



Sirma

Annual Consolidated Management Report

of "Sirma Group Holding" JSC
for 2020

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

The present annual consolidated management report of “Sirma Group Holding” JSC covers the year, ending on 31 December 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 annual 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 consolidated management report contains estimates and information based on our beliefs and assumptions, using currently available information about them. Any statements contained in this report which are not historical facts are predictions. We have based these statements on the future of our current expectations, assumptions and predictions about future conditions and events. As a result, our predictions and information are exposed to uncertainties and risks, many of which are beyond our control. If one or more of these uncertainties or risks materialize or if the underlying management assumptions prove to be incorrect, our actual results may differ materially from those described in the report. We describe these risks and uncertainties in the report in the Risk Section.

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

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

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

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

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

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

The reporting period is the financial year ending on 31.12.2020. 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.



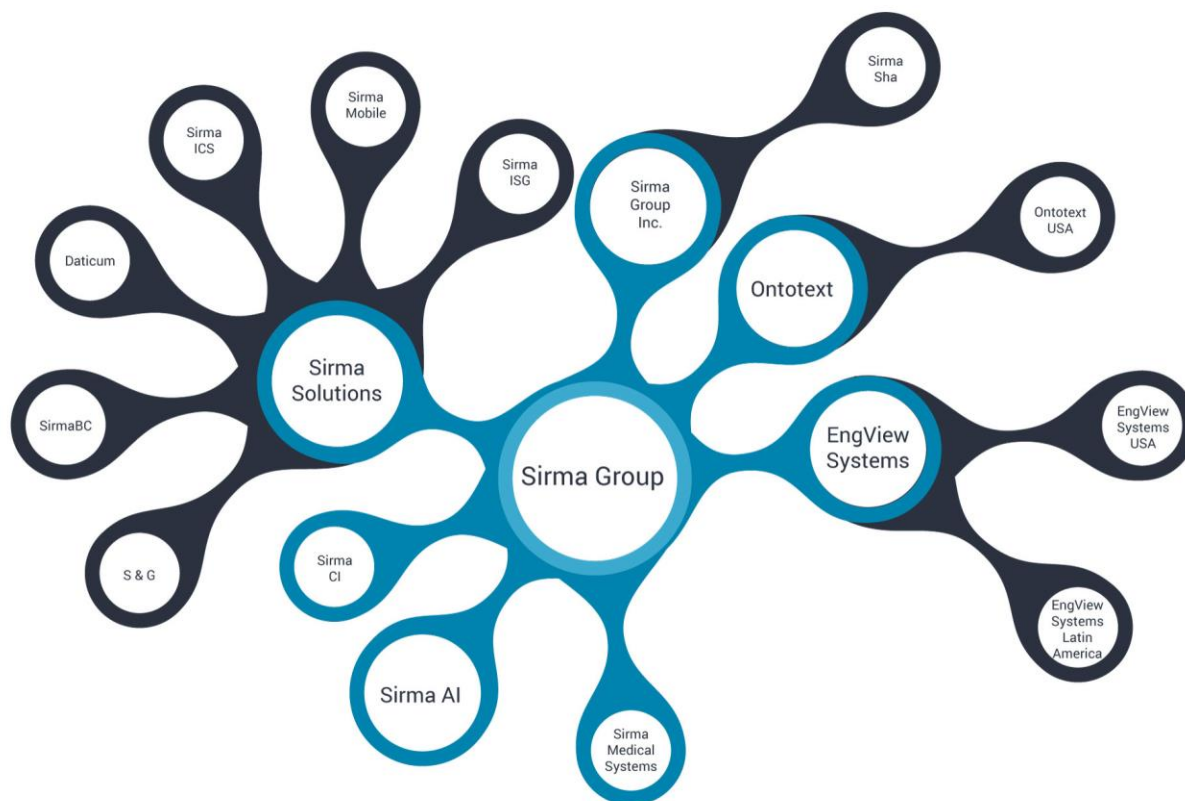
2 ORGANIZATION AND WAY OF PRESENTATION

"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 parent 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 owns, financing of companies in which the company participates, organization of accounting and compiling financial statements under the law of accounting. The company may also carry out its own commercial activity, which is not prohibited by law.

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

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

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

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

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

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	31.12.2019
Share capital (in thousand shares)	59 361	59 361
Number of shares (par value of 1 BGN)	59 360 518	59 360 518
Total number of registered shareholders	1 041	1 064
Including legal entities	47	57
Including Individuals	994	1 007
Number of shares held by legal entities	8 528 409	11 614 752
% of capital of legal entities	14,37%	19,57%
Number of shares held by individuals	50 832 109	47 745 766
% of capital held by individuals	85,63%	80,43%



Shareholders	Number of shares at 31.12.2020	Number of shares at 31.12.2019	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 Kirov Antchev	4 700 786	4 700 786	1	4 700 786	7,92%	8,00%
Ivo Petrov Petrov	4 400 000	1 572 828	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	1 792 168	1	1 925 649	3,24%	3,28%
Bank of New York Melon	1 765 200	363 327	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"	1 047 678	1 094 249	1	1 047 678	1,76%	1,78%
Peter Nikolaev Konyarov	870 665	1 187 480	1	870 665	1,47%	1,48%
"Mandjukov" Ltd.	860 000	1 047 678	1	860 000	1,45%	1,46%
UPF "DSK Rodina"	747 036	857 600	1	747 036	1,26%	1,27%
UPF "Pension Insurance Institute"	715 810	747 036	1	715 810	1,21%	1,22%
Others	12 551 086	16 220 758	1	12 551 086	21,15%	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 repurchased own shares at the total amount of BGN 584 474 (0,98 % of share capital). The Company has acquired 109 750 own shares during the period.

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%	8,97%
Tsvetan Borisov Alexiev	4 865 753	8,20%	8,28%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,08%
Veselin Antchev Kirov	4 700 786	7,92%	8,00%
Ivo Petrov Petrov	4 400 000	7,41%	7,49%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,37%

Shareholders	Number of shares at 31.12.2019	% 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%
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.



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

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

Georgi Parvanov Marinov – Chairman of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2020.
2. Does not own more than 25% of the capital of other companies in 2020.
3. Procurator/manager/member of a managing/supervisory body in 2020:
 - Executive director and Chairman of the BD of "Engview Systems Sofia" JSC;
 - Member of the BD of "Sirma Business Consulting" JSC;
 - Executive director and Member of the BD of "Pirina Technologies" JSC.

Chavdar Velizarov Dimitrov – Deputy Chairman of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2020.
2. Does not own more than 25% of the capital of other companies in 2020.
3. Procurator/manager/member of a managing/supervisory body in 2020:
 - Member of the BD of „Sirma Medical Systems“ JSC;
 - Member of the BD of „Daticum“ JSC.

Tsvetan Borisov Aleksiev – Executive director and member of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2020.
2. Does not own more than 25% of the capital of other companies in 2020.
3. Procurator/manager/member of a managing/supervisory body in 2020:
 - Executive director and Chairman of the BD of "Sirma Solutions" JSC;
 - Chairman of the BD of „Sirma Business Consulting“ JSC;
 - Member of the BD of „Ontotext“ JSC;
 - Member of the BD of „Daticum“ JSC;
 - Member of the BD of „Sirma AI“ EAD;
 - Member of the BD of "Engview Systems Sofia" JSC;
 - Member of the BD of „Sirma“ Sha., Albania.

Atanas Kostadinov Kirjakov - Member of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2020.
2. Does not own more than 25% of the capital of other companies in 2020.
3. Procurator/manager/member of a managing/supervisory body in 2020:
 - Executive director and Member of the BD of "Ontotext" JSC;
 - Member of the BD of "Sirma Solutions" JSC;
 - Member of the BD of "Engview Systems Sofia" JSC;
 - Executive director and Member of the BD of „Sirma AI“ EAD.



Peter Borisov Statev – independent Member of the BD as per Art. 116a, Par. 2 of POSA.

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2020.
2. Owns more than 25% of the capital of:
 - „Smartcom Bulgaria“ AD - 50 % of capital;
3. Procurator/manager/member of a managing/supervisory body in 2020:
 - Executive director of "Smartcom Bulgaria" AD;
 - Chairman of the BD of "Barin Sports" AD;
 - Chairman of the MB of the Foundation "Cluster Information and Communication (ICT)".
 - Member of the BD of "Smart Networks" AD;
 - Member of the SD of "Sofia Tech Park AD."

Yordan Stoyanov Nedev – independent Member of the BD as per Art. 116a, Par. 2 of POSA.

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2020.
2. Owns more than 25% of the capital of:
 - "Susana and Vesko – SV" OOD – 75 %.
3. Procurator/manager/member of a managing/supervisory body in 2020:
 - Member of the BD of MAC „Bushido“;
 - Trustee of the foundation „Alexander“.

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>



www.sirma.com

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 31.12.2019	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	5 269 748	5 269 748	1	5 269 748	8,88%	8,97%
Georgi Parvanov Marinov	4 865 753	4 865 753	1	4 865 753	8,20%	8,28%
Tsvetan Borisov Alexiev	4 750 786	4 750 786	1	4 750 786	8,00%	8,08%
Chavdar Velizarov Dimitrov	2 887 524	2 887 524	1	2 887 524	4,86%	4,91%
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	29,97%	30,27%

During the period 01.01.2020 - 31.12.2020 there was no change in the participation of the members of the BD in the capital of the company.

REMUNERATION OF THE KEY MANAGEMENT PERSONNEL OF THE GROUP

	2020 BGN'000	2019 BGN'000
Short-term employee benefits:		
Salaries including bonuses	1 320	1 418
Social security costs	55	55
Total short-term employee benefits	1 375	1 473
Dividends	52	57
Total remunerations	1 427	1 530

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 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 shares at 31.12.2019	Changes (in BGN'000)
Sirma Solutions	39 311	77,7 1%	82,4 3%	39 311	77,7 1%	82,4 3%	-
Ontotext	17 865	87,6 5%	90,4 4%	17 865	87,6 5%	90,4 4%	-
Sirma AI	7 035	100, 00%	100, 00%	7 035	100, 00%	100, 00%	-
Sirma Group Inc.	3 471	76,1 6%	76,2 9%	3 471	76,1 6%	76,2 9%	-
Sirma CI	106	80,0 0%	80,0 0%	106	80,0 0%	80,0 0%	-
Sirma Medical Systems	66	66,0 0%	66,0 0%	66	66,0 0%	66,0 0%	-
Engview Systems	50	72,9 0%	72,9 0%	50	72,9 0%	72,9 0%	-

Subsidiaries 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	Changes
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Company	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Sirma Business Consulting	1 374	54,08 %	1 374	54,08 %	-
Daticum	1 394	60,50 %	1 394	60,50 %	-
Sirma ICS	270	90,00 %	270	90,00 %	-
S&G Technology Services Ltd., UK	117	51,00 %	117	51,00 %	-
Sirma ISG	4	71%	4	71%	-

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%	30	100%	-

Subsidiaries of "EngView Systems Sofia"

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)
EngView Systems Latin America	7	95%	7	95%	-
EngView USA	190	100%	190	100%	-

Associated companies of "Sirma Group Holding"

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)
E-Dom Management	-	35,00%	-	35,00%	-



Associated companies of "Sirma Solutions"

Company	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
SEP Bulgaria	-	6,50%	-	6,50%
EYE BILL INTERACTIVE	-	34%	-	34%

5 SIRMA GROUP IN 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 (GrpahDB), Text Analysis, Data Detection, and Federation (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.



EXCELL MANAGE NT	-	34%	-	34%
Flash Media	-	50%	-	50%
Sirma Group Inc.	916	23,85%	916	23,85%
Sirma Mobile	20	40%	20	40%

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.

