



Sirma

Interim Consolidated Management Report

of "Sirma Group Holding" JSC
for Q4 2020

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

The present interim consolidated management of “Sirma Group Holding” JSC covers the period, ending on 31 December 2020 and was prepared in accordance with the provisions of Article 39 of the Accountancy Law and Art. 100o, para. 2 and 5 of the 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 interim consolidated financial statements as at 31 December 2020;
- there is no actual or potential breach of laws and (or) other regulatory provisions which would have a material impact on the consolidated financial statements or could serve as a basis for reporting contingent loss;
- there are no legal or other restrictions on the flow of funds;
- there are no known trends, requests, commitments, events or occasional circumstances for which there is reason to expect that they may affect the company as a whole.

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

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

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

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

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

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

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

The reporting period is the financial year ending on 31.12.2020. The report includes Sirma Group Holding JSC and all subsidiary companies of the group without Flash Media, Engview Systems Latin America, Eyeball Interactive, Excell Management and e-Dom, which are excluded from consolidation due to lack of relevance.

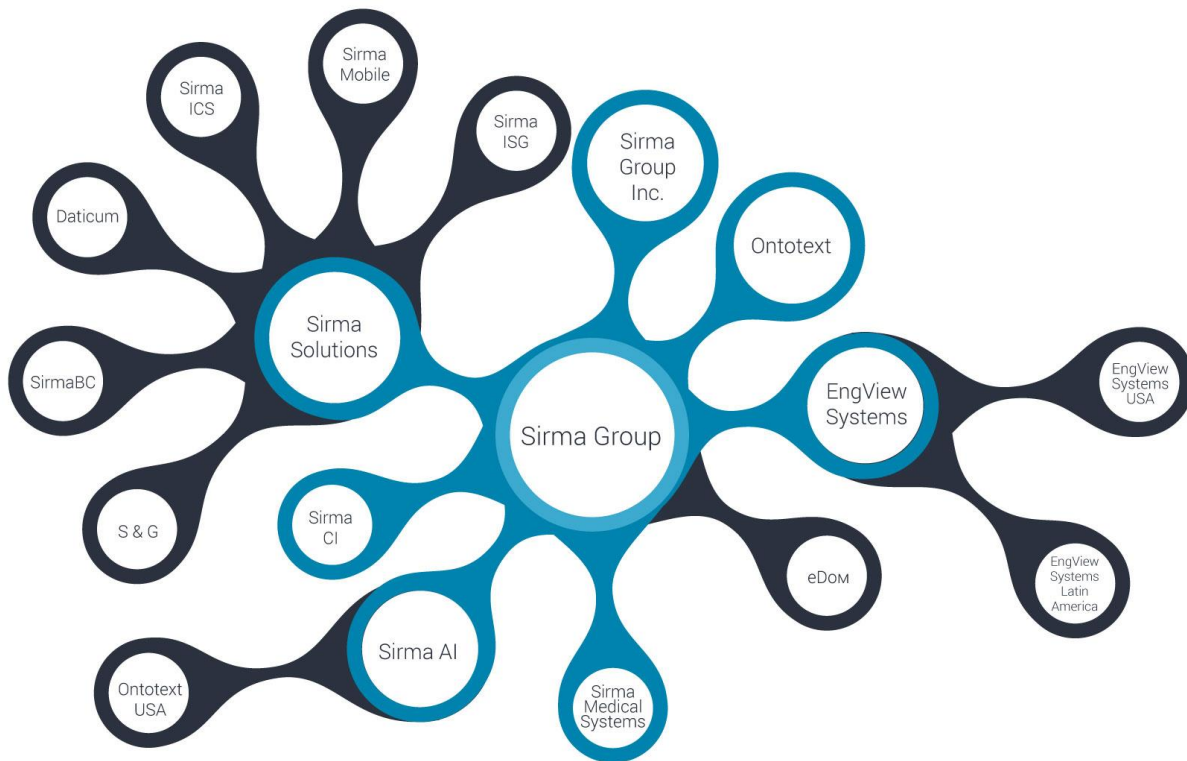


2 ORGANIZATION AND WAY OF PRESENTATION

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

Over the years, Sirma has created over 20 companies, investing in them a tremendous financial and human capital. Our strategy is to create businesses, incubate them and develop them.

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



Branches of the company

"Sirma Group Holding" JSC has no registered branches.

History and development of the company

"Sirma Group Holding" JSC is a holding company registered on 25.04.2008 at the Registry Agency with UIC 200101236, with head office: BULGARIA, Sofia (capital), Sofia municipality, City Sofia 1784, Mladost area, bul. Tsarigradsko Shosse, No 135. The name of the company changed on 23.03.2009 from "SGH" JSC to "Sirma Group Holding" JSC.

The object of the company is: ACQUISITIONS, MANAGEMENT, EVALUATION AND SALE OF

PARTICIPATION IN BULGARIAN AND FOREIGN COMPANIES, ACQUISITION, EVALUATION AND SALE OF PATENTS, CESSION OF LICENSES TO USE PATENTS OF COMPANIES WHICH THE COMPANY HOLDS, FINANCE OF COMPANIES IN WHICH THE COMPANY PARTICIPATES, ORGANIZATION OF ACCOUNTING AND COMPILING FINANCIAL STATEMENTS UNDER THE LAW OF ACCOUNTING. THE COMPANY MAY PERFORM INDEPENDENT BUSINESS ACTIVITIES WHICH ARE NOT PROHIBITED BY LAW.

Changes in the statement of activity

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

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

accounting and preparation of financial statements under the order of the Law for Accounting. The company may also carry out its own commercial activity, which is not prohibited by law.

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

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

CAPITAL

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

History of Share Capital

History of changes in share capital

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

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

- 1) 29 software modules worth 61,555,838 BGN;
 - 2) Non-monetary contribution representing real estate amounting to 3 911 660 BGN:
- ☐ Office building - offices, floor 3th and floor 5th of an office building, located in Sofia, 135 Tsarigradsko shose

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

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

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 31.12.2020 the distribution of the share capital of Sirma Group Holding is as follows:

	31.12.2020 (BGN '000,%)	30.09.2020 (BGN '000,%)
Share capital	59 361	59 361
Number of shares (par value of 1 BGN)	59 360 518	59 360 518
Total number of registered shareholders	1 041	1 034
Including legal entities	47	48
Including Individuals	994	986
Number of shares held by legal entities	8 528 409	8 546 564
% of capital of legal entities	14,37%	14,40%
Number of shares held by individuals	50 832 109	50 813 954
% of capital held by individuals	85,63%	85,60%



Shareholders	Number of shares at 31.12.2020	Number of shares at 30.09.2020	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,97%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	1	4 865 753	8,20%	8,28%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,08%
Veselin Antchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	8,00%
Ivo Petrov Petrov	4 400 000	4 201 400	1	4 400 000	7,41%	7,49%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,37%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,91%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,31%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,70%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,67%
Emiliana Ilieva Ilieva	1 925 649	2 045 289	1	1 925 649	3,24%	3,28%
Bank of New York Mellon	1 765 200	967 600	1	1 765 200	2,97%	3,00%
Yavor Liudmilov Djonev	1 392 746	1 392 746	1	1 392 746	2,35%	2,37%
UPF "Doverie" JSC	1 047 678	1 047 678	1	1 047 678	1,76%	1,78%
Peter Nikolaev Konyarov	870 665	870 665	1	870 665	1,47%	1,48%
"Mandjukov" Ltd.	860 000	860 000	1	860 000	1,45%	1,46%
UPF "DSK Rodina"	747 036	747 036	1	747 036	1,26%	1,27%
UPF "Pension Insurance Institute"	715 810	715 810	1	715 810	1,21%	1,22%
Others	12 551 086	13 427 646	1	12 551 086	21,14%	20,36%
Total	59 360 518	59 360 518		59 360 518	100%	100%

As of 31.12.2020 "Sirma Group Holding" JSC holds 584 474 own shares (0,98% from share capital). The Company has acquired 109 750 own shares during Q4 2020.

As of 31.12.2020, "Ontotext" owns 550 shares of the parent company „Sirma Group Holding“ JSC with total value of BGN 643,50.

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

Shareholders	Number of shares at 31.12.2020	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	8,88%	8,95%
Tsvetan Borisov Alexiev	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,07%
Veselin Antchev Kirov	4 700 786	7,92%	7,98%
Ivo Petrov Petrov	4 400 000	7,41%	7,49%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,35%



Shareholders	Number of shares at 30.09.2020	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	8,88%	8,95%
Tsvetan Borisov Alexiev	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,07%
Veselin Antchev Kirov	4 700 786	7,92%	7,98%
Ivo Petrov Petrov	4 201 400	7,08%	7,15%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,35%

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

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

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

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

3.2 Management authorities

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

The Board of Directors as of 31.12.2020 includes the following members:

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

Method of determining the mandate of the Board of Directors: 2 years from the date of entry of their election.

Current term of the Board of Directors is until: 19.09.2021

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

Competencies of the management

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

Stock options of the company

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



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

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

Committees in The Company

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

1. Investment and Risk Committee, composed of:

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

2. Remuneration Committee, composed of:

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

3. Information Disclosure Committee, composed of:

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

4. Audit Committee, composed of:

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

Accepted internal normative documents

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

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

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

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

THE PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS IN THE CAPITAL OF THE COMPANY IS AS FOLLOWS:

Shareholders	Number of shares at 31.12.2020	Number of shares at 30.9.2020	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,90%
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,95%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	1	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,07%
Petar Borisov Statev	10 100	10 100	1	10 100	0,02%	0,02%
Yordan Stoyanov Nedev	3 433	3 433	1	3 433	0,01%	0,01%
Total	17 787 344	17 787 344		17 787 344	29,96%	30,21%

During the period 01.10.2020 - 31.12.2020 there were no changes in the participation of the members of the BD in the capital of the company.



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

Board Member	Company	Sums for the period 01.01.2020 - 31.12.2020
		(BGN)
Atanas Kostadinov Kiryakov	EngView Systems Sofia	(600)
	Sirma AI	(6 000)
	Sirma Group Holding	(18 000)
	Sirma Solutions	(6 000)
Georgi Parvanov Marinov	EngView Systems Sofia	(114 313)
	Sirma Business Consulting	(11 000)
	Sirma Group Holding	(18 000)
Yordan Stoyanov Nedev	Sirma Group Holding	(69 770)
Petar Borisov Statev	Sirma Group Holding	(18 000)
Tsvetan Borisov Alexiev	Daticum	(240)
	EngView Systems Sofia	(600)
	Sirma AI	(6 000)
	Sirma Business Consulting	(22 000)
	Sirma Group Holding	(139 000)
Chavdar Velizarov Dimitrov	Sirma Solutions	(53 910)
	Daticum	(240)
	Sirma Group Holding	(18 000)
	Sirma Medical Systems	(1 200)
Total		(502 873)

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 Extraordinary General Meeting of the Shareholders of the Company held on 26.08.2019, the mandate of the Audit Committee was continued with 3 (three) years at the current remuneration. The Audit Committee consisting of:

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

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

In view of the fact that "Sirma Group Holding" JSC is entered in the Register under Art. 30, para. 1, item 3 of FSCA, kept by FSC, the Company has implemented a Program prepared in accordance with internationally recognized standards for good corporate governance. In accordance with the provision of Art. 100n, para. 4, item 3 of POSA, 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 31.12.2020 (in BGN'000)	Percentage of capital at 31.12.2020	Percentage of capital with adjusted repurchased own shares at 31.12.2020	Value of the investment at 31.12.2019 (in BGN'000)	Percentage of capital at 31.12.2019	Percentage of capital with adjusted repurchased own shares at 31.12.2019	Changes (in BGN'000)
Sirma Solutions	39 311	77,71%	82,43%	39 311	77,71%	82,43%	-
Sirma AI	7 035	100,00%	100,00%	7 035	100,00%	100,00%	-
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	-
Sirma Group Inc.	3 471	76,16%	76,29%	3 471	76,16%	76,29%	-
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%	-
Ontotext	17 865	87,65%	90,44%	17 865	87,65%	90,44%	-
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	-
Total	67 904			67 904			-

Subsidiaries of "Sirma Solutions"

Company	Value of the investment at 31.12.2020 BGN '000	Percentage of capital at 31.12.2020	Value of the investment at 31.12.2019 BGN '000	Percentage of capital at 31.12.2019	Changes BGN '000
Sirma Business Consulting	1 374	54,08%	1 374	54,08%	-
Daticum	1 394	60,50%	1 394	60,50%	-
S&G Technology Services Ltd., UK	117	51,00%	117	51,00%	-
Sirma ISG	0	71%	0	71%	-
Sirma ICS	270	90,00%	270	90,00%	-
Total	3 155		3 155		-

Subsidiaries of "Sirma AI"

Company	Value of the investment at 31.12.2020 BGN '000	Percentage of capital at 31.12.2020	Value of the investment at 31.12.2019 BGN '000	Percentage of capital at 31.12.2019	Changes BGN '000
Ontotext USA	30	100,00%	30	100,00%	-



Subsidiaries of "EngView Systems Sofia"

	Value of the investment at 31.12.2020	Percentage of capital at 31.12.2020	Value of the investment at 31.12.2019	Percentage of capital at 31.12.2019	Changes
Company	BGN '000		BGN '000		BGN '000
EngView Systems Latin America	7	95%	7	95%	-
Impairment	(7)		(7)		-
EngView USA	190	100%	190	100%	-
Total	199		199		-

Associated companies of "Sirma Group Holding"

	Value of the investment at 31.12.2020	Percentage of capital at 31.12.2020	Value of the investment at 31.12.2019	Percentage of capital at 31.12.2019	Changes
Company	BGN '000		BGN '000		BGN '000
GMG Systems (IN LIQUIDATION)	-	19,93%	-	19,93%	-
E-DOM MANAGEMENT	-	35,00%	-	35,00%	-
Total	-		-		-

Associated companies of "Sirma Solutions"

	Value of the investment at 31.12.2020	Percentage of capital at 31.12.2020	Value of the investment at 31.12.2019	Percentage of capital at 31.12.2019
Company	BGN '000		BGN '000	
SEP Bulgaria	-	6,50%	-	6,50%
EYE BILL INTERACTIVE	-	34%	-	34%
EXCELL MANAGEMENT	-	34%	-	34%
Flash Media	-	50%	-	50%
Sirma Group Inc.	916	23,85%	916	23,85%
Sirma Mobile	15	40%	15	40%
Total	931		931	

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

The company has no branches.



5 SIRMA GROUP IN Q4 2020

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 products are concentrated in the most promising and high-tech areas - financial technology, semantics, industrial software, IoT, computer vision, medicine. In 2017, as part of its renewed strategy, the group began a focused effort to build cross-selling capacity, updated its sales and marketing model in line with the global trends.

