



Interim Separate Management Report

of "Sirma Group Holding" JSC
according to Annex 10 of Ordinance 2 to Article 32,
Paragraph 1, Item 2, Article 35, Paragraph 1, Item 2,
Article 41, Paragraph 1, Item 2
for the period 01.01.2020 - 31.12.2020

Content

1/ STATEMENT BY THE BOARD OF DIRECTORS OF "SIRMA GROUP HOLDING" JSC.....	3
2/ ORGANIZATION AND WAY OF PRESENTATION	4
4/ STRUCTURE OF SHAREHOLDERS CAPITAL AND MANAGEMENT AUTHORITIES.....	7
4.1. Distribution of share capital	7
4.2. Management authorities.....	8
5/ "SIRMA GROUP HOLDING" JSC IN Q4 2020	11
EVENTS AND BUSINESS NEWS IN Q4 2020	16
MAIN LEGAL INFORMATION IN Q4 2020	19
6/ INDIVIDUAL FINANCIAL RESULTS	20
6.1. REVENUES.....	20
6.2. EXPENSES	21
6.3. FINANCIAL INCOME / COSTS (NET).....	21
6.4. ASSETS	21
6.5. EQUITY	22
6.6. LIABILITIES.....	22
6.7. CASH FLOW	23
6.8. INDICATORS AND COEFFICIENTS.....	23
6.9 RELATED PARTY TRANSACTIONS	25
Transactions with subsidiaries	25
Transactions with other related parties	26
Transactions with key management personnel	26
7/ PERSONNEL AND ECOLOGY	27
7.1 ECOLOGY.....	27
7.2 PERSONNEL	27
8/ RISK FACTORS.....	27
8.1 Market risk analysis.....	28
8.1.1.1 Foreign currency risk.....	28
8.1.1.2 Interest rate risk	28
8.2 Credit risk.....	28
8.3 Liquidity risk	28
9/ 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.....	29
10/ 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.	29
11/ 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.	29



12/ 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.	30
13/ INFORMATION ABOUT OCCURRING CHANGES IN THE REPORTING PERIOD IN THE MAIN PRINCIPLES FOR THE MANAGEMENT OF THE COMPANY AND ITS ECONOMIC GROUP.	30
14/ INFORMATION ABOUT THE MAIN CHARACTERISTICS OF THE FINANCIAL REPORTING PROCESSING INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM IN THE COMPANY.	30
15/ INFORMATION ON CHANGES IN MANAGEMENT AND SUPERVISORY AUTHORITIES DURING THE PERIOD.	31
16/ INFORMATION ABOUT THE USE OF THE FUNDS FROM A NEW ISSUED SHARES AND SECURITIES IN THE REPORTING PERIOD.	31
17/ DETAILS OF THE DIRECTOR FOR CONNECTIONS WITH THE INVESTOR, INCLUDING A TELEPHONE AND ADDRESS FOR CORRESPONDENCE.	31
18/ CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY	32
19/ EVENTS AFTER THE END OF THE REPORTING PERIOD.	33



1/ STATEMENT BY THE BOARD OF DIRECTORS OF "SIRMA GROUP HOLDING" JSC

The present interim separate report of the 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 Law on the Public Offering of Securities (POSA), including also the established events, occurring after the balance sheet date. The structure of this report is in accordance with Annex 9, 10 and Appendix 11 to Article 32a (2) of Ordinance No. 2.

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 financial statements as at 31 December 2020;
- there is no actual or potential breach of laws and (or) other regulatory provisions that would have a material impact on the individual 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 that 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 Risk Section of the report.

The words "purpose", "predict", "accept", "believe", "in the future", "we could", "rely", "we are confident", "appreciate", "expect", "we intend", "we can", "can", "prospect", "plan", "project", "predict", "would" and other similar expressions are intended to identify these forward-looking statements. Such estimates are, for example, those made in the Business Results section of our quantitative and qualitative disclosures about market risk in accordance with International Financial Reporting Standards (IFRS), namely IFRS 7 and related statements in our Notes to the financial statements, our prospects for development, and other forecast information that appears in other parts of

this report. Unless required by law, we do not commit and we have no obligation to update or revise predictive statements as a result of new information we have received about the conditions that existed at the time of this report, future events, or otherwise unless we are obliged to do so under the law.

This report includes IT industry statistics and global economic trends that 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 data type 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 Individual 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" JSC and the expected development of possible risks.

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

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

The reporting period is the financial period ending on 31.12.2020. The report includes the activity of "Sirma Group Holding" JSC.