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

Summary

Following a very volatile 2020, data for the ICT industry was revised upwards (not as bad as expected). Decline in annual ICT spending is estimated at about 3% y/y in current prices. Early 2021 starts with some optimism for a recovery, albeit not yet sufficient to reach pre-pandemic levels within the year. The various segments of the ICT industry, as well as the various geographies and customer verticals are expected to have a diverse recovery. Risks remain on the upside for a relapse in recession during 2021.

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 the 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 period than expected 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 measures against COVID-19 on the global 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%, the highest drop being in developed economies, where it is expected to average 5.4% with 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 reaching 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 the levels of GDP from 2019.

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.

As a standard, the development of the ICT industry closely follows the curve of global economic development, as the upward or downward trends normally overshoot that of GDP. This connection was severely broken in 2020 ([IDC, February 2021](#)). The main reason is the use of ICT technologies to overcome the effects of pandemic constraints (which lead to a decline in GDP) and the increased use of cloud technologies. IDC expects this trend to continue in the future.

All economic sectors are expected to return to growth in 2021, with only but a few reaching (in the case of "Education" exceeding) the levels from 2019.

The Industry of Sirma

The companies of 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. Accordingly, the industry acquired the name "Information and Communication Technologies" or ICT for short. Of all the variety 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 targeting different business verticals and custom software development).

The two major segments ("IT Services" and "Software") in which the Group operates were the fastest growing in the past (see [Gartner Forecasts Worldwide IT Spending to Grow 6.2% in 2021](#) below). Historically, both segments have followed the same development trends. In 2020, the COVID pandemic changed this synchronicity, with "IT services", which are strongly linked to economic development, experiencing a sharp decline, approaching the decline in GDP. Accordingly, the forecasts of the various information agencies predict a decline in the segment for 2020: -2% according to IDC ([IDC, February 2021](#)) and -2.7% according to Gartner. At the same time, the Software segment managed to maintain much of its growth, using its products to overcome the constraints associated with the pandemic.

Expectations in early 2021 are that the two segments will return to growth, with the synchronicity between them remaining disrupted.



The growth forecast for these segments obscures the underlying diversity of the sub-segments and their true potential in 2020 and beyond. Sirma's Smart Enterprise Evolution business line is growing even in 2020 and is expected to sustain double-digit growth for the period 2020-2024 (see Gartner's "detailed forecast" below). Sirma's mission is to facilitate the intelligent digital transformation of businesses. All subsidiaries in the group do just that. These IT technologies and services are the ones that are gaining momentum from the COVID crisis and will continue to drive the growth of the entire IT sector.

Geographically, Sirma is focused on the world's leading markets (USA, UK and Europe), which are also expected to make the fastest return to normal IT spending to levels from before COVID as early as 2021.

Sirma is a B2B IT provider. Sirma's client portfolio - Digital Business (AI of Sirma, Consulting and Integration, Chatbots, IT Security and Software Development), Financial Institutions (AI of Sirma, Consulting, Integration, IT Security, Chatbots and products of Sirma Business Consulting JSC), Insurance (Sirma's Insurance Broker Platform), communication (AI of Sirma, GraphDB), publishing (AI of Sirma, GraphDB), media (AI of Sirma, GraphDB) and healthcare (AI of Sirma and products of Sirma Medical Systems AD) show a moderate reduction in IT spending levels in 2020, resilience during the COVID crisis, and a significant increase in their ICT investment is expected in the coming years (see Gartner below, ICT vertical spending). Sirma is not exposed to the verticals most affected by the COVID crisis - Transport, Entertainment and Tourism.

The Global ICT Sector in 2020 and forecast for 2021

The Covid crisis has had a major impact on the IT industry and its customers. The ICT market in 2020, like all other economic sectors, experienced strong volatility. The year saw a normal first quarter, a dramatic decline in the second quarter and a weak recovery in the second half of the year.

According to Gartner ([Gartner Forecasts Worldwide IT Spending to Grow 6.2% in 2021, January 25, 2021](#)), the ICT spending in the world in 2020 fell less than expected, or by 3.2% (instead of the expected in October 2020 decline of 5.4%) compared to 2019 and will shrink to \$ 3.6 trillion at current prices. The contraction in ICT spending is even more modest in constant currency and is 2.5% in 2020.

A decline in spending in 2020 was observed in all segments, being most significant in "Devices" (a decline of 7%), where purchases were largely limited to meeting critical needs during the pandemic crisis. The most modest was the decline in the "Data Centers" segment (0.9%), which served the strongly increased demand for cloud services in the months of pandemic restrictions.

The forecasts of the other major information agency IDC ([IDC, Global ICT Spending 2020 - 2023](#)) are approximately the

same for 2020: a decline in "Hardware" of 8%, a decline in "IT Services" of 3%, a decline in "Software" of 2 %. At the same time, IDC, in addition to the traditional segments of the ICT industry, is creating the additional segment of "New Technologies". It concentrates artificial intelligence, telematics, AR and VR, 3D printing and robotics. The "New Technologies" segment maintains its traditional growth of 16% even in 2020. Thus, IDC does not anticipate a decline in 2020, but rather a stagnating global ICT market

Forecast for the development of the global ICT market in 2021 and future years

Gartner revised its forecast for global ICT spending in January 2021, with corrections being to the positive (or smaller than initially expected decrease):

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%	-1.66%	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%

Gartner expects a recovery in all segments of ICT in 2021 and an overall annual growth of the sector of 6%. The drivers of growth will be the "Software" and "IT services" segments, this time with a significant growth of nearly 8% in their company is the "Devices" segment, which should meet demand that has been reduced or postponed by the pandemic in 2021.

IDC (IDC, Global ICT Spending 2020 - 2023) also expects a recovery in 2021 and growth of the global ICT market of about 3% in constant currency. At the same time, IDC expects growth in the "New Technologies segment" to reach 15.5% for the year, increasing the sector as a whole to a growth of 5.37% y/y. IDC expects developments in the "Traditional" segments in the coming years to roughly duplicate GDP growth, with the main drivers being cloud technology, big data, social networks and mobile services. The cost savings brought about by the application of the "Traditional" technologies will be directed to innovations and respectively to the "New Technologies" segment. COVID-19 has strengthened the division between "Traditional" and "New" technologies, and this trend is expected to deepen in the coming years, as the expected growth in "New" technologies is forecast to remain around 15% on an annual basis in the coming years.

Detailed forecast

Segment „IT Services“

According to IDC (IDC, February 2021) the segment "IT Services" remains strongly aligned (contrary to the remaining segments – see above) with the dynamics of GDP.

The reason for this is the strong dependence of the segment on the economic situation (measured at the macro level with the GDP indicator) of its customers. The sharp decline in economic activity in 2020 spared to some extent only "Supporting IT services", which reported a more moderate decline. Most of the other IT services have been suspended or postponed.

The good news for the segment is that in a Gartner survey from the end of 2020 (Gartner Forecasts Worldwide IT

Spending to Grow 6.2% in 2021) 2/3 of the respondents plan to restore the used IT services that were stopped or postponed due to the COVID crisis.

The above survey is also reason for anticipating a stronger recovery of the segment "IT Services" in 2021 and future years.

Segment "Software"

The segment „Software" is the main driver for the decoupling of ICT from GDP in 2020.

According to IDC ([23 February 2021](#)), one of the engines of development of the software segment is artificial intelligence. About 88% of AI is concentrated in the "Software" segment. The market for artificial intelligence is expected to grow by CAGR 17.5% in the period 2020 - 2024, reaching 204 billion USD in 2024. Within the AI market, "AI Software Platforms" will be the leaders in growth, reaching a CAGR of 32.7% over the near five-year horizon.

ICT spending by verticals

The decline in ICT spending in 2020 is not the same across industry segments. Some ("Government") even managed to grow during the year. Others (Banks and Securities, Healthcare Providers) saw only a moderate decline compared to others, which dropped sharply - Transport by 20% and Production by 15%.

The average development figures obscure details of the behavior and IT spending of different users. By looking at the various sub-verticals, Gartner forecasts future ICT spending until 2024. Gartner shows that some segments will recover very slowly and will reach ICT spending levels from before the pandemic as late as 2023-2024. In parallel, other segments are expected to recover their ICT spending in 2021.

Risks

According to David Lovelock from Gartner, the development of the ICT market in 2020 and 2021 is experiencing the greatest volatility in its history.

"Financial services" and "Telecommunications" are in a more sustainable position. At the other end of the spectrum are "Transport" and "Personal Consumption" (tourism, hotels, restaurants). Hence, the risks to the ICT sector are also different.

"Cloud services" and "Mobile phones" have been relatively immune to negative developments in recent years. At the same time, "IT services" and "Infrastructure", which are highly dependent on the overall economic development are at a risk of negative development, respectively.



5.3. ADDITIONAL INFORMATION FOR 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 2020

The following events and business news took place in 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 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.

5.6 INFORMATION FOR CONTRACTED LARGE TRANSACTIONS IN 2020

In 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 6 368 thousand
- Deal 2 for BGN 5 464 thousand
- Deal 3 for BGN 3 633 thousand

5.7 INFORMATION OF THE USED FINANCIAL INSTRUMENTS IN 2020

In 2020 the Group has not used any financial instruments.

5.8 R&D ACTIVITY OF THE GROUP IN 2020

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

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

5.9 POSSIBLE FUTURE DEVELOPMENT OF THE GROUP

A In 2020, the Group updated its "Growth and Development Strategy", which covers the future development of the company by 2022.

The forecasts for the expected development of the Information and Communication Technologies (ICT) sector in 2021 and the following years are a function of the expected development of the health crisis and the economic stagnation caused by it. Analysts expect all ICT segments to return to growth in 2021, reaching and exceeding 2019 levels.

As of the date of the annual management report, management continues to apply measures leading to a productive and continuous work process, in strict compliance with the regulations of the state authorities. The annual budget has been prepared taking into account the current situation and analyzed in detail in order to minimize the consequences of the impact of the coronavirus and maintain stable financial indicators.

It is likely that there will be future impacts on the Group's activities related to the business model, legal and contractual relationships, employees, customers and working capital as a result of Covid-19.

During the year, restrictive measures were imposed with varying intensity, and travel bans, quarantine measures and restrictions are still in force. Businesses face challenges related to reduced revenues and disrupted supply chains. While some countries have begun



to ease the restrictions, the granting of the measures is gradual in Bulgaria with uncertainty about the extension of the measures for indefinite future periods.

Management has analyzed the potential effects of the ongoing crisis and has assessed the risks associated with it. As the situation and the measures taken by the authorities are very dynamic, the management of the Group 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. The introduction of new highly restrictive measures over a long period of time could lead to a potential reduction in the volume of activity and revenues from sales of products and services. This, in turn, could cause a change in the carrying amounts of the Group's assets, which are determined in the separate financial statements when performing a number of judgments and assumptions by management and reporting the most reliable information available at the date of estimates.

The Group reports liabilities on received loans. The Group 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 2020

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

5.11 AUDIT RENUMERATION IN 2020

„Grant Thornton“ OOD, registered under number 032 in the public register of audit companies at the Institute of Certified Public Accountants in Bulgaria, was selected as the auditor of the consolidated annual financial statements of „Sirma Group Holding“ JSC. The remuneration for the independent financial audit of the consolidated annual financial statements of the parent company and the annual financial statements of its subsidiaries for 2020 amounts to BGN 128 thousand.



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, Datium 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 Daccum 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

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. Staff costs are rising in line with an increase in business volumes by up to 10-15% per year.

MAIN CLIENTS:



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DATICUM IN 2020

**BUSINESS DEVELOPMENT IN 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 Datikum. Despite the difficulties, Datikum managed to retain its customers as well as attract several new subscribers to the services offered by the company.

- It was decided to modernize the infrastructure of the data center in order to further ensure and ensure the reliability of the services provided by Datikum. We made a significant investment in the provision of collateral with diesel generator equipment by purchasing a new diesel generator.

