



Sirma

Interim Separate Management Report

of "Sirma Group Holding" JSC
for the period 01.01.2022 - 31.12.2022

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

The present interim separate report of the management of "Sirma Group Holding" JSC covers the period, ending on 31 December 2022 and was prepared in accordance with the provisions of Article 39 of the Accountancy Law and Art. 100o, para. 2 and 5 of the Law on the Public Offering of Securities (POSA), including also the established events, occurring after the balance sheet date. The structure of this report is in accordance Article 12 of Ordinance No. 2 of 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 financial statements as at 31 December 2022;
- there is no actual or potential breach of laws and (or) other regulatory provisions that would have a material impact on the individual financial statements or could serve as a basis for reporting contingent loss;
- there are no legal or other restrictions on the flow of funds;
- there are no known trends, requests, commitments, events or occasional circumstances for which there is reason to expect that they may affect the company as a whole.

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

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

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

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

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

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

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

The reporting period is the financial period ending on 31 December 2022. The report includes the activity of "Sirma Group Holding" JSC.



2/ ORGANIZATION AND WAY OF PRESENTATION

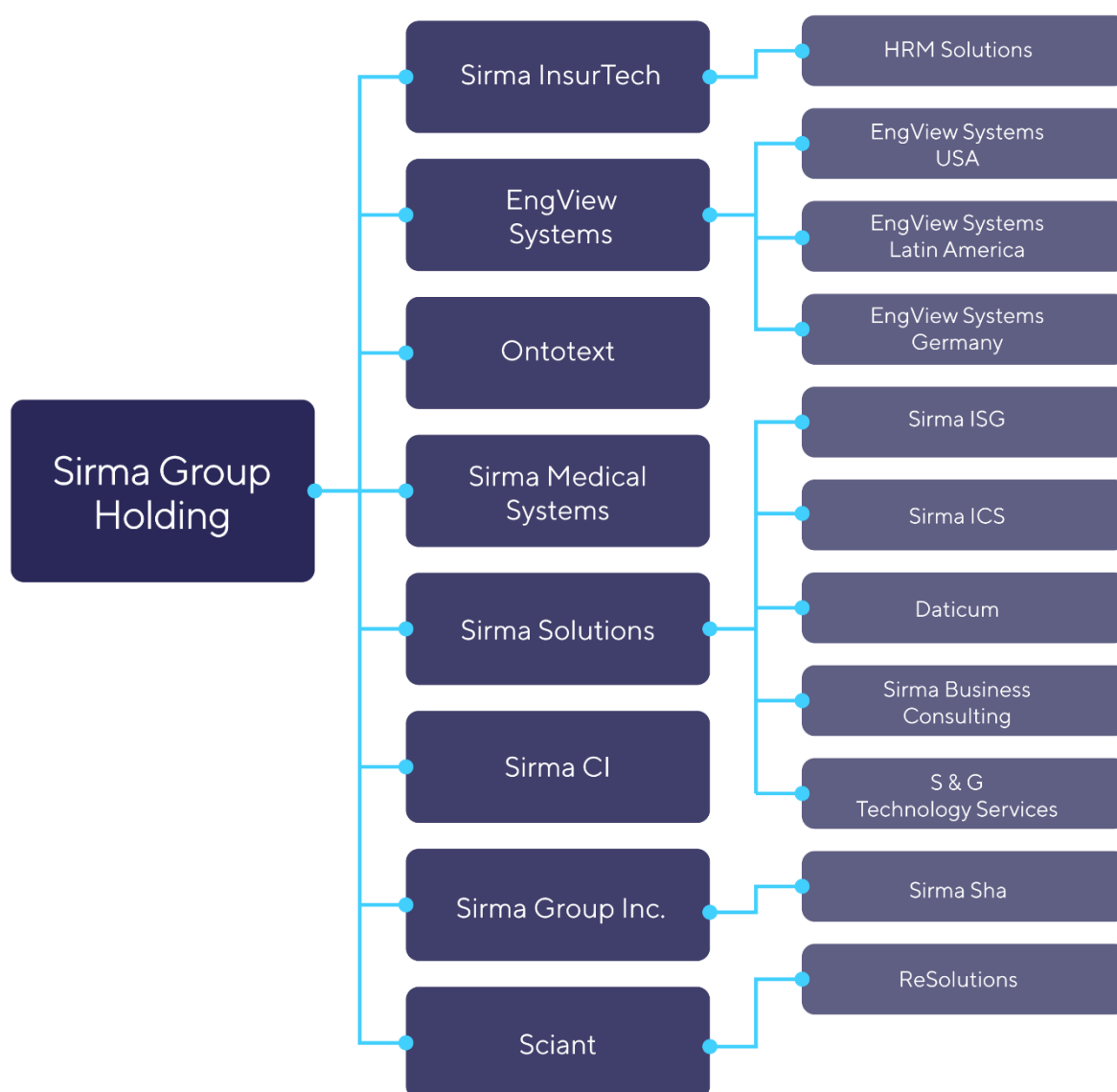
"Sirma Group Holding" JSC is a holding company which invests in technological businesses, manages them strategically and operationally, provides its subsidiaries with management, administrative, marketing and financial services.

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

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

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

2.1. Group structure



Sirma Group Holding JSC

HISTORY AND DEVELOPMENT OF THE COMPANY

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

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

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

Changes in the subject of activity:

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

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

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

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

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

CAPITAL

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

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

Non-monetary contributions - description:

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

Value: BGN 61 555 838

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

3. Real Estate - Floor 3 of an office building "IT - Center Office Express" in Sofia, bul. "Tsarigradsko Shosse " N 135 with an area 796, 50 square meters, pursuant to Deed of buying and selling real estate N 126, Volume I, reg. N 4551, case N 116 from 23.04.200. and 5 floor of an office building "IT - center office Express" in Sofia bul. " Tsarigradsko Shosse " N 135 with area 281.81 square meters, according to Deed of sale of real estate N 86, Volume 4, Reg. N 10237, Case N 592 of 23.12.2004

Value: BGN 3 911 660



"Sirma Group Holding" JSC

www.sirma.com

HISTORY OF SHAREHOLDER CAPITAL

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

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

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

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

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

- 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.

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

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

3/ PORTFOLIO OF "SIRMA GROUP HOLDING" JSC

Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.12.2022 (in BGN'000)	Percentage of capital at 31.12.2022	Percentage of capital with adjusted repurchased own shares 31.12.2022	Value of the investment at 31.12.2021 (in BGN'000)	Percentage of capital at 31.12.2021	Percentage of capital with adjusted repurchased own shares 31.12.2021	Changes (in BGN'000)
Sirma Solutions EAD	39 686	80,11%	100%	39 311	77,71%	82,43%	375
Ontotext AD	12 505	84,56%	100%	17 865	87,65%	90,44%	(5 360)
Sciant AD	10 237	80%	80%	10 237	80%	80%	-
Sirma Group Inc.	3 471	76,30%	76,30%	3 471	76,30%	76,30%	-
Sirma InsurTech	914	55%	55%	-	-	-	914
Sirma CI AD	106	80%	80%	106	80%	80%	-
Sirma Medical Systems AD	66	66%	66%	66	66%	66%	-
Engview Systems Sofia AD	50	72,90%	72,90%	50	72,90%	72,90%	-
Sirma AI AD	-	-	-	7 035	100%	100%	(7 035)
Total	67 035			78 141			(11 106)

INFORMATION ON PARTICIPATION

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

The company has no branches.



4/ STRUCTURE OF SHAREHOLDERS CAPITAL AND MANAGEMENT AUTHORITIES

4.1. Distribution of share capital

As of 31.12.2022 the distribution of the share capital of "Sirma Group Holding" JSC is as follows:

	31.12.2022 (BGN '000,%)	30.09.2022 (BGN '000,%)
Share capital	59 361	59 361
Number of shares (par value of BGN 1.00)	59 360 518	59 360 518
Total number of registered shareholders	1 033	1 024
Including legal entities	40	39
Individuals	993	985
Number of shares held by legal entities	5 286 591	5 357 458
% Of participation of entities	8,91%	9,03%
Number of shares held by individuals	54 073 927	54 003 060
% Participation of individuals	91,09%	90,97%

Shareholders	Number of shares at 31.12.2022	Number of shares at 30.09.2022	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%	8,89%
Tsvetan Borisov Alexiev	4 965 753	4 965 753	1	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,01%
Veselin Antchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	7,93%
Ivo Petrov Petrov	4 013 920	4 000 000	1	4 013 920	6,76%	6,77%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,31%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,87%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,28%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,67%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,64%
Emiliana Ilieva Ilieva	1 965 209	1 965 209	1	1 965 209	3,31%	3,32%
Deyan Nikolov Nenov	1 790 748	1 790 748	1	1 790 748	3,02%	3,02%
Yavor Liudmilov Djonev	1 292 746	1 292 746	1	1 292 746	2,18%	2,18%
Rosen Ivanov Marinov	1 265 795	1 265 795	1	1 265 795	2,13%	2,14%
Peter Nikolaev Konyarov	867 165	867 165	1	867 165	1,46%	1,46%
"Mandjukov" Ltd.	860 000	860 000	1	860 000	1,45%	1,45%
UPF "Doverie"	802 126	802 126	1	802 126	1,35%	1,35%
UPF "DSK Rodina	747 036	747 036	1	747 036	1,26%	1,26%
Asen Krumov Nelchinov	641 349	641 349	1	641 349	1,08%	1,08%
"First Financial Brokerage House"	525 960	581 220	1	525 960	0,89%	0,89%
"Sirma Solutions" AD	32 389	32 389	1	32 389	0,05%	0,05%
Others	11 371 427	11 330 087	1	11 371 427	19,16%	19,04%
Total	59 360 518	59 360 518		59 360 518	100%	100%

As of 31.12.2022 „Sirma Group Holding“ JSC holds 84 846 (30.09.2022 - 84 846) repurchased own shares at the total amount of BGN 84 846 (0,14 % of share capital).