Sirma is a globally recognizable company in semantic technology and among the top 10 worldwide in the areas of Graph Databases (GpahDB), Text Analysis, Data Detection, and Federationing (Bloor, 2016). One of Sirma's products - EngView Package Designer Suite CAD is part of the design and packaging solutions of world leaders in the printing industry. The Holding is one of the regional leaders of the IT market, with 60% of the operators in the financial sector being its clients. Sirma is a top class regional cloud service provider with Class 4 Data Center licensed to store data from the Bulgarian National Bank and other organizations requiring increased data security. Through one of its companies, the Holding is the leader in the SaaS delivery to insurance brokers. Sirma has a strong presence on the US market by running a huge number of IT consulting projects. The group has a broad partner and distribution ecosystem in over 50 countries around the world.

Some of Sirma's unique advantages are:

- The Best RDF Triplestore in the World;
- Top Text Analytics Engine for Business (used by BBC, AstraZeneca, Ministry of Defense USA);
- Face recognition technology - among the top 10 worldwide;
- Extensive expertise in news and social media analysis;
- Extensive expertise in creating Chatbot and AI Assistant applications.

In 2017, the group developed its 5-year "Sirma 2022 Strategy". Sirma focuses on the process of transforming organizations into "intelligent organizations." We have technology and know-how for all stages of this transition - from data collection - internal, external, structured, unstructured, open, connected, "dark" etc., through the development of models and knowledge repositories, the development of analytical models and predictive models based on artificial intelligence, to the provision of "human" interfaces of the next generation.

The main elements of the Strategy are:

- Technological transformation through concentration of R&D;
- Improvement of the commercialization of technologies;
- Expansion and technological leap in Sirma's product portfolio through:
 - o Cloud base;
 - o Development of new products with a cognitive element;
- Complementing the sales model - from predominantly on premise to SaaS sales;
- Significant expansion of the distribution network and partner ecosystem to improve the sales model - in addition to direct sales and sales through a major affiliate distribution network, including increasing OEM partnerships;
- Organizational restructuring to implement the strategy.

The transition to the SaaS sales model, the increase of cognitive sales, combined with planned marketing and sales investments will ensure a smooth and steady growth of Sirma to a global level and an increase in the value of the Group.

Our philosophy about our strategic technologies and products is that we embody the sense of human thought - perception, interpretation, forecasting and decision making.

By adopting the 2018-2022 Strategy, we began preparing for its implementation. We provided debt finance to eliminate minority holdings in Ontotext - a key company for the Strategy implementation. We have developed detailed development plans for the strategic verticals of the group. We have begun a process of organizational and technological restructuring.



5.2 Economic Trends

In short

Optimism for global recovery is growing. All forecasts from the end of 2020 have been improved. The expectations for the contraction of the world GDP in 2020 are of about 4% on an annual basis, and a transition to growth in 2021 of about 5% and about 4% in 2021 is expected. Both the decline and the recovery will be very different in different countries and regions. Forecasts are still very conditional and differ among different forecasting organizations.

The decline in the ICT sector in 2020 is slightly smaller than that of GDP and is expected to be around 3%. Like the economic recovery, all ICT segments are expected to return to growth in 2021. Unlike the economic recovery, however, the ICT sector is expected to fully recover in 2021, reaching and exceeding 2019 spending levels. The recovery of the ICT sector will be rapid but uneven, with some IT segments never recovering, while others showing double-digit growth in 2020-2021. The uneven recovery is also characteristic for the different countries and regions – some bouncing back in 2020 and some reaching 2019 IT spending levels as far as 2024.

Development of the economy in Bulgaria in 2020 and expectations for 2021

The World Bank ([Global Economic Prospects, January 2021](#)) expects Bulgaria's GDP contraction in 2020 to reach 5.1% and a subsequent recovery in 2021 of 3.3% and 3.7% in 2022.

Fiscal policy is expected to contribute significantly to economic activity through government spending, investment and increased net transfers to households. The gradual recovery, which began in the third quarter of 2020, is expected to continue in 2021 and 2022.

The most important risk for economic activity is observed in a potential new wave of COVID-19 in Bulgaria and around the world, which may subdue for a longer than expected period the foreign trade, individual and corporate consumption and investment. The recovery of the Bulgarian economy is highly conditional and depends on the measures taken at local and European level, as well as on the recovery of European economies, which are also the leading markets for Bulgarian industry.

Development of the global economy in 2020 and expectations for 2021

Economic development in 2020 was marked by the impact of the measures against COVID-19 on the world economy and the recession in which most countries have fallen. Market forecasts for the year outlined a sharp economic downturn and an uncertain recovery in the coming years ([Global Economic Prospects, World Bank, January 2021](#)).

According to the World Bank, the decline in GDP globally in 2020 is expected to reach 4.3%, and it is one of the highest in developed economies, where it is expected to average

5.4% - 3.6% in the United States, 7.4% in the euro area and 5.3% in Japan. China is one of the few countries that, despite all the restrictions, is expected to report 2% GDP growth in 2020. The forecasts of the World Monetary Fund are slightly more optimistic ([IMF World Economic Outlook, January 26, 2021](#)). The IMF forecasts a global decline in GDP for 2020 of 3.5%. Like the World Bank, the IMF also expects the contraction in developed economies to be the largest, albeit only 4.9%. The economic downturn in 2020 is different for different countries and regions depending on the focus of their economies (eg. France, Spain and Greece), balanced restrictive measures (eg. Germany), the effectiveness of government support policies (eg. China).

The World Bank forecasts a V-shaped recovery of global growth by 4% in 2021 and 3.8% in 2022. Growth in the group of developed economies is expected to strengthen to 3.3% in 2021, which, however, is insufficient to reach 2019 GDP levels.

The IMF ([IMF World Economic Outlook, January 26, 2021](#)) has more optimistic forecasts for global growth of 5.5% in 2021 and 4.2% in 2022. In January 2021, the IMF revised its forecasts from October last year by nearly 1% in the positive direction, based on the better-than-expected economic results of the global recovery in the second half of 2020.

However, this recovery is highly conditional and depends on effective immunization, proper pandemic management, and effective government policies. The materialization of a number of risks could derail the expected economic growth in 2021: a new wave and growth of infected, logistical difficulties with vaccination, sharply increased debt of all countries, increased risk of financial crisis. At the same time, the expected recovery in 2021 will not be uniform across economic sectors. Accordingly, the reach of the GDP of 2019 will take place at different times for different countries and regions.

The Industry of Sirma

The companies from Sirma Group Holding specialize in the information technology (IT) industry. Industry data is usually combined with data for the 'communication segment', as this segment is entirely dependent on information technology. Respectively, the industry acquires the name "Information and Communication Technologies" or ICT for short. Of all the diversity of ICT segments, the companies in the group work mainly in the segments "IT services" (system integration, infrastructure as a service, software as a service, software support, consulting) and "Business software" (different



software products aimed at different business verticals and custom software development).

The two big segments (“IT Services” and “Software”) in which the Group operates have been the fastest growing in the past. They will return to growth reaching pre-COVID levels as soon as 2021. CAGR is anticipated to be 5.3% for “IT Services” and 8.5% for “Enterprise Software” for the period 2020-2024.

Geographically Sirma is focused on the leading global markets (USA, UK and Europe) which are also expected to make the fastest return to normal pre-COVID spending on IT as early as 2021 (see “ICT Spending by Countries and Regions” below).

Sirma is a B2B IT provider. The client portfolio of Sirma – Digital businesses (Sirma’s AI, Consulting and Integration, Chatbots, IT Security and software development), Financial institutions (Sirma’s AI, Consulting, Integration, IT Security, Chatbots and Sirma Business Consulting Products), Insurance (Sirma’s Insurance Broker Platform), Communications (Sirma’s AI, GraphDB), Publishing (Sirma’s AI, GraphDB), Media (Sirma’s AI, GraphDB) and Healthcare (Sirma’s AI, Sirma Medical products) have shown modest decrease in IT spending levels in 2020, are showing resilience during the COVID crisis and are expected to grow strongly their investments in ICT in the near years (see Gartner, ICT Spending by Verticals). Sirma does not have exposure to worst hit by the COVID crisis verticals – “Transportation”, “Manufacturing” and “Leisure”.

Forecast for the Global ICT Sector in 2020

Gartner

According to Gartner ([IT Spending Forecast, 4Q20 Update, January 25, 2021](#)), the effects of the pandemic on the ICT sector in the world were not as negative as expected at the beginning of the fourth quarter of 2020. Global ICT spending fell less than expected in 2020 - by 3.2% (instead of the expected decline of 5.4% in October 2020) compared to 2019 and will shrink to USD 3.6 trillion at current prices. The contraction in ICT spending is even more modest in constant currency and - 2.5% for 2020.

Gartner has revised its ICT spending forecast and expectations in January 2021:

Global ICT Spending in Current Prices

	2017	2018	2019	2020	2021	2022	2023	2024	CAGR 2019- 24
Data Center Systems									
Spending (B\$)	182	213	215	215	228	236	245	254	
Growth y/y		17.03%	0.94%	0.00%	6.05%	3.51%	3.81%	3.67%	3.37%
Enterprise Software									
Spending (B\$)	370	427	477	465	506	557	629	715	
Growth y/y		15.41%	11.71%	-2.52%	8.82%	10.08%	12.93%	13.67%	8.46%
Devices									
Spending (B\$)	673	714	712	653	705	715	720	719	
Growth y/y		6.09%	-0.28%	-8.29%	7.96%	1.42%	0.70%	-0.14%	0.20%
IT Services									
Spending (B\$)	931	993	1 040	1 012	1 073	1 140	1 235	1 347	
Growth y/y		6.66%	4.73%	-2.69%	6.03%	6.24%	8.33%	9.07%	5.31%
TELCO									
Spending (B\$)	1 381	1 382	1 373	1 350	1 411	1 457	1 511	1 555	
Growth y/y		0.07%	-0.65%	-1.68%	4.52%	3.26%	3.71%	2.91%	2.52%
All ICT									
Spending (B\$)	3 537	3 728	3 816	3 695	3 923	4 105	4 340	4 590	
Growth y/y		5.40%	2.36%	-3.17%	6.17%	4.64%	5.72%	5.76%	3.76%
IT w/o TELCO									
Spending (B\$)	2 156	2 346	2 443	2 345	2 512	2 648	2 829	3 035	
Growth y/y		8.81%	4.13%	-4.01%	7.12%	5.41%	6.84%	7.28%	5.08%



The decline in spending in 2020 was observed in all ICT segments, being most significant in “Devices” (a drop in excess of 8%), where purchases were largely limited to meeting critical needs during the pandemic crisis. The best performer of the year is the segment “Data Center Systems”, which has maintained its positions since 2019. The main reason for this being the strong increase in demand for cloud services in the months of pandemic lock-down - a need that is met by this segment.

ICT spending by countries and regions

The second (for some countries the third) wave of COVID-19 hit the world in late 2020 and early 2021. However, Gartner does not expect large-scale restrictions at state level, but rather local “hot spot” management. However, ICT spending is expected to decline worldwide for 2020 in all countries except China (where growth is expected to be 2% in 2020) and South Korea. In some cases the decline is significant - Italy, Greece, Argentina, India. Geographically in 2021 Gartner expects that all developed markets will return to pre-COVID levels of ICT spending and grow beyond, the only exception being Hungary. The decline in the ICT sector in 2020 will be overcome at different times in different countries in the coming years. Some countries, such as Greece and Italy, will find it difficult to recover their IT spending levels, and are not expected to reach 2019 levels until 2024. At the same time, some countries will overcome the decline from 2020 in 2021 and will return to the path of rapid growth of the sector. Such countries are the United States, Canada, the United Kingdom, where the CAGR 2020-2024 is expected to be between 4 and 6%. Accordingly, Gartner suggests that the geographical focus of ICT sales becomes essential for IT companies.

ICT spending by technologies

The decline in spending for “IT Services” and “Enterprise Software” segments in 2020 are less than the overall decline in the ICT sector - 2.7% and 2.5%, respectively. All IT segments are expected to return to growth in 2021 (see table above).

The “Enterprise Software” segment is expected to have the strongest recovery with an 8.8% growth in 2021. This is due to the increased need for remote work solutions and the need to accelerate the trend towards digitalization of enterprises.

A Gartner survey made in late 2020 and early 2021 ([IT Spending Forecast, 4Q20 Update, January 25, 2021](#)) illustrates the reason for the decline in spending for “IT Services” segment - 70% of respondents have postponed or stopped using IT services in 2020.

The main reasons for this postponement are budget constraints and a change in the priorities of organizations during the pandemic constraints.

At the same time, most of them plan to restore the use of IT services in 2021, with only 9% not intending to do so. Hence, Gartner concludes that in 2021, the “IT Services” segment will rebound strongly in 2021 and will grow by 6% y/y, thus overcoming the decline from 2020.

However David Lovelock – VP Analyst at Gartner suggests a **K-shaped recovery** in ICT spending, where some sub-segments are doing well and even strongly growing even during 2020, while other ICT technologies are fading off. The joint forecast anticipates a return to pre-COVID levels of ICT spending in 2021 in most developed countries.

What the “big picture” is hiding is the great variety of future for different technologies. The technologies like various network equipment will never recover, while the technologies like “desktop as a service” are the ones growing in 2020, and expected to lead the ICT market in the coming years. The latter are the ones which are actually being accelerated by the COVID crisis.

The leading technologies starting from 2020 and moving the whole segment to the future are again in the top right of the chart. These are technologies which facilitate the businesses shift towards digital business and transformation – “business intelligence platforms”, “intelligent platform as a service”, “storage management”, etc. They have been growing in 2020 and will continue to grow with double digit rates in the period 2020-2024. The main driving force of ICT spending is a shift to digital business. Hence spending on digital business technology and transformation is growing in 2020 and will increase strongly in the years to come. Digital business is considered as “extinction level event.. Spending here is no longer linked with ROI.

The technology which is being abandoned is mapped to the left and bottom of the chart – “consumer desktops”, “business desktops”, “enterprise WLAN controllers”, etc. Spending in these segments is decreasing and they will never recover from the COVID crisis.

ICT Spending by Verticals

The drop in ICT spending in 2020 is not even across the various industry verticals. Some (“Government”) have even been able to grow during the year. Others (“Banking and Securities”, “Healthcare Providers”) have marked only a modest decrease compared to some who have marked a dramatic drop – “Transportation” with a decrease of 20% and “Manufacturing” with a decrease of 15%. Digitalization and investments in IT is seen as key in the post-COVID recovery. IT is no longer subject to cost cutting, but rather as key investments for organizations.



5.3. Additional information for Q4 2020

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 Q4 2020

11.12.2020

Disclosure of opened large deposit of Sirma Solutions JSC with Sirma Group Holding JSC.

07.12.2020

Rosen Varbanov, the Executive Director of Sirma Medical Systems, shared insights about the development of telemedicine services in Bulgaria on Bloomberg TV Bulgaria.

04.12.2020

Notos Bulgaria and Sirma collaborate to implement unified e-commerce platform.

03.12.2020

Tsvetan Alexiev – the Executive Director of Sirma Group Holding speaks about the pros and cons of being a public company at the Investor Finance Forum 2020.



02.12.2020

Tsvetomir Doskov – Executive Director of Sirma Business Consulting talked about the future of bank digitalization at Economedia's forum "Banks and Business".

