



**Sirma**

# **Interim Consolidated Management Report**

of "Sirma Group Holding" JSC  
for H1 2021

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

The present interim consolidated management of "Sirma Group Holding" JSC covers the period, ending on 30 June 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 the Public Offering of Securities Act (POSA), including also the established events, occurring after the balance sheet date. The structure of this report is in accordance with Appendix 9, 10 and Appendix 11 to Article 32a (2) of Ordinance No. 2 of the Financial Supervision Commission (FSC).

The board of directors of the holding confirms that:

- there were no irregularities in which managers or employees were involved, which may be material to the consolidated financial statements;
- all material transactions are duly accounted for and reflected in the interim consolidated financial statements as at 30 June 2021;
- there is no actual or potential breach of laws and (or) other regulatory provisions which would have a material impact on the consolidated financial statements or could serve as a basis for reporting contingent loss;
- there are no legal or other restrictions on the flow of funds;
- there are no known trends, requests, commitments, events or occasional circumstances for which there is reason to expect that they may affect the company as a whole.

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

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

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

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

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

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

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

The reporting period is the financial year ending on 30.06.2021. 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 Flash Media, which are excluded from consolidation due to lack of relevance.

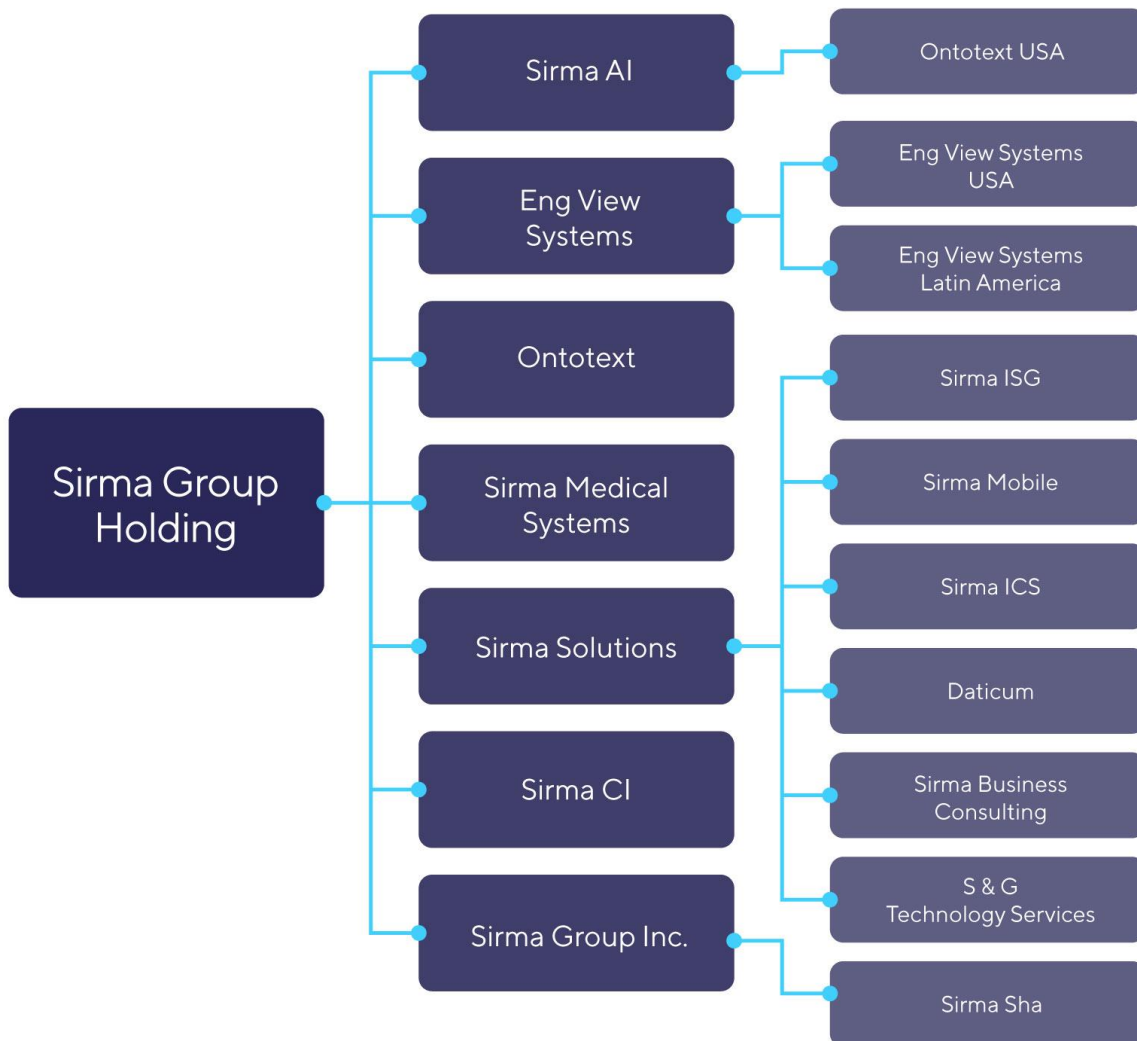


## 2 ORGANIZATION AND WAY OF PRESENTATION

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

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

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





## Branches of the company

**"Sirma Group Holding" JSC has no registered branches.**

## History and development of the company

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

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

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

## Changes in the statement of activity

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

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

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

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

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

## CAPITAL

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

## History of Share Capital

History of changes in share capital

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

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

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

On 22.10.2010. as a result of the decision of the regular annual general meeting of the Company's shareholders, a reduction of the capital of "Sirma Group Holding" JSC from

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

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

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

77 252 478 BGN to 73 340 818 BGN was recorded through the cancellation of 3 911 660 shares with a par value of 1



BGN each. The Company's capital was reduced on the basis of Art. 200, para. 2, in conjunction with Art. 187f, par. 1, item 2n of the Bulgarian Commercial Law.

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

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

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

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

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

## 3 STRUCTURE OF SHARE CAPITAL AND MANAGEMENT AUTHORITIES

### 3.1. Capital structure

As of 30.06.2021 the distribution of the share capital of Sirma Group Holding is as follows:

	30.06.2021 (BGN '000,%)	31.03.2021 (BGN '000,%)
Share capital	59 361	59 361
Number of shares (par value of 1 BGN)	59 360 518	59 360 518
Total number of registered shareholders	1 046	1 051
Including legal entities	48	46
Including Individuals	998	1 005
Number of shares held by legal entities	8 519 033	8 533 158
% of capital of legal entities	14,35%	14,38%
Number of shares held by individuals	50 841 485	50 827 360
% of capital held by individuals	85,65%	85,62%



Shareholders	Number of shares at 30.06.2021	Number of shares at 31.03.2021	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	4 965 753	4 865 753	1	4 965 753	8,37%	8,45%
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	4 500 000	4 444 000	1	4 500 000	7,58%	7,66%
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	1 925 820	1	1 925 820	3,24%	3,28%
"Sirma Solutions"	1 437 786	-	1	1 437 786	2,42%	2,45%
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%
Bank of New York Mellon	110 000	1 729 200	1	110 000	0,19%	0,19%
Others	12 568 329	12 542 915	1	12 568 329	21,17%	20,39%
<b>Total</b>	<b>59 360 518</b>	<b>59 360 518</b>		<b>59 360 518</b>	<b>100%</b>	<b>100%</b>

As of 30.06.2021 "Sirma Group Holding" JSC holds 584 474 own shares (0,98% from share capital). The Company has no newly acquired own shares during the period.

As of 30.06.2021 "Sirma Solutions" owns 1 437 786 shares of the parent company „Sirma Group Holding“ JSC with total value of BGN 718 893.

As of 30.06.2021 "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 30.06.2021	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	8,88%	8,97%
Tsvetan Borisov Alexiev	4 965 753	8,37%	8,45%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,08%
Veselin Antchev Kirov	4 700 786	7,92%	8,00%
Ivo Petrov Petrov	4 500 000	7,58%	7,66%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,37%





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%

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 30.06.2021 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

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 02.07.2023

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

### Competencies of the management

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

### Stock options of the company

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



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

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

## Committees in The Company

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

**1. Investment and Risk Committee, composed of:**

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

**3. Information Disclosure Committee, composed of:**

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

**2. Remuneration Committee, composed of:**

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

**4. Audit Committee, composed of:**

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

## Accepted internal normative documents

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

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

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

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

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

Shareholders	Number of shares at 30.06.2021	Number of shares at 31.03.2021	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	4 965 753	4 865 753	1	4 865 753	8,37%	8,45%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,08%
Atanas Kostadinov Kiryakov	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%
<b>Total</b>	<b>17 887 344</b>	<b>17 787 344</b>		<b>17 787 344</b>	<b>30,14%</b>	<b>30,44%</b>

During the period 01.04.2021 – 30.06.2021 member of the Board of Directors Tsvetan Borisov Alexiev has acquired another 100 000 shares of the capital of the company.



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

Board Member	Company	Sums for the period 01.01.2021 - 30.06.2021
		(BGN)
<b>Atanas Kostadinov Kiryakov</b>	EngView Systems Sofia	(300)
	Sirma AI	(3 000)
	Sirma Group Holding	(9 000)
	Sirma Solutions	(3 000)
<b>Georgi Parvanov Marinov</b>	EngView Systems Sofia	(60 000)
	Sirma Business Consulting	(3 000)
	Sirma Group Holding	(9 000)
<b>Yordan Stoyanov Nedev</b>	Sirma Group Holding	(37 830)
<b>Petar Borisov Statev</b>	Sirma Group Holding	(9 000)
<b>Tsvetan Borisov Alexiev</b>	Daticum	(120)
	EngView Systems Sofia	(300)
	Sirma AI	(3 000)
	Sirma Business Consulting	(6 000)
	Sirma Group Holding	(75 000)
<b>Chavdar Velizarov Dimitrov</b>	Sirma Solutions	(42 000)
	Daticum	(120)
	Sirma Group Holding	(9 000)
	Sirma Medical Systems	(600)
<b>Total</b>		<b>(270 270)</b>

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

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

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

At the 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 30.06.2021 (in BGN'000)	Percentage of capital at 30.06.2021	Percentage of capital with adjusted repurchased own shares at 30.06.2021	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 at 31.12.2020	Changes (in BGN'000)
Sirma Solutions	39 311	77,71%	82,43%	39 311	77,71%	82,43%	-
Sirma AI	7 035	100,00%	100,00%	7 035	100,00%	100,00%	-
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	-
Sirma Group Inc.	3 471	76,16%	76,29%	3 471	76,16%	76,29%	-
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%	-
Ontotext	17 865	87,65%	90,44%	17 865	87,65%	90,44%	-
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	-

### Subsidiaries of "Sirma Solutions"

Company	Value of the investment at 30.06.2021 BGN '000	Percentage of capital at 30.06.2021	Value of the investment at 31.12.2020 BGN '000	Percentage of capital at 31.12.2020	Changes BGN '000
Sirma Business Consulting	1 374	54,08%	1 374	54,08%	-
Daticum	1 394	60,50%	1 394	60,50%	-
S&G Technology Services Ltd., UK	117	51,00%	117	51,00%	-
Sirma ISG	4	71%	40	71%	-
Sirma ICS	270	90,00%	270	90,00%	-

### Subsidiaries of "Sirma AI"

Company	Value of the investment at 30.06.2021 BGN '000	Percentage of capital at 30.06.2021	Value of the investment at 31.12.2020 BGN '000	Percentage of capital at 31.12.2020	Changes BGN '000
Ontotext USA	30	100,00%	30	100,00%	-



## Subsidiaries of "EngView Systems Sofia"

Company	Value of the investment at 30.06.2021	Percentage of capital at 30.06.2021	Value of the investment at 31.12.2020	Percentage of capital at 31.12.2020	Changes
	BGN '000		BGN '000		BGN '000
EngView Systems Latin America	7	95%	7	95%	-
EngView USA	190	100%	190	100%	-

## Subsidiaries of Sirma Group Inc.

Company	Value of the investment at 30.06.2021	Percentage of capital at 30.06.2021	Value of the investment at 31.12.2020	Percentage of capital at 31.12.2020	Changes
	BGN '000		BGN '000		BGN '000
Sirma Sha	25	55%	25	55%	-

## Associated companies of "Sirma Solutions"

Company	Value of the investment at 30.06.2021	Percentage of capital at 30.06.2021	Value of the investment at 31.12.2020	Percentage of capital at 31.12.2020
	BGN '000		BGN '000	
SEP Bulgaria	-	6,50%	-	6,50%
Eye Bill Interactive	-	34%	-	34%
Excell Management	-	34%	-	34%
Flash Media	-	50%	-	50%
Sirma Group Inc.	916	23,85%	916	23,85%
Sirma Mobile	15	40%	15	40%

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

The company has no branches.