- The capacity of the company's cloud platform has been increased. 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 customers who experience difficulties and financial problems during this crisis period 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, Datikum contributed to society as a socially responsible company and provided cloud servers to its partner completely free of charge, in order to provide their educational platform providing distance learning to students during the state of emergency;

FORECAST FOR 2021

For 2021, we have planned investments to significantly increase the capacity and performance of Daticum's public cloud for 2021 to meet higher customer requirements and the expected higher demand after dealing with the COVID-19 pandemic. We also plan to update the company's website in order to improve the company's performance and wider promotion of its services.

FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change	Change %
Revenues	2 602	3 620	(1 018)	(28,12%)
EBITDA	1 018	978	40	4,09%
Depreciation	(365)	(376)	11	(2,93%)
Net Result	581	534	47	8,80%
EBITDA margin	39,12%	27,02%	12,11%	44,81%
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	0,02	8,80%
ROE	0,1866	0,1764	0,01	5,76%
Total Assets	3 948	3 993	(45)	(1,13%)
Book value	3 114	3 027	87	2,87%
Equity	3 114	3 027	87	2,87%
Total Liabilities	834	966	(132)	(13,66%)
Interest bearing	566	633	(67)	(10,58%)
D/E	0,2678	0,3191	(0,05)	(16,08%)
ROA	0,1472	0,1337	0,01	10,04%

SIRMA SOLUTIONS

www.sirma.com

- <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. Since its inception, Sirma Solutions JSC has been developing organically, thanks to the unique combination of innovative spirit, solid technological expertise and business acumen.

The company specializes in creating enterprise software systems and solutions, system integration and IT consulting, both for specific industries and for cross-industry solutions. Sirma Solutions JSC is among the leading Bulgarian software developers, thanks to its excellent reputation, proven expertise and comprehensive know-how used in the creation of software products and the successful implementation of numerous complex projects for clients - regionally and globally.

The company maintains excellent relationships with leading software and technology providers for the fastest growing industries, as well as independent software companies. There are also excellent interactions with other companies from the Holding, which ensures the successful implementation of projects, regardless of the degree of complexity. Depending on the scale and complexity of a project, the company has access to an expanded set of resources of over 500 people.

Sirma Solutions is a Microsoft Gold Partner, IBM Advanced Partner, Oracle Gold Partner, HP Preferred Gold Partner, etc. The company is certified according to ISO 9001: 2015 and ISO 27001: 2005 to meet the increased regulatory and contractual requirements regarding data security, integrity and IT management.

BUSINESS ACTIVITY OF SIRMA SOLUTIONS IN 2020 AND COVID-19

The company's business activity in 2020 was strongly affected by the COVID-19 pandemic and related restrictions, economic turbulence and various crises. Sirma Solutions' sales are no exception to the global trend and fell with 3% year on year. All units of the company were forced to change their plans during the year and to restructure their activities in accordance with the changed market environment. Although the initial plans for sales growth during the year were not achieved, Sirma Solutions was able to react quickly to the changed situation and reorient its activities. In this way the company managed to:

- maintain its customer base;
- maintain its teams and operational readiness;
- maintain the sales levels of the previous year.

Health aspect of the activity

The pandemic had a direct impact on the activities of Sirma Solutions. The company has taken a number of measures to preserve the health of employees and prevent the spread of the infection, as well as compliance with regulations. In the context of the crisis caused by the measures to control the COVID-19 pandemic, the company's management has developed a strategy to overcome the consequences based on the following guiding principles:

- Keeping human capital in good health and high motivation.
- Maintaining high productivity in conditions of limited access to office space.
- Preserving the value of the company and the business as much as possible.

Immediately after the introduction of the state of emergency on March 13, the relevant operational measures for disinfection were taken, the relevant orders were issued to restrict access to the offices according to Order RD-01-124/13.03.2020 of the Minister of Health. We switched entirely



to remote working during the strongest restrictions on social contacts between people. To ensure maximum productivity for employees in the home environment, additional laptops were purchased and additional remote access capabilities from the IT infrastructure (VPN) were provided.

From the beginning of April, step-by-step testing of employees began with a combination of laboratory tests for COVID-19, in order to timely collect information about their current condition and the development of immunity, which will allow:

- Ensuring a higher level of safety for employees who have to work in the office.
- Better predictability of operations, in particular the ability to respond in a timely manner when virus carriers are identified.
- Faster and adequate change of plans and organization of work in case of change of medical situation and isolation measures

Business impact of COVID-19

The pandemic also indirectly affected Sirma Solutions. Restrictions related to the pandemic have affected the activities and investments of customers of our products and services. The company has no serious exposure to the most affected sectors of the economy - tourism, transport, entertainment. At the same time, the global market for IT services has suffered severely, with much of the consumption either delayed or completely discontinued. Some of the projects the company is working on have also been hampered. A corresponding challenge in the third and fourth quarters was finding new projects and tasks in order to rationally use the available human potential of the company. This task was successfully completed by the fourth quarter. Although the company did not make redundancies and did not lose staff, by the end of the third quarter Sirma Solutions was again an active company on the labor market, with dozens of open engineering positions. An excellent logistics organization has been set up for remote work - mobile devices, secure remote access and regular online meetings of project staff and company management

Financial impact of COVID-19

Restrictions related to COVID-19 and the changed business climate also affected the implementation of the financial part of the company's plan, as they reduced sales, especially in the second and third quarters of the year. In order to ensure better predictability of cash flows during a crisis and improve collection, the so-called "Cash war room" for strict control of cash flows was set up. Daily up-to-date and projected cash flow is maintained in two versions (see below).

In order to update the sales forecasts and assess the potential effect of the crisis, all trade opportunities with significant material interest are analyzed on a weekly basis and an

additional assessment of the risk of delay or cancellation of transactions in different scenarios of economic development is made. This analysis shows that at the end of the year there was no significant effect of the crisis on sales revenue.

In order to analyze and manage the financial risks associated with changes in the business environment, two negative scenarios have been developed and considered with varying degrees of probability to occur:

Scenarios 1: Impaired liquidity, assessed as probable.

The first scenario is related to delayed receivables from our customers under existing contracts. This would lead to difficulties in our payments to our suppliers. The company's strategy for overcoming this potential liquidity crisis is to limit inherent costs in order to maintain normal liquidity positions. We also anticipate, if necessary, to provide additional liquidity support from our servicing bank in the form of an increased overdraft or through another mechanism within Sirma Group.

Scenarios 2: Reduction of orders with an impact on sales revenues of products and services, assessed as unlikely

Such a scenario would be likely in a protracted economic crisis that has the potential to dramatically change the commercial behavior (and even existence) of our customers. Due to the company's highly diversified client portfolio by industry, geographical location and economic scale, we expect a balanced decline in revenue. The negative scenario predicts a 25% drop in revenue. A budget version reflecting such a scenario has been developed. The strategy for overcoming such a decline is to freeze the hiring of new employees and reduce personal costs, which we expect to keep the company with a positive financial result, albeit with reduced EBIT.

The contraction in the consumption of our old customers was partially offset by the finding of new users of our products and services, as well as by a change in the structure of our sales in line with the changed demand under the conditions of the pandemic. At the same time, Sirma Solutions has benefited from government business support for the months in which sales have lagged behind. The company received support under the measure "60/40" for the months of April, May, June, July, August and September 2020, which allowed the full retention of the staff of Sirma Solutions despite the decline in sales in some months.

The North American Market

The North American IT market was one of the most severely affected markets in the world by the global pandemic. The decline in IT sales in the region reached 4% on an annual basis according to Gartner ([Gartner Forecasts Worldwide IT Spending to Grow 6.2% in 2021, January 25, 2021](#)). Many of our customers have been directly or indirectly affected by



various pandemic difficulties. As a result, the plans for growth in this market segment were not realized and sales reported a serious decline.

Given that the US IT market collapsed at double digits at the beginning of the pandemic, the company's main goal, which we successfully implemented, was to keep all customers in this market despite the difficulties they are experiencing. We approached each client personally, listened to the 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 of North America, has created additional opportunities for us as an IT company, which we have successfully utilized and which have largely neutralized the negative impact of the pandemic on our market.

Based on our work in cloud platforms and real-time big data analysis (the product Kanin.io), in collaboration with the American company PureInfluencer, we were able 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 the 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.

Important for this segment of our activity in 2020 was the preservation of the team, the customer base and operational potential in order to benefit from them in the instance of more favorable market conditions.

European Market

Like the US, the European IT market also suffered a sharp decline in 2020. In some countries on the continent, the annual decline reaches double digits ([Gartner Forecasts Worldwide IT Spending, 25 January, 2021](#)).

In the European market, the main problems for our customers caused by the pandemic revolved around the organization of the new modes of operation. Despite the general decline in this market, Sirma Solutions has successfully maintained and increased its operations. Shrinking sales volumes for existing customers was not allowed, but the plan for the growth rate of new sales had to be revised. New contracts declined in the second and third quarters, but returned to normal in the fourth quarter. Despite the turmoil during the year related to the pandemic situation, the European Market segment realized a sales growth during the year, which offset the decline in some of the other segments of Sirma Solutions' operations.

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

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



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- 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 the quarantine, more and more consumers began to look for opportunities to order food online and the use of this type of application is an additional sales channel that proved life-saving for our customer. .

In 2020, a new kiosk application was developed and launched for the marketing department for the large Metro retailer in the form of a game that allows consumers to win prizes, discounts and vouchers when purchased 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 2020 we have no new customers, as 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 year, the marketing and sales departments made efforts in the field of financial services and artificial intelligence, where Sirma considers itself a regional leader. These efforts opened several opportunities for launching new projects in this field. At the same time, they slowed down after the announcement of the pandemic in the second quarter of the year.

The company remains well positioned to take advantage of the expected recovery of the IT market on the European continent in the coming years.

Public Sector

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

- the phasing of the overall Financial Management 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 MusIT IS for managing the activities of MusicAuthor

- the gradual construction of CAIS EOP of PPA

- development of two important IS of the State Enterprise ATM

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

- the complete operating system eBDZCargo of BDZ-Freight company
- the overall IS of the NSCLC, maintaining the registers of healthcare and playing a key role in the field of e-health,
- IS of the Prosecutor's Office, etc.

During the period the intensive work continued to win new projects in the sector, but the situation with Covid-19 led to a serious change in the market and the plans of almost all contracting authorities. At present it is very difficult to make an accurate forecast for future development of the segment.

Many of the prepared large and medium-sized projects were put on hold or completely discontinued and only some small urgent projects were enacted. 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 Sofia Municipality, the results of which needed to be achieved very rapidly.

A serious risk is the possibility to discontinue all of the currently active projects, but at present, through intensive dialogue with the contracting authorities, this risk is minimized as far as influencing it is within our capabilities.

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 that we believe we 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. The results of the pandemic led to a decline in sales and the inability to implement growth plans in the sector.

The changed goals during the year were aimed at preserving the operational potential of the company in order to quickly recover in more favorable circumstances.

System Integration

2020 was marked by opposite trends in the market of the System Integration Department - a decline in planned new projects, growth in sales related to remote work and changes in the structure of sales.

Many of our clients were affected by the measures introduced in different countries, which led to a huge drop in their revenues and respective revision of their investment and

development plans. Accordingly, some of the planned new projects in 2020 were either completely suspended or postponed.

On the other hand, the department managed to expand its clients with two new large companies, as well as managed to win two public projects. No reduction of the planned added value during the year was allowed. During the period, we created new partnerships and were certified to represent them, sell their products and integrate into solutions for our customers, including with manufacturers such as AppDynamics, Veracode and SolarWinds.

We highlight some of the more interesting projects in the range of BGN 0.5-2 million, implemented 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 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 operations.
- A new three-year contract was signed for updating and maintaining the virtualization software in all data centers of a large international client;
- We implemented a GIS project for a public client;
- We performed a large supply of server equipment for a public client;
- We performed a renewal of the security infrastructure of a large international client;

The two opposite trends are also observed in hardware sales. Given the outbreak of the pandemic in 2020, there was 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 home office



mode of many of our customers. At the same time, this increase will not offset the expected decline in sales of network solutions for offices, servers and storage for data centers.