30.11.2020

Publication of the interim consolidated financial reports of Sirma Group Holding JSC for the period ending on 30.09.2020.

19.11.2020

Sirma AI's product GraphDB was selected by Johnson Controls for the New Release of Metasys Building Automation System.

10.11.2020

Wood & Co. published its equity research which evaluated the investment potential of Sirma Group Holding JSC.

09.11.2020

Fabrice Gouttebroze- Managing Director of S&G Technology Services/Sirma UK, was named as a contributor to Raconteur media, in their special report "Future of Banking & Capital Markets", published in The Times and The Sunday Times.

30.10.2020

Disclosure of opened large deposit of Sirma Solutions JSC with Sirma Group Holding JSC.

30.10.2020

Publication of the interim individual financial reports of Sirma Group Holding JSC for the period ending on 30.09.2020.

07.10.2020

Tsvetan Alexiev – CEO of Sirma Group Holding talked about the future of telemedicine in Bulgaria and Sirma's innovative solution Medrec:M at the Tech of Tomorrow 2020.

06.10.2020

The fintech expert of Sirma Business Consulting Tsvetomir Doskov discussed the processes' and technologies' developments and changes in the context of a global pandemic at the Digital Finance Forum.

30.09.2020

Mr. Tsvetomir Doskov – Executive Director of Sirma Business Consulting takes part in the Tech of Tomorrow 2020 discussions on the topic of "Real-time banking – accelerated shift to digital interaction."

29.09.2020

Mr. Fabrice Gouttebroze, Managing Director of S&G Technology Services, part of Sirma Group, shares insights to wealth managers in their choice of open banking solutions in the "Professional Paraplanner" magazine.

21.09.2020

Publication of the interim consolidated financial reports of Sirma Group Holding JSC for the period ending on 30.09.2020.

18.09.2020

Publication of the Protocol from the General Meeting of Shareholders of Sirma Group Holding JSC and the lists of proxies.

17.09.2020

Disclosure of the decision by the GMS for distribution of the profit for 2019 of Sirma Group Holding JSC and lack of payment of dividends.

17.09.2020

Disclosure of information about the buy-back of own shares by Sirma Group Holding as per decision of the GMS.

16.09.2020

Sirma Group Holding held its annual General Meeting of the Shareholders using the online platform EPOS of the Central Depository.

08.09.2020

Mr. Fabrice Gouttebroze - Managing Director of S&G Services/Sirma UK has discussed for FinTech Magazine, the financial industry's focus on digital offerings and the increased demand from consumers to use them, due to the COVID-19 pandemic.

27.08.2020

Publication of information about the new requirements and possibilities of EPOS and the electronic option for conducting the GMS.



25.08.2020

The Managing Director of S&G Technology Services /Sirma UK/, Fabrice Gouttebroze has discussed the current trends in consumer and business lending, driven by the COVID-19 lockdown and its effect on the economy, on Global Banking And Finance Review magazine.

24.08.2020

Sirma AI's product GraphDB is named Champion in Bloor's Graph Database Market Research.

17.08.2020

Publication of the interim consolidated financial statements of Sirma Group Holding JSC for the period ending on 31.03.2020.

14.08.2020

Disclosure of considerable share participation of the shareholder Ivo Petrov, which has reached 5.03% of the capital of Sirma Group Holding JSC.

13.08.2020

Publication of the Invitation for the GMS of Sirma Group Holding JSC on 16.09.2020 and the respective documents for the meeting.

05.08.2020

Sirma organized a round table on the topic Banking innovation in times of pandemic: "Mission Possible".

03.08.2020

Re-publishing of the annual audited consolidated reports of Sirma Group Holding JSC for 2019 due to a technical issue with 3 files and official information on the occurrence.

31.07.2020

Disclosure of the annual audited consolidated reports of Sirma Group Holding JSC for 2019.

31.07.2020

Disclosure of extension of the date for publication of the interim consolidated financial statements of Sirma Group Holding for the first quarter of 2020 until 31.08.2020.

28.07.2020

Version 4.1 of the Medrec:M product is launched by Sirma Medical Systems JSC.

16.07.2020

Sirma Group Holding is holding prestigious places in many categories in the Top 100 Bulgarian ICT Companies ranking of ICT Media.

17.06.2020

Announced new strategic partnership between Sirma AI and Semantic Web Company.

29.05.2020

Disclosure of the interim individual financial statements of Sirma Group Holding for the period ending on 31.03.2020.

21.05.2020

Sirma Group Holding is included in the Equity Research Program of the EBRD.

19.05.2020

Sirma Business Consulting, part of Sirma Group Holding, announced its new strategic partnership with Madara Invest for an innovative fintech project.

15.05.2020

Disclosure of annual audited individual financial reports of Sirma Group Holding for 2019 in English.

07.05.2020

Sirma Group provided its application for telemedicine Medrec:M free to the Sofia Municipality and its Department of Innovations.

22.04.2020

Sirma AI, part of Sirma Group Holding, provides its GraphDB for free to scientific organization around the world, who are fighting COVID-19.



16.4.2020

Launch of version 2.0 of the application Medrec:M.

15.04.2020

Disclosure of extended terms for disclosure of the financial reports of Sirma Group Holding and the respective dates.

09.04.2020

Statement by the CEO of Sirma Group Holding Tsvetan Alexiev about the future of telemedicine and Medrec:M.

06.04.2020

Launch of the mobile app Medrec:M – the personal medical record of the future.

02.04.2020

Disclosure of extended terms for disclosure of the individual audited reports for 2019 of Sirma Group Holding due to the COVID 19 imposed restrictions.

26.03.2020

EngView, part of Sirma Group Holding, provides free home-office licenses for home-office use for its product EngView Package and Display Designer Suite during the Coronavirus outbreak.

24.03.2020

Daticum, part of Sirma Group Holding, donates cloud servers for online class rooms.

24.03.2020

Sirma Medical, part of Sirma Group Holding, provides for free the full functionality of its Premium package of its product Diabetes:M during the Coronavirus restrictions.

18.03.2020

Disclosure of the impact of COVID 19 on the activity of the companies within "Sirma Group Holding" JSC.

04.03.2020

Sirma launches the first Bulgarian product, which is fully compliant with PSDII – The Open Banking Suite.

26.02.2020

Sirma takes part in the Annual FinTech and InsureTech Summit.

20.02.2020

Sirma discloses strong annual results of its UK company S&G Technology Services.

5.5. Main legal information in Q4 2020

Transactions with shares for the period 01.01.2020 - 31.12.2020:

- **Acquisition of more than 5% share of the Company's capital by a shareholder.**

On 14.08.2020 the office of Sirma Group Holding JSC received a notification from the investment intermediary FFBH AD, Sofia for significant share participation and acquisition of more than 5% share of the company's capital by their client, as follows:

- Name of the shareholder holding 5% or more of the voting rights: Ivo Petrov Petrov
- Date on which the voting right of the person has transferred the thresholds under Art. 145, para 1 of LPOS: 10.08.2020
- Total sum of voting rights of Ivo Petrov Petrov: 2 960 570 voting shares or 5,03% of the company's capital

As of 31.12.2020 Ivo Petrov Petrov owned 4 400 000 voting shares or 7,41% of the company's capital.

Litigation for the period 01.01.2020 - 31.12.2020:

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



5.6 Information for contracted large transactions in Q4 2020

In Q4 2020, the company made several large contracts with customer and subcontracts, in connection with the new strategy of the Group:

Purchases:

- Deal 1 for BGN 5 813 thousand
- Deal 2 for BGN 4 980 thousand
- Deal 3 for BGN 2 172 thousand

Sales:

- Deal 1 for BGN 6 367 thousand
- Deal 2 for BGN 5 464 thousand
- Deal 3 for BGN 2 985 thousand

5.7 Information of the used financial instruments in Q4 2020

In Q4 2020 the company has not used any financial instruments.

5.8 R&D activity of the company in Q4 2020

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

The total value of the investments made in research and development in Q4 2020 amounts to BGN 2 838 thousand.

5.9 Possible future development of the company

At the beginning of 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties in the business and economic activity of a number of enterprises and entire economic sectors appeared. On 11 March 2020, the World Health Organization also announced the presence of a coronavirus pandemic (Covid-19). On 13 March 2020, the Bulgarian government declared a state of emergency for a period of one month, which was subsequently extended numerous times and introduced a number of restrictive and protective measures for business and people. The situation and the measures taken by the state authorities are extremely dynamic, but at the moment the management of the Company believes that they will not have an effect on the activities of the Company.

The Company reports liabilities on received loans. The Company does not expect a reduction in its revenues to such an extent that this will affect the ability to repay its current liabilities on loans received.

5.10 Contracts under Art.240b of the Commercial Code in Q4 2020

During Q4 2020 the company has not been notified for contracted transactions with the members of the Board of Directors or parties related to them, which fall outside the line of activity of the company or the terms of which differ substantially from the current market.



6 RESULTS BY COMPANY

DATICUM

- <https://www.daticum.com/>
- **Datium JSC is a subsidiary of Sirma Solutions AD**
- **Capital:** BGN 2 302 049 divided into 2 302 049 registered materialized shares with a nominal value of BGN 1 with the right to vote, the right to dividend and a liquidation share according to the participation in the capital. Sirma Solutions JSC holds 1 392 740 shares or 60.5% of the capital.

In the beginning of 2009, Daticum was transformed from a business unit of Sirma Solutions AD into an independent company, attracting financing from Asarel Medet AD.

The company operates as a center for reliable data storage from the highest possible generation. The main services it provides are cloud services, including public and private, colocation, hosting, virtualization, hardware rental, communications and network services, the construction and operation of backup data centers, archiving and storage of information, provision of services for building and maintenance of hardware and software systems, building of data centers, system integration, building of test environments, etc.

The robust expertise in the field of building and providing public and private cloud computing platforms has contributed to the growth of the company's business and has a positive impact on both revenue and profits. In 2018, Daticum designed and successfully migrated computational activities from conventional architecture to cloud platforms for multiple customers, as well as customers who have decided to purchase the necessary computing equipment independently.

Daticum is certified by Microsoft and has the right for Bulgaria to provide the full range of Microsoft products, paid on a monthly basis according to the customer's requirement (Certified Microsoft SPLA Provider). All customers can rent any Microsoft product from Daticum for as long as they need this product and use storage volume and computational resources which they actually consume. This partnership opens the possibility for all developers and system integrators who operate on the territory of Bulgaria and use Microsoft products in their solutions to be able to provide these solutions to their clients as a service in the only legal way possible, namely through a Microsoft SPLA partner on monthly basis, without having to invest in tangible fixed assets for computational resources or purchase of licenses.

Daticum is certified as VMware Service Provider, which also provides it with the only legal opportunity to provide public cloud services as well as private cloud rental solutions using the latest VMware technology.

Daticum is increasingly reoriented from a company providing basic colocation services to client equipment, to a company providing services on a monthly basis with high added value.

MAIN MARKETS:

Bulgaria, North and South America, Europe

MAIN CLIENTS:

The main clients of the company are the following industries - insurance, ICT, utilities, media and information services, industrial production, wholesale and retail, transport and courier services.

MAIN COMPETITORS:

Neterra OOD, Evolink AD, Teleponet OOD, 3DC EAD and international companies providing cloud services such as Amazon, Rackspace, Microsoft, IBM and others.

BUSINESS MODEL OF THE COMPANY

The Company's core business model is to build infrastructure to provide computing resources for data processing and storage and to provide these resources for a fee to a wide range of customers who prefer not to maintain such infrastructure or have a temporary need for these resources.

RESOURCES OF THE COMPANY

The company has the necessary resources and is able to invest in the development of its business without using debt capital.

NEW PRODUCTS, NEW BUSINESS OR BUSINESS MODELS FOR THE PERIOD

The company focused on consolidating its market positions and expanding its IaaS and PaaS cloud services. Thanks to our partners, we can now offer a new Remote Backup as a Service, through which we can back up our data center data from client servers and end user devices regardless of their geographic location. In the next reporting period, we will develop and offer a Key Management Software as a Service in relation to meeting GDPR requirements. Along with the increasing tendency of customers to use leased computing resources on a monthly use basis, there is a similar tendency on the part of the company's suppliers to switch to business models for the provision of licenses and services based on monthly consumption.

HR POLICY

Preserve current staff. Maintaining and increasing its qualification through training, courses and participation in affiliate programs. We perform a selective increase in staff, following requirements arising from the increase in the volume of activity. Staff costs are rising in line with an increase in business volumes by up to 10-15% per year.



DATICUM IN 2020**BUSINESS DEVELOPMENT IN Q4 2020 AND REALIZATION OF THE INVESTMENT PLAN**

- Given the global economic situation created by the COVID-19 pandemic and the fact that we are a service industry of other industries and their shrinking in sectors such as automotive, transport, retail and tourism, has affected our business in a negative direction.

- In 2020, the epidemiological situation caused many problems for our customers - which in turn affected the development of business and Daticum. Despite the difficulties, Daticum managed to retain its customers as well as attract several new subscribers to the services offered by the company.

- A decision was made to modernize the infrastructure of the Data Center in order to further ensure and guarantee the reliability of the services provided by Daticum. A significant investment in a new diesel generator equipment was made.

- Significant increase in the capacity of the company's cloud platform. The investment is aimed at meeting the needs of customers for more resources and the ability to seamlessly provide even larger information systems, which in turn require huge amounts of computing resources.

- We have created a special policy in which all our clients who experience difficulties and financial problems during this crisis period have received an unconditional reduction in fees. This reduction was not subject to any

additional aggravating conditions. Daticum's idea was to help anyone in difficulty with whatever it could. Subsequently, we received many letters of thanks from customers. This gratitude makes us believe that our policy is right and will have a positive effect in the long run;

- Cloud services continued to generate growth in volume, moving along with the expected global growth of the IaaS market, albeit at a slower pace.

NEWS

- During the epidemiological situation, Daticum contributed to society as a socially responsible company and provided cloud services to a partner completely free of charge, in order to provide their educational platform providing remote learning for students during the state of emergency.

IMPORTANT EVENTS

- COVID - 19 and the events resulting from the emergency changed the plans of many of our current and potential customers, which is expected to affect the company's revenues in 2020, compared to the original plan prepared at the beginning of the year.

FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change BGN '000	Change %
Revenues	2 602	3 620	(1 018)	(28,12%)
EBITDA	1 023	978	45	4,60%
Depreciation	(365)	(376)	11	(2,93%)
Net Result	581	534	47	8,80%
EBITDA margin	39,32%	27,02%	12,30%	45,53%
Net Profit margin	22,33%	14,75%	7,58%	51,37%
Sales per share	1,1303	1,5725	(0,44)	(28,12%)
EPS	0,2524	0,2320	0,0204	8,80%
ROE	0,1867	0,1764	0,01	5,83%
Total Assets	3 948	3 993	(45)	(1,13%)
Book value	3 112	3 027	85	2,81%
Equity	3 112	3 027	85	2,81%
Total Liabilities	836	966	(130)	(13,46%)
Interest bearing	54	663	(609)	(91,86%)
D/E	0,2686	0,3191	(0,05)	(15,82%)
ROA	0,1472	0,1337	0,013	10,04%



SIRMA SOLUTIONS

- <http://www.sirmasolutions.com>
 - **Sirma Solutions is a subsidiary of Sirma Group Holding JSC**
 - **Capital: BGN 35 370 800**
 - **Shares:**
 - Ordinary, Number: 3 444 366, Nominal: BGN 10 Rights: Every ordinary share entitles one vote to the general meeting of shareholders as well as a right to dividend and a liquidation quota proportional to the nominal value of the share.
 - Class A, Number: 15 000, Nominal: BGN 10 Rights: Class A shares are preferred non-voting shares with a guaranteed dividend amounting to 12% of the nominal value.
 - Class B, Issue: 77 714, Nominal: BGN 10 Rights: Class B shares are right and have a voting right and a liquidation quota in proportion to the nominal value of the share.
- The company owns 194 417 units. own shares with nominal value of each share BGN 10

SIRMA SOLUTIONS IN 2020:

General information

"Sirma Solutions" JSC is a global provider of complex software systems, IT consulting and system integration, in various industrial verticals. Founded in 1992, the company is the largest in Sirma Group Holding JSC. Since its inception, Sirma Solutions has developed organically, thanks to the unique combination of innovative spirit, solid technology expertise and business flair.

The company specializes in the creation of corporate software systems and solutions, system integration and IT consulting for both specific industries and multi-industrial solutions. Sirma Solutions JSC is among the leading Bulgarian software developers, thanks to its excellent reputation, proven expertise and comprehensive know-how used in software product development and the successful implementation of numerous complex projects for clients on a regional and global scale.

Sirma Solutions also specializes in hardware delivery, infrastructure development, cloud services and virtualization.

The company maintains excellent relationships with leading software and technology vendors for the fastest growing industries, as well as independent software companies. Also, there are excellent interactions with the other holding company, which ensures the successful realization of projects, regardless of the degree of complexity. Depending on the size and complexity of a project, the company has access to an expanded range of resources from over 500 people.

Sirma Solutions is Microsoft Gold Partner, IBM Advanced Partner, Oracle Gold Partner, HP Preferred Gold Partner, and so on. The company is certified to ISO 9001: 2015 and ISO 27001: 2005 to meet the regulatory and contractual

requirements in terms of security and data integrity and IT management.

BUSINESS ACTIVITY OF SIRMA SOLUTIONS IN 2020

Business activity in the third quarter passed again under the sign of the pandemic of COVID-19. The company has taken a number of measures to preserve the health of employees and prevent the spread of the infection. We switched entirely to remote operation mode. The main goal of the company was to keep the jobs of all employees to prevent shrinking the company's potential. The next goal for the third quarter - to find new projects and tasks in order to rationally use human resources - was also successfully achieved. Although the company did not make layoffs and did not lose staff, at the end of the quarter we are very active in the labor market and have dozens of open engineering positions. An excellent logistics organization for remote work was created - mobile devices, secure remote access and regular online meetings of project staff and company management.

Market in North America

The business activity in the first half of the year was completely subordinated to the COVID-19 pandemic. The company has taken a number of measures to preserve the health of employees and prevent the spread of the infection. We switched entirely to remote operation mode. The main goal of the company was to keep the jobs of all employees to prevent shrinking the company's potential. An excellent logistics organization for remote work was created - mobile devices, secure remote access and regular online meetings of project staff and company management.

Over the years, Sirma has managed to build an excellent name on the market for software services in the United States, as the teams in Bulgaria and the United States manage to deliver quality on time without a failed project. This leads to a high percentage of loyal sustainable business (over 80%). We believe that our existing contracts are low to medium risk for continuity or in other words, we do not



expect existing customers to change our services with other competing companies.

During the first half of the year, based on our work with cloud platforms and real-time big data analysis - Kanin.io, in collaboration with the American company PureInfluencer, we managed to build and launch an application that monitors and classifies real-time Web visitors to car dealerships, which allows car dealers to sell cars and services in real time online. The software was shown at NadaSHow 2020 in Las Vegas and has the first 100 customers already. The team continues its development work by updating the current PureInfluencer platform, with the goal of releasing the new version at the end of the year.

2020 passed without any additional shocks in our projects in North America. Given that the global market in the United States collapsed by a double-digit rate at the beginning of the pandemic, the main goal of the company, which we successfully fulfilled, was to keep all customers in this market despite the difficulties they are experiencing. We approached each client personally, listened to his problems caused by the pandemic and offered a personal solution to each one, so as not to allow a complete termination of contracts, but to remain in an active position and gain loyalty. The pandemic itself, the remote mode of work of the people in North America, has created additional opportunities for us as an IT company, which we have successfully implemented in projects.

European Market

In the European market, the main problems for our customers caused by the pandemic revolved around the organization of the new mode of operation. In this market, there was no contraction in the work of existing customers, but the plan for the growth rate of new sales was revised. The new contracts have been delayed, but in Q4 this process will be catalyzed and the business plans are currently being implemented successfully.

The European part of the business of the professional services company in 2020 continued to work on active projects from 2019.

In the financial sector, two main projects are being implemented:

- Implementation of an open banking solution in a large European bank;
- migration of IRIS to UBB, part of the project for software unification of SiBank and UBB under the KBC brand;

In the retail sector, the company managed to implement and publish mobile applications for KFC Bulgaria, which allow consumers to order food online. The application turned out to be very timely, because in March, with the introduction of

quarantine, more and more users began to look for opportunities to order food online and the use of this type of application is an additional sales channel.

During the same period, a new kiosk application for the Metro marketing department was developed and launched in the form of a game that allows users to win prizes, discounts and vouchers upon purchases in the store. For the period before the quarantine, over 6,000 users a day used the application in the 11 Metro stores across the country.

In the field of cultural heritage, in Q4 we continued to work actively with the museums that use our systems, including the National Gallery of Art (Washington DC), Van Gogh museum (Amsterdam), and others.

During the period, the marketing and sales departments traditionally focused on financial services and artificial intelligence, where Sirma considers itself as a regional leader. These efforts opened several opportunities for launching new projects in this field, which slowed down at the end of March, given the situation around the global pandemic.

Public sector

In the public sector during 2020 the active work on the big long-term projects won in 2018 and 2019 continued:

- the gradual establishment of the overall IS for management of the Financial Mechanism Office (EEA Grants, Brussels),
- the development of the Rating System of the higher schools of the Ministry of Education and Science
- the gradual construction of the IS MusIT for managing the activities of MusicAuthor
- the gradual construction of CAIS EOP of PPA
- development of two important IS of the State Enterprise ATC

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

- the complete operating system eBDZCargo of BDZ-Freight (BDZ is the Bulgarian abbreviation of Bulgarian State Railroads)
- the overall IS of the NCRRP, which maintains the registers of health care and plays a key role in the field of e-health,
- IS of the Prosecutor's Office, etc.

During the period, intensive work continued to win new projects in the sector, but the situation Covid-19 led to a serious change in the circumstances and plans of almost all



contracting authorities, and at present it is very difficult to make an accurate forecast for development by the end of the year.

Many of the prepared large and medium-sized projects were put on hold or completely discontinued and only some small urgent projects were continued. As a result, only a few smaller new projects were launched during the period, such as the project to automate the verification of the circumstances stated by the parents in the ISODZ and PGU of the Sofia Municipality, the results of which needed to be achieved as soon as possible

A serious risk is the possibility of stopping any of the currently developed projects, but at present, through intensive dialogue with the contracting authorities, this risk is minimized as far as influencing it is within our capabilities is possible.

No downsizing of the teams was allowed, but Covid-19 changed the way of working, which necessitated internal team reorganizations in order to maintain the quality of services provided to our customers - a task in which we believe to have succeeded.

Despite the difficult situation, the efforts to revive some of the frozen / suspended projects and to find new ones continue and will continue, with the focus on projects that are of great importance for the activities of the respective contracting authorities. But it is expected that these efforts, if successful, will yield results no earlier than the end of this or the beginning of next year, making growth plans in the sector almost impossible to achieve. At present, the aim is to maintain the current situation and prevent a decline.

System integration

In 2020 the System Integration Department achieved and exceeded its revenue targets, to win numerous deals in the current customer base, managed to expand its customers with two new large companies, and managed to win two public projects. No contraction of the planned value added for the quarter was allowed..

During the period we created new partnerships and were certified to represent our partners, sell their products and integrate their software into solutions for our customers, including companies such as:

- AppDynamics
- Veracode
- SolarWinds

We highlight some of the more interesting projects in the 0.5-2M BGN range, completed in 2020:

- First project for Application Performance Monitoring with our partners AppDynamics recently acquired by the giant Cisco
- Project with our F5 partners in the field of information security
- Project with our Veracode partners in the field of information security
- Delivery of large storage systems in several data centers in Europe with our partners from HPE
- Delivery of personal devices for two of the leading banks in Bulgaria
- Contract for maintenance of all Cisco devices in the data centers in several countries on 3 continents for a large international company
- We have successfully completed the migration of all NHIF systems to Oracle Cloud delivered by us and located in Bulgaria to meet all security requirements
- We have delivered hundreds of personal mobile computers for the needs of our customers going into remote operation.
- A new three-year contract was signed for updating and maintaining the virtualization software in all data centers of a large international client;
- We are implementing a GIS project for a public client;
- We performed a large supply of server equipment for a public client;
- We have renewed the security infrastructure of a large international client;

Given the pandemic in 2020, we saw a sharp increase in sales of personal mobile devices (laptops and mobile workstations), an increase in sales of corporate security solutions given the change of work to the home-office regime of many of our customers, but this increase will not offset the expected decline in sales of network solutions for offices, servers and storage for data centers. Many of our clients was directly affected by the measures introduced in different countries, which lead to a huge drop in their revenues and revision of investment and development plans.

Despite the pandemic and the difficulties it created, the goal of the business unit for system integration is to achieve the set goals for the year set prior to the pandemic and currently, given the anticipated projects, this goals seems achievable.



FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change BGN '000	Change %
Revenues	31 608	32 329	(721)	(2,23%)
EBITDA	2 851	2 321	530	22,83%
Depreciation	(1 998)	(1 179)	(819)	69,47%
Net Result	1 112	1 005	107	10,65%
EBITDA margin	9,02%	7,18%	1,84%	25,64%
Net Profit margin	3,52%	3,11%	0,41%	13,17%
Sales per share	0,8936	0,9140	(0,02)	(2,23%)
EPS	0,0314	0,0284	0,003	10,65%
ROE	0,0227	0,0210	0,002	8,25%
Total Assets	70 427	63 266	7 161	11,32%
Intangibles	10 786	7 578	3 208	42,33%
Book value	38 125	40 273	(2 148)	(5,33%)
Equity	48 911	47 851	1 060	2,22%
Total Liabilities	21 516	15 415	6 101	39,58%
Interest bearing	8 719	5 542	3 177	57,33%
D/E	0,1783	0,1158	0,062	53,92%
ROA	0,0158	0,0159	(0,0001)	(0,60%)

SIRMA AI AND ONTOTEXT USA

- **Sirma AI is a Daughter company of Sirma Group Holding JSC**
- **Share Capital: BGN 1 410 460.**
- Shares:
 - **Ordinary Shares**, Number: 127 144, Nominal: BGN 10, available, with voting rights, dividend and liquidation share.

- **Class A**, Number: 13 902, Nominal: BGN 10

Sirma Group Holding owns 100% of the capital of the company.

Conditions for the business development in 2020

The main technology market on which Sirma AI's sales depend is that of graph databases (DBMS) and in general technologies based on graph data representation for integration and analysis.

The industrial sectors, which are the largest users of such DBMS, technologies and related services, remain the same: financial services, mechanical engineering (aviation and automotive) and automation, publishers of business information, pharmaceuticals and the public sector

The demand for both databases and complete solutions based on the so-called Knowledge graphs remain stable. According to the Hype Cycle of AI 2020 (Gartner ID 448060, July 2020), Knowledge Graphs are still in the rising tide of the technology wave. Judging by Google searches, interest in these technologies has grown by about 20%.

The leading product of Ontotext GraphDB maintains and further develops its position as one of the global leaders based on graph databases. In 2020, it consolidated its position as a leader in the segment of enterprise knowledge graphs. GraphDB is recognized as one of the leading databases of its kind worldwide and is currently used in many media, pharmaceutical companies, banks, car manufacturers and government organizations. One of the distinguishing features of GraphDB compared to its competitors is its ability to automatically output new data, according to the semantics of the RDFS, OWL 2 RL and OWL 2 QL data schema description and ontology languages. GraphDB implements a unique algorithm that allows when deleting data to automatically remove derived facts that can not be derived from the data after deletion. This makes it the only graph database that provides the use of inference without creating performance issues throughout the data lifecycle: loading, querying, and modifying.

Version 9.4 of GraphDB was released in September, which adds the ability to access data via the JDBC driver. This greatly expands the range of applications that can extract data from GraphDB. In the new version, special attention is



paid to the integration with business intelligence environments (business intelligence, BI): Tableau and MS Power BI. This version also facilitates the process of transforming structured data (eg tables) into a graphical representation by adding the ability to visually define the correspondence between input elements (eg columns) and the corresponding classes and types of relationships in the graph. Ultimately, it makes it much easier to both load data into GraphDB and access it from other applications. With this, GraphDB improves its positioning compared to its direct competitors - some of which already have similar functionalities, while others do not yet.

In September, a new analysis by Blur Research Forrester, "Graph Database Market Update 2020", was published, listing Ontotext as one of the "champions" of the market.

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

Sirma AI's main markets are the EU, the US and the UK.

In 2020, the share of sales in the UK and Japan decreased, and the share of sales in the United States increased. The latter is mainly the result of the successful development of a partner network there.

Over 90% of the company's revenues come from large multinational companies, which are weakly influenced by regional factors. During the period there were no significant effects of regional factors on business.

The COVID-19 crisis affected the business, which was mainly reflected in delays in purchasing decisions. Therefore, in 2020, revenues from professional services decreased - among the reasons are both the long sales cycle for launching new projects to deliver complete solutions and the tendency of many customers to limit the cost of external services. There was also a slowdown in revenue in some large embedded use (OEM) contracts in new versions of partner products such as Johnson Controls, which was caught up in the last quarter of 2020.

Operationally, most employees switched to remote operation without any problems. Employees who worked in the office during the period were tested with PCR tests twice a week.

Business development in 2020 and realization of the investment plan

2020 was diverse, with the pandemic affecting some aspects of the company's business:

- The total revenue of the company decreased slightly compared to 2019 due to a decrease in revenue from the sale of complete solutions. Due to the pandemic, decisions to start new projects and outsource large contracts have been greatly delayed. In some cases, this delay was more than 6 months, compared to the typical in a normal economic environment. There was also a slight decline in funding revenues due to the cyclical nature of the launch of such programs compared to the EC Framework Programs.

