



Sirma

Interim Separate Management Report

of "Sirma Group Holding" JSC

according to Annex N10 of Ordinance 2 to Article 32,

Paragraph 1, Item 2, Article 35, Paragraph 1, Item 2,

Article 41, Paragraph 1, Item 2

for the period 01.01.2021 - 31.03.2021

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

The present interim separate report of the management of "Sirma Group Holding" JSC covers the period, ending on 31 March 2021 and was prepared in accordance with the provisions of Article 39 of the Accountancy Law and Art. 100o, para. 2 and 5 of the Law on the Public Offering of Securities (POSA), including also the established events, occurring after the balance sheet date. The structure of this report is in accordance with Annex 9, 10 and Appendix 11 to Article 32a (2) of Ordinance No. 2.

The board of directors of the holding confirms that:

- there were no irregularities in which managers or employees were involved, which may be material to the consolidated financial statements;
- all material transactions are duly accounted for and reflected in the interim financial statements as at 31 March 2021;
- there is no actual or potential breach of laws and (or) other regulatory provisions that would have a material impact on the individual financial statements or could serve as a basis for reporting contingent loss;
- there are no legal or other restrictions on the flow of funds;
- there are no known trends, requests, commitments, events or occasional circumstances for which there is reason to expect that they may affect the company as a whole.

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

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

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

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

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

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

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

The reporting period is the financial period ending on 31.03.2021. The report includes the activity of "Sirma Group Holding" JSC.



2/ ORGANIZATION AND WAY OF PRESENTATION

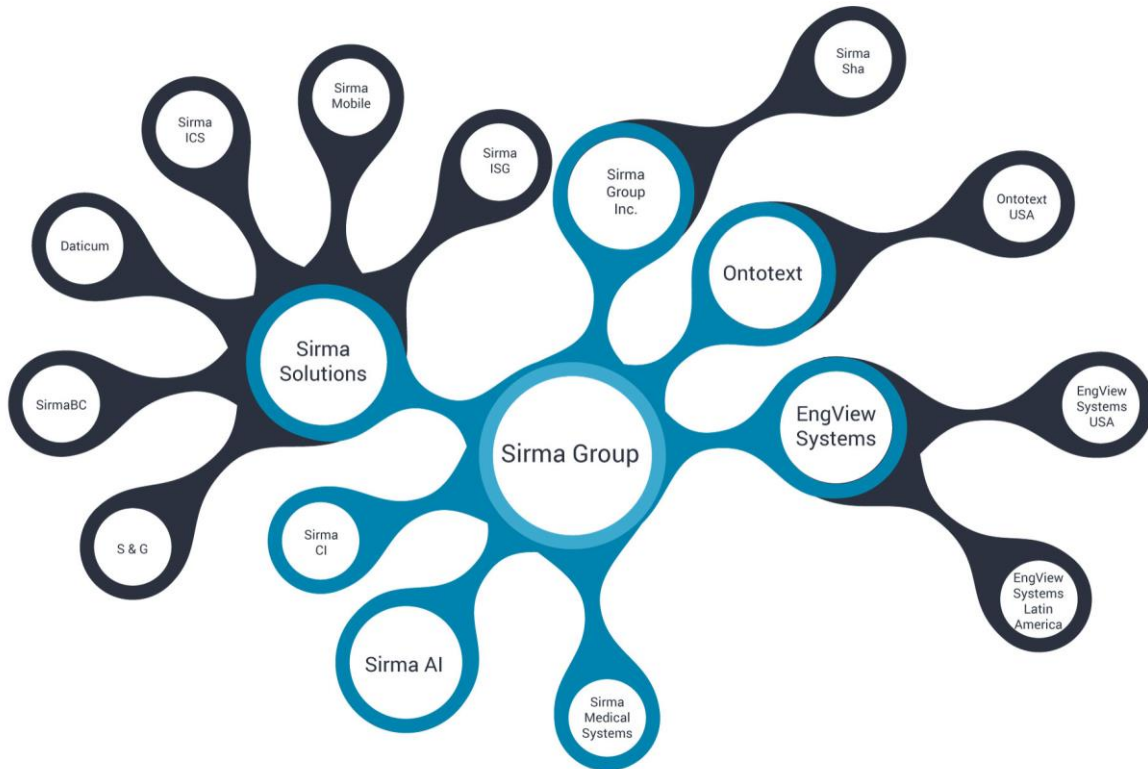
"Sirma Group Holding" JSC is a holding company which invests in technological businesses, manages them strategically and operationally, provides its subsidiaries with management, administrative, marketing and financial services.