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

Shareholders	Number of shares at 31.12.2022	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	8,88%	8,89%
Tsvetan Borisov Alexiev	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,01%
Veselin Antchev Kirov	4 700 786	7,92%	7,93%
Ivo Petrov Petrov	4 013 920	6,76%	6,77%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,31%

Shareholders	Number of shares at 30.09.2022	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	8,88%	8,89%
Tsvetan Borisov Alexiev	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,01%
Veselin Antchev Kirov	4 700 786	7,92%	7,93%
Ivo Petrov Petrov	4 000 000	6,74%	6,75%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,31%

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

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

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

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

4.2. Management authorities

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

The Board of Directors as of 31.12.2022* includes the following members:

Chavdar Velizarov Dimitrov
Tsvetan Borisov Alexiev
Atanas Kostadinov Kiryakov
Georgi Parvanov Marinov
Veselin Anchev Kirov
Yavor Ludmilov Djonev - independent member
Martin Veselinov Paev - independent member
Peyo Vasilev Popov - independent member
Yordan Stoyanov Nedev - independent member

*On 24 June 2022, the Annual general meeting of shareholders of "Sirma Group Holding" JSC decided:

- a. Removes Petar Borisov Statev as member of the Board of Directors.
- b. Elect as members of the Board of Directors:
 - Veselin Anchev Kirov
 - Yavor Ludmilov Djonev - independent member of the Board of Directors
 - Martin Veselinov Paev - independent member of the Board of Directors
 - Peyo Vasilev Popov - independent member of the Board of Directors

with remuneration and tenure commensurate with the remuneration of the current non-executive members of the Board of Directors and the tenure of the current Board of Directors.



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

The current mandate of the Board of Directors: 07.07.2024

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

Competencies of the management

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

Stock options of the company

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

Committees in The Company

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

1. Investment and Risk Committee, composed of:

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

2. Remuneration Committee, composed of:

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

3. Information Disclosure Committee, composed of:

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

4. Audit Committee, composed of:

*Angel Petrov Kraychev – chairman
Alexander Todorov Kolev – member
Veselin Anchev Kirov – member*

Adopted internal documents

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

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

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

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

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

Shareholders	Number of shares at 31.12.2022	Number of shares at 30.09.2022	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%	8,89%
Tsvetan Borisov Alexiev	4 965 753	4 965 753	1	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,01%
Veselin Anchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	7,93%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,87%
Yavor Ludmilov Djonev	1 292 746	1 292 746	1	1 292 746	2,18%	2,18%
Martin Veselinov Paev	126 720	99 720	1	126 720	0,21%	0,21%
Yordan Stoyanov Nedev	3 433	3 433	1	3 433	0,01%	0,01%
Peyo Vasilev Popov	100	100	1	100	0,0002%	0,0002%
Total	23 997 596	23 970 596		23 997 596	40,43%	40,48%

During the period 01.10.2022 – 31.12.2022 the member of the BD Martin Veselinov Paev has acquired 27 000 shares of the capital of the company.



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

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

Name	Company	Period: 01.01.2022 - 31.12.2022 (BGN)
Tsvetan Borisov Alexiev	"Sirma Group Holding" JSC	(265 344)
Yordan Stoyanov Nedev	"Sirma Group Holding" JSC	(80 410)
Georgi Parvanov Marinov	"Sirma Group Holding" JSC	(33 960)
Atanas Kostadinov Kiryakov	"Sirma Group Holding" JSC	(28 960)
Chavdar Velizarov Dimitrov	"Sirma Group Holding" JSC	(28 960)
Petar Borisov Statev*	"Sirma Group Holding" JSC	(9 286)
Veselin Anchev Kirov	"Sirma Group Holding" JSC	(9 674)
Martin Veselinov Paev	"Sirma Group Holding" JSC	(9 674)
Peyo Vasilev Popov	"Sirma Group Holding" JSC	(9 674)
Yavor Ludmilov Djonev	"Sirma Group Holding" JSC	(9 674)
Total		(485 617)

* From 24 June 2022 Petar Borisov Statev with decision of the Annual general meeting of shareholders of "Sirma Group Holding" JSC is removed as member of the Board of Directors.

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

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

benefits have been provided upon termination of their contracts.

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

At the Annual General Meeting of the Shareholders of the Company held on 24.06.2022 was decided to relieve the member of the Audit Committee Emiliyat Ivanov Petrov from his position and elected Veselin Anchev Kirov as a member of the Audit Committee. 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
Veselin Anchev Kirov – member



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

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

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

5/ "SIRMA GROUP HOLDING" JSC IN Q4 2022

Summary

Only from June to October, the forecasts for the economic development deteriorated greatly in almost all aspects.

Severely suppressed economic growth, record levels of inflation and a rich palette of heterogeneous risks, that are highly likely to materialize, have gripped the entire world. Against this background, the ICT sector remains relatively stable and not directly affected by the various crises. ICT is seen as a solution to most problems, and digitization as absolutely necessary for conducting any business. However, the shrinking purchasing power due to high inflation is taking a toll on the ICT sector – the "Devices" segment, which is set to experience a dramatic decline in 2022.

The Economy of Bulgaria in 2022 and Forecast for the Future Years

The Bulgarian economy showed resilience during the crisis caused by the pandemic and a rapid recovery after it. Pre-pandemic GDP levels were reached in the middle of last year. For 2021, the country's economy recorded a growth of 4.2%. Unfortunately, the processes caused by the war in Ukraine, disrupted supply chains, energy uncertainty and rising inflation (which reached double digits in March) led (as in all other countries) to restrain growth in 2022. The International Monetary Fund ([IMF Country Report, 24.07.2022](#)) expects the economy in Bulgaria to grow by 2.8% in 2022 (a decrease compared to the 3.5% expected at the beginning of the year). Bulgarian National Bank ([BNB, Macroeconomic Forecast, September 2022 Bulgarian only](#)) expects the slowdown in economic growth to continue in 2023 and to reach only 0.1% growth during the year.

The negative influences on the European economy are transferred entirely to the Bulgarian one. In addition, however, the increased domestic demand, the relatively weak fiscal measures led to the strengthening of the negative processes which are developing in Europe.

Inflation is expected to rise to 14.9% in 2022. Inflation is driven by the rise in prices of the main energy sources and electricity in late 2021 and subsequently strengthened by the war in Ukraine. It is also strengthened by the growth of consumer prices both in the Eurozone and in other trading partners of Bulgaria. Inflation is expected to ease to 4.1% at the end of 2023 and 3.4% in 2024.

The risks to the development of the Bulgarian economy in 2022 and 2023, according to the BNB, are

- Postponement of the implementation of investment projects;
- Faster than anticipated interest rate hikes in the US and EU;
- Slow rate of utilization of funds under European programs;
- Delayed implementation of the National Recovery Plan;
- Higher than expected inflation, as a result of prolonged retention of high prices of energy sources.

Development of Global Economy in 2022 and Forecast for 2023

In October 2022, the IMF ([World Economic Outlook, October 2022](#)) forecasts a faster-than-expected slowdown in economic growth worldwide and inflation that is higher than seen in the last two decades. These are the manifestations of stagflation, about which the World Bank warned in the summer ([Global Economic Outlook, World Bank, June 7, 2022](#)). Reasons for this unfavorable state of affairs can be found in the accumulation of effects of the not-yet-passed Covid crisis, Russia's invasion of Ukraine, lockdowns in China and disrupted logistics chains.

Global GDP growth is expected to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. These expectations are significantly smaller than expectations for growth in 2022 of 4.1% from the beginning of the year. The expectations are



that as a result of the disrupted trade, investment and economic activity from the war in Ukraine, the growth of the world GDP will remain close to these levels in 2024 as well. The World Bank warns that the realization of some of the risks to the economic development of a number of countries and their accumulation may further reduce economic growth to 2.1% in 2022 and 1.5% in 2023.

Growth in **advanced economies** is expected to fall from 5.2% in 2021 to 2.4% in 2022. As a result of the phasing out of various economic Covid measures and interest rate hikes against inflation, growth will further contract in 2023 to 1.1%.

GDP growth in **emerging economies** is also slowing, from 6.6% in 2021 to 3.7% in 2022 and 2023, well below the 4.8% average over the 2011-2019 period. The negative impact of the war in Ukraine will erode the increased revenues of some fuel exporting countries.

