 2024, the company successfully completed a project to implement FlexCube 14. As well as numerous assignments for changes and adaptation of systems related to the transition to the euro.

The implementation of started projects continues, including the two parallel implementations of major banking systems and several projects for the implementation of payment and other satellite solutions, which cover: "RepXpress", "ceGate" and "UBX Suite", DIGI Bank.

**- Products**

Sirma Business Consulting introduced a regular procedure for monthly reporting of expenses that lead to an increase in the value of the company's own products. The company has a clear plan and estimate to develop and increase the value of the products in 2023. The company is actively trying to advertise and distribute the first versions of:

- Open banking API hub, which implements the BISTRA standard for all services within the scope of PSD2
- Up2Pay – A wallet for generating one-time passwords and codes, which also serves as an advanced electronic signature and provides SCA. In terms of the Payments Regulation.
- RepXpress – regulatory reporting system and own DHW.
- ceGate – a system for collecting customer data and evaluating customers.

**- Services**

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

**- Events**

All important events for the company are related to participation in specialized forums and exhibitions at which it attends and presents its improved solutions.

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

The company undergoes regular certification according to 3 ISO standards.

**- Contracts**

At the beginning of 2023, SirmaBC finalized the conclusion of several maintenance contracts and several new initiatives for the renewal of electronic channels at customers. There are signed contracts with two new clients for the company. We are actively working on the implementation of all planned changes within the framework of payment standards and the national plan for switching to the euro and using ISO 20022.

**Perspectives and forecasts for 2024**

SirmaBC has developed a business program and a financial development plan with an expected growth of 15% and reaching revenues of 7.5 million. BGN, 750 thousand BGN EBITDA, with an actual working staff of 75 people.

Despite some positive signals of improvement in the economic climate and easing of strict trade and social restrictive measures, the stagnation and inertia of financial players does not suggest a quick recovery and revival of the market from the levels of 2018-2019. This will require more efforts in finding fresh projects and solutions without focus in a certain area, despite the clear preferences of Sirma BC to develop and work on data analysis projects and complete solutions for banking and transactional business.

The uncertain environment and redirection of part of the resources in the company to work for rent will slow down the development of the company's own products. Only the vision of reducing risks and guaranteeing the set levels of income is an argument in maintaining a team of experts to work in shared projects with clients.

In the planned new revenues for the company, the share of revenues is increasing, which are related to adaptation and changes in customer systems, which will have to respond to the legal changes for Bulgaria's accession to the Eurozone.

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

**FINANCIAL RESULTS**

	31.12.2023	31.12.2022	Change BGN '000	Change %
Revenues	6 225	4 828	1 397	28,94%
EBITDA	596	77	519	674,03%
Depreciation	(411)	(291)	(120)	41,24%
Net Result	161	(197)	358	n/a
EBITDA margin	9,57%	1,59%	7,98%	500,32%
Net Profit margin	2,59%	(4,08%)	6,67%	n/a
Sales per share	2,4508	1,9008	0,55	28,94%
EPS	0,0634	(0,0776)	0,14	n/a
ROE	0,0568	(0,0736)	0,13	n/a
Total Assets	4 746	4 577	169	3,69%
Intangibles	987	1 211	(224)	(18,50%)
Book value	1 850	1 465	385	26,28%
Equity	2 837	2 676	161	6,02%
Total Liabilities	1 909	1 901	8	0,42%
Interest bearing	40	105	(65)	(61,90%)
D/E	0,0141	0,0392	(0,025)	(64,07%)
ROA	0,0381	(0,0474)	0,0855	n/a

**SIRMA GROUP INC.****Business development in 2023**

Sirma USA continued to develop our business in Healthcare and Automotive retail sales. We have made tremendous progress in applying artificial intelligence and generative large language models technology to practical applications in Medical Information Systems. In an industry first, we developed the ability to describe workflows using plain-spoken language and automatically generate and configure ready-to-

execute mini-apps inside Healthcare applications built on top of our BoCore platform. The systems powered by our real-time Analytics engine also continued to gain ground with automotive dealers, and we were highly recognized by leaders in the field and the annual Digital Dealer conference. Also, this quarter we recruited a Director of Digital Marketing with management experience in both international retail banking and US Healthcare marketing.

**FINANCIAL RESULTS**

	31.12.2023	31.12.2022	Change	Change %
Revenues	6 779	8 284	(1 505)	(18,17%)
EBITDA	(316)	1 086	(1 402)	n/a
Depreciation	(4)	(6)	2	(33,33%)
Net Result	(330)	1 071	(1 401)	n/a
EBITDA margin	(4,66%)	13,11%	(17,77%)	n/a
Net Profit margin	(4,87%)	12,93%	(17,80%)	n/a
Sales per share	0,3142	0,3839	(0,07)	(18,17%)
EPS	(0,0153)	0,0496	(0,06)	n/a
ROE	(0,0391)	0,1180	(0,16)	n/a
Total Assets	10 475	10 632	(157)	(1,48%)
Intangibles	1 675	1 735	(60)	(3,46%)
Book value	6 766	7 344	(578)	(7,87%)
Equity	8 441	9 079	(638)	(7,03%)
Total Liabilities	2 034	1 553	481	30,97%
Interest bearing	36	9	27	300,00%
D/E	0,0043	0,0010	0,0033	330,23%
ROA	(0,0315)	0,1007	(0,132)	n/a



## SIRMA ICS

- <http://sirmaics.com/>
- **Sirma ICS is a subsidiary of Sirma Solutions**
- **Capital:** BGN 300 000 divided into 300 000 number of registered nominal shares with a nominal value of 1 BGN per 1 share with voting right, dividend and liquidation share. Sirma Solutions owns 279 000 number of shares or 93% of the capital.

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

### Conditions for Business Development in 2023

The company operates in the Insurance sector with target customers insurance brokers and insurance companies. Both segments saw a decline in revenue. The reason for this is the economic situation in 2023, respectively, the decreasing revenue from non-compulsory insurance, which in turn causes a contraction in the costs of software and services. However, the company was able to sign contracts with insurance brokers and insurance companies for product development and sales, realized growth and profit.

The company offers a product covering all of the processes in the structure of an insurance broker - Sirma Insurance Enterprise Platform. There is also a developed opportunity for clients to integrate through the Sirma Insurance Enterprise MTPL API and to integrate the policy issuing a policy payment in any system and application. Regarding the

online presence of brokers, we offer Sirma Insurance Enterprise Web Calculator. With this product, end visitors to websites can calculate their price and place an order. The company also creates individual solutions and developments on assignment such as websites, web portals for end customers, administrative portals and mobile applications.

### Business Development in 2023 and investment plan

In 2023 Sirma ICS continued with the execution of its strategic objectives:

- Increasing the product range of the software for insurance brokers and optimizing the product and its functionalities
- Attraction of new insurance broker-clients and upgrading the services.
- The company continues to rely on a stable and sustainable model of selling products with a monthly license fee.
- Some large one-off deals were concluded.
- Major customization and development projects were implemented and initiated that are paid for by

customers and then available to other customers for a monthly license.

### New:

- Projects

Improvements in the main SIRMA INSURANCE ENTERPRISE platform to allow even more monthly and one-time income, increasing functionalities.

General refinements to the "Life Insurance" theme in the platform are also planned, as well as the display of "customer profile" information, which will be available to end customers through a broker application that we will develop or through a broker website.

- Events

The whole of 2023 passed under the sign of an aggravated economic situation, which caused smaller brokers to either cease or try to reduce the amount paid for a license. A part of them terminated the contract with Sirma and concluded one with a competing company of former employees of Sirma, which attracted them with dumping prices. With maximum efforts, we have retained the vast majority of our customers and attracted new ones in order to maintain the revenue from monthly license fees.

Another competing company, an insurance broker, is being implemented on the market, which offers an online whitelabel solution for online conclusion of Civil Liability and other insurances. They can also offer solutions at reduced prices, given the large capital (4 million euros and expected another 4 million euros in 2024) that they have from investments. The solution they offer is unprofitable in the long term and the company is systematically operating at an increasing loss.

### Perspectives and forecasts for 2024

Continuation of the trend to reduce the number and consolidation of insurance brokers, as well as the unification of brokers in associations with the aim of more favorable conditions for the use of external services, including software.

Negative expectations of shrinking of the entire insurance software market and specifically of software for insurance brokers, as well as from intensified competition selling software at dumping prices and with great investment opportunities.

**FINANCIAL RESULTS**

	31.12.2023	31.12.2022	Change	Change %
Revenues	1 057	952	105	11,03%
EBITDA	203	175	28	16,00%
Depreciation	(96)	(93)	(3)	3,23%
Net Result	94	69	25	36,23%
EBITDA margin	19,21%	18,38%	0,82%	4,48%
Net Profit margin	8,89%	7,25%	1,65%	22,70%
Sales per share	3,5233	3,1733	0,35	11,03%
EPS	0,3133	0,2300	0,08	36,23%
ROE	0,0962	0,0781	0,02	23,12%
Total Assets	1 220	1 205	15	1,24%
Intangibles	866	915	(49)	(5,36%)
Book value	111	(32)	143	n/a
Equity	977	883	94	10,65%
Total Liabilities	243	322	(79)	(24,53%)
Interest bearing	83	111	(28)	(25,23%)
D/E	0,0850	0,1257	(0,041)	(32,42%)
ROA	0,0770	0,0573	0,020	34,56%

**S&G TECHNOLOGY SERVICES**

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

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

S & G Technology Services has accumulated tremendous expertise on the banking industry and the development of technology solutions for some of the world's largest banks.

This enables the company to better understand the challenges faced by customers, identify the areas in which it can provide innovative solutions and integrate seamlessly into its specific solutions within a broader delivery program. S & G Technology Services specializes in providing IT consulting services, software products and services to the software ecosystem of one of the most popular banking systems - the Temenos T24.

**SIRMA CI**

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

**Conditions for Business Development in 2023**

Almost all leading institutions forecast an expected acceleration in economic growth in 2024, with most expecting further acceleration in 2025. The arithmetic mean forecast for 2024 is 2.6%, with an acceleration to 3% forecast in 2025. The Vienna Institute WIIW is with the most pessimistic forecast predicting growth of 1.5% in 2024, but even they expect a big acceleration in 2025 to 2.5%. The most positive are the expectations of S&P, the Ministry of Finance and the IMF,

betting on economic growth above 3% for 2024. For 2025, the most optimistic is the forecast of the BNB, which is 3.6%.

It should be noted that in 2023 economic growth exceeded the forecasts of all institutions. Economic growth for the first three quarters of 2023 was around 2%, compared with the arithmetic mean forecast a year ago of 1.2%, even with the most optimistic forecast of 1.7%. The most pessimistic forecast was by the BNB, expecting only 0.1% economic growth for 2023, but this pessimism was refuted by the real data on the

Bulgarian economy. Interestingly, institutions that were pessimistic last year are now among the bullies, including the IMF and S&P.

Compared to the second quarter, unemployment was 4.4% for 2023, and according to the employment agency, 2023 will end at 5.6%, i.e. an increase is noticeable.

Forecasts also point to personnel optimizations in the IT sector to continue - they are provoked due to the discipline of resources, an increase in financial results, the introduction of AI, etc. By the fall of 2024, this trend is expected to be contained, i.e. stabilizes.

We continue the adaptation of the business in the direction of income diversification from additional IT activities.

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

Despite the stagnation on a global scale, Sirma CI will continue its development with the aim of positive balance and diversification in the sector and revenues.

For 2024, our focus remains on the trends defined by Gartner and internal analysis against market demand and our customers.

We also maintain a focus on the need to deliver services from our expertise and work collaboratively with partners to develop and integrate our products, leading to diversification and revenue growth.

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

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

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

- Unified Commerce Ecosystem
- Real-Time Pricing
- eCommerce software (web and mobile apps)

Of the top 3 services that Gartner defines at their peak, we offer two. The other products and expertise that we have and are described in the Technology stack are very up to date. We have started a heavy adaptation of a software product that we are developing in partnership for Real-Time Customer Engagement. The goal is to start in Bulgaria, as the next steps we have also targeted Europe. The product will be offered as a SaaS and Enterprise solution. We are already testing it with real customers and the results are very good.

We are actively continuing our activities regarding partner relationships with European companies, considering in the second half of 2024 to also launch activities in Northern Europe with the new product (Real-Time Customer Engagement), keeping our focus on current markets and customers.

We have provided a marketing budget for PR materials to advertise our new concept in the "retail" vertical.

Completely focused on the trends of Unified Commerce and Real-Time Customer Engagement, which will bring together our implementation solutions for large merchants, but now also for smaller merchants: e-store, loyalty program, mobile applications, chatbots and the provision of a system (Real-Time Customer Engagement) to analyze users in real time and take care of them: generate sales and better service.

The new product is designed to increase the Conversion Rate for sellers of products and services.

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

- Consultations for digital transformation and innovation
- Business analysis and planning
- Individual web and mobile design (responsive)
- Personalized e-commerce (back-end and front-end development)
- Integration of loyalty program (back-end and front-end development)
- ERP integration / optimization
- Implementation of logistics integrations / optimizations
- Integrations for online payments
- Billing integrations
- Mobile applications - native Android and iOS
- CIM customer intelligence and monetization - a system for analyzing consumer behavior.
- Chatbots - based on Melinda

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

Retaining a regular government, thus leading to stability, restarting infrastructure and economic stimulus to restore the economy.

**New contracts during 2023:**

- The contracts we signed in 2023 are already being implemented. They are long-term and include maintenance and development.

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

**Perspectives and forecasts for 2024**

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

In 2024 positive business development is expected to continue as large companies continue to digitize their processes, which maintains interest in online sales. We are increasingly emphasizing the implementation of AI technologies in our solutions. It is noticeable how the automations achieved with artificial intelligence are no longer exotic, and customers are looking for and using them more and more.

**FINANCIAL RESULTS**

	31.12.2023	31.12.2022	Change	Change %
Revenues	855	1 443	(588)	(40,75%)
EBITDA	30	149	(119)	(79,87%)
Depreciation	(13)	(1)	(12)	1 200%
Net Result	14	132	(118)	(89,39%)
EBITDA margin	3,51%	10,33%	(6,82%)	(66,02%)
Net Profit margin	1,64%	9,15%	(7,51%)	(82,10%)
Sales per share	2,8500	4,8100	(1,96)	(40,75%)
EPS	0,0467	0,4400	(0,39)	(89,39%)
ROE	0,0854	0,8800	(0,79)	(90,30%)
Total Assets	433	432	1	0,23%
Intangibles	30	30	-	-
Book value	134	120	14	11,67%
Equity	164	150	14	9,33%
Total Liabilities	269	282	(13)	(4,61%)
Interest bearing	61	-	61	n/a
D/E	0,3720	-	0,3720	n/a
ROA	0,0323	0,3056	(0,27)	(89,42%)

**SIRMA MEDICAL SYSTEMS**

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

**Conditions for business development in 2023**

In 2023, the trend towards digitization of healthcare accelerated and further development of both technologies and regulations in the market for digital healthcare services. Most developed countries in the world already have precise regulatory frameworks and national development programs in the field of digital healthcare. The concept of personalized medicine, where the patient takes an active part in the care of his health, continued to be established and developed. Software solutions for remote patient monitoring and remote examinations are now accepted as normal practice, especially in areas with insufficient local coverage by the healthcare system.

In this dynamic environment, the two main products of Sirma Medical Systems are well positioned in the market and have the capacity for medium and long-term development through precise targeting of marketing efforts. The target markets in

which the company will seek implementation in 2023 have been defined. For Diabetes:M, activities in the United Kingdom and Bulgaria are a priority. For Medrec:M, implementation efforts in Bulgaria are a priority, with an additional focus on the United Kingdom.

Sirma Medical Systems continues to develop its products in its two main directions – for self-monitoring and remote monitoring of diabetic condition and telemedicine.

This company participated in one of the largest healthcare technology events in Great Britain - the HETT Show, which took place on September 26-27 in London. The event was attended by over 4 500 healthcare professionals, and Sirma Medical Systems introduced the Diabetes:M diabetes and Medrec:M digital health platforms. During the event, more than 50 meetings with potential partners and customers were held.

Sirma Medical Systems also participated in a joint trade mission of DHI Cluster and the British-Bulgarian Business Association (BBBA) to participate in one of the largest health

care events in England - GIANT Health, which took place on December 4-5 in London.

The implementation of videos with health tips and webinars with the participation of prominent medical specialists from various fields continues, as well as the publication of informative articles in the product blogs. The practice of sending a monthly newsletter with useful information to app users and Medrec:M webinar audiences also continues.

Partnerships with popular Bulgarian media for publishing materials are also being developed.

The development of a new version of the MPI-2 application for stutterers, developed in partnership with professors from the University of California, Santa Barbara, USA, have been completed. The new version will allow users to use the app for self-healing, independently, without the intervention of a supervising professional.