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

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

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

2.1. Group structure



HISTORY AND DEVELOPMENT OF THE COMPANY

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

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

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

Changes in the subject of activity:

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

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

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

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

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

CAPITAL

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

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

Non-monetary contributions - description:

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

Value: BGN 61 555 838

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

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

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

Total Value: BGN 77 202 478

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



HISTORY OF SHAREHOLDER CAPITAL

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

- During the transformation entered in the Commercial Register on 23.10.2014, the Company's capital is reduced to 49 837 156 through the cancellation of 23 503 662 shares. This decrease is a result of the estimated fair value of the shares of "Sirma Group Holding" JSC by three independent valuers. The shareholding structure of the Company does not change as a result of the separation until the shareholding structures in the transforming and newly established companies are mirrored.

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

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

- 29 software modules worth 61 555 838 BGN;

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

- Office building - offices, floor 3th and floor 5th of an office building, located in Sofia, 135 Tsarigradsko shose Blvd., owned by "Sirma Group" JSC, a company registered in the Commercial Register at the Registry Agency UIC 040529004, with headquarters and address of management in Sofia, Mladost district, 135 Tsarigradsko shose Blvd., accepted as shareholder in "SGH" JSC by decision of the General Meeting of "SGH" JSC from 10.07.2008

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

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

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

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

3/ PORTFOLIO OF "SIRMA GROUP HOLDING" JSC

Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.03.2021 (in BGN'000)	Percentage of capital at 31.03.2021	Percentage of capital with adjusted repurchased own shares 31.03.2021	Value of the investment at 31.12.2020 (in BGN'000)	Percentage of capital at 31.12.2020	Percentage of capital with adjusted repurchased own shares 31.12.2019	Changes (in BGN'000)
Sirma Solutions	39 311	77,71%	82,43%	39 311	77,71%	82,43%	-
Sirma AI	7 035	100,00%	100,00%	7 035	100,00%	100,00%	-
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	-
Sirma Group Inc.	3 471	76,16%	76,16%	3 471	76,16%	76,16%	-
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%	-
Ontotext	17 865	87,65%	90,44%	17 865	87,65%	90,44%	-
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	-

INFORMATION ON PARTICIPATION

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

The company has no branches.



4/ STRUCTURE OF SHAREHOLDERS CAPITAL AND MANAGEMENT AUTHORITIES

4.1. Distribution of share capital

As of 31.03.2021 the distribution of the share capital of "Sirma Group Holding" JSC is as follows:

	31.03.2021 (BGN '000,%)	31.12.2020 (BGN '000,%)
Share capital	59 361	59 361
Number of shares (par value of BGN 1.00)	59 360 518	59 360 518
Total number of registered shareholders	1 051	1 041
Including legal entities	46	47
individuals	1 005	994
Number of shares held by legal entities	8 533 158	8 528 409
% Of participation of entities	14,38%	14,37%
Number of shares held by individuals	50 827 360	50 832 109
% Participation of individuals	85,62%	85,63%

Shareholders	Number of shares at 31.03.2021	Number of shares at 31.12.2020	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,97%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	1	4 865 753	8,20%	8,28%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,08%
Veselin Antchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	8,00%
Ivo Petrov Petrov	4 444 000	4 400 000	1	4 444 000	7,49%	7,56%
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	1 925 820	1 925 649	1	1 925 820	3,24%	3,28%
Bank of New York Melon	1 729 200	1 765 200	1	1 729 200	2,91%	2,94%
Yavor Liudmilov Djonev	1 392 746	1 392 746	1	1 392 746	2,35%	2,37%
UPF "Doverie" JSC	1 047 678	1 047 678	1	1 047 678	1,76%	1,78%
Peter Nikolaev Konyarov	870 665	870 665	1	870 665	1,47%	1,48%
"Mandjukov" Ltd.	860 000	860 000	1	860 000	1,45%	1,46%
UPF "DSK Rodina"	747 036	747 036	1	747 036	1,26%	1,27%
UPF "Pension Insurance Institute"	715 810	715 810	1	715 810	1,21%	1,22%
Others	12 542 915	12 551 086	1	12 542 915	21,13%	20,35%
Total	59 360 518	59 360 518		59 360 518	100%	100%

As of 31.03.2021 "Sirma Group Holding" JSC posses repurchased 584 474 own shares (0,98% from share capita).