## 5 SIRMA GROUP IN H1 2021

### 5.1 The business

Established in 1992, Sirma has become one of the largest IT companies in the region for 29 years, owning a range of proprietary, innovative technologies, a diverse product portfolio and growing market share in Europe and North America.

Sirma owns software solutions for a wide range of businesses with a focus on the development of cognitive technologies (AI). The Group has diversified market exposure exclusively to the private sector with a stable customer portfolio. Sirma's products are concentrated in the most promising and high-tech areas - financial technology, semantics, industrial software, IoT, computer vision, medicine. In 2017, as part of its renewed strategy, the group began a focused effort to build cross-selling capacity, updated its sales and marketing model in line with the global trends.

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

Some of Sirma's unique advantages are:

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

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

The main elements of the Strategy are:

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

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

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

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





## 5.2 Economic Trends

### Summary – the crisis, that never happened, but from which we are all recovering

Optimism is taking over the forecasts. The global GDP decrease, resulting from the COVID crisis, in 2020 was less than previously expected. The decrease in the ICT spending, in 2020, actually did not take place and the sector grew with 0.9% y/y. Optimism is also evident with projected global economic growth and ICT spending in 2021.

Both the slump in 2020 and rebound in 2021 for the global economy and for the ICT sector are not evenly distributed across geographies and segments and carry the risk of recurring COVID complications.

### Development of the economy in Bulgaria in 2021

The European Commission ([Summer Economic Forecast, July 2021](#)) recorded Bulgaria's GDP contraction in 2020 of 4.2% (1% less than expected) and forecast a subsequent recovery in 2021 of 4.6% and 4.1% in 2022 (again about 1% better than expected).

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 re-opening of the economy and partial recovery of tourism are also fueling the come-back. Pre-pandemic levels of GDP are expected to be reached in Q4 2021, just like in the Euro Area.

Uncertainty and risk to the forecast growth remain high, albeit balanced. 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 foreign trade, individual and corporate consumption and investments. Counterweight to this risk is the EU Resilience and Recovery plan, which is expected to impact the economies of Europe in late 2021 and the following years. The recovery of the Bulgarian economy is highly conditional and depends on the recovery of European economies, which are also the leading markets for Bulgarian industry.

### Development of the global economy in 2021

As a result of the COVID crisis, global GDP dropped by 3.2% in 2020 (less than expected at the end of last year). The economy was quick to rebound in 2021, with IMF forecast suggesting a 6% of global GDP growth for the year and another 4.9% in 2022 ([World Economic Outlook Update, IMF, July 2021](#)). Both the economic contraction and growth, however, are not evenly distributed among regions and carry increased risks for the future. Growth in 2021 is mainly due to the fast recovery of a few large economies (USA 7%, China 8.1%) and mask the gap between developed economies and emerging market.

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.

### 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 past (see [Gartner Forecasts Worldwide IT Spending to Grow 9% 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 just a minimal growth of 1.7%. At the same time, the "Software" segment managed to maintain much of its growth potential (growth in 2020 of 9.1%), with clients using its products to overcome the constraints associated with the pandemic.

Expectations in early 2021 for the year, are that the two segments will return to strong synchronized growth of 9.8% and 13.2% accordingly.

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 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 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. 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 stronger than expected recovery in the second half of the year. According to Gartner ([Gartner, July 14, 2021](#)), the ICT spending in the world in 2020 actually grew by 0.9% (with prior expected decline of 2.1%) compared to 2019 and will reach \$ 3.9 trillion at current prices.

Gartner expects a recovery in all segments of ICT in 2021 and an overall annual growth of the sector of 8.6%. 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 13.9% y/y with built up consumption pressure released. The "Software" and "IT services" segments will also have a significant growth during the year of 13.2% and 9.8% accordingly.

Recovery across countries, vertical industries and IT sub-segments still varies significantly, prompting a "K-shape recovery" – uneven for many sub-segments and geographies. From an industry perspective, banking and securities and insurance spending will closely resemble pre-pandemic levels as early as 2021, while retail and transportation won't see the same recovery until closer to 2023. 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. The V-shaped recovery is expected to affect all segments of ICT in 2021:

Global ICT Spending in Current Prices USD

	2019	2020	2021	2022	2023	2024	2025	CAGR 2020- 25
<b>Data Center Systems</b>								
Spending (B\$)	174	178	192	202	209	218	224	
Growth y/y		2.30%	7.87%	5.21%	3.47%	4.31%	2.75%	<b>4.64%</b>
<b>Enterprise Software</b>								
Spending (B\$)	485	529	599	669	750	836	928	
Growth y/y		9.07%	13.23%	11.69%	12.11%	11.47%	11.00%	<b>11.90%</b>
<b>Devices</b>								
Spending (B\$)	708	697	794	800	808	823	836	
Growth y/y		<b>-1.55%</b>	13.92%	0.76%	1.00%	1.86%	1.58%	<b>3.70%</b>
<b>IT Services</b>								
Spending (B\$)	1 053	1 071	1 177	1 277	1 387	1 501	1 624	
Growth y/y		1.71%	9.90%	8.50%	8.61%	8.22%	8.19%	<b>8.68%</b>
<b>TELCO</b>								
Spending (B\$)	1 417	1 396	1 445	1 482	1 515	1 535	1 553	
Growth y/y		<b>-1.48%</b>	3.51%	2.56%	2.23%	1.32%	1.17%	<b>2.15%</b>
<b>All ICT</b>								
Spending (B\$)	3 837	3 872	4 206	4 430	4 669	4 912	5 165	
Growth y/y		0.91%	8.63%	5.33%	5.40%	5.20%	5.15%	<b>5.93%</b>
<b>IT w/o TELCO</b>								
Spending (B\$)	2 420	2 476	2 761	2 948	3 154	3 377		
Growth y/y		2.31%	11.51%	6.77%	6.99%	7.07%		<b>6.93%</b>



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.

#### 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.

## 5.3. Additional information for H1 2021

### 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 H1 2021

The following events and business news took place in H1 2021:

**25.06.2021**

Disclosure of Minutes of the GMS of Sirma Group Holding JSC.

**23.06.2021**

Disclosure of the decision for distribution of the profit from 2020 as adopted by the GMS of Sirma Group Holding JSC.

**23.06.2021**

Sirma Group Holding's annual shareholding meeting is held in hybrid mode – in person and online.

**19.06.2021**

Interview with Sirma Medical Systems Executive director Rosen Varbanov in the new edition of "In spite of Diabetes with Marieta Kotova".

**09.06.2021**

Disclosure of information on the online GMS of Sirma Group Holding.

**04.06.2021**

Disclosure of purchase of shares from Sirma Group Holding JSC by Tsvetan Alexiev – Executive Director.

**01.06.2021**

The daughter company Daticum and CLICO Bulgaria collaborate to provide top-notch cybersecurity solutions.

**31.05.2021**

Disclosure of interim quarterly consolidated reports of Sirma Group Holding JSC for the period ending on 31.03.2021.

**21.05.2021**

Publication of Invitation for General Annual Meeting of the Shareholders on 23.06.2021 and the relative documentation.

**05.05.2021**

Disclosure of interim quarterly individual reports of Sirma Group Holding JSC for the period ending on 31.03.2021.

**29.04.2021**

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

**29.04.2021**

Article on Sirma in L'Europeo.

**27.04.2021**

The product EngView Package & Display Designer is now available through subscription plans.

**16.04.2021**

Launch of version 3.4 of the product Ontotext Platform with improved data processing and query functions.

**07.04.2021**

Disclosure of purchase of shares by the daughter company Sirma Solutions JSC.

**02.04.2021**

Launch of version 9.7 of Sirma AI's product GraphDB with enhanced capabilities.



**31.03.2021**

Sirma Group Holding 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.

**04.03.2021**

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.

## 5.5. Main legal information in H1 2020

### Transactions with shares for the period 01.01.2021 - 30.06.2021:

- **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.

- **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.

### Litigation for the period 01.01.2021 - 30.06.2021:

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

## 5.6 Information for contracted large transactions in H1 2021

In H1 2021, the company made several large contracts with customer and subcontracts, in connection with the new strategy of the Group:

Purchases:

- Deal 1 for BGN 2 921 thousand
- Deal 2 for BGN 1 202 thousand
- Deal 3 for BGN 732 thousand



Sales:

- Deal 1 for BGN 3 146 thousand
- Deal 2 for BGN 3 000 thousand
- Deal 3 for BGN 1 258 thousand

## 5.7 Information of the used financial instruments in H1 2021

In H1 2021 the company has not used any financial instruments.

## 5.8 R&D activity of the company in H1 2021

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 H1 2021 amounts to BGN 1 536 thousand.

## 5.9 Possible future development of the company

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 H1 2021

During H1 2021 the company has not been notified for contracted transactions with the members of the Board of Directors or parties related to them, which fall outside the line of activity of the company or the terms of which differ substantially from the current market.





## 6 RESULTS BY COMPANY

### DATICUM

- <https://www.daticum.com/>
- **Daticum 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.

#### MAIN MARKETS:

Bulgaria, North and South America, Europe

#### MAIN CLIENTS:

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

#### MAIN COMPETITORS:

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

#### BUSINESS MODEL OF THE COMPANY

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

#### RESOURCES OF THE COMPANY

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

#### NEW PRODUCTS, NEW BUSINESS OR BUSINESS MODELS FOR THE PERIOD

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

#### HR POLICY

Preserve current staff. Maintaining and increasing its qualification through training, courses and participation in affiliate programs. Staff costs are rising in line with an increase in business volumes by up to 10-15% per year.