The inclusion in the Medrec:M platform and the offering of digital health services of Dr. Tihomir Mustakov's Allergology Clinic and Maria Nikodimova's Functional Medicine Center were finalized.

Negotiations have been launched with the healthcare platform CredoWeb for a tripartite partnership between Sirma Medical Systems, CredoWeb and Aptechko, with the aim of promoting and attracting new medical specialists to the company's platforms. Negotiations have also started with a consulting agency specialized in the field of medical and pharmaceutical services in order to better position the products on the market and increase the benefits for doctors and medical specialists when using the platform.

#### **Perspectives and forecasts for 2024**

An increase in revenue is expected on an annual basis compared to 2023. There is an increased investment interest in all of the company's products. Sirma Medical Systems is working for its successful positioning and increase in sales of its products, in which it has invested in recent years.

In 2024, the main goal of business development and marketing activities will be to increase and maintain the customer base of the two mobile applications Diabetes:M and Medrec:M, as well as to attract new customers for the medical platforms Diabetes:M Monitor and Medrec:M Clinic on the company's strategic markets.

Additional efforts will be focused on marketing the self-treatment version of the MPI-2 stuttering program, as well as implementing the initial marketing and advertising campaigns for this product.

A mobile application for Medrec:M Clinic is about to be launched, through which health professionals will access the information from the platform via mobile devices.

It is planned to develop the current partnerships with various commercial and non-governmental organizations, as well as media from the country and abroad.

A new initiative has also been launched to periodically send a newsletter with the latest changes in the Medrec:M Clinic platform to current and potential clients, with the aim of familiarizing them with the new functionalities. In addition, virtual meetings with current customers are planned at the end of each quarter, in order to present and provide detailed training on working with the innovations added during the period

It will also seek key partnerships with leading healthcare organizations and manufacturers of connected IoT devices, as well as support and referrals from medical professionals.

Sirma Medical Systems is expected to be ISO 27001 certified.

By the end of the year, it is expected to complete the certification procedure of the bolus calculator on the Diabetes:M platform as a class 2 medical device.

It is expected that by the end of the year, a clinical study of the Diabetes:M platform will be conducted regarding the medical effect and improving the quality of life of patients through the application.

**FINANCIAL RESULTS**

	31.12.2023	31.12.2022	Change	Change %
Revenues	259	443	(184)	(41,53%)
EBITDA	(215)	94	(309)	(328,72%)
Depreciation	(38)	(44)	6	(13,64%)
Net Result	(293)	5	(298)	n/a
EBITDA margin	(85,71%)	17,83%	(103,55%)	n/a
Net Profit margin	(113,13%)	1,13%	(114,26%)	n/a
Sales per share	0,8633	1,4767	(0,61)	(41,53%)
EPS	(0,9767)	0,0167	(0,99)	n/a
ROE	1,4577	0,0543	1,40	2 582,19%
Total Assets	1 332	1 513	(181)	(11,96%)
Intangibles	1 250	1 284	(34)	(2,65%)
Book value	(1 451)	(1 192)	(259)	21,73%
Equity	(201)	92	(293)	n/a
Total Liabilities	1 533	1 421	112	7,88%
Interest bearing	251	250	1	0,40%
D/E	(1,25)	2,72	(3,97)	n/a
ROA	(0,2200)	0,0033	(0,2233)	n/a

**SCIANT**

- **Sciant is a subsidiary of Sirma Group Holding JSC**
- **Capital: BGN 257 000. Sirma Group Holding owns 100% of the capital.**

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

**Conditions for business development in 2023**

The company provides software services in the following industries: Hospitality, Logistics and Transport, Finance and Banking. In 2023 there was an increase in customers from the Hospitality and Logistics verticals. The third vertical Finance and Banking has also developed in the global market.

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

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

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

Although rearer, the company also works with Bulgarian companies. For them performs consultations on integrations to third-party systems, project management.

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

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

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

In 2023 Sciant continued to fulfill its strategic goals:

- Attracting new customers in Western Europe, North America and Bulgaria from the existing verticals have been attracted: Hospitality, Logistics and Transport, Finance and Banking.
- The Company continues to rely on a stable and sustainable model of selling software development services and integration adapter support services. New integrations are being built to systems and products of external companies established in the respective industries.
- The construction of our own system for the support of integration adapters - Managed Integration Services (MIS) continues. The contracts are for a monthly subscription, with the growth of revenues on a monthly basis averaging 10%, and the number



of hotels served to customers reached 1 370 at the end of year.

- During 2023 Sciant's sales team visited the Hotel & Hospitality Expo in Saudi Arabia and WTM in London, which generated significant interest and new opportunities for the company.
- The number of personnel is also growing, as at the end of the third quarter the company has nearly 160 employees in Bulgaria and Albania. There is some movement in the labor market, but the rate of new hires is still lower than the rate of sales.
- The office in Tirana, Albania has been expanded, which should also increase the number of staff, which currently numbers 28 employees.

#### Important events:

The company is developing according to the plan

A new office has been opened in Varna, which will expand recruitment activities and should increase the number of staff.

#### Solved and unresolved issues in the realization of the business plan for 2023

The company exceeded the plan for 2023. The main factor for the increase in business is the good positioning of the company in the three verticals and the vibrancy in the global economy. The main limiting factor for growth at the moment is the situation on the labor market. The company manages to hire and train new employees more successfully than competing companies, but nevertheless the speed of hiring new employees is lower than the speed of sales.

#### Perspectives and forecasts for 2024

Due to the slowing economy and shrinking budgets, the company plans to increase the number of employees more conservatively and cautiously.

It is planned to participate in the ITB exhibition in Berlin in March, which should bring new commercial opportunities and partnerships for the hotel practice.

Two conferences in Paris and Stuttgart are planned to generate new business opportunities for the logistics practice.

We are working on developing partnerships in the Middle East.

## FINANCIAL RESULTS

	31.12.2023	31.12.2022	Change BGN '000	Change %
Revenues	15 490	13 788	1 702	12,34%
EBITDA	1 286	2 137	(851)	(39,82%)
Depreciation	(394)	(341)	(53)	15,54%
Net Result	797	1 614	(817)	(50,62%)
EBITDA margin	8,30%	15,50%	(7,20%)	(46,43%)
Net Profit margin	5,15%	11,71%	(6,56%)	(56,05%)
Sales per share	0,4379	0,3898	0,05	12,34%
EPS	0,0225	0,0456	(0,023)	(50,62%)
ROE	0,5407	0,7073	(0,167)	(23,55%)
Total Assets	4 645	4 268	377	8,83%
Equity	1 474	2 282	(808)	(35,41%)
Total Liabilities	3 171	1 986	1 185	59,67%
Interest bearing	648	533	115	21,58%
D/E	0,4396	0,2336	0,2061	88,22%
ROA	0,1716	0,3782	(0,2066)	(54,63%)

## SAI

"SAI" EAD is a subsidiary of "Sirma Group Holding" JSC since 2008, with the main goal of concentrating within itself the knowledge and expertise of "Sirma Group Holding" JSC, in the field of artificial intelligence and in the last year, its application in the field of cyber security. The company's activity is oriented towards specialization in the field of corporate cyber security and application of artificial intelligence to achieve the main goals of the same.

The company aims to modernize the cyber-security system of the group of companies owned and/or under the control of "Sirma Group Holding" JSC, as well as to attract external customers in need of a comprehensive solution in the same area.



**Conditions for Business Development in 2023**

"SAI" EAD provides complete "holistic" services in the field of cyber security, company security, auditing according to modern cyber security standards and drafting of policies and procedures in this area.

The transition, during the Covid pandemic, to a remote form of work, maintains its trend in 2023 as well, and together with the increasing spread of IoT in every sphere of business, contributes like never before to raising the requirements for cyber security at completely different levels of functioning and effectiveness. This also determines the main, key trends of the industry in 2023.

A. Dominant role of the remote form of work;

B. Directing internationally-oriented and state-funded attacks against businesses and other governments;

C. Building a cyber-security oriented business culture;

D. An increasingly important role of artificial intelligence (AI) in the field of cyber security;

The company plans to provide a full package of services in the field of company and cyber security, by providing the following services:

A. "SOC" and "Response" team

The evolution of cyber threats and attacks in recent years has led to uncertainty in cyber ecosystems. Vital to meeting these challenges is building advanced Cyber Security Operations Centers (SOCs) providing an operational risk management framework within organizations to manage, monitor and respond to cyber security threats.

B. "CISO as a Service"

A key challenge facing the sector is the global shortage of skilled cybersecurity workers and the expertise available to help protect data at risk.

C. "Penetration Testing"

Growing demand for security solutions for software-based web and mobile applications is expected to boost the growth of the global security testing market. Additionally, the growing use of cloud-based cybersecurity services is expected to drive demand for vulnerability and security testing services. Moreover, with the increasing digitization in developing countries, it is expected to boost the trend of IoT-based connected devices. This, in turn, reinforces the need for vulnerability and security testing.

D. Audit, risk assessment and subsequent implementation of cyber security procedures

The dynamic international situation and economic trends, in 2022 and 2023, show the ever-increasing need for comprehensive services in the field of cyber-security and will allow the company, after building the modern SOC center planned for the first quarter, to add new clients to its portfolio of services.

In 2023, "SAI" AD ("Ontotext" AD) realized its strategic goals, namely:

A. Building a modern and up-to-date SOC

B. Hiring and training of qualified personnel who meet the requirements of the activity

C. Modernization of the cyber-security system of the group of companies owned and/or under the control of "Sirma Group Holding" JSC

D. Attracting new, international clients in need of developing and implementing comprehensive solutions in the field of cyber security.

**Overview of the Activity During 2023**

In 2023, the company implemented the following important activities for the realization of its strategic goals:

2.1 Confirmation of the activity of the already built, modern and compliant operational center for cyber security "SOC" and raising the qualifications of the existing staff, through participation in specialized courses and professional qualifications.

2.2 Developing the established company marketing strategy and brand image, through participation in international exhibitions and forums for cyber security. Participation of the Director of Business Development in ENISE Spain and the HEET conference in London.

2.3 Development of procedures and practices for cyber security at HR management level, for "Sirma Group Holding" JSC and the companies of the Group.

2.4 Hiring a sales consultant for the Turkey region

2.5 Implementation of a cyber security training program for Sirma Group Holding employees, including preparation and distribution of educational materials and training leaflets on internet fraud and cyber security practices.

2.6 Operation of the "Sirma Cyber Security Management Platform"

2.7 Renting an office and starting the Israeli company's activity in the field of cyber security by signing the first SOC As A Service contracts.

**Expectations for business development in 2024**

In 2024, development of the already structured, through the Bulgarian and Israeli subsidiary, business in the field of comprehensive services in the field of cyber security is expected:

3.1 Main target markets - Israel, Middle East, Romania, Greece, Bulgaria, Scandinavian countries.

3.2 Participation in at least three leading events in the field of cyber security, hospitality and logistics.

3.3 Development of a strategy for entering the market in the USA, through the subsidiaries of "Sirma Group Holding" JSC, companies.

3.4 Improving the processes of using the "Sirma Cyber Security Management Platform", by implementing artificial intelligence (AI).

3.5 Hiring and training highly qualified sales experts to operate the strategically planned markets.

3.6 Conducting Penetration Tests and simulated attacks in the system of "Sirma Group Holding" JSC.

## SIRMA GROUP HOLDING – INDIVIDUAL FINANCIAL RESULTS

	31.12.2023	31.12.2022	Change	Change %
Revenues*	5 228	13 704	(8 476)	(61,85%)
EBITDA	2 236	2 242	(6)	(0,27%)
Depreciation	(617)	(602)	(15)	2,49%
Net Result	1 509	2 131	(622)	(29,19%)
EBITDA margin	42,77%	16,36%	26,41%	161,43%
Net Profit margin	28,86%	15,55%	13,31%	85,62%
Sales per share	0,0881	0,2309	(0,14)	(61,85%)
EPS	0,0254	0,0359	(0,01)	(29,19%)
ROE	0,0204	0,0287	(0,0083)	(29,02%)
Total Assets	90 077	89 495	582	0,65%
Intangibles	4 225	6 556	(2 331)	(35,56%)
Book value	68 789	69 026	(237)	(0,34%)
Equity	73 029	75 582	(2 553)	(3,38%)
Total Liabilities	17 048	13 913	3 135	22,53%
Interest bearing	245	9 052	(8 807)	(97,29%)
D/E	0,0034	0,1198	(0,116)	(97,20%)
ROA	0,0168	0,0238	(0,007)	(29,65%)

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

## 7 RESULTS BY SEGMENTS

The group defined operation in several segments:

**Segment INTELLIGENT EVOLUTION OF ENTERPRISES**

**Companies of Sirma Group operating in the segment are:** EngView Systems, Sirma AI, Sirma Solutions, Sirma Medical Systems, Datium, Sirma CI, Sirma Group Inc., Sciant, SAI, Sciant Shpk.(ReSolutions), Sirma AB and Saifort.

**FINANCIAL RESULTS OF THE SEGMENT**

	2023 BGN'000	2022 BGN'000
Revenue from:		
- external customers	38 371	43 855
<b>Segment revenues</b>	<b>38 371</b>	<b>43 855</b>
Cost of materials	(1 092)	(1 597)
Hired services expenses	(9 828)	(9 594)
Employee benefits expense	(25 537)	(26 392)
Depreciation and amortisation of non-financial assets	(3 114)	(5 788)
Other expenses	(1 663)	(982)
<b>Segment operating (loss)</b>	<b>(2 869)</b>	<b>(498)</b>

In 2023 the revenues of the segment decreased by 12,50 % and the segment registered operating loss increased by 474,90% over 2022.

**Segment SOLUTIONS, PRODUCTS AND CONSULTING IN FINANCE**

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

**FINANCIAL RESULTS OF THE SEGMENT**

	<b>2023</b> <b>BGN'000</b>	<b>2022</b> <b>BGN'000</b>
Revenue from:		
- external customers	15 740	12 987
<b>Segment revenues</b>	<b>15 740</b>	<b>12 987</b>
Changes in finished goods and work in progress	-	(141)
Cost of materials	(50)	(434)
Hired services expenses	(1 033)	(789)
Employee benefits expense	(12 039)	(7 143)
Depreciation and amortisation of non-financial assets	(670)	(2 477)
Other expenses	(358)	(476)
<b>Segment operating profit</b>	<b>1 590</b>	<b>1 527</b>

In 2023 the revenues of the segment increased by 21,2% and operating profit increased by 4,13% compared to 2022.

**Segment SYSTEM INTEGRATION**

Companies of Sirma Group operating in the segment are: Sirma Solutions.

**Financial results of the segment**

	<b>2023</b> <b>BGN'000</b>	<b>2022</b> <b>BGN'000</b>
Revenue from:		
- external customers	27 204	23 250
<b>Segment revenues</b>	<b>27 204</b>	<b>23 250</b>
Cost of materials	(23 660)	(19 893)
Hired services expenses	(1 353)	(1 630)
Employee benefits expense	(1 425)	(821)
Depreciation and amortisation of non-financial assets	(10)	(53)
Other expenses	(50)	(4)
<b>Segment operating profit</b>	<b>707</b>	<b>849</b>

In 2023 the revenues of the segment increased by 17,01%, and operating profit decreased by 16,84% compared to 2022.

**8 MAIN MARKETS**

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

**REVENUE BY REGIONS AND COUNTRIES:**

<b>Region</b>	<b>31.12.2023</b> <b>BGN '000</b>	<b>31.12.2022</b> <b>BGN '000</b>	<b>Change</b> <b>BGN '000</b>	<b>Change</b> <b>%</b>
Europe	55 647	50 501	5 146	10,19%
North America	13 418	16 801	(3 383)	(20,14%)
United Kingdom	10 585	10 221	364	3,56%
Asia	1 083	1 862	(779)	(41,84%)
South America	328	479	(151)	(31,52%)
Australia	164	199	(35)	(17,59%)
Africa	90	29	61	210,34%
<b>Total</b>	<b>81 315</b>	<b>80 092</b>	<b>1 223</b>	<b>1,53%</b>

The Group sell their products and services without geographical restrictions. However, traditionally the highest sales the Group generated in Europe and North America. Together with UK revenue, they traditionally account for 97,95% of total consolidated revenue. However, due to the exceptional diversification of its products and services, which are applied in many completely different sectors and customers, it is not possible to talk about any dependence of the Group on individual customers or on certain services.

In 2023, the Group sold in 60 countries. The largest share in the consolidated revenues belongs to the revenues from Bulgaria in the amount of BGN 44 711 thousand or 54,98% of the total sales revenues, followed by the USA with BGN 12 378 thousand or 15,22% and from the United Kingdom with BGN 10 585 thousand or 13,02%.