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

Shareholders	Number of shares at 31.03.2021	% 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	4 444 000	7,49%	7,56%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,37%

Shareholders	Number of shares at 30.12.2021	% 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%

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

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

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

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

4.2. Management authorities

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

The Board of Directors as of 31.03.2021 includes the following members:

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

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

The current mandate of the Board of Directors: 19.09.2021

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



Competencies of the management

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

Stock options of the company

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

Committees in The Company

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

1. Investment and Risk Committee, composed of:

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

2. Remuneration Committee, composed of:

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

3. Information Disclosure Committee, composed of:

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

4. Audit Committee, composed of:

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

Adopted internal documents

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

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

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

<https://www.sirma.bg/investors/корпоративно-управление/корпоративни-документи/>

The participation of members of the Board of Directors in the capital of the Company is as follows:

Shareholders	Number of shares at 31.03.2021	Number of shares at 31.12.2020	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	8,88%	8,97%
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,20%	8,28%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	1	4 865 753	8,00%	8,08%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	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 - 31.03.2021 there were no changes in the participation of the members of the BD in the capital of the company.



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

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

Name	Company	Period: 01.01.2021 - 31.03.2021 (BGN)
Tsvetan Borisov Alexiev	"SIRMA GROUP HOLDING" JSC	(37 500)
Yordan Stoyanov Nedev	"SIRMA GROUP HOLDING" JSC	(18 915)
Atanas Kostadinov Kiryakov	"SIRMA GROUP HOLDING" JSC	(4 500)
Georgi Parvanov Marinov	"SIRMA GROUP HOLDING" JSC	(4 500)
Chavdar Velizarov Dimitrov	"SIRMA GROUP HOLDING" JSC	(4 500)
Petar Borisov Statev	"SIRMA GROUP HOLDING" JSC	(4 500)
Total		(74 415)

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

In the contracts of the members of the board of directors, both with the Company itself and with subsidiaries of the Company, where such contracts are available to them, no

benefits have been provided upon termination of their contracts.

INFORMATION ON THE COMPANY'S AUDIT COMMITTEE, INCLUDING THE NAME OF THE MEMBERS OF THE COMMITTEE AND A MANDATE SUMMARY ON WHICH THE COMMITTEE FUNCTIONS

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

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

STATEMENT ON WHETHER THE COMPANY COMPLIES OR DOES NOT TO THE REGIME FOR CORPORATE GOVERNANCE

In view of the fact that "Sirma Group Holding" JSC is entered in the register under Art. 30, para. 1, item 3 of FSCA, kept by FSC, the Company has implemented a program prepared in accordance with internationally recognized standards for good corporate governance. In accordance with the provision of Art. 100n, para. 4, item 3 of POSA

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



5/ "SIRMA GROUP HOLDING" JSC IN Q1 2021

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 2021

The World Bank ([Global Economic Prospects, January 2021](#)) expects Bulgaria's GDP contraction in 2020 to reach 5,1% and a subsequent recovery in 2021 of 3,3% and 3,7% in 2022.

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

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

Development of the global economy in 2021

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.

The Industry of Sirma

The companies from Sirma Group specialize in the information technology (IT) industry. Industry data is usually

combined with data for the 'communication segment', as this segment is entirely dependent on information technology. Respectively, the industry acquires the name "Information and Communication Technologies" or ICT for short. Of all the diversity of ICT segments, the companies in the group work mainly in the segments "IT services" (system integration, infrastructure as a service, software as a service, software support, consulting) and "Business software" (different software products aimed at different business verticals and custom software development).

The two major segments ("IT Services" and "Software") in which the Group operates were the fastest growing in the. Historically, both segments have followed the same development trends. Expectations in early 2021 are that the two segments will return to growth, with the synchronicity between them remaining disrupted.

Sirma's Intelligent Enterprise Evolution business line is expected to sustain double-digit growth for the period 2020-2024. 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 leading global markets (USA, UK and Europe) which are also expected to make the fastest return to normal pre-COVID spending on IT as early as 2021.