2/ ORGANIZATION AND WAY OF PRESENTATION

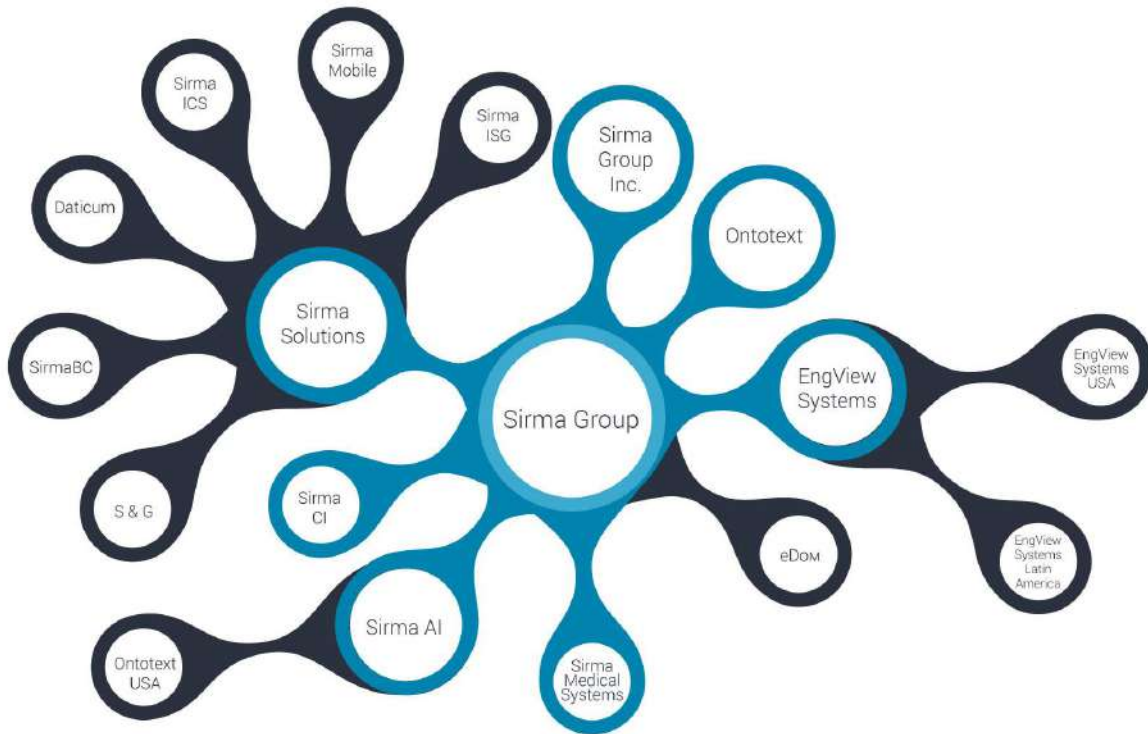
"Sirma Group Holding" JSC is a holding company which invests in technological businesses, manages them strategically and operationally, provides its subsidiaries with management, administrative, marketing and financial services.

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.

2.1. Group structure



HISTORY AND DEVELOPMENT OF THE COMPANY

"Sirma Group Holding" JSC is a holding company is registered on 25.04.2008 with the Registry Agency with UIC 200101236, with Seat and registered 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 IN COMPANIES WHICH THE COMPANY HOLDS, FINANCE COMPANIES IN WHICH THE COMPANY PARTICIPATES, ORGANIZE ACCOUNTING AND COMPILING FINANCIAL STATEMENTS UNDER THE LAW OF ACCOUNTING. COMPANY MAY PERFORM OTHER BUSINESS ACTIVITIES WHICH IS NOT PROHIBITED BY LAW.

Changes in the subject of activity:

On 23.03.2009 "Sirma Group Holding" JSC changed its scope of activity as follows: Acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies, acquisition, evaluation and sale of patents, surrender of licenses for use of patents to 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 as per the Law for Accounting. The company may also carry out its own

commercial activity, which is not prohibited by law. On 04.07.2012 the subject of activity is changed to the current one.

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; accounting services, as well as any other activity not prohibited by law.

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

- does not have a transfer or pledge to the enterprise;
- does not have claims, which have been filed for the opening of insolvency proceedings of the company;
- does not have pending tenders from third parties to the Company or from the Company to other companies;

CAPITAL

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

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

Non-monetary contributions - description:

1. Software representing 29 (twenty nine) software modules.

Value: BGN 61 555 838

2. 81 960 number of ordinary registered shares of "Sirma Group" JSC, the company registered in the Commercial Register to the Registry Agency with UIC 040529004.
Value: BGN 11 734 980

3. Real Estate - Floor 3 of an office building "IT - Center Office Express" in Sofia, bul. "Tsarigradsko Shosse " N 135 with an area 796, 50 square meters, pursuant to Deed of buying and selling real estate N 126, Volume I, reg. N 4551, case N 116 from 23.04.200. and 5 floor of an office building "IT - center office Express" in Sofia bul. " Tsarigradsko Shosse " N 135 with area 281.81 square meters, according to Deed of sale of real estate N

86, Volume 4, Reg. N 10237, Case N 592 of 23.12.2004
Value: BGN 3 911 660

Total Value: BGN 77 202 478

Non-cash contributions are detailed in Article 7, paragraph 3 of the Articles of Association of the Company.



HISTORY OF SHAREHOLDER CAPITAL

- Through an initial public offering, according to a resolution of the GMS dated 04.12.2014, an increase of the capital of "Sirma Group Holding" JSC was registered on 30.10.2015, increasing the capital to BGN 59 360 518 BGN.

- 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 valuers. The shareholding structure of the Company does not change as a result of the separation until the shareholding structures in the transforming and newly established companies are mirrored.