Despite the pandemic and the difficulties created for the business unit for system integration, it failed to realize the

planned growth, but managed to maintain the volume of its sales from the previous year, although with a changed structure compared to the structure of planned sales.

FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change	Change %
Revenues	31 608	32 329	(721)	(2,23%)
EBITDA	3 250	2 321	929	40,03%
Depreciation	(1 998)	(1 179)	(819)	69,47%
Net Result	1 120	1 005	115	11,44%
EBITDA margin	10,28%	7,18%	3,10%	43,22%
Net Profit margin	3,54%	3,11%	0,43%	13,98%
Sales per share	0,8936	0,9140	(0,02)	(2,23%)
EPS	0,0317	0,0284	0,003	11,44%
ROE	0,0229	0,0210	0,002	8,90%
Total Assets	70 455	63 266	7 189	11,36%
Intangibles	7 358	7 578	(220)	(2,90%)
Book value	41 612	40 273	1 339	3,32%
Equity	48 970	47 851	1 119	2,34%
Total Liabilities	21 485	15 415	6 070	39,38%
Interest bearing	9 038	5 542	3 496	63,08%
D/E	0,1846	0,1158	0,069	59,36%
ROA	0,0159	0,0159	0,00001	0,07%

SIRMA AI AND ONTOTEXT USA

- **Sirma AI is a subsidiary 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.

Graph databases and platforms:

The main technology market on which Sirma AI's sales depend is that of graph databases (DBMS) and in general technologies based on the so-called Knowledge Networks (MS) for integration and analysis. The demand for both databases and complete solutions based on the Ministry of Health remains stable. Judging by Google searches, interest in these technologies has grown by about 20%.

Conditions for the business development in 2020



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.

The main users of such DBMS, technologies and related services are large organizations in the following sectors: financial services, mechanical engineering and automation, publishers of business information, pharmaceuticals, medicine and the public sector. During the period in most of these sectors the work processes restored the normal rhythm, which creates preconditions for strong sales in the fourth quarter - the sales cycle of the company's products is about 3 months.

Sirma AI's most popular product is Ontotext GraphDB. 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.

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

The company'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 influences on the business from regional factors on the 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 for 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.

In operational terms, the majority of employees continue to work from home without any problems. Employees working in the office are tested with PCR tests twice a week.

Business development in 2020 and realization of the investment plan

The year 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 and products in 2020

New:

- **Clients:** top 10 pharmaceutical company, large children's hospital in the USA, leading insurance company in Switzerland, leading bank in Korea, one of the leading state space research agencies and others. Contracts with most large corporate clients do not allow their public naming.
- **Projects:** one large project in healthcare, 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 the so-called European Global Network.

- **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;

conferences and trade fairs: Knowledge Graph Conference, Knowledge Connexions, KM World Connect,

New contracts in 202-

The following is information about new contracts and transactions of high commercial potential and importance:

- Contract for OEM incorporation of Ontotext GraphDB in the product PoolParty of Semantic Web Company;

Important events in 2020

- Despite the pandemic, Sirma AI has presented at numerous international

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%. It is planned that the average number of employees will exceed 80.

Among the most important business development plans are the following:

- 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 in expenditures 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	Change %
Revenues	9 779	10 519	(740)	(7,03%)
EBITDA	3 738	2 364	1 374	58,12%
Depreciation	(2 501)	(2 282)	(219)	9,60%
Net Result	982	(138)	1 120	n/a
EBITDA margin	38,25%	22,47%	15,78%	70,20%
Net Profit margin	10,04%	(1,31%)	11,35%	n/a
Sales per share	69	75	(5,22)	(7%)
EPS	6,9645	(0,9787)	7,94	n/a
ROE	0,0144	(0,0022)	0,02	n/a
Total Assets	80 934	79 771	1 163	1,46%
Intangibles	38 342	37 720	622	1,65%
Book value	493	(3 652)	4 145	n/a
Equity	68 196	63 429	4 767	7,52%
Total Liabilities	12 738	16 342	(3 604)	(22,05%)
Interest bearing	8 429	8 544	(115)	(1,35%)
D/E	0,187	0,258	(0,07)	(27,50%)
ROA	0,0121	(0,0017)	0,01	n/a

ONTOTEXT USA- subsidiary of Sirma AI EAD

	31.12.2020	31.12.2019	Change	Change %
Revenues	3 169	1 843	1 326	71,95%
EBITDA	61	6	55	916,67%
Depreciation	-	-	-	n/a
Net Result	58	4	54	1350,00%
EBITDA margin	1,92%	0,33%	1,60%	491,26%
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	(1,3182)	(0,0357)	(1,28)	3590,91%
Total Assets	1 493	516	977	189,34%
Book value	(44)	(112)	68	(60,71%)
Equity	(44)	(112)	68	(60,71%)
Total Liabilities	1 537	628	909	144,75%
D/E	(34,9318)	(5,6071)	(29,32)	522,99%
ROA	0,0388	0,0078	0,03	n/a



ENGVIEW SYSTEMS SOFIA

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

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

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

EngView Systems Sofia JSC is a joint-stock company, member of Sirma Group Holding JSC, with main activity - development of software products and services in the field of two main vertical markets:

- **Packaging industry.** The products developed by the company are based on proprietary innovative technology for variation and parametric CAD / CAM and are designed for automation and optimization of the production processes, mainly connected with packages and displays of different sheet materials.
- **Quality control of serial production in various industries,** mainly related to machine building, mechanics, aluminum and plastic parts, etc. In this field, the company develops entirely proprietary market solutions as well as technological solutions designed for specific measurement machines for the main strategic partner - QVI.

ENGVIEW SYSTEMS IN 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 the production of packaging remains in the established offset printing, the spread of digital technologies is happening at an ever-increasing pace and more and more companies are investing in digital machines for printing and production. 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, easy to recycle and recycle.

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 allow to 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 trends towards more intensive integration between classical measuring technologies and communication, mobile, information, internet / cloud based technologies, allowing accelerating the transfer, storage and processing of information received from measuring machines and as a result - increasing the efficiency and reliability of quality monitoring systems.

2020 passed in a pandemic, as the company had to take into account the new challenges and use the time mainly for product development 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.

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 functionalities and products based on its already implemented solutions and the accumulated knowledge and expertise in individual niches. They meet the latest trends, as well as customer requirements for high-quality software capable of accelerating production, increase sales through optimization and maintenance of additional processes.



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, which continued to work throughout 2020 are Packaging Suite, ScanFit & Measure, m-caliper, packGATE, TurnCheck, as well as new developments Dieboard Calculator, Shared Space, some of which are expected to be released in late 2020, and others until the middle of 2021. The development of a new project for one of the main corporate clients of the CAD system Prinzhorn Austria continued, which by integrating certain modules and functionalities in their existing CPMS system to increase 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.

REGIONAL AND INTERNATIONAL FACTORS INFLUENCING THE BUSINESS OF THE COMPANY

The company develops all 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 changes that have occurred due to the danger of infection with Kovid-19. To a large extent, the company had to focus its efforts on redirecting resources to develop new functionalities that meet the new requirements for online sales and support.

The main goal of the company in this quarter was to keep its employees and business relatively stable in times of crisis. Costs were reduced and investments stopped. A major share of software sales was generated by the packaging industry, which remained relatively stable in the crisis. The bulk of sales were

generated by Europe, while there was a decline in those in the United States.

As one of the leading names in the packaging industry, EngView works with strategic partners from Germany Heidelberg, for whom 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 company, and this is expected to happen at the end of 2020. Components for an online portal in China are being developed by order of Heidelberg. Online functionalities are being developed for the CAD system, the development of the programs for the partner in the USA - QVI continues. A new scanner is being developed, which is intermediate in size and with more modern technology for transferring the scanned image into the software.

The distribution of m-caliper is also being prepared, looking for new partnerships and pilot clients. The necessary connections 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 are mainly focused 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	Change %
Revenues	3 369	3 572	(203)	(5,68%)
EBITDA	1 566	1 697	(131)	(7,72%)
Depreciation	(746)	(772)	26	(3,37%)
Net Result	726	820	(94)	(11,46%)
EBITDA margin	46,48%	47,51%	(1,03%)	(2,16%)
Net Profit margin	21,55%	22,96%	(1,41%)	(6,13%)
Sales per share	48,8261	51,7681	(2,94)	(5,68%)
EPS	10,5217	11,8841	(1,36)	(11,46%)
ROE	0,1764	0,2284	(0,05)	(22,78%)
Total Assets	5 698	5 295	403	7,61%
Intangibles	3 090	2 951	139	4,71%
Book value	1 026	639	387	60,56%
Equity	4 116	3 590	526	14,65%
Total Liabilities	1 582	1 705	(123)	(7,21%)
ROA	0,1274	0,1549	(0,03)	(17,73%)

SIRMA BUSINESS CONSULTING

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

Shares: Special conditions for transfer: the shares are vinculated and non-transferable for a period of three years from the incorporation of the company.

Classes of shares:

CLASS A: Number: 1 958 268, Nominal: BGN 1 Rights: regular, voting, right to dividend and liquidation share

CLASS B: Number: 581 500, Nominal: BGN 1 - Privileged, Non-voting, Entitled to Guaranteed Dividend

„Sirma Solutions“ 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 travel opportunities 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 unified management in Europe on the labor market and in the labor relations between the companies, there is uncertainty, tension and preparation for meeting the stagnation in the global economy.

MAIN EVENTS IN 2020

In 2020 the company became a member of AMCHAM Bulgaria and is actively involved in the business and professional development of BFA (Bulgarian Fintech Association). The company attracted 1 new client who applied for a banking license. All existing customers of the company have shown and declared that they are partially or severely affected by the pandemic and the various financial measures to overcome it.

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

During the year the company actively tried 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 lives with a merchant on a mobile application 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. Within the meaning of the Payments Regulation.

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

PERSPECTIVES AND FORECASTS FOR 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

Change


www.sirma.com

XXXVII

			BGN '000	%
Revenues	4 369	5 547	(1 178)	(21,24%)
EBITDA	290	1 389	(1 099)	(79,12%)
Depreciation	(253)	(663)	410	(61,84%)
Net Result	24	646	(622)	(96,28%)
EBITDA margin	6,64%	25,04%	(18,40%)	(73,49%)
Net Profit margin	0,55%	11,65%	(11,10%)	(95,28%)
Sales per share	1,7201	2,1839	(0,46)	(21,24%)
EPS	0,0094	0,2543	(0,24)	(96,28%)
ROE	0,0081	0,1876	(0,18)	(95,66%)
Total Assets	4 035	4 874	(839)	(17,21%)
Intangibles	286	88	198	225%
Book value	2 665	3 356	(691)	(20,59%)
Equity	2 951	3 444	(493)	(14,31%)
Total Liabilities	1 084	1 430	(346)	(24,20%)
Interest bearing	89	88	1	1,14%
D/E	0,0302	0,0256	0,005	18,03%
ROA	0,0059	0,1325	(0,13)	(95,51%)

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	Change %
Revenues	8 774	8 142	632	7,76%
EBITDA	2 500	1 506	994	66%
Depreciation	(1 922)	(22)	(1 900)	8636,36%
Net Result	1 871	1 447	424	29,30%
EBITDA margin	28,49%	18,50%	10,00%	54,05%
Net Profit margin	21,32%	17,77%	3,55%	19,99%
Sales per share	0,4066	0,3773	0,03	7,76%
EPS	0,0867	0,0671	0,02	29,30%
ROE	0,6342	1,0640	-0,43	(40,39%)
Total Assets	9 605	6 120	3 485	56,94%
Intangibles	1 508	1 650	(142)	(8,61%)
Book value	1 442	(290)	1 732	(597,24%)
Equity	2 950	1 360	1 590	116,91%
Total Liabilities	6 655	4 760	1 895	39,81%
Interest bearing	10	51	(41)	(80,39%)
D/E	0,0034	0,0375	(0,03)	(90,96%)
ROA	0,1948	0,2364	(0,042)	(17,61%)

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 Holding, 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 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.