## 9 CONSOLIDATED FINANCIAL RESULTS

### CONSOLIDATED REVENUES

Consolidated revenues of the Group includes:

	31.12.2023	31.12.2022	Change	Change
	BGN '000	BGN '000	BGN '000	%
Revenue from contracts with customers	80 528	78 358	2 170	2,77%
Gain on sale of non-current assets	19	10	9	90%
Other income	768	1 724	(956)	(55.45%)
<b>Total</b>	<b>81 315*</b>	<b>80 092</b>	<b>1 223</b>	<b>1,53%</b>

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

Consolidated revenues increased with 1,53 % or BGN 1 223 thousand during 2023.

Consolidated revenue by product line includes:

	31.12.2023	31.12.2022	Change	Change
	BGN '000	BGN '000	BGN '000	%
Software services	36 593	38 790	(2 197)	(5,66%)
Sale of IT equipment	26 654	22 485	4 169	18,54%
Subscriptions	5 682	5 007	675	13,48%
Licenses	2 845	3 534	(689)	(19,50%)
Support	2 149	1 586	563	35,50%
Consulting services	2 096	2 460	(364)	(14,80%)
Cloud services	1 644	1 390	254	18,27%
System integration	417	463	(46)	(9,94%)
Others	2 448	2 643	(195)	(7,38%)
<b>Total</b>	<b>80 528</b>	<b>78 358</b>	<b>2 170</b>	<b>2,77%</b>

### CONSOLIDATED EXPENSES

	31.12.2023	31.12.2022	Change
	BGN '000	BGN '000	(BGN '000,%)
Cost of materials	(1 565)	(1 841)	276
<i>Change in %</i>			(14,99%)
Hired services expenses	(12 221)	(12 049)	(172)
<i>Change in %</i>			1,43%
Employee benefits expense	(39 001)	(34 356)	(4 645)
<i>Change in %</i>			13,52%
Depreciation and impairment of non-financial assets	(3 794)	(8 318)	4 524
<i>Change in %</i>			(54,39%)
Cost of goods sold and other current assets	(23 237)	(20 083)	(3 154)
<i>Change in %</i>			15,70%
Changes in finished goods and work in progress	-	(141)	141
<i>Change in %</i>			(100%)
Other expenses	(2 071)	(1 462)	(609)
<i>Change in %</i>			41,66%
<b>Total expenses</b>	<b>(81 889)</b>	<b>(78 250)</b>	<b>(3 639)</b>
<b><i>Change in %</i></b>			<b>4,65%</b>

During 2023 consolidated operating expenses increased by BGN 3 639 thousand or by 4,65%. Employee benefits expense has the largest share in the consolidated operating expenses (47,63%), followed by the hired services expenses (14,92%).

## CONSOLIDATED FINANCIAL INCOME / COSTS (NET)

	31.12.2023	31.12.2022	Change	Change
	BGN '000	BGN '000	BGN '000	%
Loss on investments accounted for using the equity method	-	(11 939)	(11 939)	(100%)
Financial costs	(946)	(1 846)	900	(48,75%)
Financial income	80	738	(658)	(89,16%)
<b>Financial income / expenses (net)</b>	<b>(866)</b>	<b>(13 047)</b>	<b>12 181</b>	<b>(93,36%)</b>

Consolidated financial costs decreased by BGN 900 thousand or by 48,75% in 2023, mainly due to the decrease of the expenses operations with financial assets.

Financial income decreased by BGN 658 thousand or by 89,16%, mainly due to the decrease in income from operations with financial assets.

## CONSOLIDATED ASSETS

Consolidated assets marked an decrease of BGN 26 989 thousand or 22,03 % in 2023. Traditionally, the biggest share of these relate to goodwill and intangible assets.

### NON-CURRENT ASSETS

	31.12.2023	31.12.2022	Change	Change
	BGN '000	BGN '000	BGN '000	%
Goodwill	26 252	26 252	-	-
Property, plant and equipment	10 181	9 881	300	3,04%
Intangible assets	20 387	20 706	(319)	(1,54%)
Investments in associates	-	18 502	(18 502)	(100%)
Long - term financial assets	-	336	(336)	(100%)
Long - term related party receivables	295	-	295	n/a
Deferred tax assets	1 469	1 278	191	14,95%
<b>Total non-current assets</b>	<b>58 584</b>	<b>76 955</b>	<b>(18 371)</b>	<b>(23,87%)</b>

Non-current assets decreased by BGN 18 373 thousand or by 23,87 % in 2023.

### CURRENT ASSETS

	31.12.2023	31.12.2022	Change	Change
	BGN '000	BGN '000	BGN '000	%
Inventory	2 104	560	1 544	275,71%
Trade and other financial receivables	15 661	16 573	(912)	(5,50%)
Prepayments and other assets	1 059	6 705	(5 646)	(84,21%)
Short-term related party receivables	99	418	(319)	(76,32%)
Income tax receivables	27	-	27	n/a
Loans granted	-	150	(150)	(100%)
Financial assets at fair value through profit or loss	3 292	-	3 292	n/a
Cash	14 694	21 146	(6 452)	(30,51%)
<b>Total current assets</b>	<b>36 936</b>	<b>45 552</b>	<b>(8 616)</b>	<b>(18,91%)</b>

Current assets increased by BGN 11 487 thousand or by 32,72 % in 2022.

## EQUITY

	31.12.2023	31.12.2022	Change
	BGN '000	BGN '000	(BGN '000,%)
Share Capital	59 361	59 361	-
<i>Change</i>			-
Purchased own shares	(1 799)	(85)	(1 714)
<i>Change</i>			2 016,47%
Reserves	8 957	7 043	1 914
<i>Change</i>			27,18%
Retained earnings	8 981	19 237	(10 256)
<i>Change</i>			(53,31%)
Equity attributable to the owners of the parent	75 500	85 556	(10 056)
<i>Change</i>			(11,75%)
Non-controlling interest	4 126	4 995	(869)
<i>Change</i>			(17,40%)
<b>Total</b>	<b>79 626</b>	<b>90 551</b>	<b>(10 925)</b>
<b><i>Change</i></b>			<b>(12,07%)</b>

Equity during 2023 decreased by BGN 10 925 thousand or by 12,07 %.

## CONSOLIDATED LIABILITIES

Consolidated liabilities decreased by 16 062 BGN thousand or 50,26 % in 2023.

### NON-CURRENT LIABILITIES

	31.12.2023	31.12.2022	Change	Change
	BGN '000	BGN '000	BGN '000	%
Pension obligations	596	400	196	49%
Long-term borrowings	-	7 707	(7 707)	(100%)
Long-term lease liabilities	1 283	1 287	(4)	(0,31%)
Long-term related party payables	328	-	328	n/a
Deferred tax liabilities	280	327	(47)	(14,37%)
<b>Total non-current liabilities</b>	<b>2 487</b>	<b>9 721</b>	<b>(7 234)</b>	<b>(74,42%)</b>

Non-current liabilities decreased by BGN 7 234 thousand or by 74,42% in 2023.

**Long-term and short-term bank loans**

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit (BGN)	Remaining obligation to 31.12.2023 (BGN)	Date of making the loan	Interest rate	The amount of monthly installment (BGN)	End date of the contract	Collateral
<b>Loans in which the Issuer is a debtor</b>										
Sirma Group Holding JSC	United Bulgarian Bank	Overdraft	BGN	2 800 000	-	15.12.2022	The applicable variable interest rate for the relevant interest period +1.5 points, but not less than 1.5%		15.12.2025	Pledge of receivables

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



**Loans for which the Issuer is a guarantor**

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit (BGN)	Remaining obligation to 31.12.2023 (BGN)	Date of making the loan	Interest rate	End date of the contract	Collateral
Sirma Solutions	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
Sirma Solutions	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.
Sirma Solutions	United Bulgarian Bank	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.
Sirma InsurTech	KBC Bank Bulgaria	Overdraft	BGN	290 000	290 000	25.7.2022	3.10%	24.08.2024	-
Sciant	United Bulgarian Bank	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%	8.4.2025	Pledge of receivables
Sciant	United Bulgarian Bank	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 Sofia	United Bulgarian Bank	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
Sirma Medical Systems	United Bulgarian Bank	Bank revolving credit	BGN	250 000	250 000	15.12.2020	The applicable variable interest rate for the relevant interest period +2 points, but not less than 2.08%	14.12.2025	Pledge on receivables

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

Lender	Recipient	United identification code	Relationships	Type	Currency	Liability as of 31.12.2023 (BGN '000)	Date of contract/ last annex	Interest rate %	Term of contract	Pledges
SAI	Sirma Medical Systems	204054855	Subsidiary	Loan	BGN	1 200	20.12.2022	2.80	31.12.2024	No pledges
SAI	Sirma Group Holding	200101236	Parent company	Deposit	BGN	1 300	18.07.2023	0.1	18.07.2025	No pledges
Sirma Group Holding	Sirma ICS	203940550	Company under common control	Loan	BGN	48	23.01.2017, 31.01.2021	1.3	31.12.2024	No pledges
Sirma Group Holding	Pirina Technologies	175149906	Company under common control	Loan	BGN	295	10.01.2022	2	31.12.2024	No pledges
Sirma Group Holding	Sirma InsurTech	205982173	Subsidiary	Loan	BGN	600	03.10.2022	1.3	31.12.2023	No pledges
Sirma Group Holding	Sciant	203943638	Subsidiary	Loan	BGN	300	02.05.2023	3	02.05.2024	No pledges
Sirma Solutions	Sirma Group Holding	200101236	Parent company	Deposit	BGN	14 848	29.10.2020	0.1	31.12.2025	No pledges
Sirma Solutions	*Individual S.S.		Non related party	Loan	BGN	150	27.06.2017, 20.09.2017	3	31.12.2023	No pledges
Sirma Solutions	*Individual S.S.		Non related party	Loan	BGN	133	31.05.2022	2	31.12.2023	No pledges
Sirma InsurTech	HRM Solutions	206096810	Subsidiary	Loan	BGN	270	14.07.2021	3.2	31.12.2025	No pledges
EngView Systems	EngView Systems GmbH		Subsidiary	Loan	EUR	94	05.12.2022	3	31.12.2025	No pledges
Sciant	Sciant Shpk.		Company under common control	Loan	EUR	84	25.7.2023	3	01.09.2025	No pledges

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

Recipient	Lender	United identification code	Relationships	Type	Currency	Liability as of 31.12.2023 (BGN '000)	Date of contract/ last annex	Interest rate %	Term of contract	Pledges
Sirma Medical Systems	SAI	200356710	Company under common control	Loan	BGN	1 200	20.12.2022	2.80	31.12.2025	No pledges
Sirma Group Holding	Sirma Solutions	040529004	Subsidiary	Deposit	BGN	14 848	29.10.2020	0.1	31.12.2025	No pledges
Sciant	Sirma Group Holding	200101236	Parent company	Loan	BGN	300	02.05.2023	3	02.05.2024	No pledges
Sirma Group Inc	Worklogic Canada	Foreign company	Non related company	Loan	USD	85	31.07.2017	0,01	31.12.2024	No pledges
Sirma InsurTech	*Individual Y.M.		Related party	Loan	BGN	77	30.08.2022	2.9	31.12.2024	No pledges
Sirma InsurTech	Sirma Group Holding	200101236	Parent company	Loan	BGN	600	03.10.2022	1.3	31.12.2024	No pledges
Sirma Group Holding	SAI	200356710	Subsidiary	Deposit	BGN	1 300	18.07.2023	0.1	18.07.2025	No pledges

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

**CURRENT LIABILITIES**

	31.12.2023	31.12.2022	Change	Change
	BGN '000	BGN '000	BGN '000	%
Provisions	77	77	-	-
Employee obligations	5 066	3 973	1 093	27,51%
Short-term borrowings	578	5 251	(4 673)	(88,99%)
Short-term lease liabilities	589	590	(1)	(0,177%)
Trade and other payables	4 682	3 610	1 072	29,70%
Contract liabilities	1 822	8 119	(6 297)	(77,56%)
Short-term related party payables	532	497	35	7,04%
Income tax liabilities	61	118	(57)	(48,31%)
<b>Total current liabilities</b>	<b>13 407</b>	<b>22 235</b>	<b>(8 828)</b>	<b>(39,70%)</b>

Current liabilities decreased by BGN 8 828 thousand or 39,70 % in 2023.

**CASH FLOWS**

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

**SUMMARY OF CASH FLOW**

	31.12.2023	31.12.2022	Change	Change
	BGN '000	BGN '000	BGN '000	%
Net cash flow from operating activities	2 801	8 665	(5 864)	(67,67%)
Net cash flow from investing activities	8 927	19 302	(10 375)	(53,75%)
Net cash flow from financing activities	(18 032)	(18 089)	57	(0,32%)
Net change in cash	(6 304)	9 878	(16 182)	n/a
Cash at the beginning of the year	21 146	11 353	9 793	86,26%
Exchange gains/(losses) on cash and cash equivalents	(148)	(85)	(63)	74,12%
Cash at the end of the year	14 694	21 146	(6 452)	(30,51%)

## INDICATORS AND RATIOS

№	Indicators (in BGN '000)	31.12.2023	31.12.2022	Change (value)	Change %
1	Revenue from operating activities	81 315	80 092	1 223	1,53%
2	Cost of sales	(79 818)	(76 788)	(3 030)	3,95%
3	Gross profit	1 497	3 304	(1 807)	(54,69%)
4	Other operating costs	(2 071)	(1 462)	( 609)	41,66%
5	Operating (loss)/ profit	( 574)	1 842	(2 416)	n/a
6	Financial income	80	738	( 658)	(89,16%)
7	Financial costs	( 946)	(13 785)	12 839	(93,14%)
8	Profit before tax expense	(1 440)	(11 205)	9 765	(87,15%)
9	Tax costs	( 22)	383	( 405)	n/a
10	Net profit	(1 462)	(10 822)	9 360	(86,49%)
11	Dividend	3 597	2 030	1 567	77,19%
12	Cash and cash equivalents	14 694	21 146	(6 452)	(30,51)%
13	Inventories	2 104	560	1 544	275,71%
14	Short-term assets	36 936	45 552	(8 616)	(18,91%)
15	Total amount of assets	95 520	122 507	(26 987)	(22,03%)
16	Average arithmetic total asset value for 5 quarters	107 937	147 177	(39 240)	(26,66%)
17	Current liabilities	13 407	22 235	(8 828)	(39,70%)
18	Debt	2 450	14 835	(12 385)	(83,49%)
19	Liabilities (borrowed funds)	15 894	31 956	(16 062)	(50,26%)
20	Equity	79 626	90 551	(10 925)	(12,07%)
21	Equity averaged 5 quarters	84 946	106 675	(21 729)	(20,37%)
22	Turnover capital	23 529	23 317	212	0,91%
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	-
24	Gain minority interest	383	705	( 322)	(45,67%)
25	Interest expenses	( 163)	( 332)	169	(50,90%)
26	Weighted average price of last trading session	0,715	0,738	(0,0225)	(3,05%)
27	Last price per share of last trading session	0,725	0,750	(0,025)	(3,33%)

Indicators	31.12.2023	31.12.2022	Change (value)	Change %
EBITDA	2 517	(2 555)	5 072	n/a
DEPRECIATION	(3 794)	(8 318)	4 524	(54,39%)
EBIT	(1 277)	(10 873)	9 596	(88,26%)
FIN/INVEST NET	( 866)	(13 047)	12 181	(93,36%)
EBT	(1 440)	(11 205)	9 765	(87,15%)
ROA	(0,0193)	(0,0941)	0,0748	(79,47%)
ROA(BSE)	(0,0171)	(0,0783)	0,0612	(78,18%)
Debt/EBITDA Ratio	0,9734	(5,8063)	6,7796	n/a
Quick Ratio	2,5980	2,0235	0,5746	28,40%
ROE	(0,0172)	(0,1014)	0,0842	(83,03%)
Debt/Equity Ratio (BSE)	0,1996	0,3529	(0,1533)	(43,44%)
<b>Profitability ratios</b>				
Gross profit margin	0,0184	0,0413	(0,0228)	(55,31%)
Operating profit margin	(0,0071)	0,0230	(0,0301)	n/a
Net profit margin	(0,0180)	(0,1351)	0,1171	(86,69%)
Return on Assets	(0,0135)	(0,0735)	0,0600	(81,57%)
Return on Equity	(0,0172)	(0,1014)	0,0842	(83,03%)
<b>Coefficients for assets and liquidity</b>				
Assets turnover ratio	0,7541	0,5492	0,2049	37,31%
Assets turnover ratio (BSE)	0,7534	0,5442	0,2092	38,44%
Operating cycle	3,4559	3,4349	0,0210	0,61%
Current ratio	2,7550	2,0487	0,7063	34,48%
Quick ratio	2,5980	2,0235	0,5746	28,40%
Cash ratio	1,0960	0,9510	0,1450	15,24%
<b>Odds per share</b>				
P/S ratio	0,5220	0,5466	(0,0247)	(4,51%)
P/E ratio	(29,0309)	(4,0453)	(24,9855)	617,64%
Revenue per share	1,3698	1,3492	0,0206	1,53%
Earnings per share	(0,0246)	(0,1823)	0,1577	(86,49%)
Book value of equity per share	1,4310	1,7971	(0,3661)	(20,37%)
<b>Dividend ratios</b>				
Dividend payout ratio	(2,4603)	(0,1876)	(2,2727)	1 211,61%
Profit retention ratio	3,4603	1,1876	2,2727	191,38%
Dividend per share	0,0606	0,0342	0,0264	77,19%
<b>Development Ratios</b>				
Revenue growth	0,0153	64,4881	(64,4729)	(99,98%)
Gross profit growth	(0,5469)	(2,8284)	2,2815	(80,66%)
Assets growth	(0,2203)	(5,5395)	5,3192	(96,02%)
<b>Leverage Ratios</b>				
Debt/total assets	0,0227	0,1008	(0,0781)	(77,48%)
Debt/capital	0,0280	0,1221	(0,0941)	(77,04%)
Debt/equity	0,0288	0,1391	(0,1102)	(79,26%)
Total assets/equity	1,2707	1,3797	(0,1090)	(7,90%)
Market value of the company	43 037	44 521	(1 484)	(3,33%)