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

- On 15.10.2008 after the adoption of three triple expert appraisals, the share capital is increased from 50 000 BGN to 77 252 478 BGN through non-cash contributions by issuing new 77 202 478 shares as follows:

- 29 software modules worth 61 555 838 BGN;

- Non-monetary contribution representing real estate amounting to 3 911 660 BGN:

- Office building - offices, floor 3th and floor 5th of an office building, located in Sofia, 135 Tsarigradsko shose Blvd., owned by "Sirma Group" JSC, 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" JSC by decision of the General Meeting of "SGH" JSC from 10.07.2008

- 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.

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/ PORTFOLIO OF "SIRMA GROUP HOLDING" JSC

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 31.12.2019	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%	76,16%	3 471	76,16%	76,16%	-
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			-

INFORMATION ON PARTICIPATION

Apart from the above mentioned participations of the Company under PORTFOLIO above, there are no other participations which are likely to have a significant effect on the valuation of its own assets and liabilities, financial position or profits or losses.

The company has no branches.



4/ STRUCTURE OF SHAREHOLDERS CAPITAL AND MANAGEMENT AUTHORITIES

4.1. Distribution of share capital

As of 31.12.2020 the distribution of the share capital of "Sirma Group Holding" JSC 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 BGN 1.00)	59 360 518	59 360 518
Total number of registered shareholders	1 041	1 034
Including legal entities	47	48
individuals	994	986
Number of shares held by legal entities	8 528 409	8 546 564
% Of participation of entities	14,37%	14,40%
Number of shares held by individuals	50 832 109	50 813 954
% Participation of 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 Melon	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 posses repurchased 584 474 own shares (0,98% from share capita).



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.

4.2. Management authorities

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

The Board of Directors as of 31.12.2019 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

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

The current mandate of the Board of Directors: 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 its shares.

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

Adopted internal 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://www.sirma.bg/investors/корпоративно-управление/корпоративни-документи/>

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 30.09.2020	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 of the members of the Board of Directors of "Sirma Group Holding" JSC

Pursuant to Article 25, paragraph 5 of the Articles of Association of the Company, each member of the Board of Directors has received a permanent gross remuneration:

Name	Company	Period: 01.01.2020 - 31.12.2020 (BGN)
Tsvetan Borisov Alexiev	"SIRMA GROUP HOLDING" JSC	(139 000)
Yordan Stoyanov Nedev	"SIRMA GROUP HOLDING" JSC	(69 770)
Atanas Kostadinov Kiryakov	"SIRMA GROUP HOLDING" JSC	(18 000)
Georgi Parvanov Marinov	"SIRMA GROUP HOLDING" JSC	(18 000)
Chavdar Velizarov Dimitrov	"SIRMA GROUP HOLDING" JSC	(18 000)
Petar Borisov Statev	"SIRMA GROUP HOLDING" JSC	(18 000)
Total		(280 770)

INFORMATION ON THE CONTRACTS OF THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODIES WITH THE COMPANY PROVIDING BENEFITS FOR THE DISCONTINUATION OF EMPLOYMENT

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, INCLUDING THE NAME OF THE MEMBERS OF THE COMMITTEE AND A MANDATE SUMMARY ON 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

"Sirma Group Holding" JSC is obliged to comply its financial statements with the requirements within the program for the application of internationally recognized standards for good corporate governance and maintains its accounting policy in accordance with International Accounting Standards.



5/ "SIRMA GROUP HOLDING" JSC IN Q4 2020

In short

The global economic development expectations for decline in 2020 have been reduced (smaller decline). Despite of the COVID recession some ICT sub-segments are growing even in 2020. The "average" figures mask a huge variety in IT spending – on technology, geographically and by vertical. A K-shaped recovery in the ICT sector is expected in the period 2020-2024, with technologies facilitating digitalization of businesses leading the sector with double digit growth in the post-COVID years.

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 2019 and expectations for 2020

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 World Bank forecasts a V-shaped recovery with global growth of 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.

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.

The Industry of Sirma

The companies from Sirma Group 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 and the most resilient during the COVID crisis (see Gartner "The big picture" below). They will return to growth reaching pre-COVID levels as soon as 2021. CAGR is anticipated to be 4.6% for "IT Services" and 7.9% for "Software" for the period 2020-2024.

However the Big-picture forecast for growth of these segments masks the underlying diversity of sub-segments and their true potential in 2020 and the coming years. The "Intelligent evolution of enterprises" business line of Sirma is growing even in 2020 and is expected to sustain double digit growth for the period 2020-2024 (see Gartner "Detailed forecast" below). The mission of Sirma is to facilitate the intelligent digital transformation of enterprises. All daughter companies within the Group are doing just that. These IT technologies and services are the ones which are gaining momentum from the COVID crisis and will continue to lead the growth of the whole IT sector.

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 Gartner "The Big Picture" 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 3Q 2020, October 14, 2020](#)), global ICT spending in 2020 will decline by 5.4% (a positive revision from the June anticipation of an 8% decline) compared to 2019 and will shrink to USD 3.6 trillion. All segments are expected to decline in 2020, with "Devices" experiencing the largest contraction.

The Big Picture

The second wave of COVID-19 is now evident with a possible third wave coming near the end of the year. However Gartner does not expect massive country-level lock downs, but rather local "hot-spot" management. Never the less expectations for ICT spending across the world are for a drop in ICT spending in all countries excluding China (where a 1% growth is anticipated in 2020).