New 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.

FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change	Change %
Revenues	840	832	8	0,96%
EBITDA	162	173	(11)	(6,36%)
Depreciation	(123)	(124)	1	(0,81%)
Net Result	28	36	(8)	(22,22%)
EBITDA margin	19,29%	20,79%	(1,51%)	(7,25%)
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	951	959	(8)	(0,83%)
Book value	(184)	(220)	36	(16,36%)
Equity	767	739	28	3,79%
Total Liabilities	472	574	(102)	(17,77%)
Interest bearing	237	269	(32)	(11,90%)
D/E	0,3090	0,3640	(0,06)	(15,11%)
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.

In 2020, the company successfully completed projects in major international banks in Ireland, Kenya, Luxembourg and the UK.

SIRMA CI

- **Sirma CI** is a subsidiary of Sirma Group Holding
- **Capital:** BGN 133 000. **Sirma Group Holding** owns 80% of the capital.
improve the interaction between the end customer and the company's goals.

Conditions for Business Development in 2020

In 2020, we maintained an optimized team and developed activities towards profitable projects, new services and focused on clients from whom we have regular revenues.

Sirma CI (Customer Intelligence) offers intelligent software solutions in the field of trade (Retail). We consult and support trade organizations in their digital adaptation for the so-called multi-channel or unified trade, implementing proven software solutions corresponding to the development phase of each trader.

We implement software solutions based on Artificial Intelligence (AI) for real-time analysis and recommendations to both business and end customers.

Main products and services we offer on the market:

Customer Intelligence and Monetization (CIM) Software solution.

CIM is the company's latest product. Entirely based on the KYC (know our customer) approach. Provides detailed collection and analysis of information on customer behavior regarding the Omni-channel approach of business organizations in order to transform into unified retail commerce. The solution provides tools to increase revenue, build deeper, more productive relationships and significantly

Consultations and analysis for multi-channel trading (Digital Retail Strategy)

We consult and support trade organizations in their digital adaptation for the so-called multichannel trading. We conduct research on the business and competitive environment of our customers, analyze current processes, implemented technologies and others to provide key ideas and action plan on how the business should develop in the future by implementing software and processes for multi-channel trading.

Key services: Business modeling, Customer experience, Strategy, web and mobile design, Revenue optimization, Implementation plan and others.

LOYAX

Loyax is a software platform for loyalty programs - creates, manages and implements loyalty management strategies. The system can be completely customized to build brand identity and meet specific customer needs. The software includes functionalities covering all aspects of user profile management, campaign management, customer engagement and communication, reporting and analysis, as well as mobile promotional campaigns.

Mobile apps (Android and iOS)



We create optimized mobile application for Android and iOS (Native) with a focus on personalized selection based on the customer's location, Single Click Payments functionalities, as well as automations for email notifications, social networks, push notifications with regard to reminders, information or call to action in loyal programs.

e / m-commerce

We offer development of individual eCommerce solutions, with the possibility of integration with existing (ERP, CRM, Data Migration, etc.) or new software systems / solutions of the client. Our platform includes product catalog management, content management (CMS) - text, photos and video.

Virtual Assistants (Chat Bots)

Virtual assistants are based on artificial intelligence, which interacts with social networks and messengers (distributed through: Facebook Messenger, Viber, Website / Responsive and others) in order to organize and provide the best experience and individual communication and sales with end customers. A chatbot is a computer program designed to answer questions automatically through the use of intelligent algorithms and machine learning. The program supports conversation by recognizing / understanding the context of the dialogue. In their role of virtual assistants, bots perform various tasks - such as talking about entertainment, solving various user problems (customer service), finding specific information or choosing specific products (eg cross and over-sales), even in psychological consultations. Last but not least, the chatbot is active 24/7.

Real time Sales RTS

Real time commerce B2C and B2B

We use artificial intelligence to analyze consumer behavior and readiness to buy in real time. We calculate the relevance score of each individual user in real time and provide marketing tools for immediate communication with the customer for sales through an individual approach.

Retail kiosk and digital signage

Development and implementation of individual solutions, which include hardware assembly of devices, software content management system (CMS), design, programming, overall support and development.

These solutions support retail outlets by managing queues, making sales, facilitating customer selection, measuring consumer behavior at physical outlets, and more.

In 2020, the global pandemic situation has forced companies to diversify and increase their revenues from digitalization of processes related to sales and customer service, collection and processing of large volumes of data, knowledge of end customers (KYC), through the implementation and

management of various technological solutions that lead to automation of processes to end customers for better service, greater monetization for the trader and individual satisfaction and communication to the end customer.

Top five categories according to Gartner for digitalization that will be in demand in the market in the next 2-10 years:

1. Greater engagement of end customers (Business Intelligence or Data Analytics Solution).

Investments in Know Your Customer (KYC) software systems, which will be based on large amounts of data, real-time processing with artificial intelligence (AI) capabilities to return customers, increase sales, and average cost of purchase with a focus on individual communication with customers.

2. Digital business Initiatives.

Through investments in automation and complex integrations in online and offline stores. For example:

- Supporting and participating in people's lives through mobile applications and chat bots;
- Expanding the scope of business through RESTful APIs;
- Convergence with customers through implementations of Big Data and IoT;
- Migration to cloud architecture for flexibility, integration of business processes between business people and programmers / engineers;
- Others.

3. Algorithmic retail (Customer / User Experience and Intelligent Automation Services)

Improves and integrates / customer experience through the prism of identification, optimization and automation of resource-intensive and repetitive processes using big data and AI analysis.

For example:

- Individually targeted marketing to the client;
- Digital merchandising aimed at increasing sales of a product or service;
- Immediate customer service through virtual assistants / bots;
- Others.

4. Construction and expansion of electronic sales channels (E-Commerce / Citizen / Portal / Website)



The need for an integral part for businesses to own and develop a digital channel for sales and service to end customers for goods and services remains. Online orders are growing with each passing year, sales are made 24/7, the Internet presence increases the trust in the brand of the merchant, allows to present detailed product descriptions, better knowledge and monitoring of the behavior of end customers and more.

5. Introduction and improvement of mobile applications

Mobile devices remain increasingly preferred and important in the daily lives of end customers because they provide them with instant information and communication. They provide services at any time, they are also a means of payment that facilitates and accelerates the sale of goods and services.

Perspectives and forecasts for 2021

In 2021 we plan to accelerate the development of current and foreign markets, where we already have established partnerships and customers.

We focus on medium and large retail chains that need to implement new or upgrade existing information systems. Our specialization is in the following areas: retail, sports, retail, fast moving consumer goods, shopping malls, consumer electronics, personal hygiene and cleaning products, shopping areas at airports, etc. We will try to apply more and

more Cognitive Commerce (AI Analytics). We will transform companies from multi-channel trade to a unified model.

We will continue to develop our partner program outside the country through local partners and we will look for new ones for our priority markets. We have established partners in Austria, Singapore and Mexico.

The main benefits are:

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

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

Sales support, product segmentation, introduction and development of new services and products on the market, creation of forecasts and various analyzes, monitoring of KPI's and other indicators in order to maximize the return on investment.

FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change	Change %
Revenues	190	298	(108)	(36,24%)
EBITDA	16	(202)	218	n/a
Depreciation	(1)	-	(1)	n/a
Net Result	10	(183)	193	n/a
EBITDA margin	8,42%	(67,79%)	76,21%	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	(2,1529)	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 where and how possible. Attempts to create a system resembling the normal functioning of the



body (the so-called artificial pancreas) are still unsuccessful and companies are competing to develop and offer integrated systems related to the various devices. New types of CGM devices with new technologies are also being developed, but the process is quite slow and there is still nothing new on the market.

In November, it successfully completed the ISO 13485 certification for the production of medical devices.

Product development in 2020:

Diabetes: M

For Diabetes: M in 2020 there is no development on the product itself. The product was 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 the Japanese company "Nipro" who use the system for remote monitoring of diabetics has 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 that could track the symptoms of people, as well as through a survey to monitor the epidemiological situation in the country. 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. Bigger details are expected in 2021.

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

Innovation Zed

An application for testing InnovationZed devices for Android has been developed, worth EUR 20,000, with the proviso that a similar application be developed for iOS at the same price.

2021 targets

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, in the field of remote monitoring of patients outside the hospital.



FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change	Change %
Revenues	267	392	(125)	(31,89%)
EBITDA	57	20	37	185%
Depreciation	(54)	(49)	(5)	10,20%
Net Result	1	(28)	29	n/a
EBITDA margin	21,35%	5,10%	16,25%	318,43%
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	0,0120	(0,3415)	0,35	n/a
Total Assets	1 168	926	242	26,13%
Intangibles	918	689	229	33,24%
Book value	(835)	(607)	(228)	37,56%
Equity	83	82	1	1,22%
Total Liabilities	1 085	844	241	28,55%
ROA	0,0009	(0,0302)	0,03	n/a



SIRMA GROUP HOLDING – INDIVIDUAL FINANCIAL RESULTS

	31.12.2020	31.12.2019	Change	Change %
Revenues*	4 534	5 325	(791)	(14,85%)
EBITDA	2 121	3 025	(904)	(29,88%)
Depreciation	(753)	(655)	(98)	14,96%
Net Result	995	1 898	(903)	(47,58%)
EBITDA margin	46,78%	56,81%	(10,03)	(17,65%)
Net Profit margin	21,95%	35,64%	(13,70)	(38,43%)
Sales per share	0,0764	0,0897	(0,01)	(14,85%)
EPS	0,0168	0,0320	(0,02)	(47,58%)
ROE	0,0135	0,0262	(0,01)	(48,23%)
Total Assets	93 789	93 147	642	0,69%
Intangibles	9 653	10 122	(469)	(4,63%)
Book value	63 787	62 405	1 382	2,21%
Equity	73 440	72 527	913	1,26%
Total Liabilities	20 349	20 620	(271)	(1,31%)
Interest bearing	10 707	12 614	(1 907)	(15,12%)
D/E	0,1458	0,1739	(0,03)	(16,17%)
ROA	0,0106	0,0204	(0,01)	(47,94%)

* 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

	2020 BGN'000	2019 BGN'000
Revenue from:		
- external customers	27 205	28 245
Segment revenues	27 205	28 245
Changes in finished goods and work in progress	-	(1 242)
Cost of materials	(710)	(579)
Hired services expenses	(4 844)	(4 065)
Employee benefits expense	(13 938)	(15 633)
Depreciation and amortisation of non-financial assets	(4 888)	(4 449)
Impairment of non-financial assets	-	(79)
Other expenses	(880)	(1 097)
Segment operating profit	1 945	1 101

In 2020 the revenues of the segment decreased by 3,68%, and operating profit increased by 76,67% 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

	2020 BGN'000	2019 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	(346)	(684)
Segment operating profit	3 146	2 185

In 2020 the revenues of the segment increased by 1,74%, and operating profit increased by 43,98% compared to 2019.



Segment SYSTEM INTEGRATION

Companies of Sirma Group operating in the segment are: Sirma Solutions.

FINANCIAL RESULTS OF THE SEGMENT

	2019 BGN'000	2018 BGN'000
Revenue from:		
- external customers	22 772	23 523
Segment revenues	22 772	23 523
Cost of materials	(19 162)	(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	806	3 089

In 2020 the revenues of the segment decreased by 4,18%, and operating profit decreased by 73,91% compared to 2019.