#### DATICUM IN H1 2021

##### BUSINESS DEVELOPMENT IN H1 2021 AND REALIZATION OF THE INVESTMENT PLAN

- Daticum began to recover the level of revenues from before the announcement of the epidemiological situation and the subsequent negative results for the economy in H1 2020.
- Despite the crisis, Daticum continued to invest in upgrading and improving the cloud infrastructure, as well as the data center in general, in order to provide even better services to its customers.
- We have continued our policy of supporting our clients whose businesses have been hit by the crisis and are in urgent need of cost cuts. Thanks to this, many of our clients had the necessary free resources to direct to the implementation of projects stopped at the beginning of the epidemic, which will also use the services of Daticum.

##### IMPORTANT EVENTS

- Daticum invests in an innovative storage platform that upgrades the functionality of the services provided. The storage platform entered the production environment in Q2 2021.
- A strategic partnership was reached with CLICO Bulgaria. The partnership opens new opportunities for the numerous Bulgarian and international clients of Daticum, offering access to the innovative software products of the leading provider of cybersecurity solutions SentinelOne.
- Significant investments have been made in the computing infrastructure with the purchase of additional physical server hosts.

##### PERSPECTIVES AND FORECASTS FOR 2021

- 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, affects our business in a negative direction and in the beginning 2021. H1 of 2021 in the EU was another quarter with a recession and economic growth is expected to grow only at the end of this year.
- Cloud services will continue to grow in volume, moving along with the expected global growth of the IaaS market for 2021.
- At the moment, Daticum plans increased company's revenues, according to the global economic situation.



## FINANCIAL RESULTS

	30.6.2021	30.6.2020/ 31.12.2020	Change BGN '000	Change %
Revenues	1 354	1 292	62	4,80%
EBITDA	663	599	64	10,68%
Depreciation	(131)	(204)	73	(35,78%)
Net Result	524	388	136	35,05%
EBITDA margin	48,97%	46,36%	2,60%	5,62%
Net Profit margin	38,70%	30,03%	8,67%	28,87%
Sales per share	0,5882	0,5613	0,027	4,80%
EPS	0,2276	0,1685	0,0591	35,05%
ROE	0,1714	0,1246	0,05	37,52%
Total Assets	4 430	3 948	482	12,21%
Book value	3 058	3 114	(56)	(1,80%)
Equity	3 058	3 114	(56)	(1,80%)
Total Liabilities	1 372	834	538	64,51%
Interest bearing	416	566	(150)	(26,50%)
D/E	0,4487	0,2678	0,181	67,52%
ROA	0,1183	0,0983	0,020	20,36%

## SIRMA SOLUTIONS

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

The company owns 194 417 units. own shares with nominal value of each share BGN 10

## SIRMA SOLUTIONS IN H1 2021:

## General information

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

The company specializes in the creation of corporate software systems and solutions, system integration and IT

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

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

The company maintains excellent relationships with leading software and technology vendors for the fastest growing industries, as well as independent software companies. Also,



there are excellent interactions with the other holding company, which ensures the successful realization of projects, regardless of the degree of complexity. Depending on the size and complexity of a project, the company has access to an expanded range of resources from over 500 people.

Sirma Solutions is Microsoft Gold Partner, IBM Advanced Partner, Oracle Gold Partner, HP Preferred Gold Partner, and so on. The company is certified to ISO 9001: 2015 and ISO 27001: 2005 to meet the regulatory and contractual requirements in terms of security and data integrity and IT management.

## **BUSINESS ACTIVITY OF SIRMA SOLUTIONS IN H1 2021**

### **Market in North America**

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

Based on our work in cloud platforms and real-time big data analysis Kanin.io, and collaboration with the American company PureInfluencer, we are in the process of delivering an optimized version of the PureInfluencer platform, which is powered by Kanin.io technology. The Kanin.io engine will collect and process real-time visitor data from over 1 000 car dealerships in the United States with the potential to scale x5-10 times.

Another project that the American division can boast of is the sale of a license for Bocore rapid development framework to the company Rafter Post, which will implement a type of business object (offer) with a related predictive model for machine learning and charts for analysis of offers and CCI optimization.

Another area in which the division generates business is the provision of consulting services, where we won a business with 1Healt.io to launch AWS Java-oriented architecture, to implement HL7, two-way integrations between 1health.io and their customers / suppliers / partners.

### **European Market**

The European part of the business of the professional services company in the first quarter of 2021 continued work on active projects from 2020.

In the second quarter, a contract was signed with the leading mining company to upgrade their cloud infrastructure.

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

- Implementation of an innovative chat bot solution in a large bank in Bulgaria;

- Implementation of a solution for regulatory reports;

- Delivered Oracle Financials module and Oracle Infrastructure for a major international payment services operator;

- Renewal of a contract for maintenance of the IT equipment for the data center of one of the top 5 banks in Bulgaria.

Outside of Bulgaria, the financial vertical is developing in our traditional partnership with Temenos, where Sirma is developing two strategic projects:

- Online portal for SaaS services of Temenos

- Virtual wallet

In the retail sector, the company managed to launch a project with one of the largest importers of sporting goods in Bulgaria, developing a comprehensive system for online communication with consumers, trading through mobile applications and chatbot.

In the first quarter, a project for a fully integrated electronic system for first-grade students applied was launched.

During the period, marketing and sales departments have traditionally focused on financial services and artificial intelligence, where Sirma feels like a regional leader, and efforts have opened up several opportunities to launch new projects in this area.

### **Public sector**

In the public sector in the first quarter of 2021 the active work on the long-term projects won in 2020 continued:

- building the overall IS for managing the activities of the Financial Mechanism Office (EEA Grants, Brussels),

- the gradual construction of the MusIT IS for managing the activities of MusicAuthor



- the gradual construction of CAIS EOP of PPA
- development of the system for electronic protocols at the National Health Insurance Fund

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
- the overall IS of the NSCLC, maintaining the registers of health care and playing a key role in the field of e-health,
- IS of the Prosecutor's Office

During the period, a project was launched to update the application management system in kindergartens, and the project includes upgrading the system to manage the application process in first grade.

The rise of the IT industry has also affected many of the projects that were suspended or postponed due to the pandemic, with a focus on projects that are of great importance for the activities of the respective contracting authorities: NRIC, CCAMPR and others. Sales efforts in these areas continue and some of these projects are expected to launch in the second half of the year.

### System integration

In the first months of 2021, the system integration team renewed its partnership status with suppliers such as:

- Cisco Systems
- PaloAlto Networks
- Acquisition of new competencies and expertise with Oracle

We highlight some of the more interesting projects in the range of BGN 0.5-2 million, implemented during the quarter:

- Project with our F5 partners in the field of information security in a corporate client
- Project with our partners from Veracode and Tufin, in the field of information security
- Project with Lenovo and Cisco for delivery of server and communication infrastructure to a leading ICT company
- Project with HPE for Supply of equipment and integration of geographic information system for transport safety
- Project with our partners from CyberArk in the field of information security in a corporate client

- Contract for maintenance of all Cisco devices in data centers in several countries on 3 continents for a large international company

Given the outbreak of the pandemic, we see a global shortage of components needed to build computer, server and communication equipment. This leads to a large delay in deliveries and difficulties in the implementation of already concluded contracts.

Despite its difficulties, the goal for the business unit for system integration is to achieve the set goals for the year before the falls, and at this point, given the pre-implemented projects, this goal seems achievable.

### Marketing activity

In the first quarter of 2021 in the division of European markets, marketing activities are actively carried out in several areas: financial products and services, and outsourcing services for startups in Israel. During the period, an ad hoc project was implemented in partnership with the System Integration Division to promote a new solution from the Oracle family - Oracle Database Appliance.

For the financial vertical, the product Melinda was chosen as a priority - a smart chat bot for banks and retailers. To promote Melinda, we created a detailed marketing strategy, refining focus market targets, creating content for publication and sharing, articles, interviews, social media posts, creatives for PPC campaigns in Linkin, Google and Facebook. During the period February-May, two TV appearances were made to present Melinda, several PR publications in renowned Bulgarian media, an active campaign to generate leads on LinkedIn, search and display campaigns on Google, and several small campaigns on FB. To generate quality leads, in March we started working with B2B sales agency, which helps us to make direct contact with targeted banks and design makers. For a period of 2 months, this led to more than 7 quality inquiries and meetings.

The inquiries through the contact forms on the sites sirma.com and Melinda.sirma.com did not stop

In the field of outsourcing services for startups, in March we started working with the Israeli Marketing Agency, which helps us to actively market the services in the Ln network in the local language. Booya Digital helps us reach a strictly targeted audience and create quality Hebrew posts.

The ODA marketing team actively participated in the promotion of the short-term strategy and its implementation. Our efforts generated 4 inquiries, 1 of which was qualified as a real opportunity for a deal.

### Partnerships



The division has also made considerable efforts to conclude several key partnership agreements.

In the first quarter, two partnership agreements were signed, the strategic goal of which is to expand Sirma's business in Germany, Scandinavia, Spain and Portugal.

In January, a partnership agreement was signed with Bwcon GmbH, a regional partnership structure uniting institutions and private organizations for the development of global competitiveness of the Baden-Württemberg region - one of the strongest economic regions in Germany. As a partner in the organization, Sirma is positioned as a technology expert for many startups, part of bwcon.

In the first quarter, Sirma's team was joined by a partner who will be responsible for developing Sirma's business in Scandinavia, Spain and Portugal. The main focus of the local

partner are mostly financial institutions and startups in individual countries.

Talks also began on establishing a strategic partnership with a leading South African company operating in South Africa, Nigeria, Kenya and Zimbabwe. The focus of this partnership is expected to be in the field of financial and banking institutions and specifically the offer of one of the flagships of Sirma - AI chatbot Melinda.

An online campaign to promote Sirma's services in Israel, aimed exclusively at the startup community there, was also actively launched in the first quarter. This gave results in Q2 when Sirma Solutions signed its first contract for managed services with an Israeli start-up - pioneer behind a patented and field proven behavioural prediction technology that leverages on psychological methodologies and advanced mathematical modelling to predict the future actions of an individual.

## FINANCIAL RESULTS

	30.6.2021	30.6.2020/ 31.12.2020	Change BGN '000	Change %
Revenues	16 948	17 273	(325)	(1,88%)
EBITDA	1 695	2 823	(1 128)	(39,96%)
Depreciation	(1 105)	(639)	(466)	72,93%
Net Result	906	2 108	(1 202)	(57,02%)
EBITDA margin	10,00%	16,34%	(6,34%)	(38,81%)
Net Profit margin	5,35%	12,20%	(6,86%)	(56,20%)
Sales per share	0,4791	0,4883	(0,01)	(1,88%)
EPS	0,0256	0,0596	(0,034)	(57,02%)
ROE	0,0182	0,0430	(0,025)	(57,80%)
Total Assets	67 530	70 455	(2 925)	(4,15%)
Intangibles	6 510	7 358	(848)	(11,52%)
Book value	43 366	41 612	1 754	4,22%
Equity	49 876	48 970	906	1,85%
Total Liabilities	17 654	21 485	(3 831)	(17,83%)
Interest bearing	8 619	9 038	(419)	(4,64%)
D/E	0,1728	0,1846	(0,012)	(6,37%)
ROA	0,0134	0,0299	(0,0165)	(55,16%)

## SIRMA AI AND ONTOTEXT USA

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

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

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



**Conditions for the business development in H1 2021**

The main technology market on which Sirma AI's sales depend is that of graph databases (DBMS) and in general technologies based on graph data representation for integration and analysis. The search for both databases and complete solutions based on the so-called knowledge graphs (MHs) remained stable in early 2021, and research company Gartner expects "By 2025, graph technologies will be used in 80% of innovation in data management and analysis, up from 10% in 2021- helping to make instant decision-making across the enterprise" (Top Trends in Data and Analytics for 2021: Graph Relates Everything, February 2021).