## RELATED COMPANIES TRANSACTIONS

### Transactions with associated parties

	2023	2022
	BGN'000	BGN'000
Sale of services		
- Administrative, accounting services	64	279
- Software	-	2
- Rents	11	7
- Hosting and Internet	17	-
- Others	-	20
Sale of assets	-	428
Non-monetary contribution to the capital of Ontotext AD	-	37 627
Sale of shares from the capital of Ontotext AD	20 511	-

### Transactions with other related parties

	2023	2022
	BGN'000	BGN'000
Sale of services		
- Administrative, accounting services	4	4
- Rents	8	13
- Software services	103	65
Purchases of goods	56	-
Returned given loans	-	48
Given loans	-	295
Interest on given loans	6	5

## 10 EMPLOYEES AND ECOLOGY

### ECOLOGY

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



## EMPLOYEES

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

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

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

Count of employees in the Group:

### 31.12.2023

Company	LC	CMC	Total
SIRMA SOLUTIONS	166	7	173
SCIANT	132	4	136
SIRMA BUSINESS CONSULTING	73	5	78
SIRMA INSURTECH	35	1	36
ENGVIEW SYSTEMS SOFIA	34	4	38
SCIANT SHPK.(RESOLUTIONS)	28	1	29
SIRMA GROUP HOLDING	20	9	29
SIRMA SHA, ALBANIA	15	3	18
S&G, UK	10	1	11
SIRMA ICS	7	1	8
DATICUM	8	2	10
SIRMA MEDICAL SYSTEMS	3	3	6
SIRMA CI	2	3	5
SIRMA AB	2	0	2
SIRMA GROUP INC., USA	2	1	3
SAI (ONTOTEXT)	1	3	4
ENGVIEW SYSTEMS GERMANY	1	1	2
<b>Total</b>	<b>539</b>	<b>49</b>	<b>588</b>

### 31.12.2022

Company	LC	CMC	Total
SIRMA SOLUTIONS	164	7	171
SCIANT	105	2	107
SIRMA BUSINESS CONSULTING	68	5	73
SIRMA INSURTECH	37	1	38
ENGVIEW SYSTEMS SOFIA	33	4	37
RESOLUTIONS	23	1	24
SIRMA GROUP HOLDING	20	9	29
SIRMA SHA, ALBANIA	14	3	17
S&G, UK	9	1	10
SIRMA ICS	9	1	10
DATICUM	8	2	10
SIRMA MEDICAL SYSTEMS	5	3	8
SIRMA CI	2	3	5
SIRMA GROUP INC., USA	1	1	2
ENGVIEW SYSTEMS GERMANY	-	1	1
ONTOTEXT	-	1	1
<b>Total</b>	<b>498</b>	<b>45</b>	<b>543</b>

## 11 RISK FACTORS

### Risk management objectives and policies

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

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

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

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

### MARKET RISK ANALYSIS

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

As the economic consequences of the war unfolded in Ukraine, strong inflationary pressures arose, which was particularly high in 2022, when inflation reached 15.3 percent. Average annual inflation for the period January - December 2023 fell compared to the period January - December 2022 to 9.5 percent. By the second half of 2025, easing pressures from energy prices and other costs, together with the ECB's monetary policy measures, should return inflation to the target level.

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

#### 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.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into Bulgarian leva at the closing rate:

	Short-term exposure	
	USD BGN'000	GBP BGN'000
<b>31 December 2023</b>		
Financial assets	7 276	1 045
Financial liabilities	(89)	(22)
<b>Total exposure</b>	<b>7 187</b>	<b>1 023</b>
<b>31 December 2022</b>		
Financial assets	9 851	773
Financial liabilities	(75)	(264)
<b>Total exposure</b>	<b>9 776</b>	<b>509</b>

The following tables illustrate the sensitivity of post-tax financial result for the year and equity in regards to exchange rate differences between the Bulgarian Lev (BGN) and the following currencies 'all other things being equal':

- US Dollars (USD) +/- 2.2 % (for 2022: +/- 8.6 %)
- Pound Sterling (GBP) (+/- 2.53 %) (for 2022: +/- 3.9 %)

All other parameters are assumed to be constant.

These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into.

31 December 2023	Increase of the exchange rate		Decrease of the exchange rate	
	BGN/foreign currency		BGN/foreign currency	
	Net financial result	Equity	Net financial result	Equity
	BGN'000	BGN'000	BGN'000	BGN'000
US Dollars (USD) (+/- 2.2%)	(158)	(158)	158	158
Pound Sterling (GBP) (+/- 2.53%)	(26)	(26)	26	26

31 December 2022	Increase of the exchange rate		Decrease of the exchange rate	
	BGN/foreign currency		BGN/foreign currency	
	Net financial result	Equity	Net financial result	Equity
	BGN'000	BGN'000	BGN'000	BGN'000
US Dollars (USD) (+/- 8.6%)	(582)	(582)	582	582
Pound Sterling (GBP) (+/- 3.9%)	(18)	(18)	18	18

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

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.

### Interest rate risk

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

In 2023, the Group was not exposed to the substantial risk of changes in market interest rates on its bank loans, which have a variable interest rate, because long-term investment loan was repaid. All other financial assets and liabilities of the Group have fixed interest rates.

In 2022, the Group is exposed to the risk of changes in market interest rates on its bank loans, which have a variable interest rate. All other financial assets and liabilities of the Group have fixed interest rates.

The tables presented below show the sensitivity of the annual net financial result after tax and equity to a likely change in interest rates on loans with a floating interest rate based on EURIBOR in the amount of +/- 94.23%. These changes are determined to be probable based on observations of current market conditions. The calculations are based on the change in the average market interest rate and on the financial instruments held by the Company at the end of the reporting period, which are sensitive to interest rate changes. All other parameters are assumed to be constant.

31 december 2022	Net financial result		Equity	
	increase in interest rate	decrease in interest rate	increase in interest rate	decrease in interest rate
	BGN'000	BGN'000	BGN'000	BGN'000
Loans (EURIBOR 94.23%)	(124)	(124)	124	124

## 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>31.12.2023</b>	<b>31.12.2022</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Financial assets at fair value through profit or loss:		
Non-current financial assets	-	336
Current financial assets	3 292	-
Non-current related party receivables	295	-
Trade and other receivables	15 661	16 573
Related party receivables	99	418
Loans given	-	150
Cash	14 694	21 146
	<b>34 041</b>	<b>38 623</b>

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

The Group's management has performed an analysis of the settlements with its counterparties, as well as the potential effect on their credit quality, incl. in terms of forming a reasonable amount of expected credit losses, according to the adopted model for determining them in accordance with IFRS 9. Based on the analysis, and taking into account the collection of receivables in the period after the pandemic, until the date of preparation of the pandemic In this consolidated financial statement, the Management Board considers that in the short term there are no indications of deterioration in the credit quality of counterparties, and that there are currently no grounds to change the model for calculating expected credit losses, including due to lack of credit losses. sufficiently reliable data. The long-term perspectives and potential effects on the collection and credit quality of the estimates are subject to constant monitoring and updating by the Management. The process also takes into account the fact that the existence of temporary liquidity problems of counterparties caused directly by Covid-19 are not considered indications of deteriorating credit quality.

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

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

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

## LIQUIDITY RISK

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

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

As at 31 December 2023, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

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>

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

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

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

#### Financial assets used for managing liquidity risk

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

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

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

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

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

There are no transactions recorded off-balance sheet in the Group.

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

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

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

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

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

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

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

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

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

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

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

### 12.8 INFORMATION ABOUT THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM IMPLEMENTED IN THE GROUP IN THE PROCESS OF FINANCIAL REPORTING AND RISK MANAGEMENT SYSTEM

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

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

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

The consolidated financial statements have been prepared in accordance with the going concern principle, taking into account the possible effects of the emerging geopolitical situation and other risks accompanying the Group's activity.

During the reporting period, there were no changes in the main management principles of the Group.

## 12.9 INFORMATION ON CHANGES IN MANAGEMENT AND SUPERVISORY BODIES IN THE FINANCIAL YEAR.

There were no changes in the Group's management and supervisory bodies during the reporting period.

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

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

## 12.11 CONTACT DETAILS OF THE DIRECTOR "INVESTOR CONNECTIONS", INCLUDING TELEPHONE AND ADDRESS FOR CORRESPONDENCE.

Stanislav Tanushev

Bul. 135 Tsarigradsko shose, fl. 3

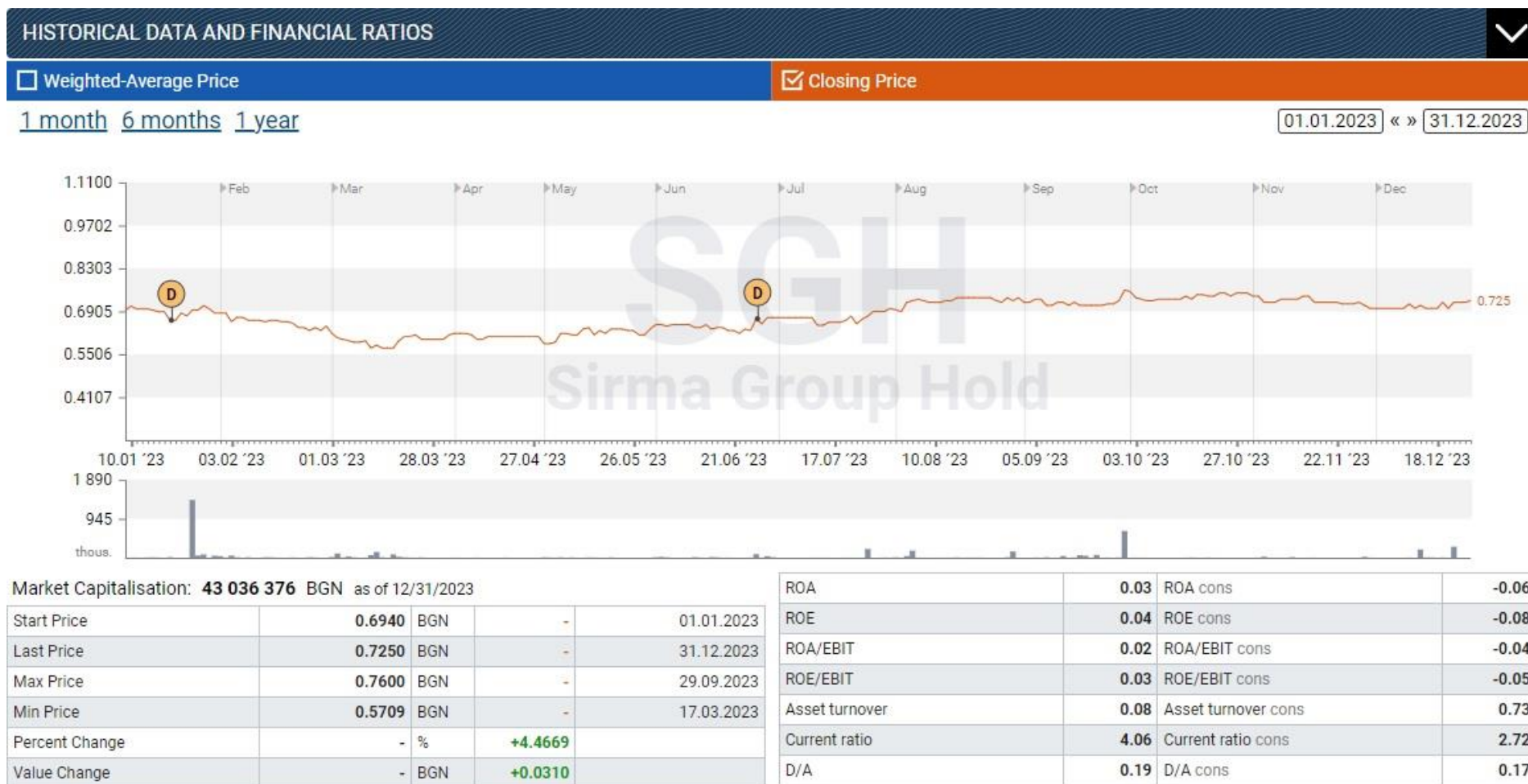
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## 13 CHANGES IN THE PRICE OF THE SHARES OF SIRMA GROUP HOLDING JSC



## 14 EVENTS AFTER THE END OF THE REPORTING PERIOD

### Reduction of the capital of a subsidiary company

On 21.12.2023 the Board of Directors of the subsidiary "SAI" AD made a decision to buy the shares of the company from the individual shareholders. As a result of this decision, the sole owner of the company became "Sirma Group Holding" JSC. The decision was entered and announced in the Commercial Register on 12.01.2024. As of that date, SAI is a sole proprietorship and its capital is BGN 13 588 241, divided into 13 588 241 ordinary (only) shares with a nominal value of BGN 1, whose sole owner is Sirma Group Holding JSC.

### Buyback of shares

By decision of the General Meeting of Shareholders of "Sirma Group Holding" JSC, dated 09.01.2023, on 24.01.2024 "Sirma Group Holding" JSC bought back 1 000 000 of its shares at an average price of BGN 0.74 per share at a total price of BGN 740 000. The shares represent 1.68% of the company's capital. The purchase was made on the Bulgarian Stock Exchange - Sofia AD.

### The business consolidation strategy

On 21.03.2024 "Sirma Group Holding" JSC announced pending steps towards the implementation of the Strategy for the consolidation of activities and ownership within the Group. The main guidelines of the Consolidation Strategy are:

- Objective of the Strategy: By strengthening the vertical specialization of services, achieving organic and inorganic (through acquisitions) sales growth up to EUR one hundred million and listing on a major world stock exchange;
- Time frame: 2023 – 2026;
- Continuation of the process of consolidation of ownership in subsidiaries;
- Maximum consolidation of the number of companies in the Group (with the exception of foreign companies);
- Full transition to a vertical business organization with the following main verticals: - Financial Services; Transport and Logistics; Hospitality; Industrial; Insurance; Healthcare; Retail.
- Adequate restructuring and optimization of management in the Group and full use of all synergies.

### Purchase of shares by subsidiary company

On 24.01.2024 "Sirma Solutions" EAD – a subsidiary of "Sirma Group Holding" JSC, bought 700 000 shares from the capital of "Sirma Group Holding" JSC, through transactions, made on the Bulgarian Stock Exchange - Sofia AD, at an average price of BGN 0,729917 per share. The shares represent 1.18% of the company's capital.

### Purchase of a minority block of shares from the capital of a subsidiary

On 15.04.2024, "Sirma Group Holding" AD concluded contracts for the purchase of shares with three individuals and one legal entity, owners of the minority package of shares of "Sirma Inshurtech" AD. In one of the share purchase agreements with one of the persons, there is a commitment by the Group to transfer to that person an additional number of shares from "Sirma Group Holding" AD as of 31.01.2026, if the price of the shares of "Sirma Group Holding" AD is below a certain value.

There is no possibility of potential future liability to the individual to occur and no liability has accrued as of the date of the consolidated financial statements. The event has been only disclosed.

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

**Sofia**  
**26.04.2024**

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

**CONSOLIDATED DECLARATION OF SIRMA GROUP  
FOR CORPORATE GOVERNANCE IN 2023  
AS PER ART.100m, PAR. 8 IN RELATION TO PAR. 7, PT. 1 FROM  
POSA**

„Sirma Group” (the Group) includes „Sirma Group Holding“ JSC (parent company) and its subsidiaries and associates.