- Revenues from sales of products and services for their regular maintenance and updating increased significantly. More importantly, in 2020 there was a significant increase in recurring revenues - annual licenses and various types of subscriptions. Growth of these revenues guarantees greater sustainability of the business and creates preconditions for faster growth;

- The growth of product sales is largely due to the increasingly developed sales network. Currently, the company has over 30 trading partners with different profiles: technology partners with products that complement the company's portfolio (such as Metaphacts, Semantic Web Company, Synaptica and Eccenca); large system integrators and consultants (such as InfoSys, Wipro, Fujitsu, etc.); specialized consulting companies (such as Enterprise Knowledge in the US and Data Language in the UK); OEM partners who incorporate the company's products into their products (such as Johnson Controls).

- Sales in the United States continued to grow and are now the largest market for a company. As long as US revenues do not exceed 40% of total revenues, this growth does not create a risk dependence on this region. Dependence on UK revenues, which account for around 20% of total revenues in 2020, has been completely overcome, making the risks associated with BREXIT easier to manage.

New clients, projects, products and services in 2020

New:

- **Clients:** These include one of the leading state space research agencies,, global pharmaceutical company, a large children's hospital and one of the largest short-term / holiday real estate rental platforms in the United States, a Chinese developer of specialized healthcare software, and the Royal Pharma Society in the United Kingdom.
- **Products:** There are no new products, but there are two many new features added to existing products. 5 new versions of the leading product of the company GraphDBTM were successfully realized. Three new versions of the Ontotext Platform were also implemented. An important new version of the Curation Tool environment was also implemented;
- **Projects:** One large healthcare project is being implemented, as well as several pilot projects in the same field. PLANET research projects have also been launched, where a consortium, including



many related to transport and logistics, will study the impact of emerging global trade corridors on the efficiency and sustainability of European Global Network.

- **Services:** No new services were introduced during this quarter.

Important events in 2020

- The beginning of the COVID-19 crisis.
- Despite the pandemic, Sirma AI has presented at numerous international conferences and trade fairs: Knowledge Graph Conference, Knowledge Connexions, KM World Connect, BioData World and Semantics 2020 EU. Strategic partnership with Semantic Web Company (Austria) was announced in September
- Strategic partnership with Semantic Web Company (Austria) was announced in September

Perspectives and forecast for 2021

In 2021, the market situation is expected to improve and maintain the trend of growing demand for technologies related to the so-called Knowledge Graphs. The company plans to increase its revenues by 25%. The average number of employees is planned to exceed 80.

Among the most important business development plans are as follows:

New contracts in 2020

- New contract for sale of licenses to an existing client – a US top 5 bank;
- Contract for the development of a system for the analysis of medical scientific publications for a hospital in the United States.
- Signed contracts and start of work on a research project „PLANET“, aimed at optimizing logistics chains.
- Contract for OEM incorporation of Ontotext GraphDB in the product PoolParty of Semantic Web Company;

- Further development of the network of partners and achieving revenues through partners of at least BGN 3 million;

- Increase in revenues from licenses and maintenance by 36%;

- Increase of recurring revenues by 50%;

- Over BGN 1.5 million of expenses for external services related to marketing and sales are planned.

- The company is expected to make an operating profit.



FINANCIAL RESULTS**SIRMA AI**

	31.12.2020	31.12.2019	Change BGN '000	Change %
Revenues	9 783	10 519	(736)	(7,00%)
EBITDA	3 825	2 364	1 461	61,80%
Depreciation	(2 501)	(2 282)	(219)	9,60%
Net Result	979	(138)	1 117	n/a
EBITDA margin	39,10%	22,47%	16,62%	73,97%
Net Profit margin	10,01%	(1,31%)	11,32%	n/a
Sales per share	69	75	(5,22)	(7,00%)
EPS	6,9433	(0,9787)	7,92	n/a
ROE	0,0152	(0,0022)	0,02	n/a
Total Assets	80 916	79 771	1 145	1,44%
Intangibles	39 534	67 081	(27 547)	(41,07%)
Book value	24 830	(3 652)	28 482	n/a
Equity	64 364	63 429	935	1,47%
Total Liabilities	16 552	16 342	210	1,29%
Interest bearing	7 562	8 544	(982)	(11,49%)
D/E	0,257	0,258	(0,000)	(0,19%)
ROA	0,0121	(0,0017)	0,01	n/a

ONTOTEXT USA

	31.12.2020	31.12.2019	Change BGN '000	Change %
Revenues	3 169	1 843	1 326	71,95%
EBITDA	60	6	54	900,00%
Net Result	58	4	54	1350,00%
EBITDA margin	1,89%	0,33%	1,57%	481,57%
Net Profit margin	1,83%	0,22%	1,61%	743,28%
Sales per share	106	61	44,20	71,95%
EPS	1,9333	0,1333	1,80	1350,00%
ROE	(1,4500)	(0,0357)	(1,41)	3960,00%
Total Assets	1 157	516	641	124,22%
Book value	(40)	(112)	72	(64,29%)
Equity	(40)	(112)	72	(64,29%)
Total Liabilities	1 197	628	569	90,61%
D/E	(29,9250)	(5,6071)	(24,32)	433,69%
ROA	0,0501	0,0078	0,04	546,67%



ENGVIEW SYSTEMS SOFIA

- **EngView Systems Sofia JSC is a daughter company of Sirma Group Holding JSC**
- **Capital : BGN 68 587.**

Shares: **68 587 ordinary named voting shares, with right to dividend and liquidation share, proportional to the participation in the capital.**

Sirma Group Holding owns 50 000 shares or 72,9 % of the company capital.

EngView Systems Sofia JSC is a joint-stock company, member of Sirma Group, with main activity - development of software products .

ENGVIEW SYSTEMS IN 2020

CONDITIONS FOR BUSINESS DEVELOPMENT IN 2020

EngView Systems operates in two main markets - the software for video measuring machines and the packaging industry. The company works with manufacturers of packaging and displays around the world, served by a developed and expanding network of distributors and partners.

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 the quality of serial production, the technological dynamics are smaller, but there can also be tendencies towards more intensive integration between the classical measuring technologies and communication, mobile, information, internet / cloud based technologies, allowing accelerated transfer, storage and

processing of information received from measuring machines and as a result - increasing the efficiency and reliability of the quality monitoring systems.

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 of sales through optimization and maintenance of additional processes.

In the context of a pandemic, EngView continued to develop its products and seek new models and tools to support its customers. Versions of the products have been developed to work with online licensing, so that anyone can use the software from home without restrictions. New contacts were made for sales of the CAD system, as well as numerous online demonstrations.

All trainings were conducted online, articles, advertisements and new videos were launched to support marketing and sales.

The main products of the company, work on which is ongoing in the first quarter of 2020 are Packaging Suite, ScanFit & Measure, m-caliper, packGATE, TurnCheck, as well as new developments of the Diemaking portal, Shared Space, which are expected to be released in late 2020. The development of a new project for one of the main corporate clients of the Prinzhorn Austria CAD system has started, which through integration of certain modules and functionalities in their existing CPMS system will lead to an increase in the efficiency of production and service of their end customers. The release of this product was expected in the last quarter of 2020, but was actually completed ahead of schedule and started in September. At the end of 2020, new phases for the development of this system have been agreed, so that the project will have its place as a development throughout 2021.

2020 passed in a pandemic, as the company had to take into account the new challenges and use the time mainly for the development of its products and search for new opportunities for marketing and sales. Despite months of isolation and measures around the world, sales of products and services did not decline sharply from the previous year. The company



managed to generate sufficient funds for its operational activities and for the development of new functionalities and products.

REGIONAL AND INTERNATIONAL FACTORS INFLUENCING THE BUSINESS OF THE COMPANY

The company develops all of its products in Bulgaria, but has a network of distributors around the world, as well as its own offices in the United States and Brazil. The factors influencing the business are mainly related to the saturation of the market with competing products or the degree of development of the given market. A major share of software sales for the packaging industry is still generated in Europe, with the first 3 months of 2020 showing growth compared to 2019 with over 40% of sales of licenses and products of the company. As one of the leading names in the packaging industry, EngView works with strategic partners from Germany Heidelberg, for which new versions of their products are developed every year for the printing industry and from the USA - QVI for their video measuring machines. EngView has been working with both companies for years, strengthening its position by providing quality and modern software for their customers.

BUSINESS DEVELOPMENT AND INVESTMENTS IN 2020

In 2020, new functionalities were developed and implemented in all products developed by the compan.. Online

functionalities are being developed for the CAD system, the development of programs for the US partner – QVI continues. A new scanner is being developed, which is intermediate in size and with more modern technology for transferring the scanned image to the software.

The distribution of m-caliper is also being prepared, looking for new partnerships, pilot clients and participation in various exhibitions. The necessary connections and visits of customers have already been established. In September, marketing tools were prepared and a campaign was launched to promote this new product on the market. The company's efforts until the end of the year were focused mainly on the marketing of the finished product, which is a mobile application that is ready for self-download, installation, setup and commissioning by users. The company is aware that it will take time to realize sales of this product, but nevertheless the first step has been made and the first sales are expected soon.

PERSPECTIVES AND FORECAST FOR 2021

The company expects in 2021 to fill its teams with more quality employees. It plans to launch its new products and offer its customers a new model for sale by renting the software on a monthly and annual basis. It is planned to increase sales in all its directions and expand its presence in new destinations.

FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change BGN '000	Change %
Revenues	3 369	3 572	(203)	(5,68%)
EBITDA	1 578	1 697	(119)	(7,01%)
Depreciation	(746)	(772)	26	(3,37%)
Net Result	723	820	(97)	(11,83%)
EBITDA margin	46,84%	47,51%	(0,67%)	(1,41%)
Net Profit margin	21,46%	22,96%	(1,50%)	(6,52%)
Sales per share	48,8261	51,7681	(2,94)	(5,68%)
EPS	10,4783	11,8841	(1,41)	(11,83%)
ROE	0,1757	0,2284	(0,05)	(23,06%)
Total Assets	5 713	5 295	418	7,89%
Intangibles	4 018	2 951	1 067	36,16%
Book value	96	639	(543)	(84,98%)
Equity	4 114	3 590	524	14,60%
Total Liabilities	1 599	1 705	(106)	(6,22%)
Interest bearing	2	-	2	n/a
D/E	0,0005	-	0,000	n/a
ROA	0,1266	0,1549	(0,03)	(18,28%)



SIRMA BUSINESS CONSULTING JSC

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

Sirma Solutions JSC holds 1 077 048 pcs. Class A shares and 296 500 Class B shares or 54.08% of the company's capital and 55% of the voting shares.

Sirma Business Consulting JSC (SirmaBC) is a subsidiary of Sirma Solutions JSC, which is highly specialized in the provision of software products and services in the financial sector. The SirmaBC implements Universal Banking Solutions (UBS) individually or based on the FlexCube (Oracle platform). This is a complete banking solution which has received worldwide recognition as one of the most preferred systems in the banking and financial industries.

The range of services provided by the company covers mainly banking, retail and wholesale banking, regulatory compliance and risk management as well as the whole range of implementation and advisory services. SirmaBC is the third largest holding company and accounts for about 20% of revenue.

SirmaBC was established as a consolidated unit in 2007 and has since become one of the leading technology players in the financial sector. The company has been established not only in the local market, but has continued to seek to increase its presence on international markets, especially in Europe, North and South America, Asia and the Caribbean. SirmaBC has a team of highly specialized professionals with complementary expertise in the financial field. This helps to develop a wide range of products designed to respond to growing demand and evolving industry trends tailored to the banking and financial industry specification both locally and globally.

The company is practically free of debt, and presents itself solidly, with strong financial results.

CONDITIONS FOR BUSINESS DEVELOPMENT OF SIRMA BC IN 2020

The financial services market and the trends in its development in the world and in Bulgaria continued to be strongly influenced by global pandemic. Many financial players focused solely on finding quick solutions to virtualize activities and provide employees with remote work opportunities. The focus and search for new solutions was dominated mainly by opportunities for innovative forms of obtaining products and services from a distance and convenient and secure methods for "onboarding", KYC procedures and scoring customers. They were also looking at reduced speed for "self-learning solutions" in order to:

- manage customer information and knowledge of their behavior,

- combat the resources generated by the informal sector of the economy, including the requirements for monitoring and preventing money laundering,

- ensure measures for the protection of personal data and their protection,

- cooperation with TTP in terms of alternative services and easy access to customers from different target groups.

There is more and more talk of "tokenization" and offering services that can be trusted by the clients of the financial players. Extensive use of hybrid services, as well as customer expectations for the free provision of easily accessible products and forms of payment, continue to determine the technological solutions. In addition, everyone clearly understands that a new generation of rationalization and optimization in the sector is coming, which will be based on "robots", machine learning, analysis of large data sets and automation of business processes.

SirmaBC continues to provide its own services and products, which are focused only on the financial sector. During the last months of the year the negotiations were completed and a contract for the maintenance of FlexCube was signed. All the presented novelties and innovations in the "UBX Suite" and the 2FA / MFA solution Up2Seal continue to generate great interest. A major project in the Bahamas to implement a new version of the main banking system FC 12.3 has been completed.

REGIONAL AND INTERNATIONAL FACTORS, INFLUENCING THE BUSINESS OF THE COMPANY

The biggest factor is the pandemic of COVID-19, which blocked opportunities for travel and easy communication with customers and completely stopped everyone's opportunities for public organized marketing events. Despite the partial and not so effective measures of the government in Bulgaria and the united management in Europe on the labor market and in relations between the companies, there is uncertainty, tension and preparation for meeting the stagnation in the global economy.

MAIN EVENTS IN 2020

SirmaBC took an active part in the Annual Fintech Summit 2020 and the Noise of Money 2020. The company became a member of AMCHAM Bulgaria and is actively involved in the business and professional development of BFA (Bulgarian Fintech Association).



NEW CLIENTS, PROJECTS, PRODUCTS AND SERVICES IN 2020**- Clients**

From the beginning of 2020 the company acquired 1 new client who has applied for a banking license. All existing customers of the company show and declare that they are partially or severely affected by the pandemic and the various financial measures to overcome it. At the moment there is no loss of contracts and revenues, but there are clear signals about what will be a negative prerequisite in the implementation of the plans and the achievement of the planned business development plans in 2020.

- Projects

The implementation of started projects continues, including the two parallel implementations of major banking systems and several projects for the implementation of payment and other satellite solutions, which cover: "RepXpress", "ceGate" and "UBX Suite", DIGI Bank.

- Products

The company is actively trying to advertise and distribute the first versions of:

- Open banking API hub, which implements the BISTRA standard for all services in the scope of PSD2;
- Up2Pay - a payment software terminal that resides with a mobile application provider or as a Plug-in for a web site;
- Up2Seal - a portfolio for generating one-time passwords and codes, which also serves as an advanced electronic signature and provides SCA, which is within the meaning of the Payments Regulation.

- Services

The company positions a package of consulting services for analysis and documentation regarding the selection of digital solutions. The methodology used is based on Assist Knowledge Development and the British Business Analysis Association.