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.

Forecast for the Global ICT Sector in 2021

The Covid crisis has had a major impact on the IT industry and its customers.

Gartner revised its forecast for global ICT spending in [April 2021](#), with corrections being to the positive (or smaller than



initially expected decrease). Gartner expects that global ICT spending will reach USD 4.1 trillion in 2021.

Gartner expects a recovery in all segments of ICT in 2021 and an overall annual growth of the sector of 8%. The driver behind the growth in 2021 will be the "Devices" segment which took the hardest hit in 2020. It is expected for the segment to mark a growth of 14% y/y. The "Software" and "IT services" segments will also have a significant growth during the year of 10.7% and 9% accordingly.

Recovery across countries, industry sectors and IT segments still varies considerably, suggesting a K-shaped recovery. In the industrial perspective, the IT costs of the Banking and Insurance industries will reach pre-pandemic levels as early as 2021, while Retail and Transport will not achieve the same recovery until 2023.

Gartner has revised its estimates of global ICT spending:

Global ICT Spending in Current Prices

	2017	2018	2019	2020	2021	2022	2023	2024	2025	CAGR 2020- 25
Data Center Systems										
Spending (B\$)	182	213	215	220	237	248	255	265	272	
Growth y/y		17.03%	0.94%	2.33%	7.73%	4.64%	2.82%	3.92%	2.64%	4.31%
Enterprise Software										
Spending (B\$)	370	427	477	467	517	572	641	723	803	
Growth y/y		15.41%	11.71%	2.10%	10.71%	10.64%	12.06%	12.79%	11.07%	11.46%
Devices										
Spending (B\$)	673	714	712	663	756	779	786	795	802	
Growth y/y		6.09%	-0.28%	6.88%	14.03%	3.04%	0.90%	1.15%	0.88%	3.87%
IT Services										
Spending (B\$)	931	993	1 040	1 021	1 113	1 193	1 299	1 420	1 539	
Growth y/y		6.66%	4.73%	1.83%	9.01%	7.19%	8.89%	9.31%	8.38%	8.55%
TELCO										
Spending (B\$)	1 381	1 382	1 396	1 386	1 450	1 505	1 546	1 574	1 590	
Growth y/y		0.07%	1.01%	0.72%	4.62%	3.79%	2.72%	1.81%	1.02%	2.77%
All ICT										
Spending (B\$)	3 537	3 728	3 840	3 757	4 073	4 296	4 527	4 776	5 005	
Growth y/y		5.40%	3.00%	2.16%	8.41%	5.48%	5.38%	5.50%	4.79%	5.90%
IT w/o TELCO										
Spending (B\$)	2 156	2 346	2 444	2 371	2 623	2 791	2 981	3 202		
Growth y/y		8.81%	4.18%	2.99%	10.63%	6.40%	6.81%	7.41%		5.89%

Regionally, Latin America is expected to recover in 2024, while China's IT spending has already surpassed 2019 levels. North America and Western Europe are expected to recover by the end of 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 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, January 25, 2021](#)) 2/3 of the respondents plan to restore the used IT services that were stopped or postponed due to the COVID crisis.

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.



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). "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.

PARTICIPATION IN MANAGEMENT AND IMPLEMENTATION OF CONTROL ON THE SUBSIDIAR COMPANIES

In Q1 2021, as in previous periods, Sirma Group Holding's senior management was actively involved in the management of its subsidiaries. The high expertise and accumulated experience of Sirma Group Holding's managers helped companies to formulate their development goals and strategies as well as their business and financial plans. As a

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

MARKETING

In operational terms, the annual marketing strategy and budget of the "Sirma Group Holding" JSC for 2021 ensured the planning, development and successful implementation of the following activities:

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

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

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

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

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

ACTIVITY AND MANAGEMENT OF FINANCIAL RESOURCES OF THE GROUP

ASPECTS OF THE FINANCIAL ACTIVITY OF HOLDING AND GROUP

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

I. Goals

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

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

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

II. Execution of functions

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

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



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

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

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

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

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

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

III. Completed tasks

- ACCOUNTING SERVICES

In Q1 2021 "Sirma Group Holding" JSC performed the accounting services of 17 subsidiaries and associated companies and related companies. In addition to regular accounting services, management is presented with various BI reports built as know-how of the Group. The FAD of "Sirma Group Holding" JSC achieved monthly reporting of results at individual and group level. The department also managed to manage the companies' relationships with the

- LEGAL SERVICES

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

- MANAGEMENT OF RISKS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



small, medium, large or very large; Impact: catastrophic, critical, permissible, insignificant.