The development of the world economy is moving in the exact opposite direction of inflation. GDP growth has contracted sharply since the beginning of 2022 and is expected to remain at relatively low levels (lower than the average of the last 10 years), contrary to inflation which has marked peaks not seen in decades.

Global inflation rose sharply from its lowest levels in mid-2020. This was due to the recovery of global demand, supply constraints (due to the logistics crisis) and rapid increases in food and fuel prices (especially after the start of the war in Ukraine). The IMF's current inflation forecast is **8.8%** in 2022, **6.5%** in 2023 and **4.1%** in 2024. These projections represent a significant increase from the World Bank's June forecasts for inflation in 2022 of 7.9% and 5% in 2023. Markets expect inflation to peak at the end of 2022, remain at high levels for a relatively long time. Inflation will remain at levels well above most countries' inflation target levels of around 2%.

However, expectations are that the world will have peaked in inflation towards the end of 2022, with prices expected to moderate in 2023 and reach target inflation levels of around 2% in 2024.

Despite depressed economic growth in 2022, **no** (standard in such cases) **recovery is expected** in 2023. This is due to the various factors that hinder economic development and which are expected to persist in 2023 – high prices of consumer goods, food and fuels, as well as strengthened monetary constraints (aimed at fighting inflation). What's more, the limited development comes with more than the normal **risks** (which the IMF considers more than likely to materialize):

- Increased geopolitical tension
- Risk of a wrong balance between over-tightening measures (aimed at controlling inflation, but with the potential to intensify recession) and over-stimulative measures (aimed at promoting economic development but also contributing to inflation)

- China's economic development, its debt crisis and ongoing COVID restrictions, the results of which could easily spill outside of China
- Risks of fiscal, monetary and financial missteps in different countries
- Risk of a deepening energy crisis, especially in Europe
- Rising price of the US dollar
- Rising cost of living
- Increasing remuneration for work
- Growing financial instability
- Deteriorating food situation
- Continued supply difficulties
- Recovery of the wave of COVID or other health problem
- Increasing all risks due to migration caused by the war in Ukraine and deepening food crisis in North Africa and the Middle East.

The Industry of Sirma

The Sirma Group Holding companies specialize in the information technology (IT) industry. Industrial data is usually combined with data on the "communications segment" because this segment is completely dependent on information technology. Accordingly, the industry acquired the name "Information and Communication Technologies" or ICT for short. Out of all the variety of ICT segments, the companies in the group mainly work in the segments "IT services" (system integration, infrastructure as a service, software as a service, software support, consulting) and "Business software" (various software products and services aimed at different business verticals and custom software development).

The two main segments ('IT Services' and 'Software') in which the Group operates have been the fastest growing in the past ([Gartner, October 19, 2022](#)). Historically, both segments have followed the same development trends. The two segments are seen as the solution to all problems arising from global economic uncertainty. The mass digitization that is unfolding relies precisely on "Software", for the various technological solutions and "IT services" through which these solutions can be implemented. This led to growth in both segments in 2021, as well as expectations for continued growth in 2022 and beyond.

Expectations for 2022 are that both segments will maintain their growth, albeit at slightly more moderate rates - 8% for "Software" and 4.2% for "IT Services". The growth of these two segments is expected to be sustainable in the coming years with CAGR 2020 – 2025 of 12% and 9% respectively.

Geographically, Sirma is focused on the world's leading markets (US, UK and Europe), which are also the leading geographic centers of demand for ICT products and services.

Sirma is a B2B IT provider. Sirma's client portfolio - Digital Business (Sirma's AI, Consulting and Integration, Chatbots, IT Security and Software Development), Financial Institutions (Sirma's AI, Consulting, Integration, IT Security, Chatbots



and products of Sirma Business Consulting AD), Insurance (Sirma Insurance Broker Platform), Research (Sirma AI, GraphDB), Publishing (Sirma AI, GraphDB), Media (Sirma AI, GraphDB) and Healthcare (Sirma AI and Sirma Medical Systems products) show sustainable development and strong growth in 2022 and beyond.

The Global ICT Market in 2022 and Future Forecast

Following the rapid recovery from the COVID-19 recession in 2021 and the 10% growth achieved, ICT spending declined in nominal terms in 2022 ([Gartner, October 19, 2022](#)). Much of the nominal contraction was due to the appreciation of the US dollar (see graph below). However, the ICT sector maintains its upward trend, with a growth of 0.8% in 2022 in current USD prices or 5.6% in constant prices:

Table 1. Worldwide IT Spending Forecast (Millions of U.S. Dollars)

	2021 Spending	2021 Growth (%)	2022 Spending	2022 Growth (%)	2023 Spending	2023 Growth (%)
Data Center Systems	189,506	6.1	209,190	10.4	216,262	3.4
Software	732,030	14.8	790,385	8.0	879,625	11.3
Devices	807,580	15.8	739,982	-8.4	735,394	-0.6
IT Services	1,207,966	12.8	1,258,150	4.2	1,357,914	7.9
Communications Services	1,459,483	3.8	1,435,401	-1.7	1,469,220	2.4
Overall IT	4,396,565	10.2	4,433,108	0.8	4,658,416	5.1

Source: Gartner (October 2022)

Whether it is working from home, innovative delivery of goods and services, data analysis and rapid response to changing economic conditions, ICT has been recognized by all as the way to develop into the future and maintain competitiveness in an uncertain and volatile market environment. At first glance, the ICT sector is completely resistant to any crises. At the same time, a number of factors that strongly affect the market are hidden under the general percentages.

2022 brought new challenges, new volatility and additional uncertainty:

- The war in Ukraine
- Geopolitical tension
- Recalibrating economic growth
- Inflation, interest rates and exchange rates
- Rising fuel and commodity prices
- Continued difficulties with supply chains
- Shortage of specialists, shrinking labor market
- Elections, resignations, regulations and government policies
- Cracking globalization and uncertainty of supply chains

Accordingly, it is no surprise that the world is once again turning to ICT in search of ways to thrive in this uncertain conjuncture. This is the main reason that makes the ICT sector relatively resistant to various crises. However, one of these factors has a strong impact on ICT. This is the price of the US dollar, which, as a result of all the turbulent factors described above, greatly increased its value in 2022. The world viewed the USD as a "safe-haven currency" that was relatively more protected than the corresponding national or regional currency. Accordingly, the USD has increased in value compared to all world currencies, at the same time – significantly.

One of the results of the large increase in the price of the USD is the large difference between the valuation of USD costs at current prices in the USD and the same costs in constant prices. For example, the growth of ICT spending in 2022 in current USD prices is 0.8%, while in constant prices it is as much as 5.6% (see the next graph). The US dollar will hold high for all of 2022, and possibly 2023 as well. As long as the world is plagued by inflation, the USD will hold high as a "safe haven".

At the same time, Gartner ([Gartner, October 19, 2022](#)) does not expect these uncertainty factors to affect the ICT industry. Despite the strong growth in the sector in 2021, in 2022 ICT spending is expected to rise again and reach USD 4.4 trillion.

It is because of some of the challenges in the world that the leading segment in 2022 is shaping up to be "Data Centers" with a growth of 10.4% YoY in current USD prices. The "Software" and "IT Services" segments fall to second and third place, expected to grow by 8% and 4.2%, respectively, in 2022. The big loser for the year turned out to be the "Devices" segment with a drop of as much as 8.4%. The negative impact of inflation on the purchasing power of "Devices" consumers worldwide has led to the postponement of a large portion of purchases from 2022 to 2023, and the dramatic decline in the segment accordingly.

Engines of Growth in 2022

An analysis of the constituent parts of the different segments shows an extremely heterogeneous picture. The trend of a growing disconnect between the desire to own and use various products as a service (aaS) is becoming visible.

The growth of the "Software" segment in 2022 and the near future is mainly due to cloud technologies. Gartner expects the biggest growth in 2022 to be seen by Infrastructure as a Service (IaaS). This sub-segment of "Software" is expected to grow by as much as 32% in 2022 and reach USD 120 billion (excluded from the lower graph due to the extremely large gap compared to the other sub-segments).

Other sub-segments of the "Software" segment are also expected to see dramatic and sustained growth. "Infrastructure Software" and "Enterprise Application Software" are expected to grow at 11-12% in 2022 and maintain this growth in the coming years with a CAGR of around 11% by 2025.



Within the "IT Services" segment, there are also excellent performing sub-segments that are somewhat related and often offered together. "IT Consulting", "Implementation & Managed Services" and "Business Processes" are expected to grow between 7% and 10% in 2022, but this growth is also sustainable over time with a CAGR to 2025 also between 6 and 8%.

At the other end of the spectrum of the "IT Services" segment are the "Infrastructure Implementation" and "Hardware Support" sub-segments, which are either growing slightly or shrinking, clearly showing the steady shift of all businesses and consumers to the cloud environment. This statement is also reinforced by the shrinking of the "Fixed Services" market for both businesses and consumers.

ICT Spending By Verticals

All vertical customer groups maintain their IT spending growth in 2022, with all recouping their IT spending from 2019, including even the "Transportation" sector. All industries with growth of more than 8% (from "Energy and Utilities", through "Education" to "Banking" and "Insurance") are directing their efforts towards digital transformation. Whether efforts are aimed at facilitating working from home, delivering goods and services in innovative ways, or analyzing data and quickly responding to unpredictable changes in the business environment, ICT is seen as the key enabler for organizations to be competitive. General economic uncertainty and volatility only reinforces this belief ([Forbes, "It is a Software Economy", April 2022](#)).