Gartner has revised its ICT spending forecast and expectations in October 2020:

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	208	219	228	236	245	
Growth y/y		17.03%	0.94%	-3.26%	5.29%	4.11%	3.51%	3.81%	2.65%
Software									
Spending (B\$)	370	427	477	459	492	545	613	696	
Growth y/y		15.41%	11.71%	-3.77%	7.19%	10.77%	12.48%	13.54%	7.86%
Devices									
Spending (B\$)	673	714	712	616	641	663	685	695	
Growth y/y		6.09%	-0.28%	-13.48%	4.06%	3.43%	3.32%	1.46%	-0.48%
IT Services									
Spending (B\$)	931	993	1 040	992	1 033	1 106	1 195	1 301	
Growth y/y		6.66%	4.73%	-4.62%	4.13%	7.07%	8.05%	8.87%	4.57%
TELCO									
Spending (B\$)	1 381	1 382	1 373	1 333	1 370	1 426	1 474	1 513	
Growth y/y		0.07%	-0.65%	-2.91%	2.78%	4.09%	3.37%	2.65%	1.96%
All ICT									
Spending (B\$)	3 537	3 728	3 816	3 609	3 755	3 969	4 204	4 449	
Growth y/y		5.40%	2.36%	-5.42%	4.05%	5.70%	5.92%	5.83%	3.12%
IT w/o TELCO									
Spending (B\$)	2 156	2 346	2 443	2 276	2 385	2 543	2 730	2 936	
Growth y/y		8.81%	4.13%	-6.84%	4.79%	6.62%	7.35%	7.55%	4.63%

Detailed Forecast

However David Lovelock – VP Analyst at Gartner suggests a **K-shaped recovery** in the 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.

According to David Lovelock from Gartner ([May 2020](#)), recovery will be slow and incomplete in 2020. The hardest hit industries such as tourism, air transport, entertainment and heavy industry will return to the levels of IT spending from 2019 only after 3-4 years.

The leading technologies starting from 2020 and moving the whole segment to the future 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 (the companies who are doing digital business are outperforming the ones that have not yet finalized their digital transformation). 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" – "if I do not have digital business I will not be in business" (Gartner, October 14, 2020). 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.

PARTICIPATION IN MANAGEMENT AND IMPLEMENTATION OF CONTROL ON THE SUBSIDIAR COMPANIES

In Q4 2020, as in previous periods, Sirma Group Holding's senior management was actively involved in the management of its subsidiaries. The high expertise and accumulated experience of Sirma Group Holding's managers helped companies to formulate their development goals and strategies as well as their business and financial plans. As a

result, the company achieved outstanding successes over the past period. At the same time, taking part in the management of the Group's companies, they monitored the Group's overall objectives, strategies for its development and financial discipline.

MARKETING

In operational terms, the annual marketing strategy and budget of the "Sirma Group Holding" JSC for 2020 ensured the planning, development and successful implementation of the following activities:

1. Creating, developing and maintaining a general knowledge of the Sirma brand through a range of activities that help for successful branding and corporate communications - public relations, investor relations, public institutions, company employees, general public. They included internet marketing, online meetings, helping managers and managers with marketing materials for their investment tours, press interviews, TV, radio, participation in specialized and high profile business events.

2. Building a strong employer brand and affirming the company as an attractive place to work, career development and realization of own innovative ideas for creating new software products and solutions, working with the most advanced technologies, entering new market niches. A favorable environment has been created and the innovation process in companies is regularly promoted. Social media is actively used for informal communication with employees, engaging in important causes, informing about upcoming

events, company and product news. The team building conducted at the end of the year was traditionally one of the most anticipated events that enabled people from different companies, cities and offices to communicate in an informal environment.

3. Increased presence of the brand in social media and communication management through digital channels. As part of marketing through social channels, a content marketing program has been developed. It aims at:

- enhanced performance across the global network through digital tools - a substantial increase in traffic to "Sirma Group Holding" JSC sites and subsidiaries; improved detection in the most popular search engines - SEO & SEM activities;
- raising awareness of external and internal audiences about corporate initiatives and key business events;
- informing the audience about new products and services created by our companies, the development of existing products and services, company achievements;



ACTIVITY AND MANAGEMENT OF FINANCIAL RESOURCES OF THE GROUP

ASPECTS OF THE FINANCIAL ACTIVITY OF HOLDING AND GROUP

Over the past period the management of the financial activities of "Sirma Group Holding" JSC was carried out in the following:

I. Goals

As a **strategic goal** of financial management, "Sirma Group Holding" JSC has accepted the increase in the wealth of the owners, which can only be achieved by maximizing the market value of the company based on the share price.

As a **tactical objective** of the financial management, "Sirma Group Holding" JSC opted the maximization of revenues and profit.

As an **operational objective** of financial management, "Sirma Group Holding" JSC has determined the maintenance of the solvency of the company and the Group companies as an opportunity to service all emerging uncontested payments.

II. Execution of functions

1. Executed functions of Sirma Group Holding's management:

a) Financial planning - plans of "Sirma Group Holding" JSC and of all companies of the Group for a one-year and mid-term period were prepared.

b) Co-ordination of the financial activity - "Sirma Group Holding" JSC coordinated the activities of all the companies in the Group for the fulfillment of the general objectives of the financial activity management and for the implementation of unified policies in this activity;

c) Control - The financial team of the "Sirma Group Holding" JSC throughout the year carried out regular and periodical control over the financial activity of the companies in the group.