The main users of such DBMSs 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 these sectors in the US and the UK, work processes returned to normal and restore growth, which after the seasonal slowdown in orders in the first quarter is expected to lead to significant growth in orders in the second quarter.

Sirma AI's leading product Ontotext GraphDB maintains and further develops its position as one of the global leaders in the market of graph databases.

An analysis of Forrester Wave Graph: Graph Data Platforms, Q4 2020 was published in January, where Ontotext (Sirma AI) was included as one of the top 12 providers along with ORACLE and Amazon.

In the popular DB-Engines ranking for July 2021, GraphDB ranked №106 among all types of databases - a significant improvement over position №142 a year earlier. GraphDB retains the 6th position among graph databases with a significant advantage over its direct competitors such as Amazon Neptune, StarDog and AllegroGraph.

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

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

During this period, the Covid-19 crisis had a small impact on business, which was still reflected in reduced volume and delays in orders for complete data management and document analysis solutions.

**Business development in H1 2021 and realization of the investment plan**

Revenues, following the consolidation of Ontotext USA, amount to over 40% of the target for the year - a result within expectations given the seasonal factors and the planned significant growth during the year.

The achieved growth of license revenues compared to the first half of 2020 is over 50%, largely due to the growth in sales of GraphDB embedded in other products (OEM).

The operating profit for the first half of the year is over 50% of the one planned for the whole year.

During the period, about 40% of the planned funds for product development for the year were invested, which is within the expected range.

**New clients, projects, products and services in 2020****Clients:**

- Large provider of information solutions in life sciences, USA;
- Large provider of healthcare software solutions, USA;
- One of the largest insurance companies in Switzerland.
- Large Japanese supplier of printers and multi-functional devices (MFP);
- Large European car manufacturer;
- Top 10 stock exchanges in Europe.

**Products:**

- GraphDB 9.6, February: Usability improvements of many new functionalities introduced in 2020.
- GraphDB 9.7, March: Significant performance improvements when processing requests from multiple clients;
- Ontotext Platform 3.5, June: Simplified installation procedures and important fault tolerance improvements;
- GraphDB 9.8, June: Ability to connect to text analysis services and announce other applications for data changes via the Kafka data bus.

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

**New contracts in H1 2021**

- Contract for the development of a data analysis system for a large start-up company in the field of life sciences in the United States.

**Perspectives and forecast for 2021**

Based on revenues, in the first quarter, secured orders and trade opportunities with more than 50% probability of realization, the forecast shows that the revenue plan will be fulfilled, and the profit plan will probably be exceeded.

There is no change in the strategic goals set in the business plan for 2021:

- Development of the network of partners and achievement of revenues through partners of at least BGN 4 million. The partner network continued to develop very successfully





during the period and has the potential within 2021 to generate product revenues to compensate for the backlog of revenues from the delivery of solutions;

- Increasing revenues from licenses and maintenance up to 60% of total revenues;

- Increase in recurring revenues over 50% of total revenues.

## FINANCIAL RESULTS

### SIRMA AI

	30.6.2021	30.6.2020/ 31.12.2020	Change BGN '000	Change %
Revenues	5 089	3 978	1 111	27,93%
EBITDA	2 188	1 780	408	22,92%
Depreciation	(1 176)	(1 237)	61	(4,93%)
Net Result	1 036	471	565	119,96%
EBITDA margin	42,99%	44,75%	(1,75%)	(3,91%)
Net Profit margin	20,36%	11,84%	8,52%	71,94%
Sales per share	36	28	7,88	27,93%
EPS	7,3475	3,3404	4,01	119,96%
ROE	0,0150	0,0069	0,01	116,67%
Total Assets	79 667	80 934	(1 267)	(1,57%)
Intangibles	67 836	38 342	29 494	76,92%
Book value	1 395	29 854	(28 459)	(95,33%)
Equity	69 231	68 196	1 035	1,52%
Total Liabilities	10 436	12 738	(2 302)	(18,07%)
Interest bearing	7 315	8 429	(1 114)	(13,22%)
D/E	0,151	0,187	(0,036)	(19,30%)
ROA	0,0130	0,0058	0,01	123,46%

### ONTOTEXT USA

	30.6.2021	30.6.2020/ 31.12.2020	Change BGN '000	Change %
Revenues	3 098	1 513	1 585	104,76%
EBITDA	68	58	10	17,24%
Net Result	67	57	10	17,54%
EBITDA margin	2,19%	3,83%	(1,64%)	(42,74%)
Net Profit margin	2,16%	3,77%	(1,60%)	(42,59%)
Sales per share	103	50	52,83	104,76%
EPS	2,2333	1,9000	0,33	17,54%
ROE	(11,1667)	(1,2955)	(9,87)	761,99%
Total Assets	2 492	1 493	999	66,91%
Equity	(6)	(44)	38	(86,36%)
Total Liabilities	2 498	1 537	961	62,52%
D/E	(416,3333)	(34,9318)	(381,40)	1091,85%
ROA	0,0269	0,0382	(0,01)	(29,58%)



## ENGVIEW SYSTEMS SOFIA

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

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

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

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

### ENGVIEW SYSTEMS IN 2021

#### CONDITIONS FOR BUSINESS DEVELOPMENT IN H1 2021

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

A large share of packaging production remains in the established offset printing segment. The spread of digital technologies is happening at an ever-increasing pace and more and more companies are investing in digital printing and production machines. New niche markets are being formed, related to personalization, small circulations of cardboard and corrugated packaging, products for advertising purposes and better visualization of selected brands (shelves) or entire structures, exhibition stands, shows, printed and cut from thick materials. (rigid Board). In Europe and the United States, there is a trend for the entry and production of materials and products from them, which are directly related to nature conservation and are environmentally friendly and easily recycled.

This determines the direction of the predominant investments in the packaging industry - along with those in machines. Companies from different niches are looking for solutions to further save time and resources, modernize their production to improve their competitiveness, and follow modern technologies that improve the relationship with the customer and optimize the order channels. Such solutions are Internet and cloud-based solutions for communication with customers and shortening the Order-Delivery cycle (web-to-print, web-to pack), which become possible precisely in combination with new digital technologies.

In the market of technologies for monitoring and quality management of mass production, there are growing trends towards digitalization of processes. This is determined by the mass penetration of new modern technologies for measurement and communication, as well as the growing availability of instruments based on such technologies.

Confidence in cloud-based technologies and SaaS solutions is also increasing. The advantages of this type of solutions such as quality of service, accessibility for a wide range of users, accelerated exchange and fast access to information, replacement of many analog processes with digital ones, the ability to quickly make accurate informed decisions based on real data and analysis , determines the future trends and market demand for such solutions and related to their work measuring equipment.

Another driving factor is the growing competition among metal manufacturers and their desire to expand their markets. This is possible only if the highest quality criteria are set and the ISO 9000 standards are met. More and more small and medium-sized companies strive to achieve this standard and this causes the demand for products that digitize processes and provide opportunities for successful management of quality.

EngView Systems successfully develops its products in its two main areas for the packaging and video measuring industries. In recent years, the company has invested in the development of new products based on its already implemented solutions and the accumulated knowledge and expertise in individual niches. They meet the latest trends, as well as customer requirements for high-quality software capable of accelerating production, increase sales through optimization and maintenance of additional processes. The company continues to develop its main product for the Packaging Suite packaging market, the most important development being the development and launch of a subscription purchase option. The purchase of services on a subscription basis is a very important trend in the global market in the last few years. This is due to the advent of cloud technology and the ability to sell even very complex software products as services rather than licenses. This makes them more affordable both in terms of price and in terms of time to master and start in real business. For this reason, SaaS sales are growing rapidly, and the pressure on suppliers to offer this type of service is growing. EngView Systems has managed to respond to this pressure and is releasing the option to purchase on a subscription basis in the first half of 2021.

The company expects that an increasing number of customers will prefer this type of software use due to the small investment and the ability to install the latest versions of the products within the lease.



In the first half of the year, the company released a beta version of the online product Dieboard Calculator, which is aimed at consumers and manufacturers of punch molds. Based on the product, end customers have the opportunity to choose a package, distribute it on a sheet size and calculate the price of the punch. The product is promoted to selected customers, who in their role of beta testers to contribute to the development of a mass product to be launched in the second half of the year on the mass market. Metrology and Quality Control products such as ScanFit & Measure and mCaliper, TurnCheck are also being developed.

MCaliper conducts a massive marketing campaign, mainly in the markets of Europe and North America, to establish the brand and position the product as a quality management system aimed at small and medium customers. A marketing video has been produced, dubbed in several languages and published in several online publications specializing in the field of Quality ([www.qualitydigest.com](http://www.qualitydigest.com), [www.mmsonline.com](http://www.mmsonline.com)). A mass mailing campaign was conducted among the distribution networks of the main manufacturers of digital measuring instruments.

Online demonstrations of ScanFit & Measure are held, with several sales to customers in the USA, the Netherlands and Canada.

#### **REGIONAL AND INTERNATIONAL FACTORS INFLUENCING THE BUSINESS OF THE COMPANY**

The main factor influencing the development of business in all directions in 2021 is the development of the Covid crisis and the closure of countries for travel, as well as the suspension of all business events such as exhibitions and conferences.

The Covid crisis is affecting in two opposite directions. On the one hand, many processes were significantly slowed down, the need to readjust the work of the teams led to a delay in many planned activities and even the complete cancellation of some. The traditional way of accessing the target markets has changed significantly, the ways of demonstrating the products have been limited to online presentations and this has led to a drop in sales.

On the other hand, the importance of digital technologies has increased, especially those that provide work without personal contacts, social distance, exchange and centralized access to information. In this regard, for many products developed by EngView Systems, a real chance has opened up.

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 saturation of the market with competing products or the degree of development of the given market. A major share of software sales for the packaging industry is still generated in Europe, with the first 3

months of 2021 showing growth compared to 2020 in sales of the company's licenses and products. As one of the leading names in the packaging industry, EngView works with strategic partners from Germany - Heidelberg, for which new versions of their products are developed every year for the printing industry and from the USA - QVI for their video measuring machines. EngView has been working with both companies for years, strengthening its position by providing quality and modern software for their customers. The company is investing in a new solution for QVI in 2019 and 2020 - Turn Check. The software controls a new type of QVI machine for measuring rotating parts and components. The first half of 2021 brought the first sales of this product, and more are expected by the end of 2021.