Geographic Distribution of ICT Spending

ICT spending is unevenly distributed territorially. Gartner delineates four clusters of countries depending on their ICT spending per working employee and the corresponding added value he/she generates. This ranking also suggests the most developed markets for ICT services and products. The US leads the world ranking not only in absolute volume of ICT spending, but also in their spending per employee. Most of Western Europe falls into the second group of countries with relatively high ICT expenditures.

In deepening this analysis and looking at the leading growth of the ICT market cloud technology, the US stands alone in a group. Western Europe once again forms the second group, while lagging far behind US cloud spending.

Risks

The War in Ukraine

Gartner do not expect a direct impact of the war in Ukraine on the global ICT market. The reason for this forecast is the relatively small share of global ICT spending by Russia and Eastern Europe. Even their complete elimination will lead to a slight drop (1.8%) in total ICT spending.

Although a direct impact of the war in Ukraine on the ICT sector is not expected, it will reinforce other risks for the global economy – inflation, volatility of exchange rates, difficult supply chains, geopolitical uncertainty. This fact

reveals the indirect influence of the war in Ukraine on the global ICT market.

Inflation

2% per year is considered a normal inflation rate. At the same time, in 2022 and probably in 2023, most countries in the world are expected to experience higher than normal inflation, with levels in the United States alone expected to reach 6.56% in 2022.

According to Gartner ([Gartner, January 2022](#)), inflation, which is expected to sweep the world in 2022 and 2023, does not pose a threat to the ICT industry. The reason for this is the fact that the current inflation is driven by demand. This is an increased demand for goods that was diverted from the demand for services during the pandemic.

By the end of 2022, inflation levels in most regions of the world are expected to return to close-to-normal limits. The contraction of inflation in the EU will be somewhat slower, due to the countries' high dependence on oil and gas imports, the prices of which will remain high.

Exchange Rate Volatility

Gartner forecasts the high exchange rate uncertainty, which started to be evident since the end of 2021, to persist through 2025.

Parity between EUR and USD was recorded on 12.07.2022 as a result of the strengthening of the dollar and a decreasing purchasing power of the European currency (heavily affected by the war in Ukraine). The volatility of exchange rates in the developed regions of the world leads to the risk of fluctuating revenues for the ICT industry depending on the markets where the different participants sell.

Chip Shortage

A more serious risk for the ICT industry is the delay within logistics chains and the resulting shortage of chips. This shortage cost a number of problems in 2021. Gartner expects that as early as the end of the first half of 2022, supply and stock of microprocessors (MCUs), solid state drives (SSDs) and display drivers will return to normal. The DRAM (dynamic RAM) and NAND market is expected to remain difficult through 2022, with supply expected to normalize towards the end of the year.

The great resignation

Although the term "Great Resignation" is applicable to the United States and to some extent to the United Kingdom, it is beginning to appear in some other European countries. To some extent, the large resignation wave is also a result of the rising inflation. If the current employer cannot provide an increase in wages commensurate with inflation, employees change jobs for higher wages. This is not difficult to do because there is currently a shortage in the labor market. Accordingly, employees who have changed their employer actually find themselves in a better position than those who have not. Hence the risk for ICT companies of not being able to retain employees or the need to increase wages above the inflation rates.



The ability of ICT companies to provide and present the motivators they offer can mean filling the necessary numbers and joining the growth of the industry in 2022 or missing opportunities and stagnation.

The ability of companies to attract and retain talent in 2022 will be key to maintaining competitiveness. In addition to increasing salaries, employers will need to look at other motivations of their employees to keep their jobs.

Finding and retaining talented employees is a leading risk among ICT companies. The ability of ICT companies to provide and present the motivators they offer could mean filling the necessary numbers and joining the growth of the industry in 2022 or missing out on opportunities and stagnation.

COVID-19 pandemic

According to IDC, the development of the ICT market in 2020 and 2021 experienced the greatest volatility in its history. The main reason for this was the COVID pandemic and related restrictions. Despite encouraging news of the lifting of restrictions in late 2021 and early 2022, the risks associated with COVID for the growth of the ICT industry remain. Some of the client-industries of the ICT sector would be more resilient to recovering new COVID restrictions, while for others this would be detrimental.

The division among the different sub-segments in the ICT sector is similar. Sub-segments such as "Business Services", "IT Services" and "Periphery" are highly dependent on the development of the economy and enterprises. A corresponding return to COVID restrictions would severely limit their growth. At the other end of the spectrum is "Cloud Infrastructure" and "Cloud Software", which will not only be

unaffected by the return of restrictions, but are likely to achieve additional growth.

Consolidation of the Segment „IT Services“

Consolidation is generally regarded as a positive phenomenon. In this case, however, consolidation is not a positive factor for the development of the segment.

"IT Services" is the most dynamically growing segment in the ICT industry. In 2021, the segment grew by as much as USD 137 billion. The distribution of this growth is relatively even among all constituent sub-segments.

However, the top 10 IT Service Providers are responsible for as much as 40% of this growth. Apart from their share of growth, IT giants also hold a leading share of total "IT Services" spending. This consolidation outlines a strong concentration of businesses.

This concentration can be observed in each of the constituent sub-segments. For example, in the "Consulting Services" sub-segment, the leading 7 huge firms received 57% of the revenue.

This concentration of business in a small number of large companies does not mean that the other organizations (as well as Sirma) do not have room for development and growth. At the same time, concentration leads to market consolidation and increasing difficulties in the competitiveness of smaller companies. This represents a significant risk for their business as competitiveness will require large investments in R&D, which may be outside the reach of standard small and mid-sized ICT companies.

PARTICIPATION IN MANAGEMENT AND IMPLEMENTATION OF CONTROL ON THE SUBSIDIARY COMPANIES

In Q4 2022, as in previous periods, Sirma Group Holding's senior management was actively involved in the management of its subsidiaries. The high expertise and accumulated experience of Sirma Group Holding's managers helped companies to formulate their development goals and strategies as well as their business and financial plans. As a

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

MARKETING

In operational terms, the annual marketing strategy and budget of the "Sirma Group Holding" JSC for 2022 ensured the planning, development and successful implementation of the following activities:

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

and realization of own innovative ideas for creating new software products and solutions, working with the most advanced technologies, entering new market niches. A favorable environment has been created and the innovation process in companies is regularly promoted. Social media is actively used for informal communication with employees, engaging in important causes, informing about upcoming events, company and product news. The team building conducted at the end of the year was traditionally one of the most anticipated events that enabled people from different companies, cities and offices to communicate in an informal environment.

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



- enhanced performance across the global network through digital tools - a substantial increase in traffic to "Sirma Group Holding" JSC sites and subsidiaries; improved detection in the most popular search engines - SEO & SEM activities;
- raising awareness of external and internal audiences about corporate initiatives and key business events;

- informing the audience about new products and services created by our companies, the development of existing products and services, company achievements;

ACTIVITY AND MANAGEMENT OF FINANCIAL RESOURCES OF THE GROUP

ASPECTS OF THE FINANCIAL ACTIVITY OF HOLDING AND GROUP

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

I. Goals

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

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

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

II. Execution of functions

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

- a) Financial planning - plans of "Sirma Group Holding" JSC and of all companies of the Group for a one-year and mid-term period were prepared.
- b) Co-ordination of the financial activity - "Sirma Group Holding" JSC coordinated the activities of all the companies in the Group for the fulfillment of the general objectives of the financial activity management and for the implementation of unified policies in this activity;
- c) Control - The financial team of the "Sirma Group Holding" JSC throughout the year carried out regular and periodical control over the financial activity of the companies in the group.

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

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

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

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

III. Completed tasks

1. Ensure sufficient financial resources in accordance with the strategy and tasks for the development of "Sirma Group Holding" JSC and the subsidiaries during the respective period.
2. Ensuring the most efficient allocation and utilization of the volume of financial resources formed in the main directions of the Group's activity.
3. Optimization of the monetary turnover - synchronization by size and time of the receipts and payments for the normal service of the undisputed payments.
4. Ensure maximum profit at a given level of risk.
5. Ensure the financial equilibrium of "Sirma Group Holding" JSC and the subsidiaries in the process of their development.

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

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

- ACCOUNTING SERVICES

In Q4 2022 "Sirma Group Holding" JSC performed the accounting services of 20 subsidiaries and associated companies and related companies. In addition to regular accounting services, management is presented with various BI reports built as know-how of the Group. The FAD of "Sirma Group Holding" JSC achieved monthly reporting of results at individual and group level. The department also

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



- LEGAL SERVICES

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

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

- MANAGEMENT OF RISKS

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

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

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

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

- Risk identification - This is a lengthy process that detects potential threats. In order to identify the expected and predictable risks, different methods are used: questionnaires (interview questionnaires), interviews, brainstorming, document analysis, a list of expected and predictable risks (checklist analysis), based on a previous experience
- Qualitative and quantitative risk analysis - Once the potential risks have been identified, a qualitative and quantitative analysis of each of them is required. The likelihood of occurrence and impact through predefined scales is estimated, for example Probability: very small, small, medium, large or very large; Impact: catastrophic, critical, permissible, insignificant.