8 MAIN MARKETS

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

REVENUE BY REGIONS AND COUNTRIES:

Region	31.12.2020 BGN '000	31.12.2019 BGN '000	Change BGN '000	Change %
Europe	33 145	34 278	(1 133)	(3,31%)
North America	15 403	14 789	614	4,15%
United Kingdom	9 793	11 609	(1 816)	(15,64%)
Asia	1 003	462	541	117,10%
South America	35	62	(27)	(43,55%)
Africa	25	28	(3)	(10,71%)
Australia	33	22	11	50%
Total	59 437	61 250	(1 813)	(2,96%)

The Group sell their products and services without geographical restrictions. However, traditionally the highest sales the Group generated in Europe and North America. Together with UK revenue, they traditionally account for more than 98% of total consolidated revenue. However, due to the exceptional diversification of its products and services, which are applied in many completely different sectors and customers, it is not possible to talk about any dependence of the Group on individual customers or on certain services.

In 2020, the Group sold in 53 countries. The largest share in the consolidated revenues belongs to the revenues from Bulgaria in the amount of BGN 23 395 thousand or 39,36% of the total sales revenues, followed by the USA with BGN 13 616 thousand or 22,91% and from the United Kingdom with BGN 9 793 thousand or 16,48%.

9 CONSOLIDATED FINANCIAL RESULTS

CONSOLIDATED REVENUES



Consolidated revenues in 2020 includes:

	31.12.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Revenue from contracts with customers	57 002	59 329	(2 327)	(3,92%)
Other income	2 431	1 916	515	26,88%
Gain on sale of non-current assets	4	5	(1)	(20%)
Total	59 437	61 250	(1 813)	(2,96%)

Consolidated revenues decreased with 2,96 % or BGN 1 813 thousand during 2020, which is in line with the economic situation, caused by Covid-19.

Consolidated revenue by product line includes:

	31.12.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Sale of IT equipment	19 877	19 463	414	2,13%
Software services	18 218	20 168	(1 950)	(9,67%)
Licenses	4 520	2 905	1 615	55,59%
Subscriptions	3 503	3 208	295	9,20%
Consulting services	3 412	6 290	(2 878)	(45,76%)
System integration	1 775	3 113	(1 338)	(42,98%)
Cloud services	1 213	2 060	(847)	(41,12%)
Others	4 484	2 122	2 362	111,31%
Total	57 002	59 329	(2 327)	(3,92%)

CONSOLIDATED EXPENSES

	31.12.2020	31.12.2019	Change
	BGN '000	BGN '000	(BGN '000,%)
Cost of materials	(2 219)	(3 240)	1 021
<i>Change in %</i>			(31,50%)
Hired services expenses	(8 019)	(6 043)	(1 976)
<i>Change in %</i>			32,70%
Employee benefits expense	(21 783)	(22 720)	937
<i>Change in %</i>			(4,12%)
Depreciation and amortisation of non-financial assets	(5 366)	(5 265)	(101)
<i>Change in %</i>			1,92%
Cost of goods sold and other current assets	(17 758)	(17 226)	(532)
<i>Change in %</i>			3,09%
Changes in finished goods and work in progress	-	(1 248)	1 248
<i>Change in %</i>			(100%)
Capitalized own expenses	2 838	2 658	180
<i>Change in %</i>			6,77%
Other expenses	(1 233)	(1 791)	557
<i>Change in %</i>			(31,10%)
Total expenses	(53 540)	(54 874)	1 334
<i>Change in %</i>			(2,43%)

During the period under review, consolidated operating expenses decreased by BGN 1 334 thousand or by 2,43%. Employee benefit expenses hold the biggest share in consolidated operating expenses (40,68%), followed by hired services expenses (14,98%).

CONSOLIDATED FINANCIAL INCOME / COSTS (NET)



	31.12.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Financial costs	(749)	(703)	(46)	6,54%
Financial income	126	239	(113)	(47,28%)
Financial income / expenses (net)	(623)	(464)	(159)	34,27%

Consolidated financial costs increased by BGN 46 thousand or by 6,54 % in 2020, mainly due to the exchange rate differences on currency transactions. Financial income decreased by BGN 113 thousand or by 47,28%, mainly due to the decrease in revenues from currency operations.

CONSOLIDATED ASSETS

Consolidated assets marked an increase of BGN 9 022 thousand or 6,22 % in 2020. Traditionally, the biggest share of these relate to intangible assets, due to 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	8 714	9 064	(350)	(3,86%)
Intangible assets	58 130	58 665	(535)	(0,91%)
Financial assets, held for trading	841	-	841	n/a
Deferred tax assets	270	419	(149)	(35,56%)
Total non-current assets	90 437	90 630	(193)	(0,21%)

Non-current assets decreased by BGN 193 thousand or by 0,21% in 2020.

CURRENT ASSETS

	31.12.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Inventory	806	1 255	(449)	(35,78%)
Trade receivables	17 498	10 806	6 692	61,93%
Prepayments and other assets	2 953	2 116	837	39,56%
Related party receivables	138	-	138	n/a
Income tax receivables	101	103	(2)	(1,94%)
Cash and cash equivalents	12 549	10 550	1 999	18,95%
Total current assets	34 045	24 830	9 215	37,11%

Current assets increased by BGN 9 215 thousand or by 37,11 % in 2020.

ASSETS INCLUDED IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

31.12.2020

31.12.2019



	BGN '000	хил. лв.
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

In 2020, due to the difficult economic situation due to the COVID-19 pandemic, the process of selling the above-described assets was slowed down. The Group's management has an approved asset disposal plan in 2021.

EQUITY

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change (BGN '000,%)
Share Capital	59 361	59 361	-
<i>Change</i>			-
Purchased own shares	(585)	(475)	(110)
<i>Change</i>			23,16%
Reserves	6 663	6 409	254
<i>Change</i>			3,96%
Retained earnings	25 627	22 812	2 815
<i>Change</i>			12,34%
Equity attributable to the owners of the parent	91 066	88 107	2 959
<i>Change</i>			3,36%
Non-controlling interest	16 488	15 908	580
<i>Change</i>			3,65%
Total	107 554	104 015	3 539
<i>Change</i>			3,40%

Equity during 2020 increased by BGN 3 539 thousand or by 3,40 %.

CONSOLIDATED LIABILITIES

Consolidated liabilities increased by 5 483 BGN thousand or 13,44% in 2020.

NON-CURRENT LIABILITIES

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change BGN '000	Change %
Pension and other employee obligations	320	276	44	15,94%
Long-term borrowings	10 285	8 380	1 905	22,73%
Long-term lease liabilities	2 439	2 908	(469)	(16,13%)
Long-term related party payables	-	19	(19)	(100%)
Deferred tax liabilities	8	33	(25)	(75,76%)
Total non-current liabilities	13 052	11 616	1 436	12,36%

Non-current liabilities increased by BGN 1 436 thousand or by 12,36% in 2020.



LONG-TERM AND SHORT-TERM BANK LOANS

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit	Outstanding obligation to 31.12.2020	Date of contract	Interest rate	The amount of monthly installment	Maturity date	Pledges
Loans for which the Issuer is a debtor										
"Sirma Group Holding" JSC	Eurobank Bulgaria AD	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 of the Receivables under the Business Incubator Contract №BG161PO003-2.2.0012-C0001 / 02.02.2012; Mortgage of a real estate located in Sofia, Mladost district, Tsarigradsko Shosse Blvd 135, namely the 5th floor of the building
"Sirma Group Holding" JSC	United Bulgarian Bank AD	Investment	BGN	10 475 000	8 380 040	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	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 AD	overdraft	BGN	4 025 000	3 850 080	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	-	20.12.2025	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
Sirma Solutions		Revolving credit line	BGN	4 000 000	4 000 000	28.10.2020	RIR + 1.2%, but no less than 1.3% per year	-	20.09.2025	Pledge of receivables.
Sirma AI	United Bulgarian Bank AD	overdraft	EUR	1 449 270	1 412 354	15.08.2019	1 m. EURIBOR + 1,4% (but not less than 1,4%)	-	20.09.2021	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.
Sirma AI	United Bulgarian Bank AD	overdraft	EUR	5 867 490	5 852 428	15.08.2019	1 m. EURIBOR + 1,4% (but not less than 1,4%)	-	20.09.2021	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.
Sirma Medical Systems	Unicredit Bulbank AD	Revolving bank loan	BGN	250 000	-	15.12.2020	ADI + 1,3 percent, (but not less than 1,3 percent per year)		15.12.2023	Pledge on receivables



Other loans and deposits of "Sirma Group Holding" JSC and its subsidiaries:

Lender	Recipient	Type	Currency	Unsettled principal at 31.12.2020	Interest rate	End date of the contract
Sirma Group Holding	Sirma Medical Systems	Loan	BGN	707	1,3%, 2,8%, 5,00%	31.12.2020
Sirma Group Holding	Sirma AI	Loan	BGN	3 807	1,3% 2,8%, 3,5%, 5%	31.12.2020
Sirma Group Holding	Sirma CI	Loan	BGN	114	1,3%, 2,8%, 5%	31.12.2020
Sirma Solutions	Sirma ISG	Loan	BGN	107	6,50%	31.12.2020
Smartcom Bulgaria	Sirma Solutions	Loan	BGN	64	1,50%	3.6.2021
Siesens	Sirma Solutions	Loan	BGN	121	1,50%	3.6.2021
Sirma Solutions	Sirma Group Holding	Deposit	BGN	2 000	Bank expenses incurred	31.12.2021
Sirma AI	Sirma Group Holding	Deposit	BGN	5 867	Bank expenses incurred	31.12.2021
Sirma AI	Sirma Group Holding	Deposit	BGN	312	0,10%	31.12.2021
EngView Systems Sofia	Sirma Group Holding	Deposit	BGN	91	0,10%	31.12.2021

There are no collateral for the loans and deposits.

CURRENT LIABILITIES

	31.12.2020	31.12.2019	Change	Change
	BGN '000	BGN '000	BGN '000	%
Provisions	22	22	-	-
Pension and other employee obligations	2 669	3 370	(701)	(20,80%)
Short-term borrowings	15 590	15 761	(171)	(1,08%)
Short-term lease liabilities	612	588	24	4,08%
Trade and other payables	9 573	6 592	2 981	45,22%
Contract liabilities	4 130	2 205	1 925	87,30%
Short-term related party payables	611	-	611	n/a
Income tax liabilities	11	156	(145)	(92,95%)
Financing (Grants)	19	496	(477)	(96,17%)
Total current liabilities	33 237	29 190	4 047	13,86%

Current liabilities increased by BGN 4 047 thousand or 13,86 % in 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.