The Group considers that the effective application of the principles of internationally recognized standards for good corporate governance is highly important for the future development of the Company. The Board of directors of the parent company believes that it is imperative to strive to establish and validate a modern management style that will contribute to the better performance of the company, respectively to provide favorable conditions for achieving sustainable growth and achievement of the long-term objectives, as well as establishing a transparent and fair relationship with all stakeholders.

The Group considers good corporate governance as a set of relationships between company's management body, its shareholders and all stakeholders - employees, trading partners, corporate creditors, potential future investors and society as a whole.

**I. Information as per art. 100m, par. 8, item 1 from the Public Offering of Securities Act**

The Group adheres to the National Corporate Governance Code, adopted by the National Corporate Governance Commission and approved as a Corporate Governance Code under Art. 100m, par. 7, item 1 in relation to par. 8, item 1 of the Public Offering of Securities Act (POSA) by Resolution No. 461-CCC dd.: 30.06.2016 of the Deputy Chair of the Financial Supervision Commission in charge of the Investment Activity Supervision Division.

**II. Information under Art. 100m, par. 8 of POSA. Applying the principles of transparency, independence and accountability of the Company's Management Board (Board of Directors) in accordance with established vision, objectives, strategies of the company and interests of the shareholders.**

1. The Board of Directors of the parent company consists of 9 (nine) members who are elected by the General Meeting of Shareholders for a given term of office.
2. The Board of Directors of the parent company shall carry out its activities in accordance with the parent company's Articles of Association and the Rules for Operation of the Board of Directors.
3. The Board of Directors of the parent company shall decide on:
  - o Closure or transfer of businesses or significant parts thereof;
  - o A significant change of the Group's activity by unanimity of the Board of Directors;
  - o Essential organizational changes;
  - o Long-term cooperation essential for the company or the termination of such cooperation;
  - o Establishment and closure of branches, representations and offices;
  - o Adoption of the annual business program of the company;And all other decisions that are not within the express competence of the General Meeting of Shareholders of the parent company.
4. The members of the Board of Directors of the parent company shall be guided in their activities by the generally accepted principles of integrity and managerial and professional competence.

5. The members of the Board of Directors of the parent company shall apply in their activity the principle of avoidance and prevention of real or potential conflict of interests. The members of the Board of Directors of the parent company shall inform the General Meeting of Shareholders of the parent company whether directly or on behalf of third parties they have a substantial interest in transactions or issues that have a direct impact on the Company. In 2022, no ethical issues arose between the members of the management, including the need to comply with certain written procedures.
6. Main criteria and principles of the diversity policy for selection and evaluation of the Group's management members and management bodies (information under Art. 100m, para 8, item 6 of POSA):
  - The members of the Board of Directors may be only legally capable physical or corporate persons, without any imposed restrictions on age, gender, nationality, education;
  - Good reputation, professional experience and managerial skills;
7. Corporate governance follows rules for the organization and conduct of each general meeting, which are agreed in the form of an organization scenario. The GMS Invitation shall be drafted with maximum detail and in accordance with the regulatory requirements, indicating all of the proposed decisions, in order for each shareholder to have the opportunity to acquaint himself with them in advance, from the moment of its publication. Written procedures for the conduct of the GMS have not been drafted, because the legal framework has explicitly regulated the basic principles and all other specific points are stipulated in the Invitation.
8. Any significant periodic and incidental information shall be disclosed immediately. The group has compiled its activity with the current local legal framework as well as with the European regulations, having direct application in the local legislation. Notwithstanding the above, the corporate management will develop rules as part of the Quality Management and Information Security Policy to assess the materiality of any information or the need for its disclosure.
9. The annual and interim reports are prepared with the involvement and under the strict control of the corporate management, without official formalization in the form of internal rules. However, such rules will be developed and implemented as part of the Quality Management and Information Security Policy.

### **III. System for internal control and risk management (information as per art. 100m, par. 8, item 3 from POSA)**

In the Group an internal control system is in place, to ensure the effective functioning of the reporting and disclosure systems. The internal control system is also being developed and functioning in order to identify the risks associated with the Company's activity and to support their effective management. The parent company also has elected an Audit Committee, in accordance with the requirements of the Public Offering of Securities Act.

The Group has adopted and applies rules and procedures, regulating the effective functioning of the reporting and disclosure systems of the companies. The rules describe in detail the different types of information created and disclosed by the company, the internal flow of documents, the different levels of access to different information types, for the persons responsible and the terms for handling and managing the information flows. The established risk management system ensures the effective implementation of internal control in the creation and management of all corporate documents, including financial statements and other regulated information, which the Group is required to disclose in accordance with legal regulations.

#### **1. Control environment.**

The Control environment in the group is formed on the basis of:

##### **1.1. Communicating and enforcing integrity and ethical values.**

The group has approved a Code of Ethics, which sets a framework for personal integrity and professional ethics in the Group. The Code of Ethics is communicated with all employees who agree to abide by the established ethical norms and professional ethics. It is implemented in the job descriptions of all employees, including the Financial and Accounting Department and is a model for their behavior.

##### **1.2. Commitment and competence**

The Group has developed a Procedure for selection and appointment of employees under labor contracts. There are requirements for the education, work experience and professional experience of employees at all levels.



### **1.3. Participation of persons in charge of general management**

The Executive Director of the parent company has introduced adequate procedures and rules for the implementation of internal control. He is responsible for the implementation of financial management and control in the Group managed by him, in compliance with the principles of legal compliance, sound financial management and transparency. The Executive Director delegates his powers to other officials of the Group, defining their specific rights and obligations and requires periodic reporting on the implementation of delegated powers.

Management bodies that have certain responsibilities and powers regarding the financial reporting process and respectively other related processes are: the Board of Directors, the Audit Committee, the Chief Financial Officer, the Financial Controller, the Chief Accountant.

The Board of Directors accepts and confirms: the Accounting policy and the changes in it for each reporting period, the developed accounting estimates as of the date of each reporting period, incl. the applied methodology; financial statements, and other public documents containing financial information.

The Audit Committee independently monitors the implementation of the financial reporting processes, the applied accounting policies and the efficiency of the internal control system of the company, incl. risk management, as well as the implementation and results of the external audit.

The CFO is responsible for the overall organization, operation and ongoing control of accounting and financial reporting. He directly manages the whole process, makes all key decisions related to financial statements and other public documents with financial information.

The CFO also approves at the first level the Accounting policy, the main reporting methodologies and evaluates the acceptance of the work of used independent experts (appraisers, actuaries, consultants, etc.) involved in the financial reporting process. He monitors on an ongoing basis, together with the Chief accountant, the effects and risks on the financial statements of the identified business risks for the company.

The Chief accountant organizes and manages the accounting activity of the company - controls and methodologically, directs the current accounting, manages the preparation of financial and management reports; is responsible for the development and implementation of accounting methodologies and techniques; is responsible for the process of accounting closing and preparation of all accounting estimates, proposes and develops accounting policies and changes in them, monitors current changes in IFRS. He is the direct contact with the internal and external experts used for the purposes of financial reporting.

**1.4. Philosophy and operational style of leadership**

The management of the Group prepares the financial statements, adhering to the principle of providing a true and fair view of the condition of the Group and its accounting results. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are in accordance with local law.

Management confirms that it has consistently applied an adequate accounting policy and that the principle of prudence in the assessment of assets, liabilities, income and expenses has been observed in the preparation of the financial statements as of December 31.

Management also confirms that it has adhered to the applicable accounting standards, and the financial statements have been prepared on the going concern basis.

Management is responsible for the proper keeping of accounting records, for the proper management of assets and for taking the necessary measures to avoid and detect possible abuses and other irregularities.

**1.5. Human resource management policies and practices.**

In the Group a Procedure has been developed for selection and appointment of employees, as well as a Procedure for evaluation of employees;

**1.6. Competence of the staff.**

The requirements for the competence of the employees are laid down in the job descriptions. The desire and the need for additional qualification are reflected in the annual individual plans of the employees. They are prepared on the basis of the annual evaluation of the company's employees. Following the completion of the annual evaluations, the results in terms of areas for improving skills and competences are discussed with the directors of departments and a training program is prepared. The management provides the opportunity to develop the necessary knowledge and skills by including them in appropriate training programs.

**2. Process for risk evaluation in “Sirma Group Holding” JSC.**

Risk management is a mandatory element of the overall management process of the Group.

It is known that every organization is dynamic and involves a constant transition - in time, money, participants, therefore there is always a certain risk that needs to be managed. The purpose of risk management in the Group is: To maximize the probability of a positive impact on its activities, and to reduce to a minimum the probability of a negative impact.

The management of the Group perceives risk management as a key activity contributing to the achievement of the Group 's objectives. For this purpose, all decisions / actions taken to manage the identified risks and to ensure a periodic review of the process, in view of its timeliness, are documented.

The operating environment in which the Management of the parent company operates is the framework in which risk management should be applied. It consists of external and internal factors for the Group that affect its activities.

The main types of risks and their detailed description related to the company's activities and the policy for their management are regulated in item 11 – “Risk factors” of the Report on the Group's activities for 2023, to which this declaration is attached.

The Risk management policy is applied in an integrated manner and in accordance with all other policies and principles regulated in the internal acts of the Group.

### **3. Information system**

The Group has implemented and uses a set of different software products forming an Information System related to financial reporting and communication. Elements of the overall information system are:

- Financial and accounting software ERP system - serves to reflect all income and expenditure operations on bank accounts and their distribution by items;
- Payroll software - serves to automate the formation of remuneration of employees in the Company and automate the mandatory deductions and installments on individual accounts;

In general, the Information System covers methods and documentation that:

- identify and reflect all valid transactions and operations;
- describe contracts and transactions in a timely manner in sufficient detail to enable them to be properly classified for financial reporting purposes;
- determine the value of transactions and operations in a way that allows their appropriate monetary value to be reflected in the financial statements;
- determine the time period during which the transactions and operations have occurred in order to allow their recording in the appropriate accounting period;
- present deals and transactions and related disclosures in the financial statements as appropriate.

The quality of the information generated by the systems affects the ability of the Management to make appropriate decisions in the management and control of the activities of the enterprise and in the preparation of reliable financial statements.

Communication, which includes providing an understanding of individual roles and responsibilities related to internal control over financial reporting, is done electronically or through the actions of Management.

#### **4. Control activities, policies and procedures.**

The control activities, which are related to the audit, may be categorized as follows:

##### **4.1. Reviews of the implementation and results of the activity**

- reviews and analysis of the real results compared to budgets, forecasts and results from previous periods;
- linking different groups of data - operational or financial - together with analyzes of relationships and exploratory and corrective measures;
- comparison of internal data with external sources of information;
- review of the results of the work by functions or by activities.

##### **4.2. Information processing**

The two common categories of the control activities in information systems are application program controls and general IT controls, which are policies and procedures related to multiple application programs and support the effective functioning of application program controls by helping to ensure the continued proper functioning of information systems.

Examples of application controls include:

- checking the mathematical accuracy of the records;
- maintenance and review of accounts and turnover sheets;
- Automated controls, such as input checks and numbering sequence checks and non-automatic tracking of exception reports.

Examples of common IT controls include:

- controls over the change of programs;
- controls that restrict access to programs or data;
- controls over the implementation of new editions of bundled software applications;
- Controls over system software that restrict access or ongoing monitoring of the use of system support features that could alter financial data or records without leaving a trace.

#### **4.3. Physical controls**

These activities include:

- the physical security of the assets, including appropriate security measures, such as secure facilities and conditions for access to assets and documents;
- approval of access to computer programs and data files;
- periodic counting and comparison with the amounts recorded in the control documents (for example, comparison of the results of the cash counting and the results of the inventories with the accounting documents).

The extent to which physical controls aimed at preventing theft of assets relate to the reliability of the financial statements and therefore to the audit, depends on circumstances, such as cases where the assets are highly susceptible to misuse.

#### **4.4. Distribution of the responsibilities**

Assigning responsibilities for approving transactions and operations, recording them and maintaining responsibility for the assets of various employees. The distribution of duties is intended to reduce the possibility of allowing an employee to be in a position to both commit and conceal errors or fraud in the normal course of his duties.

#### **5. Ongoing monitoring of controls**

The control in the Group is a continuous process carried out by the Management, the Administration and the personnel in the Group.

The ongoing control process aims to achieve reasonable confidence in the achievement of the objectives, divided into the following categories:

- implementation and optimization of operations;
- reliability of financial and accounting information;
- compliance with the laws and by-laws.

Management's ongoing monitoring of controls includes an assessment of whether they are operating as intended and whether they are being modified in an appropriate manner to reflect changes in conditions. Ongoing monitoring of controls includes:

- Management review - which addresses the main objectives of the organization, including those related to performance, cost-effectiveness and resource conservation.
- Assessment by internal auditors of compliance with the Company's policy - which includes the preparation of reliable financial statements - interim results and published statements of results.
- Supervision over the observance of the ethical norms or the policy for business practice in the Company - which covers the compliance with the laws and by-laws, regulating the activity of the organization.

Ongoing monitoring is carried out to ensure that controls continue to operate effectively over time.

The assessment of the current monitoring of the controls in the Group is assigned on a rotating basis to external Audit companies, which will confirm the proper functioning of the internal controls or give their recommendations for their improvement.

### Inventory of required documents

1. Code of Ethics;
2. Job descriptions for the following posts:
  - regular accountants, cashiers, accountants and employees of “Reporting” department;
  - senior accountants;
  - deputy Chief Accountants;
  - Controller
  - Chief Accountant;
  - Financial director.

3. Rules of the Board of Directors and the Audit Committee. Both documents must have a section for reviewing the financial statements, accounting policies, significant accounting estimates. Ongoing monitoring at two levels - by the Board of Directors / Management Board and respectively from Audit Committee.
4. Organizational structure of the company with written functions, responsibilities and powers of the individual units in terms of financial reporting;
5. Rules and criteria for selection of qualified persons from the financial and accounting departments and the "Reporting" department - with a focus on educational qualifications, previous professional experience, past achievements and evidence of integrity and ethical behavior.
6. The policy for training of the staff of the financial and accounting departments and the "Reporting" department;
7. Policy for attestations, promotions and bonuses of the financial accounting staff and other persons engaged in the financial reporting process;

**IV. Information on the availability of takeover/merger proposals in 2022 (information under Article 10 (1) (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council from 21 April 2004 on takeover bids pursuant to the provisions of Article 100m (8) (4) of the POSA)**

1. As at 31.12.2023, no proposals for takeover and/or merger with another company have been made to the Group.
2. Information under Art. 10 of Directive 2004/25 / EC of the European Parliament and of the Council from 21 April 2004
  - The Group is described in item 4, "Functioning of the Group" in the Annual Consolidated Management Report for 2023, to which this declaration is an Annex.
  - The parent company does not have shares that give special control rights.
  - There are no restrictions on voting rights, such as restrictions on the voting rights of holders of a certain capital percentage or number of votes, deadlines for the exercise of voting rights in relation to the shares issued by the parent company.
  - The rules for the election of members of the Board of Directors of the parent company are regulated in the parent company 's Articles of Association.

- The powers of the members of the Board of Directors are specified in Art. 41 of the Articles of Association of the company. The rights to issue or buy back shares are within the competence of the General Meeting of Shareholders.

**V. Composition and function of the administrative and management bodies and their committees (Information under Article 100m, paragraph 8, item 5 of POSA)**

**BOARD OF DIRECTORS OF THE PARENT COMPANT**

**1. Functions and duties**

1.1. The Board of Directors of the parent company manages the Group independently and responsibly in accordance with the established Vision, goals and strategies of the Group and the interests of the shareholders. The members of the Board of Directors provide a guarantee for their management to the amount of their three-month gross remuneration, as determined by the General Meeting of Shareholders.

1.2. The Board of Directors of the parent company establishes and controls the strategic directions for development of the Company.

1.3. The Board of Directors of the parent company establishes the Group's risk management policy and controls the establishment and functioning of the internal control and risk management systems.

1.4. The Board of Directors of the parent company shall ensure the observance of the legal, regulatory and contractual obligations of the Group in accordance with the adopted Articles of Association and Rules of Procedure of the Board of Directors.

1.5. The Board of Directors of the parent company is responsible for the establishment and reliable operation of the financial and information system of the Group.

1.6. The Board of Directors of the parent company gives guidance, approves and controls the implementation of the business plan of the Group, transactions of substantial nature, as well as other activities established in the Group's statutes.

1.7. The Board of Directors of the parent company approves the disclosure policy in accordance with legal requirements and statutes. The information disclosure system ensures that addresses of information (shareholders, stakeholders, investment community) are not discriminated and does not allow abuse of insider information and market manipulation of financial instruments.

1.8. During their term of office, the members of the Board of Directors of the parent company are



guided in their activity by the generally accepted principles of integrity, managerial and professional competence. The Board of Directors of the parent company adheres to the Code of Ethics of the Group's employees.

1.9. The Board of Directors of the parent company reports its actions to the General Meeting of Shareholders by preparing an annual report on its activities and submitting it for acceptance by the General Meeting of Shareholders of the parent company.