A risk table is prepared with the data. Risks are grouped into categories, their likelihood of occurrence and their impact, as well as case scenarios that are implemented in case the risk occurs. The resulting list is sorted by impact and probability. A threshold is set, the risks over which it will be managed. The risk table is reviewed and reassessed on a regular basis, as there is a chance that risks may be dropped, new ones added or ratings changed.

- Planning actions to overcome the risk

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

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

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

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

- Risk monitoring and control - This is the latest activity in risk management. This process has several main tasks:
 - confirm the occurrence of a risk
 - ensure that activities to prevent or deal with risks are implemented
 - Identify what risk has caused the relevant problems
 - document information to be used in a subsequent risk analysis;

IMPACT OF EXCLUSIVE FACTORS

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

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

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

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 6 of this Report are observed during the period considered.

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

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

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



EVENTS AND BUSINESS NEWS IN Q1 2020

The following events and business news took place in Q1 2021:

31.03.2021

Sirma Group Hoding is among the founders of the "Green Center" at BSE.

30.03.2021

Disclosure of audited annual individual reports of Sirma Group Holding JSC for the period ending on 31.12.2020.

24.03.2021

The daughter company Sirma Business Consulting becomes a member of the American Chamber of Commerce.

04.03.23021

The new version of the telemedicine product of Sirma Medical Services - Medrec:M offers vaccination plans.

28.02.2021

Disclosure of interim consolidated financial reports of Sirma Group Holding JSC as at 31.12.2020.

15.02.2021

The stock exchange code of the shares of Sirma Group Holding JSC was changed from SKK to SGH.

04.02.2021

Disclosed information for a big deposit opened by the daughter company Sirma Solutions JSC with Sirma Group Holding JSC.

03.02.2021

New partnership between the daughter company Sirma AI and the provider of semantic technology Eccenca.

29.01.2021

Disclosure of interim individual financial reports of Sirma Group Holding JSC as at 31.12.2020.

19.01.2021

The daughter company Sirma Medical Systems is certified with the international quality control certificate ISO 13485:2016 by Lloyd's Register.

MAIN LEGAL INFORMATION IN Q1 2021

Transactions with shares for the period 01.01.2021 - 31.03.2021:

- **Sale of an investment in an associate**

On 18 January 2021, the company released its investment in the associated company E-Dom Management Ltd., selling its stake at a nominal value of BGN 7 thousand.

Litigation for the period 01.01.2021 - 31.03.2021:

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



6/ INDIVIDUAL FINANCIAL RESULTS

6.1. REVENUES

	31.3.2021 BGN '000	31.3.2020 BGN '000	Change (BGN '000)	Change (%)
Revenues from sales	829	480	349	72,71%
Income from sale of investments	7	-	7	n/a
Gain on sale of non-current assets	5	-	5	n/a
Interest income	2	57	(55)	(96,49%)
Revenues from financing	-	14	(14)	n/a
Total	843	551	292	52,99%

In Q1 2021 the revenues of "Sirma Group Holding" JSC increased by BGN 292 thousand or by 52,99% compared to Q1 2020.

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

Revenues by product line includes:

	31.3.2021 BGN '000	31.3.2020 BGN '000	Change (BGN '000)	Change (%)
Cloud services	370	-	370	n/a
Administrative and accounting services	212	225	(13)	(5,78%)
Rents of investment properties	131	131	-	-
Licenses	34	-	34	n/a
Technical Support	9	9	-	-
Others	73	115	(42)	(36,52%)
Total	829	480	349	72,71%

6.2. EXPENSES

	31.3.2021 BGN '000	31.3.2020 BGN '000	Change (BGN '000,%)
Cost of materials	(14)	(22)	8
Change in %			(36,36%)
Hired services expenses	(260)	(159)	(101)
Change in %			63,52%
Employee benefits expense	(314)	(311)	(3)
Change in %			0,96%
Depreciation and amortisation of non-financial assets	(137)	(193)	56
Change in %			(29,02%)
Capitalized own expenses	27	25	2
Change in %			8,00%
Other expenses	(3)	(20)	17
Change in %			(85%)
Total expenses	(701)	(680)	(21)
Change in %			3,09%

In Q1 2021 the expenses of "Sirma Group Holding" JSC increased by BGN 21 thousand or by 3,09% as compared to Q1 2020.