PERSPECTIVES AND FORECASTS FOR THE NEXT PERIODS OF 2021

The forecast is for continued stagnation and maintaining the state of lethargy of the entire business climate in Bulgaria and the region due to COVID-19. The company's management is preparing a plan for the company's recovery and business development for 2021, which will be discussed and adopted at the beginning of 2021

FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change BGN '000	Change %
Revenues	4 369	5 547	(1 178)	(21,24%)
EBITDA	417	1 389	(972)	(69,98%)
Depreciation	(253)	(663)	410	(61,84%)
Net Result	23	646	(623)	(96,44%)
EBITDA margin	9,54%	25,04%	(15,50%)	(61,88%)
Net Profit margin	0,53%	11,65%	(11,12%)	(95,48%)
Sales per share	1,7201	2,1839	(0,46)	(21,24%)
EPS	0,0091	0,2543	(0,25)	(96,44%)
ROE	0,0078	0,1876	(0,18)	(95,84%)
Total Assets	4 034	4 874	(840)	(17,23%)
Intangibles	570	88	482	547,73%
Book value	2 380	3 356	(976)	(29,08%)
Equity	2 950	3 444	(494)	(14,34%)
Total Liabilities	1 084	1 430	(346)	(24,20%)
Interest bearing	181	88	93	105,68%
D/E	0,06	0,0256	0,04	140,12%
ROA	0,0057	0,1325	(0,13)	(95,70%)



SIRMA GROUP INC./DBA PANATON

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

General Business Conditions in 2020

We operate exclusively in North America and our business Sirma Group Inc. (SGI) engaged clients in the semiconductor, cybersecurity, consumer services, B2B and financial services sectors. Because of the diversity of our clients we are impacted more from general macroeconomic conditions rather than specific sentiment in any one vertical.

In Q4 we are observing a maturing and commoditization of the software outsourcing services business. Our clients and prospects are aligning in two clear groups. The cost-first group is driven exclusively by the cost per hour of the services offered and is generally less well informed and competent in terms of IT technology. These clients are hard to win as we are competing with lowest-cost providers from India, China and the former soviet republics. The second group of clients are ones that have a specific and/or

immediate technology need, or who understand the TCO of building and operating software systems. This is our sweet spot, as we offer highly sophisticated small teams with specific in-depth technology capabilities.

In 2020 we intend to market our services in a more focused manner with an emphasis of specific business processes and types of clients.

Forecast for 2021

We expect to continue to grow the outsourcing business at a moderate rate in 2021 and we intend to invest modestly in the trial launch of a core employee performance management technology we have been developing as part of a specific client engagement.

We are also planning to launch a startup incubator specific program that we believe will enhance our marketing reach.

FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change BGN '000	Change %
Revenues	7 089	8 142	(1 053)	(12,93%)
EBITDA	2 904	1 506	1 398	92,83%
Depreciation	(19)	(22)	3	(13,64%)
Net Result	2 861	1 447	1 414	97,72%
EBITDA margin	40,96%	18,50%	22,47%	121,47%
Net Profit margin	40,36%	17,77%	22,59%	127,09%
Sales per share	0,3285	0,3773	(0,05)	(12,93%)
EPS	0,1326	0,0671	0,07	97,72%
ROE	0,6978	1,0640	(0,37)	(34,42%)
Total Assets	8 456	6 120	2 336	38,17%
Intangibles	1 509	1 650	(141)	(8,55%)
Book value	2 591	(290)	2 881	n/a
Equity	4 100	1 360	2 740	201,47%
Total Liabilities	4 356	4 760	(404)	(8,49%)
Interest bearing	-	51	(51)	(100,00%)
D/E	0,0000	0,0375	(0,04)	(100,00%)
ROA	0,3383	0,2364	0,102	43,10%



SIRMA ICS

- <http://sirmaics.com/>
- **Sirma ICS is a subsidiary of Sirma Solutions**
- **Capital:** BGN 300 000 divided into 300 000 number of registered nominal shares with a nominal value of 1 BGN per 1 share with voting right, dividend and liquidation share. Sirma Solutions owns 270 000 number of shares or 90% of the capital.

Sirma ICS in 2020

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 2020

The company operates in the insurance sector with target clients insurance brokers and insurance companies. Both segments marked a decline in revenue. The reason for this is the economic and health crisis in 2020, respectively the declining revenues from non-compulsory insurance, which in turn causes a reduction in the spending for software and services.

The company offers a product covering all of the processes in the structure of an insurance broker - Sirma Insurance Enterprise Platform. There is also a developed opportunity for clients to integrate through the Sirma Insurance Enterprise MTPL API and to integrate the policy issuing a policy payment in any system and application. Regarding the online presence of brokers, we offer Sirma Insurance Enterprise Web Calculator. With this product, end visitors to websites can calculate their price and place an order. The company also creates individual solutions and developments on assignment such as websites, web portals for end customers, administrative portals and mobile applications.

Regional and global factors influencing the business of the company

The company has business only in Bulgaria at the moment.

Business Development in Q4 2020 and Investment plan

In 2020 Sirma ICS continued with the execution of its strategic objectives:

- Development of new portals and mobile applications, including portals for clients of insurance companies and insurance brokers.
- Increasing the product range of the software for insurance brokers and optimizing the product and its functionalities
- Attraction of new insurance broker-clients.
- The company continues to rely on a stable and sustainable model of selling products with a

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

We were successful in attracting a few new insurance broker clients, while introducing the new price policy of the company.

In 2020, the company continues to rely on a stable and sustainable model of product sales with a monthly license fee instead of relying on large single-sale deals which are more difficult to predict.

New:

- customers

The Company entered into new contracts with insurance brokers.

- projects

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

New Contracts

More contracts with clients of Sirma Insurance Enterprise Web Calculator have been concluded, API for the TPL insurance, new additions to the portals of insurance companies.

Information on Client Retention

We anticipate the growth of Sirma Insurance Enterprise Platform, customer acquisition for Sirma Insurance Enterprise Web Calculator. Inclusion of Casco insurance product from at least 2 insurance companies. Improvements to 2 mobile applications, creation of at least 1 new mobile application, creation of websites and customer portals.

Perspectives and forecasts for 2021

We anticipate a small decrease in the monthly fees of Sirma Insurance Enterprise Platform, due to dismissed employees



of brokers (respectively licenses for the platform), a small decrease in clients due to bankruptcies, a possible small drop in the security incident of December 2020, as well as retention in clients for Sirma Insurance Enterprise Web Calculator. Inclusion of Casco insurance product from 1 more insurance company and 1 new mobile application.

Extraordinary Information

The aggravated epidemic situation suggests a contraction of the market and a decline in revenues, and further increase of regulatory requirements. Aggravation of the requirements to the main clients of the company - the insurance brokers, leading to merger and acquisition processes and respectively – a smaller market.

FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change BGN '000	Change %
Revenues	840	832	8	0,96%
EBITDA	163	173	(10)	(5,78%)
Depreciation	(123)	(124)	1	(0,81%)
Net Result	28	36	(8)	(22,22%)
EBITDA margin	19,40%	20,79%	(1,39%)	(6,68%)
Net Profit margin	3,33%	4,33%	(0,99%)	(22,96%)
Sales per share	2,8000	2,7733	0,03	0,96%
EPS	0,0933	0,1200	(0,03)	(22,22%)
ROE	0,0365	0,0487	(0,01)	(25,06%)
Total Assets	1 239	1 313	(74)	(5,64%)
Intangibles	1 169	959	210	21,90%
Book value	(402)	(220)	(182)	82,73%
Equity	767	739	28	3,79%
Total Liabilities	472	574	(102)	(17,77%)
Interest bearing	16	269	(253)	(94,05%)
D/E	0,0209	0,3640	(0,34)	(94,27%)
ROA	0,0226	0,0274	(0,005)	(17,58%)

S&G TECHNOLOGY SERVICES

- <http://www.sngservices.co.uk/>
- **S & G Technology Services operates in the Financial Segment**

S & G Technology Services is a joint venture of Sirma Solutions, which operates in the United Kingdom. The company provides technology services in the areas of software integration, data integration and mobile technologies for the financial service sector.

S & G Technology Services has accumulated tremendous expertise on the banking industry and the development of technology solutions for some of the world's largest banks. This enables the company to better understand the challenges faced by customers, identify the areas in which it can provide innovative solutions and integrate seamlessly into its specific solutions within a broader delivery program. S & G Technology Services specializes in providing IT consulting services, software products and services to the software ecosystem of one of the most popular banking systems - the Temenos T24.



SIRMA CI

- **Sirma CI** is a subsidiary of Sirma Group Holding
- **Capital:** BGN 133 000. **Sirma Group Holding** owns 80% of the capital.

Conditions for Business Development in 2020

Despite the COVID 19 pandemic in 2020, our expectations for business development were positive, because many retailers and current customers invest in digitalization and automation of processes in order to remotely serve current customers and attract new ones. On the other hand, there is an increased demand for software solutions that automate processes in order to optimize costs.

According to Gartner the top 3 services for Digital Retail, which are at their peak of demand for them:

- Software solutions for user engagement
- Conversational commerce, ie. technological solutions that recognize speech, speech, language processing via AI. These are applied in chatbots
- Algorithmic sales, ie. AI-based software solutions

According to Gartner the top 3 services of Digital Retail, which will be in demand in the next 2-5 years:

- Unified Commerce Ecosystem
- Real-Time Pricing
- Smart Check-Out

Of the top 3 services that Gartner defines at their peak, we offer two. The other products and expertise that we have and are described in the Technology stack (item 5) are very up to date. Regarding the services that will be in demand in the next 2-3 years, we are already working on one of them.

We are building a new concept of the new business model and plan to update the current LOYAX website by the end of the year at the latest or to launch an advertising page to advertise our new activities on the international market.

We are working on a completely new solution for eCommerce (B2B and 2C), ie. the rewriting of our platform continues to develop according to a plan on a market basis. Fully focused on unified commerce trends, which will unite our implementation solutions for large retailers: e-shop, loyal mobile application program, chatbots, real-time behavior analysis system (RTS) and more.

We have planned to make a Webinar together with GTC (our client), on which we are currently integrating a loyalty program in Serbia with the option to add an online store. At the Webinar we will invite all companies from the group that are in several European countries and their clients –

tenants. Technology stack and Microservices - Sirma Customer Intelligence expertise and products:

- Consultations for digital transformation and innovation
- Business analysis and planning
- Individual web and mobile design (responsive)
- Personalized e-commerce (back-end and front-end development)
- Integration of loyalty program (back-end and front-end development)
- ERP integration / optimization
- Implementation of logistics integrations / optimizations
- Integrations for online payments
- Billing integrations
- Mobile applications - native Android and iOS
- RTS - real-time user behavior analysis system
- Chatbots - based on Melinda

New contracts during 2020:

- A new contract with a large cosmetic retailer for long-term development for digital transformation including online sales, loyalty program and others.
- A new contract with international client on digital transformation for a loyalty program and online sales of goods, as well for development and maintenance for next 3 years.
- With the height of the Covid 19 pandemic, our current customers became more active with orders for new features to their current solutions in order to sell more to end customers.

Business Development in 2020 and Investment plan

Establishing partnerships with German companies to enter the DACH market. At this stage we have advanced negotiations with partners from Austria and Germany. The plan is in Q4 to launch joint initiatives to attract customers. At the same time, we are developing partnerships with Mexico in the direction of retail: loyalty and Unified Commerce.



FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change BGN '000	Change %
Revenues	190	298	(108)	(36,24%)
EBITDA	17	(202)	219	n/a
Depreciation	(1)	-	(1)	n/a
Net Result	10	(183)	193	n/a
EBITDA margin	8,95%	-67,79%	76,73%	n/a
Net Profit margin	5,26%	-61,41%	66,67%	n/a
Sales per share	0,6333	0,9933	(0,36)	(36,24%)
EPS	0,0333	(0,6100)	0,64	n/a
ROE	(0,1020)	1,7103	(1,81)	n/a
Total Assets	202	85	117	137,65%
Book value	(98)	(107)	9	(8,41%)
Equity	(98)	(107)	9	(8,41%)
Total Liabilities	300	192	108	56,25%
ROA	0,0495	(2,15)	2,20	n/a

SIRMA MEDICAL SYSTEMS

- **Sirma Medical Systems** is a subsidiary of Sirma Group Holding
- **Capital:** BGN 100 000. **Sirma Group Holding** owns 66% of the capital.

Key trends in 2020

The main trends in diabetes management systems are the automation of the data collection process and the use of artificial intelligence, wherever and whenever possible. Attempts to create a system that resembles the normal functioning of the organism (so-called artificial pancreas) are still unsuccessful and companies are competing in the development and supply of integrated systems connected to different devices. New types of CGM devices with new technologies are being developed, but the process is rather slow and there is nothing new to the market.

Product development in 2020:**Diabetes: M**

The product was released as a donation to pediatric endocrinology, and training of the medical team to the ward was conducted. Due to the epidemiological situation, the number of doctors and patients from Nipro who use the system for remote monitoring of diabetics has also increased. Nipro expressed a desire to make a commercial for the product at their expense and coordinated it with our marketing. Talks continue with the Japanese company Asken to use Diabetes: M in addition to their diet software and they are to be translated into Japanese.

MPI-2

The Android version of the main therapy application as well as the session video recording application has been released.

Cardiac:M

The implementation of a specialized application for monitoring heart disease has started. It was frozen due to the epidemiological situation, which necessitated the development of a completely new Medrec: M system, which is based on the server part created for Caradiac: M.

Medrec:M

Due to the epidemiological situation and the cessation of almost all activities in the country, it was necessary to develop an application which can track people's symptoms, as well as monitoring of the epidemiological situation in the country using a survey. The first version of Medrec: M was released at the end of March. Gradually, the product developed as a complete medical record for end users. Numerous functionalities have been developed, such as the creation and management of drug plans, an alarm system and reminders for patients' medication, as well as the addition of children's accounts. Functionality for tracking the vaccinations on the immunization calendars of Bulgaria and a number of other European countries has been added. The addition of immunization calendars to more countries continues. The product has started the development of the functionality for recording an appointment with a doctor. The clinical portal, necessary for remote examinations via video and chat, was designed and developed, and by the end of the quarter it was already in alpha version.



A small project at Innovation Zed has been completed and talks have been held with the parent company SHL for future development of medical software related to their injection devices. A demonstration of Medrec: M was also made and they showed interest in the possibility of using us as a software provider. More details are expected in January or February 2021.

Now the goal is to create a powerful telemedicine system that is fully completed by the end of the year.

2021 targets

The main goals for 2021 are certification of Sirma Medical Systems according to ISO 13485. Analysis and planning for the development of the MPI-2 system to work without the need for specialist assistance. The entry into new hospitals and clinics of Diabetes: M, and possibly Cardiac: M and Medicine: M, in the field of remote patient follow-up.

FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change BGN '000	Change %
Revenues	267	392	(125)	(31,89%)
EBITDA	81	20	61	305,00%
Depreciation	(54)	(49)	(5)	10,20%
Net Result	1	(28)	29	n/a
EBITDA margin	30,34%	5,10%	25,24%	494,61%
Net Profit margin	0,37%	(7,14%)	7,52%	n/a
Sales per share	0,8900	1,3067	(0,42)	(31,89%)
EPS	0,0033	(0,0933)	0,10	n/a
ROE	0,0122	(0,3415)	0,35	n/a
Total Assets	1 168	926	242	26,13%
Intangibles	1 072	689	383	55,59%
Book value	(990)	(607)	(383)	63,10%
Equity	82	82	-	0,00%
Total Liabilities	1 086	844	242	28,67%
ROA	0,0009	(0,0302)	0,03	n/a



SIRMA GROUP HOLDING – INDIVIDUAL FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change BGN '000	Change %
Revenues*	4 405	5 325	(920)	(17,28%)
EBITDA	2 009	3 025	(1 016)	(33,59%)
Depreciation	(753)	(655)	(98)	14,96%
Net Result	993	1 898	(905)	(47,68%)
EBITDA margin	45,61%	56,81%	(11,20%)	(19,72%)
Net Profit margin	22,54%	35,64%	(13,10%)	(36,75%)
Sales per share	0,0742	0,0897	(0,01550)	(17,28%)
EPS	0,0167	0,0320	(0,01525)	(47,68%)
ROE	0,0135	0,0262	(0,01264)	(48,30%)
Total Assets	93 904	93 147	757	0,81%
Intangibles	9 653	10 122	(469)	(4,63%)
Book value	63 742	62 405	1 337	2,14%
Equity	73 395	72 527	868	1,20%
Total Liabilities	20 509	20 620	(111)	(0,54%)
Interest bearing	10 707	12 614	(1 907)	(15,12%)
D/E	0,1459	0,1739	(0,02804)	(16,12%)
ROA	0,0106	0,0204	(0,00980)	(48,10%)

* 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 and Sirma Group Inc.

FINANCIAL RESULTS OF THE SEGMENT

	31.12.2020 BGN'000	31.12.2019 BGN'000
Revenue from:		
- external customers	25 618	28 245
Segment revenues	25 618	28 245
Changes in finished goods and work in progress	47	(1 242)
Cost of materials	(710)	(579)
Hired services expenses	(3 095)	(4 065)
Employee benefits expense	(13 913)	(15 633)
Depreciation and amortisation of non-financial assets	(5 487)	(4 449)
Impairment of non - financial assets	-	(79)
Other expenses	(880)	(1 097)
Segment operating profit	1 580	1 101

In Q4 2020 the revenues of the segment decreased by 9,30%, and operating profit increased by 43,51% or BGN 497 thousand compared to 2019.



Segment SOLUTIONS, PRODUCTS AND CONSULTING IN FINANCE

Companies of Sirma Group operating in the segment are: Sirma Business Consulting, Sirma ICS, Sirma AI, Sirma Solutions, S&G Technologies Inc. and Sirma Group Inc.

FINANCIAL RESULTS OF THE SEGMENT

	31.12.2020	31.12.2019
	BGN'000	BGN'000
Revenue from:		
- external customers	10 411	10 233
Segment revenues	10 411	10 233
Changes in finished goods and work in progress	-	(6)
Cost of materials	(105)	(67)
Hired services expenses	(1 686)	(756)
Employee benefits expense	(4 751)	(5 742)
Depreciation and amortisation of non-financial assets	(377)	(793)
Other expenses	(287)	(684)
Segment operating profit	3 205	2 185

In Q4 2020 the operating profit of the segment increased by 46,68% or BGN 1 020 thousand compared to 2019.

Segment SYSTEM INTEGRATION**COMPANIES OF SIRMA GROUP OPERATING IN THE SEGMENT ARE: SIRMA SOLUTIONS****FINANCIAL RESULTS OF THE SEGMENT**

	31.12.2020	31.12.2019
	BGN'000	BGN'000
Revenue from:		
- external customers	21 821	22 772
Segment revenues	21 821	22 772
Changes in finished goods and work in progress	-	-
Cost of materials	(19 190)	(18 572)
Hired services expenses	(1 222)	(705)
Employee benefits expense	(557)	(372)
Depreciation and amortisation of non-financial assets	(67)	(23)
Other expenses	(7)	(11)
Segment operating profit	778	3 089

In Q4 2020 operating profit of the segment decreased by 74,81% or BGN 2 311 thousand compared to 2019.



8 MAIN MARKETS

Consolidated earnings of Sirma Group Holding for the historical period under review are of different nature and geographic origin. Traditionally, revenues from services and goods have the highest share. At the same time, Europe, North America and the United Kingdom are at the forefront of geographic distribution of earnings. Revenues by region and countries are presented in the following table.

REVENUE BY REGIONS AND COUNTRIES:

Region	31.12.2020 BGN '000	31.12.2019 BGN '000	Change BGN '000	Change %
Australia	33	22	11	50,00%
Asia	1002	462	540	116,88%
Africa	25	28	(3)	(10,71%)
Europe	33 527	34 278	(751)	(2,19%)
United Kingdom	9 793	11 609	(1 816)	(15,64%)
South America	180	62	118	190,32%
North America	13 290	14 789	(1 499)	(10,14%)
Total	57 850	61 250	(3 400)	(5,55%)

9 CONSOLIDATED FINANCIAL RESULTS

CONSOLIDATED REVENUES

Consolidated revenues in Q4 2020 includes:

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change BGN '000	Change %
Revenue from contracts with customers	55 611	59 329	(3 718)	(6,27%)
Gain on sale of non-current assets	6	5	1	20,00%
Revenue from financing	2 060	54	2 006	3714,81%
Other income	173	1 862	(1 689)	(90,71%)
Total	57 850	61 250	(3 400)	(5,55%)

Consolidated revenues in Q4 2020 decreased by 5,55 % or BGN 3 400 thousand compared to 2019 .

Consolidated revenue by product line includes:

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change BGN '000	Change %
Sale of IT equipment	19 877	19 463	414	2,13%
Software services	17 442	20 168	(2 726)	(13,52%)
Licenses	4 141	2 905	1 236	42,55%
Subscriptions	3 487	3 208	279	8,70%
Consulting services	3 199	6 290	(3 091)	(49,14%)
System integration	1 775	3 113	(1 338)	(42,98%)
Cloud services	1 213	2 060	(847)	(41,12%)
Others	4 477	2 122	2 355	110,98%
Total	55 611	59 329	(3 718)	(6,27%)



CONSOLIDATED EXPENSES

	31.12.2020	31.12.2019	Change
	BGN '000	BGN '000	(BGN '000,%)
Cost of materials	(2 243)	(3 240)	997
<i>Change in %</i>			(30,77%)
Hired services expenses	(6 271)	(6 043)	(228)
<i>Change in %</i>			3,77%
Employee benefits expense	(21 758)	(22 720)	962
<i>Change in %</i>			(4,23%)
Depreciation and amortisation of non-financial assets	(5 964)	(5 265)	(699)
<i>Change in %</i>			13,28%
Capitalized own expenses	2 838	2 658	180
<i>Change in %</i>			6,77%
Cost of goods sold and other current assets	(17 762)	(17 226)	(536)
<i>Change in %</i>			3,11%
Changes in finished goods and work in progress	47	(1 248)	1 295
<i>Change in %</i>			(103,77%)
Other expenses	(1 174)	(1 791)	617
<i>Change in %</i>			(34,45%)
Total expenses	(52 287)	(54 875)	2 588
<i>Change in %</i>			(4,72%)

In Q4 2020 consolidated operating expenses decreased by BGN 2 588 thousand or by 4,72 % compared to 2019 .

CONSOLIDATED FINANCIAL INCOME / COSTS (NET)

	31.12.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Financial costs	(767)	(703)	(64)	9,10%
Financial income	119	239	(120)	(50,21%)
Financial income / costs (net)	(648)	(464)	(184)	39,66%

Consolidated financial costs increased by BGN 64 thousand or by 9,10% in Q4 2020, mainly due to the increase in expenses on foreign exchange operations. Consolidated financial income decreased by BGN 120 thousand or by 50,21%, mainly due to the decrease in income from foreign exchange operations.



CONSOLIDATED ASSETS

Consolidated assets posted an increase of BGN 7 928 thousand or 5,47% in Q4 2020. Traditionally, most of them are occupied by intangible assets, which is dictated by the activity of the Group and its ownership over a significant amount of software modules.

NON-CURRENT ASSETS

	31.12.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Goodwill	22 482	22 482	-	-
Property, plant and equipment	8 870	9 064	(194)	(2,14%)
Intangible assets	59 530	58 665	865	1,47%
Deferred tax assets	385	419	(34)	(8,11%)
Total non-current assets	91 267	90 630	637	0,70%

Non-current assets increased by BGN 637 thousand or by 0,70% in Q4 2020.

CURRENT ASSETS

	31.12.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Inventory	798	1 255	(457)	(36,41%)
Trade and other financial receivables	12 879	10 806	2 073	19,18%
Prepayments and other assets	5 314	2 116	3 198	151,13%
Related party receivables	93	-	93	n/a
Tax receivables	425	103	322	312,62%
Cash and cash equivalents	12 612	10 550	2 062	19,55%
Total current assets	32 121	24 830	7 291	29,36%

Current assets increased by BGN 7 291 thousand or by 29,36 % in Q4 2020.

ASSETS INCLUDED IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	31.12.2020	31.12.2019
	BGN '000	BGN '000
SEPlatform	16 752	16 752
SENPAI FIN-P	10 328	10 328
CYBER SECURITY-P	1 722	1 722
Automotive Retail Dynamic Pricing Platform	559	559
Total	29 361	29 361



EQUITY

	31.12.2020	31.12.2019	Change
	BGN '000	BGN '000	(BGN '000,%)
Share Capital	59 361	59 361	-
<i>Change</i>			-
Purchased own shares	(585)	(475)	(110)
<i>Change</i>			23,16%
Reserves	6 791	6 408	383
<i>Change</i>			5,98%
Retained earnings	25 454	22 813	2 642
<i>Change</i>			11,58%
Equity attributable to the owners of the parent	91 022	88 107	2 915
<i>Change</i>			3,31%
Non-controlling interest	16 899	15 908	991
<i>Change</i>			6,23%
Total	107 921	104 015	3 906
<i>Change</i>			3,76%

Equity in Q4 2020 increased by BGN 3 906 thousand or by 3,76 %.

CONSOLIDATED LIABILITIES

Consolidated liabilities increased by 4 022 BGN thousand or 9,86% in Q4 2020.

NON-CURRENT LIABILITIES

	31.12.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Pension and other employee obligations	223	276	(53)	(19,20%)
Long-term borrowings	10 285	8 380	1 905	22,73%
Long-term lease liabilities	2 046	2 908	(862)	(29,64%)
Long-term related party payables	137	19	118	621,05%
Other long-term liabilities	394	-	393	n/a
Deferred tax liabilities	143	33	110	333,33%
Total non-current liabilities	13 228	11 616	1 612	13,88%

Non-current liabilities increased by BGN 1 612 thousand or by 13,88 % in Q4 2020.



LONG-TERM AND SHORT-TERM BANK LOANS

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit	Remaining obligation to 31.12.2020	Date of making the loan	Interest rate	Number of remaining installments	The amount of monthly installment	End date of the contract	Collateral
Loans in which the Issuer is a debtor											
Sirma Group Holding JSC	Eurobank Bulgaria	overdraft	BGN	4 200 000	2 185 437	21.7.2016	Base + 0.7 points, but not less than 1.7% per year			30.09.2021	Pledge on shares – 1 373 548 of the share of Sirma Business Consulting AD, owned by Sirma Solutions, Pledge of Future and Current Cash Receivables and Stocks on the Open Account in Eurobank, Receivables Pledge of the Receivables under the Business Incubator Contract №BG161PO003-2.2.0012-C0001 / 02.02.2012; Contractual mortgage of a real estate located in Sofia, Mladost district, Tsarigradsko Shose Blvd 135, namely the 5th floor of the building
Sirma Group Holding JSC	United Bulgarian Bank	overdraft	BGN	10 475 000	8 380 040	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	51	174 580	20.12.2024	Pledge of receivables, pledge of commercial enterprises, pledge of real estate



Loans for which the Issuer is a guarantor

Sirma Solutions	United Bulgarian Bank	overdraft	BGN	4 000 000	4 000 000	28.10.2020	RIR + 1.4%, but no less than 1.34% per year	20.09.2025	Pledge of receivables
Sirma Solutions		overdraft	BGN	4 025 000	3 850 080	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	20.12.2020	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
	United Bulgarian Bank								
Sirma AI		overdraft	EUR	741 000	721 614	15.08.2020	1 m. EURIBOR + 1.4% (but not less than 1.4%)	15.08.2021	Second in a row pledge on Sirma AI; Second pledge of his shares; A second pledge of current and future receivables totaling EUR 741 thousand; Pledge on receivables on all accounts of the borrower in UBB in the amount of EUR 741 thousand.
	United Bulgarian Bank								
Sirma AI		overdraft	EUR	3 000 000	2 992 299	15.08.2020	1 m. EURIBOR + 1.4% (but not less than 1.4%)	15.08.2021	The first in a row pledge of Sirma AI; The first pledge of the shares he holds; First in a row pledge of current and future receivables totaling EUR 3 million; Pledge on receivables on all accounts of the borrower in UBB in the amount of EUR 3 million.
	United Bulgarian Bank								



CURRENT LIABILITIES

	31.12.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Provisions	22	22	-	-
Pension and other employee obligations	2 866	3 370	(504)	(14,96%)
Short-term borrowings	15 432	15 761	(329)	(2,09%)
Short-term lease liabilities	352	588	(236)	(40,14%)
Trade and other payables	7 920	6 592	1 328	20,15%
Short-term related party payables	341	-	341	n/a
Contract liabilities	3 430	2 205	1 225	55,56%
Tax liabilities	670	156	514	329,49%
Financing (Grants)	567	496	71	14,31%
Total current liabilities	31 600	29 190	2 410	8,26%

Current liabilities increased by BGN 2 410 thousand or 8,26 % in Q4 2020.

CASH FLOWS

The Group has no liquidity problems and operates with the available resources while maintaining a low level of indebtedness for the period under review. Traditionally, the largest pay-out in revenue streams is paid by customers, while the role of a negative item is paid by payments to suppliers and payments for staff and social security contributions.