## **2. Election and dismissal of members of the Board of Directors**

**2.1.** The General Meeting of Shareholders of the parent company elects and releases the members of the Board of Directors of “SIRMA GROUP HOLDING” JSC, in accordance with the law and the statutes of the Company, observing the principles of continuity and sustainability of the Board of Directors' work. All members meet the legal requirements for taking their position.

**2.2.** The management contracts with the members of the Board of Directors determine their duties and tasks, the criteria for the amount of their remuneration, their loyalty obligations to the Company and the grounds for the waiver. The management contract with a member of the Board of Directors or the Executive Director respectively are in compliance with the Articles of Association of the Company and the Board of Directors' Policy for Determining the Remuneration of the Members of the Board of Directors as approved by the General Meeting of the Shareholders on 04.12.2014.

## **3. Structure and competence**

**3.1.** The number of members and the structure of the Board of Directors of the parent company is defined in the Articles of Association of the parent company. The parent company is managed and represented by a Board of Directors, which consists of nine individuals, meeting the requirements of Article 234 of the Commercial Act and Article 116 a, paragraph 2 of the Public Offering of Securities Act.

**3.2.** The composition of the Board of Directors of the parent company elected by the General Meeting is structured in such a way as to ensure the professionalism, impartiality and independence of the decisions and actions of its members in relation to the management of the Group.

**3.3.** The Board of Directors of the parent company shall ensure a proper division of tasks and duties among its members. The main function of the independent directors is to control the actions of the executive management and to participate effectively in the Group's work in accordance with the interests and rights of the shareholders. The main functions of the members of the Board of Directors of the parent company, as well as these of the independent members, are laid down in

the Articles of Association of the Company. There is one independent member of the Board of Directors of the parent company.

- 3.4.** The competencies, rights and obligations of the members of the Board of Directors of the parent company follow the requirements of law, statutes and standards of good professional and managerial practice.
- 3.5.** The members of the Board of Directors of the parent company have the appropriate knowledge and experience, which are required by their position. After their election, the new members of the Board of Directors of the parent company are acquainted with the main legal and financial issues related to the Group's activities. The Group encourages the improvement of the qualification of the members of the Board of Directors.
- 3.6.** The members of the Board of Directors of the parent company have the necessary time to perform their tasks and duties. The Statute of the parent company does not specify the number of companies in which the members of the Board of Directors of the parent company may be in managerial positions, as the activity of the members of the Board of Directors of the parent company cannot be limited.
- 3.7.** The election of the members of the Board of Directors of the parent company takes place through a transparent procedure which provides, among other things, timely and sufficient information on the personal and professional qualities of the members. The number of successive mandates of the members of the Board of Directors of the parent company ensures the effective operation of the Group and compliance with the legal requirements. According to the Articles of Association of the parent company, the members of the Board of Directors of the parent company may be re-elected without any restrictions.

#### **4. Remuneration**

**4.1.** The Board of Directors of the parent company prepared a remuneration policy for the members of the Board of Directors adopted by the General Meeting of Shareholders of the parent company on 04.12.2014, last amended by a decision of the GMS of 23.06.2021. The remuneration policy has been developed in accordance with Ordinance No 48 from 20 March 2013 of the Financial Supervision Commission and the Public Offering of Securities Act. The amount and structure of remuneration shall be determined by the General Meeting of the parent company.

**4.2.** In accordance with legal requirements and good corporate governance practice, the size and structure of the remuneration take into account:

4.2.1. The duties and the contribution of each member of the Board of Directors of the parent company to the Group's activities and results. The members of the Board of Directors of the parent company receive a permanent remuneration in the form of an amount determined by the General Meeting of Shareholders paid under the terms and within the periods as determined in the management contracts concluded between them and the parent company.

4.2.2. The ability to select and retain qualified and loyal members of the Board of Directors of the parent company. These requirements are applied through the remuneration policy of the members of the Board of Directors adopted by the General Meeting of Shareholders on 04.12.2014.

4.2.3. The need to reconcile the interests of the members of the Board of Directors of the parent company and the long-term interests of the Group. The remunerations of the members of the Board of Directors of the parent company are based on the results of the Group's operations and are in line with the Group's business strategy, objectives, values and long-term interests.

**4.3.** The executive member of the Board of Directors of the parent company receives a permanent remuneration in the form of an amount determined by the General Meeting of Shareholders, paid under the terms and within the periods as set in the management contract concluded between him and the parent company.

4.3.1. The remunerations and benefits of the members of the Board of Directors of the parent company and the Executive Director of the parent company shall be determined by the General Meeting of Shareholders.

4.3.2. As of 31.12.2023, the executive members of the BD of the parent company have not been granted shares or other financial instruments.

**4.4.** The members of the Board of Directors of the parent company receive a permanent remuneration in the form of an amount determined by the General Meeting of Shareholders paid under the terms and within the periods as set in the management contracts concluded between them and the parent company.

**4.5.** The disclosure of information about the remuneration of the members of the Board of Directors is in accordance with the legal requirements and the parent company's statutes:

4.5.1. Information about the remuneration of the members of the Board of Directors of the parent company is presented in the annual financial statements and is published on the website [www.sirma.com](http://www.sirma.com).

## **5. Committees**

**5.1.** The work of the Board of Directors of the parent company is assisted by committees. The Board of Directors of the parent company determines the necessity of their establishment in accordance with the specifics of the Group. The committees are set up on the basis of a written structure, range of tasks, way of functioning and reporting procedures.

As of now the Board of Directors has the following committees elected:

- Investment and risk committee – responsible for defining and executing the investment policy of the Group;
- Remuneration committee – responsible for defining and executing the remuneration policy for the executive staff and key personnel at the Group;
- Information disclosure committee - responsible for the organization and control of information disclosure by the Group.

**5.2.** In accordance with the requirements of the current legislation and on the basis of the criteria set by it, the Board of Directors of the parent company proposes to the General Meeting of Shareholders of the parent company to elect an Audit Committee with a composition meeting the legal requirements and the specific needs of the Group.

The audit committee of “SIRMA GROUP HOLDING” JSC was changed with the decision of GMS, held on 24.06.2022.

The members of the Audit Committee meet the requirements set forth in Article 40f (3) and

(4) of the Independent Financial Audit Act.

### **GENERAL MEETING OF SHAREHOLDERS**

**5.3.** All shareholders are entitled to participate in the General Meeting of Shareholders of the parent company and to express their opinion:

5.3.1. Shareholders entitled to vote have the opportunity to exercise their voting rights at the General Meeting of the parent company in person or through representatives, as well as by correspondence or by electronic means.

5.3.2. The corporate management of the parent company applies effective control by creating the necessary organization for the voting of the authorized persons in accordance with the instructions of the shareholders or in the ways set forth in the legislation.

5.3.3. The corporate management of the parent company shall establish rules for the organization and holding of the regular and extraordinary General Meetings of the parent company's shareholders, which ensures equal treatment of all shareholders and the right of each shareholder to express their opinion on the items on the agenda of the General Meeting.

5.3.4. The corporate management of the parent company organizes the procedures and the terms of the General Meeting of Shareholders in a way which does not make the voting unnecessarily difficult or expensive.

5.3.5. The corporate management takes action to encourage the participation of shareholders in the General Meeting of Shareholders, by providing the possibility of remote access by technical means (including the Internet) where this is possible and necessary and does not contradict item 23.2.4. of this Code.

**5.4.** All members of the corporate management of the parent company shall endeavor to attend the General Meetings of the Shareholders of the parent company.

**5.5.** Materials for the General Meeting of Shareholders:

5.5.1. All texts in the written materials, connected to the Agenda of the General Meeting of Shareholders must be clear, accurate and to the point in order not to mislead the shareholders. All proposals related to major corporate events shall be presented as separate items on the Agenda of the General Meeting, including the proposal for distribution of dividends.

5.5.2. Corporate management of the parent company assists shareholders, entitled under the current legislation, to include additional items on the agenda of the General Meeting of Shareholders.

**5.7** The corporate management of the parent company guarantees the right of the shareholders to be informed about the decisions taken at the General Meeting of Shareholders.

The Group publishes the Corporate Governance Code and the present Corporate Governance Declaration on the Group's website [www.sirma.com](http://www.sirma.com) for disclosure of information pursuant to Art. 100m, para. 7 and 8 of POSA.

In this respect, the requirement of Article 100m, Paragraphs 7 and 8 of POSA and Article 40, Paragraphs 1 and 2 of the Accountancy Act shall be deemed to be met.

This Declaration of Corporate Governance is an integral part of the 2023 Annual Consolidated Financial Statements of “Sirma Group Holding” JSC.

Tsvetan Alexiev

CEO of “Sirma Group Holding” JSC

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## 1. About this declaration

The present Consolidated Non-Financial Declaration of "Sirma Group Holding" JSC has been drawn up on the basis of the Accounting Law and follows the structure as described in Art. 48–52 of the same. The consolidated non-financial statement is an integral part of the annual consolidated report on the group's activities.

## 2. Description of the business model of “Sirma Group Holding” JSC

The companies from the economic group of "Sirma Group Holding" JSC ("Group", "Sirma Group") form one of the largest ICT companies in Bulgaria with over 32 years of history. Sirma is an established regional leader in IT services, software development and system integration. The Group has a set of proprietary, innovative technologies, a diverse product portfolio, and a growing market share in Europe and North America.

"Sirma Group Holding" JSC is a holding company, and as such, its main activity is related to the strategic and operational management of investments in companies developing information technologies and providing IT services, to which it provides management, administrative-legal, marketing, and financial services. The responsibilities of the holding company can be classified as follows:

- Strategic Management;
- Financial Management;
- legal and administrative services;
- Overall operations management, including intellectual property management, human resources, marketing, and brand management.

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

Generating stable growth, profitability, and consistent business results are among the holding's main priorities.

### 2.1 Applied technologies

The companies within Sirma Group offer the following technological solutions, and services related to them, to their clients:





## 2.2 Serviced client groups

Currently, companies in the group operate in the country and abroad in five business verticals: financial institutions and fintech, industrial software, healthcare, logistics and transport, and hospitality.

### Financial segment

- Services for the banking sector on the system integration and implementation of various solutions based on "FlexCube" of Oracle Corporation and "T24 Core Banking" of Temenos;
- Cloud-based platform provider for financial institutions.
- Software services and solutions for financial institutions.

### Insurance segment

- Cloud-based platform provider for insurance brokers.
- Software services and solutions for insurance companies;

### Industrial software

- provider of CAD/CAM solutions for the packaging industry;
- supplier of products and solutions for the measurement industry;
- OEM (machine factory software) partners supply machines to the measurement industry;
- online platform for connecting consumers and manufacturers in the packaging industry, based on the proprietary product EngView Package Designer Suite.

### Healthcare and Life Sciences

- Software applications for the management and control of chronic diseases;
- product for monitoring a chronic disease, diabetes (Diabetes M);
- Analysis of drug clinical trial reports and data integration for pharmaceutical companies and health insurers.

## Hospitality and logistics

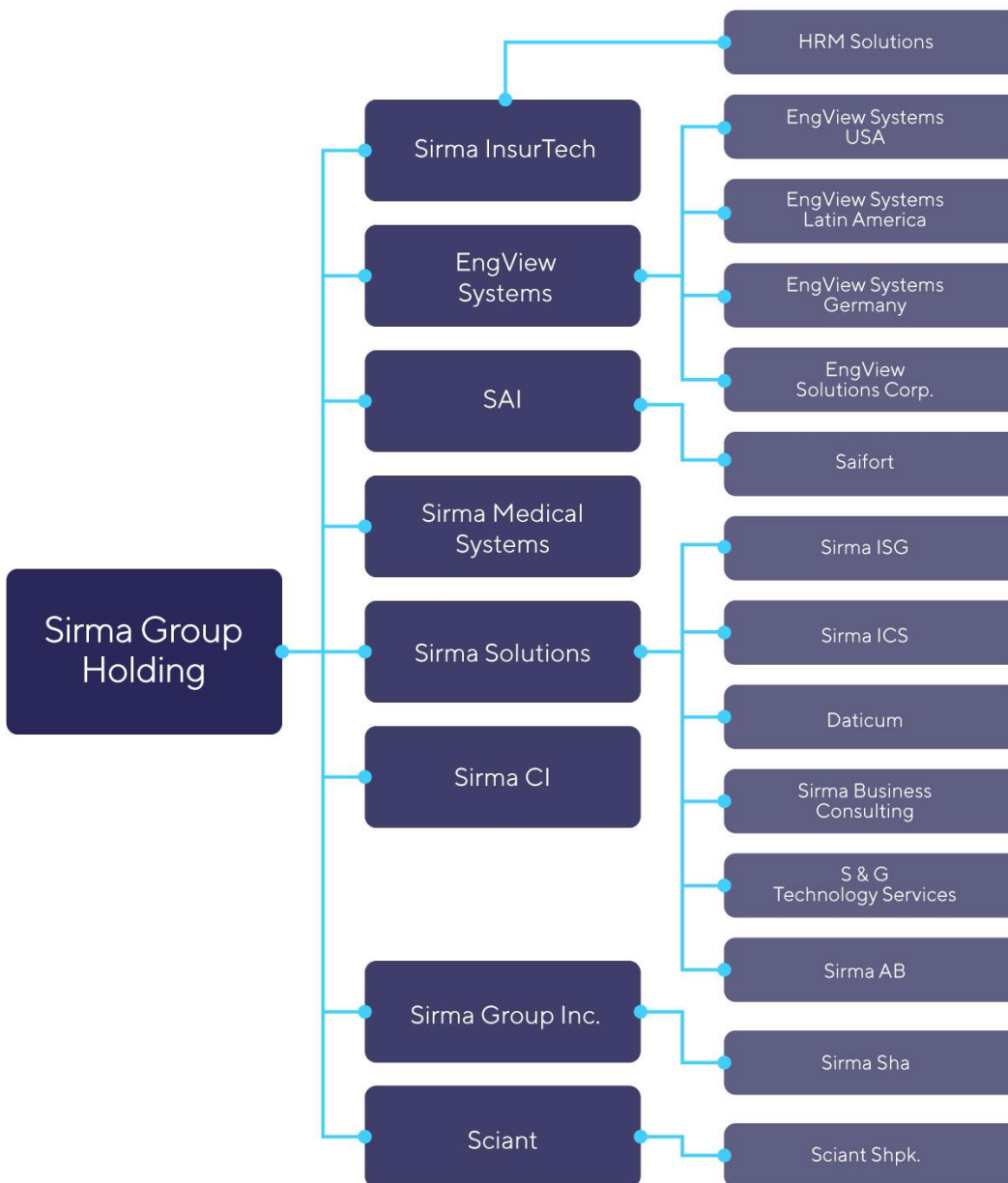
- Development of software according to the customer's order;
- System integration.

### 2.3. Corporate structure

The economic group of "Sirma Group Holding" JSC includes the parent company and its subsidiaries and associated companies, all of which operate in the IT sector. The group functions as a typical holding structure with the organization of activity, coordination, and subordination of companies typical of such a structure.

The companies in the group have a common strategic framework, corporate values, financial and accounting policies, a vision for good corporate governance, and personnel policies. Upholding Ad

Visualization of the organizational structure of "Sirma Group Holding" JSC:



## Daughter companies of “Sirma Group Holding” JSC:

Company	Value of the investment at 31.12.2023 (in BGN'000)	Percentage of capital at 31.12.2023	Percentage of voting rights* at 31.12.2023	Value of the investment at 31.12.2022 (in BGN'000)	Percentage of capital at 31.12.2022	Percentage of voting rights* at 31.12.2022	Changes (in BGN'000)
Sirma Solutions	39 686	100%	100%	39 686	80,11%	100,00%	-
SAI (Ontotext)	17 865	84,56%	100%	17 865	84,56%	100,00%	-
Sciart	14 076	100%	100%	10 237	80,00%	80,00%	3 839
Sirma Group Inc., USA	3 471	76,30%	76,30%	3 471	76,30%	76,30%	-
Sirma InsurTech	914	55,00%	55,00%	914	55,00%	55,00%	-
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%	-
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	-
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	-

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

## Subsidiaries of “Sirma Solutions” EAD

Company	Value of the investment at 31.12.2023 (in BGN'000)	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 (in BGN'000)	Percentage of capital at 31.12.2022	Changes (in BGN'000)
Sirma Business Consulting	1 374	54,08%	1 374	54,08%	-
Daticum	468	59,00%	1 394	60,50%	(926)
Sirma ICS	279	93,00%	270	90,00%	9
S&G Technology Services Ltd., UK	117	51,00%	117	51,00%	-
Sirma AB	9	100,00%	-	-	9
Sirma ISG	4	71,00%	4	71,00%	-

## Subsidiaries of “EngView Systems” AD

Company	Value of the investment at 31.12.2023 (in BGN'000)	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 (in BGN'000)	Percentage of capital at 31.12.2022	Changes (in BGN'000)
EngView Systems Germany	235	100%	235	100%	-
EngView Systems USA	190	100%	190	100%	-
EngView Systems Latin America, Brazil	7	95%	7	95%	-
EngView Solutions Corp., Canada	-	95%	-	-	-

## Subsidiaries of Sirma Group Inc.

Company	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
Sirma Sha, Albania	25	55%	25	55%	-

## Subsidiaries of "Sciart" EAD

Company	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
Sciart Shpk. (ReSolutions), Albania	256	100%	256	100%	-

## Subsidiaries of "Sirma InsurTech"

Company	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
HRM Solutions	150	100%	150	100%	-

## Subsidiaries of "SAI"

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

## Associated companies of "Sirma Solutions" EAD

Company	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
Ontotext	-	-	20 511	23,80%	(20 511)

## 2.4. System of governance

Since 2015, "Sirma Group Holding" JSC has been a public company, owned by its shareholders, who exercise full control over the company. The holding company, in turn, owns a controlling stake (more than 50%) in the capital of the subsidiaries.