SUMMARY OF CASH FLOW

	31.12.2020 BGN '000	31.12.2019 BGN '000	Change BGN '000	Change %
Net cash flow from operating activities	5 916	2 774	3 142	113,27%
Net cash flow from investing activities	(4 027)	(7 331)	3 304	(45,07%)
Net cash flow from financing activities	230	4 047	(3 817)	(94,32%)
Net change in cash and cash equivalents	2 119	(510)	2 629	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	(120)	(8)	(112)	1 400%
Cash and cash equivalents at the end of the year	12 549	10 550	1 999	18,95%

INDICATORS AND RATIOS

No	Indicators (in BGN '000)	31.12.2020	31.12.2019	Change (value)	Change %
1	Revenue from operating activities	59 437	61 250	(1 813)	(2,96%)
2	Cost of sales	(52 307)	(53 084)	777	(1,46%)
3	Gross profit / loss	7 130	8 166	(1 036)	(12,69%)
4	Other operating costs	(1 233)	(1 791)	558	(31,16%)
5	Operating profit / loss	5 897	6 375	(478)	(7,50%)
6	Financial income	126	239	(113)	(47,28%)
7	Financial costs	(749)	(703)	(46)	6,54%
8	Profit / loss before tax expense	5 274	5 911	(637)	(10,78%)
9	Tax costs	(403)	(501)	98	(19,56%)
10	Net profit / loss	4 871	5 410	(539)	(9,96%)
11	Dividend	-	-	-	n/a
12	Cash and cash equivalents	12 549	10 550	1 999	18,95%
13	Inventories	806	1 255	(449)	(35,78%)
14	Short-term assets	34 045	24 830	9 215	37,11%
15	Total amount of assets	153 843	144 812	9 031	6,24%
16	Average arithmetic total asset value for 5 quarters	148 284	143 361	4 923	3,43%
17	Current liabilities	33 237	29 190	4 047	13,86%
18	Debt	28 926	27 637	1 289	4,66%
19	Liabilities (borrowed funds)	46 289	40 806	5 483	13,44%
20	Equity	107 554	104 015	3 539	3,40%
21	Equity averaged 5 quarters	107 884	106 146	1 738	1,64%
22	Turnover capital	808	(4 360)	5 168	n/a
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	-
24	Gain / loss minority interest	870	307	563	276,87%
25	Interest expenses	(420)	(373)	(47)	12,60%



26	Weighted average price of last trading session	0,548	0,635	(0,0875)	(13,78%)
27	Last price per share of last trading session	0,555	0,625	(0,07)	(11,20%)

Indicators			Change	Change
	31.12.2020	31.12.2019	(value)	%
EBITDA	11 930	11 856	74	0,62%
DEPRTIATION	(5 366)	(5 265)	(101)	1,92%
EBIT	6 564	6 591	(27)	(0,41%)
FIN/INVEST NET	(623)	(464)	(159)	34,27%
EBT	5 274	5 911	(637)	(10,78%)
ROA	0,026	0,0352	(0,0092)	(26,20%)
ROA(BSE)	0,027	0,0356	(0,0086)	(24,20%)
Debt/EBITDA Ratio	2,4246	2,3311	0,0936	4,01%
Quick Ratio	1,0001	0,8076	0,1924	23,83%
ROE	0,0452	0,0510	(0,0058)	(11,41%)
Debt/Equity Ratio (BSE)	0,4304	0,3923	0,0381	9,70%
Profitability ratios				
Gross profit margin	0,1200	0,1333	(0,0134)	(10,02%)
Operating profit margin	0,0992	0,1041	(0,0049)	(4,68%)
Net profit margin	0,0820	0,0883	(0,0064)	(7,22%)
Return on Assets	0,0328	0,0377	(0,0049)	(12,95%)
Return on Equity	0,0452	0,0510	(0,0058)	(11,41%)
Coefficients for assets and liquidity				
Assets turnover ratio	0,4017	0,4289	(0,0272)	(6,35%)
Assets turnover ratio (BSE)	0,4008	0,4272	(0,0264)	(6,18%)
Operating cycle	73,5606	(14,0482)	87,6088	n/a
Current ratio	1,0273	0,8506	0,1766	20,76%
Quick ratio	1,0001	0,8076	0,1924	23,83%
Cash ratio	0,3776	0,3614	0,0161	4,46%
Odds per share				
P/S ratio	0,5468	0,6154	(0,0686)	(11,15%)
P/E ratio	6,6722	6,9675	(0,2953)	(4,24%)
Revenue per share	1,0013	1,0318	(0,0305)	(2,96%)
Earnings per share	0,0821	0,0911	(0,0091)	(9,96%)
Book value of equity per share	1,8174	1,7881	0,0293	1,64%
Development Ratios				
Revenue growth	(0,0296)	0,0412	(0,0708)	n/a
Gross profit growth	(0,1269)	(0,1817)	0,0548	(30,17%)
Assets growth	0,0624	0,0303	0,0320	105,61%
Leverage Ratios				
Debt/taotal assets	0,1951	0,1928	0,0023	1,19%
Debt/capital	0,2114	0,2066	0,0049	2,35%
Debt/equity	0,2681	0,2604	0,0078	2,98%
Total assets/equity	1,3745	1,3506	0,0239	1,77%
Market value of the company	32 945	37 101	(4 155)	(11,20%)



RELATED COMPANIES TRANSACTIONS

Related party transactions in the Group prior to intercompany eliminations are:

Sirma Group Holding

Transactions with subsidiaries

	2020	2019
	BGN'000	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)
Purchase of PPE	(5)	-
Sales of goods and services		
Sales of services		
- Administrative, accounting services	732	715
- Rent	476	476
- Cloud 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

	2020 BGN'000	2019 BGN'000
Purchases of services		
- Internet	(17)	(16)
- Consulting services	-	(18)
- Subscriptions	(9)	(5)
Sale of services		
- Administrative, accounting services	158	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:

	2019 BGN'000	2018 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

Sirma Solutions**Transactions with owners**

	2020 BGN'000	2019 BGN'000
Sale of goods and services		
- sale of goods	12	23
- sale of services	33	33
Given loans	1 000	2 500
Repayed loans	1 000	2 500



Deposits provided	3 096	1 638
Returned provided deposits	1 096	1 794
Interest on loans/deposits	1	5
Purchases of services and assets		
- purchases of assets	1 190	1 320
- purchases of services	976	964

Transactions with subsidiaries

	2020	2019
	BGN'000	BGN'000
Sale of goods and services		
- sale of goods	204	509
- sale of goods to "Sirma ICS"	3	16
- sale of goods to "Sirma Business Consulting"	21	-
- sale of goods to "S&G Technology Services"	6	-
- sale of services to "Daticum"	20	21
- sale of services to "S&G Technology Services"	518	1 185
- sale of services to "Sirma ICS"	-	5
Purchases of goods and services		
- purchases of goods from "Daticum"	-	878
- purchases of services from "Daticum"	74	76
- purchases of services from "Sirma Business Consulting"	16	-
Dividends from "Daticum"	298	250
Dividends from "S&G Technology Services"	59	22
Dividends from "Sirma Business Consulting"	280	246

Transactions with associates

	2020	2019
	BGN'000	BGN'000
Sale of goods and services		
- sale of services to "Sirma USA"	3 288	4 480
- sale of services of "Sirma Mobile"	-	5
Purchases of goods and services		
- purchases of services from "Sirma USA"	44	70
- purchase of services from "Sirma Mobile"	-	11



Transactions with other related parties

	2020	2019
	BGN'000	BGN'000
Sale of goods and services		
- sale of services	1 087	215
- sale of goods	353	51
Purchases of services		
- purchase of services	106	176

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:

	2020	2019
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	90	120
Total remunerations	90	120

Sirma AI**Transactions with owner**

	2020	2019
	BGN'000	BGN'000
Purchases of assets		
- Intangible assets	1 328	936
Purchases of services		
- Administrative service	250	231
- Software license rental	7	7
- Others	29	4
Leased asset lease	5	
- Interest on the provided deposit	1	27
- Interest on the loan received	121	187
Deposits provided	1 191	5 082
Returned provided deposits	160	250

Transactions with subsidiaries

	2020	2019
	BGN'000	BGN'000
Sales of services		
- Subscriptions	642	405



- Revenue from renewable licenses	1 130	982
- Consulting services	346	235
- Administrative, accounting services	28	29
- Revenues from the sale of licenses	819	98

Transactions with other related parties under common control

	2020	2019
	BGN'000	BGN'000
Sales of services		
- Consulting services	-	9
- Others	6	-
Purchases of assets		
- Fixed assets	24	15
- Computer components	-	4
Purchases of services		
- Software services	-	81
- Cloud services	55	53
- Rent	19	20
- Consulting services	24	148
-Others	4	-
- Interest on deposit	1	2



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:

	2020 BGN'000	2019 BGN'000
Short-term employee benefits:		
Salaries including bonuses	18	31
Total remunerations	18	31

EngView Systems Sofia**Transactions with owners**

	2020 BGN'000	2019 BGN'000
Sale of goods and services:		
- software services	4	-
Purchases of services:		
- subscriptions	-	19
- administrative, accounting services	70	70
- consulting services	16	6
- technical Support	43	29
Purchases of goods:		
- Consumables	-	2
- Leasing of a rented office	119	1 203
- Interest on leasing	8	14
- Repayed loans	-	60
- Dividends	115	160
- Deposits provided	115	440
- Refund deposits	-	300

Transactions with subsidiaries

	2020 BGN'000	2019 BGN'000
Sale of goods:		
- scanning system	-	1
Purchases of goods and services:		
- purchases of goods	-	2
- software services	69	412

Transactions with other related parties under common control

	2020 BGN'000	2019 BGN'000
Sale of services:		



- licenses	-	1
- software services	13	9
Purchases of goods:		
- fixed assets	1	12
- materials, consumables	5	9
Purchases of services:		
- software services	5	5
- consulting services	4	3
- Internet	2	2

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:

	2020 BGN'000	2019 BGN'000
Short-term employee benefits:		
Salaries including bonuses	116	127
Social security costs	7	7
Total short-term employee benefits	123	134
Dividends	52	57
Total remunerations	175	191

irma Business Consulting

Transactions with owners

	2020 BGN'000	2019 BGN'000
Purchases of materials	2	-
Purchase of fixed assets	20	-
Sale of services	16	-
Dividends	279	444

Transactions with other related parties under common control

	2020 BGN'000	2019 BGN'000
Purchases of services		
- Internet	4	4
- Administrative	83	83
- Others	1	1



- Advertising and marketing	2	1
- Seminars and training	-	9
- installments under leasing contracts	90	89
- interest on leasing contracts	4	2
- deposit	100	220

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:

	2020 BGN'000	2019 BGN'000
Short-term employee benefits:		
Salaries including bonuses	450	443
Social security costs	20	20
Total short-term employee benefits	470	463
Total remunerations	470	463



Daticum**Transactions with owners**

	2020	2019
	BGN'000	BGN'000
Sale of IT equipment	-	878
Sale of services, incl.	74	96
cloud services	28	28
server rental	12	13
license rental	34	11
others	-	44
Purchases of fixed assets	165	246
Purchase of goods	11	253
Purchase of computer components	4	5
Purchases of services	44	49
Distributed dividend	298	414

Transactions with other related parties under common control

	2020	2019
	BGN'000	BGN'000
Sale of services, incl.	69	60
-internet	11	11
- server rental	27	25
- others	31	23
Interest income	1	1
Purchase of consumables	1	1
Purchase of services	13	8
Purchase of administrative services	56	56
Shopping other	3	31
Deposits provided	50	450



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:

	2020	2019
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	124	112
Total remunerations	124	112

Sirma ICS**Transactions with owners**

	2020	2019
	BGN'000	BGN'000
Purchases of materials	1	1
Purchase of assets	1	8
Purchases of services		
- Software services	-	5
- Other services	1	7

Transactions with other related parties under common control

	2020	2019
	BGN'000	BGN'000
Sale of services	9	16
Sale of fixed assets	-	7
Purchases of materials	5	5
Purchases of services		
Subscriptions	1	1
Administrative service	10	10
Consulting	3	-
Others	-	1
Security	2	2
Office maintenance and repair	4	3
Cleaning	2	3
Seminars and trainings	-	4
Parking	2	-
Principals under a lease agreement	26	24
Interest under the lease agreement	3	3
Repayed loan received	20	43
Interest on the loan received	4	4



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:

	2020 BGN'000	2019 BGN'000
Short-term employee benefits:		
Salaries including bonuses	87	87
Social security costs	7	7
Total remunerations	94	94

Sirma CI**Transactions with owners**

	2020 BGN'000	2019 BGN'000
Purchases of services:		
- Administrative service	13	13
- Seminars and training	-	1
- Parking	-	2
- Others	1	1
Loans received	3	114
Loans repaid	10	7
Accrued interest	4	1
Receivables received on subscribed share contributions	-	80

Transactions with other related parties under common control

	2020 BGN'000	2019 BGN'000
Sale of services:		
- Software services	33	37
- Other services	-	1
Purchases of services:		
- Software services	78	83
- Subscription services	6	4
- Internet	4	4
- Other services	1	1
Purchases of assets:	2	-



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:

	2020	2019
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	53	75
Social security costs	7	7
Total remunerations	60	82

Sirma Medical Systems**Transactions with owners**

	2020	2019
	BGN'000	BGN'000
Purchases of materials and services		
- purchases of materials	1	-
- purchases of services	26	21
- Right to use a leased asset	18	18
- Interest on the right to use a leased asset	2	2
Loan received	225	37
Accrued interest on a loan received	21	26

Transactions with other related parties under common control

	2020	2019
	BGN'000	BGN'000
Sale of services		
- sale of services	-	148
Purchases of materials and services		
- purchases of materials	1	1
- purchases of services	51	6



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:

	2020	2019
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	101	109
Social security costs	7	7
Total remunerations	108	116

Ontotext**Transactions with owner**

	2020	2019
	BGN'000	BGN'000
Purchases of services		
- Administrative service	-	15

Transactions with subsidiaries

	2020	2019
	BGN'000	BGN'000
Sales of services		
- Subscriptions	-	10

Transactions with other related parties under common control

	2020	2019
	BGN'000	BGN'000
Purchases of assets		
- Fixed assets	-	9
Purchases of materials		
- Computer components	-	2
Purchases of services		
- Hosting	-	2

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:



	2020 BGN'000	2019 BGN'000
Short-term employee benefits:		
Salaries including bonuses	-	2
Total remunerations	-	2

10 EMPLOYEES AND ECOLOGY

ECOLOGY

The Group maintains and observes its commitments in compliance with the national legislation in the field of environmental protection. The Group applies measures for consolidated collection of waste, minimization, recovery and recycling of municipal waste. In 2017, the use of plastic cups stopped, and they were replaced with porcelain and glass.