SUMMARY OF CASH FLOW

	31.12.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Net cash flow from operating activities	6 085	2 774	3 311	119,36%
Net cash flow from investing activities	(4 516)	(7 331)	2 815	(38,40%)
Net cash flow from financing activities	616	4 047	(3 431)	(84,78%)
Net change in cash and cash equivalents	2 185	(510)	2 695	n/a
Cash and cash equivalents at the beginning of the year	10 550	11 068	(518)	(4,68%)
Exchange gains/(losses) on cash and cash equivalents	(123)	(8)	(115)	1437,50%
Cash and cash equivalents at the end of the year	12 612	10 550	2 062	19,55%



INDICATORS AND RATIOS

No	Indicators (in BGN '000)	31.12.2020	31.12.2019	Change (value)	Change %
1	Revenue from operating activities	57 850	61 250	(3 400)	(5,55%)
2	Cost of sales	(51 113)	(53 084)	1 971	(3,71%)
3	Gross profit / loss	6 737	8 166	(1 429)	(17,50%)
4	Other operating costs	(1 174)	(1 791)	617	(34,45%)
5	Operating profit / loss	5 563	6 375	(812)	(12,74%)
6	Financial income	119	239	(120)	(50,21%)
7	Financial costs	(767)	(703)	(64)	9,10%
8	Profit / loss before tax expense	4 915	5 911	(996)	(16,85%)
9	Tax costs	(413)	(501)	88	(17,56%)
10	Net profit / loss	4 502	5 410	(908)	(16,78%)
11	Dividend	-	-	-	n/a
12	Cash and cash equivalents	12 612	10 550	2 062	19,55%
13	Inventories	798	1 255	(457)	(36,41%)
14	Short-term assets	32 121	24 830	7 291	29,36%
15	Total amount of assets	152 749	144 821	7 928	5,47%
16	Average arithmetic total asset value for 5 quarters	148 174	143 361	4 813	3,36%
17	Current liabilities	31 600	29 190	2 410	8,26%
18	Debt	28 115	27 637	478	1,73%
19	Liabilities (borrowed funds)	44 828	40 806	4 022	9,86%
20	Equity	107 921	104 015	3 906	3,76%
21	Equity averaged 5 quarters	107 922	106 146	1 776	1,67%
22	Turnover capital	521	(4 360)	4 881	(111,95%)
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	-
24	Gain / loss minority interest	1 477	307	1 170	381,11%
25	Interest expenses	(312)	(373)	61	(16,35%)
26	Weighted average price of last trading session	0,55	0,635	(0,0875)	(13,78%)
27	Last price per share of last trading session	0,56	0,625	(0,0700)	(11,20%)



Indicators	31.12.2020	31.12.2019	Change (value)	Change %
EBITDA	11 191	11 856	(665)	(5,61%)
DEPRTIATION	(5 964)	(5 265)	(699)	13,28%
EBIT	5 227	6 591	(1 364)	(20,69%)
FIN/INVEST NET	(648)	(464)	(184)	39,66%
EBT	4 915	5 911	(996)	(16,85%)
ROA	0,0198	0,0352	(0,0154)	(43,80%)
ROA(BSE)	0,0204	0,0356	(0,0152)	(42,65%)
Debt/EBITDA Ratio	2,5123	2,3311	0,1812	7,77%
Quick Ratio	0,9912	0,8076	0,1836	22,73%
ROE	0,0417	0,0510	(0,00925)	(18,15%)
Debt/Equity Ratio (BSE)	0,4154	0,3923	0,0231	5,88%
Profitability ratios				
Gross profit margin	0,1165	0,1333	(0,0169)	(12,65%)
Operating profit margin	0,0962	0,1041	(0,0079)	(7,61%)
Net profit margin	0,0778	0,0883	(0,0105)	(11,89%)
Return on Assets	0,0304	0,0377	(0,0074)	(19,49%)
Return on Equity	0,0417	0,0510	(0,0093)	(18,15%)
Coefficients for assets and liquidity				
Assets turnover ratio	0,3912	0,4289	(0,0377)	(8,79%)
Assets turnover ratio (BSE)	0,3904	0,4272	(0,0368)	(8,62%)
Operating cycle	111,0365	(14,0482)	125,0846	n/a
Current ratio	1,0165	0,8506	0,1659	19,50%
Quick ratio	0,9912	0,8076	0,1836	22,73%
Cash ratio	0,3991	0,3614	0,0377	10,43%
Odds per share				
P/S ratio	0,5618	0,6154	(0,0536)	(8,71%)
P/E ratio	7,2190	6,9675	0,2515	3,61%
Revenue per share	0,9745	1,0318	(0,0573)	(5,55%)
Earnings per share	0,0758	0,0911	(0,0153)	(16,78%)
Book value of equity per share	1,8181	1,7881	0,0299	1,67%
Development Ratios				
Revenue growth	(0,0555)	2,7980	(2,8535)	n/a
Gross profit growth	(0,1750)	7,8472	(8,0222)	n/a
Assets growth	0,0547	0,2070	(0,1522)	(73,55%)
Leverage Ratios				
Debt/taotal assets	0,1897	0,1928	(0,0030)	(1,57%)
Debt/capital	0,2067	0,2066	0,0001	0,04%
Debt/equity	0,2605	0,2604	0,0001	0,06%
Total assets/equity	1,3730	1,3506	0,0224	1,66%
Market value of the company	32 945	37 101	(4 155)	(11,20%)



RELATED COMPANIES TRANSACTIONS

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

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

Transactions with subsidiaries and other related parties

	31.12.2020	31.12.2019
	BGN'000	BGN'000
Sales of:		
- goods	596	1 478
- services	12 386	11 886
- others	54	1 032
Purchases of:		
- materials	821	895
- services	8 349	10 237
- others	201	219

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:

	31.12.2020	31.12.2019
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries	503	584
Social security costs	20	20
Total remunerations	523	604



10 EMPLOYEES AND ECOLOGY

ECOLOGY

Sirma Group Holding maintains and observes its commitments in compliance with the national legislation in the field of environmental protection. The company applies measures for consolidated collection of waste, minimization, recovery and recycling of municipal waste. The Group stopped the use of plastic cups stopped, and they were replaced with porcelain and glass.

EMPLOYEES

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

strategy and policies. Sirma Group Holding's policies in this regard are aimed at stimulating the responsibility and motivation of the staff to fulfill the assigned tasks and objectives.

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

Count of employees in the Group:

31.12.2020

Company	LC	CMC	Total
SIRMA CI	2	1	3
SIRMA ICS	9	1	10
DATICUM	8	6	14
ENGVIEW SYSTEMS SOFIA	30	4	34
SIRMA AI	75	6	81
SIRMA BUSINESS CONSULTING	58	5	63
SIRMA GROUP HOLDING	18	6	24
SIRMA SOLUTIONS	127	7	134
SIRMA MEDICAL SYSTEMS	5	3	8
SIRMA GROUP INC.	2	1	3
S&G UK	5	1	6
SIRMA SHA	6	3	9
ONTOTEXT	-	1	1
Total	345	45	390



31.12.2019

Company	LC	CMC	Total
SIRMA CI	2	1	3
SIRMA ICS	10	1	11
DATICUM	9	6	15
ENGVIEW SYSTEMS SOFIA	37	4	41
SIRMA AI	73	6	79
SIRMA BUSINESS CONSULTING	59	5	64
SIRMA GROUP HOLDING	21	6	27
SIRMA SOLUTIONS	126	7	133
SIRMA MEDICAL SYSTEMS	3	3	6
SIRMA GROUP INC.	5	1	6
S&G UK	1	1	2
SIRMA SHA	7	3	10
ONTOTEXT	-	1	1
Total	353	45	398

11 RISK FACTORS

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is carried out by the central administration, in close co-operation with the board of directors and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Group is exposed are described below.

MARKET RISK ANALYSIS

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

Foreign currency risk

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

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

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions.

Interest rate risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2019, the Group is not exposed to changes in market interest rates through bank borrowings. All financial assets and liabilities of the Group are with fixed interest rates.



CREDIT RISK

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

	31.12.2020	31.12.2019
	BGN'000	BGN'000
Classes of financial assets – carrying amounts:		
Trade receivables	12 879	10 806
Related party receivables	93	-
Cash and cash equivalents	12 612	10 550
Carrying amount	25 584	21 356

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

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

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

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

LIQUIDITY RISK

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

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

As at 31 December 2019, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2020	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	BGN'000	BGN'000	BGN'000	BGN'000
Borrowings	-	15 432	11 457	-
Finance lease obligations	176	176	874	-
Trade and other payables	7 920	-	-	-
Related party payables	341	-	93	-
Total	8 437	15 608	12 424	-



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

31 December 2019	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	BGN'000	BGN'000	BGN'000	BGN'000
Borrowings	-	15 761	8 380	-
Finance lease obligations	340	340	2 610	739
Trade and other payables	6 592	-	-	-
Related party payables	-	-	19	-
Total	6 932	16 101	11 009	739

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

Financial assets used for managing liquidity risk

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

12 OTHER INFORMATION AS PER APPENDIX 11 OF ORDINANCE 2 OF THE FSC

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

There are no events and indicators with an unusual nature for the company that have a significant impact on its operations and its realized revenues and expenses.

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

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

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



The company did not use funds from a new issue of securities in the reporting period.

12.4. ANALYSIS OF THE RELATIONSHIP BETWEEN THE FINANCIAL RESULTS ACHIEVED, REPORTED IN THE FINANCIAL STATEMENT FOR THE REPORTING PERIOD AND EARLIER PUBLISHED PROJECTIONS FOR THESE RESULTS.

The financial results of the company 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 entity's ability to service obligations is expressed in terms of liquidity ratios in the description of the liquidity risk in this report. As evidenced by the values of the liquidity indicators, Sirma Group Holding JSC has no problems in meeting its obligations, both in the medium and long term. The company has regular proceeds from sale, while also using bank overdrafts, which allows it to service its obligations by successfully managing its financial resources and to properly and timely service its obligations.

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

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

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

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

12.8 INFORMATION ABOUT THE MAIN CHARACTERISTICS OF THE FINANCIAL REPORTING PROCESSING INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

Under Bulgarian law, the management should prepare an annual report on the operations and a financial statement for each quarter to give a true and fair view of the

Company's financial position as of the end of the year, financial performance and cash flows in accordance with the applicable accounting framework. Management's



responsibility also includes the implementation of an internal control system to prevent, detect and correct mistakes and false statements as a result of the accounting system's actions. In this respect, the management observes the following basic principles in its activities:

- adherence to a particular management and accounting policy disclosed in the financial statements;

- carrying out all operations in compliance with the laws and regulations; coverage of all events and operations in a timely manner, with the exact amount of the amounts in the appropriate accounting articles.

- accounts and the relevant reporting period so as to allow the financial statements to be prepared in accordance with the specific accounting framework;

- observance of the precautionary principle in the valuation of assets, liabilities, income and expenses;

- detection and termination of frauds and errors;

- completeness and regularity of accounting information;

- preparation of reliable financial information;

- adherence to international financial reporting standards and adherence to the going concern principle.

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

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

No changes during the current period.

12.10 INFORMATION ABOUT THE KNOWN TO THE COMPANY 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 company has no information of agreements which may alter the owned percent of shares by current shareholders. The company has not issued bonds.

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

Stanislav Tanushev

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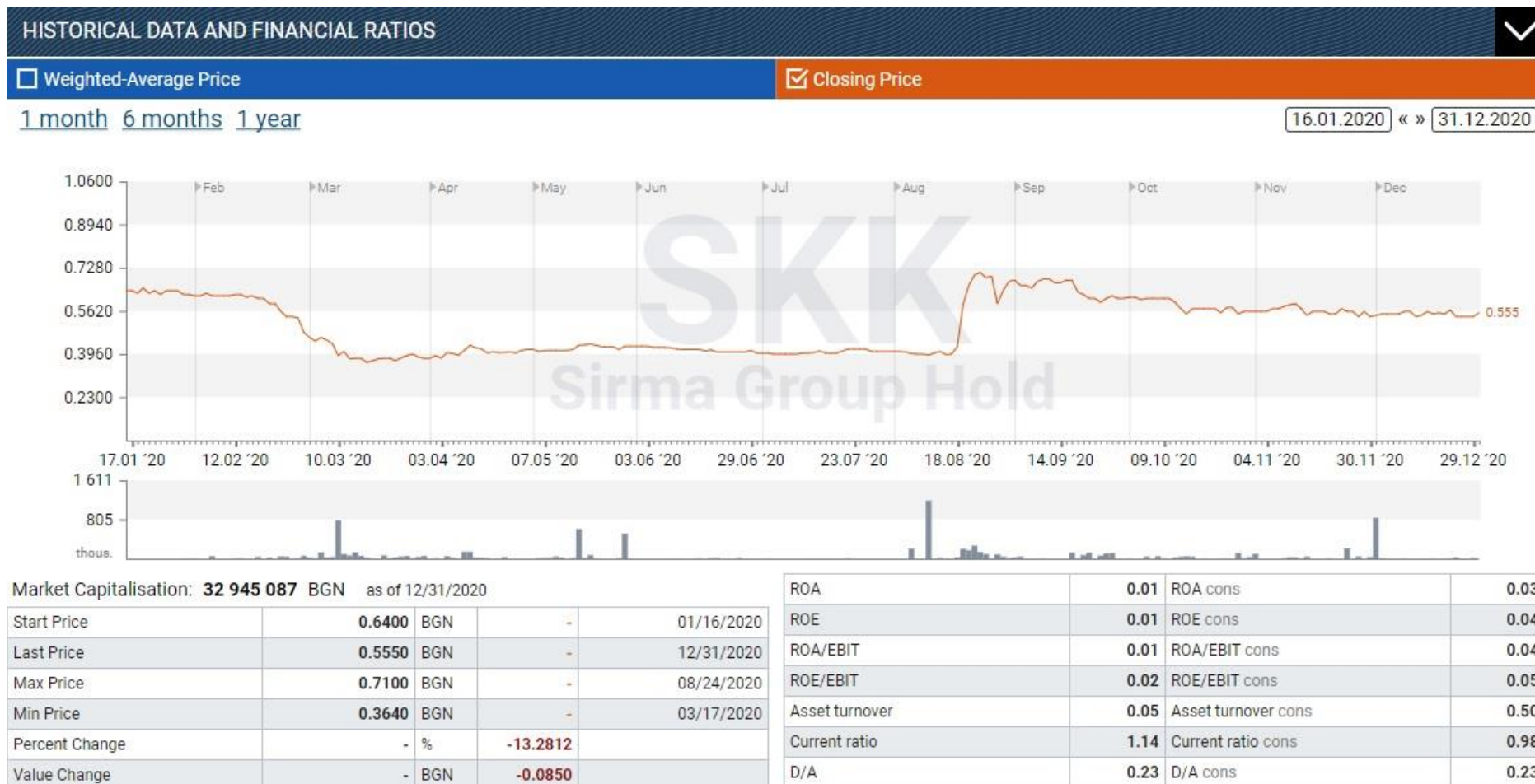
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13 CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY



14 EVENTS AFTER THE END OF THE REPORTING PERIOD

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

In early 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties arose in the business and economic activities of a number of enterprises and entire economic sectors. On 11 March 2020, the World Health Organization also announced the presence of a coronavirus pandemic (Covid-19). On 13 March 2020, the Bulgarian government declared a state of emergency for a period of one month, which was subsequently extended numerous times, lastly to 30 April 2021 and introduced a number of restrictive and protective measures for business and people. The forecasts for the expected development of the Information and Communication Technologies sector in 2021 and the coming years are a function of the development of the health crisis and the economic stagnation caused by it.

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

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

Sofia
26.02.2021

CEO: 
Tsvetan Alexiev