2. As regards the financial activities of "Sirma Group Holding" JSC and the subsidiaries, the Holding had the following functions:

a) financing - related to the provision of financial resources and the structuring of capital needed for the proper functioning of the enterprise.

This function is related to the company Balance liability. There are the sources of capital available to the enterprise for the conduct of its business.

b) investment - covers the insured capital in different assets in order to realize the strategic objective of the company. This feature is related to the Balance asset.

III. Completed tasks

1. Ensure sufficient financial resources in accordance with the strategy and tasks for the development of "Sirma Group Holding" JSC and the subsidiaries during the respective period.

2. Ensuring the most efficient allocation and utilization of the volume of financial resources formed in the main directions of the Group's activity.

3. Optimization of the monetary turnover - synchronization by size and time of the receipts and payments for the normal service of the undisputed payments.

4. Ensure maximum profit at a given level of risk.

5. Ensure the financial equilibrium of "Sirma Group Holding" JSC and the subsidiaries in the process of their development.

In fulfilling the task of financial equilibrium, we have complied with the golden balance rule, which requires long-term assets to be funded by long-term capital sources, and short-term assets from short-term sources of capital.

6. Providing opportunities for quick capital reinvestment when changing the external and internal conditions for carrying out the business activity.

- ACCOUNTING SERVICES

In Q4 2020 "Sirma Group Holding" JSC performed the accounting services of 17 subsidiaries and associated companies and related companies. In addition to regular accounting services, management is presented with various BI reports built as know-how of the Group. The FAD of "Sirma Group Holding" JSC achieved monthly reporting of results at individual and group level. The department also managed to manage the companies' relationships with the fiscal and social security systems. The timely introduction of

taxes, timely information submission and the preparation of information under the Law for Public Offering of Securities to the Financial Supervision Commission and the BSE have been performed in the period.

- LEGAL SERVICES

The legal department of "Sirma Group Holding" JSC carries out legal services to the companies of the Group, which includes the preparation of corporate documents; assistance

with the preparation and implementation of the GMS; preparation of any commercial documents and contracts; settlement of commercial disputes; conducting court cases.



- MANAGEMENT OF RISKS

The management of the risks of "Sirma Group Holding" JSC is the responsibility of the Board of Directors. In his activities, he is assisted by the Investment and Risk Committee. The holding also supports its subsidiaries for risk management.

Risk management is, inherently, the ability to anticipate threats to the company's activities, individual projects and minimize their adverse effects. The process is iterative. It starts with identifying the possible risks, goes through risk analysis and planning their management, then begins a process of monitoring and a regular return to the analysis process.

In "Sirma Group Holding" JSC a sophisticated risk management system has been set up.

Risk management in the "Sirma Group Holding" JSC includes:

- Risk identification - This is a lengthy process that detects potential threats. In order to identify the expected and predictable risks, different methods are used: questionnaires (interview questionnaires), interviews, brainstorming, document analysis, a list of expected and predictable risks (checklist analysis), based on a previous experience

- Qualitative and quantitative risk analysis - Once the potential risks have been identified, a qualitative and quantitative analysis of each of them is required. The likelihood of occurrence and impact through predefined scales is estimated, for example Probability: very small, small, medium, large or very large; Impact: catastrophic, critical, permissible, insignificant.

A risk table is prepared with the data. Risks are grouped into categories, their likelihood of occurrence and their impact, as well as case scenarios that are implemented in case the risk occurs. The resulting list is sorted by impact and probability. A threshold is set, the risks over which it will be managed.

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" JSC is not dependent on patents or licenses, industrial, commercial or financial contracts, as well as new production processes.

The risk table is reviewed and reassessed on a regular basis, as there is a chance that risks may be dropped, new ones added or ratings changed.

- Planning actions to overcome the risk

The next step in risk management is planning. This is the process of documenting the measures that will be applied to managing each of the identified key risks. 3 management strategies are used:

a) risk avoidance - a strategy that reduces the likelihood of risk occurring;

b) minimizing the risk-taking effect - a strategy that reduces the consequences of the risk;

c) Emergency action plans - a strategy where the organization accepts the risk and is ready to deal with it if it comes to fruition;

As a result of the risk planning, a Risk Mitigation Monitoring and Management Plan is established. It may be a separate document or a set of information cards for each individual risk to be stored and managed in a database.

- Risk monitoring and control - This is the latest activity in risk management. This process has several main tasks:

- confirm the occurrence of a risk

- ensure that activities to prevent or deal with risks are implemented

- Identify what risk has caused the relevant problems

- document information to be used in a subsequent risk analysis;

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.

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.



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 6 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.

EVENTS AND BUSINESS NEWS IN Q4 2020

The following events and business news took place 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 Economedica'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.

31.08.2020

Disclosure of the interim individual financial statements of Sirma Group Holding JSC for the period ending on 30.09.2020.

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.

30.01.2020

Disclosure of interim individual financial reports of "Sirma Group Holding" JSC as at 30.12.2019.

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.