The holding, as well as its subsidiaries, have a one-tier management system.

Operational control is delegated to the Board of Directors and the Executive Director, respectively. The Board of Directors as of 31.12.2023 includes the following members:

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

Determination of the mandate of the Board of Directors: 2 years from the date of entry. The current mandate of the Board of Directors: 07.07.2024.

“Sirma Group Holding” JSC creates the following internal committees, which are assigned to manage the respective activities at the operational level, as well as to propose decisions to the Board of Directors of the company. At December 31, 2023 their composition is:

1. **Investment, Risk and Sustainability Committee, composed of:**  
*Yordan Nedev – chairman*  
*Tsvetan Alexiev – member (till 20.03.2024)*  
*Stanislav Tanushev – member (from 20.03.2024)*  
*Georgi Marinov – member*
  
2. **Remuneration Committee, composed of:**  
*Georgi Marinov – chairman*  
*Martin Paev – member*  
*Yordan Nedev – member*
  
3. **Information Disclosure Committee, composed of:**  
*Tsvetan Alexiev – chairman*  
*Stanislav Tanushev – member*  
*Chavdar Dimitrov – member*  
*Atanas Kiryakov - member*
  
4. **Audit Committee, composed of:**  
*Angel Petrov Kraychev - chairman*  
*Alexander Todorov Kolev - member*  
*Veselin Anchev Kirov – member*

#### Company documents

The company abides by a number of internal documents, which aim at work governance, ensuring transparency and averting abuse. Most internal documents are applicable to SGH and all of its subsidiaries. Only a few (more specific or related to the public ownership) are applied only to the mother company:

<b>System of Corporate Governance</b>	<b>Description</b>	<b>Adoption</b>	<b>Latest review</b>	<b>Application</b>
<b>Articles of Association</b>	The Articles of Association define the rules by which important decisions are made in the Company	2015	24.6.2022	SGH
<b>Decisions of the General Meeting of Shareholders</b>	The decisions of the shareholders are fundamental to the Company's activities	Minimum once per year	15.06.2023	SGH
<b>Dividend Policy</b>	Policy for the distribution of dividends of the public company	29.09.2022		SGH
<b>Rules for the operation of the Board of Directors</b>	Instructions and clarifications on the duties and responsibilities of the members of the Board of Directors	2015		All subsidiaries
<b>Remuneration Policy</b>	Remuneration policy for the members of the Board of Directors	2015	03.08.2021	SGH
<b>Instruction for the obligations and responsibilities of insiders</b>	Instructions and clarifications on duties and responsibilities when accessing and working with inside information.	2015	2021	All subsidiaries
<b>Program for good corporate governance</b>	A system of rules that protects the interests of shareholders and other stakeholders	2015	2021	All subsidiaries
<b>Accounting Policy</b>	Policy which governs the accounting and control in the companies	2015	30.06.2023	All subsidiaries
<b>Code of conduct for the financial and accounting positions</b>	A code that guarantees the transparent and reliable preparation of financial accounting documents	2015		All subsidiaries
<b>Anti-corruption Policy</b>	Policy against all corruption practices and related phenomena	2015		All subsidiaries

<b>Rules for the protection of whistleblowers</b>	Internal Rules for Submitting Signals and Protection of Persons Submitting Signals or Publicly Disclosing Information for Violations – “Whistleblowers”	04.05.2023		All subsidiaries
<b>Ethical code of conduct for employees</b>	The Code establishes the norms for ethical behavior of employees at Sirma Group Holding	2020		All subsidiaries
<b>Data protection Policy</b>	Privacy and data protection policy for the clients of Sirma	2021		All subsidiaries
<b>Sustainability Policy</b>	Policy for the sustainable function and development of the companies in Sirma	2021	30.09.2023	All subsidiaries
<b>Human rights policy</b>	Policy, which determines attitude to human rights in Sirma	2023	25.03.2024	All subsidiaries
<b>CSR in procurement policy</b>	A policy that integrates CSR into Sirma's procurement practice	2023	25.03.2024	All subsidiaries

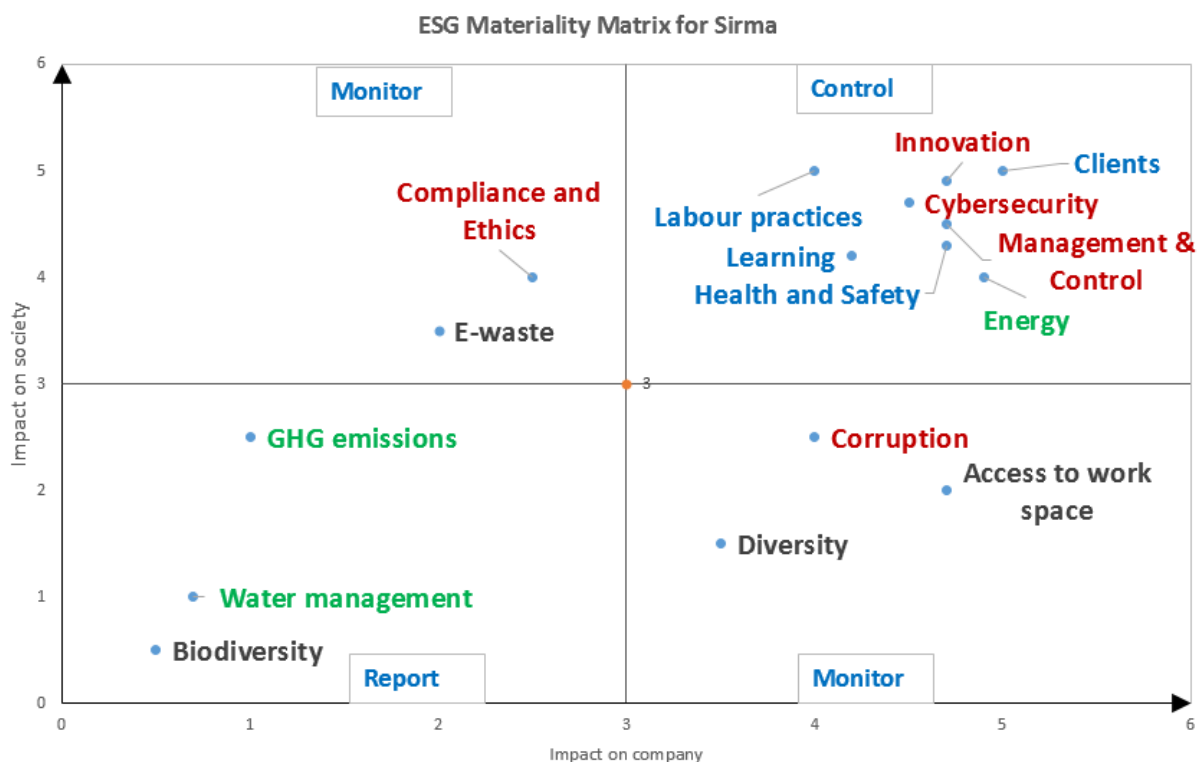
### 3. Sustainability themes material to Sirma

In 2023, the first dual materiality analysis of sustainable themes was carried out for Sirma.

Although such an analysis is being done for the first time, Sirma has always made serious efforts for its sustainable development. Accordingly, the first dual materiality matrix includes the persistent topics where the Group has made the most serious efforts to control them (and costs) in 2023.

The following leading themes for the Group's sustainable development, ecology and society were identified:

- Customers (Social group)
- Innovation and Cybersecurity (Governance group)
- Employees (Social Group): Labour practices, Training, Health and Safety
- Electric Energy (Environment)



Other topics were also identified that have relatively less impact on Sirma's sustainable development and/or its impact on ecology and society: e-waste management, anti-corruption, diversity, greenhouse gas management, etc.

4. Description of the policies followed by "Sirma Group Holding" JSC and its subsidiaries in terms of environmental, social, anti-corruption activities, including the activities carried out during the year and the results achieved.

#### **4.1 Environmental footprint of Sirma Group's activities, measurement, policy and initiatives during the year**

The activities of the companies of "Sirma Group Holding" JSC are mainly concentrated in two segments of the IT industry: "IT services" and "Software development". The work in both segments has a minimal negative effect on the environment. In parallel, through the results of their activity, the companies in the Group assist their clients in reducing the negative footprint of their respective activities through:

- Reduction towards elimination of the use of paper in daily work;
- Increasing the efficiency of the work process;



- Ensuring the possibility of remote work for employees and the decrease of the need for transport to the working place;
- Reduction of required hardware by using cloud services;
- Reduction of employees in the work process.

Following the dual materiality analysis (described above), it was determined that electricity is of primary importance to Sirma's operations and also has the greatest environmental impact. Accordingly, efforts were made in 2023 to collect non-financial information and measure the environmental impact of the Group's Scope 1 and 2 activities as defined in the Greenhouse Gas Protocol. As a result of the work carried out, we can now determine that the carbon footprint of Sirma's activities in 2023 under Scope 1 and 2 amounted to 838 Mt CO<sub>2</sub> equivalent, while in parallel it produced its own renewable energy (part of the consumption) in the amount of 17 Mt CO<sub>2</sub> equivalent (see tables below for details):

#### Scope 1

<b>Fuel used for fleet in 2023</b>	<b>Benzene</b>	<b>Diesel</b>	<b>Gas</b>	<b>Total</b>
<b>Quantity in liters</b>	7 118	3 401	663	11 182
<b>Expense in BGN</b>	17 622	8 888	711	27 220
<b>CO<sub>2</sub> equivalent</b>	16,45	8,51	0,99	<b>25,96</b>

#### Scope 2

<b>Ecological ratio</b>	<b>2022</b>	<b>2023</b>	<b>2023 CO<sub>2</sub></b>	<b>2023 CO<sub>2</sub> Change</b>
<b>Used heating E</b>	291 MWh	292 MWh	122 Mt*	+1 Mt*
<b>Used electricity</b>	1717 MWh	1658 MWh	691 Mt *	-41 Mt*
<b>Total E</b>	2008 MWh	1950 MWh	<b>813 Mt *</b>	-40 Mt*
<b>Per employee</b>	4,14 MWh	3,67 MWh	1,5 Mt	-0,33 Mt*
<b>Generated renewable electricity in MWh**</b>	0	17 MWh	13 Mt *	13 Mt*

\* US Environmental's platform was used to convert to CO<sub>2</sub> equivalent US Environmental Protection Agency at <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator> UN Intergovernmental Panel on Climate Change (IPCC) as per CSRD standard guidelines <https://unfccc.int/documents/271269>

\*\* Part of the electricity used throughout 2023.

In addition to the leading in materiality data on electricity, Sirma also collects data and controls its use of water resources:

Ecological ratio	2022	2023		2023 Change
Used water m <sup>3</sup>	8160	7756		-404

The environmental protection policy of "Sirma Group Holding" JSC consists of:

- Compliance with all laws and regulations, as well as internal procedures and instructions adopted by the group aimed at environmental protection, create prerequisites for the application of the best practices in environmental protection.
- Striving to reduce the direct and indirect impact of the activities of the group's companies on nature by analyzing and evaluating this impact and searching for ways to minimize it.
- Maintaining a minimum fleet in the group. In 2023, the number of company cars in all companies was 9 emitting a minimum CO<sub>2</sub> equivalent of 25.96 Mt for the year..
- Ensuring 30% home-office for all Group employees, thus reducing the resources needed for their transport to the workplaces.
- Complete elimination of paper in internal company communication by developing various high-tech solutions
- Document printing policy (when needed) defaults to two-sided printing in black and white to save supplies and paper. Printing is done on multi-function devices that are located in easily accessible places in the group's offices in order to save equipment and space.
- Strive to reduce waste and increase recycling. The subject of the activity of the companies in the group is related to the use of computer equipment. Sirma Group recycles its materially and/or morally depreciated computer equipment that is no longer usable. In 2023, companies have had no obsolete hardware.

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*"Sustainability does not need to come at the price of reduced growth and profits. On the contrary, sustainability reduces risks and costs for the company. We fully realize this at Sirma."*

*Tsvetan Trenchev – COO of "Sirma Group Holding" JSC*

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- Strive for efficient consumption of resources arising from the consumption of electrical and thermal energy, water, fuels, materials, etc. in 2023,
- Strive to increase the consumption of electrical energy generated from renewable sources. In the third quarter of 2023, “Sirma Group Holding” JSC successfully put into operation its own photovoltaic plant without batteries, located on its central building. During the first 3 months (autumn-winter) of operation, it produced 17.34 MWh of electricity. This represents 23.51% of the whole electricity consumption during these first months of operation. Sirma's photovoltaic system is planned to produce up to 30% of the building's electricity consumption. This is expected to be achieved in 2024 with one full year of PV system operation (and elimination of seasonal fluctuations). At current electricity prices, this investment made by Sirma will break even in less than 3 years. This makes the investment made in the photovoltaic system highly doubly material - both for the environment and for the company.
- Internal emergency plans are updated to address all major accident risks. Prevention and evasion of incidents leading to hampering the working process, air, water, and soil pollution.
- Provision of sufficient information and instructions to employees related to environmental protection.
- Active cooperation with control authorities, local authorities, the community, and all interested parties in solving problems related to the environment.
- Organization of corporate events for the protection and restoration of the environment, such as campaigns for recycling, planting trees, cleaning the environment, and others

The environmental policy is compatible with the management's vision and strategy for the future development of the companies in the group.

#### **4.2 Social impact from the activity of Sirma Group, measurement, policy and initiatives during the year**

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*„People – they are the most important resource of “Sirma Group”. The care for their qualification, motivation and wellbeing has a direct impact upon the economic achievements of the companies and the satisfaction of our clients.“*

Our employees

Our employees are our wealth. The policy of the companies of "Sirma Group Holding" JSC towards their employees excludes any form of discrimination and, in parallel, promotes diversity among the teams.

<b>Indicator</b>	<b>2022</b>	<b>2023</b>
<b>Number of employees as of 31.12.</b>	522	586
<b>Proportion of men / women</b>	77% / 23%	61% / 39%
<b>Number of nationalities within the Group</b>	6	12
<b>Average monthly salary as of 31.12.</b>	BGN 5 100	BGN 5 311
<b>Increase of the average salary during the year</b>	12%	4.14%
<b>Average length of service in the company</b>	8 years	7 years
<b>New employees during the year</b>	136	126
<b>Employees who have left during the year</b>	68	60
<b>Spending on training for the year</b>	BGN 300K	BGN 434K
<b>Spending on training per employee</b>	BGN 575	BGN 740

The policy towards the employees of the companies within the Sirma Group is expressed in:

- Strict compliance with the labor legislation in Bulgaria and in the countries where the Group has offices.