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

as there is a chance that risks may be dropped, new ones added or ratings changed.

- Planning actions to overcome the risk

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

- a) risk avoidance - a strategy that reduces the likelihood of risk occurring;
- b) minimizing the risk-taking effect - a strategy that reduces the consequences of the risk;
- c) Emergency action plans - a strategy where the organization accepts the risk and is ready to deal with it if it comes to fruition;

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

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

IMPACT OF EXCLUSIVE FACTORS

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

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

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

For all employees of the Company, it has the appropriate licenses for operating systems and application software for PCs and servers required for the normal workflow.



INFORMATION, CONCERNING SIGNIFICANT FACTORS, INCLUDING NON-ORDINARY OR RARE EVENTS OR NEW DEVELOPMENTS, THAT EXPRESSLY RENDER THE INCOME OF THE COMPANY'S ACTIVITY

There are no significant factors, including unusual or rare events or new developments that materially affect the Company's revenue and future investments.

SIGNIFICANT CHANGES IN NET SALES OR REVENUES DISCLOSED IN THE ACCOUNTS

Significant changes in net sales or earnings reported in the Company's accounts detailed in Section 6 of this Report are observed during the period considered.

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

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

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

EVENTS AND BUSINESS NEWS IN Q4 2022

The following events and business news took place in Q4 2022:

23.12.2022

Disclosure of the closing of a contract for sale of shares in Sirma AI JSC by the daughter company Sirma Solutions JSC. The contract requires approval of the sale by the GSM of Sirma Group Holding JSC.

23.12.2022

Disclosure of the approval by the Board of Directors of Sirma Group Holding JSC of a decision for the sale of shares in the daughter company Sirma AI JSC by the Board of Directors of another daughter company - Sirma Solutions JSC.

29.11.2022

Publication of the interim individual financial reports for the period ending on 30.09.2022 of Sirma Group Holding JSC.

14.11.2022

Publication of the Minutes from the GSM of Sirma Group Holding.

4.11.2022

Notification of the cancellation of two of the items of the Agenda for the upcoming GSM of Sirma Group Holding JSC by the FSC.

31.10.2022

Publication of the interim individual financial reports for the period ending on 30.09.2022 of Sirma Group Holding JSC.

18.10.2023

Disclosure of an acquisition of an enterprise in Albania by the daughter company of Sirma Group Holding JSC – Sciant JSC.

06.10.2022

Notification of a change in the date for the convening of the GSM of Sirma Group Holding, publication of a new Invitation and corresponding documents.



04.10.2022

Notification for the sale of shares of Sirma Group Holding JSC by the related company to a member of the Board Yavor Djonev – "Foundation for Educational Transformation" on 16 and 22.09.2022. Information about these transactions was received in SGH on 03.10.2022.

01.10.2022

Publication of the documents for the upcoming GMS of Sirma Group Holding JSC.

31.12.2022

Publication of the Invitation for convening a GMS of Sirma Group Holding JSC.

31.12.2022

Notification of the acquisition of the commercial enterprise Empiriu by the daughter company Sirma Business Consulting JSC.

31.12.2022

Notification of purchase of shares by a member of the Board of Sirma Group Holding JSC Martin Paev on 28,29 and 31.12.2022.

29.09.2022

Notification of purchase of shares by a member of the Board of Sirma Group Holding JSC Martin Paev on 26 и 28.09.2022.

19.09.2022

The shares of Sirma Group Holding JSC are again included in the prestigious indexes at the Bulgarian Stock Exchange – Sofia: BGBX40, SOFIX and BG TR30.

14.09.2022

The recently acquired company TBI Info AD changed its name to Sirma InsureTech JSC.

01.09.2022

Notification of the successful execution of all obligations of the parties in the deal for the sale of shares in Sirma AI JSC.

29.08.2022

Disclosure of the interim consolidated financial results for the period ending on 30.06.2022 of Sirma Group Holding JSC.

08.08.2022

Start date for the payment of dividends to the shareholders of Sirma Group Holding JSC for 2021.

01.08.2022

Disclosure of the interim individual financial results for the period ending on 30.06.2022 of Sirma Group Holding JSC.

15.07.2022

Disclosure of the rules for distribution of dividends by Sirma Group Holding JSC.

05.07.2022

Disclosure of the acquisition of the majority shares of the company TBI Info AD.

28.06.2022

Publication of the decision of the GMS of Sirma Group Holding JSC to distribute dividends for 2021.

27.06.2022

Publication of the Protocol from the GMS of Sirma Group Holding JSC.

24.06.2022

Interview of the CCO of Sirma Solutions Momchil Zarev by the financial vlogger Georgi Mitev.

14.06.2022

Disclosure of additional item to the proposed Agenda of the GMS of Sirma Group Holding JSC.

14.06.2022

An interview article in Investor.bg of the CEO of Sirma Group Holding JSC Tsvetan Alexiev.

10.06.2022

Disclosure of sale of 2 906 349 shares of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

10.06.2022

Disclosure of the transformation of the shares of the daughter company Sirma Solutions JSC into shares of Sirma Group Holding JSC.



10.06.2022

Disclosure of the sale of 499 628 own shares by Sirma Group Holding JSC.

09.06.2022

Sirma Group takes part in the fintech expo Money 20/20 in Amsterdam.

08.06.2022

Disclosure of additional item to the proposed Agenda of the GMS of Sirma Group Holding JSC.

03.06.2022

Disclosure of approved project by the Board of Directors of Sirma Group Holding JSC for the acquisition of the majority shares of the IT company TBI Info AD.

01.06.2022

Disclosure of purchase of 517 452 shares of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

30.05.2022

Disclosure of the interim consolidated financial statements of Sirma Group Holding JSC for the period ending on **31.03.2022**.

17.05.2022

Disclosure of accepted offer by the BD of Sirma Group Holding JSC for the sale of the majority shares in Sirma AI JSC.

17.05.2022

Disclosure of the increase of capital of the daughter company of Sirma Group Holding JSC – Sirma AI JSC.

17.05.2022

Publication of the Invitation for the Annual General Meeting of Shareholders of Sirma Group Holding JSC.

12.05.2022

Disclosure of purchase of 150 000 shares of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

09.05.2022

Disclosure of purchase of 150 000 shares of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

03.05.2022

Disclosure of the interim individual financial statements of Sirma Group Holding JSC for the period ending on 31.03.2022

28.04.2022

Sirma celebrates its 30-th anniversary.

21.04.2022

Interview of the CCO of Sirma Solutions Momchil Zarev by Forbes magazine on the topic of the digital transformation of the financial industry.

19.04.2022

Sirma Group Holding JSC took part in "Accelerate Green" forum organized by the Green Energy and Finance Center.

07.04.2022

Disclosure of purchase of 250 000 shares of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

31.03.2022

Disclosure of purchase of 105 000 shares of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

30.03.2022

Disclosure of audited annual individual reports of Sirma Group Holding JSC for 2021.

29.03.2022

Angelica Kabaivanova - Director of Business Development and Marketing at Sirma Solutions represented Sirma Group at [AxisTlv22](#) in Tel Aviv, Israel.

07.03.2022

Disclosure of share purchase of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.

04.03.2022

Georgi Tsekov is the new Executive director of the daughter company of Sirma Group Holding JSC Daticum JSC.

01.03.2022

Disclosure of share purchase of Sirma Group Holding JSC stock by related company Sirma Solutions JSC.



01.03.2022

Disclosure of interim quarterly consolidated reports of Sirma Group Holding JSC for the period ending on 31.12.2021.

28.02.2022

Momchill Zarev, Chief Commercial Officer and Mark Belane, Director of Strategic Partnerships at Sirma Solutions took part in Connectivity Unleashed – the Mobile World Congress in Barcelona.

31.01.2022

Disclosure of interim quarterly individual reports of Sirma Group Holding JSC for the period ending on 31.12.2021.

MAIN LEGAL INFORMATION IN Q4 2022

Transactions with shares for the period 01.01.2022 - 31.12.2022:

- **Purchase and sell of shares from a subsidiary**

In Q4 2022 the subsidiary "Sirma Solutions" has acquired additional 1 500 952 shares from the capital of "Sirma Group Holding" JSC for the amount of BGN 919 524 and sold 2 906 349 shares for the amount of BGN 2 179 762.

- **Sell of purchased own share of the Company**

On 9 June 2022 „Sirma Group Holding“ JSC sold 499 628 purchased own shares at an average price of BGN 0.75 per share, for a total value of BGN 374 721.