- **Repurchase of own shares**

With a decision of the General Meeting of Shareholders of "Sirma Group Holding" JSC dated 26 August 2019, on 16 September 2020 the Company repurchased 109,750 of its shares at an average price of BGN 0.68 per share at a total price of BGN 74 630. The shares represent 0,1848872% of the company's capital. The purchase was made on the „Bulgarian Stock Exchange – Sofia“ AD. As of 31.12.2020 the company owns 584 474 own shares (0,98% of the capital).

Litigation for the period 01.01.2020 - 31.12.2020:

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



6/ INDIVIDUAL FINANCIAL RESULTS

6.1. REVENUES

The company's revenues includes:

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change (%)
Revenues from sales	4 201	4 848	(647)	(13,35%)
Interest income	183	232	(49)	(21,12%)
Dividend income	146	160	(14)	(8,75)
Revenues from financing	27	54	(27)	(50,00%)
Other revenues	-	31	(31)	(100%)
Total	4 557	5 325	(768)	(14,42%)

In Q4 2020 the revenues of "Sirma Group Holding" JSC decreased by BGN 768 thousand or by 14,42% compared to Q4 2019.

Revenues in the period include interest and from participations, since the business of acquiring businesses and parts of them, as well as the provision of loans and the receipt of deposits is the main activity of the holding company.

Revenues from financing are in connection with the Grant Contract BI-02-16 / 02.02.2012 under Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007-2013. Funding is for buying fixed assets and incubating new startups.

Revenues by product line includes:

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change (%)
Licenses	2 518	2 256	262	11,61%
Administrative and accounting services	906	894	12	1,34%
Rents of investment properties	524	523	1	0,19%
Technical Support	36	37	(1)	(2,70%)
Cloud services	-	1 021	(1 021)	(100%)
Others	217	117	100	85,47%
Total	4 201	4 848	(647)	(13,35%)



6.2. EXPENSES

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change
Cost of materials	(66)	(67)	1
Change in %			(1,49%)
Hired services expenses	(712)	(852)	140
Change in %			(16,43%)
Employee benefits expense	(1 215)	(1 270)	55
Change in %			(4,33%)
Depreciation and amortisation of non-financial assets	(655)	(655)	-
Change in %			-
Capitalized own expenses	99	133	(34)
Change in %			(25,56%)
Other expenses	(347)	(203)	(144)
Change in %			70,94%
Total expenses	(2 896)	(2 914)	18
Change in %			(0,62%)

In Q4 2020 the expenses of "Sirma Group Holding" JSC decreased by BGN 18 thousand or by 0,62% as compared to Q4 2019.

6.3. FINANCIAL INCOME / COSTS (NET)

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change (%)
Financial costs	(335)	(396)	61	(15,40%)
Financial income	18	72	(54)	(75%)
Financial income / costs (net)	(317)	(324)	7	(2,16%)

In Q4 2020, financial income / costs (net) of "Sirma Group Holding" JSC decreased by BGN 7 thousand as compared to Q4 2019.

6.4. ASSETS

The total assets of „Sirma Group Holding“ JSC at the end of the Q4 of 2020 are with BGN 789 thousand (0,85%) more than their value at the end of 2019.

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change %
Property, plant and equipment	644	916	(272)	(29,69%)
Intangible assets	9 653	10 122	(469)	(4,63%)
Investments in subsidiaries	67 904	67 904	-	0,00%
Investment property	7 171	6 527	644	9,87%
Deferred tax assets	112	112	-	-
Total non-current assets	85 484	85 581	(97)	(0,11%)

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change (%)
Trade receivables	64	155	(91)	(58,71%)
Prepayments and other assets	711	809	(98)	(12,11%)
Related party receivables	6 380	5 685	695	12,23%
Cash and cash equivalents	1 297	917	380	41,44%
Total current assets	8 452	7 566	886	11,71%



6.5. EQUITY

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change %
Share Capital	59 361	59 361	-	-
Purchased own shares	(585)	(475)	(110)	23,16%
Share premium reserve	5 497	5 462	35	0,64%
Other reserves	1 042	852	190	22,30%
Retained earnings	7 137	5 429	1 708	31,46%
Current financial result	1 246	1 898	(652)	(34,35%)
Total equity	73 698	72 527	1 171	1,61%

In Q4 2020, Equity increased by BGN 1 171 thousand compared to the previous reporting period.

For the reporting period share capital remained unchanged from the previous period. In execution of the decisions of the regular General Meeting of Shareholders in 2017, "Sirma Group Holding" JSC purchased 584 474 own shares. The board of directors believes in the development of "Sirma Group Holding" JSC and the increase of the market value of the shares in the future and therefore decided to purchase these shares at a relatively low price.

6.6. LIABILITIES

The amount of the liabilities of "Sirma Group Holding" JSC at the end of Q4 2020 is with BGN 262 thousand (1,27%) lower than their value at the end of 2019.