- Care for increasing the qualification of the employees, by financing their participation in various training programs. These trainings are targeted in the areas of occupation of each employee. The internal trainings organized by Sirma Academy were 24 in 2023, covering a variety of topics – from virtualization and containerization, through language training and presentation skills to management. In addition to internal trainings, Sirma employees also attended various external trainings, seminars, workshops and symposia to improve their qualifications. In total, the costs of various trainings in 2023 amount to BGN 434 thousand or about BGN 740 per employee. The costs for training have increased during the year (from BGN 300 thousand in 2022) by more than 30%.
- Care for professional development and remuneration. An annual attestation of each employee in the companies of the group outlines the strengths and weaknesses in the work of each employee. Strengths are enhanced by advance in the job hierarchy and corresponding measures are taken to eliminate or minimize any weaknesses.
- Care for a healthy and safe working environment. All workplaces of the companies in the group have controlled access. This ensures a calm and safe working environment for every employee. Hygiene in offices, the provision of personal protective equipment (in instances of a pandemic), the reduction of employees who work in one room, and continuous disinfection of the work environment were measures that were effective during the pandemic and which remained in 2023 as good practices.
- Taking care of the employees' health. This care begins with disease prevention. Sirma Group provides free unlimited visits to swimming pools, gyms, and other sports and recreation facilities through sports cards (from BGN 54 per employee per month). Such cards are also provided on preferential terms for members of each employee's household. Twice a week, the employer provides fruit for the entire team in order to provide the necessary vitamins for each employee. Subsequently, in addition to compliance with the legally established annual health examinations, employees in Sirma Group companies use additional health insurance (valued at BGN 384 per employee per year), providing affordable and free pre-hospital, hospital, and dental care and covering within certain limits the costs of various health consumables (glasses, etc.). Employees' family members can also be included in the additional health insurance of Sirma companies.
- Provision of the possibility of remote work. Remote work has never been foreign to Sirma Group employees, who are used to working in international teams on various

projects. Working from home contributed to the preservation of jobs and the health of employees during the pandemic. In 2023, although not dictated by pandemic danger, the options for the majority of employees of companies in the Sirma Group for remote work were preserved. A reliable and secure VPN system was built and maintained, which provides easy and safe remote work with access to Sirma Group servers. An additional labor agreement has been signed with each employee (since 2021), which precisely regulates the conditions for exercising remote work.

The effect of this is a better work-life balance, decreased commuting time to the office, reduced transportation costs, and hence a reduced carbon footprint for each and every employee who chooses remote work.

#### Community care

The policy of care and responsibility for the development of employees does not exhaust the efforts made to support the social environment in Bulgaria, Europe and the USA. The very IT services and software solutions that the companies of the Group offer contribute to the improvement of the social environment. In addition to these benefits, Sirma also has a number of additional socially oriented activities that support the development of both the Group and the entire social environment. Here is some of the positive impacts of Sirma's activity on the social sphere:

- Telemedicine

Sirma offers a number of solutions in the field of healthcare and telemedicine. These technologies expand access to health care (especially in remote locations), monitoring and control of chronic diseases and thus contribute to improving public health and inclusion of under-served population groups.

- Cloud services

The cloud services offered by Sirma support the entire spectrum of ESG of our clients - ecology, social environment and governance: Infrastructure as a Service (IaaS) reduces the resources that each company uses in order to provide the necessary infrastructure for its business and optimizes its use; the cloud solutions offered by Sirma provide the opportunity for remote work for employees of the client companies, and hence the opportunity for a better work-life balance;

Disaster-recovery-as-a-service (DRaaS) enables the rapid recovery of client organizations in the event of a crisis, which in turn reduces risks for the company, thus improving its management.

- Sirma Academy

The Sirma Academy for free training in the basics of programming already has a two-year history. In it, leading specialists from the Group train registered applicants free of charge, after successfully passing an exam. In 2023, two seasons were organized. For season 2, 600+ trainees applied, and for season 3, the number increased to 1000+. Unlike other similar IT academies, Sirma Akademy is aimed at specialists looking for re-qualification, without discrimination and age restrictions. The trainings were successful.

- Charity for home for children deprived of parental care in the village of Lesichovo

This home support is a 16-year tradition for employees of Sirma Group companies. Various intra-company bazaars were organized during the year, where goods made or brought by the employees of the companies were sold. All collected funds are subsequently sent to the home for children deprived of parental care in the village of Lesichovo for their support, presents and vacations at the seaside. In 2023, BGN 2,899 were collected and donated.

### 4.3 Measures against corruption

The existence, updating, and implementation of clearly defined procedures for work in the Group are basic measures for countering corruption and other similar negative practices. They cover every aspect and level of the activity:

Procedure	Target
<b>Program for good corporate governance</b>	General management and control within the Group
<b>Rules for the operation of the Board of Directors</b>	Board of Directors
<b>Policy for remuneration of the Board of Directors</b>	Board of Directors
<b>Procedure for trading in shares of senior executives from the Group</b>	The Board of Directors and persons who are linked to them

<b>Instructions for persons working with inside information</b>	Persons who have access to inside information
<b>Code of conduct for financial-accounting positions</b>	Employees with financial-accounting and controlling functions
<b>Ethical code of conduct for the employees</b>	All employees

Sirma Group implements its Good Corporate Governance Program, which requires loyalty and ethics from all employees. All significant transactions in the companies are pre-budgeted and approved by the relevant executive director. The rules for the work of the governing bodies, in turn, are defined in the Rules for the Work of the Board of Directors.

The Group takes special care to prevent the abuse of inside information, which is described in detail in the relevant instructions for the persons who have such information (they are not always employees of the Group). A natural continuation of these instructions is the procedure for trading in shares of senior executives from the group, as well as persons related to them.

The activity of all companies in the group and the corresponding cash flows are subject to control and verification both by an internal audit committee and by an external, reputable auditing company, Grant Thornton OOD.

The counteraction of corrupt practices in Sirma Group is not limited to regulating the activities of its management and control bodies. The Code of Conduct for Financial and Accounting Positions and the Code of Ethics regulate the behavior of all operational levels in the group. In this way, the possibility of misuse of funds and corruption is excluded.

## 5. Main risks and their management

The group is exposed to various types of risks in relation to its financial instruments.

The group's risk management is carried out by the group's central administration in cooperation with the Board of Directors, as well as the Committee for Investments and Risks to the Board of Directors of “Sirma Group Holding” JSC. Management's priority is to secure short- and medium-term cash flows by reducing its exposure to financial market risks.



The most significant risks to which the group is exposed and the measures for their mitigation are described in the consolidated activity report.

## 6. Environmentally sustainable economic activities defined in the regulatory framework of Regulation (EU) 2020/852

In this section, we publish information in connection with Art. 8 of Regulation (EU) 2020/852, establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (Taxonomy Regulation).

A thorough analysis of all economic activities was performed for taxonomy eligibility and alignment with Annexes I and II to Delegated Regulation (EU) 2021/2139 (Climate Delegated Act) based on the company's economic activities. The Climate Delegated Act focuses on those economic activities and sectors that have the greatest potential to achieve the climate change mitigation objective, i.e., the need to avoid the production of greenhouse gas emissions, reduce these emissions, or increase greenhouse gas removals and long-term carbon capture and storage.

### 6.1 Activities that contribute significantly to the mitigation of climate change and do not cause significant harm in relation to the achievement of any of the other environmental objectives under Article 9 of Regulation (EU) 2020/852

After a thorough review of the activity according to Annex I to Delegated Regulation (EU) 2021/2139, including all subsidiaries and all their subdivisions and functions, it was established that all the main activities of the companies of "Sirma Group Holding" JSC are taxonomically permissible, namely:

<i><b>KPI</b></i>	<i><b>Total (BGN '000)</b></i>	<i><b>Share of taxonomy- allowed economic activities (in accordance with the taxonomy) (in %)</b></i>	<i><b>Share of taxonomically inadmissible economic activities (in %)</b></i>
<i><b>Turnover</b></i>	81,315	100 %	0 %
<i><b>Capital expenses</b></i>	7,327	100 %	0 %
<i><b>Operational expenses</b></i>	15,857	100 %	0 %

### 6.1.1 Ownership of building

**Description of the activity:** Purchase of real estate and exercise of ownership rights over it. Economic activities of this category refer to code L68 under NACE — the statistical classification of economic activities established by Regulation (EC) No. 1893/2006 and item 7.7 of Annex I of Delegated Regulation (EU) 2021/2139 of the Commission. The activity of buying real estate and exercising ownership rights is not a main activity for "Sirma Group Holding" JSC or for the companies in the Group. At the same time, "Sirma Group Holding" JSC owns the building of its Headquarters, where a large part of the subsidiaries are registered and operate. The building is located in the city of Sofia at 135 Tsarigradsko Shose Blvd.

### 6.1.2 Evaluation criteria:

*A significant contribution to climate change mitigation*

The building is equipped with a modern heating and air conditioning system. The thermal energy comes directly from the thermal power plant, while the air conditioning is provided by a 400 kW high-tech YCAM heat pump unit. The building's air conditioning system has the necessary automation and control in accordance with Article 14, paragraph 4 and Article 15, paragraph 4 of Directive 2010/31/EU. The air conditioning system of the building is inspected by a licensed company, for which the relevant protocols and prescriptions for prophylactics are drawn up and executed. The latter is carried out annually by the licensed company. Accordingly, the activity "exercise of rights on real estate" by "Sirma Group Holding" JSC is compatible with the taxonomy of activities according to Annex I to Delegated Regulation (EU) 2021/2139 and **has a contribution to the mitigation of climate change**.

## 6.2 Activities that contribute significantly to adaptation to climate change and do not cause significant harm in relation to the achievement of any of the other environmental objectives under Article 9 of Regulation (EU) 2020/852

After a thorough review of the activity in 2023 according to Annex II to Delegated Regulation (EU) 2021/2139, including all subsidiaries and all their subdivisions and functions, it was established that all the main activities of the companies of "Sirma Group Holding" JSC are in compliance with the taxonomy, namely:

### 6.2.1. Activities in the sphere of information technologies

The main subject of activity for all companies in "Sirma Group Holding" JSC is the development and implementation of products and services in the field of information technologies.

Description of activity: Providing expert knowledge and skills in the field of information technologies includes: writing, altering, testing, and maintaining software products; planning and design of computer systems that combine hardware, software, and communication technologies; on-site management and operation of customer computer systems or data processing facilities; and other professional and technical activities related to computers.

Economic activities of this category refer to code J62 under NACE — the statistical classification of economic activities established by Regulation (EC) No. 1893/2006 and item 8.2 of Annex II of Delegated Regulation (EU) 2021/2139.

Depending on the specifics of the technological solutions used and the range of products and services offered, the activity is divided into three segments:

#### *INTELLIGENT EVOLUTION OF ENTERPRISES*

Companies of Sirma Group operating in the segment are: EngView Systems, Sirma AI, Sirma Solutions, Sirma Medical Systems, Datium, Sirma CI, Sirma Group Inc., Sciant, SAI, Sciant Shpk.(ReSolutions), Sirma AB and Saifort.

#### *SOLUTIONS, PRODUCTS AND CONSULTATION OF THE FINANCIAL SECTOR*

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

#### *SYSTEM INTEGRATION*

Companies of Sirma Group operating in the segment are: Sirma Solutions.

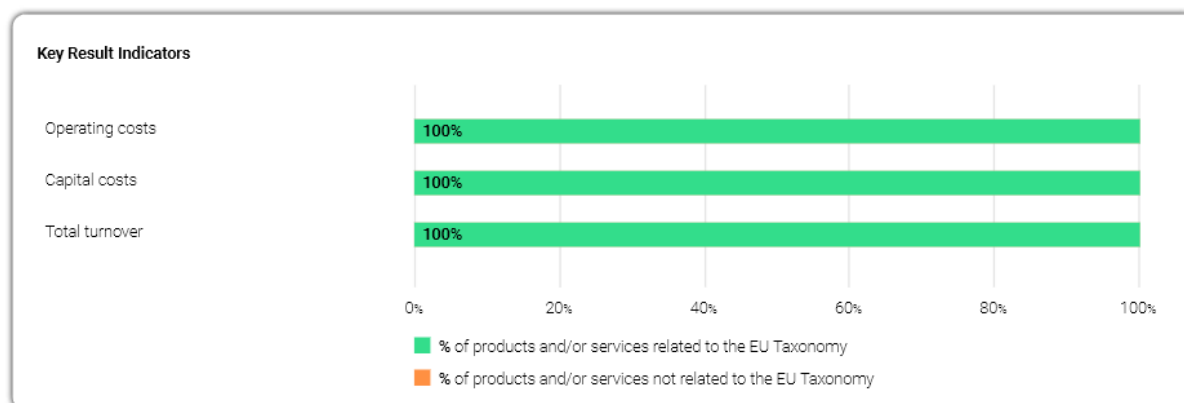
Within the framework of the economic activity, information technology physical and non-physical solutions ("adaptation solutions") have been implemented, ensuring the complete elimination of the most important physical climate risks, which are essential for this activity, and which are described in Appendix A to Annex II to Delegated Regulation (EU) 2021/2139. Therefore, the main activity of all companies in "Sirma Group Holding" JSC meets the criteria for its designation as an **activity that contributes to adaptation to climate change** and complies with the economic activity taxonomy.

### **6.3 Share of permissible activities carried out by "Sirma Group Holding" JSC and its subsidiaries**

#### *Key performance indicators*

Key performance indicators ("KPI") include KPIs on turnover, KPIs related to capital expenditure (CAPEX), and KPI related to operating expenses (OPEX). For the reporting period

2023, KPIs must be disclosed in relation to taxonomically eligible economic activities and taxonomically ineligible economic activities (Article 10(2) of the Article 8 Delegated Act).



The key indicators for the results of the activity are determined in accordance with Annex I to the Delegated Act under Art. 8 of the Taxonomy Regulation. The Group determines the taxonomy-compliant KPI in accordance with legal requirements and presents its accounting policy in this regard as follows:

#### KPI linked with turnover

The part of the turnover that derives from products or services related to economic activities that qualify as environmentally sustainable according to Articles 3 and 9 of Regulation (EU) 2020/852 is calculated as the part of the net turnover that derives from products or services related to taxonomy-compliant economic activities (numerator) divided by net turnover (denominator). The denominator of the turnover CPR is based on our net turnover determined in accordance with Article 2, item 5 of Directive 2013/34/EU (the amounts received from the sale of products and the provision of services after deducting trade discounts, value added tax and other taxes directly related to turnover) and including income included in the scope of IFRS 15 and IFRS 16. For more details on the accounting policies regarding the Company's net turnover, see Note 4 Accounting Policy, 4.10 Income, to the annual consolidated financial report for 2023.

The net turnover of the Company when determining the KPI can be compared with the income indicated in the annual consolidated financial statement by adding the income under the items Income from contracts with customers (note 27) and Other income (note 28, line Other income) from the consolidated statement of profit or loss and other comprehensive income for 2023.

#### KPIs linked with CAPEX

KPIs related to capital expenditure is defined as capital expenditure relating to taxonomy-compliant economic activities (numerator) divided by total capital expenditure (denominator).

Total capital expenditure consists of the value added on the acquisition of fixed tangible and intangible assets during the financial year, before impairment, amortization, and any additional valuations, including those resulting from revaluations and impairments. These include the acquisition of property, plant, and equipment (IAS 16) and intangible assets (IAS 38). For more details on the accounting policies of “Sirma Group Holding” JSC regarding capital expenditures, see Note 4: Accounting Policy, 4.14. Intangible Assets and 4.15. Property, plant, and equipment in the annual consolidated financial statements for 2023.

The Group's total capital expenditure can be compared to the annual consolidated financial statement by determining the sum of the items for newly acquired assets under Note 11: Property, plant, and equipment and Note 12: Intangible Assets.

#### KPIs linked with OPEX

KPIs related to operating costs is defined as operating costs related to taxonomy-compliant economic activities (numerator) divided by total operating costs (denominator).

Total operating expenses consist of direct non-capitalized costs that relate to research and development, building repair and renovation costs, short-term leases, maintenance and repairs, and any other direct costs associated with the day-to-day servicing of real estate assets, machinery, and equipment. This includes:

- The amount of expenses related to non-capitalized leases is determined in accordance with IFRS 16 and includes expenses for short-term leases and leases of low value (note 31 Costs for external services to the annual consolidated financial statements for 2023). Although low-value leases are not explicitly mentioned in the Delegated Act under Art. 8 of the Taxonomy Regulation, the guidance interprets the legislation to include these leases.
- Costs related to maintenance, repair, and other direct costs related to the day-to-day servicing of property, plant, and equipment assets, determined on the basis of maintenance and repair costs. The related expense items can be found on various lines in the annual consolidated statement of profit or loss and other comprehensive income, including costs of materials (note 305 Costs of Materials), and costs of

external services (Note 31: Costs of External Services). Including building renovation costs.

This does not include costs associated with the day-to-day operation and maintenance of the property, plant, and equipment assets, such as: raw materials, costs of employees working with the assets, electricity, and others that are necessary for the operation of these assets.

26.04.2024

Executive Director

# DECLARATION

under Art. 100o, para 4, item 3 of POSA

## The undersigned:

1. **Tsvetan Borisov Alexiev** in his capacity as CEO of “Sirma Group Holding” JSC, UIC 200101236
2. **Diana Ivanova Petkova** in her capacity as Chief Accountant of “Sirma Group Holding” JSC, UIC 200101236

## WE DECLARE that to the best of our knowledge:

- a) The annual consolidated financial statements as at 31.12.2023 are prepared in accordance with the applicable accounting standards and reflect honestly and fairly the information about the assets and liabilities, the financial position and the profit / loss of “Sirma Group Holding” JSC.
- b) The annual consolidated management report of “Sirma Group Holding” JSC as at 31.12.2023 contains a reliable overview of the development and results of the company's operations.

Date: 26.04.2024

Declarers:

Executive Director

Chief Accountant