#### **BUSINESS DEVELOPMENT AND INVESTMENTS IN H1 2020**

The first half of 2021 is related to the preparation and launch of new functionalities in all products developed by the company, and this is expected to happen at the end of 2021. Online functionalities are being developed for the CAD system, the development of programs for the US partner continues - QVI.

In the first half of 2021, the company managed to grow its sales of licenses, organized various online events to promote the new software rental model, invested in opening its own company in Germany to sell and distribute its software products, as well as and began filling its teams with new people to help develop new products and processes throughout the company.

The development of Phase 2 of an integration project for the Dunapack plants of the Prinzhorn holding in Austria, which is expected to be completed by the end of the year, has also started successfully.

mCaliper is positioned as a product for digitalization of quality control processes in small and medium enterprises and as such is registered on two platforms for b2b matchmaking with funding from the EC ([www.ramp.eu](http://www.ramp.eu), [www.smm2021b2match.io](http://www.smm2021b2match.io)), where there are already several launched partnerships with both end customers and potential distributors. EngView Systems has been selected as a Technology Provider in FundingBox.eu's Better Factory initiative to create consortia to transfer technology to end users in the industry. The mCaliper product was chosen as a quality management system for metalworking SMEs. Potential end users are over 25 companies from Europe registered in the platform [www.ramp.eu](http://www.ramp.eu).

#### **PERSPECTIVES AND FORECAST FOR 2021**

Revenues are expected to increase on an annual basis compared to 2020 due to the gradual opening of economies. There is a moderate investment interest in all niches and industries in which the company operates, but nevertheless, EngView is working to successfully position and increase sales of its products in which it has invested in recent years.



## FINANCIAL RESULTS

	30.6.2021	30.6.2020/ 31.12.2020	Change BGN '000	Change %
Revenues	2 247	1 596	651	40,79%
EBITDA	1 173	813	360	44,28%
Depreciation	(380)	(376)	(4)	1,06%
Net Result	787	426	361	84,74%
EBITDA margin	52,20%	50,94%	1,26%	2,48%
Net Profit margin	35,02%	26,69%	8,33%	31,22%
Sales per share	32,5652	23,1304	9,43	40,79%
EPS	11,4058	6,1739	5,23	84,74%
ROE	0,1676	0,1035	0,06	61,92%
Total Assets	6 558	5 698	860	15,09%
Intangibles	3 197	3 090	107	3,46%
Book value	1 499	1 026	473	46,10%
Equity	4 696	4 116	580	14,09%
Total Liabilities	1 862	1 582	280	17,70%
Interest bearing	(7)	-	(7)	n/a
D/E	(0,0015)	-	(0,001)	n/a
ROA	0,1200	0,0748	0,05	60,52%

## SIRMA BUSINESS CONSULTING JSC

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

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

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

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

SirmaBC was established as a consolidated unit in 2007 and has since become one of the leading technology players in the financial sector. The company has been established not

only in the local market, but has continued to seek to increase its presence on international markets, especially in Europe, North and South America, Asia and the Caribbean. SirmaBC has a team of highly specialized professionals with complementary expertise in the financial field. This helps to develop a wide range of products designed to respond to growing demand and evolving industry trends tailored to the banking and financial industry specification both locally and globally.

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



## CONDITIONS FOR BUSINESS DEVELOPMENT OF SIRMA BC IN H1 2021

Many players in the financial and banking sectors in the world and in Bulgaria continue to be negatively affected by the global pandemic. 2020 ended without the expected budgeting to revive and create new "big" projects in the IT field. The search for new solutions and opportunities for innovative forms of obtaining products and services from a distance and convenient and safe methods of "onboarding" continues. The market continues to diverge in the plans of financial players and the expectations of business customers and the mass consumer, which are mainly price-oriented and under the influence of the expected financial crisis, which is observed in the middle of the year, as a lasting increase in prices and materials. The demand for tools and system solutions for "tocanization" persists, although it is dictated by "legality" rather than real players seeking to impose a higher standard of security in which to train their customers. There is a growing demand for software robots to ensure cost reduction, machine training, large data analysis and business process automation.

SBC continues to provide its own services and products, which are focused only on the financial sector. During the first 6 months of the year, talks resumed for the implementation of FlexCube at several non-financial institutions. All the presented novelties and innovations in the "UBX Suite" and the 2FA / MFA solution Up2Seal continue to generate great interest.

## REGIONAL AND INTERNATIONAL FACTORS, INFLUENCING THE BUSINESS OF THE COMPANY

Business in the Balkans and Europe continues to be heavily affected by the pandemic, which has blocked travel opportunities and easy communication with customers and completely halted everyone's opportunities for public marketing events. Despite the partial and not so effective measures of the government in Bulgaria and the united management in Europe on the labor market and purely in the labor relations between the companies there is uncertainty, tension and preparation for meeting inflation, rising labor costs, rising interest rates, as well as to the depreciation of some of the main currencies in which the company's revenues are.

## MAIN EVENTS IN H1 2021

The company became a member of AMCHAM Bulgaria and is actively involved in the business and professional development of BFA (Bulgarian Fintech Association).

## NEW CLIENTS, PROJECTS, PRODUCTS AND SERVICES IN H1 2021

### - Clients

All customers of the company show and declare that they are partially or severely affected by the pandemic and the various financial measures to overcome it. In practice, the new projects and revenues for the company are 3%.

### - Projects

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

### - Products

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

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

### - Services

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

## PERSPECTIVES AND FORECASTS FOR THE NEXT PERIODS OF 2021

Despite some positive signals for the improvement of the economic climate and the easing of the strict pandemic measures, the stagnation and inertia of the financial players does not presuppose a rapid recovery and revival of the market. The uncertain environment in the country, as well as the main demand of clients for resources to work for rent, makes it difficult to predict the financial framework and business development until the end of 2021.



**FINANCIAL RESULTS**

	30.6.2021	30.6.2020/ 31.12.2020	Change BGN '000	Change %
Revenues	1 449	2 788	(1 339)	(48,03%)
EBITDA	118	642	(524)	(81,62%)
Depreciation	(179)	(124)	(55)	44,35%
Net Result	(52)	496	(548)	n/a
EBITDA margin	8,14%	23,03%	(14,88%)	(64,64%)
Net Profit margin	(3,59%)	17,79%	(21,38%)	n/a
Sales per share	0,5705	1,0976	(0,53)	(48,03%)
EPS	(0,0205)	0,1953	(0,216)	n/a
ROE	(0,0179)	0,1681	(0,186)	n/a
Total Assets	4 226	4 035	191	4,73%
Intangibles	472	286	186	65,03%
Book value	2 427	2 665	(238)	(8,93%)
Equity	2 899	2 951	(52)	(1,76%)
Total Liabilities	1 327	1 084	243	22,42%
Interest bearing	251	89	162	182,02%
D/E	0,09	0,0302	0,06	187,08%
ROA	(0,0123)	0,1229	(0,135)	n/a

**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.

**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**

	30.6.2021	30.6.2020/ 31.12.2020	Change BGN '000	Change %
Revenues	6 089	4 238	1 851	43,68%
EBITDA	2 371	1 970	401	20,36%
Depreciation	(4)	(10)	6	(60%)
Net Result	2 362	1 945	417	21,44%
EBITDA margin	38,94%	46,48%	(7,55%)	(16,23%)
Net Profit margin	38,79%	45,89%	(7,10%)	(15,48%)
Sales per share	0,2822	0,1964	0,09	43,68%
EPS	0,1095	0,0901	0,02	21,44%
ROE	0,4341	0,6593	(0,23)	(34,16%)
Total Assets	12 681	9 605	3 076	32,02%
Intangibles	1 557	1 508	49	3,25%
Book value	3 884	1 442	2 442	169,35%
Equity	5 441	2 950	2 491	84,44%
Total Liabilities	7 240	6 655	585	8,79%
Interest bearing	27	10	17	170,00%
D/E	0,0050	0,0034	0,002	46,39%
ROA	0,1863	0,2025	(0,016)	(8,02%)

**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 is part of Sirma Group, with the main goal to concentrate the technological and business knowledge of Sirma Group's in the insurance sphere.

**Conditions for Business Development in H1 2021**

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, 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 H1 2021 and Investment plan**

In H1 2021 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.

**New:****- Customers**

The Company concluded into new contracts with insurance brokers.

**- Projects**

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

**- New Contracts**

More contracts with clients of Sirma Insurance Enterprise Web Calculator have been concluded, as clients receive new modifications and at the same time all necessary regulatory changes are implemented.

**Perspectives and forecasts for 2021**

We anticipate a small decrease in the monthly fees of Sirma Insurance Enterprise Platform, due to dismissed employees of brokers (respectively licenses for the platform), a small decrease in clients due to bankruptcies, as well as retention in clients for Sirma Insurance Enterprise Web Calculator. Inclusion of Casco insurance product from 1 more insurance company and 1 new mobile application.

**Extraordinary Information**

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

**FINANCIAL RESULTS**

	30.6.2021	30.6.2020/ 31.12.2020	Change BGN '000	Change %
Revenues	529	413	116	28,09%
EBITDA	85	75	10	13,33%
Depreciation	(42)	(65)	23	(35,38%)
Net Result	40	6	34	566,67%
EBITDA margin	16,07%	18,16%	-2,09%	(11,52%)
Net Profit margin	7,56%	1,45%	6,11%	420,48%
Sales per share	1,7633	1,3767	0,39	28,09%
EPS	0,1333	0,0200	0,11	566,67%
ROE	0,0496	0,0078	0,04	533,62%
Total Assets	1 295	1 239	56	4,52%
Intangibles	995	951	44	4,63%
Book value	(188)	(184)	(4)	2,17%
Equity	807	767	40	5,22%
Total Liabilities	488	472	16	3,39%
Interest bearing	-	237	(237)	(100%)
D/E	-	0,3090	(0,31)	(100%)
ROA	0,0309	0,0048	0,026	537,84%



## S&G TECHNOLOGY SERVICES

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

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

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

## SIRMA CI

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

### Conditions for Business Development in H1 2021

In the first half of 2021, the Covid-19 pandemic declined or came to a head, with growth expected again in the second and a third wave expected. We continue to adapt the business to new rules (digital transformation is already everyday), for which we believe we are prepared and we will take adequate measures based on short-term and long-term goals.

It is likely that a government will not be formed in the country by the end of the year, which would further complicate the situation for certain businesses, but in general should not be reflected in the vertical "retail" as we are not dependent on government projects and related subcontractors.

In H1 2021, our focus remained on the trends defined by Gartner and internal analysis of the market and our customers.

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

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

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

- Unified Commerce Ecosystem
- Real-Time Pricing

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

We continue our active activities regarding partnerships with German companies to enter the DACH market. At this stage we have advanced negotiations with partners from Austria and Germany. At the beginning of September 2021 at the Munich Motor Show with our partner, where we develop software for driving electric cars (with B2B focus) we will partner for sales of our software products in the cars themselves at the production level, including software integrations of 3rd parties.

We have provided a marketing budget for PR materials to advertise our new concept in the "retail" vertical, with the aim of redirecting advertising to Sirma.com.

Update of a completely new solution for eCommerce (B2B and B2C), ie. the rewriting of our platform continues to develop according to a plan on a market basis. Fully focused on unified commerce trends, which will unite our implementation solutions for large retailers: e-shop, loyal mobile application program, chatbots, real-time behavior analysis system (SFS) and more.