EMPLOYEES

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

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

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

Count of employees in the Group:

31.12.2020

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



31.12.2019

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

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

	Short-term exposure		
	USD BGN'000	GBP BGN'000	Others BGN'000
31 December 2020			
Financial assets	2 164	72	-
Financial liabilities	(282)	-	-
Total exposure	1 882	72	-



31 December 2019

Financial assets	914	521	3
Financial liabilities	(488)	(48)	-
Total exposure	426	473	3

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

- US Dollars (USD) +/- 6,5% (for 2019 +/- 1%)
- Pound Sterling (GBP) (+/- 6,5%) (for 2019 +/- 1%)

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

31 December 2020	Increase of the exchange rate		Decrease of the exchange rate	
	BGN/foreign currency		BGN/foreign currency	
	Net financial result	Equity	Net financial result	Equity
	BGN'000	BGN'000	BGN'000	BGN'000
US Dollars (USD) (+/- 6,5%)	(1 182)	(1 182)	(831)	(831)
Pound Sterling (GBP) (+/- 5,6%)	(84)	(84)	(68)	(68)

31 December 2019	Increase of the exchange rate		Decrease of the exchange rate	
	BGN/foreign currency		BGN/foreign currency	
	Net financial result	Equity	Net financial result	Equity
	BGN'000	BGN'000	BGN'000	BGN'000
US Dollars (USD) (+/- 1%)	622	622	617	617
Pound Sterling (GBP) (+/- 1%)	(62)	(62)	(53)	(53)

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

Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

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 2020, 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:

Financial assets	2020	2019
	BGN'000	BGN'000
Financial assets at fair value through profit or loss:		
Long - term financial assets	841	-
Debt instruments measured at amortized cost		
Trade and other receivables	17 237	10 778
Related party receivables	138	-
Cash and cash equivalents	12 549	10 550
	29 924	21 328
	30 765	21 328

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 2020, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

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	316	316	2 393	621
Trade and other payables	5 937	-	-	-
Related party payables	-	-	19	-
Total	6 253	16 077	10 792	621

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

Financial assets used for managing liquidity risk

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

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

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

There are no events and indicators with an unusual nature for the company that have a significant impact on its operations and its realized revenues and expenses; assessing their impact on results during the current period.

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

There are no transactions recorded off-balance sheet in the Group.

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

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



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

The financial results of the Group correspond to the forecasts made in the Development Strategy of Sirma Group Holding, which is published on the company's website.

12.5 ANALYSIS AND FINANCIAL EVALUATION OF THE FINANCIAL RESOURCES MANAGEMENT POLICY WITH THE POSITION OF OPPORTUNITIES FOR THE SERVICE OF THE OBLIGATIONS, THE EVENTUAL THREATS AND MEASURES WHICH THE COMPANY WAS PREVENTED OR PROVIDED TO TAKE FOR THE PURPOSE OF REMOVING THEM.

The management of financial resources is subject to the requirement of maximizing efficiency while respecting payment deadlines agreed with both suppliers and customers. This means a predominant use of own funds, resulting in lower financial costs and interest costs. On the other hand, there is a significant reserve of undrawn loans that can serve both current and investment costs, which maintain high liquidity of payments.

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

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

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

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

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

12.8 INFORMATION ABOUT THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM IMPLEMENTED IN THE GROUP IN THE PROCESS OF FINANCIAL REPORTING AND RISK MANAGEMENT SYSTEM

Under Bulgarian law, the management should prepare an annual report on the operations and a financial statement for each quarter to give a true and fair view of the Company's financial position as of the end of the year, financial performance and cash flows in accordance with the applicable accounting framework. Management's responsibility also includes the implementation of an internal control system to prevent, detect and correct mistakes and false statements as a result of the accounting system's actions. In this respect, the management observes the following basic principles in its activities:

- adherence to a particular management and accounting policy disclosed in the financial statements;
- carrying out all operations in compliance with the laws and regulations; coverage of all events and operations in a timely manner, with the exact amount of the amounts in the appropriate accounting articles.
- accounts and the relevant reporting period so as to allow the financial statements to be prepared in accordance with the specific accounting framework;

- observance of the precautionary principle in the valuation of assets, liabilities, income and expenses;
- detection and termination of frauds and errors;
- completeness and regularity of accounting information;
- preparation of reliable financial information;
- adherence to international financial reporting standards and adherence to the going concern principle.

The consolidated financial statements have been prepared in accordance with the going concern principle, taking into account the possible effects of the continuing impact of the Covid-19 pandemic.

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 FINANCIAL YEAR.

There were no changes in the Group's management and supervisory bodies during 2020.



12.10 INFORMATION ABOUT THE KNOWN TO THE GROUP AGREEMENTS (INCLUDING ALSO AFTER THE CLOSING OF THE FISCAL YEAR) AS A RESULT OF WHICH CHANGES MAY OCCUR AT A FUTURE TIME IN THE OWNED PERCENT OF SHARES OR BONDS BY CURRENT SHAREHOLDERS OR BONDHOLDERS.

The Group has no information of agreements which may alter the owned percent of shares by current shareholders. The companies within the Group have not issued bonds.

12.11 CONTACT DETAILS OF THE DIRECTOR "INVESTOR CONNECTIONS", INCLUDING TELEPHONE AND ADDRESS FOR CORRESPONDENCE.

Stanislav Tanushev

Bul. 135 Tsarigradsko shose, fl. 3

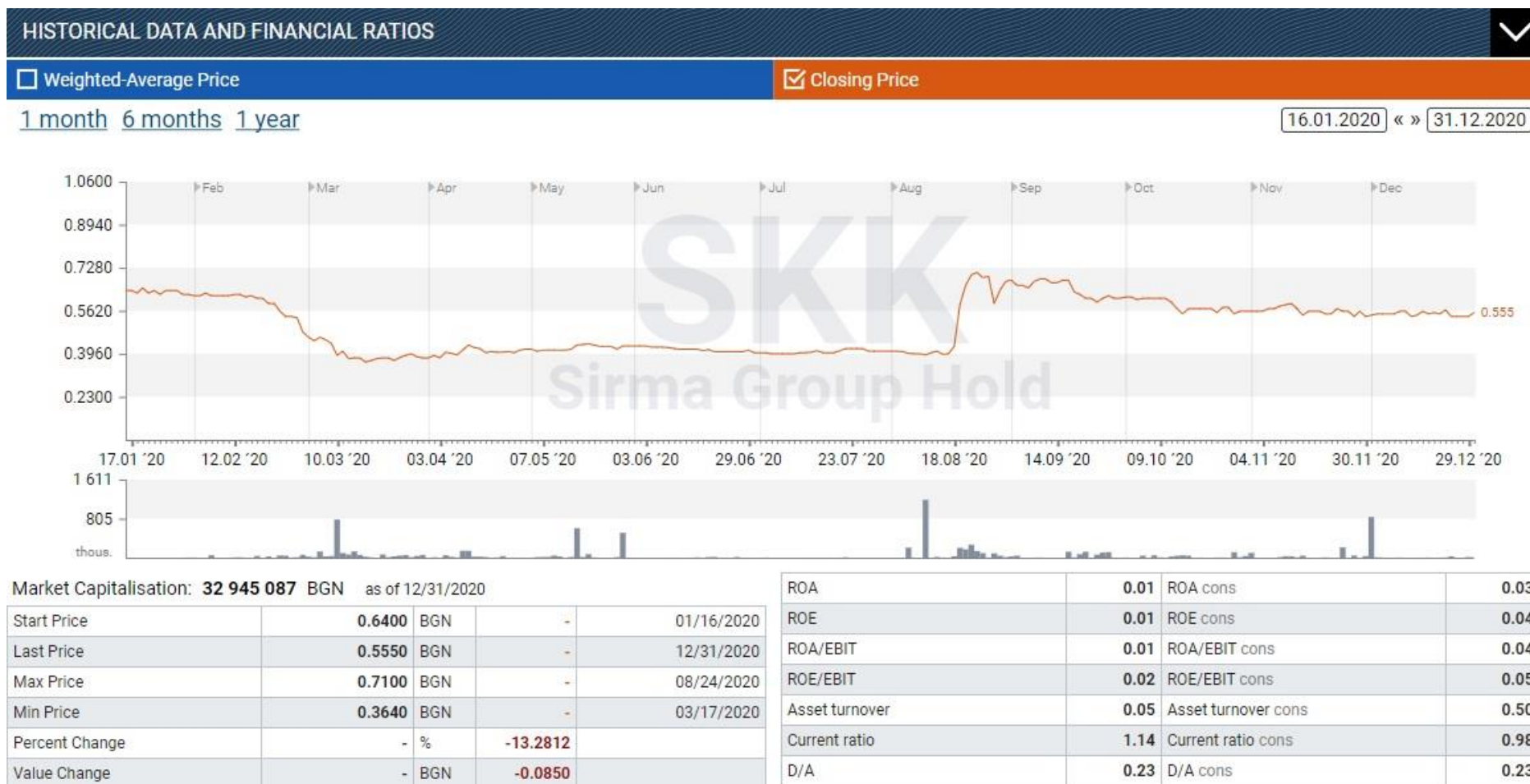
Sofia 1784

ir@sirma.com

Contact phone: +359 2 976 8310



13 CHANGES IN THE PRICE OF THE SHARES OF SIRMA GROUP HOLDING JSC



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 connection with the continuing global pandemic of Covid-19, the decision of the Council of Ministers № 72 of 26 January 2021 extended the period of the epidemic situation in Bulgaria until 30 April 2021. The management monitors the development of the pandemic, the measures adopted and imposed by the government and timely analyzes their potential effect on the operational and financial condition, in order to balance the liquidity positions of the company and ensure financial stability.

Sale of a stake in an associate.

In January 2021, the Company released its investment in the associate "E-Dom Management" Ltd.

Purchase of shares

On 07.04.2021 in the office of "Sirma Group Holding" JSC a letter-notification was received from Rosen Marinov - Executive Director of the subsidiary "Sirma Solutions" that it has acquired 1 437 786 shares from the capital of "Sirma Group Holding" JSC through 4 transactions made on a regulated market (Bulgarian Stock Exchange - Sofia) on April 6, 2021 for the amount of BGN 718 893.

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

Sofia
20.04.2021

CEO.
Tsvetan Alexiev