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change %
Pension employee obligations	38	32	6	18,75%
Long-term borrowings	6 285	8 380	(2 095)	(25%)
Long-term lease liabilities	122	-	122	n/a
Long-term related party payables	6 179	6 315	(136)	(2,15%)
Total Non-current liabilities	12 624	14 727	(2 103)	(14,28%)

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change %
Employee obligations	165	287	(122)	(42,51%)
Short-term borrowings	4 281	4 234	47	1,11%
Short-term lease liabilities	19	-	19	n/a
Trade and other payables	375	383	(8)	(2,09%)
Financing	-	27	(27)	(100%)
Short-term related party payables	2 804	860	1 944	226,05%
Income tax liabilities	90	102	(12)	(11,76%)
Total Current liabilities	7 734	5 893	1 841	31,24%



6.7. CASH FLOW

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000)	Change %
Net cash flow from operating activities	(883)	1 197	(2 080)	n/a
Net cash flow from investing activities	(607)	(3 471)	2 864	(82,51%)
Net cash flow from financing activities	1 872	1 980	(108)	(5,45%)
Net change in cash and cash equivalents	382	(294)	676	n/a
Cash and cash equivalents at the beginning of the year	(2)	(3)	1	(33,33%)
Exchange gains/(losses) on cash and cash equivalents	917	1 214	(297)	(24,46%)
Cash and cash equivalents at the end of the year	1 297	917	380	41,44%

The Company has no liquidity problems and operates with the available resources.

6.8. INDICATORS AND COEFFICIENTS

Over the past financial period, the company has realized the following financial results:

(The indices and the coefficients have been calculated according to the instructions of BSE)

№	Indicators BGN '000	31.12.2020	31.12.2019	Change	
				(Abs.)	(%)
1	Revenue from operating activities	4 557	5 325	(768)	(14,42%)
2	Cost of sales	(2 647)	(2 711)	64	(2,36%)
3	Gross profit / loss	1 910	2 614	(704)	(26,93%)
4	Other operating costs	(347)	(203)	(144)	70,94%
5	Operating profit / loss	1 563	2 411	(848)	(35,17%)
6	Financial income	18	72	(54)	(75%)
7	Financial costs	(335)	(396)	61	(15,40%)
8	Profit / loss before tax expense	1 246	2 087	(841)	(40,30%)
9	Tax costs	(120)	(189)	69	(36,51%)
10	Net profit / loss	1 126	1 898	(772)	(40,67%)
11	Dividend	-	-	-	n/a
12	Cash and cash equivalents	1 297	917	380	41,44%
13	Inventories	-	-	-	n/a
14	Short-term assets	8 452	7 566	886	11,71%
15	Total amount of assets	93 936	93 147	789	0,85%
16	Average arithmetic total asset value for 5 quarters	89 346	89 188	158	0,18%
17	Current liabilities	7 734	5 893	1 841	31,24%
18	Debt	10 707	12 614	(1 907)	(15,12%)
19	Liabilities (borrowed funds)	20 358	20 620	(262)	(1,27%)
20	Equity	73 578	72 527	1 051	1,45%
21	Equity averaged 5 quarters	71 393	71 183	210	0,30%
22	Turnover capital	718	1 673	(955)	(57,08%)
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	-
24	Gain / loss minority interest	-	-	-	n/a
25	Interest expenses	(278)	(283)	5	(1,77%)
26	Weighted average share price of last trading session	0,5475	0,635	(0,0875)	(13,78%)
27	Last share price of last trading session	0,555	0,625	(0,07)	(11,20%)



Indicators	31.12.2020	31.12.2019	Change	
			(Abs.)	(%)
EBITDA	2 277	3 025	(748)	(24,73%)
DEPRECIATION	(753)	(655)	(98)	14,96%
EBIT	1 524	2 370	(846)	(35,70%)
FIN/INVEST NET	(317)	(324)	7	(2,16%)
EBT	1 246	2 087	(841)	(40,30%)
ROA	0,0120	0,0204	(0,00839)	(41,17%)
ROA(BSE)	0,0126	0,0213	(0,00868)	(40,78%)
Debt/EBITDA Ratio	4,7022	4,1699	0,53232	12,77%
Quick Ratio	1,0928	1,2839	(0,1911)	(14,88%)
ROE (BSE)	0,0158	0,0267	(0,0109)	(40,85%)
ROE	0,0158	0,0267	(0,0109)	(40,85%)
EBITDA	0,2767	0,2843	(0,0076)	(2,68%)
Profitability ratios				
Gross profit margin	0,4191	0,4909	(0,0718)	(14,62%)
Operating profit margin	0,3430	0,4528	(0,1098)	(24,25%)
Net profit margin	0,2471	0,3564	(0,1093)	(30,68%)
Coefficients for assets and liquidity				
Assets turnover ratio	0,0512	0,0605	(0,0093)	(15,38%)
Assets turnover ratio (BSE)	0,0510	0,0597	(0,0087)	(14,57%)
Operating cycle	6,3468	3,1829	3,1639	99,40%
Current ratio	1,0928	1,2839	(0,1911)	(14,88%)
Quick ratio	1,0928	1,2839	(0,1911)	(14,88%)
Cash ratio	0,1677	0,1556	0,0121	7,77%
Odds per share				
P/S ratio	7,1319	7,0787	0,0532	0,75%
P/E ratio	28,8634	19,8600	9,0034	45,33%
P/B ratio	0,4417	0,5197	(0,0780)	(15,01%)
Revenue per share	0,0768	0,0897	(0,0129)	(14,42%)
Earnings per share	0,0190	0,0320	(0,0130)	(40,67%)
Book value of equity per share	1,2027	1,1991	0,0035	0,30%
Development Ratios				
Revenue growth	(0,1442)	(0,0950)	(0,0492)	51,81%
Gross profit growth	(0,2693)	(0,1989)	(0,0704)	35,41%
Assets growth	0,0085	0,0123	(0,0038)	(30,90%)
Leverage Ratios				
Debt/total assets	0,1198	0,1414	(0,0216)	(15,27%)
Debt/capital	0,1304	0,1505	(0,0201)	(13,36%)
Debt/equity	0,1500	0,1772	(0,0272)	(15,37%)
Total assets/equity	1,2515	1,2529	(0,0015)	(0,12%)
Market value of the company	32 945	37 101	(4 155)	(11,20%)