We have planned to hold a seminar in the fall in Serbia for our client, where we have integrated and maintained a loyal program.

We expect to be invited to a large marketplace competition for four countries by the end of September.



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

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

#### **New contracts during H1 2021:**

- The contracts we signed in the past 2020 are already under implementation, and some of them have been completed and new opportunities have opened up. They are long-term and include maintenance.
- Our current customers continue to be active with orders for new features to their current solutions in order to sell more to end customers.
- In H1 2021 we have signed a new contract with a client who will work long term. We start with the implementation of one of our products, and we have planned to introduce two more in stages.

- We have signed a contract with a real estate and construction company that has ambitions to sell services and products to end customers and businesses through a platform that we implement on the basis of ciCommerce.
- We have signed a contract and work with a company that produces B2B electric vehicles aimed at the DACH market, where we develop management software, and we will work for a "channel partnership" on the development and integration of additional software integrated in cars.
- We have a contract with an American company, which we consult and provide them with IT experts for their internal refinements. The goal is to develop in 2022. a new product for them aimed at direct sales.

#### **Perspectives and forecasts for 2021**

We are in negotiations with several international clients, expecting developments in potential deals in the second or third quarter.

Positive business development is expected for 2021, because Covid-19 forced large companies to digitalize their processes, which increased the interest in online sales, ie. the search for B2B and B2C solutions to generate direct sales with integrations to ERPs, virtual POSs, logistics solutions and others.

- We expect to keep revenue growth in the range of 35-50% compared to 2021.
- eCommerce sales services and loyalty modules will continue to grow.
- Retains interest in additional sales channels (digital transformation) such as mobile applications, chatbots, real-time analysis, etc.



## FINANCIAL RESULTS

	30.6.2021	30.6.2020/ 31.12.2020	Change BGN '000	Change %
Revenues	416	154	262	170,13%
EBITDA	61	47	14	29,79%
Depreciation	1	-	1	n/a
Net Result	58	47	11	23,40%
EBITDA margin	14,66%	30,52%	(15,86%)	(51,95%)
Net Profit margin	13,94%	30,52%	(16,58%)	(54,32%)
Sales per share	1,3867	0,5133	0,87	170,13%
EPS	0,1933	0,1567	0,04	23,40%
ROE	(1,4500)	(0,4796)	(0,9704)	202,34%
Total Assets	428	202	226	111,88%
Book value	(40)	(98)	58	(59,18%)
Equity	(40)	(98)	58	(59,18%)
Total Liabilities	468	300	168	56,00%
ROA	0,1355	0,233	(0,097)	(41,76%)

## 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 2021

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

## Product development in H1 2021:

## Diabetes: M

The started update of the monitor and the mobile applications so that different specialists can independently register and subscribe to the service through different types of plans on a monthly and annual basis, was successfully implemented and put into operation.

The contract with Nipro is about to be renewed, which has been extended to include a paid annual license for the use of the monitor by their doctors. To

at the moment the use of the monitor by all doctors was free.

Inquiries for the use of the monitor were received from Dubai and Indian companies to which bids were submitted.

An active campaign has been launched to market the Diabetes: M Monitor in the UK.

Preparations for the certification by DiGA, the German institution that provides certificates for medical applications for coverage by their insurers, continue. The presentation and the document for the meeting with DiGA have been prepared to start the process and the date of the opening meeting is expected to be announced.

## Innovation Zed

The development of the test application of InnovationZed for iOS has been successfully completed. It is expected that possible future improvements will be made again by our team.

## Medrec:M

The web version of Medrec: M for patients is 99% complete and detailed testing is forthcoming. Updating the iOS version is slow due to lack of resources.

There have been several meetings with specialists about Medrec: M and there is interest, but it is still viewed with reservations about the possibility of remote examinations.

## MPI-2

The mobile applications for Android have been updated and will be launched by the beginning of September.

Talks have started with NBU for cooperation and opening of MPI-2 speech therapy center in their base. The legal and financial details are yet to be clarified.

## 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 and Medicine: M, in the field of remote patient follow-up.

## FINANCIAL RESULTS

	30.6.2021	30.6.2020/ 31.12.2020	Change BGN '000	Change %
Revenues	171	129	42	32,56%
EBITDA	66	(64)	130	n/a
Depreciation	(27)	(27)	-	-
Net Result	24	(101)	125	n/a
EBITDA margin	38,60%	(49,61%)	88,21%	n/a
Net Profit margin	14,04%	(78,29%)	92,33%	n/a
Sales per share	0,5700	0,4300	0,14	32,56%
EPS	0,0800	(0,3367)	0,42	n/a
ROE	0,2264	(1,2169)	1,44	n/a
Total Assets	1 313	1 168	145	12,41%
Intangibles	1 037	918	119	12,96%
Book value	(931)	(835)	(96)	11,50%
Equity	106	83	23	27,71%
Total Liabilities	1 207	1 085	122	11,24%
Interest bearing	250	-	250	n/a
D/E	2	-	2	n/a
ROA	0,0183	(0,0865)	0,10	(121,14%)



## SIRMA GROUP HOLDING – INDIVIDUAL FINANCIAL RESULTS

	30.6.2021	30.6.2020/ 31.12.2020	Change BGN '000	Change %
Revenues*	2 061	1 676	385	22,97%
EBITDA	878	593	285	48,06%
Depreciation	(273)	(385)	112	(29,09%)
Net Result	461	64	397	620,31%
EBITDA margin	42,60%	35,38%	7,22%	20,40%
Net Profit margin	22,37%	3,82%	18,55%	485,76%
Sales per share	0,0347	0,0282	0,00649	22,97%
EPS	0,0078	0,0011	0,00669	620,31%
ROE	0,0062	0,0009	0,00535	614,27%
Total Assets	94 151	93 789	362	0,39%
Intangibles	9 550	9 653	(103)	(1,07%)
Book value	64 511	63 787	724	1,14%
Equity	74 061	73 440	621	0,85%
Total Liabilities	20 090	20 349	(259)	(1,27%)
Interest bearing	9 679	10 707	(1 028)	(9,60%)
D/E	0,1307	0,1458	(0,01510)	(10,36%)
ROA	0,0049	0,0007	0,00421	617,54%

\* 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

	30.06.2021 BGN'000	30.06.2020 BGN'000
Revenue from:		
- external customers	16 114	11 525
<b>Segment revenues</b>	<b>16 114</b>	<b>11 525</b>
Changes in finished goods and work in progress	129	442
Cost of materials	(1 669)	(214)
Hired services expenses	(2 446)	(1 283)
Employee benefits expense	(7 199)	(6 302)
Depreciation and amortisation of non-financial assets	(1 997)	(2 379)
Other expenses	(212)	(313)
<b>Segment operating profit</b>	<b>2 720</b>	<b>1 476</b>

In H1 2021 the revenues of the segment increased by 39,82%, and operating profit increased by 84,28% or BGN 1 244 thousand compared to H1 2020.





**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**

	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Revenue from:		
- external customers	4 834	6 216
<b>Segment revenues</b>	<b>4 834</b>	<b>6 216</b>
Cost of materials	(16)	(33)
Hired services expenses	(1 103)	(896)
Employee benefits expense	(2 354)	(2 779)
Depreciation and amortisation of non-financial assets	(221)	(190)
Other expenses	(37)	(99)
<b>Segment operating profit</b>	<b>1 103</b>	<b>2 219</b>

In H1 2021 the operating profit of the segment decreased by 50,29% or BGN 1 116 thousand compared to H1 2020.

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

	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Revenue from:		
- external customers	9 792	11 536
<b>Segment revenues</b>	<b>9 792</b>	<b>11 536</b>
Cost of materials	(2)	(68)
Hired services expenses	(617)	(609)
Employee benefits expense	(286)	(251)
Depreciation and amortisation of non-financial assets	(27)	(34)
Other expenses	(7 568)	(9 656)
<b>Segment operating profit</b>	<b>1 292</b>	<b>918</b>

In H1 2021 operating profit of the segment increased by 40,74% or BGN 374 thousand compared to H1 2020.



## 8 MAIN MARKETS

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

### REVENUE BY REGIONS AND COUNTRIES:

Region	30.06.2021 BGN '000	30.06.2021 BGN '000	Change BGN '000	Change %
Australia	58	11	47	427,27%
Asia	264	352	(88)	(25%)
Africa	11	7	4	57,14%
Europe	16 298	15 301	997	6,52%
United Kingdom	3 275	6 670	(3 395)	(50,90%)
South America	72	78	(6)	(7,69%)
North America	10 762	6 858	3 904	56,93%
<b>Total</b>	<b>30 740</b>	<b>29 277</b>	<b>1 463</b>	<b>5%</b>

## 9 CONSOLIDATED FINANCIAL RESULTS

### CONSOLIDATED REVENUES

Consolidated revenues in H1 2021 includes:

	30.06.2021 BGN '000	30.06.2021 BGN '000	Change BGN '000	Change %
Revenue from contracts with customers	29 876	28 379	1 497	5,28%
Gain on sale of non-current assets	14	4	10	250%
Income from sale of investments	7	-	7	n/a
Revenue from financing	629	802	(173)	(21,57%)
Other income	214	92	122	132,61%
<b>Total</b>	<b>30 740</b>	<b>29 277</b>	<b>1 463</b>	<b>5%</b>

Consolidated revenues in H1 2020 increased by 5% or BGN 1 463 thousand compared to H1 2020 .

Consolidated revenue by product line includes:

	30.06.2021 BGN '000	30.06.2021 BGN '000	Change BGN '000	Change %
Sale of IT equipment	12 182	8 936	3 246	36,32%
Software services	8 912	10 756	(1 844)	(17,14%)
Licenses	2 725	1 195	1 530	128,03%
Subscriptions	2 270	1 994	276	13,84%
Consulting services	739	2 819	(2 080)	(73,79%)
Cloud services	646	596	50	8,39%
System integration	501	304	197	64,80%
Others	1 901	1 779	122	6,86%
<b>Total</b>	<b>29 876</b>	<b>28 379</b>	<b>1 497</b>	<b>5,28%</b>



## CONSOLIDATED EXPENSES

	30.06.2021	30.06.2021	Change
	BGN '000	BGN '000	(BGN '000,%)
Cost of materials	(1 687)	(315)	(1 372)
<i>Change in %</i>			435,56%
Hired services expenses	(4 252)	(2 846)	(1 406)
<i>Change in %</i>			49,40%
Employee benefits expense	(11 272)	(10 424)	(848)
<i>Change in %</i>			8,14%
Depreciation and amortisation of non-financial assets	(2 262)	(2 620)	358
<i>Change in %</i>			(13,66%)
Capitalized own expenses	1 536	1 167	369
<i>Change in %</i>			31,62%
Cost of goods sold and other current assets	(7 567)	(9 655)	2 088
<i>Change in %</i>			(21,63%)
Changes in finished goods and work in progress	129	442	(313)
<i>Change in %</i>			(70,81%)
Other expenses	(250)	(413)	163
<i>Change in %</i>			(39,47%)
<b>Total expenses</b>	<b>(25 625)</b>	<b>(24 664)</b>	<b>(961)</b>
<b><i>Change in %</i></b>			<b>3,90%</b>

In H1 2020 consolidated operating expenses increased by BGN 961 thousand or by 3,90 % compared to H1 2020.