6.3. FINANCIAL INCOME / COSTS (NET)

	31.3.2021 BGN '000	31.3.2020 BGN '000	Change (BGN '000)	Change (%)
Financial costs	(83)	(77)	(6)	7,79%
Financial income	14	9	5	55,56%
Financial income / costs (net)	(69)	(68)	(1)	1,47%

In Q1 2021, financial income / costs (net) of "Sirma Group Holding" JSC increased by BGN 1 thousand as compared to Q1 2020.

6.4. ASSETS

The total assets of „Sirma Group Holding“ JSC at the end of the Q1 of 2021 are with BGN 1 397 thousand (0,85%) more than their value at the end of 2020.

	31.3.2021 BGN '000	31.12.2020 BGN '000	Change (BGN '000)	Change %
Property, plant and equipment	683	644	39	6,06%
Intangible assets	9 600	9 653	(53)	(0,55%)
Investments in subsidiaries	67 904	67 904	-	-
Investment property	7 149	7 171	(22)	(0,31%)
Long-term related party receivables	3 807	3 807	-	-
Deferred tax assets	56	56	-	-
Total non-current assets	89 199	89 235	(36)	(0,04%)

	31.3.2021 BGN '000	31.12.2020 BGN '000	Change (BGN '000)	Change (%)
Trade receivables	77	48	29	60,42%
Prepayments and other assets	776	718	58	8,08%
Related party receivables	2 402	2 500	(98)	(3,92%)
Cash and cash equivalents	2 732	1 288	1 444	112,11%
Total current assets	5 987	4 554	1 433	31,47%

6.5. EQUITY

	31.3.2021 BGN '000	31.12.2020 BGN '000	Change (BGN '000)	Change %
Share Capital	59 361	59 361	-	-
Purchased own shares	(585)	(585)	-	-
Share premium reserve	5 497	5 497	-	-
Other reserves	1 042	1 042	-	-
Retained earnings	8 125	7 130	995	13,96%
Current financial result	73	995	(922)	(92,66%)
Total equity	73 513	73 440	73	0,10%

In Q1 2021, Equity increased by BGN 73 thousand compared to the end of 2020.

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



6.6. LIABILITIES

The amount of the liabilities of "Sirma Group Holding" JSC at the end of Q1 2021 is with BGN 1 324 thousand (1,27%) higher than their value at the end of 2020.

	31.3.2021 BGN '000	31.12.2020 BGN '000	Change (BGN '000)	Change %
Pension employee obligations	38	38	-	-
Long-term borrowings	5 762	6 285	(523)	(8,32%)
Long-term lease liabilities	117	122	(5)	(4,10%)
Long-term related party payables	6 179	6 179	-	-
Total Non-current liabilities	12 096	12 624	(528)	(4,18%)

	31.3.2021 BGN '000	31.12.2020 BGN '000	Change (BGN '000)	Change %
Employee obligations	222	165	57	34,55%
Short-term borrowings	4 294	4 281	13	0,30%
Short-term lease liabilities	20	19	1	5,26%
Trade and other payables	178	443	(265)	(59,82%)
Short-term related party payables	4 857	2 811	2 046	72,79%
Income tax liabilities	6	6	-	-
Total Current liabilities	9 577	7 725	1 852	23,97%

6.7. CASH FLOW

	31.3.2021 BGN '000	31.3.2021 BGN '000	Change (BGN '000)	Change %
Net cash flow from operating activities	(259)	(197)	(62)	31,47%
Net cash flow from investing activities	254	(163)	417	n/a
Net cash flow from financing activities	1 448	391	1 057	270,33%
Net change in cash and cash equivalents	1 443	31	1 412	4554,84%
Cash and cash equivalents at the beginning of the year	1	-	1	n/a
Exchange gains/(losses) on cash and cash equivalents	1 288	917	371	40,46%
Cash and cash equivalents at the end of the year	2 732	948	1 784	188,19%