- **Concentration of ownership of a subsidiary**

On 09.06.2022, pursuant to the Strategy of „Sirma Group Holding“ JSC for ownership concentration, the shareholders of the subsidiary „Sirma Solutions“, who are also its employees, transformed their investments from shareholders of „Sirma Solutions“, into shareholders of „Sirma Group Holding“ JSC. At the same time, „Sirma Group Holding“ JSC became the sole owner of „Sirma Solutions“. The transactions for sale/purchase of shares of „Sirma Solutions“ and „Sirma Group Holding“ JSC were executed on the over-the-counter market at current market prices. The following two positive effects are achieved through these transactions:

1. Synchronization of the interests of the key employees of the largest company in Sirma Group - „Sirma Solutions“, with those of the parent company, through their transformation from shareholders in „Sirma Solutions“ to shareholders in „Sirma Group Holding“ JSC;
2. „Sirma Group Holding“ JSC becomes the sole owner of its largest company „Sirma Solutions“, which will remain the only member of the Sirma Group to hold shares in the capital of „Sirma AI“ after the possible sale later this year of a majority stake in „Sirma AI“ of an investment company.

- **Acquisition of a majority stake in "TBI Info" AD**

On 05.07.2022, pursuant to a decision of the Board of Directors of "Sirma Group Holding" JSC, a majority stake in the shares of the IT company "TBI Info" AD and its subsidiary "HRM Solutions" AD was acquired. A transaction has the following parameters:

- Number of employees: "TBI Info" AD has over 40 employees;
- Revenues: over BGN 3 million for 2021;
- Specialization: IT in the insurance sector and human resources management;
- Size of the acquired share of the company: 55% (fifty-five out of one hundred) of the shares of the company "TBI Info" AD.

With this deal, "TBI Info" AD officially becomes a member of Sirma Group.

- **Finalization of a transaction on the sale of a majority stake in the subsidiary "Sirma AI" AD**

On 01.09.2022, all actions regarding the sale of shares from the capital of "Sirma AI" AD to "New Frontier Technology Invest" SARL were finalized, according to the decision of the General Meeting of Shareholders of the majority owner "Sirma Group Holding" JSC from 24.06.2022 as follows:



- Subsidiary whose shares are subject to sale: "Sirma AI" AD;
- Valuation of the entire company "Sirma AI" AD: EUR 28 500 000;
- Buyer of shares: "New Frontier Technology Invest" SARL ("New Frontier Technology Invest" SARL), entered in the Luxembourg Trade Register under No. B267936;
- Sellers of shares: "Sirma Group Holding" JSC, "Sirma Solutions" AD and "Ontotext" AD;
- Proceeds from the sale: The total sale price for the shares that will be sold by "Sirma Solutions" AD, "Ontotext" AD and "Sirma Group Holding" JSC is in the amount of EUR 19 535 000, with the share of "Sirma Group Holding" JSC of EUR 6 600 714;
- Additional conditions: the buyer has contributed funds to increase the capital of "Sirma AI" AD with a cash contribution of EUR 10 750 000;
- Shareholding distribution after the capital increase: 76.2% of the company's capital belonged to "New Frontier Technology Invest" SARL, with "Sirma Solutions" AD retaining a share of 23.80% of the capital.

As a result of the received cash and the transferred shares, the commitments of all parties to the transaction have been completed.

Litigation for the period 01.01.2022 - 31.12.2022:

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

Other legal information for the period 01.01.2022 - 31.12.2022:

- Dividend payment for 2021

According to the decision of the General Shareholders' Meeting of „Sirma Group Holding“ JSC dated 24 June 2022, the company proceeds with the distribution of a cash dividend in the gross amount of BGN 0.0236 per share for 2021.

ISIN: BG1100032140

Total amount of the dividend: BGN 1 400 000

Right to receive dividend: According to the decision of the General Meeting of Shareholders, all shareholders of „Sirma Group Holding“ JSC as at 8 July 2022 have the right to receive a dividend (14 days after holding the meeting, according to Art. 115c, Para. 3 of the POSA), as they are entered in the Book of Shareholders at the Central Depository AD. Shares with a right to dividend: 59 275 672 (deducted 84 84 bought back shares).

Dividend amount for one share: gross BGN 0.0236 and net for individual shareholders BGN 0.0224.

The bank through which the dividend will be paid is the Sevlievo branch and the Central branches of United Bulgarian Bank AD (UBB AD), as indicated at any time in the List of central branches of UBB AD on the website of UBB AD www.ubb.bg, which can also be accessed at the following link: <https://www.ubb.bg/offices/central-offices>

Start date for dividend payment: August 08, 2022.

End date for dividend payment: February 2, 2023 (six months after the start date).

- Change of name of a subsidiary of "Sirma Group Holding" JSC

On 02.09.2022, "TBI Info" AD - a subsidiary of "Sirma Group Holding" JSC, changed its name to "Sirma InsurTech" AD.



6/ INDIVIDUAL FINANCIAL RESULTS

6.1. REVENUES

	31.12.2022 BGN '000	31.12.2021 BGN '000	Change (BGN '000)	Change (%)
Revenues from sales	3 217	3 807	(590)	(15,50%)
Dividend income	9 879	240	9 639	4 016,25%
Interest income	35	41	(6)	(14,63%)
Gain on sale of non-current assets	1	7	(6)	(85,71%)
Income from sale of investments	410	5	405	8 100%
Other revenues	161	531	(370)	(69,68%)
Total	13 703	4 631	9 072	195,90%

In Q4 2022 the revenues of "Sirma Group Holding" JSC increased by BGN 9 072 thousand or by 195,90% compared to Q4 2021.

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

Revenues by product line includes:

	31.12.2022 BGN '000	31.12.2021 BGN '000	Change (BGN '000)	Change (%)
Licenses	1 248	1 803	(555)	(30,78%)
Administrative and accounting services	1 130	893	237	26,54%
Rents of investment properties	703	523	180	34,42%
Technical Support	36	36	-	-
Cloud services	-	195	(195)	(100%)
Others	100	357	(257)	(71,99%)
Total	3 217	3 807	(590)	(15,50%)

6.2. EXPENSES

	31.12.2022 BGN '000	31.12.2021 BGN '000	Change (BGN '000,%)
Cost of materials	(85)	(72)	(13)
Change in %			18,06%
Hired services expenses	(947)	(1 306)	359
Change in %			(27,49%)
Employee benefits expense	(1 689)	(1 462)	(227)
Change in %			15,53%
Depreciation and amortisation of non-financial assets	(598)	(567)	(31)
Change in %			5,47%
Capitalized own expenses	-	333	(333)
Change in %			(100%)
Other expenses	(8 340)	(122)	(8 218)
Change in %			6 736,07%
Total expenses	(11 659)	(3 196)	(8 463)
Change in %			264,80%

In Q4 2022 the expenses of "Sirma Group Holding" JSC increased by BGN 8 463 thousand or by 264,80% as compared to Q4 2021.



6.3. FINANCIAL INCOME / COSTS (NET)

	31.12.2022 BGN '000	31.12.2021 BGN '000	Change (BGN '000)	Change (%)
Financial costs	(790)	(362)	(428)	118,23%
Financial income	8	50	(42)	(84%)
Financial income / costs (net)	(782)	(312)	(470)	150,64%

In Q4 2022, financial income / costs (net) of "Sirma Group Holding" JSC increased by BGN 470 thousand as compared to Q4 2021.

6.4. ASSETS

The total assets of „Sirma Group Holding“ JSC at the end of the Q4 of 2022 are with BGN 17 096 thousand (16,04%) less than their value at the end of 2021.

	31.12.2022 BGN '000	31.12.2021 BGN '000	Change (BGN '000)	Change %
Property, plant and equipment	610	607	3	0,49%
Intangible assets	6 542	9 664	(3 122)	(32,31%)
Investments in subsidiaries	67 035	78 141	(11 106)	(14,21%)
Investment property	9 707	9 601	106	1,10%
Long-term related party receivables	-	3 807	(3 807)	(100%)
Long-term receivables	-	426	(426)	(100%)
Deferred tax assets	833	-	833	n/a
Total non-current assets	84 727	102 246	(17 519)	(17,13%)

	31.12.2022 BGN '000	31.12.2021 BGN '000	Change (BGN '000)	Change (%)
Trade receivables	73	60	13	21,67%
Prepayments and other assets	35	170	(135)	(79,41%)
Related party receivables	956	2 293	(1 337)	(58,31%)
Income tax receivables	-	17	(17)	(100%)
Cash and cash equivalents	3 674	1 775	1 899	106,99%
Total current assets	4 738	4 315	423	9,80%

6.5. EQUITY

	31.12.2022 BGN '000	31.12.2021 BGN '000	Change (BGN '000)	Change %
Share Capital	59 361	59 361	-	-
Purchased own shares	(85)	(585)	500	(85,47%)
Share premium reserve	5 372	5 497	(125)	(2,27%)
Other reserves	1 245	1 141	104	9,11%
Retained earnings	7 559	8 028	(469)	(5,84%)
Current financial result	2 123	1 034	1 089	105,32%
Total equity	75 575	74 476	1 099	1,48%

In Q4 2022, Equity increased by BGN 1 099 thousand compared to the end of 2021.



6.6. LIABILITIES

The amount of the liabilities of "Sirma Group Holding" JSC at the end of Q4 2022 is with BGN 18 195 thousand (56,71%) less than their value at the end of 2021.