## CONSOLIDATED FINANCIAL INCOME / COSTS (NET)

	30.06.2021	30.06.2021	Change	Change
	BGN '000	BGN '000	BGN '000	%
Financial costs	(206)	(297)	91	(30,64%)
Financial income	128	58	70	120,69%
<b>Financial income / costs (net)</b>	<b>(78)</b>	<b>(239)</b>	<b>161</b>	<b>(67,36%)</b>

Consolidated financial costs decreased by BGN 91 thousand or by 41,98% in H1 2021, mainly due to the decrease in expenses on foreign exchange operations. Consolidated financial income increased by BGN 39 thousand or by 70%, mainly due to the decrease in income from foreign exchange operations.



## CONSOLIDATED ASSETS

Consolidated assets posted an decrease of BGN 1 764 thousand or 1,15% in H1 2020. Traditionally, most of them are occupied by intangible assets, which is dictated by the activity of the Group and its ownership over a significant amount of software modules.

### NON-CURRENT ASSETS

	30.06.2021	31.12.2020	Change	Change
	BGN '000	BGN '000	BGN '000	%
Goodwill	22 482	22 482	-	-
Property, plant and equipment	8 589	8 714	(125)	(1,43%)
Intangible assets	89 901	58 130	31 771	54,66%
Long - term financial assets	841	841	-	-
Deferred tax assets	261	270	(9)	(3,33%)
<b>Total non-current assets</b>	<b>122 074</b>	<b>90 437</b>	<b>31 637</b>	<b>34,98%</b>

Non-current assets increased by BGN 31 637 thousand or by 34,98% in H1 2020.

### CURRENT ASSETS

	30.06.2021	31.12.2020	Change	Change
	BGN '000	BGN '000	BGN '000	%
Inventory	602	806	(204)	(25,31%)
Trade and other financial receivables	15 671	17 498	(1 827)	(10,44%)
Prepayments and other assets	4 023	2 953	1 070	36,23%
Related party receivables	294	138	156	113,04%
Tax receivables	237	101	136	134,65%
Cash and cash equivalents	9 178	12 549	(3 371)	(26,86%)
<b>Total current assets</b>	<b>30 005</b>	<b>34 045</b>	<b>(4 040)</b>	<b>(11,87%)</b>

Current assets decreased by BGN 4 040 thousand or by 11,87 % in H1 2020.

### ASSETS INCLUDED IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	30.06.2021	31.12.2020
	BGN '000	BGN '000
SEPlatform	-	16 752
SENPAI FIN-P	-	10 328
CYBER SECURITY-P	-	1 722
Automotive Retail Dynamic Pricing Platform	-	559
<b>Total</b>	<b>-</b>	<b>29 361</b>



## EQUITY

	30.06.2021	31.12.2020	Change
	BGN '000	BGN '000	(BGN '000,%)
Share Capital	59 361	59 361	-
<i>Change</i>			0,00%
Purchased own shares	(585)	(585)	-
<i>Change</i>			0,00%
Reserves	7 005	6 663	342
<i>Change</i>			5,13%
Retained earnings	29 266	25 627	3 639
<i>Change</i>			14,20%
Equity attributable to the owners of the parent	95 047	91 066	3 981
<i>Change</i>			4,37%
Non-controlling interest	17 767	16 488	1 279
<i>Change</i>			7,76%
<b>Total</b>	<b>112 814</b>	<b>107 554</b>	<b>5 260</b>
<b><i>Change</i></b>			<b>4,89%</b>

Equity in H1 2021 increased by BGN 5 260 thousand or by 4,89 %.

## CONSOLIDATED LIABILITIES

Consolidated liabilities decreased by 9 375 BGN thousand or 21,03% in H1 2021.

## NON-CURRENT LIABILITIES

	30.06.2021	31.12.2020	Change	Change
	BGN '000	BGN '000	BGN '000	%
Pension and other employee obligations	320	320	-	-
Long-term borrowings	10 067	10 285	(218)	(2,12%)
Long-term lease liabilities	2 187	2 439	(252)	(10,33%)
Deferred tax liabilities	8	8	-	-
<b>Total non-current liabilities</b>	<b>12 582</b>	<b>13 052</b>	<b>(470)</b>	<b>(3,60%)</b>

Non-current liabilities decreased by BGN 470 thousand or by 3,60 % in H1 2021.



**LONG-TERM AND SHORT-TERM BANK LOANS**

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit (BGN)	Remaining obligation to 30.06.2021 (BGN)	Date of making the loan	Interest rate	The amount of monthly installment (BGN)	End date of the contract	Collateral
<b>Loans in which the Issuer is a debtor</b>										
Sirma Group Holding JSC	Eurobank Bulgaria	overdraft	BGN	4 200 000	2 213 789	21.7.2016	Base + 0.7 points, but not less than 1.7% per year		30.09.2021	Pledge on shares – 1 373 548 of the share of Sirma Business Consulting AD, owned by Sirma Solutions, Pledge of Future and Current Cash Receivables and Stocks on the Open Account in Eurobank, Receivables Pledge of the Receivables under the Business Incubator Contract №BG161PO003-2.2.0012-C0001 / 02.02.2012; Contractual mortgage of a real estate located in Sofia, Mladost district, Tsarigradsko Shose Blvd 135, namely the 5th floor of the building
Sirma Group Holding JSC	United Bulgarian Bank	overdraft	BGN	10 475 000	7 332 560	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
<b>Loans for which the Issuer is a guarantor</b>										



Sirma Solutions	United Bulgarian Bank	overdraft	BGN	4 000 000	4 000 000	28.10.2020	RIR + 1.4%, but no less than 1.34% per year	20.09.2025	Pledge of receivables
Sirma Solutions	United Bulgarian Bank	overdraft	BGN	4 025 000	3 681 841	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	20.12.2020	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
Sirma AI	United Bulgarian Bank	overdraft	EUR	1 449 270	1 089 190	15.08.2019	1 m. EURIBOR + 1,4% (but not less than 1,4%)	15.08.2021	Second in a row pledge on Sirma AI; Second pledge of his shares; A second pledge of current and future receivables totaling EUR 741 thousand; Pledge on receivables on all accounts of the borrower in UBB in the amount of EUR 741 thousand.
Sirma AI	United Bulgarian Bank	overdraft	EUR	5 867 490	5 235 051	15.08.2019	1 m. EURIBOR + 1,4% (but not less than 1,4%)	15.08.2021	The first in a row pledge of Sirma AI; The first pledge of the shares he holds; First in a row pledge of current and future receivables totaling EUR 3 million; Pledge on receivables on all accounts of the borrower in UBB in the amount of EUR 3 million.
Sirma Medical Systems	Unicredit Bulbank	Bank revolving credit	BGN	250 000	250 000	15.12.2020	ODI+1.3%, but no less than 1.3% annually	15.12.2023	Pledge of receivables





**CURRENT LIABILITIES**

	30.06.2021	31.12.2020	Change	Change
	BGN '000	BGN '000	BGN '000	%
Provisions	22	22	-	-
Pension and other employee obligations	2 314	2 669	(355)	(13,30%)
Short-term borrowings	14 362	15 590	(1 228)	(7,88%)
Short-term lease liabilities	606	612	(6)	(0,98%)
Trade and other payables	6 384	9 573	(3 189)	(33,31%)
Short-term related party payables	479	611	(132)	(21,60%)
Contract liabilities	2 759	4 130	(1 371)	(33,20%)
Tax liabilities	395	11	384	3490,91%
Financing (Grants)	6	19	(13)	(68,42%)
<b>Total current liabilities</b>	<b>27 327</b>	<b>33 237</b>	<b>(5 910)</b>	<b>(17,78%)</b>

Current liabilities decreased by BGN 5 910 thousand or 17,78% in H1 2021.

**CASH FLOWS**

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

**SUMMARY OF CASH FLOW**

	30.06.2021	30.06.2020	Change	Change
	BGN '000	BGN '000	BGN '000	%
Net cash flow from operating activities	1 607	1 078	529	49,07%
Net cash flow from investing activities	(2 158)	(2 319)	161	(6,94%)
Net cash flow from financing activities	(2 814)	(704)	(2 110)	299,72%
Net change in cash and cash equivalents	(3 365)	(1 945)	(1 420)	73,01%
Cash and cash equivalents at the beginning of the year	12 549	10 550	1 999	18,95%
Exchange gains/(losses) on cash and cash equivalents	(6)	2	(8)	n/a
Cash and cash equivalents at the end of the year	9 178	8 607	571	6,63%



## INDICATORS AND RATIOS

№	Indicators (in BGN '000)	30.6.2021	30.6.2020/ 31.12.2020	Change	Change
				(value)	%
1	Revenue from operating activities	30 740	29 277	1 463	5,00%
2	Cost of sales	(25 375)	(24 251)	(1 124)	4,63%
3	Gross profit / loss	5 365	5 026	339	6,74%
4	Other operating costs	( 250)	( 413)	163	(39,47%)
5	Operating profit / loss	5 115	4 613	502	10,88%
6	Financial income	128	58	70	120,69%
7	Financial costs	( 206)	( 297)	91	(30,64%)
8	Profit / loss before tax expense	5 037	4 374	663	15,16%
9	Tax costs	-	-	-	n/a
10	Net profit / loss	5 037	4 374	663	15,16%
11	Dividend	-	-	-	n/a
12	Cash and cash equivalents	9 178	12 549	(3 371)	(26,86%)
13	Inventories	602	806	( 204)	(25,31%)
14	Short-term assets	30 005	34 045	(4 040)	(11,87%)
15	Total amount of assets	152 079	153 843	(1 764)	(1,15%)
16	Average arithmetic total asset value for 5 quarters	147 839	148 284	( 446)	(0,30%)
17	Current liabilities	27 327	33 237	(5 910)	(17,78%)
18	Debt	26 449	28 926	(2 477)	(8,56%)
19	Liabilities (borrowed funds)	39 265	46 289	(7 024)	(15,17%)
20	Equity	112 814	107 554	5 260	4,89%
21	Equity averaged 5 quarters	110 369	107 884	2 485	2,30%
22	Turnover capital	2 678	808	1 870	231,44%
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	-
24	Gain / loss minority interest	1 457	507	950	187,38%
25	Interest expenses	( 111)	( 133)	22	(16,54%)
26	Weighted average price of last trading session	0,52	0,40	0,1200	30,00%
27	Last price per share of last trading session	0,52	0,40	0,1200	30,00%