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



6.8. INDICATORS AND COEFFICIENTS

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

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

№	Indicators BGN '000	31.3.2021	31.03.2020/ 31.12.2020	Change	
				(Abs.)	(%)
1	Revenue from operating activities	843	551	292	52,99%
2	Cost of sales	(698)	(660)	(38)	5,76%
3	Gross profit / loss	145	(109)	254	(233,03%)
4	Other operating costs	(3)	(20)	17	(85%)
5	Operating profit / loss	142	(129)	271	(210,08%)
6	Financial income	14	9	5	55,56%
7	Financial costs	(83)	(77)	(6)	7,79%
8	Profit / loss before tax expense	73	(197)	270	(137,06%)
9	Tax costs	-	-	-	n/a
10	Net profit / loss	73	(197)	270	(137,06%)
11	Dividend	-	-	-	n/a
12	Cash and cash equivalents	2 732	1 288	1 444	112,11%
13	Inventories	-	-	-	n/a
14	Short-term assets	5 987	4 554	1 433	31,47%
15	Total amount of assets	95 186	93 789	1 397	1,49%
16	Average arithmetic total asset value for 5 quarters	94 159	93 724	436	0,46%
17	Current liabilities	9 577	7 725	1 852	23,97%
18	Debt	10 193	10 707	(514)	(4,80%)
19	Liabilities (borrowed funds)	21 673	20 349	1 324	6,51%
20	Equity	73 513	73 440	73	0,10%
21	Equity averaged 5 quarters	73 258	73 021	237	0,32%
22	Turnover capital	(3 590)	(3 171)	(419)	13,21%
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	0,00%
24	Gain / loss minority interest	-	-	-	n/a
25	Interest expenses	(70)	(67)	(3)	4,48%
26	Weighted average share price of last trading session	0,5125	0,5475	(0,035)	(6,39%)
27	Last share price of last trading session	0,51	0,555	(0,045)	(8,11%)



Indicators	31.3.2021	31.03.2020/ 31.12.2020	Change	
			(Abs.)	(%)
EBITDA	280	63	217	344,44%
DEPRECIATION	(137)	(193)	56	(29,02%)
EBIT	143	(130)	273	(210,00%)
FIN/INVEST NET	(69)	(68)	(1)	1,47%
EBT	73	(197)	270	(137,06%)
ROA	0,0008	(0,0021)	0,00287	(136,51%)
ROA(BSE)	0,0008	(0,0021)	0,00288	(136,88%)
Debt/EBITDA Ratio	36,4036	169,9524	(133,54881)	(78,58%)
Quick Ratio	0,6251	0,5895	0,0356	6,04%
ROE (BSE)	0,0010	(0,0027)	0,0037	(136,94%)
ROE	0,0010	(0,0027)	0,0037	(136,94%)
EBITDA	0,2948	0,2771	0,0177	6,40%
Profitability ratios				
Gross profit margin	0,1720	(0,1978)	0,3698	(186,95%)
Operating profit margin	0,1684	(0,2341)	0,4026	(171,95%)
Net profit margin	0,0866	(0,3575)	0,4441	(124,22%)
Coefficients for assets and liquidity				
Assets turnover ratio	0,0091	0,0060	0,0031	52,33%
Assets turnover ratio (BSE)	0,0090	0,0059	0,0031	52,29%
Operating cycle	(0,2348)	(0,1738)	(0,0611)	35,14%
Current ratio	0,6251	0,5895	0,0356	6,04%
Quick ratio	0,6251	0,5895	0,0356	6,04%
Cash ratio	0,2853	0,1667	0,1185	71,09%
Odds per share				
P/S ratio	36,0884	58,9839	(22,8955)	(38,82%)
P/E ratio	416,7467	(164,9754)	581,7221	(352,61%)
P/B ratio	0,4138	0,4425	(0,0287)	(6,49%)
Revenue per share	0,0142	0,0093	0,0049	52,99%
Earnings per share	0,0012	(0,0033)	0,0045	(137,06%)
Book value of equity per share	1,2341	1,2301	0,0040	0,32%
Development Ratios				
Revenue growth	0,5299	(0,8965)	1,4265	(159,11%)
Gross profit growth	(2,3303)	(1,0205)	(1,3098)	128,35%
Assets growth	0,0149	0,0069	0,0080	116,11%
Leverage Ratios				
Debt/total assets	0,1083	0,1142	(0,0060)	(5,24%)
Debt/capital	0,1221	0,1279	(0,0057)	(4,48%)
Debt/equity	0,1391	0,1466	(0,0075)	(5,11%)
Total assets/equity	1,2853	1,2835	0,0018	0,14%
Market value of the company	30 274	32 945	(2 671)	(8,11%)