	31.12.2022 BGN '000	31.12.2021 BGN '000	Change (BGN '000)	Change %
Pension employee obligations	54	22	32	145,45%
Long-term borrowings	7 457	9 038	(1 581)	(17,49%)
Long-term lease liabilities	116	102	14	13,73%
Long-term related party payables	1 242	6 179	(4 937)	(79,90%)
Deferred tax liabilities	-	28	(28)	(100%)
Total Non-current liabilities	8 869	15 369	(6 500)	(42,29%)

	31.12.2022 BGN '000	31.12.2021 BGN '000	Change (BGN '000)	Change %
Employee obligations	237	356	(119)	(33,43%)
Short-term borrowings	1 418	6 832	(5 414)	(79,24%)
Short-term lease liabilities	33	20	13	65%
Trade and other payables	163	171	(8)	(4,68%)
Short-term related party payables	3 170	9 337	(6 167)	(66,05%)
Total Current liabilities	5 021	16 716	(11 695)	(69,96%)



LONG-TERM AND SHORT-TERM BANK LOANS

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit (BGN)	Outstanding obligation to 31.12.2022 (BGN)	Date of contract	Interest rate	Number of outstanding installments	The amount of monthly installment (BGN)	Maturity date	Pledges
Loans for which the Issuer is a debtor											
"Sirma Group Holding" JSC	Eurobank Bulgaria AD	Overdraft	BGN	4 200 000	-	21.07.2016	Base + 0.7 points, but not less than 1.7% per year	-	-	31.12.2022	Pledge of the Receivables under the Business Incubator Contract №BG161PO003-2.2.0012-C0001 / 02.02.2012; Mortgage of a real estate located in Sofia, Mladost district, Tsarigradsko Shosse Blvd 135, namely the 5th floor of the building
"Sirma Group Holding" JSC	Unicredit BulBank AD	Investment	BGN	2 800 000	-	15.12.2022	The applicable variable interest rate for the relevant interest period +1.5 points, but not less than 1.5% 3 m.	-	-	15.12.2024	Pledge of receivables
"Sirma Group Holding" JSC	United Bulgarian Bank AD	Investment	EUR	2 933 745	2 615 923	11.12.2021	EURIBOR + 1.2%, but not less than 1.3% per year 3 m.	108	24 448	11.12.2031	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
"Sirma Group Holding" JSC	United Bulgarian Bank AD	Investment	EUR	6 391 652	5 527 176	11.12.2021	EURIBOR + 1.2%, but not less than 1.3% per year 3 m.	84	66 498	11.12.2029	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
"Sirma Group Holding" JSC	United Bulgarian Bank AD	Investment	EUR	731 131	731 131	30.06.2021	EURIBOR + 1.2%, but not less than 1.3% per year 3 m.	54	27 165	30.06.2027	Pledge of receivables, pledge of subsidiary



*Interim separate management report of “Sirma Group Holding” JSC
for the period 01.01.2022 – 31.12.2022*

Loans for which the Issuer is a guarantor

Sirma Solutions	United Bulgarian Bank AD	Overdraft	BGN	4 025 000	597 452	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	-	20.12.2025	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
Sirma Solutions	United Bulgarian Bank AD	Revolving credit line	BGN	4 000 000	-	28.10.2020	RIR + 1.4%, but no less than 1.5% per year	-	28.10.2025	Pledge of receivables
Sciant	Unicredit BulBank AD	Overdraft	BGN	500 000	-	18.5.2020	The applicable variable interest rate for the relevant interest period +3.5 points, but not less than 3.5%	-	8.8.2024	Pledge of receivables
Sciant	Unicredit BulBank AD	Overdraft	BGN	500 000	-	7.4.2022	The applicable variable interest rate for the relevant interest period +1.3 points, but not less than 1.3%	-	7.4.2025	Pledge of receivables
EngView Systems Sofia	Unicredit BulBank AD	Overdraft	BGN	1 000 000	-	15.12.2020	The applicable variable interest rate for the relevant interest period +1.3 points, but not less than 1.3%	-	15.12.2024	Pledge of receivables
Sirma Medical Systems	United Bulgarian Bank AD	Revolving bank loan	BGN	250 000	250 000	15.12.2020	ADI + 1,3 percent, (but not less than 1,3 percent per year)	-	15.12.2023	Pledge on receivables



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

Lender	Recipient	United identification code	Relationships	Type	Currency	Liability as of 31.12.2022 (BGN '000)	Date of contract/ last annex	Interest rate %	Term of contract	Pledges
Ototext	Sirma Medical Systems	204054855	Subsidiary	Loan	BGN	1 100	20.12.2022	2.80	31.12.2023	No pledges
Sirma Group Holding	Sirma CI	205364846	Subsidiary	Loan	BGN	29	02.01.2019, 31.01.2021	1.3	31.12.2023	No pledges
Sirma Group Holding	Sirma ISG	201580558	Company under common control	Loan	BGN	7	26.04.2017	1.3, 2.8, 6.5	31.12.2023	No pledges
Sirma Group Holding	Sirma ICS	203940550	Company under common control	Loan	BGN	95	23.01.2017, 31.01.2021	1.3	31.12.2023	No pledges
Sirma Group Holding	Pirina Technologies	175149906	Company under common control	Loan	BGN	295	10.01.2022	2	31.12.2023	No pledges
Sirma Group Holding	Sirma InsurTech	205982173	Subsidiary	Loan	BGN	200	03.10.2022	1.3	31.12.2023	No pledges
Sirma Solutions	Sirma ISG	201580558	Subsidiary	Loan	BGN	107	12.12.2016	5	31.12.2023	No pledges
Sirma Solutions	Sirma Group Holding	200101236	Parent company	Deposit	BGN	2 256	29.10.2020	0.1	31.12.2023	No pledges
Sirma Solutions	*Individual T.A.		Related party	Loan	BGN	14	10.12.2021	2.5	12.04.2023	No pledges
Sirma Solutions	*Individual S.S.		Non related party	Loan	BGN	150	27.06.2017, 20.09.2017	3	31.12.2023	No pledges
Sirma Solutions	*Individual S.S.		Non related party	Loan	BGN	133	31.05.2022	2	31.12.2023	No pledges
Daticum	Sirma Group Holding	200101236	Company under common control	Deposit	BGN	514	04.01.2009	0.1	31.12.2023	No pledges
Worklogic Canada	Sirma Group Inc	Foreign company	Non related company	Loan	USD	82	31.07.2017	0.01	31.12.2023	No pledges
Sirma InsurTech	HRM Solutions	200101236	Subsidiary	Loan	BGN	187	14.07.2021	3.2	31.08.2023	No pledges

Other loans and deposits received from Sirma Group Holding and its subsidiaries:



Recipient	Lender	United identification code	Relationships	Type	Currency	Liability as of 31.12.2022 (BGN '000)	Date of contract/ last annex	Interest rate %	Term of contract	Pledges
Sirma Medical Systems	Ontotext	200356710	Company under common control	Loan	BGN	1 100	20.12.2022	2.80	31.12.2022	No pledges
Sirma CI	Sirma Group Holding	200101236	Parent company	Loan	BGN	29	02.01.2019 31.01.2021	1.3	31.12.2022	No pledges
Sirma Group Holding	Sirma Solutions	040529004	Subsidiary	Deposit	BGN	2 526	29.10.2020	0.1	31.12.2022	No pledges
Sirma Group Holding	Daticum	200558943	Company under common control	Deposit	BGN	514	04.01.2009	0,1	31.12.2022	No pledges
Sirma Group Inc	Worklogic Canada	Foreign company	Non related company	Loan	USD	82	31.07.2017	0,01	31.12.2022	No pledges
Sirma InsurTech	*Individual Y.M.		Related party	Loan	BGN	77	30.08.2022	2.9	31.08.2023	No pledges

*The Issuer has disclosed only the initials of the individuals to whom it has granted loans, in compliance with the provisions of the Personal Data Protection Act and the General Regulation on Data Protection (Regulation (EU) 2016/679, GDPR).



6.7. CASH FLOW

	31.12.2022 BGN '000	31.12.2021 BGN '000	Change (BGN '000)	Change %
Net cash flow from operating activities	106	1 092	(986)	(90,29%)
Net cash flow from investing activities	12 361	(7 247)	19 608	n/a
Net cash flow from financing activities	(10 565)	6 642	(17 207)	n/a
Net change in cash and cash equivalents	1 902	487	1 415	290,55%
Cash and cash equivalents at the beginning of the year	(3)	-	(3)	n/a
Exchange gains/(losses) on cash and cash equivalents	1 775	1 288	487	37,81%
Cash and cash equivalents at the end of the year	3 674	1 775	1 899	106,99%