Indicators	30.6.2021	30.6.2020/ 31.12.2020	Change (value)	Change %
EBITDA	7 410	7 127	283	3,97%
DEPRTIATION	(2 262)	(2 620)	358	(13,66%)
EBIT	5 148	4 507	641	14,22%
FIN/INVEST NET	( 78)	( 239)	161	(67,36%)
EBT	5 037	4 374	663	15,16%
ROA	0,0235	0,0251	(0,0016)	(6,35%)
ROA(BSE)	0,0242	0,0261	(0,0019)	(7,14%)
Debt/EBITDA Ratio	3,5694	4,0587	(0,4893)	(12,06%)
Quick Ratio	1,0760	1,0001	0,0759	7,59%
ROE	0,0456	0,0405	0,00509	12,57%
Debt/Equity Ratio (BSE)	0,3481	0,4304	(0,0823)	(19,13%)
<b>Profitability ratios</b>				
Gross profit margin	0,1745	0,1717	0,0029	1,66%
Operating profit margin	0,1664	0,1576	0,0088	5,61%
Net profit margin	0,1639	0,1494	0,0145	9,68%
Return on Assets	0,0341	0,0295	0,0046	15,50%
Return on Equity	0,0456	0,0405	0,0051	12,57%
<b>Coefficients for assets and liquidity</b>				
Assets turnover ratio	0,2088	0,1978	0,0110	5,54%
Assets turnover ratio (BSE)	0,2079	0,1974	0,0105	5,31%
Operating cycle	11,4787	36,2339	(24,7552)	(68,32%)
Current ratio	1,0980	1,0243	0,0737	7,19%
Quick ratio	1,0760	1,0001	0,0759	7,59%
Cash ratio	0,3359	0,3776	(0,0417)	(11,05%)
<b>Odds per share</b>				
P/S ratio	1,0042	0,8110	0,1931	23,81%
P/E ratio	6,1282	5,4285	0,6997	12,89%
Revenue per share	0,5178	0,4932	0,0246	5,00%
Earnings per share	0,0849	0,0737	0,0112	15,16%
Book value of equity per share	1,8593	1,8174	0,0419	2,30%
<b>Development Ratios</b>				
Revenue growth	0,0500	0,8154	(0,7654)	(93,87%)
Gross profit growth	0,0674	4,4453	(4,3778)	(98,48%)
Assets growth	(0,0115)	0,2821	(0,2936)	n/a
<b>Leverage Ratios</b>				
Debt/taotal assets	0,1789	0,1951	(0,0162)	(8,29%)
Debt/capital	0,1933	0,2114	(0,0181)	(8,57%)
Debt/equity	0,2396	0,2681	(0,0285)	(10,62%)
Total assets/equity	1,3395	1,3745	(0,0350)	(2,54%)
Market value of the company	30 868	23 744	7 123	30,00%



## RELATED COMPANIES TRANSACTIONS

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

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

### Transactions with subsidiaries and other related parties

	30.6.2021	30.6.2020
	BGN'000	BGN'000
Sales of:		
- goods	318	238
- services	6 439	5 860
- others	1 087	68
Purchases of:		
- materials	591	55
- services	4 930	3 830
- others	3 864	624

### 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:

	30.6.2021	30.6.2020
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries	270	246
Social security costs	10	10
<b>Total remunerations</b>	<b>280</b>	<b>256</b>



## 10 EMPLOYEES AND ECOLOGY

### ECOLOGY

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

### EMPLOYEES

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

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

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

Count of employees in the Group:

**30.06.2021**

Company	LC	CMC	Total
SIRMA CI	2	1	3
SIRMA ICS	9	1	10
DATICUM	8	6	14
ENGVIEW SYSTEMS SOFIA	33	4	37
SIRMA AI	74	6	80
SIRMA BUSINESS CONSULTING	55	5	60
SIRMA GROUP HOLDING	19	6	25
SIRMA SOLUTIONS	133	7	140
SIRMA MEDICAL SYSTEMS	5	3	8
SIRMA GROUP INC.	2	1	3
S&G	5	1	6
SIRMA SHA	6	3	9
ONTOTEXT	-	1	1
<b>Total</b>	<b>351</b>	<b>45</b>	<b>396</b>



30.06.2020

Company	LC	CMC	Total
SIRMA CI	2	1	3
SIRMA ICS	10	1	11
DATICUM	9	6	15
ENGVIEW SYSTEMS SOFIA	38	4	42
SIRMA AI	75	6	81
SIRMA BUSINESS CONSULTING	60	5	65
SIRMA GROUP HOLDING	21	6	27
SIRMA SOLUTIONS	128	7	135
SIRMA MEDICAL SYSTEMS	3	4	7
SIRMA GROUP INC.	2	1	3
S&G	4	1	5
SIRMA SHA	6	3	9
ONTOTEXT	-	1	1
<b>Total</b>	<b>358</b>	<b>46</b>	<b>404</b>

## 11 RISK FACTORS

### Risk management objectives and policies

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

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

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

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

#### MARKET RISK ANALYSIS

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

#### Foreign currency risk

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

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

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

#### Interest rate risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 30 June 2021, 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:

<b>Financial assets</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Financial assets at fair value through profit or loss:		
Long - term financial assets	841	841
Debt instruments measured at amortized cost		
Trade and other receivables	15 671	17 237
Related party receivables	294	138
Cash and cash equivalents	9 178	12 549
	<b>25 143</b>	<b>29 924</b>
	<b>25 984</b>	<b>30 765</b>

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

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

<b>30 June 2021</b>	<b>Current</b>		<b>Non-current</b>	
	<b>Within 6 months</b>	<b>6 to 12 months</b>	<b>1 to 5 years</b>	<b>Later than 5 years</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
Borrowings	-	14 362	9 600	-
Finance lease obligations	303	303	1 881	-
Trade and other payables	6 384	-	-	-
Related party payables	611	-	-	-
<b>Total</b>	<b>7 298</b>	<b>14 665</b>	<b>11 481</b>	<b>-</b>





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

31 December 2020	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	BGN'000	BGN'000	BGN'000	BGN'000
Borrowings	-	15 590	10 285	-
Finance lease obligations	324	324	1 963	556
Trade and other payables	7 470	-	-	-
Related party payables	611	-	-	-
<b>Total</b>	<b>8 405</b>	<b>15 914</b>	<b>12 248</b>	<b>556</b>

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

#### Financial assets used for managing liquidity risk

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

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

### 12.1 INFORMATION ABOUT EVENTS AND INDICATORS WITH 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 Group that have a significant impact on its operations and its realized revenues and expenses.

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

There are no deals out of the balance sheet of 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 FINANCIAL STATEMENT FOR THE REPORTING PERIOD 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 GROUP WAS PREVENTED OR PROVIDED TO TAKE FOR THE PURPOSE OF REMOVING THEM.**

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

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

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

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

#### **12.7 INFORMATION ABOUT OCCURRING CHANGES FOR THE REPORTING PERIOD IN THE MAIN PRINCIPLES FOR THE MANAGEMENT OF THE GROUP.**

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

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

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

accounting system's actions. In this respect, the management observes the following basic principles in its activities:

- adherence to a particular management and accounting policy disclosed in the financial statements;
- carrying out all operations in compliance with the laws and regulations; coverage of all events and operations in a



timely manner, with the exact amount of the amounts in the appropriate accounting articles.

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

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

- detection and termination of frauds and errors;

- completeness and regularity of accounting information;

- preparation of reliable financial information;

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

The interim 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 Group.**

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

No changes during the current period.

## **12.10 INFORMATION ABOUT THE KNOWN TO THE GROUP AGREEMENTS (INCLUDING ALSO AFTER THE CLOSING OF THE PERIOD) 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 Group has not issued bonds.

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

Stanislav Tanushev

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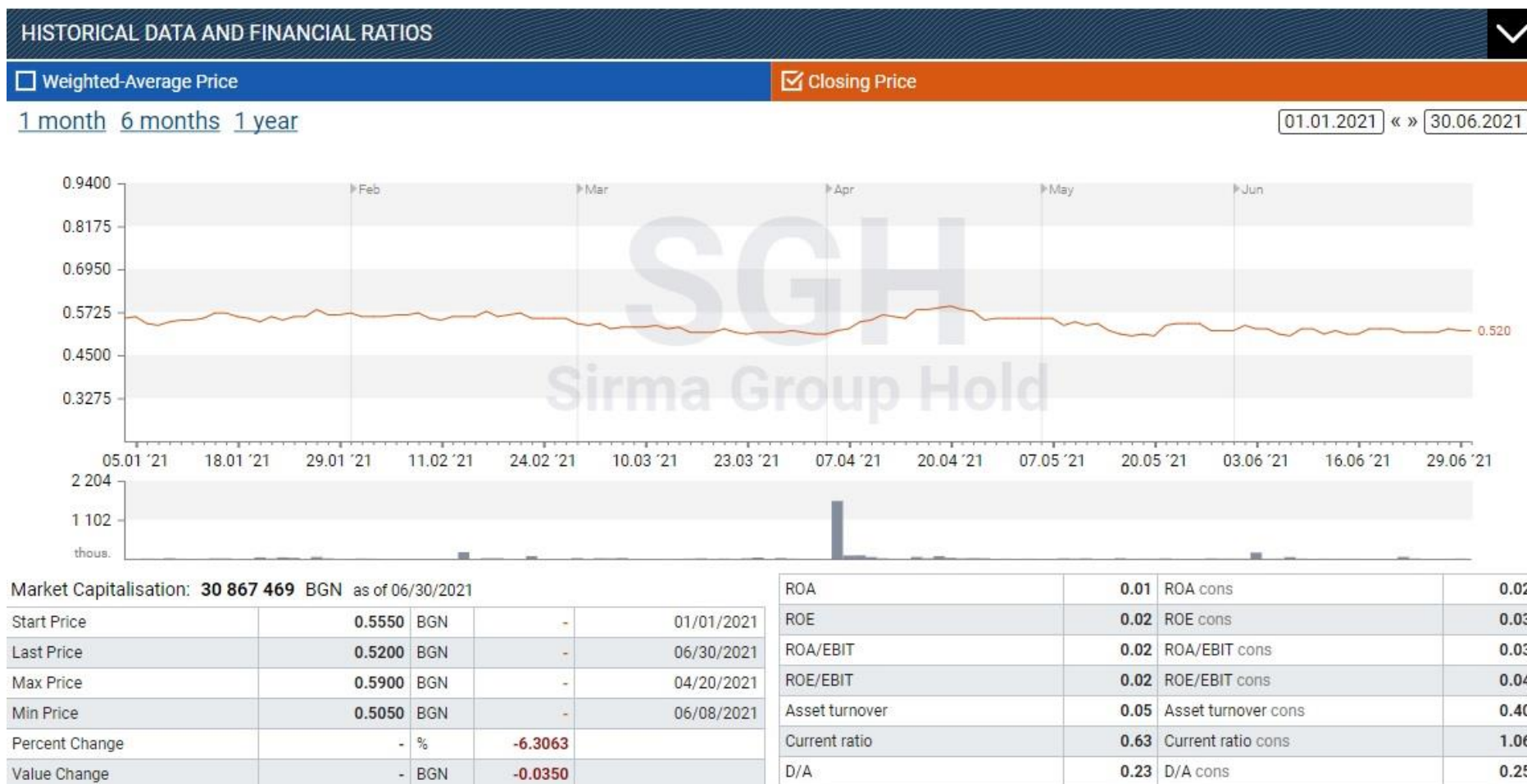
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## 13 CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY



## 14 EVENTS AFTER THE END OF THE REPORTING PERIOD

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

In 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 30 November 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.

**Sofia**  
**30.08.2021**

**CEO:**   
**Tsvetan Alexiev**