6.9 RELATED PARTY TRANSACTIONS

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

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

Transactions with subsidiaries

	31.3.2021 BGN'000	31.3.2020 BGN'000
Purchases of goods and services:		
Purchases of services:		
- Software services	(5)	(4)
Purchases of goods:		
- Office supplies	(1)	(1)
- Inventory	(1)	
- Computer components	(1)	(1)
Purchases of LTA	(3)	-
Sales of goods and services		
Sales of services		
- Cloud services	370	-
- Administrative, accounting services	175	173
- Rent	119	119
- Consulting services	44	39
- Sale of licenses	34	-
- Technical Support	6	6
- Marketing and Advertising	-	22
Sales of goods:		
- Consumables	19	19
- Deposits received	2 000	60
- Given loans	(12)	(53)
- Refunded loans	158	-
- interest on received deposits	(33)	(19)
- interest on loans granted	2	45



Transactions with other related parties

	31.3.2021	31.3.2020
	BGN'000	BGN'000
Purchases of services:		
- Internet	(5)	(3)
- Consulting services	-	-
- Subscriptions	-	(2)
Sale of services		
- Administrative, accounting services	37	45
- Rent	12	12
- Sale of licenses	-	7
- Technical Support	4	4
Purchases of goods		
- Consumables	1	1
- Deposits received	-	70
- Given loans	-	-
- Refunded loans	7	7
- Interest on loans granted	2	12

Transactions with key management personnel

Key management of the Company includes members of the board of directors. Key management personnel remuneration includes the following expenses:

	31.3.2021	31.3.2020
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries including bonuses	(74)	(74)
Social security costs	(2)	(2)
Total short-term employee benefits	<u>(76)</u>	<u>(76)</u>
Total remunerations	<u>(76)</u>	<u>(76)</u>



7/ PERSONNEL AND ECOLOGY

7.1 ECOLOGY

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

7.2 PERSONNEL

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

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

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

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

"Sirma Group Holding" JSC	31.03.2021 Number of employees	31.03.2020 Number of employees
Employment contract	19	21
Contract for management and control	6	6
Total	25	27

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

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

8/ RISK FACTORS

Risk management objectives and policies

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

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

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

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



8.1 Market risk analysis

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

8.1.1.1 Foreign currency risk

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

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

8.1.1.2 Interest rate risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 March 2021, the Company was not exposed to changes in market interest rates. The Company's investments in bonds all pay fixed interest rates.

8.2 Credit risk

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

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

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

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

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

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

8.3 Liquidity risk

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

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

Financial assets used for managing liquidity risk

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



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

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

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

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

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

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

The entity's ability to service obligations is expressed in terms of liquidity ratios in the description of the liquidity risk in this report. As evidenced by the values of the liquidity indicators, Sirma Group Holding JSC has no problems in meeting its



obligations, both in the medium and long term. The company has regular proceeds from sale, while also using bank overdrafts, which allows it to service its obligations by successfully managing its financial resources and to properly and timely service its obligations.

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

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

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

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

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

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

- adherence to a particular management and accounting policy disclosed in the financial statements;
- carrying out all operations in compliance with the laws and regulations; coverage of all events and operations in a timely manner, with the exact amount of the amounts in the appropriate accounting articles.

- accounts and the relevant reporting period so as to allow the financial statements to be prepared in accordance with the specific accounting framework;
- observance of the precautionary principle in the valuation of assets, liabilities, income and expenses;
- detection and termination of frauds and errors;
- completeness and regularity of accounting information;
- preparation of reliable financial information;
- adherence to international financial reporting standards and adherence to the going concern principle.

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



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

No changes during the period considered.

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

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

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

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



19/ EVENTS AFTER THE END OF THE REPORTING PERIOD

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

In connection with the continuing global pandemic of Covid-19, the decision of the Council of Ministers extended the period of the epidemic situation in Bulgaria until 31 May 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.

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.

Sofia
05.05.2021

CEO:



Tsvetan Alexiev