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

6.8. INDICATORS AND COEFFICIENTS

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

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

No	Indicators BGN '000	31.12.2022	31.12.2021	Change (Abs.)	Change (%)
1	Revenue from operating activities	13 703	4 631	9 072	195,90%
2	Cost of sales	(3 319)	(3 074)	(245)	7,97%
3	Gross profit / loss	10 384	1 557	8 827	566,92%
4	Other operating costs	(8 340)	(122)	(8 218)	6 736,07%
5	Operating profit / loss	2 044	1 435	609	42,44%
6	Financial income	8	50	(42)	(84%)
7	Financial costs	(790)	(362)	(428)	118,23%
8	Profit / loss before tax expense	1 262	1 123	139	12,38%
9	Tax costs	861	(89)	950	n/a
10	Net profit / loss	2 123	1 034	1 089	105,32%
11	Dividend	(1 216)	-	(1 216)	n/a
12	Cash and cash equivalents	3 674	1 775	1 899	106,99%
13	Inventories	-	-	-	n/a
14	Short-term assets	4 738	4 315	423	9,80%
15	Total amount of assets	89 465	106 561	(17 096)	(16,04%)
16	Average arithmetic total asset value for 5 quarters	95 718	99 137	(3 419)	(3,45%)
17	Current liabilities	5 021	16 716	(11 695)	(69,96%)
18	Debt	9 024	15 990	(6 966)	(43,56%)
19	Liabilities (borrowed funds)	13 890	32 085	(18 195)	(56,71%)
20	Equity	75 295	74 476	819	1,10%
21	Equity averaged 5 quarters	74 438	74 274	164	0,22%
22	Turnover capital	(283)	(12 401)	12 118	(97,72%)
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	-
24	Gain / loss minority interest	-	-	-	n/a
25	Interest expenses	(355)	(310)	(45)	14,52%
26	Weighted average share price of last trading session	0,7375	0,442	0,2955	66,86%
27	Last share price of last trading session	0,75	0,44	0,31	70,45%



Indicators	31.12.2022	31.12.2021	Change	
			(Abs.)	(%)
EBITDA	2 215	2 000	215	10,75%
DEPRECIATION	(598)	(567)	(31)	5,47%
EBIT	1 617	1 433	184	12,84%
FIN/INVEST NET	(782)	(312)	(470)	150,64%
EBT	1 262	1 123	139	12,38%
ROA	0,0237	0,0097	0,01403	144,55%
ROA(BSE)	0,0222	0,0104	0,01175	112,65%
Debt/EBITDA Ratio	4,0740	7,9950	(3,92096)	(49,04%)
Quick Ratio	0,9436	0,2581	0,6855	265,56%
ROE (BSE)	0,0285	0,0139	0,0146	104,87%
ROE	0,0285	0,0139	0,0146	104,87%
EBITDA	0,1845	0,4308	(0,2463)	(57,18%)
Profitability ratios				
Gross profit margin	0,7578	0,3362	0,4216	125,39%
Operating profit margin	0,1492	0,3099	(0,1607)	(51,86%)
Net profit margin	0,1549	0,2233	(0,0683)	(30,61%)
Coefficients for assets and liquidity				
Assets turnover ratio	0,1432	0,0472	0,0960	203,37%
Assets turnover ratio (BSE)	0,1432	0,0467	0,0964	206,47%
Operating cycle	(48,4205)	(0,3734)	(48,0471)	12 866,15%
Current ratio	0,9436	0,2581	0,6855	265,56%
Quick ratio	0,9436	0,2581	0,6855	265,56%
Cash ratio	0,7317	0,1062	0,6255	589,10%
Odds per share				
P/S ratio	3,1948	5,6656	(2,4708)	(43,61%)
P/E ratio	20,6212	25,3748	(4,7537)	(18,73%)
P/B ratio	0,5814	0,3523	0,2291	65,04%
Revenue per share	0,2308	0,0780	0,1528	195,90%
Earnings per share	0,0358	0,0174	0,0183	105,32%
Book value of equity per share	1,2540	1,2512	0,0028	0,22%
Development Ratios				
Revenue growth	1,9590	0,0214	1,9376	9 056,68%
Gross profit growth	5,6692	(0,1468)	5,8161	n/a
Assets growth	(0,1604)	0,1362	(0,2966)	n/a
Leverage Ratios				
Debt/total assets	0,0943	0,1613	(0,0670)	(41,55%)
Debt/capital	0,1081	0,1771	(0,0690)	(38,97%)
Debt/equity	0,1212	0,2153	(0,0941)	(43,69%)
Total assets/equity	1,2859	1,3347	(0,0489)	(3,66%)
Market value of the company	44 521	26 119	18 402	70,45%



6.9 RELATED PARTY TRANSACTIONS

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

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

Transactions with subsidiaries

	31.12.2022 BGN'000	31.12.2021 BGN'000
Purchases of goods and services:		
Purchases of services:		
- Software services	-	(4)
- Advertising	(42)	-
Purchases of goods:		
- Office supplies	-	(3)
- Inventory	(1)	(1)
- Computer components	(1)	(2)
Purchases of LTFA	(5)	(39)
 Sales of goods and services		
Sales of services		
- Cloud services	-	195
- Administrative, accounting services	964	738
- Rent	513	476
- Consulting services	31	91
- Sale of licenses	1 238	1 803
- Technical Support	22	22
- Marketing and Advertising	-	156
- Software services	-	2
Sales of goods:		
- Consumables	58	77
Dividends received	9 945	240
 - Received deposits	-	2 300
- Refund of received deposits	(975)	(915)
- Received loans	1 400	-
- Recovered received loans	(1 400)	-
- Given loans	(398)	(196)
- Refunded loans	2 143	209
 - Interest on received deposits	100	166
- Interest on received loans	7	-
- Interest on given loans	27	25



Transactions with other related parties

	31.12.2022 BGN'000	31.12.2021 BGN'000
Purchases of services:		
- Internet	(43)	(20)
- Consulting services	-	(7)
- Subscriptions	-	(1)
Sale of services		
- Administrative, accounting services	165	155
- Rent	76	47
- Consulting services	8	6
- Technical Support	14	15
Purchases of goods		
- Consumables	6	6
- Given loans	(295)	-
- Refunded loans	46	266
- Interest on deposits	8	16
- Interest on given loans	1	1

Transactions with key management personnel

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

	31.12.2022 BGN'000	31.12.2021 BGN'000
Short-term employee benefits:		
Salaries including bonuses	(486)	(448)
Social security costs	(8)	(7)
Total remunerations	(494)	(455)



7/ PERSONNEL AND ECOLOGY

7.1 ECOLOGY

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

7.2 PERSONNEL

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

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

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

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

"Sirma Group Holding" JSC	31.12.2022	31.12.2021
	Number of employees	Number of employees
Employment contract	19	19
Contract for management and control	10	6
Total	29	25

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

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

8/ RISK FACTORS

Risk management objectives and policies

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

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

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

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



8.1 Market risk analysis

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

8.1.1.1 Foreign currency risk

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

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

8.1.1.2 Interest rate risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. As of 31 December 2022, the Company was not exposed to changes in market interest rates. The Company's investments in bonds all pay fixed interest rates.

8.2 Credit risk

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

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

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

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

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

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

8.3 Liquidity risk

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

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

Financial assets used for managing liquidity risk

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



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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

- detection and termination of frauds and errors;

- completeness and regularity of accounting information;

- preparation of reliable financial information;

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

The interim separate 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 and the launch of a full-scale military invasion in Ukraine..

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



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

No changes during the period considered.

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

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

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

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



19/ EVENTS AFTER THE END OF THE REPORTING PERIOD

Payment of a six-month dividend for 2022

At the General Shareholders Meeting of "Sirma Group Holding" JSC, held on 09.01.2023, after discussion under item 1 of the previously published Agenda, a decision was made regarding the distribution of a six-month dividend from the profit for 2022, as follows:

"Distribution of a six-month dividend for 2022":

- Realized profit for the six months: BGN 998 372,20
- Distributes a dividend in the total amount of BGN 889 135,08
- Dividend per share: BGN 0,015 All shareholders of "Sirma Group Holding" JSC registered in the Central Depository as of the 14th day after the above-mentioned GSM (23.01. 2023).

The dividend will begin to be paid within 60 days of the above-mentioned GSM in accordance with the requirements of the Central Depository. Shareholders who have open accounts with investment intermediaries will receive their dividend through them. Shareholders who are not served by an investment intermediary, and whose shares are held in personal accounts in "Register A" at the Central Depository, will receive their dividends through the branch network of a commercial bank. With additional notification, Sirma Group Holding JSC will announce the start and end date for dividend payment, as well as the commercial bank that will serve the process.

Complicated international situation

The full-scale military invasion of Russia in Ukraine, which began on 24 February 2022 and continuing at the time of publication of interim separate management report, caused a wide international response and affected the countries of Europe in various aspects. The expectation is that the military conflict will have a negative impact and affect all businesses to one degree or another.

The escalation of hostilities between Russia and Ukraine, the imposition of sanctions and restrictions by the European Union, USA, Canada, Britain and other countries on Russia, the Russian Central Bank, credit institutions, companies, individuals and the closure of Russian stock exchanges, cause significant shocks, ubiquitous on financial markets. The company has no direct exposure to Ukraine or Russia. However, the impact on the general economic situation may necessitate a revision of some assumptions and judgments. At the same time, inflationary pressures continue to increase, with military action and rising quotations on all commodities expected to increase further.

Systematic risks operate outside the Company, but have a key impact on its activities. These risks are specific to the whole market and cannot be avoided by diversifying the risk, as they are related to the macroeconomic situation, the political situation, regional development and others.

The economic sanctions imposed on Russia by USA and the European Union in connection with the military conflict are likely to have a direct impact on the Company's activities, in relation with the indirect effects of the effect on business and consumer confidence and commodity markets.

Sofia
23.01.2023

CEO:



Tsvetan Alexiev



"Sirma Group Holding" JSC

www.sirma.com