6.9 RELATED PARTY TRANSACTIONS

The Company's related parties include its owners, subsidiaries and associates, key management personnel and others described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

Transactions with subsidiaries

	31.12.2020 BGN'000	31.12.2019 BGN'000
Purchases of goods and services:		
Purchases of services:		
- Software services	(4)	(38)
- Subscriptions	-	(1)
Purchases of goods:		
- Office supplies	(3)	(2)
- Inventory	(1)	(1)
- Computer components	(1)	(1)
Purchases of LTA	(3)	-
Sales of goods and services		
Sales of services		
- Administrative, accounting services	737	715
- Rent	476	476
- Consulting services	47	-
- Sale of licenses	2 518	2 256
- Technical Support	22	22
- Marketing and Advertising	72	27
Sales of goods:		
- Consumables	74	77
Dividends	146	160
- Deposits received	5 423	9 660
- Refund of received deposits	3 443	4 844
- Given loans	(235)	(375)
- Loans granted	3	67
- interest on received deposits	86	32
- interest on loans granted	146	215



Transactions with other related parties

	31.12.2020 BGN'000	31.12.2019 BGN'000
Purchases of services:		
- Internet	(17)	(16)
- Consulting services	-	(18)
- Subscriptions	(9)	(5)
Sale of services		
- Administrative, accounting services	147	149
- Rent	47	47
- Sale of licenses	3	-
- Technical Support	15	15
- Marketing and Advertising	-	1
Purchases of goods		
- Consumables	6	6
- Deposits received	150	670
- Given loans	(320)	-
- Reimbursed loans	20	43
- Interest on loans granted	37	56

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 BGN'000	31.12.2019 BGN'000
Short-term employee benefits:		
Salaries including bonuses	(281)	(300)
Social security costs	(7)	(7)
Total short-term employee benefits	(288)	(307)
Total remunerations	(288)	(307)



7/ PERSONNEL AND ECOLOGY

7.1 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 separate collection of waste, minimization, recovery and recycling of municipal waste. In 2017, the use of plastic cups stopped, and they were replaced with porcelain and glass cups.

7.2 PERSONNEL

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.

The structure of the personnel of Sirma Group Holding has the following dynamics:

"Sirma Group Holding" JSC	31.12.2020 Number of employees	31.12.2019 Number of employees
Employment contract	18	21
Contract for management and control	6	6
Total	24	27

DESCRIPTION OF ALL AGREEMENTS FOR THE PARTICIPATION OF THE EMPLOYEES IN THE CAPITAL OF THE COMPANY.

There are no arrangements for the participation of employees in the capital of the Company.

8/ RISK FACTORS

Risk management objectives and policies

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

The Company's risk management is coordinated at its headquarters, in close co-operation with the board of directors and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company 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 Company is exposed are described below.



8.1 Market risk analysis

The Company 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.

8.1.1.1 Foreign currency risk

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

To mitigate the Company's exposure to foreign currency risk, non-BGN cash flows are monitored. Generally, Company'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.

8.1.1.2 Interest rate risk

The Company'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 Company was not exposed to changes in market interest rates. The Company's investments in bonds all pay fixed interest rates.

8.2 Credit risk

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

The Company 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 Company's policy is to deal only with creditworthy counterparties. The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

The Company has not provided its financial assets as collateral for transactions other than collateral for received bank loans.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a small number of customers in single industry and geographical area. 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.

The carrying amounts disclosed above are the Company's maximum possible credit risk exposure in relation to these instruments.

8.3 Liquidity risk

Liquidity risk is the risk arising from the Company not being able to meet its obligations. The Company 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 Company's objective is to maintain cash to meet its liquidity requirements for 30-day periods. 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.

Financial assets used for managing liquidity risk

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company'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.



9/ 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; assessing their impact on results during the current period.

10/ 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.

11/ 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/ 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.

13/ INFORMATION ABOUT OCCURRING CHANGES IN 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.

14/ INFORMATION ABOUT THE MAIN CHARACTERISTICS OF THE FINANCIAL REPORTING PROCESSING INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM IN THE COMPANY.

Under Bulgarian law, the management should prepare an interim 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.



15/ INFORMATION ON CHANGES IN MANAGEMENT AND SUPERVISORY AUTHORITIES DURING THE PERIOD.

No changes during the period considered.

16/ INFORMATION ABOUT THE USE OF THE FUNDS FROM A NEW ISSUED SHARES AND SECURITIES IN THE REPORTING PERIOD.

No funds from a new issued shares and securities were used during the reporting period.

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

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18/ CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY



19/ 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 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 2020 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
29.01.2021

CEO:



Tsvetan Alexiev

